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

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FORM 10-K

[X] Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the fiscal year ended JULY 31, 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: 0-27756.

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

| DELAWARE | 13-3648318 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| 25 SCIENCE PARK, SUITE 360, NEW HAVEN, CONNECTICUT | 06511 |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

203-776-1790
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None.

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, Par Value $0.0001

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

Yes X No

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

The aggregate market value of the Common Stock held by non-affiliates of the registrant, based upon the last sale price of the Common Stock reported on the National Association of Securities Dealers Automated Quotation (NASDAQ) National Market System on October 22, 1997, was $107,375,000.

The number of shares of Common Stock outstanding as of October 22, 1997 was 9,107,149 .

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DOCUMENTS INCORPORATED BY REFERENCE

(To the Extent Indicated Herein)

Portions of the registrant's Proxy Statement to be filed with the Securities and Exchange Commission in connection with solicitations of proxies for the Registrant's 1997 Annual Meeting of Stockholders on December 11, 1997 are incorporated by reference in Part III, Item 11 of this Form 10-K.



PART I.

THIS ANNUAL REPORT ON FORM 10-K AND THE DOCUMENTS INCORPORATED HEREIN BY REFERENCE CONTAIN FORWARD-LOOKING STATEMENTS THAT HAVE BEEN MADE PURSUANT TO THE PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH FORWARD LOOKING STATEMENTS ARE BASED ON CURRENT EXPECTATIONS, ESTIMATES AND PROJECTIONS ABOUT THE COMPANY'S INDUSTRY, MANAGEMENT'S BELIEFS, AND CERTAIN ASSUMPTIONS MADE BY THE COMPANY'S MANAGEMENT, WORDS SUCH AS "ANTICIPATES," "EXPECTS," "INTENDS," "PLANS," "BELIEVES," "SEEKS," ESTIMATES," VARIATIONS OF SUCH WORDS AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY SUCH FORWARD-LOOKING STATEMENTS. THESE STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND ARE SUBJECT TO CERTAIN RISKS, UNCERTAINTIES AND ASSUMPTIONS THAT ARE DIFFICULT TO PREDICT; THEREFORE, ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE EXPRESSED OR FORECASTED IN ANY SUCH FORWARD-LOOKING STATEMENTS. SUCH RISKS AND UNCERTAINTIES INCLUDE, BUT ARE NOT LIMITED TO, THOSE SET FORTH HEREIN UNDER "IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS," ATTACHED HERETO AS EXHIBIT 99, AS WELL AS THOSE NOTED IN THE DOCUMENTS INCORPORATED HEREIN BY REFERENCE. UNLESS REQUIRED BY LAW, THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE PUBLICLY ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE. HOWEVER, READERS SHOULD CAREFULLY REVIEW THE RISK FACTORS SET FORTH IN OTHER REPORTS OR DOCUMENTS THE COMPANY FILES FROM TIME TO TIME WITH THE SECURITIES AND EXCHANGE COMMISSION.

## ITEM 1. BUSINESS

### GENERAL

Alexion Pharmaceuticals, Inc. ("Alexion or "the Company") is a biopharmaceutical company engaged in the research and development of proprietary immunoregulatory compounds for the treatment of autoimmune and cardiovascular diseases. The Company is developing C5 Complement Inhibitors and Apogens, two classes of potential therapeutic compounds designed to selectively target specific disease-causing segments of the immune system. The Company believes that its C5 Complement Inhibitors and Apogens, which are based upon distinct immunoregulatory technologies, may have the advantage of achieving a higher level of efficacy with the potential for reduced side effects when compared to existing therapeutic approaches. The Company will need to undertake and complete further tests in order to confirm its belief, and there can be no assurance as to the results of any such tests. Primary therapeutic targets for the C5 Complement Inhibitor product candidates are cardiovascular disorders, including prevention of bleeding and inflammation in cardiopulmonary bypass ("CPB") during open heart surgery, myocardial infarction, and autoimmune disorders including lupus nephritis and rheumatoid arthritis. Key disease targets for the Apogen program include the autoimmune disorders multiple sclerosis and diabetes mellitus.

As an outgrowth of its core technologies, the Company is developing, in collaboration with United States Surgical Corporation ("US Surgical"), non-human UniGraft organ products designed for transplantation into humans and, in collaboration with Genetics Therapy Inc. ("GTI/Novartis"), a subsidiary of Novartis, Inc., immunoprotected retroviral vector particles and producer cells for use in gene therapy.

## ALEXION'S DRUG DEVELOPMENT STRATEGY

Alexion's strategy is to develop novel immunoregulatory therapeutics for disease states, disorders and clinical indications for which the Company believes treatment options are either non-existent or inadequate.

Currently available therapies for certain autoimmune, cardiovascular and neurologic diseases, in which the immune system attacks the patient's own tissue, broadly suppress the entire immune system, thus causing potentially severe side effects. In contrast, Alexion's proprietary compounds are designed to be more effective with reduced side effects when compared to currently available therapies by generally targeting only the specific disease-causing segments of the immune system, leaving the remaining segments of the immune system intact to perform their normal protective functions. The Company is developing two classes of potential therapeutic compounds, C5 Complement Inhibitors ("C5 Inhibitors") and Apogens. C5 Inhibitors are designed to specifically block the formation of disease-causing complement proteins, while Apogens are designed to selectively eliminate disease-causing T-cells. In the longer term, as an outgrowth of its core technologies, the Company is developing (i) non-human UniGraft organ products which are designed for transplantation into humans without clinical rejection and (ii) immunoprotected retroviral vector particles and producer cells for injectable delivery of therapeutic genes to patients' cells.

## ALEXION DRUG DEVELOPMENT PROGRAMS

### The Human Immune System

The role of the human immune system is to defend the body from attack or invasion by infectious agents or pathogens. This is accomplished through a complex system of proteins and cells, primarily complement proteins, antibodies and various types of white blood cells, each with a specialized function. Under normal circumstances, complement proteins, together with antibodies and white blood cells, act beneficially to protect the body by removing pathogenic microorganisms, cells containing antigens (foreign proteins), and disease-causing immune complexes (combinations of antigens and antibodies). However, any number of stimuli, including antibodies, pathogenic microorganisms, injured tissue, normal tissue, proteases (inflammatory enzymes) and artificial surfaces can locally activate complement proteins in a cascade of enzymatic and biochemical reactions (the "complement cascade") to form inflammatory byproducts leading, for example, in the case of cardiovascular disorders such as myocardial infarction (death of heart tissue), to additional significant damage to the heart tissue and, in the case of rheumatoid arthritis, to severe joint inflammation. T-cells, a type of white blood cell, play a critical role in the normal immune response by recognizing cells containing antigens, initiating the immune response, attacking the antigen-containing tissue and directing the production of antibodies directed at the antigens, all of which lead to the elimination of the antigen-bearing foreign organism. When a T-cell mistakenly attacks host tissue, the T-cell may cause an inflammatory

response resulting in tissue destruction and severe autoimmune disease leading, for example, in the case of multiple sclerosis to severe and crippling destruction of nerve fibers in the brain.

C5 Complement Inhibitor Immunotherapeutics

Alexion is developing specific and potent biopharmaceutical C5 Inhibitors which are designed to intervene in the complement cascade at what the Company believes to be the optimal point so that the disease-causing actions of complement proteins generally are inhibited while the normal disease-preventing functions of complement proteins generally remain intact. In laboratory and animal models of human disease, Alexion has shown that C5 Inhibitors are effective in substantially preventing inflammation during CPB, reducing tissue damage during myocardial infarction, reducing the incidence and severity of inflammation and joint damage in rheumatoid arthritis, enhancing survival in lupus and preserving kidney function in nephritis (kidney inflammation). The Company is developing two C5 Inhibitors, a short acting humanized (compatible for human use) single chain antibody (5G1.1-SC) designed for acute therapeutic settings such as in CPB procedures and in treating myocardial infarctions, and a long acting humanized monoclonal antibody (5G1.1) designed for treating chronic disorders such as lupus and rheumatoid arthritis.

Cardiopulmonary Bypass Surgery

In performing certain complex cardiac surgical procedures, it is necessary to detour blood from the patient's heart and lungs to a cardiopulmonary (heart-lung) bypass machine in the operating room which artificially adds oxygen to the blood and then circulates the oxygenated blood to the organs in the patient's body. The Company believes that excessive bleeding during and after surgery and tissue damage during and after surgery, both significant complications of CPB, may be the result of an inflammatory process that begins when CPB is initiated. The CPB related inflammatory response is associated with the rapid activation of the complement cascade caused when the patient's blood is perfused through the CPB machine and comes into contact with artificial surfaces. The inflammation is also characterized by activation of platelets (cells responsible for clotting) and neutrophils (a type of white blood cell). The Company believes that platelet activation and subsequent platelet dysfunction during CPB impair the patient's ability to arrest the bleeding that occurs after extensive surgery and that neutrophil activation is associated with impaired lung, heart, brain and kidney function.

The short acting humanized single chain antibody C5 Inhibitor (5G1.1-SC) is designed to inhibit complement activation in patients immediately before and during CPB in order to prevent the acute bleeding complications and other organ morbidities associated with CPB. Those effects might reduce the need for blood transfusions, the incidence of post-operative complications, the time spent by patients in the intensive care unit, and the scope of other required treatments associated with CPB. Preliminary studies by the Company indicate that the Company's C5 Inhibitor can substantially prevent activation of platelets and neutrophils and the subsequent inflammatory process that occurs during circulation of human blood in a closed-loop CPB circuit.

An Investigational New Drug application ("IND") was filed with the U.S. Food and Drug Administration ("FDA") in March 1996 for the C5 Inhibitor, 5G1.1-SC and, after receiving FDA authorization, a Phase I clinical trial in healthy male volunteers began in June 1996. Results of the Phase I trial indicated that a single dose administration of 5G1.1-SC was safe and well-tolerated in the study population. In September 1996, the



Company received FDA authorization for its second clinical trial and in October 1996 commenced a Phase I/II study of 5G1.1-SC in patients undergoing CPB.

In July 1997, preliminary results from this Phase I/II clinical study of 17 patients undergoing CPB were released. Treatment with 5G1.1-SC reduced the more than ten-fold increase in the level of activated complement byproducts experienced by patients on placebo during CPB in a dose-dependent manner. Also, in July, the Company announced that it was preparing to examine 5G1.1-SC in a

Phase IIa CPB clinical study including an additional 18 patients. There can be no guarantees that clinical trials of the Company's product candidates will be completed in a timely manner or will demonstrate sufficient safety and efficacy to obtain the requisite regulatory approvals or will result in marketable products.

The American Heart Association ("AHA") estimates that approximately 450,000 CPB surgical procedures were performed in the United States during 1992.

Myocardial Infarction

Myocardial infarction (heart attack) is an acute cardiovascular disorder where the coronary arteries (the arteries feeding the heart muscle) are blocked to such an extent that the flow of blood is insufficient to supply enough oxygen and nutrients to keep the heart muscle alive. With insufficient supply of blood, oxygen, and nutrients, the underperfused heart muscle may subsequently infarct (die). Myocardial infarction most often occurs due to a blockage in a coronary artery, caused by atherosclerosis. Upon the reduction in flow in the coronary artery, a complicated cascade of inflammatory events commences within the blood vessel involving platelets and leukocytes and their secreted factors, complement proteins, and endothelial cells. This severe inflammatory response targeting the area of the underperfused cardiac muscle is associated with subsequent infarction of the heart muscle. In addition to the high incidence of sudden cardiac death at the onset, severe complications associated with the initial survival of an acute myocardial infarction include congestive heart failure, stroke, and death.

The Company is developing the C5 Inhibitor, 5G1.1-SC (currently being applied to the treatment of patients undergoing CPB, as discussed above) to inhibit complement activation in patients suffering an acute myocardial infarction in order to reduce the extent of infarcted myocardium. The Company and its collaborators have performed preliminary preclinical studies in rodents which have demonstrated that administration of a C5 Inhibitor, at the time of myocardial ischemia (insufficient supply of blood to the heart muscle) and prior to reperfusion, significantly reduces the extent of subsequent myocardial infarction compared to control studies. There can be no assurance that the results from preclinical studies will be predictive of results that may be obtained in clinical trials or will be predictive of safety or efficacy in humans.

The AHA estimates that approximately 1,000,000 Americans survived a heart attack in 1992 and thus are potentially eligible for such drug treatment.

Rheumatoid Arthritis

Rheumatoid arthritis is an autoimmune disease directed at various organ and tissue linings, including the lining of the joints, causing inflammation and tissue destruction. Clinical signs and symptoms of the disease include weight loss, joint pain, morning stiffness and fatigue. Further, the joint destruction can progress to redness,



swelling and pain with frequent, severe joint deformity. Rheumatoid arthritis is generally believed to be due to T-cells which both directly attack the patient's joints and also activate B-cells (a type of white blood cell) to produce antibodies which deleteriously activate complement proteins in the joint, leading to inflammation, with subsequent tissue and joint destruction.

Alexion is developing a long acting humanized recombinant monoclonal antibody (5G1.1), a C5 Inhibitor which is designed to inhibit complement activation and thereby reduce the severity and frequency of flares of joint inflammation and arrest progressive tissue damage in joints caused by complement activation. The Company has performed preclinical studies in rodent models of rheumatoid arthritis. Treatment with the Company's specific C5 Inhibitor substantially prevented the onset of inflammation and pathology in the joints, the onset of clinical signs of rheumatoid arthritis, as well as ameliorated established disease. 5G1.1 is currently in the later stages of production for use in clinical trials. There can be no assurance that an IND will be filed, or

that the Company will be permitted to commence clinical trials on a timely basis, and that the results from preclinical studies will be predictive of results that may be obtained in clinical trials or will be predictive of safety or efficacy in humans.

In the United States approximately 2,500,000 patients receive treatment from a physician for rheumatoid arthritis.

Nephritis

The kidneys are responsible for filtering blood to remove toxic metabolites and maintain the blood minerals that are required for normal metabolism. Each kidney consists of millions of individual filtering units, each filtering unit called a glomerulus. When glomeruli are damaged, the kidney can no longer adequately maintain its normal filtering function. Clinically severe nephritis, found in many patients suffering from systemic lupus erythematosus ("lupus" or "SLE") and other autoimmune diseases, occurs when more than 90% of the kidney is destroyed by disease. Kidney failure is frequently associated with hypertension, strokes, infections, anemia, heart, lung and joint inflammation, coma and death. Most forms of damage to the glomerulus are mediated by the immune system and particularly by antibodies and activated complement proteins.

Alexion is developing the C5 Inhibitor 5G1.1 (also being applied to the treatment of rheumatoid arthritis, as discussed above) for the prevention and treatment of inflammation in lupus patients. The Company has performed preclinical studies in a rodent model of acute nephritis. In this model, the Company's specific C5 Inhibitor substantially prevented inflammation in the kidney tissue. Further, in a separate chronic rodent model that spontaneously develops a disease similar to lupus with concomitant nephritis, substantially more animals treated with the Company's specific C5 Inhibitor survived as compared to untreated control animals. 5G1.1 is currently in the later stages of production for use in clinical trials. There can be no assurance that an IND will be filed, or that the Company will be permitted to commence clinical trials on a timely basis, and that the results from preclinical studies will be predictive of results that may be obtained in clinical trials or will be predictive of safety or efficacy in humans.

Alexion's proposed product to treat and prevent nephritis is directed at a patient population which includes SLE as well as diseases with lower prevalence such as Goodpastures disease and others. According to the Lupus Foundation, 1.4 million



Americans suffer from lupus. Further, an estimated 70% of individuals afflicted with Lupus suffer nephritis.

Apogen Immunotherapeutics

The Company's Apogen compounds are based upon discoveries at the National Institutes of Health ("NIH") which are exclusively licensed to Alexion and upon further discoveries by Alexion. These discoveries involve a mechanism by which substantially all disease-causing T-cells are selectively eliminated in vivo in animal models of disease. The highly specific recombinant Apogens under development by the Company are designed to selectively eliminate disease-causing T-cells in patients with certain autoimmune diseases including multiple sclerosis and diabetes mellitus. The Company has demonstrated that its lead proprietary Apogen, MP4, is effective at preventing neurologic disease in animal models of multiple sclerosis.

Multiple Sclerosis

Multiple Sclerosis ("MS") is an autoimmune disease of the central nervous system which hinders the ability of the brain and spinal cord to control movement, speech and vision. MS can be severely debilitating with long term disability a common outcome. In severe cases, the reduced motor strength may confine the patient to a wheelchair. MS is widely believed to be due to the attack of a patient's antigen-specific T-cells on the protective myelin sheath surrounding nerve cells in the central nervous system.

Preclinical animal studies performed by Alexion in the experimental autoimmune encephalomyelitis (EAE) mouse model of MS, have demonstrated that administration of the Company's proprietary Apogen MS product candidate, MP4, at the time of disease induction, effectively prevents the development of severe neurologic disease and administration of MP4 after the onset of disease ameliorates established disease. In April 1997, the Company and its collaborators at the NIH disclosed preliminary results of testing of MP4 in a non-human primate model of MS. MP4 therapy substantially reduced the severity and incidence of neurologic symptoms in these preclinical studies. In in vitro studies, Alexion and NIH scientists have observed that MP4 is also capable of eliminating antigen-specific human T-cells from patients with MS. MP4 is currently in the later stages of production for use in clinical trials. There can be no assurance that an IND will be filed, or that the Company will be permitted to commence clinical trials on a timely basis, and that the results from preclinical studies will be predictive of results that may be obtained in clinical trials or will be predictive of safety or efficacy in humans.

According to the National Multiple Sclerosis Society, an estimated 250,000 people in the United States suffer from MS.

Diabetes Mellitus

Type I Diabetes Mellitus, or Insulin Dependent Diabetes Mellitus ("IDDM"), is the most severe form of diabetes and is generally believed to be caused by an autoimmune T-cell attack and destruction of the insulin producing cells in the pancreas. This process, which usually begins in childhood, causes reduced production of insulin, which is responsible for the breakdown of glucose, resulting in uncontrolled elevations in the patient's blood sugar. Without treatment, IDDM can be fatal.



Alexion is currently developing Apogen DM which is designed to prevent and treat IDDM by eliminating antigen-specific T-cells which are responsible for the pancreatic B-cell destruction. Alexion has established animal models of diabetes and has commenced initial preclinical studies with Apogen DM prototypes.

According to the American Diabetes Association, up to 800,000 Americans are insulin dependent diabetics. The Company intends to design its potential product as a preventative for individuals at high risk of developing the disease and as a therapy for patients who still have a population of insulin producing cells, in order to arrest progression of the disease and the subsequent development of longer term complications.

The UniGraft Program

Organ and Tissue Transplantation

As an outgrowth of its core technologies, the Company is also developing, in collaboration with US Surgical, non-human cell and organ UniGraft products which are designed for transplantation into humans without clinical rejection. Rejection of non-human tissue by patients is generally believed to occur in two stages, a very rapid hyperacute phase extending over minutes to hours and a somewhat less rapid acute phase, extending from days to months. Hyperacute rejection is generally believed to be mediated by naturally-occurring antibodies in the patient, most of which target a carbohydrate antigen uniquely present on the surface of non-human tissue (but not on the patient's own tissue). After binding to the foreign tissue, these antibodies activate the cascade of complement proteins on the surface of the donor tissue with subsequent destruction of the donor tissue. Subsequently, acute rejection of xenografts (tissue from different species) is generally believed to be mediated by T-cells, many of which are specific to the transplanted tissue.

UniGraft products are being designed to resist both complement/antibody-mediated hyperacute rejection and T-cell-mediated acute rejection. Alexion has commenced studies employing the UniGraft technologies during preclinical transplantation of genetically engineered and proprietary porcine cells and organs. Pigs are a preferred source of organ supply because

the anatomy, size, and physiology of their hearts and other organs are similar to human organs. Alexion has genetically engineered porcine cells that are resistant to lysis (break-up) and activation by human complement proteins. Alexion has also discovered and designed porcine specific antibodies which have been demonstrated to selectively and significantly block the human T-cell response to porcine tissue in in vitro studies. Alexion is currently employing its immunoregulatory and molecular engineering technologies in order to develop UniGraft hearts, lungs, livers, pancreases and kidneys.

According to the United Network of Organ Sharing, there are approximately 19,000 organ transplants performed annually in the U.S. and there are more than 50,000 patients on waiting lists for transplant organs. The Company believes that the availability and viability of xenograft organs for transplantation could increase the transplant market significantly.

Gene Transfer Systems

Gene therapy is an emerging field of science based on the delivery of genes into living cells to produce therapeutic proteins intracellularly. Gene transfer technology may permit intracellular treatment of cancers, viral infections and other diseases. Therapeutic



genes are carried by vectors, or gene transporters, into targeted cells. All commonly used clinical gene transfer vectors, including modified retroviruses, modified adenoviruses, and DNA-liposome conjugates, are large molecules that, if injected into a patient, are recognized as foreign and subject to rejection by the human immune system. Certain of these vectors, known as modified retroviruses, have been particularly useful for ex vivo gene therapy because of their versatility, efficiency, stability of expression and relative safety. Retroviral vectors can be modified to deliver genes for a variety of different therapeutic applications. However, as these vectors are derived from non-human cells, they are recognized as foreign by the recipient's immune system and thus are eliminated in human blood prior to having a significant therapeutic effect.

As an outgrowth of its core technologies, in collaboration with GTI/Novartis the Company is applying its research in, and knowledge of, the body's rejection response to engineer retroviral vector producer cells and particles which, when employed in gene transfer products, would be able to survive and function in vivo following implantation or direct injection, respectively. By protecting retroviral vector producer cells and particles from the initial phase of rejection, the Company believes that its proprietary gene transfer vectors will survive in vivo and be able to deliver therapeutic genes to patients' cells. The Company has developed proprietary retroviral-based gene transfer vectors, producer cells, and particles which survive in human blood ex vivo. The Company is currently evaluating various options for commercializing its gene transfer technologies.

STRATEGIC ALLIANCES, COLLABORATIONS AND LICENSES

The Company's plan is to develop and commercialize on its own those product candidates for which the clinical trial and marketing requirements can realistically be managed by the Company. For certain of the Company's C5 Inhibitor and Apogen products for which greater resource commitments will be required, a key element of Alexion's strategy is the formation of corporate partnerships with major pharmaceutical companies for product development and commercialization. Alexion has entered into strategic alliances with US Surgical with respect to transplantation applications of the Company's UniGraft program and with GTI/Novartis with respect to gene therapy applications of the Company's UniGraft program. The Company intends to develop additional strategic alliances with major pharmaceutical companies for certain of its other technologies. There can be no assurance that the Company will enter into additional strategic alliances, or, if entered into, what the terms of any strategic alliance will be.

United States Surgical Corporation

In July 1995, the Company and US Surgical entered into the Joint Development Agreement, pursuant to which the Company and US Surgical agreed to collaborate to jointly develop and commercialize the Company's UniGraft technology for organ transplantation. Pursuant to the Joint Development Agreement, Alexion has primary responsibility for preclinical development, clinical trials and regulatory submissions relating to the UniGraft program, and US Surgical has primary responsibility for production, sales, marketing and distribution of UniGraft products to the extent developed and approved for commercialization. Further, US Surgical has committed to exclusively develop with the Company xenotransplantation products.

In the July 1995 Joint Development Agreement, US Surgical agreed to fund preclinical development of UniGraft products by paying to Alexion up to $6.5 million allocated as follows: (i) up to $4.0 million of the cost of preclinical development in four



semi-annual installments of approximately $1.0 million (the first installment of which was paid in July 1995), and (ii) $2.5 million upon achieving certain milestones involving development of a genetically engineered pig. Through July 31, 1997, the Company received $4.0 million in research and development support under its collaboration with US Surgical. In addition, US Surgical had agreed to pay $1 million upon achieving a milestone involving the transplantation of non-primate tissue into primates (the "Primate Milestone"). In furtherance of the joint collaboration, US Surgical also purchased $4.0 million of Common Stock of the Company, at a price of $8.75 per share. US Surgical also purchased approximately ten percent of the shares of Common Stock offered at the Company's initial public offering.

If the Primate Milestone is achieved, US Surgical is to advise the Company whether it intends to exercise its priority right to provide all clinical funding for the UniGraft product, and the Company and US Surgical are to agree upon milestone payments to be made by US Surgical to the Company for the first three UniGraft products. Unless and until US Surgical determines to terminate clinical funding for a UniGraft product, US Surgical shall have the exclusive worldwide marketing, sales and distribution rights with respect to such UniGraft product, including market introduction decisions and control of marketing, sales and distribution decisions.

In September 1997, US Surgical and the Company modified the July 1995 Joint Development Agreement. As part of the modification, US Surgical made an additional $6.5 million payment to the Company for equity, exclusive licensing rights, and certain xenograft manufacturing assets. Under the modified agreement, the additional $6.5 million payment comprised: (i) a $3 million equity investment in the Company through the purchase of 166,945 shares of the Company's Common Stock at a price of $17.97 per share, which represented a 25% premium over the market price on the day prior to the date of closing and (ii) a $3.5 million payment to acquire technology and certain xenograft manufacturing assets. Further, as part of the amended agreement, US Surgical and the Company agreed that the preclinical milestone payments in the original agreement are considered to have been satisfied. At October 1, 1997, US Surgical beneficially owns an aggregate of 824,087 shares of Common Stock or approximately 9.1% of the Company's outstanding shares.

For inventions made by the Company during the performance of the preclinical or clinical programs outlined in the Joint Development Agreement, the Company will own the inventions and US Surgical is granted (i) a worldwide exclusive license to sell transplant products derived from the Company's xenotransplantation technology; (ii) a worldwide exclusive license to sell products (a) in the fields related to businesses in which US Surgical is engaged and (b) not in the fields in which the Company is currently developing its products (i.e., anti-inflammatories and gene therapy systems); and (iii) an option to an exclusive license to sell products in fields outside those related to businesses which US Surgical is engaged but excluding fields which the Company is currently developing its products (e.g., anti-inflammatories and gene therapy systems). US Surgical has agreed to pay to the Company royalties on net sales of products. The Company has retained full rights to inventions in fields of gene therapy systems and anti-inflammatories as well as to inventions in

fields for which US Surgical does not exercise its option.

The Joint Development Agreement may be terminated by US Surgical for any or no reason effective on or after January 1, 1998, if notice is given by US Surgical at least six months prior thereto. In the event of a termination by US Surgical, all rights licensed by Alexion shall revert to Alexion.



Genetic Therapy, Inc.

In December 1996, Alexion and GTI/Novartis entered into a License and Collaborative Research Agreement with respect to the Company's gene transfer technology. Under the Agreement, GTI/Novartis has been granted a worldwide exclusive license to use the Alexion technology in its gene therapy products.

GTI/Novartis agreed to pay Alexion an initial upfront payment of $850,000 which consisted of a one-time license fee of $750,000 and a $100,000 research and development support payment. GTI/Novartis also agreed to fund a minimum of $400,000 per year for two years for research and development support by Alexion, make payments to Alexion upon achievement of certain product development milestones for gene therapy products utilizing the Alexion technology and pay royalties on net sales, if any.

Licenses and Other Sponsored Research

The Company has obtained licenses with respect to certain issued patents and patent applications, to supplement the research of its own scientists. The Company has agreed to pay to its licensors royalties on sales of certain products based on the licensed technologies, as well as, in some instances, minimum royalty and milestone payments, and patent filing and prosecution costs. The Company has also agreed to indemnify its licensors and, in certain instances, the inventors, against certain liabilities, including liabilities arising out of product liability claims and, in certain instances, under the securities laws. Because research leading to inventions licensed from domestic licensors are generally supported by the United States Government, the Government has retained certain statutory rights, including a non-exclusive, royalty-free license to use the licensed inventions, and to manufacture and distribute products based thereon, for Government use only. A summary of certain of such licenses, as well as the Company's other material licenses and sponsored research, is presented below.

Yale University/Oklahoma Medical Research Foundation

The Company has obtained exclusive, worldwide licenses to certain issued patents and patent applications and related technology from Yale and OMRF with respect to complement inhibitors and UniGraft technology. Since obtaining the patent licenses, the Company has made further discoveries relating to complement inhibitors and the UniGraft technology, resulting in the filing by the Company of numerous additional U.S. patent applications. In addition, the Company has provided funding for separate sponsored research by certain of these inventors and, to the extent that an invention would not be covered by an existing license from OMRF to the Company, the Company has the first and prior right to license any inventions in the field arising from the research.

National Institutes of Health

The Company has obtained an exclusive, worldwide license from NIH for rights to two patent applications related to the work performed at NIH on antigen-specific elimination of disease-causing T-cells in patients with certain inflammatory disorders.

In further support of the Company's Apogen program, the Company and the National Institute of Allergy and Infectious Diseases ("NIAID") have entered into a Cooperative Research and Development Agreement (the "NIH CRADA"). The subject

matter of the NIH CRADA includes preclinical and clinical development based upon discoveries by NIAID regarding the antigen-specific elimination of disease-causing T-cells in patients with certain inflammatory disorders. The principal investigator of the NIH CRADA is the principal inventor of the inventions licensed to the Company by NIH. NIAID has granted the Company the first and prior right to an exclusive commercialization license for any and all inventions or products developed pursuant to the NIH CRADA. Pursuant to the NIH CRADA, the Company committed to pay $159,000 per year for a three-year period. Through July 31, 1997, approximately $477,000 has been paid under such agreement. The NIH is part of the United States Department of Health and Human Services. In February 1997, the NIH CRADA was amended to extend the term to December 1997 and the Company committed to pay approximately $168,000 under this amendment.

Biotechnology Research and Development Corporation

The Company has entered into a license agreement with the Biotechnology Research and Development Corporation ("BRDC"), under which the Company has become the worldwide, exclusive licensee of the porcine embryonic stem cell technology developed at the University of Illinois and sponsored by BRDC, and related patent applications for xenotransplantation purposes. The Company believes that this technology may assist it in its UniGraft organ transplantation program.

In connection with the license agreement with BRDC, the Company became a common shareholder of BRDC, which is a research management corporation. At the present time, the Company, American Home Products Corporation, Dalgety, plc., The Dow Chemical Company, Mallinckrodt Group Inc., McDonald's Corporation, and Agricultural Research and Development Corporation are common shareholders of BRDC. BRDC is currently funding numerous research projects in biotechnology, and each of the common shareholders, including the Company, retains the right to license for commercial development the technologies resulting from substantially all of these research programs. The Company paid $50,000 for the purchase of its common stock of BRDC and has committed to an annual research contribution to the consortium for four years. Through July 31, 1997, the Company has paid approximately $633,000 under the agreement. However, minimum annual royalty payments under the license agreement with BRDC have been waived so long as the Company remains a shareholder of BRDC.

Grants

Phase II SBIR Grant

In September 1995, Alexion was awarded a $750,000 Phase II SBIR (Small Business Innovation Research Program) grant from the National Heart, Lung, and Blood Institute of the NIH. The award was made in support of the research and clinical development of the Company's C5 Inhibitor to treat complications of cardiovascular surgery. As of July 31, 1997, the Company has received the full amount of the above grant payment.

ATP/NIST

In August 1995, the Company was awarded cost-shared funding from the Commerce Department's National Institute of Standards and Technology ("NIST") under its Advanced Technology Program ("ATP"). Through the ATP, the Company may



receive up to approximately $2.0 million over three years to support the Company's UniGraft program in universal donor organs for transplantation.

Medical Research Council License

In March 1996, the Company entered into a license agreement with the Medical Research Council under which the Company has become the worldwide non-exclusive licensee of certain patents related to the humanization and production of monoclonal antibodies.

Enzon License

In May 1996, the Company licensed from Enzon, Inc. on a worldwide non-exclusive basis certain patents related to single chain antibodies.

## PATENTS AND PROPRIETARY RIGHTS

The Company believes that patents and other proprietary rights are important to its business. The Company's policy is to file patent applications to protect technology, inventions and improvements to its technologies that are considered important to the development of its business. The Company also relies upon trade secrets, know-how, continuing technological innovations and licensing opportunities to develop and maintain its competitive position.

The Company has filed several U.S. patent applications and international (PCT) counterparts of certain of these applications. In addition, the Company has exclusively licensed several additional United States patent applications and issued U.S. patents. Of the Company's owned and licensed patents and patent applications as of July 31, 1997, approximately 27% relate to technologies or products in the C5 Inhibitor program, 15% relate to the Apogen program, 12% relate to the Gene Transfer program and 46% relate to the UniGraft program.

The Company's success will depend in part on its ability to obtain United States and foreign patent protection for its products, preserve its trade secrets and proprietary rights, and operate without infringing on the proprietary rights of third parties or having third parties circumvent the Company's rights. Because of the length of time and expense associated with bringing new products through development and regulatory approval to the marketplace, the health care industry has traditionally placed considerable importance on obtaining patent and trade secret protection for significant new technologies, products and processes. There can be no assurance that any patents will issue from any of the patent applications owned by or licensed to the Company. Further, even if patents were to issue, there can be no assurance that they will provide the Company with significant protection against competitive products or otherwise be commercially valuable. In addition, patent law relating to certain of the Company's fields of interest, particularly as to the scope of claims in issued patents, is still developing and it is unclear how this uncertainty will affect the Company's patent rights. Litigation, which could be costly and time consuming, may be necessary to enforce patents issued to the Company and/or to determine the scope and validity of others' proprietary rights, in either case in judicial or administrative proceedings. The Company's competitive position is also dependent upon unpatented trade secrets which generally are difficult to protect. There can be no assurance that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to the Company's trade secrets, that



the Company's trade secrets will not be disclosed or that the Company can effectively protect its rights to unpatented trade secrets. As the biotechnology industry expands and more patents are issued, the risk increases that the Company's potential products may give rise to claims that they infringe the patents of others. Any such infringement litigation would be costly and time consuming to the Company.

The Company is aware of broad patents owned by third parties relating to the manufacture, use, and sale of recombinant humanized antibodies, recombinant humanized single chain antibodies and genetically engineered animals. The Company has received notice from certain of these parties regarding the existence of certain of these patents which the owners claim may be relevant to the development and commercialization of certain of the Company's proposed products. With respect to certain of these patents, the Company has acquired or is attempting to acquire certain licenses which it believes are relevant for the expeditious development and commercialization of certain of its products as currently contemplated. With regard to another of these patents, the Company has identified and is testing various approaches which it believes should not

infringe this patent and which should permit commercialization of its products. There can be no assurance that the owner of this patent will not seek to enforce the patent against the Company's so-modified commercial products or against the development activities related to the non-modified products. Although the Company believes that it can obtain licenses to the patents necessary for its contemplated commercial products, there can be no assurance that the Company will be able to obtain licenses on commercially reasonable terms. If the Company does not obtain necessary licenses, it could encounter delays in product market introductions while it attempts to design around such patents, or could find that the development, manufacture or sale of products requiring such licenses could be foreclosed. Further, there can be no assurance that owners of patents that the Company does not believe are relevant to the Company's product development and commercialization will not seek to enforce their patents against the Company. Such action could result in litigation which would be costly and time consuming. There can be no assurance that the Company would be successful in such litigations. The Company is currently unaware of any such threatened action.

Certain of the licenses by which the Company obtained its rights in and to certain technologies require the Company to diligently commercialize or attempt to commercialize such technologies. There can be no assurance that the Company will meet such requirements, and failure to do so for a particular technology could result in the Company losing its rights to that technology.

Currently, the Company has not sought to register its potential trademarks and there can be no assurance that the Company will be able to obtain registration for such trademarks.

It is the Company's policy to require its employees, consultants, members of its scientific advisory board, and parties to collaborative agreements to execute confidentiality agreements upon the commencement of employment or consulting relationships or a collaboration with the Company. These agreements provide that all confidential information developed or made known during the course of relationship with the Company is to be kept confidential and not disclosed to third parties except in specific circumstances. In the case of employees, the agreements provide that all inventions resulting from work performed for the Company, utilizing property of the Company or relating to the Company's business and conceived or completed by the individual during employment shall be the exclusive property of the Company to the extent permitted by applicable law. There can be no assurance, however, that these agreements will provide



meaningful protection of the Company's trade secrets or adequate remedies in the event of unauthorized use or disclosure of such information.

GOVERNMENT REGULATION

The preclinical and clinical testing, manufacture, labeling, storage, record keeping, advertising, promotion, export, and marketing, among other things, of the Company's proposed 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 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, the Company believes that its products will be regulated by the FDA as biologics.

The steps required before a novel biologic may be approved for marketing in the United States generally include (i) preclinical laboratory tests and in vivo preclinical studies, (ii) the submission to the FDA of an 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 Biologics License Application ("BLA") and (v) FDA review and approval of the BLA. 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. Following approval, if granted, the establishment or

establishments where the product is manufactured are subject to inspection by the FDA and must comply with current good manufacturing practice ("cGMP") regulations, enforced by the FDA through its facilities inspection program. Manufacturers of biologics also may be subject to state regulation.

Preclinical tests include laboratory evaluation of the product, as well as animal studies to assess the potential safety and efficacy of the product. Compounds must be produced according to applicable cGMP regulations and preclinical safety tests must be conducted in compliance with FDA regulations regarding Good Laboratory Practices. The results of the preclinical tests, together with manufacturing information and analytical data, are submitted to the FDA as part of an IND, which must become effective before human clinical trials may be commenced. The IND will automatically become effective 30 days after receipt by the FDA, unless the FDA before that time requests an extension to review or raises concerns or questions about the conduct of the trials as outlined in the IND. In such latter case, the IND sponsor and the FDA must resolve any outstanding concerns before clinical trials can proceed. There can be no assurance that submission of an IND will result in FDA authorization to commence clinical trials.

Clinical trials involve the administration of the investigational product to healthy volunteers or to patients, under the supervision of a qualified principal investigator. Clinical trials are conducted in accordance with protocols that detail, inter alia, the objectives of the study, the parameters to be used to monitor safety and the efficacy criteria to be evaluated. Each protocol must be submitted to the FDA as part of the IND. Further, each clinical study must be reviewed and approved by an independent Institutional Review Board.

Clinical trials typically are conducted in three sequential phases, but the phases may overlap. In Phase I, the initial introduction of the drug into human subjects, the drug is tested for safety (adverse effects) and, as appropriate, for absorption, metabolism,



distribution, excretion, pharmacodynamics and pharmacokinetics. Phase II usually involves studies in a limited patient population to (i) evaluate preliminarily the efficacy of the drug for specific, targeted indications, (ii) determine dosage tolerance and optimal dosage and (iii) identify possible adverse effects and safety risks. Phase III trials are undertaken to further evaluate clinical efficacy and to test further for safety within an expanded patient population at geographically dispersed clinical study sites. 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 product candidates. Furthermore, 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 health 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 for the manufacture, marketing and commercial shipment of the product. The FDA may deny a BLA if applicable regulatory criteria are not satisfied, require additional testing or information, or 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 or at all. Moreover, if regulatory approval of a product is granted, such approval may entail limitations on the indicated uses for which it may be marketed. Finally, product approvals may be withdrawn if compliance with regulatory standards is not maintained or if problems occur following initial marketing. Among the conditions for BLA approval is the requirement that the prospective manufacturers quality control and manufacturing procedures conform to cGMP regulations, which must be followed at all times in the manufacture of the approved product. In complying with standards set forth in these regulations, manufacturers must continue to expend time, monies and effort in the area of production and quality control to ensure full compliance.

Both before and after approval is obtained, a product, its manufacturer,

and the holder or the holders of the BLA for the product are subject to comprehensive regulatory oversight. Violations of regulatory requirements at any stage, including the preclinical and clinical testing process, the review process, or thereafter (including after approval) 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 BLA holder. In addition, later discovery of previously unknown problems may result in restrictions on a product, manufacturer, or BLA 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.

For clinical investigation and marketing outside the United States, the Company is also subject to foreign regulatory requirements governing human clinical trials and marketing approval for drugs. The foreign regulatory approval process includes all of the risks associated with FDA approval set forth above.

COMPETITION

The pharmaceutical and biotechnology industries are characterized by rapidly evolving technology and intense competition. Many companies, including major pharmaceutical and chemical companies, as well as specialized biotechnology companies, are engaged in activities similar to those of the Company. Certain of these companies



have substantially greater financial and other resources, larger research and development staffs, and more extensive marketing and manufacturing organizations than the Company. Many of these companies have significant experience in preclinical testing, human clinical trials, product manufacturing, marketing and distribution and other regulatory approval procedures. In addition, colleges, universities, governmental agencies and other public and private research organizations conduct research and may market commercial products on their own or through joint ventures. These institutions are becoming more active in seeking patent protection and licensing arrangements to collect royalties for use of technology that they have developed. These institutions also compete with the Company in recruiting and retaining highly qualified scientific personnel.

The Company competes with large pharmaceutical companies that produce and market synthetic compounds and with specialized biotechnology firms in the United States, Europe and elsewhere, as well as a growing number of large pharmaceutical companies that are applying biotechnology to their operations. Many biotechnology companies have focused their developmental efforts in the human therapeutics area, and many major pharmaceutical companies have developed or acquired internal biotechnology capabilities or have made commercial arrangements with other biotechnology companies. A number of biotechnology and pharmaceutical companies are developing new products for the treatment of the same diseases being targeted by the Company; in some instances such products have already entered clinical trials. Other companies are engaged in research and development based on complement proteins, T-cell therapeutics, gene therapy and xenotransplantation.

T-Cell Sciences, Inc. ("T-Cell Sciences") and Chiron Corporation have both publicly announced intentions to develop complement inhibitors to treat diseases related to trauma and inflammation indications and the Company is aware that SmithKline Beecham PLC, Merck & Co., Inc. and CytoMed Inc. are attempting to develop similar therapies. T-Cell Sciences has initiated clinical trials for a proposed complement inhibitor to treat acute respiratory distress syndrome (ARDS), myocardial infarction, and lung transplantation. The Company believes that its potential C5 Inhibitors differ substantially from those of its competitors due to the Company's compounds' demonstrated ability to specifically intervene in the complement cascade at what the Company believes to be the optimal point so that the disease-causing actions of complement proteins generally are inhibited while the normal disease-preventing functions of complement proteins generally remain intact as do other aspects of immune

function.

The Company further believes that, under conditions of inflammation, a complement inhibitor compound which only indirectly addresses the harmful activity of complement may be bypassed by pathologic mechanisms present in the inflamed tissue. Each of Bayer, Immunex Corporation, Pharmacia & Upjohn and Rhone-Poulenc Rorer Inc. sells a product which is used clinically to reduce surgical bleeding during CPB, but have little effect on other significant inflammatory morbidities associated with CPB. The Company believes that each of these drugs does not significantly prevent complement activation and subsequent inflammation that lead to blood loss and organ damage during CPB surgery, but instead each drug attempts to reduce blood loss by shifting the normal blood thinning/blood clotting balance in the blood towards enhanced blood clotting. While Trasylol (Bayer) has been demonstrated to reduce perioperative blood loss in a subset of high risk patients, administration of each of these three drugs to patients with heart disease has been associated with clinical complications of enhanced blood clotting, including myocardial infarction. The Company is also aware of announced and ongoing clinical trials of certain companies, including Autoimmune, Inc., ImmuLogic



Pharmaceutical Corporation, Neurocrine Biosciences, Inc., and Anergen, Inc. employing T-cell specific tolerance technologies and addressing patients with multiple sclerosis or diabetes mellitus. Baxter Healthcare Corporation and Novartis, Inc., in collaboration with Biotransplant Inc., have publicly announced intentions to commercially develop xenograft organs and the Company is aware that Diacrin Inc. and Genzyme Tissue Repair, Inc. are also working in this field.

MANUFACTURING, MARKETING, SALES, CLINICAL TESTING AND REGULATORY COMPLIANCE

Alexion manufactures its requirements for preclinical and clinical development using both internal and contract manufacturing resources. The Company, with financial assistance from the State of Connecticut, has established pilot manufacturing facilities suitable for the fermentation and purification of certain of its recombinant compounds for clinical studies. The Company's pilot plant has the capacity to manufacture under cGMP regulations. The Company intends to secure the production of initial clinical supplies of certain other recombinant products through third party manufacturers. In each case, the Company anticipates that product finishing, vial filling, quality assurance and packaging will be contracted through third parties.

In the longer term, the Company may develop large-scale manufacturing capabilities for the commercialization of some of its products. The key factors which will be given consideration when making the determination of which products will be manufactured internally and which through contractual arrangements will include the availability and expense of contracting this activity, control issues and the expertise and level of resources required for Alexion to manufacture products.

The Company has not invested in the development of commercial manufacturing, marketing, distribution or sales capabilities. Although the Company has established a pilot manufacturing facility for the production of material for clinical trials for certain of its potential products, it has insufficient capacity to manufacture more than one product candidate at a time or to manufacture its product candidates for later stage clinical development or commercialization. If the Company is unable to develop or contract for additional manufacturing capabilities on acceptable terms, the Company's ability to conduct human clinical testing will be materially adversely affected, resulting in delays in the submission of products for regulatory approval and in the initiation of new development programs, which could have a material adverse effect on the Company's competitive position and the Company's prospects for achieving profitability. In addition, as the Company's product development efforts progress, the Company will need to hire additional personnel skilled in clinical testing, regulatory compliance, and, if the Company develops products with commercial potential, marketing and sales. There can be no assurance that the Company will be able to acquire, or establish third-party relationships to

provide, any or all of these resources or be able to obtain required personnel and resources to manufacture, or perform testing or engage in marketing, distribution and sales on its own.

HUMAN RESOURCES

As of October 1, 1997, the Company had 51 full-time employees, of whom 43 were engaged in research, development, and manufacturing, and eight in administration



and finance. Doctorates are held by 17 of the Company's employees. Each of the Company's employees has signed a confidentiality agreement.

ITEM 2. PROPERTIES

The Company's headquarters, research and development facility, and pilot manufacturing facility are located in New Haven, Connecticut, within close proximity to Yale University. At this facility, the Company leases and occupies a total of approximately 29,000 square feet of space, which includes approximately 14,900 square feet of research laboratories and 5,200 square feet of space dedicated to the pilot manufacturing facility. The Company leases its facilities under three operating leases expiring in June 1998, December 1997, an March 1999, respectively, each with an option for up to an additional three years. Current monthly rental on the facilities is approximately $30,000. The Company believes the laboratory space will be adequate for its existing research and development activities.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any material legal proceeding.

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

None.



PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is quoted on the National Association of Securities Dealers Automated Quotation System ("Nasdaq") National Market System under the symbol ALXN. The following table sets forth the range of high and low sales prices for the Common Stock on the Nasdaq National Market System for the periods indicated since February 29, 1996 when the Company's Common Stock commenced trading.

| | High | Low |
|---|---|---|
| FISCAL 1996 | | |
| Third Quarter (February 29, 1996 -- April 30, 1996) ..... | $ 9.50 | $8.38 |
| Fourth Quarter (May 1, 1996 -- July 31, 1996) ..... | $11.75 | $6.00 |

| FISCAL 1997 | High | Low |
|---|---|---|
| First Quarter | | |
| (August 1, 1996 -- October 31, 1996) ..... | $10.50 | $6.00 |
| Second Quarter | | |
| (November 1, 1996 -- January 31, 1997) ..... | $13.00 | $8.38 |
| Third Quarter | | |
| (February 1, 1997 -- April 30, 1997) ..... | $12.50 | $8.38 |
| Fourth Quarter | | |
| (May 1, 1997 -- July 31, 1997) ..... | $11.63 | $7.69 |

As of October 22, 1997, the number of stockholders of record of the Company's Common Stock was approximately 700. The closing sale price of the Company's Common Stock on October 22, 1997 was $14.25 per share.

RECENT SALE OF UNREGISTERED SECURITIES

On July 8, 1997, the Company completed the private placement of 1,450,000 shares of its Common Stock to certain institutional investors. Robertson, Stephens & Company LLC served as placement agent in the transaction. The aggregate offering price for the Common Stock sold was $11,237,500, the aggregate proceeds to the Company was $10,563,250 and the aggregate Placement Agent's Fee was $674,250. The Company relied on the exemption afforded by Section 4(2) of, and Regulation D promulgated under, the Securities Act of 1933, as amended (the "Act").

On September 8, 1997, the Company completed the private placement of 400,000 shares of Series B Preferred Stock for aggregate consideration of $10,000,000 to a single institutional investor. Robertson, Stephens & Company LLC served as an advisor to the Company in connection with this transaction and earned a $400,000 fee from the Company. The Series B Preferred Stock is automatically convertible into 935,782 shares of Common Stock on March 4, 1998 or at anytime prior thereto at the election of the holder. The conversion price of $10.686 per share represented a 3% premium to the closing bid of price ($10.375) on the day of pricing. The Series B Preferred Stock will



pay a dividend of $2.25 per share on March 4, 1998, payable in cash or the Company's Common Stock at the discretion of the Company. The Company relied on the exemption afforded by Section 4(2) of, and Regulation D promulgated under, the Act.

On September 30, 1997, the Company sold 166,945 shares of its Common Stock to United States Surgical Corporation ("US Surgical") for aggregate consideration of $3,000,000 represents a price of $17.97 per share (representing a 25% premium over the market price on the day prior to the date of closing). The sale of Common Stock was made in connection with the modification of a joint development agreement by and between the Company and US Surgical. No entity acted as placement agent or an advisor in connection with this sale. The Company relied on the exemption afforded by Section 4(2) under the Act.

DIVIDEND POLICY

The Company has never paid cash dividends. The Company does not expect to declare or pay any dividends on the Company's Common Stock in the foreseeable future, but instead intends to retain all earnings, if any, to invest in the Company's operations. The payment of future dividends is within the discretion of the Board of Directors and will depend upon the Company's future earnings, if any, its capital requirements, financial condition and other relevant factors.

ITEM 6. SELECTED FINANCIAL DATA

| | For the Fiscal Years Ended | | | | |
|---|---|---|---|---|---|
| | 1997 | 1996 | 1995 | 1994 | 1993 |
| STATEMENTS OF OPERATIONS DATA: | | | | | |
| Contract research revenues | $ 3,810,600 | $ 2,640,239 | $ 136,091 | $ -- | $ -- |
| Operating expenses: | | | | | |
| Research and development | 9,079,141 | 6,629,157 | 5,637,431 | 5,519,035 | 2,969,327 |
| General and administrative | 2,826,783 | 1,843,093 | 1,591,886 | 1,860,887 | 1,131,114 |
| Total operating expenses | 11,905,924 | 8,472,250 | 7,229,317 | 7,379,922 | 4,100,441 |
| Operating loss | (8,095,324) | (5,832,011) | (7,093,226) | (7,739,922) | (4,100,441) |
| Other income (expense), net | 843,754 | 397,495 | (29,195) | 93,770 | 32,613 |
| Net loss | $(7,251,570) | $(5,434,516) | $(7,122,421) | $(7,286,152) | $(4,067,828) |
| Net loss per common share (1) | $(.97) | $(.95) | $(1.76) | $(1.89) | $(1.77) |
| Shares used in computing net loss per common share (1) | 7,450,762 | 5,746,697 | 4,055,966 | 3,857,044 | 2,301,179 |

| | July 31, 1997 | July 31, 1996 | July 31, 1995 | July 31, 1994 | July 31, 1993 |
|---|---|---|---|---|---|
| BALANCE SHEET DATA: | | | | | |
| Cash, cash equivalents, and marketable securities | $22,748,896 | $18,597,751 | $ 5,701,465 | $ 4,209,200 | $ 6,859,947 |
| Working capital | 20,567,120 | 17,031,891 | 3,558,788 | 3,014,418 | 6,388,533 |
| Total assets | 24,260,561 | 20,453,980 | 7,927,276 | 6,983,361 | 8,334,274 |
| Deficit accumulated during the development stage | (31,826,251) | (24,574,681) | (19,140,165) | (12,017,744) | (4,731,592) |
| Stockholders' equity | 21,846,400 | 18,284,925 | 5,119,217 | 4,699,846 | 7,224,900 |

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(1) Computed as described in Note 2 of Notes to Financial Statements.



ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains forward-looking statements which involve risks and uncertainties. Such statements are subject to certain factors which may cause the Company's plans and results to differ significantly from plans and results discussed in forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in "Important Factors Regarding Forward-Looking Statements" attached hereto as Exhibit 99.

OVERVIEW

Since its inception in January 1992, Alexion has devoted substantially all of its resources to its drug discovery, research and product development programs. To date, Alexion has not received any revenues from the sale of products. The Company has been unprofitable since inception, and expects to incur substantial and increasing operating losses for the next several years due

to expenses associated with product research and development, preclinical and clinical testing, regulatory activities and manufacturing development and scale-up. As of July 31, 1997, the Company has incurred a cumulative net loss of $31.8 million.

The Company's plan is to develop and commercialize on its own those product candidates for which the clinical trial and marketing requirements can be funded by the Company. For certain of the Company's C5 Inhibitor and Apogen products for which greater resources will be required, Alexion's strategy is to form corporate partnerships with major pharmaceutical companies for product development and commercialization. Alexion has entered into a strategic alliance with US Surgical with respect to the Company's UniGraft program and with GTI/Novartis with respect to the Company's gene transfer technology, and intends to seek additional strategic alliances with major pharmaceutical companies although no assurances can be given that such alliances will be successfully entered into.

The Company recognizes research and development revenues when the development expenses are incurred and the related work is performed under the terms of the contracts. Any revenue contingent upon future expenditures by the Company is deferred and recognized as the expenditures are incurred. Any revenues contingent upon the achievement of milestones will be recognized when the milestones are achieved.

RESULTS OF OPERATIONS

Years Ended July 31, 1997, 1996, and 1995

The Company earned grant, license, and contract research revenues of $3.8 million, $2.6 million, and $136,000 for the fiscal years ended July 31, 1997, 1996, and 1995, respectively. The increase in fiscal 1997 was primarily due to the $1.1 million of revenues the Company received from GTI/Novartis which represented a one-time upfront license fee of $750,000 and contract research and development revenues of $350,000. The increase in fiscal year 1996 revenues as compared to fiscal 1995 resulted principally from Company's revenues received from U.S. Surgical of approximately $2.0 million from a collaborative research and development agreement and the funding of $246,000 from the NIST's ATP grant. The revenues in fiscal 1995 resulted from the receipt of



funds from two SBIR grants from the NIH. See "Item 1. Business--Strategic Alliances, Collaborations and Licenses."

During the fiscal years ended July 31, 1997, 1996, and 1995, the Company expended $9.1 million, $6.6 million, and $5.6 million, respectively, on research and development activities. Increases in research and development spending were primarily attributable to expanded preclinical development of the company's research programs which included the manufacturing product development for the Company's C5 Inhibitor and Apogen product candidates and the initiation of clinical trials following authorization by the FDA of the Company's IND for its lead C5 inhibitor product candidate. See Item 1. "Business--Alexion's Drug Development Programs, Cardiopulmonary Bypass Surgery".

The Company's general and administrative expenses were $2.8 million, $1.8 million, and $1.6 million for the fiscal years ended July 31, 1997, 1996 and 1995, respectively. The increase in general and administrative expenses in fiscal 1997 consisted of $523,000 related to increased expenses associated with facilities' expansion, employee benefits, and increased travel and administrative costs attributable to increased clinical, regulatory, and scientific conference activities. The remaining balance $477,000 of the increase was related to increased costs for outside professional services and insurance related to business development, recruiting, patent and legal activities as a public company.

Other income (expense), net, representing primarily net investment income (expenses), was $843,754, $397,495, and ($29,195) for the fiscal years ended July 31, 1997, 1996, and 1995, respectively. This fluctuation over the past

three years was due primarily to greater investment income from higher cash balances available for investment and a more favorable investment market during fiscal year 1997 as compared to the prior two fiscal years.

As a result of the above factors, the Company had incurred net losses of $7.3 million, $5.4 million, and $7.1 million for the fiscal years ended July 31, 1997, 1996 and 1995, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Since its inception through July 31, 1997, the Company has financed its operations and capital expenditures primarily through its private placements and initial public offering of equity securities resulting in approximately $52.3 million of aggregate net proceeds. The Company has financed the purchase of certain equipment through $1.2 million of secured notes payable to a financing institution and $378,000 of capital lease obligations. Through July 31, 1997, the Company has also received approximately $5.2 million in research and development support under its collaborations with US Surgical and GTI/Novartis. The Company has also received $1.1 million from its SBIR grants from the NIH and $660,000 under the ATP grant from NIST.

All of the foregoing proceeds have been used to fund operating activities of approximately $26.5 million and investments of approximately $2.9 million and $975,000 in equipment and licensed technology rights and patents, respectively, through July 31, 1997. As of July 31, 1997, the Company had working capital of approximately $20.6 million and total cash, cash equivalents, and marketable securities amounted to approximately $22.7 million.



The Company increased its cash and cash equivalents by $7.25 million during the twelve months ended July 31, 1997. This increase resulted principally from cash flows provided by (i) financing activities which provided $10.79 million from the net proceeds received from the issuance of common stock and $185,000 from the return of security deposits offset by $320,000 in repayments of notes payable and (ii) investing activities which generated $3.12 million from the net proceeds of maturing marketable securities offset by equipment purchases of $749,000. These cash inflows were offset by the $5.72 million cash outflow used in operating activities primarily as a result of $7.25 million of operating losses. At July 31, 1997, approximately $16.74 million of cash is held in short-term highly liquid investments with original maturities of less than three months.

Subsequent to the Company's fiscal year end on July 31, 1997, the Company received the following significant additional proceeds. In September 1997, the Company received approximately $9.5 million in net proceeds from the issuance of shares of Series B Preferred Stock to a single institutional investor. At the end of September 1997, US Surgical and the Company modified the July 1995 Joint Development Agreement. As part of the modification, US Surgical made an additional $6.5 million payment to the Company for equity, exclusive licensing rights, and certain manufacturing assets. See "Item 1. Strategic Alliances, Collaborations and Licenses--United States Surgical Corporation". See "Item 5. Market for Registrant's Common Equity and Related Stockholder Matters--Recent Sale of Unregistered Securities".

The Company leases its administrative and research and development facilities under three operating leases expiring in June 1998, December 1997 and March 1999 each with a renewal option for up to an additional three years.

The Company is obligated to make payments pursuant to certain of its licensing and research and development agreements. The Company is scheduled to pay $142,000, $77,000 and $72,000 (assuming no termination of these agreements) during the fiscal years ending July 31, 1998, 1999 and 2000, respectively. In addition, the Company is obligated to make certain future milestone payments, aggregating up to $400,000 to certain of its licensors, with regards to receiving regulatory approval on the Company's anticipated IND filings as well as upon certain patent issuances. See "Item 1. Business--Strategic Alliances, Collaborations and Licenses."

The Company anticipates that its existing available capital resources and interest earned on available cash and marketable securities should be sufficient to fund its operating expenses and capital requirements as currently planned for at least the next eighteen months. While the Company currently has no material commitments for capital expenditures, the Company's future capital requirements will depend on many factors, including the progress of the Company's research and development programs, progress in clinical trials, the time and costs involved in obtaining regulatory approvals, the costs involved in obtaining and enforcing patents and any necessary licenses, the ability of the Company to establish development and commercialization relationships, and the costs of manufacturing scale-up. See "Item 1. Business--Alexion's Drug Development Strategy."

The Company expects to incur substantial additional costs, including costs associated with research, preclinical and clinical testing, manufacturing process development, and additional capital expenditures associated with facility expansion and manufacturing requirements in order to commercialize its products currently under development. The Company will need to raise substantial additional funds through



additional financings including public or private equity offerings and collaborative research and development arrangements with corporate partners. There can be no assurance that funds will be available on terms acceptable to the Company, if at all, or that discussions with potential collaborative partners will result in any agreements. The unavailability of additional financing could require the Company to delay, scale back or eliminate certain of its research and product development programs or to license third parties to commercialize products or technologies that the Company would otherwise undertake itself, any of which could have a material adverse effect on the Company.

As of July 31, 1997, the Company had approximately $13.4 million and $1.1 million of net operating loss and tax credit carryforwards for tax reporting purposes, respectively, which expire commencing in fiscal 2008. The Tax Reform Act of 1986 (the "Tax Act") contains certain provisions that may limit the Company's ability to utilize net operating loss and tax credit carryforwards in any given year if certain events occur, including cumulative changes in ownership interests in excess of 50% over a three-year period. There can be no assurance that ownership changes in future periods will not significantly limit the Company's use of its existing net operating loss and tax credit carryforwards.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and supplementary data of the Company required in this item are set forth at the pages indicated in Item 14(a)(1).

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.



# PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND KEY EMPLOYEES

| Name | Age | Position |
|---|---|---|
| John H. Fried, Ph.D. ..... | 68 | Chairman of the Board of Directors |
| Leonard Bell, M.D. ..... | 39 | President, Chief Executive Officer, Secretary, Treasurer, Director |
| David W. Keiser ..... | 46 | Executive Vice President, Chief Operating Officer |
| Timothy F. Howe ..... | 39 | Director |
| Max Link, Ph.D. ..... | 57 | Director |
| Joseph A. Madri, Ph.D., M.D. ..... | 51 | Chairman of the Scientific Advisory Board, Director |
| Leonard Marks, Jr., Ph.D. ..... | 76 | Director |
| Eileen M. More ..... | 51 | Director |
| Stephen P. Squinto, Ph.D. ..... | 41 | Vice President of Research, Molecular Sciences |
| Louis A. Matis, M.D. ..... | 47 | Vice President of Research, Immunobiology |
| Bernadette L. Alford, Ph.D. ..... | 48 | Vice President of Regulatory Affairs & Project Management |
| James A. Wilkins, Ph.D. ..... | 45 | Senior Director of Process Development |
| Barry P. Luke ..... | 39 | Senior Director of Finance and Administration, Assistant Secretary |

John H. Fried, Ph.D. has been the Chairman of the Board of Directors of the Company since April 1992. Since 1992, Dr. Fried has been President of Fried & Co., Inc., a health technology venture firm. Dr. Fried was a director of Syntex Corp. ("Syntex"), a life sciences and health care company, from 1982 to 1994 and he served as Vice Chairman of Syntex from 1985 to January 1993 and President of the Syntex Research Division from 1976 to 1992. Dr. Fried has originated more than 200 U.S. Patents and has authored more than 80 scientific publications. Dr. Fried is also a director of Corvas International Incorporated, a development stage company principally engaged in research in the field of cardiovascular therapeutics. Dr. Fried received his B.S. in Chemistry and Ph.D. in Organic Chemistry from Cornell University.

Leonard Bell, M.D. is the principal founder of the Company, and has been a Director of the Company since February 1992 and the Company's President and Chief Executive Officer, Secretary and Treasurer since January 1992. From 1991 to 1992, Dr. Bell was an Assistant Professor of Medicine and Pathology and co-Director of the Program in Vascular Biology at the Yale University School of Medicine. From 1990 to 1992, Dr. Bell was an attending physician at the Yale-New Haven Hospital and an Assistant Professor in the Department of Internal Medicine at the Yale University School of Medicine. Dr. Bell was the recipient of the Physician Scientist Award from the National Institutes of Health and Grant-in-Aid from the American Heart Association as well as various honors and awards from academic and professional organizations. His work has resulted in more than 20 scientific publications and three patent applications. Dr. Bell also serves as a Director of the Biotechnology Research and Development

Corporation and the Connecticut Technology Council. Dr. Bell received his A.B. from Brown University and M.D. from Yale University School of Medicine. Dr. Bell is currently an Adjunct Assistant Professor of Medicine and Pathology at Yale University School of Medicine.

David W. Keiser has been Executive Vice-President and Chief Operating Officer of the Company since July 1992. From 1990 to 1992, Mr. Keiser was Senior Director of Asia Pacific Operations for G.D. Searle & Company Limited ("Searle"), a manufacturer of pharmaceutical products. From 1986 to 1990, Mr. Keiser was successively Licensing Manager, Director of Product Licensing and Senior Director of Product Licensing for Searle. From 1984 to 1985, Mr. Keiser was New Business Opportunities Manager for Mundipharma AG, a manufacturer of pharmaceutical products, in Basel, Switzerland where he headed pharmaceutical licensing and business development activities in Europe and the Far East. From 1978 to 1983, he was Area Manager for F. Hoffmann La Roche Ltd., a manufacturer of pharmaceutical products, in Basel, Switzerland. Mr. Keiser received his B.A. from Gettysburg College.

Timothy F. Howe has been a Director of the Company since April 1995. Mr. Howe is a principal of Collinson Howe Venture Partners, Inc. ("CHVP") where he has been a Vice President since 1990. CHVP is a venture capital management firm specializing in life sciences investments and as a result of the stock ownership of certain funds advised by it, CHVP is a principal stockholder of the Company. From 1985 to 1990, Mr. Howe was employed by Schroders Incorporated specializing in venture capital investing. Mr. Howe received his B.A. from Columbia College and M.B.A. from Columbia Graduate School of Business.

Max Link, Ph.D. has been a Director of the Company since April 1992. From May 1993 to June 1994, Dr. Link was Chief Executive Officer of Corange (Bermuda), the parent company of Boehringer Mannheim Therapeutics, Boehringer Mannheim Diagnostics and DePuy Orthopedics. From 1992 to 1993, Dr. Link was Chairman of the Board of Sandoz Pharma, Ltd. ("Sandoz"), a manufacturer of pharmaceutical products. From 1987 to 1992, Dr. Link was the Chief Executive Officer of Sandoz Pharma and a member of the Executive Board of Sandoz, Ltd., Basel. Prior to 1987, Dr. Link served in various capacities with the United States operations of Sandoz, including as President and Chief Executive Officer. Dr. Link is also a director of Protein Design Labs, Inc., Cell Therapeutics, Inc., and Procept, Inc., each a publicly held pharmaceutical company, as well as Human Genome Sciences Inc., a genomics company.

Joseph A. Madri, Ph.D., M.D. is a founder of the Company and has been Chairman of the Company's Scientific Advisory Board since March 1992 and a Director of the Company since February 1992. Since 1980, Dr. Madri has been on the faculty of the Yale University School of Medicine and is currently a Professor of Pathology and Biology. Dr. Madri serves on the editorial boards of numerous scientific journals and he is the author of over 150 scientific publications. Dr. Madri works in the areas of regulation of angiogenesis, vascular cell-matrix interactions, cell-cell interactions, lymphocyte-endothelial cell interactions and endothelial and smooth muscle cell biology. Dr. Madri received his B.S. and M.S. in Biology from St. John's University and M.D. and Ph.D. in Biological Chemistry from Indiana University.

Leonard Marks, Jr., Ph.D. has been a Director of the Company since April 1992. Since 1985 Dr. Marks has served as an independent corporate director and management consultant. Dr. Marks currently serves as a director of Airlease Management Services, an aircraft leasing company (a subsidiary of Bank America Leasing & Capital Corporation)



and Northern Trust Bank of Arizona, a commercial and trust bank subsidiary of Northern Trust of Chicago. Prior to 1985, Dr. Marks held various positions in academia and in the corporate sector including Executive Vice President, Castle & Cooke, Inc. from 1972 to 1985. Dr. Marks received his B.A. in Economics from Drew University and an M.B.A. and Doctorate in Business Administration from Harvard University.

Eileen M. More has been a Director of the Company since December 1993. Ms. More has been associated since 1978 with Oak Investment Partners ("Oak") and has

been a General Partner of Oak since 1980. Oak is a venture capital firm and a principal stockholder of the Company. Ms. More is Chairman Emeritus of the Connecticut Venture Group. Ms. More is currently a director of several private high technology and biotechnology firms including Coral Therapeutics, Inc., Instream Corporation, OraPharma, Inc., Pharmacopeia, Inc., and Teloquent Communication Corporation. Ms. More studied mathematics at the University of Bridgeport and is a Chartered Financial Analyst.

Stephen P. Squinto, Ph.D. is a founder of the Company and has held the positions of Vice President of Research, Molecular Sciences since August 1994, Senior Director of Molecular Sciences from July 1993 to July 1994 and Director of Molecular Development from April 1992 to July 1993. From 1989 to 1992, Dr. Squinto held various positions at Regeneron Pharmaceuticals, Inc., most recently serving as Senior Scientist and Assistant Head of the Discovery Group. From 1986 to 1989, Dr. Squinto was an Assistant Professor of Biochemistry and Molecular Biology at Louisiana State University Medical Center. Dr. Squinto's work has led to over 40 scientific papers in the fields of gene regulation, growth factor biology and gene transfer. Dr. Squinto's work is primarily in the fields of regulation of eukaryotic gene expression, mammalian gene expression systems and growth receptor and signal transduction biology. Dr. Squinto received his B.A. in Chemistry and Ph.D. in Biochemistry and Biophysics from Loyola University of Chicago.

Louis A. Matis, M.D. has been the Vice President of Research, Immunobiology of the Company since August 1994. From January 1993 to July 1994, Dr. Matis served as the Director of the Company's Program in Immunobiology. Prior to joining the Company, from 1977 to 1992, Dr. Matis held various appointments at the NIH and the FDA. From 1990 to 1992, Dr. Matis was a Senior Investigator in the Laboratory of Immunoregulation at the National Cancer Institute and from 1987 to 1990 he was a Senior Staff Fellow in the Molecular Immunology Laboratory at the Center for Biologics Evaluation and Research associated with the FDA. Dr. Matis is the author of more than 100 scientific papers in the fields of T-cell biology. Dr. Matis has received numerous awards including the NIH Award of Merit. Dr. Matis received his B.A. from Amherst College and M.D. from the University of Pennsylvania Medical School.

Bernadette L. Alford, Ph.D. has been the Vice President of Regulatory Affairs and Project Management since joining the Company in September 1994. From 1989 to July 1994, Dr. Alford was a corporate officer and Vice President of Regulatory and Quality Affairs at Repligen Corporation ("Repligen"), a publicly held biotechnology company, where she was responsible for the filing of all INDs with the FDA. From 1987 to 1989, Dr. Alford was Director of Quality Assurance and Regulatory Affairs at Repligen. From 1978 to 1987, Dr. Alford held various scientific and management positions at Collaborative Research Inc. Dr. Alford received a B.S. in Biology from Marywood College and an M.S. in Biology and Ph.D. in Molecular Biology from Texas University.



James A. Wilkins, Ph.D. has been Senior Director of Process Development of the Company since August 1995 and prior thereto was Director of Process Development from September 1993. From 1989 to 1993, Dr. Wilkins was Group Leader of the Protein Chemistry Department at Otsuka America Pharmaceutical, Inc. From 1987 to 1989, Dr. Wilkins was a Scientist in Recovery Process Development at Genentech, Inc. and from 1982 to 1987, he was an Associate Research Scientist in the Thomas C. Jenkins Department of Biophysics at Johns Hopkins University. He is the author of more than 25 presentations and scientific articles in the fields of protein refolding and protein biochemistry. Dr. Wilkins received a B.A. in Biology from University of Texas and a Ph.D. in Biochemistry from University of Tennessee.

Barry P. Luke has been Senior Director of Finance and Administration since August 1995 and prior thereto was Director of Finance and Accounting from May 1993. From 1989 to 1993, Mr. Luke was Chief Financial Officer, Secretary and Vice President--Finance and Administration at Comtex Scientific Corporation, a publicly held distributor of electronic news and business information. From 1985 to 1989, he was Controller and Treasurer of Softstrip, Inc., a manufacturer of computer peripherals and software. From 1982 to 1985, Mr. Luke was a member of the Corporate Audit Staff at the General Electric Company. Mr. Luke received a

B.A. in Economics from Yale University and an M.B.A. in management and marketing from the University of Connecticut.

The Company and each of the executive officers are parties to employment agreements.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference from the information under the captions "Compensation of Executive Officers and Directors" contained in the Proxy Statement.



ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of October 1, 1997 (except as otherwise noted in the footnotes) regarding the beneficial ownership (as defined by the Securities and Exchange Commission (the "SEC")) of the Company's Common Stock of: (i) each person known by the Company to own beneficially more than five percent of the Company's outstanding Common Stock; (ii) each director and each named executive officer; and (iii) all directors and named executive officers of the Company as a group.

| Name and Address of Beneficial Owner (1) | Number of Number of Shares Beneficially Owned (2) | Percentage of Outstanding Shares of Common Stock |
|---|---|---|
| BB Biotech AG ..... Vordergrasse 3 8200 Schaffhausen CH/Switzerland (3) | 935,782 | 9.3% |
| Collinson Howe Venture Partners ..... 1055 Washington Boulevard, 5th floor Stamford, Connecticut 06901 (4) | 747,491 | 8.2% |
| Biotechnology Investment Group, L.L.C. ..... c/o Collinson Howe Venture Partners 1055 Washington Boulevard, 5th floor Stamford, Connecticut 06901 (5) (6) | 697,575 | 7.7% |
| United States Surgical Corporation ..... 150 Glover Avenue Norwalk, Connecticut 06856 (7) | 824,087 | 9.1% |
| Mehta and Isaly Asset Management, Inc. ..... 41 Madison Avenue -- 40th Floor New York, NY 10010 (8) | 773,500 | 8.5% |
| Pioneering Management Corporation ..... 60 State Street Boston, MA 02109 (9) | 500,000 | 5.5% |
| Oak Investment Partners ..... c/o Oak Investment Partners V One Gorham Island Westport, Connecticut 06880 (10) | 495,884 | 5.4% |
| INVESCO Global Health Sciences Fund ..... c/o INVESCO Trust Company attn: Health Care Group 7800 E. Union Avenue, Ste. 800 Denver, Colorado 80237 (11) | 466,776 | 5.1% |

| Name and Address of Beneficial Owner (1) | PRELIM Number of Number of Shares Beneficially Owned (2) | PRELIM Percentage of Outstanding Shares of Common Stock |
|---|---|---|
| Timothy F. Howe (12) | 750,891 | 8.3% |
| Eileen M. More (13) | 519,284 | 5.7% |
| Leonard Bell, M.D. (14) | 334,850 | 3.6% |
| John H. Fried, Ph.D. (15) | 86,936 | * |
| Stephen P. Squinto, Ph.D. (16) | 111,700 | 1.2% |
| David W. Keiser (17) | 89,800 | * |
| Joseph Madri, Ph.D., M.D. (18) | 53,400 | * |
| Louis A. Matis, M.D. (19) | 83,150 | * |
| Max Link, Ph.D. (20) | 21,423 | * |
| Leonard Marks, Jr., Ph.D. (21) | 11,900 | * |
| Bernadette L. Alford, Ph.D. (22) | 32,600 | * |
| Directors and Executive Officers as a group (11 persons) (23) | 2,095,934 | 21.8% |

- ----------

* Less than one percent

(1) Unless otherwise indicated, the address of all persons is 25 Science Park, Suite 360, New Haven, Connecticut 06511.

(2) To the Company's knowledge, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them, subject to community property laws where applicable and the information contained in the footnotes in this table.

(3) This figure is based upon information set forth in a Schedule 13D dated September 8, 1997, filed jointly by BB Biotech AG and Biotech Target, S.A. Includes 935,782 shares of Common Stock which are convertible automatically on March 9, 1998, or at the election of the holder at any time after September 9, 1997, from the Company's Series B Preferred Stock. Biotech Target, S.A., a Panamanian corporation, which purchased the Series B Preferred Stock, is a wholly-owned subsidiary of BB Biotech AG. BB Biotech AG is a holding company incorporated in Switzerland.

(4) Collinson Howe Venture Partners, Inc. ("CHVP") is a venture capital investment management firm which is the managing member of Biotechnology Investment Group, L.L.C. ("Biotechnology Group"), and is the investment advisor to Schroders, Inc., Schroder Ventures Limited Partnership ("Schroder Partnership") and Schroder Ventures U.S. Trust ("Schroder Trust"). As such, CHVP shares beneficial ownership of the shares listed above which include (i) 697,575 shares, 21,052 shares, 16,842 and 4,210 shares of Common

Stock owned by Biotechnology Group, Schroders, Inc., Schroder Partnership and Schroder Trust, respectively, and (ii) 7,812 shares issuable upon the exercise of warrants owned by Schroders, Inc. Timothy F. Howe, a director of the Company, is the Vice President and a stockholder of CHVP. As such he has shared investment and voting power over the shares beneficially owned by CHVP.

(5) Biotechnology Group is a limited liability company which invests in and otherwise deals with securities of biotechnology and other companies. The members of Biotechnology Group are (i) the managing member, CHVP, an investment management firm of which Jeffrey J. Collinson is President, sole director and majority stockholder and Timothy F. Howe, a director of the Company, is a Vice President and a stockholder, (ii) The Edward Blech Trust ("EBT"), and (iii) Wilmington Trust Company ("WTC"), as voting trustee under a voting trust agreement (the "Voting Trust Agreement"), among WTC, Biotechnology Group and BIO Holdings L.L.C. ("Holdings"). The managing member of Biotechnology Group is CHVP. Each of Citibank, N.A. ("Citibank") and Holdings has the right pursuant to the Voting Trust Agreement to direct the actions of WTC as a member of Biotechnology Group. WTC, as the member holding a majority interest in Holdings, has the right to direct the actions of Holdings under the Voting Trust Agreement. Citibank, pursuant to a separate voting trust agreement among WTC, David Blech and Holdings, has the right to direct the actions of WTC as a member of Holdings with respect to the rights of Holdings under the Voting Trust Agreement.

(6) By virtue of their status as members of the Biotechnology Group, each of CHVP and EBT may be deemed the beneficial owner of all shares held of record by Biotechnology Group (the "Biotechnology Group Shares"). By virtue of his status as the majority owner and controlling person of CHVP, Jeffrey J. Collinson may also be deemed the beneficial owner of the Biotechnology Group Shares. Each of CHVP, EBT and Jeffrey J. Collinson disclaims beneficial ownership of any Biotechnology Group Shares except to the extent, if any, of such person's actual pecuniary interest therein.

(7) Includes 166,945 shares of Common Stock purchased by United States Surgical Corporation from the Company on September 30, 1997. See "Item 5. Market for Registrant's Common Equity and Related Stockholder Matters-- Recent Sale of Unregistered Securities."

(8) This figure is based upon information set forth in a Schedule 13D/A dated July 8, 1997, filed by a group consisting of Samuel D. Isaly, Viren Mehta and certain entities affiliated with these individuals including Pharma/Health, M and I Investors, Inc., Caduceus Capital, L.P., Caduceus Capital Management, Inc. and Worldwide Health Services Portfolio.

(9) This figure is based upon information set forth in a Schedule 13G dated January 9, 1997, filed by Pioneering Management Corporation.

(10) Includes 408,571 shares owned by Oak Investment V Partners and 9,189 shares owned by Oak Investment V Affiliates, two affiliated limited partnerships (collectively, "Oak Investments"). In addition, Oak Investments' beneficial ownership includes 78,124 shares which may be acquired upon the exercise of warrants.

(11) Includes 31,250 shares which may be acquired upon the exercise of warrants.

(12) Consists of shares beneficially owned by CHVP (See footnote 4 above). Includes 3,400 shares which may be acquired upon the exercise of options within 60 days of October 1, 1997. Excludes 3,400 shares obtainable through the exercise of options granted to Mr. Howe which are not exercisable within 60 days of October 1, 1997. Mr. Howe disclaims beneficial ownership of shares held or beneficially owned by CHVP.

(13) Includes 23,400 shares of Common Stock which may be acquired upon the exercise of options granted to Eileen More and 495,844 shares owned by Oak Investments (See note 10). Excludes 3,400 shares obtainable through the exercise of options granted to Ms. More which are not exercisable within 60 days of October 1, 1997. Ms. More is a General Partner at Oak Investments.

(14) Includes 176,250 shares of Common Stock that may be acquired upon the exercise of options within 60 days of October 1, 1997 and 300 shares, in aggregate, held in the names of Dr. Bell's three minor children. Excludes 308,750 shares obtainable through the exercise of options granted to Dr. Bell which are not exercisable within 60 days of October 1, 1997 and 90,000 shares held in trust for Dr. Bell's children of which Dr. Bell disclaims beneficial ownership. Dr. Bell disclaims beneficial ownership of the shares held in the name of his minor children.

(15) Includes 4,686 shares that may be acquired upon the exercise of warrants and 10,900 shares that may be acquired on the exercise of options that are exercisable within 60 days of October 1, 1997. Excludes 3,400 shares obtainable through the exercise of options granted to Dr. Fried which are not exercisable within 60 days of October 1, 1997.

(16) Includes 55,000 shares of Common Stock which may be acquired upon the exercise of options granted to Dr. Squinto within 60 days of October 1, 1997 and 4,200 shares, in aggregate, held in the names of Dr. Squinto's two minor children of which 4,000 shares are in two trusts managed by his wife. Excludes 85,000 shares obtainable through the exercise of options granted to Dr. Squinto which are not exercisable within 60 days of October 1, 1997. Dr. Squinto disclaims beneficial ownership of the shares held in the name of his minor children and the foregoing trusts.

(17) Includes 47,500 shares which may be acquired upon the exercise of options within 60 days of October 1, 1997 and 300 shares, in aggregate, held in the names of Mr. Keiser's three minor children. Excludes 102,500 shares obtainable through the exercise of options granted to Mr. Keiser, which are not exercisable within 60 days of October 1, 1997. Mr. Keiser disclaims beneficial ownership of the shares held in the name of his minor children.

(18) Includes 8,400 shares that may be acquired upon the exercise of options within 60 days of October 1, 1997. Excludes 3,400 shares obtainable through the exercise of options granted to Dr. Matis which are not exercisable within 60 days of October 1, 1997.

(19) Includes 65,000 shares of Common Stock which may be acquired upon the exercise of options granted to Dr. Matis within 60 days of October 1, 1997 and 150 shares, in aggregate, held in the names of Dr. Matis' three minor children. Excludes 85,000 shares obtainable through the exercise of options, granted to Dr. Matis, which are not exercisable within 60 days of October 1, 1997. Dr. Matis disclaims beneficial ownership of the shares held in the name of his minor children.

(20) Excludes 3,400 shares obtainable through the exercise of options, granted to Dr. Link, which are not exercisable within 60 days of October 1, 1997.

(21) Includes 10,900 shares which may be acquired upon the exercise of options within 60 days of October 1, 1997. Excludes 3,400 shares obtainable through the exercise of options granted to Dr. Marks, which are not exercisable within 60 days of October 1, 1997.

(22) Consists of 32,500 shares of Common Stock which may be acquired upon the exercise of options granted to Dr. Alford within 60 days of October 1, 1997 and 100 shares held in the



name of Dr. Alford's minor child. Excludes 73,250 shares obtainable through the exercise of options, granted to Dr. Alford, which are not exercisable within 60 days of October 1, 1997.

(23) Consists of shares beneficially owned by Drs. Alford, Bell, Fried, Link, Madri, Marks, Matis and Squinto and Mr. Keiser, Mr. Howe and Ms. More. Includes 90,622 shares of Common Stock which may be acquired upon the exercise of warrants within 60 days of October 1, 1997 and 433,250 shares of Common Stock which may be acquired upon the exercise of options within 60 days of October 1, 1997.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In July 1995, the Company entered into a series of agreements with US Surgical relating to a collaboration for the development of non-human UniGraft organ products designed for transplantation into humans. In furtherance of the joint collaboration, US Surgical also purchased $4.0 million of the Company's Common Stock, at a price of $8.75 per share and agreed to fund up to $7.5 million for the completion of preclinical research and development of the UniGraft program, a portion of which was dependent on the achievement of development milestones. US Surgical, a principal stockholder of the Company, purchased approximately ten percent of the shares of Common Stock offered at the Company's initial public offering. Through July 31, 1997, the Company received $4.0 million in research and development support under its collaboration with US Surgical.

In September 1997, US Surgical and the Company modified the July 1995 Joint Development Agreement. As part of the modification, US Surgical made an additional $6.5 million payment to the Company for equity, exclusive licensing rights, and certain manufacturing assets. Under the modified agreement, the additional $6.5 million payment comprised: (i) a $3 million equity investment in the Company through the purchase of 166,945 shares of the Company's Common Stock at a price of $17.97 per share, which represented a 25% premium over the market price on the day prior to the date of closing and (ii) a $3.5 million payment to acquire technology and certain xenograft manufacturing assets. Further, as part of the amended agreement, US Surgical and the Company agreed that the preclinical milestone payments in the original agreement are considered to have been satisfied. At October 1, 1997, US Surgical beneficially owned an aggregate of 824,087 shares of Common Stock or approximately 9.1% of the Company's outstanding shares of common stock.



In June and October 1992, the Company entered into certain patent licensing agreements with Oklahoma Medical Research Foundation ("OMRF") and Yale University ("Yale"). The agreements provide that the Company agreed to pay such institutions royalties based on sales of products incorporating technology licensed thereunder and also license initiation fees, including annual minimum royalties that increase in amount based on the status of product development and the passage of time. Under policies of OMRF and Yale, the individual inventors of patents are entitled to receive a percentage of the royalties and other license fees received by the licensing institution. Certain founders of and scientific advisors to the Company are inventors under such patent and patent applications (including Drs. Bell and Madri, directors of the Company, and Dr. Squinto, the Vice President of Research, Molecular Sciences of the Company, with respect to patent applications licensed from Yale) and, therefore, entitled to receive a portion of such royalties and other fees payable by the Company. During the fiscal year ended July 31, 1997 the Company was not required to make any payments pursuant to the above-referenced license agreements.

In June 1992, the Company and OMRF entered into a research agreement with respect to the development of complement inhibitors, pursuant to which Drs. Peter Sims and Theresa Wiedmer, scientific advisors to the Company, serve as principal investigators. Per the research agreement, the Company paid an aggregate of $1,000,000 over a four-year period through October 1, 1996. There can be no assurance that the research agreement will result in discoveries useful to the Company. As the principal investigators under the sponsored research programs under the research agreement, Drs. Sims and Wiedmer will directly benefit from the payments. During the fiscal year ended July 31, 1997 the Company was not required to make any payments pursuant to the above-referenced research agreement.

In addition, the Company had signed in June 1992 four-year consulting

contracts with Drs. Sims and Wiedmer. For fiscal year ended July 31, 1996, Drs. Sims and Wiedmer were paid by the Company directly less than $60,000 and in fiscal year ended July 31, 1997, no payments were made direct to Drs. Sims and Wiedmer by the Company. As of July 31, 1997, the Company has not renewed the consulting contracts. Dr. Sims is currently the Associate Director for Research of The Blood Center of Southeastern Wisconsin and the research operations of Drs. Sims and Wiedmer are conducted at The Blood Center. OMRF has assigned to The Blood Center, and The Blood Center has accepted, all rights, responsibilities and obligations of OMRF under the research and development agreement. Drs. Sims and Wiedmer are married to each other.



PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) (1) Financial Statements

The financial statements required by this item are submitted in a separate section beginning on page F-1 of this report.

(2) Financial Statement Schedules

Schedules have been omitted because of the absence of conditions under which they are required or because the required information is included in the financial statements or notes thereto.

(3) Exhibits:

| | |
|---|---|
| 3.1 | Certificate of Incorporation, as amended.*(1) |
| 3.2 | Bylaws.*(1) |
| 4.1 | Specimen Common Stock Certificate.*(1) |
| 10.1 | Employment Agreement, dated April 1, 1997, between the Company and Dr. Leonard Bell.(2) |
| 10.2 | Employment Agreement, dated October 22, 1997, between the Company and David W. Keiser. |
| 10.3 | Employment Agreement, dated October 22, 1997, between the Company and Dr. Stephen P. Squinto. |
| 10.4 | Employment Agreement, dated October 22, 1997 between the Company and Dr. Louis A. Matis. |
| 10.5 | Employment Agreement, dated July 1993, between the Company and Dr. James A. Wilkins, as amended.*(1) |
| 10.6 | Employment Agreement, dated July 1994, between the Company and Dr. Bernadette L. Alford, as amended.*(1) |
| 10.7 | Administrative Facility Lease, dated August 23, 1995, between the Company and Science Park Development Corporation.*(1) |
| 10.8 | Research and Development Facility Lease, dated August 23, 1995, between the Company and Science Park Development Corporation.*(1) |
| 10.9 | Option Agreement, dated April 1, 1992 between the Company and Dr. Leonard Bell.*(1) |

10.10 Company's 1992 Stock Option Plan, as amended.*(1)

10.11 Company's 1992 Outside Directors Stock Option Plan, as amended.*(1)

10.12 Registration Agreement, dated December 4, 1992, by the Company for the benefit of certain individuals listed on schedules thereto, as amended.*(1)

10.13 Amendment to Registration Agreement, dated July 31, 1995, between the Company and United States Surgical Corporation.*(1)

10.14 Agreement, dated June 15, 1993, by the Company for the benefit of certain individuals listed on schedules thereto, as amended.*(1)

10.15 Form of Investor Rights Agreement, dated December 23, 1994, between the Company and the purchasers of the Company's Series A Preferred Stock, as amended.*(1)

10.16 Stock Purchase Agreement, dated July 31, 1995, between the Company and United States Surgical Corporation.*(1)

10.17 Form of Warrant to purchase shares of the Company's Common Stock issued pursuant to certain of the Company's private placements.*(1)

10.18 Form of Warrant to purchase shares of the Company's Common Stock issued to the Placement Agent of certain of the Company's private placements.*(1)

10.19 Form of Warrant to purchase shares of the Company's Common Stock issued to certain warrantholders of the Company in connection with a Warrant Exchange.*(1)

10.20 License Agreement dated as of May 27, 1992 between the Company and Yale University, as amended September 23, 1992.*(1)+

10.21 Exclusive License Agreement dated as of June 19, 1992 among the Company, Yale University and Oklahoma Medical Research Foundation.*(2)

10.22 Research & Development Agreement dated as of June 19, 1992 between the Company and Oklahoma Medical Research Foundation.*(1)+

10.23 License Agreement dated as of September 30, 1992 between the Company and Yale University, as amended July 2, 1993.*(1)+

10.24 License Agreement dated as of August 1, 1993 between the Company and Biotechnology Research and Development Corporation ("BRDC"), as amended as of July 1, 1995.*(1)+

10.25 Cooperative Research and Development Agreement dated December 10, 1993 between the Company and the National Institutes of Health.*(1)+



10.26 License Agreement dated January 25, 1994 between the Company and The Austin Research Institute.*(1)+

10.27 Exclusive Patent License Agreement dated April 21, 1994 between the Company and the National Institutes of Health.*(1)+

10.28 License Agreement dated July 22, 1994 between the Company and The Austin Research Institute.*(1)+

10.29 License Agreement dated as of January 10, 1995 between the Company

and Yale University.*(1)+

10.30 Joint Development Agreement dated as of July 31, 1995 between the Company and United States Surgical Corporation.*(1)+

10.31 Advanced Technology Program ("ATP"), Cooperative Agreement 70NANB5H, National Institute of Standards and Technology, entitled "Universal Donor Organs for Transplantation," dated September 15, 1995.*(1)+

10.32 U.S. Department of Health and Human Services, National Heart, Lung and Book Institute, Small Business Research Program, Phase II Grant Application, entitled "Role of Complement Activation in Cardiopulmonary Bypass," dated December 14, 1994; and Notice of Grant Award dated September 21, 1995.*(1)+

10.33 Research Subcontract Agreement dated as of October 1, 1995 between the Company and Tufts University.*(1)+

10.34 Agreement to be Bound by Shareholders Agreement dated as of August 1, 1993 between the Company and BRDC.*(1)

10.35 Agreement to be Bound by Master Agreement dated as of August 1, 1993 between the Company and BRDC.*(1)

10.36 Research and Development Facility Lease, dated April 1, 1996, between the Company and Science Park Development Corporation.*(3)

10.37 License Agreement dated March 27, 1996 between the Company and Medical Research Council.*(3)+

10.38 License Agreement dated May 8, 1996 between the Company and Enzon, Inc.*(3)+

10.39 License and Collaborative Research Agreement between Alexion Pharmaceuticals, Inc. and Genetic Therapy, Inc.*(3)+

10.40 Amended Joint Development Agreement as of September 1997 between the Company and United States Surgical Corporation.*(4)++

10.41 Form Stock Purchase Agreement dated June 1997.

10.42 Stock Purchase Agreement dated September 9, 1997 by and between the Company and BB Biotech.

10.43 Stock Purchase Agreement dated September 30, 1997 by and between the Company and U.S. Surgical.*(4)++

23.1 Consent of Arthur Andersen LLP

99 Important Factors Regarding Forward-Looking Statements



- ----------

* Previously filed

(1) Incorporated by reference to the Company's Registration Statement on Form S-1 (Reg. No. 333-00202).

(2) Incorporated by reference to the Company's Amendment No. 1 to Registration Statement on Form S-1 (Reg. No. 333-19905) filed on April 4, 1997.

(3) Incorporated by reference to the Company's Annual report on Form 10-K for the fiscal year ended July 31, 1996.

(4) Incorporated by reference to the Company's Current Report on Form 8-K dated October 1, 1997.

+ Confidential treatment was granted for portions of such document.

++ A request for confidential treatment has been made for portions of such document, Confidential Portions have been omitted and filed separately with the Commission as required by Rule 24b-2.

(b) Reports on Form 8-K

Current Report on Form 8-K dated June 17, 1997 relating to the Company's sale of 1,450,000 shares of the Company's Common Stock.

Current Report on Form 8-K dated July 9, 1997 relating to the Company's sale of shares referenced above.

Current Report on Form 8-K dated September 9, 1997 relating to the Company's sale of $10,000,000 of Series B Preferred Stock.

Current Report on Form 8-K dated October 1, 1997 relating to the Amendment to the Joint Development Agreement with United States Surgical Corporation and the sale of the Company's Common Stock to United States Surgical.

(c) Exhibits.

See (a) (3) above

(d) Financial Statement Schedules

See (a) (2) above



SIGNATURES

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

ALEXION PHARMACEUTICALS, INC.

By: /s/ LEONARD BELL
---
Leonard Bell, M.D.
President, Chief Executive Officer, Secretary and Treasurer

By: /s/ DAVID W. KEISER
---
David W. Keiser
Executive Vice President and Chief Operating Officer

Pursuant to the requirements of the Securities Act of 1934 this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| | | |
|---|---|---|
| /s/ LEONARD BELL<br>- ----------<br>Leonard Bell, M.D | President, Chief Executive Officer, Secretary, Treasurer and Director (principal executive officer) | October 24, 1997 |

| | | |
|---|---|---|
| /s/ DAVID W. KEISER<br>David W. Keiser | Executive Vice President and Chief Operating Officer (principal financial officer) | October 24, 1997 |
| /s/ BARRY P. LUKE<br>Barry P. Luke | Senior Director of Finance and Administration (principal accounting officer) | October 24, 1997 |
| /s/ JOHN H. FRIED<br>John H. Fried, Ph.D. | Chairman of the Board of Directors | October 24, 1997 |
| /s/ TIMOTHY F. HOWE<br>Timothy F. Howe | Director | October 24, 1997 |
| /s/ MAX LINK<br>Max Link, Ph.D. | Director | October 24, 1997 |
| /s/ JOSEPH A. MADRI<br>Joseph A. Madri, Ph.D., M.D. | Director | October 24, 1997 |
| /s/ LEONARD MARKS<br>Leonard Marks, Jr., Ph.D. | Director | October 24, 1997 |
| /s/ EILEEN M. MORE<br>Eileen M. More | Director | October 24, 1997 |



ALEXION PHARMACEUTICALS, INC.

(A Development Stage Company)

INDEX TO FINANCIAL STATEMENTS


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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of

Alexion Pharmaceuticals, Inc.:

We have audited the accompanying balance sheets of Alexion Pharmaceuticals, Inc. (a Delaware corporation in the development stage) as of July 31, 1996 and 1997, and the related statements of operations, stockholders' equity and cash flows for each of the three years in the period ended July 31, 1997, and for the period from inception (January 28, 1992) through July 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alexion Pharmaceuticals, Inc. as of July 31, 1996 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended July 31, 1997, and for the period from inception (January 28, 1992) through July 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Hartford, Connecticut
August 29, 1997 (except with
respect to the matters discussed
in Note 16, as to which the date
is September 30, 1997)



ALEXION PHARMACEUTICALS, INC.

(A Development Stage Company)

BALANCE SHEETS

| | July 31, | |
|---|---|---|
| | 1996 | 1997 |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 9,491,217 | $ 16,742,516 |
| Marketable securities | 9,106,534 | 6,006,380 |
| Prepaid expenses | 466,731 | 232,385 |
| Total current assets | 19,064,482 | 22,981,281 |
| EQUIPMENT, net | 592,271 | 786,495 |
| OTHER ASSETS: | | |
| Licensed technology rights, net | 330,365 | 242,366 |
| Patent application costs, net | 194,004 | 168,691 |
| Organization costs, net | 5,280 | -- |
| Security deposits and other assets | 267,578 | 81,728 |
| | 797,227 | 492,785 |
| Total assets | $20,453,980 | $ 24,260,561 |

| | | |
|---|---|---|
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Current portion of notes payable | $ 322,508 | $ 130,000 |
| Current obligations under capital leases | 28,593 | 7,768 |
| Accounts payable | 280,913 | 727,553 |
| Accrued expenses | 400,577 | 1,201,770 |
| Deferred revenue | 1,000,000 | 347,070 |
| Total current liabilities | 2,032,591 | 2,414,161 |
| NOTES PAYABLE, less current portion included above | 128,264 | -- |
| OBLIGATIONS UNDER CAPITAL LEASES, less current portion included above | 8,200 | -- |
| COMMITMENTS AND CONTINGENCIES (Notes 1, 9 and 11) | | |
| STOCKHOLDERS' EQUITY: | | |
| Convertible preferred stock $.0001 par value; 5,000,000 shares authorized; no shares are issued or outstanding at July 31, 1996 and 1997 | -- | -- |
| Common stock $.0001 par value; 25,000,000 shares authorized; 7,334,909 and 8,858,012 issued at July 31, 1996 and 1997, respectively | 733 | 886 |
| Additional paid-in capital | 42,858,975 | 53,671,867 |
| Deficit accumulated during the development stage | 24,574,681) | (31,826,251) |
| Treasury stock, at cost, 11,875 shares | (102) | (102) |
| Total stockholders' equity | 18,284,925 | 21,846,400 |
| Total liabilities and stockholders' equity | $20,453,980 | $ 24,260,561 |

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



ALEXION PHARMACEUTICALS, INC.

(A Development Stage Company)

STATEMENTS OF OPERATIONS

| | For the Years Ended July 31, | | | For the Period From Inception (January 28, 1992) |
|---|---|---|---|---|
| | 1995 | 1996 | 1997 | Through July 31, 1997 |
| CONTRACT RESEARCH REVENUES | $ 136,091 | $ 2,640,239 | $ 3,810,600 | $ 6,586,930 |
| OPERATING EXPENSES: | | | | |
| Research and development | 5,637,431 | 6,629,157 | 9,079,141 | 30,233,969 |
| General and administrative | 1,591,886 | 1,843,093 | 2,826,783 | 9,517,649 |
| Total operating expenses | 7,229,317 | 8,472,250 | 11,905,924 | 39,751,618 |

| | | | | |
|---|---|---|---|---|
| OPERATING LOSS | (7,093,226) | (5,832,011) | (8,095,324) | (33,164,688) |
| OTHER INCOME (EXPENSE), net | (29,195) | 397,495 | 843,754 | 1,338,437 |
| Net loss | $(7,122,421) | $(5,434,516) | $(7,251,570) | $(31,826,251) |
| NET LOSS PER COMMON SHARE (Note 2) | $ (1.76) | $ (.95) | $ (.97) | |
| SHARES USED IN COMPUTING NET LOSS PER COMMON SHARE | 4,055,966 | 5,746,697 | 7,450,762 | |

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



ALEXION PHARMACEUTICALS, INC.

(A Development Stage Company)

STATEMENTS OF STOCKHOLDERS' EQUITY

| | Convertible Preferred Stock | | Common Stock | | Additional Paid-In |
|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Capital |
| Initial issuance of common stock | -- | $ -- | 1,200,000 | $ 120 | $ 1,080 |
| Deferred offering costs | -- | -- | -- | -- | -- |
| Net loss | -- | -- | -- | -- | -- |
| BALANCE, July 31, 1992 | -- | -- | 1,200,000 | 120 | 1,080 |
| Issuance of common stock and warrants, net of issuance costs of $1,230,362 | -- | -- | 1,531,399 | 153 | 10,755,239 |
| Conversion of advances from stockholder into common stock and warrants | -- | -- | 160,000 | 16 | 1,199,984 |
| Repurchase of common stock and warrants | -- | -- | -- | -- | -- |
| Net loss | -- | -- | -- | -- | -- |
| BALANCE, July 31, 1993 | -- | -- | 2,891,399 | 289 | 11,956,303 |
| Issuance of common stock and warrants, net of issuance costs of $296,017 | -- | -- | 646,872 | 65 | 4,878,918 |
| Repurchase of common stock | -- | -- | -- | -- | -- |
| Deferred offering costs | -- | -- | -- | -- | -- |
| Net change in unrealized losses on marketable securities | -- | -- | -- | -- | (62,883) |
| Net loss | -- | -- | -- | -- | -- |
| BALANCE, July 31, 1994 | -- | -- | 3,538,271 | 354 | 16,772,338 |
| Issuance of common stock from exercise of stock options | -- | -- | 1,500 | -- | 11,250 |

| | | | | | |
|---|---|---|---|---|---|
| Issuance of Series A convertible preferred stock, net of issuance costs of $195,241 ..... | 1,986,409 | 199 | -- | -- | 3,578,737 |
| Issuance of common stock, net of issuance costs of $150,000 ..... | -- | -- | 457,142 | 46 | 3,849,954 |
| Net change in unrealized losses on marketable securities ..... | -- | -- | -- | -- | 46,606 |
| Net loss ..... | -- | -- | -- | -- | -- |
| BALANCE, July 31, 1995 ..... | 1,986,409 | $ 199 | 3,996,913 | $ 400 | $ 24,258,885 |

| | Deficit Accumulated During the Development Stage | Deferred Offering Costs | Treasury Stock, at cost | | Total Stockholders' Equity (Deficiency |
|---|---|---|---|---|---|
| | | | Shares | Amount | |
| Initial issuance of common stock ..... | $ -- | $ -- | -- | $ -- | $ 1,200 |
| Deferred offering costs ..... | -- | (66,613) | -- | -- | (66,613) |
| Net loss ..... | (663,764) | -- | -- | -- | (663,764) |
| BALANCE, July 31, 1992 ..... | (663,764) | (66,613) | -- | -- | (729,177) |
| Issuance of common stock and warrants, net of issuance costs of $1,230,362 ..... | -- | 66,613 | -- | -- | 10,822,005 |
| Conversion of advances from stockholder into common stock and warrants ..... | -- | -- | -- | -- | 1,200,000 |
| Repurchase of common stock and warrants | -- | -- | 10,000 | (100) | (100) |
| Net loss ..... | (4,067,828) | -- | -- | -- | (4,067,828) |
| BALANCE, July 31, 1993 ..... | (4,731,592) | -- | 10,000 | (100) | 7,224,900 |
| Issuance of common stock and warrants, net of issuance costs of $296,017 ... | -- | -- | -- | -- | 4,878,983 |
| Repurchase of common stock ..... | -- | -- | 1,875 | (2) | (2) |
| Deferred offering costs ..... | -- | (55,000) | -- | -- | (55,000) |
| Net change in unrealized losses on marketable securities ..... | -- | -- | -- | -- | (62,883) |
| Net loss ..... | (7,286,152) | -- | -- | -- | (7,286,152) |
| BALANCE, July 31, 1994 ..... | (12,017,744) | (55,000) | 11,875 | (102) | 4,699,846 |
| Issuance of common stock from exercise of stock options ..... | -- | -- | -- | -- | 11,250 |
| Issuance of Series A convertible preferred stock, net of issuance costs of $195,241 ..... | -- | 55,000 | -- | -- | 3,633,936 |
| Issuance of common stock, net of issuance costs of $150,000 ..... | -- | -- | -- | -- | 3,850,000 |
| Net change in unrealized losses on marketable securities ..... | -- | -- | -- | -- | 46,606 |
| Net loss ..... | (7,122,421) | -- | -- | -- | (7,122,421) |

| | | | | | |
|---|---|---|---|---|---|
| BALANCE, July 31, 1995 ..... | $(19,140,165) | $ -- | 11,875 | $ (102) | $ 5,119,217 |

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



ALEXION PHARMACEUTICALS, INC.

(A Development Stage Company)

STATEMENTS OF STOCKHOLDERS' EQUITY

| | Convertible Preferred Stock | | Common Stock | | Additional Paid-In | Deficit Accumulated During the Development |
|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Capital | Stage |
| BALANCE, July 31, 1995 ..... | 1,986,409 | $ 199 | 3,996,913 | 400 | $24,258,885 | $(19,140,165) |
| Issuance of common stock in initial public offering, net of issuance costs of $2,468,940 .. | -- | -- | 2,530,000 | 253 | 18,403,307 | -- |
| Conversion of Series A convertible preferred stock into common stock | (1,986,409) | (199) | 794,554 | 79 | 120 | -- |
| Issuance of common stock from exercise of stock options ..... | -- | -- | 13,442 | 1 | 70,361 | -- |
| Net change in unrealized losses on marketable securities ..... | -- | -- | -- | -- | 3,802 | -- |
| Compensation expense related to grant of stock options ..... | -- | -- | -- | -- | 122,500 | -- |
| Net loss ..... | -- | -- | -- | -- | -- | (5,434,516) |
| BALANCE, July 31, 1996 ..... | -- | -- | 7,334,909 | 733 | 42,858,975 | (24,574,681) |
| Issuance of common stock, net of issuance costs of $813,835 ..... | -- | -- | 1,450,000 | 145 | 10,423,520 | -- |
| Issuance of common stock from exercise of stock options ..... | -- | -- | 34,937 | 4 | 83,066 | -- |
| Issuance of common stock from exercise of warrants ..... | -- | -- | 38,166 | 4 | 286,242 | -- |
| Net change in unrealized losses on marketable securities ..... | -- | -- | -- | -- | 20,064 | -- |
| Net loss ..... | -- | -- | -- | -- | -- | (7,251,570) |
| BALANCE, July 31, 1997 ..... | -- | $ -- | 8,858,012 | $ 886 | $53,671,867 | $(31,826,251) |

| | Deferred Offering Costs | Treasury Stock, at cost | | Total Stockholders' Equity (Deficiency |
|---|---|---|---|---|
| | | Shares | Amount | |
| BALANCE, July 31, 1995 ..... | $ -- | 11,875 | $(102) | $ 5,119,217 |
| Issuance of common stock in initial public offering, net of issuance costs of $2,468,940 .. | -- | -- | -- | 18,403,560 |
| Conversion of Series A convertible preferred stock into common stock | -- | -- | -- | -- |
| Issuance of common stock from exercise of stock options ..... | -- | -- | -- | 70,362 |
| Net change in unrealized losses on marketable securities ..... | -- | -- | -- | 3,802 |
| Compensation expense related to grant of stock options ..... | -- | -- | -- | 122,500 |
| Net loss ..... | -- | -- | -- | (5,434,516) |
| BALANCE, July 31, 1996 ..... | -- | 11,875 | (102) | 18,284,925 |
| Issuance of common stock, net of issuance costs of $813,835 ..... | -- | -- | -- | 10,423,665 |
| Issuance of common stock from | | | | |

| | | | | |
|---|---|---|---|---|
| exercise of stock options ..... | -- | -- | -- | 83,070 |
| Issuance of common stock from exercise of warrants ..... | -- | -- | -- | 286,246 |
| Net change in unrealized losses on marketable securities ..... | -- | -- | -- | 20,064 |
| Net loss ..... | -- | -- | -- | (7,251,570) |
| BALANCE, July 31, 1997 ..... | $ -- | 11,875 | $(102) | $ 21,846,400 |

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



ALEXION PHARMACEUTICALS, INC.

(A Development Stage Company)

STATEMENTS OF CASH FLOWS

| | For the Years Ended July 31, | | | For the Period From Inception (January 28, 1992) |
|---|---|---|---|---|
| | 1995 | 1996 | 1997 | Through July 31, 1997 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Net loss ..... | $(7,122,421) | $(5,434,516) | $(7,251,570) | $(31,826,251) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | | |
| Depreciation and amortization ..... | 786,628 | 811,120 | 698,404 | 3,095,980 |
| Compensation expense related to grant of stock options ..... | -- | 122,500 | -- | 122,500 |
| Net realized loss (gain) on marketable securities ... | 28,956 | 9,156 | (624) | 44,766 |
| Change in assets and liabilities - | | | | |
| Prepaid expenses ..... | (14,361) | (294,269) | 234,346 | (232,385) |
| Accounts payable ..... | (99,483) | (37,604) | 446,640 | 727,553 |
| Accrued expenses ..... | (15,411) | (175,620) | 801,193 | 1,201,770 |
| Deferred revenue ..... | 1,000,000 | -- | (652,930) | 347,070 |
| Net cash used in operating activities ..... | (5,436,092) | (4,999,233) | (5,724,541) | (26,518,997) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| (Purchases of) proceeds from marketable securities, net . | 1,795,575 | (8,443,001) | 3,119,187 | (5,998,578) |
| Purchases of equipment ..... | (356,710) | (332,427) | (749,214) | (2,921,957) |
| Licensed technology costs ..... | (32,500) | -- | -- | (615,989) |
| Patent application costs ..... | (53,746) | (41,714) | (23,168) | (358,972) |
| Organization costs ..... | -- | -- | -- | (63,530) |
| Net cash (used in) provided by investing activities ..... | 1,352,619 | (8,817,142) | 2,346,805 | (9,959,026) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Net proceeds from issuance of preferred and common stock ..... | 7,440,186 | 18,473,922 | 10,792,981 | 52,342,664 |
| Deferred offering costs ..... | 55,000 | -- | -- | -- |
| Advances from stockholder ..... | -- | -- | -- | 1,200,000 |
| Repayments of capital lease obligations ..... | (87,034) | (103,447) | (29,024) | (370,295) |
| Borrowings under notes payable ..... | -- | -- | -- | 1,179,135 |
| Repayments of notes payable ..... | (273,528) | (322,333) | (320,772) | (1,049,135) |
| Security deposits and other assets ..... | 219,039 | 180,238 | 185,850 | (81,728) |
| Repurchase of common stock ..... | -- | -- | -- | (102) |
| Net cash provided by financing activities .... | 7,353,663 | 18,228,380 | 10,629,035 | 53,220,539 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS ..... | 3,270,190 | 4,412,005 | 7,251,299 | 16,742,516 |
| CASH AND CASH EQUIVALENTS, beginning of period ..... | 1,809,022 | 5,079,212 | 9,491,217 | -- |
| CASH AND CASH EQUIVALENTS, end of period ..... | $ 5,079,212 | $ 9,491,217 | $16,742,516 | $ 16,742,516 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | | | |
| Cash paid for income taxes ..... | $ 6,554 | $ -- | $ -- | $ 30,684 |
| Cash paid for interest expense ..... | $ 176,716 | $ 108,593 | $ 47,328 | $ 405,965 |
| SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES: | | | | |
| Conversion of advances from stockholder into common stock ..... | $ -- | $ -- | $ -- | $ 1,200,000 |
| Equipment acquired pursuant to capital lease obligations ..... | $ -- | $ -- | $ -- | $ 378,064 |

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

ALEXION PHARMACEUTICALS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

1. Organization and Operations:

Alexion Pharmaceuticals, Inc. (the "Company") was organized in January 1992 and is engaged in the research and development of proprietary immunoregulatory compounds for the treatment of cardiovascular disorders (inflammation and perioperative bleeding associated with cardiopulmonary bypass, myocardial infarction, and stroke) and autoimmune diseases (lupus nephritis, rheumatoid arthritis, and multiple sclerosis). As an outgrowth of its core technologies, the Company is developing, in collaboration with third parties (see Note 10), non-human organ ("xenograft" organs) products designed for transplantation into humans without clinical rejection and immunoprotected retroviral vectors and producer cells for gene therapy.

The Company is in the development stage and is devoting substantially all of its efforts toward product research and development. The Company has incurred losses since inception and has cumulative net losses of $31.8 million through July 31, 1997. The Company has made no product sales to date and has recognized cumulative revenue from research grants and funding of $6.6 million through July 31, 1997. During 1996, the Company completed an initial public offering (IPO) of 2,530,000 shares of common stock resulting in net proceeds of approximately $18.4 million. During 1997, the Company completed an offering of 1,450,000 shares of common stock resulting in net proceeds of approximately $10.4 million (see Note 12). In addition, the Company has received various grants to fund certain research activities (see Note 10).

The Company will need additional financing to obtain regulatory approvals, fund operating losses, and, if deemed appropriate, establish a manufacturing, sales and marketing capability. In addition to the normal risks associated with development stage companies, there can be no assurance that the Company's research and development will be successfully completed, that adequate patent protection for the Company's technology will be obtained, that any products developed will obtain necessary government regulatory approval or that any approved products will be commercially viable. In addition, the Company operates in an environment of rapid change in technology, substantial competition from pharmaceutical and biotechnology companies and is dependent upon the services of its employees and its consultants.

The Company expects to incur substantial expenditures in the foreseeable future for the research and development and commercialization of its products. The Company's management believes that, based upon its current business plans, the cash and marketable securities aggregating $22.7 million as of July 31, 1997 will be sufficient to fund operations of the Company through at least calendar 1998.



The Company will require funds in addition to those previously described, which it will seek to raise through public or private equity or debt financings, collaborative or other arrangements with corporate sources, or through other sources of financing. The Company has no banking or other capital sources and no arrangements or commitments with regard to obtaining any further funds.

2. Summary of Significant Accounting Policies:

Cash and cash equivalents --

Cash and cash equivalents are stated at cost, which approximates market, and include short-term highly liquid investments with original maturities of less than three months.

Marketable securities --

The Company invests in marketable securities of highly rated financial

institutions and investment-grade debt instruments and limits the amount of credit exposure with any one entity.

The Company has classified its marketable securities as "available for sale" and, accordingly, carries such securities at aggregate fair value. Unrealized gains or losses are included in stockholders' equity as a component of additional paid-in capital. At July 31, 1997, the Company's marketable securities had a maximum maturity of approximately one year.

The following is a summary of marketable securities at July 31, 1996 and 1997:

| | Amortized Cost | Unrealized Gains (Losses) | Fair Value |
|---|---|---|---|
| U.S. government obligations ..... | $5,268,177 | $ (481) | $5,267,696 |
| Municipal obligations ..... | 80,000 | (390) | 79,610 |
| Corporate bonds ..... | 3,770,832 | (11,604) | 3,759,228 |
| Total marketable securities at July 31, 1996 ..... | $9,119,009 | $(12,475) | $9,106,534 |
| U.S. government obligations ..... | $ 498,216 | $3,034 | $ 501,250 |
| Municipal obligations ..... | 4,000,535 | 4,145 | 4,004,680 |
| Corporate bonds ..... | 1,500,038 | 412 | 1,500,450 |
| Total marketable securities at July 31, 1997 ..... | $5,998,789 | $ 7,591 | $6,006,380 |



Equipment --

Equipment is recorded at cost and is depreciated over estimated useful lives of the assets involved. Depreciation commences at the time the assets are placed in service and is computed using the straight-line method over the useful lives of the equipment of three to four years. Maintenance and repairs are charged to expense when incurred.

Equipment under capital leases is depreciated over the lesser of the lease term or the estimated useful life.

Long-lived assets --

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of" (SFAS 121). SFAS 121 requires a company to review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The adoption of this standard did not have a material impact on the Company's results of operations or financial position.

Licensed technology rights --

Licensed technology rights are amortized over the shorter of the license term or seven years, using the straight-line method. The Company reviews licensed technology rights on a periodic basis and capitalized costs which provide no future benefit are expensed. Accumulated amortization as of July 31, 1996 and 1997 amounted to $285,624 and $373,623, respectively (see Note 9).

Patent application costs --

Costs incurred in filing for patents are capitalized. Capitalized costs related to unsuccessful patent applications are expensed when it becomes determinable that such applications will not be successful. Capitalized costs related to successful patent applications are amortized over a seven year period or the remaining life of the patent, whichever is shorter, using the straight-line method. Accumulated amortization as of July 31, 1996 and 1997 amounted to $141,801 and $190,282, respectively.

Revenue recognition --

Contract research revenues are recognized as the related work is performed under the terms of the contracts and expenses for development activities are incurred. Any revenue contingent upon future funding by the Company is deferred and recognized as the future funding is expended. Any revenues resulting from the achievement of milestones would be recognized when the milestone is achieved.

Research and development expenses --

Research and development costs are expensed in the period incurred.



Use of estimates in the preparation of financial statements --

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New accounting pronouncements --

In March 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings Per Share", which establishes new standards for computing and presenting earnings per share. SFAS 128 is effective for financial statements issued for periods ending after December 31, 1997 and earlier adoption is not permitted. The Company believes that the impact of adoption of this statement will not have a material effect on net loss per share as reported in the accompanying financial statements.

In July 1997, the Financial Accounting Standards Board issued SFAS No. 130 "Reporting Comprehensive Income", which establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. The objective of the statement is to report a measure of all changes in equity of an enterprise that result from transactions and other economic events of the period other than transactions with owners ("comprehensive income"). SFAS No. 130 is effective for financial statements issued for fiscal years beginning after December 15, 1997 with earlier application permitted. The Company believes that the impact of adoption of this statement will not have a significant effect on the Company's financial position and results of operations.

Net loss per common share --

Net loss per common share is computed using the weighted average number of common shares outstanding during the period. Common equivalent shares including those from stock options and warrants are excluded from the computation as their effect is antidulitive, except pursuant to the requirements of the SEC. Pursuant to these requirements, common stock issued by the Company during the 12 months immediately preceding the initial public offering, plus shares of common stock which became issuable during the same period pursuant to the grant of common stock options and warrants, have been included in the calculation of weighted average number of common shares outstanding for the period from August 1, 1994 to April 30, 1996 using the treasury stock method.

3. Equipment:

A summary of equipment as of July 31, 1996 and 1997 is as follows:

| | July 31, 1996 | July 31, 1997 |
|---|---|---|
| Laboratory equipment | $2,038,304 | $2,645,553 |
| Office equipment | 112,351 | 230,432 |
| Furniture | 22,088 | 45,971 |
| Equipment under capital leases | 378,064 | 378,064 |
| | 2,550,807 | 3,300,020 |
| Less -- Accumulated depreciation and amortization | 1,958,536 | 2,513,525 |
| | $ 592,271 | $ 786,495 |

4. Security Deposits and Other Assets:

A summary of security deposits and other assets as of July 31, 1996 and 1997, is as follows:

| | July 31, 1996 | July 31, 1997 |
|---|---|---|
| Amounts held in deposit as collateral for notes payable (see Note 7) | $183,444 | $ - |
| Other | 84,134 | 81,728 |
| | $267,578 | $81,728 |

5. Accrued Expenses:

A summary of accrued expenses as of July 31, 1996 and 1997, is as follows:

| | July 31, 1996 | July 31, 1997 |
|---|---|---|
| Research and development | $ 86,369 | $ 590,000 |
| Payroll and employee benefits | 23,000 | 354,395 |
| Professional fees | 225,990 | 185,281 |
| Other | 65,218 | 72,094 |
| | $400,577 | $1,201,770 |



6. Deferred Revenue:

Deferred revenue results from cash received in advance of revenue recognition under research and development contracts (see Notes 1 and 10).

7. Notes Payable:

Notes payable consist of borrowings under a lease financing arrangement with a financing company for the purchase of certain laboratory equipment. Borrowings against this line of credit are secured by the laboratory equipment and related security deposits (cash collateral equal to 30%-40% of equipment cost) (see Note 4). The Company has no additional borrowing capacity under these agreements as of July 31, 1997. Upon certain

conditions, the amounts held as security deposits can be reduced and the funds released to the Company. After completion of the Company's IPO in 1996 and the Company's common stock offering in 1997, all the security deposits relating to the lease financing arrangement were returned to the Company, including earned interest. Under the terms of the financing, the Company is required to make monthly payments of principal and interest through fiscal 1998, based upon an average interest rate of approximately 15% per annum.

8. Obligations Under Capital Leases:

Obligations under capital leases principally represent leases of laboratory equipment. Under the terms of the leases the Company is required to make monthly payments of principal and interest through fiscal 1998, at interest rates ranging from approximately 10%-12% per annum.

9. License and Research & Development Agreements:

The Company has entered into a number of license and research & development agreements since its inception. These agreements have been made with various research institutions, universities, and government agencies in order to advance and obtain technologies management believes important to the Company's overall business strategy.

License agreements generally provide for an initial fee followed by annual minimum royalty payments. Additionally, certain agreements call for future payments upon the attainment of agreed to milestones, such as, but not limited to, Investigational New Drug (IND) application or Product License Approval (PLA). These agreements require minimum royalty payments based upon sales developed from the applicable technologies, if any. The Company's policy is to amortize capitalized licensed technology over a seven year period or under the license term, whichever is shorter, using the straight-line method.



Research & development agreements generally provide for the Company to fund future project research for one to four years. Based upon these agreements, the Company may obtain exclusive and non-exclusive rights and options to the applicable technologies developed as a result of the applicable research. The Company's policy is to expense research and development payments as incurred.

The minimum payments (assuming non-termination of the above agreements) as of July 31, 1997, for each of the next five years are as follows:

| Year Ending July 31, | License Agreements | Research & Development Agreements |
|---|---|---|
| 1998 | $32,000 | $109,811 |
| 1999 | 27,000 | 50,000 |
| 2000 | 22,000 | 50,000 |
| 2001 | 22,000 | 50,000 |
| 2002 | 22,000 | 50,000 |

Should the Company achieve certain milestones related to product development and product license applications and approvals, additional payments would be required if the Company elects to continue and maintain its licenses. The agreements also require the Company to fund certain costs associated with the filing of patent applications.

10. Contract Research Revenues:

Contract research revenues recorded by the Company during the three years ended July 31, 1997 consisted of research and development support under collaborations with third parties and various government grants from the National Institute of Health and the Department of Commerce.

In July 1995, the Company entered into a research and development agreement with a third party. This third party agreed to fund pre-clinical

development of the Company's xenotransplant products in return for exclusive worldwide manufacturing, marketing and distribution rights of such products by paying the Company up to $7.5 million allocated as follows: (1) up to $4.0 million of the cost of pre-clinical development in four semi-annual installments of up to $1.0 million and (2) $3.5 million upon achieving certain milestones. In furtherance of this joint collaboration, the third party also purchased $4.0 million of the Company's common stock (see Note 12). For the years ended July 31, 1996 and 1997, the Company recognized $2.0 and $1.8 million, respectively of revenue related to this agreement. As of July 31, 1997, the Company had received all of the preclinical funding available under this agreement. Additionally, during fiscal 1996 the third party purchased an additional $1.8 million of common stock offered in the Company's IPO.



In December 1996, the Company entered into a license and collaborative research agreement with a third party relating to the Company's gene transfer technology. Under the agreement, the third party has been granted a worldwide exclusive license to use the Company's technology in its gene therapy products. The third party agreed to pay the Company an initial payment of $850,000 (consisting of a non-refundable license fee of $750,000 and a one-time research support payment of $100,000) and to fund a minimum of $400,000 per year for two years for research and development support by the Company. The third party will also make payments to the Company upon achievement of certain product development milestones for gene therapy products utilizing the Company's technology and pay royalties on net sales, if any. For the year ended July 31, 1997, the Company recognized $1,083,330 of revenue related to this agreement.

11. Commitments:

The Company has entered into three-year and five-year employment agreements with its executives. These agreements provide that these individuals will receive aggregate annual base salaries of approximately $916,000 as of July 31, 1997. These individuals may also receive discretionary bonus awards, as determined by the Board of Directors.

As of July 31, 1997, the Company leases its administrative and research and development facilities under three operating leases expiring in June 1998, December 1997, and March 1999 respectively, each with an option for up to an additional three years.

Future minimum annual rental payments as of July 31, 1997, under these leases and other noncancellable operating leases (primarily for equipment) are approximately $308,000 and $37,000 for the years ended July 31, 1998 and 1999, respectively.

12. Common Stock and Series A Preferred Stock:

Fiscal 1993 Bridge Financing and Private Placements --

In December 1992, the Company obtained approximately $5.2 million of equity financing (the "Bridge Financing") through the issuance of common stock and warrants to purchase shares of common stock and the conversion of advances from a stockholder. The Company sold Bridge Units (consisting of 531,424 shares of common stock and warrants to purchase shares of common stock -- see Note 13) for gross proceeds of approximately $4.0 million. In connection with the sale of the Bridge Units by the Company, $1.2 million of advances from a stockholder were converted into Bridge Units consisting of 160,000 shares of common stock and warrants to purchase shares of common stock.

In June 1993, the Company raised $8 million in a private placement through the issuance of Placement Units consisting of an aggregate of 999,975 shares of common stock and warrants to purchase shares of common stock (see Note 13).

Fiscal 1994 Private Placements --

In October and December 1993, the Company raised $5.2 million in a private placement through the sale of Placement Units consisting of an aggregate of 646,872 shares of common stock and warrants to purchase shares of common stock.

Fiscal 1995 Private Placements --

From December 1994 to March 1995, the Company raised approximately $3.8 million through the sale of 1,986,409 shares of Series A convertible preferred stock. Each share of Series A preferred stock had equal voting rights with the Company's common stock.

On July 31, 1995, the Company received gross proceeds of $4.0 million through the sale of 457,142 shares of common stock to a corporate partner (see Notes 1 and 10). The Company granted exclusive worldwide rights to market its xenotransplantation products to this shareholder in an exchange for a commitment by this shareholder to contribute to subsequent research and development, make certain milestone payments, and pay royalties on any future product sales.

Fiscal 1996 Initial Public Offering --

During fiscal 1996, the Company completed an IPO of 2,530,000 shares of common stock at a price of $8.25 per share of common stock, resulting in net proceeds of approximately $18.4 million. In connection with the Company's IPO the preferred stockholders converted all of their shares into 794,554 shares of common stock.

Fiscal 1997 Common Stock Offering --

In July, 1997, the Company completed a private placement offering for 1,450,000 shares of common stock, resulting in net proceeds of approximately $10.4 million.

Rights to Purchase Preferred Stock --

In February 1997, the Board of Directors of the Company declared a dividend of one preferred stock purchase right for each outstanding share of common stock. Under certain conditions, each right may be exercised to purchase one one-hundredth of a share of a new series of preferred stock at an exercise price of $75, subject to adjustment. The rights may be exercised only after a public announcement that a party acquired 20% or more of the Company's common stock or after commencement or public announcement to make a tender offer for 20% or more of the Company's common stock. The rights, which do not have voting rights, expire on March 6, 2002, and may be redeemed by the Company at a price of $.01 per right at any time prior to their expiration or the acquisition of 20% or more of the Company's stock. The preferred stock purchasable upon exercise of the rights will have a minimum preferential dividend of $10 per year, but will be entitled to receive, in the aggregate, a



dividend of 100 times the dividend declared on a share of common stock. In the event of a liquidation, the holders of the shares of preferred stock will be entitled to receive a minimum liquidation payment of $100 per share, but will be entitled to receive a aggregate liquidation payment equal to 100 times the payment to be made per share of common stock.

In the event that the Company is acquired in a merger, other business combination transaction, or 50% or more of its assets, cashflow, or earning power are sold, proper provision shall be made so that each holder of a right shall have the right to receive, upon exercise thereof at the then current exercise price, that number of shares of common stock of the surviving company which at the time of such transaction would have a market value of two times the exercise price of the right.

13. Stock Options and Warrants:

Stock Options --

Under the Company's 1992 Stock Option Plan and 1992 Stock Option Plan for Directors (the Plans), incentive and nonqualified stock options may be granted for up to a maximum of 480,000 shares of common stock to directors, officers, key employees and consultants of the Company at no less than fair market value on the date of grant. In September 1996, the Plans were amended by shareholders' majority consent to increase the number of shares covered by the Plans to 1,800,000. Options generally become exercisable in equal proportions over three to four years and remain exercisable for up to ten years after the grant date, subject to certain conditions.

In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, Accounting for Stock-Based Compensation (SFAS 123). SFAS 123 requires the measurement of the fair value of stock options or warrants to be included in the statement of income or disclosed in the notes to financial statements. The Company has determined that it will continue to account for stock-based compensation for employees under Accounting Principles Board Opinion No. 25 and elect the disclosure-only alternative under SFAS 123. The Company has computed the pro forma discloses required under SFAS 123 for options granted in fiscal 1996 and 1997 using the Black-Scholes option pricing model prescribed by SFAS 123. The weighted average assumptions used are as follows:

| | 1996 | 1997 |
|---|---|---|
| Risk free interest rate ..... | 6.25% | 6.25% |
| Expected dividend yield ..... | 0% | 0% |
| Expected lives ..... | 5 years | 5 years |
| Expected volatility ..... | 53% | 53% |



Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant dates of awards under these plans consistent with the method of SFAS 123, the Company's net loss and pro forma net loss per common share would have been increased to the pro forma amounts indicated below:

| | 1996 | 1997 |
|---|---|---|
| Net loss: | | |
| As reported ..... | $(5,434,516) | $(7,251,570) |
| Pro forma ..... | (5,540,770) | (7,815,053) |
| Pro forma net loss per common share: | | |
| As reported ..... | (.95) | (.97) |
| Pro forma ..... | (.96) | (1.05) |

Because SFAS 123 method of accounting has not been applied to options granted prior to August 1, 1995, the result pro forma compensation cost may not be representative of that to be expected in future years.

A summary of the status of the Company's stock options plan at July 31, 1995, 1996 and 1997 and changes during the years then ended is presented in the table and narrative below:

| | 1995 | | 1996 | | 1997 | |
|---|---|---|---|---|---|---|
| | Options | Weighted Average Exercise Price | Options | Weighted Average Exercise Price | Options | Weighted Average Exercise Price |
| Outstanding at August 1 ..... | 448,669 | $7.85 | 842,324 | $3.45 | 1,207,334 | $ 5.46 |
| Granted/reissued ..... | 671,284 | $2.38 | 405,800 | $9.62 | 337,250 | $10.37 |
| Exercised ..... | (1,500) | $7.50 | (13,442) | $5.23 | (34,937) | $ 2.38 |
| Cancelled ..... | (276,129) | $7.96 | (27,348) | $5.46 | (25,363) | $ 6.19 |
| Outstanding at July 31 ..... | 842,324 | $3.45 | 1,207,334 | $5.46 | 1,484,284 | $ 6.63 |
| Options exercisable at July 31 ..... | 203,652 | $5.99 | 363,492 | $4.43 | 574,690 | $ 4.98 |
| Weighted-average fair value of options | | | | | | |

| | | |
|---|---|---|
| granted during the year ..... | $5.38 | $ 5.40 |

During 1996, options to purchase 388,300 shares of common stock were granted at an exercise price equal to the fair value of the stock at the date of grant. The weighted average exercise price of these options was $9.94 per share. The weighted average fair value of these options at the date of grant was $5.27 per option. In addition, options to purchase 17,500 shares of common stock were granted at an exercise price of $2.50 per share which was less than the fair value of the stock at the date of grant. The weighted average fair value of these options at the date of grant was $7.73 per option.



The following table presents weighted average price and life information about significant option groups outstanding at July 31, 1997.

| Range of Exercise prices | Number Outstanding | Weighted Average Remaining Contractual Life (Yrs) | Weighted Average Exercise Price | Number Exercisable | Weighted Average Exercise Price |
|---|---|---|---|---|---|
| Less than $2.51 ..... | 624,484 | 7.4 | $ 2.38 | 331,438 | $ 2.38 |
| $2.51 - $8.24 ..... | 150,000 | 4.9 | $ 7.57 | 148,500 | $ 7.57 |
| $8.25 - $12.125 ..... | 709,800 | 9.2 | $10.18 | 94,752 | $10.00 |
| | 1,484,284 | 8.0 | $ 6.63 | 574,690 | $ 4.98 |

In December 1994, the Company offered certain holders of outstanding stock options the opportunity to tender these options in exchange for stock options at an exercise price of $2.375 per share which represented the then current fair market value at such date, as determined by the Board of Directors. As such, these outstanding stock options were cancelled and reissued at an exercise price of $2.375 per share.

The Company recorded compensation expense of $122,500 on certain nonqualified stock options which were granted to employees during fiscal 1996 and immediately vested. This charge was based on the difference between the fair value of the Company's common stock on the date of grant and the option exercise price.

Warrants --

In connection with private placements in fiscal 1993 and 1994, the Company had issued warrants to purchase 1,295,363 shares of common stock at an exercise price of $15.00 per share ($12.50 in the case of the placement agent, comprising 131,249 shares of common stock). In February 1995, the Company offered warrantholders the opportunity to exchange existing warrants for new warrants that could purchase fewer shares at a reduced exercise price. Warrantholders were entitled to receive new warrants representing the right to purchase one-half the number of shares of common stock that the warrantholder was entitled to originally purchase at a reduced exercise price of $7.50. In connection with this offer, warrantholders with existing warrants to purchase 1,101,028 shares of common stock at $15.00 and $12.50 per share exchanged these warrants for new warrants to purchase 550,501 shares of common stock at $7.50 per share. The remaining original warrants continue to entitle the warrantholders to purchase 194,334 shares of common stock at $12.50 to $15.00 per share. During fiscal 1997, warrants to purchase 38,166 shares of common stock were exercised with an aggregate purchase price of $286,246.

All warrants may be redeemed by the Company for $.05 per common share following an initial public offering when a share of the Company's common stock equals or exceeds 200% of the exercise price. The warrants expire on December 4, 1997. No value was assigned to the warrants in the accompanying balance sheets.



In connection with the Company's public offering, the Company sold to its underwriter for nominal consideration, warrants to purchase 220,000 shares of common stock. These warrants are initially exercisable at a price of $9.90 per share for a period of forty-two (42) months commencing on August 27, 1997.

14. 401(k) Plan:

The Company has a 401(k) plan. Under the plan, employees may contribute up to 12 percent of their compensation with a maximum of $9,500 per employee in calendar year 1997. Effective May 1996 Company matching contributions of $.25 for each dollar deferred (up to the first 6% deferred) have been authorized by the Board of Directors. The Company had matching contributions of approximately $6,000 and $31,000 for the years ended July 31, 1996 and 1997, respectively.

15. Federal Income Taxes:

At July 31, 1997, the Company has available for tax reporting purposes, net operating loss carryforwards of approximately $13,400,000 which expire commencing in fiscal 2008. The Company also has research and development credit carryovers of approximately $1,100,000 which expire commencing in fiscal 2008. The Tax Reform Act of 1986 contains certain provisions that may limit the Company's ability to utilize net operating loss and tax credit carryforwards in any given year if certain events occur, including cumulative changes in ownership interests in excess of 50% over a three-year period. There can be no assurance that ownership changes in future periods will not significantly limit the Company's use of its existing net operating loss and tax credit carryforwards.

The Company follows SFAS No. 109, "Accounting for Income Taxes". This statement requires that deferred income tax assets and liabilities reflect the impact of "temporary differences" between the amount of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations.

The components of deferred income taxes as of July 31, 1997 are as follows:

| | |
|---|---|
| Deferred tax assets: | |
| Net operating loss carryforwards | $ 13,400,000 |
| Tax credit carryforwards | 1,100,000 |
| Other | 370,000 |
| Total deferred tax assets | 14,870,000 |
| Valuation allowance for deferred tax assets | (14,870,000) |
| Net deferred tax assets | $ -- |

The Company has not yet achieved profitable operations. Accordingly, management believes the tax benefits as of July 31, 1997 do not satisfy the realization criteria set forth in SFAS No. 109 and has recorded a valuation allowance for the entire deferred tax asset.



16. Subsequent Events:

In September 1997, the Company sold 400,000 shares of convertible preferred stock to an investor for gross proceeds of $10 million. This stock is convertible automatically in six months, or at the election of the holder

at any time after the date of issuance, into 935,782 shares of common stock. The investor is entitled to a dividend of $2.25 per share of convertible preferred stock if this stock is held for six months. The dividend, if paid, is payable in cash or the Company's common stock at the discretion of the Company. The Company has an option to redeem the convertible preferred stock under certain conditions, as defined. Should the Company elect to exercise this option, the Company is required to fund such redemption and related dividends in cash.

In September 1997, the Company modified its July 1995 research and development agreement with a third party (See Note 10). As part of the modification, the third party made an additional $6.5 million payment to the Company for equity, exclusive licensing rights and certain xenograft manufacturing assets. Under the modified agreement, the additional $6.5 million payment consisted of: (i) a $3 million equity investment in the Company through the purchase of 166,945 shares of the Company's common stock and (ii) a $3.5 million payment to acquire exclusive licensing rights and certain xenograft manufacturing assets. Further, as part of the modified agreement, the third party and the Company agreed that the preclinical milestone payments in the original agreement are considered to have been satisfied.



EXHIBIT INDEX

| Exhibit No. | |
|---|---|
| 10.2 | Employment Agreement, dated October 22, 1997, between the Company and David W. Keiser. |
| 10.3 | Employment Agreement, dated October 22, 1997, between the Company and Dr. Stephen P. Squinto. |
| 10.4 | Employment Agreement, dated October 22, 1997, between the Company and Dr. Louis A. Matis. |
| 10.41 | Form Stock Purchase Agreement dated June 1997. |
| 10.42 | Stock Purchase Agreement dated September 9, 1997 by and between the Company and B B Biotech. |
| 23.1 | Consent of Arthur Andersen LLP. |
| 27 | Financial Data Schedule. |
| 99 | Important Factors Regarding Forward-Looking Statements. |

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") dated as of October 22, 1997, by and between Alexion Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and David Keiser (the "Executive").

W I T N E S S E T H

WHEREAS, the Company wishes to employ Executive in an executive capacity and Executive is desirous of being so employed;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. Employment, Duties and Acceptance.

(a) The Company hereby employs the Executive for the Term (as hereinafter defined), to render full-time services to the Company as Executive Vice-President and Chief Operating Officer ("COO"), and to perform such duties commensurate with such office as he shall reasonably be directed by the Board of Directors (the "Board") of the Company to perform, which duties shall be consistent with the provisions of the By-laws in effect on the date hereof that relate to the duties of the COO and Executive Vice President. The Executive will report directly to the President.

(b) The Executive hereby accepts such employment and agrees to render the services described above.

2. Term of Employment.

The term of the Executive's employment under this Agreement (the "Term") commenced as of July 17, 1997 (the "Effective Date") and shall end on the third anniversary thereof unless sooner terminated pursuant to Section 7 or 8 of this Agreement. This Agreement shall not be renewed unless otherwise mutually agreed by the parties.

3. Compensation.

(a) As full compensation for all services to be rendered pursuant to this Agreement, the Company agrees to pay the Executive, during the Term, an annual base salary of $178,000 for the first year of the Term and for each subsequent year of the Term an amount to be determined by the Company, payable in such installments as is the policy of the Company with respect to executive employees of the Company (the "Salary").

(b) Executive may receive bonuses on such dates, in such amounts and on such other terms as may be determined by the Board of Directors in



its sole discretion. In the sole discretion of the Board of Directors, such bonuses, if any, may be paid in the form of grants of stock of the Company or non-qualified stock options, each granted pursuant to plans adopted by the Company and approved by the Company's Board of Directors.

(c) The Company shall pay or reimburse the Executive for all reasonable expenses actually incurred or paid by him during the Term in the performance of his services under this Agreement, upon presentation of expense statements or vouchers or such other supporting information as it reasonably may require.

(d) The Executive shall be eligible under any incentive plan, stock option plan, stock award plan, bonus, participation or extra compensation plan, relocation plan, pension, group insurance or other so-called "fringe" benefits which the Company generally provides for its executives.

4. Other Benefits.

In addition to all other benefits contained herein, the Executive shall be entitled to:

(1) Payment of health, disability, and life insurance at regular rates; and

(2) Vacation time of four weeks per year taken, subject to fulfillment of his duties hereunder, in accordance with the vacation policy of the Company during the Term.

5. Confidentiality.

The Executive agrees that the "Proprietary Information and Inventions Agreement" annexed hereto as Exhibit A and made a part hereof shall be deemed to be a part of this Employment Agreement.

6. Non-Competition.

(a) During the Term the Executive shall not (1) provide any services, directly or indirectly, to any other business or commercial entity or (2) participate in the formation of any business or commercial entity. For a period of one year following the date of termination, if terminated by the Company for Cause or by the Executive for any reason other than as provided in Section 8 hereof, the Executive shall not (1) provide any services, directly or indirectly, to any other business or commercial entity engaged in the Company's Field of Interest or (2) participate in the formation of any business or commercial entity engaged in the Company's Field of Interest; provided, however, that nothing contained in this Section 6 shall be deemed to prohibit the Executive from acquiring, solely as an investment, shares of capital stock (or other interests) of any corporation (or other entity) not exceeding 2% of such corporation's (or other entity's) then outstanding shares of capital stock. The "Company's Field of Interest" means the primary business of the Company as



determined from time to time by the Board of Directors. This Section 6 shall be subject to written waivers that may be obtained by the Executive from the Company.

(b) If the Executive commits a breach, or threatens to commit a breach, of any of the provisions of this Section 6 or Exhibit A, the Company shall have the right and remedy to have the provisions of this Agreement specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company.

(c) If any of the covenants contained in Section 5, 6 or 10, or any part thereof, is hereafter construed to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants, which shall be given full effect without regard to the invalid portions.

(d) If any of the covenants contained in Section 5, 6 or 10, or any part thereof, is held to be unenforceable because of the duration of such provision or the area covered thereby, the parties agree that the court making such determination shall have the power to reduce the duration and/or area of such provision and, in its reduced form, such provision shall then be enforceable.

(e) The parties hereto intend to and hereby confer jurisdiction to enforce the covenants contained in Sections 5, 6 and 10 upon the courts of any state within the geographical scope of such covenants. In the event that the courts of any one or more of such states shall hold any such covenant wholly unenforceable by reasons of the breadth of such scope or otherwise, it is the intention of the parties hereto that such determination not bar or in any way affect the Company's right to the relief provided above in the courts of any other states within the geographical scope of such other covenants, as to breaches of such

covenants in such other respective jurisdictions, the above covenants as they relate to each state being, for this purpose, severable into diverse and independent covenants.

7. Termination by the Company.

(a) The Company may terminate this Agreement without Cause or if any one or more of the following shall occur:

(1) The Executive shall die during the Term; provided, however, that the Executive's legal representatives shall be entitled to receive his Salary through the last day of the month in which his death occurs.

(2) The Executive shall become physically or mentally disabled so that he is unable substantially to perform his services hereunder for (a) a period of 120 consecutive days, or (b) for shorter periods aggregating 180 days during any twelve-month period. Notwithstanding such disability the Company shall continue to pay the Executive his Salary through the date of such termination.

(3) The Executive acts, or fails to act, in a manner that provides Cause for termination. For purposes of this Agreement, the term "Cause"



means (a) the Executive's indictment for, or conviction of, any crime or serious offense involving money or other property which constitutes a felony in the jurisdiction involved, (b) the Executive's wilful and continual neglect or failure to discharge his duties, responsibilities, and obligations as Executive Vice President and COO of the Company after notice and a reasonable opportunity to cure, (c) the Executive's wilful misconduct or wilful breach of his fiduciary duties to the Company in connection with the performance of his duties, (d) the Executive's violation of any of the non-competition provisions of Section 6 hereof or the Executive's breach of any confidentiality provisions contained in Exhibit A hereto or (e) any act of fraud or embezzlement by the Executive involving the Company or any of its Affiliates.

(b) All determinations of Cause or termination pursuant this Section 7 shall be determined by the Board (excluding the Executive if he is at such time a member of the Board).

8. Termination by the Executive.

The Executive may terminate this Agreement on written notice to the Company in the event of a material breach of the terms of this Agreement by the Company and such breach continues uncured for 30 days after notice of such breach is first given; provided, however, it shall constitute the termination of this Agreement if such breach is for the payment of money and continues uncured for ten days after notice of such breach is given.

9. Severance.

If, within the Term of this Agreement, the Company terminates this Agreement for any reason other than Cause, death, or disability, or if the Executive terminates this Agreement pursuant to Section 8, then: (1) the Company shall pay the Executive a lump sum cash payment (the "Severance Payment") equal to the greater of (x) the annual salary for the remainder of the then current year of employment and (y) six months salary at the annual rate for the then current year of employment; and (2) for options granted to the Executive prior to the date of termination, the Company shall accelerate the vesting schedule for such options such that the number of such options vested on the day of termination shall be equal to the number of such options vested if the Executive were to have been continuously employed by the Company until the date twelve months after the date of termination. After termination of employment for any reason other than death of the Executive, the Company shall continue to provide all benefits subject to COBRA at its expense for the maximum required COBRA period.

10. Indemnification.

The Company shall indemnify the Executive, to the maximum extent permitted by applicable law, against all costs, charges and expenses incurred or sustained by him in connection with any action, suit or proceeding to which he may be made a party by reason of his being an officer, director or employee of the Company or of any subsidiary or affiliate of the Company. The Company shall provide, at its expense, Directors and Officers insurance for the Employee in amounts



reasonably satisfactory to the Executive to the extent available at reasonable rates, which determination shall be made by the Board.

11. Arbitration.

Any controversy or claim arising out of or relating to this Agreement or the breach thereof shall be settled by arbitration in the City of New York, in accordance with the rules then existing of the American Arbitration Association (three arbitrators), and judgment upon the award rendered may be entered in any court having jurisdiction thereof. The parties shall be free to pursue any remedy before the arbitration tribunal that they shall be otherwise permitted to pursue in a court of competent jurisdiction. The award of the arbitrators shall be final and binding. During the pendency of any arbitration or any dispute not yet submitted to arbitration, the Company shall not be entitled to any offset against payments, stock awards or other benefits due to the Executive under this Agreement or otherwise.

12. Notices.

All notices, requests, consents and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if sent by private overnight mail service (delivery confirmed by such service), registered or certified mail (return receipt requested and received), telecopy (confirmed receipt by return fax from the receiving party) or delivered personally, as follows (or to such other address as either party shall designate by notice in writing to the other in accordance herewith):



If to the Company:

Alexion Pharmaceuticals, Inc.
25 Science Park
New Haven, Connecticut 06510

Telephone: 203-776-1790
Fax: 203-776-2089

If to the Executive:

David Keiser
37 Georgetown Circle
Madison, CT 06443

Telephone: 203-421-5691

13. General.

(a) This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Connecticut applicable to agreements made and to be performed entirely in Connecticut.

(b) This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter hereof, and supersedes all prior agreements, arrangements and understandings, written or oral, relating to the subject matter hereof. No representation, promise or inducement has been made by either party that is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

(c) This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms or covenants hereof may be waived, only by a written instrument executed by the parties hereto, or in the case of a waiver, by the party waiving compliance. The failure of a party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by a party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, or any one or more or continuing waivers of any such breach, shall constitute a waiver of the breach of any other term or covenant contained in this Agreement.



(d) This Agreement shall be binding upon the legal representatives, heirs, distributees, successors and assigns of the parties hereto.

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

ALEXION PHARMACEUTICALS, INC.

By /s/ LEONARD BELL
---
Leonard Bell

/s/ DAVID KEISER
---
David Keiser



EXHIBIT A

ALEXION PHARMACEUTICALS, INC.

PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

I recognize that ALEXION Pharmaceuticals, Inc., a Delaware corporation (the "Company", which term includes any subsidiaries thereof), is engaged in multiple aspects of pharmaceutical development and biotechnology.

I understand that:

A. As part of my employment by the Company I am expected to make new contributions of value of the Company.

B. My employment creates a relationship of confidence and trust between me and the Company with respect to any information:

(1) Applicable to the business of the Company and made known to me by

the Company or learned by me during the period of my employment; or

(2) Applicable to the business of any client, customer or strategic partner of the Company, which may be made known to me by the Company or by any client, customer or strategic partner of the Company, or learned by me during the period of my employment.

C. The Company possesses and will continue to possess information that has been created, discovered or developed, or has otherwise become known to the Company (including without limitation information created, discovered, developed or made known by or to me during the period of my employment by the Company), and/or in which property or other rights have been assigned or otherwise conveyed to the Company, which information has commercial value in the business in which the Company is engaged and none of which is in the public domain except through the breach by me or anyone else of a confidentiality duty. All of the aforementioned information is hereinafter called "Proprietary Information." By way of illustration, but not limitation, Proprietary Information includes "Developments (as herein defined), data and know-how, techniques, marketing plans and opportunities, cost and pricing data, strategies, forecasts and customer lists. By way of illustration, but not limitation, "Developments" includes developments, improvements, discoveries, trade secrets, technologies, processes, research, methods, procedures, designs, models, testing systems, research, assays, compounds, molecules, organisms, gene sequences, cell lines, complement inhibitors and other re-agents (including the composition thereof), uses of any of the foregoing, computer software and programs (including source code and related documentation), test and/or experimental data and results, specifications, laboratory notebooks, drawings and technical information and materials.



D. As used herein, the period of my employment includes any time in which I may be retained by the Company as a consultant.

In consideration of my employment or continued employment, as the case may be, and the compensation received by me from the Company from time to time, I hereby agree as follows:

1. Prior to entering the employ of the Company, I have terminated employment with one or more prior employers. I agree to indemnify and hold harmless the Company, its directors, officers and employees against any liabilities and expenses including reasonable attorneys' fees and amounts paid in settlement, incurred by any of them in connection with any claim by any of my prior employers that the termination of my employment with such employer, my employment by the Company, or use of any skills and knowledge by the Company is a violation of contract or law.

2. All Proprietary Information shall be the sole property of the Company and its assigns, and the Company and its assigns shall be the sole owner of all patents, copyrights, trade secrets and trademarks and other rights in connection therewith. I hereby assign to the Company any and all rights I may have or acquire in all Proprietary Information. At all times, both during my employment by the Company and after its termination, I will keep in confidence and trust all Proprietary Information, and I will not use or disclose any Proprietary Information without the written consent of the Company, except as may be necessary in the ordinary course of performing my duties as an employee of the Company.

3. During the period of my employment by the Company I will not, without the Company's express written consent, engage in any employment or activity in any competitive business, other than for the Company.

4. I will promptly disclose to the Company, or any persons designated by it, all Developments, improvements, processes, techniques, know-how, data and Developments made or conceived or reduced to practice or learned by me, either alone or jointly with others, during the period of my employment by the Company which are related to or useful in the business of the Company, or result from use of premises owned, leased or contracted for by the Company (all said Developments, improvements, processes, techniques,

know-how, data and documentation, shall be collectively hereinafter called "Know-how").

5. I agree that all Know-how shall be the sole property of the Company and its assigns, and the Company and its assigns shall be the sole owner of all patents, copyrights, trademarks and other rights in connection therewith. I hereby assign to the Company any rights I may have or acquire in all Know-how.

I understand that this paragraph 5 does not apply to Know-how for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely on my own time, and (a) which does not relate (1) to the business of the Company or (2) to the Company's actual or demonstrably



anticipated research or development, or (b) which does not result from any work performed by me for the Company. I agree to execute any documents requested by the Company to effectuate the intent of this paragraph.

6. The Company shall have the right (but shall not be obligated) to use, assert and/or apply for patent, copyright, trademark and other statutory or common law protection for any or all Know-how in any and all countries. I agree to assist the Company in every reasonable way without additional compensation (but at the Company's expense), to apply for, prosecute and obtain, and from time to time enforce, defend and protect, any and all patent, copyright, trademark and other statutory or common law protection for any of the Know-how in any and all countries. I shall, whether during or following my employment by the Company, at the Company's request and expense, but without additional compensation to me, execute any and all assignments, transfers, applications and other papers covering any Know-how which may be considered necessary or helpful by the Company in furtherance of the foregoing and/or to accomplish the assignment, transfer and/or license of any Know-how to persons designated by the Company.

7. In the event of the termination of my employment by me or by the Company for any reason, I will deliver to the Company all documents, materials, compounds, samples, plasmids, proteins, probes and data of any nature pertaining to my work with the Company and I will not take with me any documents or data of any description or any reproduction of any description containing or pertaining to any Proprietary Information, and Know-how.

8. I represent that to the best of my knowledge my performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence proprietary information acquired by me in confidence or in trust prior to my employment by the Company. I have not entered into, and I agree I will not enter into, any agreement either written or oral in conflict herewith.

9. I understand as part of the consideration for the offer of employment extended to me by the Company and of my employment or continued employment by the Company, that I have not brought and will not bring with me to the Company or use in the performance of my responsibilities at the Company any materials or documents of a former employer which are not generally available to the public, unless I have obtained written authorization from the former employer for their possession and use.

Accordingly, this is to advise the Company that the only materials or documents of a former employer which are not generally available to the public that I have brought or will bring to the Company or have used or will use in my employment are identified on Schedule A attached hereto, and, as to each such item, I represent that I have obtained prior to the effective date of my employment with the Company written authorization for their possession and use in my employment with the Company.

I also understand that, in my employment with the Company, I am not to breach any obligation of confidentiality that I have to former employers, and I agree that I shall fulfill all such obligations during my employment with the Company.

10. In the event that any provision herein would be held to be invalid, prohibited or unenforceable in any jurisdiction for any reason (including, but not limited to, any provision which may be held unenforceable because of the scope, duration or area of its applicability), unless narrowed by construction, this Agreement shall, as to such jurisdiction, be construed as if such invalid, prohibited or unenforceable provision had been more narrowly drawn so as not to be invalid, prohibited or unenforceable (and the court making any such determination as to any provision shall have the power to modify such scope, duration or area or all of them, and such provision shall then be applicable in such modified form in such jurisdiction only). If, notwithstanding the foregoing, any provision herein would be held to be invalid, prohibited or unenforceable in any jurisdiction for any reason, such provision, as to such jurisdiction, shall be ineffective to the extent of such invalidity, prohibition or unenforceability, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

11. By reason of the fact that irreparable harm would be sustained by the Company in the event that there is a breach by me of any of the terms, covenants and agreements set forth herein, in addition to any other rights that the Company may otherwise have, the Company shall be entitled to apply to any court of competent jurisdiction and obtain specific performance and/or injunctive relief against me, without making a showing that monetary damages would be inadequate and without the requirement of posting any bond or other security whatsoever, in order to enforce or prevent any breach or threatened breach of any of the terms, covenants and agreements set forth herein, and I will not object thereto.

12. This Agreement shall be binding upon me, my heirs, executors, assigns and administrators and shall inure to the benefit of the Company, its successors and assigns.

This Agreement shall be governed in all respects by the laws of the State of Delaware, applicable to agreements made and to be performed solely therein.

By: /s/
---

Dated: Oct. 22, 1997

ACCEPTED AND AGREED TO:
ALEXION PHARMACEUTICALS, INC.

By: /s/
---

Title: President/CEO

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") dated as of October 22, 1997, by and between Alexion Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and Stephen Squinto (the "Executive").

W I T N E S S E T H

WHEREAS, the Company and Executive are parties to that certain Employment Agreement dated as of March 23, 1992 (the "Old Employment Agreement");

WHEREAS, the Old Employment Agreement expires on March 23, 1997 and the Company and Executive desire to enter into a new Employment Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. Employment, Duties and Acceptance.

(a) The Company hereby employs the Executive for the Term (as hereinafter defined), to render full-time services to the Company as Vice President of Research, Molecular Sciences, and to perform such duties commensurate with such office as he shall reasonably be directed by the Board of Directors (the "Board") of the Company to perform, which duties shall be consistent with the provisions of the By-laws in effect on the date hereof that relate to the duties of the Vice President of Research, Molecular Sciences.

(b) The Executive hereby accepts such employment and agrees to render the services described above.

2. Term of Employment.

The term of the Executive's employment under this Agreement (the "Term") commenced as of March 23, 1997 (the "Effective Date") and shall end on the fifth anniversary thereof unless sooner terminated pursuant to Section 7 or 8 of this Agreement. This Agreement shall not be renewed unless otherwise mutually agreed by the parties.

3. Compensation.

(a) As full compensation for all services to be rendered pursuant to this Agreement, the Company agrees to pay the Executive, during the Term, an annual base salary of not less than $158,000 for the first year of the Term and for each subsequent year of the Term as determined by the Company, payable in such installments as is the policy of the Company with respect to executive employees of the Company (the "Salary").



(b) Executive may receive bonuses on such dates, in such amounts and on such other terms as may be determined by the Board of Directors in its sole discretion. In the sole discretion of the Board of Directors, such bonuses, if any, may be paid in the form of grants of stock of the Company or non-qualified or qualified stock options, each granted pursuant to plans adopted by the Company and approved by the Company's Board of Directors.

(c) The Company shall pay or reimburse the Executive for all reasonable expenses actually incurred or paid by him during the Term in the performance of his services under this Agreement, upon presentation of expense statements or vouchers or such other supporting information as it reasonably may require.

(d) The Executive shall be eligible under any incentive plan, stock option plan, stock award plan, bonus, participation or extra compensation plan, relocation plan, pension, group insurance or other so-called "fringe" benefits

which the Company generally provides for its executives.

4. Other Benefits.

In addition to all other benefits contained herein, the Executive shall be entitled to:

(1) Payment of health, disability, and life insurance at regular rates; and

(2) Vacation time of four weeks per year taken, subject to fulfillment of his duties hereunder, in accordance with the vacation policy of the Company during the Term.

5. Confidentiality.

The Executive agrees that the "Proprietary Information and Inventions Agreement" annexed hereto as Exhibit A and made a part hereof shall be deemed to be a part of this Employment Agreement.

6. Non-Competition.

(a) During the Term the Executive shall not (1) provide any services, directly or indirectly, to any other business or commercial entity or (2) participate in the formation of any business or commercial entity. For a period of one year following the date of termination, if terminated by the Company for Cause or by the Executive for any reason other than as provided in Section 8 hereof, the Executive shall not (1) provide any services, directly or indirectly, to any other business or commercial entity engaged in the Company's Field of Interest or (2) participate in the formation of any business or commercial entity engaged in the Company's Field of Interest; provided, however, that nothing contained in this Section 6 shall be deemed to prohibit the Executive from acquiring, solely as an investment, shares of capital



stock (or other interests) of any corporation (or other entity) not exceeding 2% of such corporation's (or other entity's) then outstanding shares of capital stock. The "Company's Field of Interest" means the primary business of the Company as described in the Company's 1992 Private Placement Memorandum, or subsequent disclosures, and as determined from time to time by the Board of Directors. This Section 6 shall be subject to written waivers that may be obtained by the Executive from the Company.

(b) If the Executive commits a breach, or threatens to commit a breach, of any of the provisions of this Section 6 or Exhibit A, the Company shall have the right and remedy to have the provisions of this Agreement specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company.

(c) If any of the covenants contained in Section 5, 6 or 10, or any part thereof, is hereafter construed to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants, which shall be given full effect without regard to the invalid portions.

(d) If any of the covenants contained in Section 5, 6 or 10, or any part thereof, is held to be unenforceable because of the duration of such provision or the area covered thereby, the parties agree that the court making such determination shall have the power to reduce the duration and/or area of such provision and, in its reduced form, such provision shall then be enforceable.

(e) The parties hereto intend to and hereby confer jurisdiction to enforce the covenants contained in Sections 5, 6 and 10 upon the courts of any state within the geographical scope of such covenants. In the event that the courts of any one or more of such states shall hold any such covenant wholly unenforceable by reasons of the breadth of such scope or otherwise, it is the intention of the parties hereto that such determination not bar or in any way affect the

Company's right to the relief provided above in the courts of any other states within the geographical scope of such other covenants, as to breaches of such covenants in such other respective jurisdictions, the above covenants as they relate to each state being, for this purpose, severable into diverse and independent covenants.

7. Termination by the Company.

(a) The Company may terminate this Agreement for any reason, with or without Cause, including, without limitation, if any one or more of the following shall occur:

(1) The Executive shall die during the Term; provided, however, that the Executive's legal representatives shall be entitled to receive his Salary through the last day of the month in which his death occurs.

(2) The Executive shall become physically or mentally disabled so that he is unable substantially to perform his services hereunder for (a) a



period of 120 consecutive days, or (b) for shorter periods aggregating 180 days during any twelve-month period. Notwithstanding such disability the Company shall continue to pay the Executive his Salary through the date of such termination.

(3) The Executive acts, or fails to act, in a manner that provides Cause for termination. For purposes of this Agreement, the term "Cause" means (a) the Executive's indictment for, or conviction of, any crime or serious offense involving money or other property which constitutes a felony in the jurisdiction involved, (b) the Executive's wilful and continual neglect or failure to discharge his duties, responsibilities, and obligations as Director of Molecular Development of the Company after notice and a reasonable opportunity to cure, (c) the Executive's wilful misconduct or wilful breach of his fiduciary duties to the Company in connection with the performance of his duties, (d) the Executive's violation of any of the non-competition provisions of Section 6 hereof or the Executive's breach of any confidentiality provisions contained in Exhibit A hereto or (e) any act of fraud or embezzlement by the Executive involving the Company or any of its Affiliates.

(b) All determinations of Cause or termination pursuant this Section 7 shall be determined by the Board (excluding the Executive if he is at such time a member of the Board).

8. Termination by the Executive.

The Executive may terminate this Agreement on written notice to the Company in the event of a material breach of the terms of this Agreement by the Company and such breach continues uncured for 30 days after notice of such breach is first given; provided, however, it shall constitute the termination of this Agreement if such breach is for the payment of money and continues uncured for ten days after notice of such breach is given.

9. Severance.

If, within the Term of this Agreement, the Company terminates this Agreement for any reason other than Cause, death, or disability, or if the Executive terminates this Agreement pursuant to Section 8, then: (1) the Company shall pay the Executive a lump sum cash payment (the "Severance Payment") equal to the greater of (x) the annual salary for the remainder of the then current year of employment and (y) six months salary at the annual rate for the then current year of employment; and (2) for options granted to the Executive prior to the date of termination, the Company shall accelerate the vesting schedule for such options such that the number of such options vested on the day of termination shall be equal to the number of such options vested if the Executive were to have been continuously employed by the Company until the date twelve months after the date of termination. After termination of employment for any reason other than death of the Executive, the Company shall continue to provide

all benefits subject to COBRA at its expense for the maximum required COBRA period.



10. Indemnification.

The Company shall indemnify the Executive, to the maximum extent permitted by applicable law, against all costs, charges and expenses incurred or sustained by him in connection with any action, suit or proceeding to which he may be made a party by reason of his being an officer, director or employee of the Company or of any subsidiary or affiliate of the Company.

11. Arbitration.

Any controversy or claim arising out of or relating to this Agreement or the breach thereof shall be settled by arbitration in the City of New York, in accordance with the rules then existing of the American Arbitration Association (three arbitrators), and judgment upon the award rendered may be entered in any court having jurisdiction thereof. The parties shall be free to pursue any remedy before the arbitration tribunal that they shall be otherwise permitted to pursue in a court of competent jurisdiction. The award of the arbitrators shall be final and binding. During the pendency of any arbitration or any dispute not yet submitted to arbitration, the Company shall not be entitled to any offset against payments, stock awards or other benefits due to the Executive under this Agreement or otherwise.

12. Notices.

All notices, requests, consents and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if sent by private overnight mail service (delivery confirmed by such service), registered or certified mail (return receipt requested and received), telecopy (confirmed receipt by return fax from the receiving party) or delivered personally, as follows (or to such other address as either party shall designate by notice in writing to the other in accordance herewith):



If to the Company:

Alexion Pharmaceuticals, Inc.
25 Science Park
New Haven, Connecticut 06510

Telephone: 203-776-1790
Fax: 203-776-2089

If to the Executive:

Stephen Squinto, Ph.D.
16 Coachman's Lane
Bethany, CT 06525

Telephone: 203-393-1823
Fax: 203-393-2172

13. General.

(a) This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Connecticut applicable to agreements made and to be performed entirely in Connecticut.

(b) This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter hereof, and supersedes all prior agreements, arrangements and understandings, written or oral, relating to the subject matter hereof. No representation, promise or inducement has been made by either party that is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

(c) This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms or covenants hereof may be waived, only by a written instrument executed by the parties hereto, or in the case of a waiver, by the party waiving compliance. The failure of a party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by a party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, or any one or more or continuing waivers of any such breach, shall constitute a waiver of the breach of any other term or covenant contained in this Agreement.



(d) This Agreement shall be binding upon the legal representatives, heirs, distributees, successors and assigns of the parties hereto.

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

ALEXION PHARMACEUTICALS, INC.

By /s/ LEONARD BELL
---
Leonard Bell

/s/ STEPHEN SQUINTO
---
Stephen Squinto



EXHIBIT A

ALEXION PHARMACEUTICALS, INC.

PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

I recognize that Alexion Pharmaceuticals, Inc., a Delaware corporation (the "Company", which term includes any subsidiaries thereof), is engaged in multiple aspects of pharmaceutical development and biotechnology.

I understand that:

A. As part of my employment by the Company I am expected to make new contributions of value of the Company.

B. My employment creates a relationship of confidence and trust between me and the Company with respect to any information:

(1) Applicable to the business of the Company and made known to me by

the Company or learned by me during the period of my employment; or

(2) Applicable to the business of any client, customer or strategic partner of the Company, which may be made known to me by the Company or by any client, customer or strategic partner of the Company, or learned by me during the period of my employment.

C. The Company possesses and will continue to possess information that has been created, discovered or developed, or has otherwise become known to the Company (including without limitation information created, discovered, developed or made known by or to me during the period of my employment by the Company), and/or in which property or other rights have been assigned or otherwise conveyed to the Company, which information has commercial value in the business in which the Company is engaged and none of which is in the public domain except through the breach by me or anyone else of a confidentiality duty. All of the aforementioned information is hereinafter called "Proprietary Information." By way of illustration, but not limitation, Proprietary Information includes "Developments (as herein defined), data and know-how, techniques, marketing plans and opportunities, cost and pricing data, strategies, forecasts and customer lists. By way of illustration, but not limitation, "Developments" includes developments, improvements, discoveries, trade secrets, technologies, processes, research, methods, procedures, designs, models, testing systems, research, assays, compounds, molecules, organisms, gene sequences, cell lines, complement inhibitors and other re-agents (including the composition thereof), uses of any of the foregoing, computer software and programs (including source code and related documentation), test and/or experimental data and results, specifications, laboratory notebooks, drawings and technical information and materials.



D. As used herein, the period of my employment includes any time in which I may be retained by the Company as a consultant.

In consideration of my employment or continued employment, as the case may be, and the compensation received by me from the Company from time to time, I hereby agree as follows:

1. Prior to entering the employ of the Company, I have terminated employment with one or more prior employers. I agree to indemnify and hold harmless the Company, its directors, officers and employees against any liabilities and expenses including reasonable attorneys' fees and amounts paid in settlement, incurred by any of them in connection with any claim by any of my prior employers that the termination of my employment with such employer, my employment by the Company, or use of any skills and knowledge by the Company is a violation of contract or law.

2. All Proprietary Information shall be the sole property of the Company and its assigns, and the Company and its assigns shall be the sole owner of all patents, copyrights, trade secrets and trademarks and other rights in connection therewith. I hereby assign to the Company any and all rights I may have or acquire in all Proprietary Information. At all times, both during my employment by the Company and after its termination, I will keep in confidence and trust all Proprietary Information, and I will not use or disclose any Proprietary Information without the written consent of the Company, except as may be necessary in the ordinary course of performing my duties as an employee of the Company.

3. During the period of my employment by the Company I will not, without the Company's express written consent, engage in any employment or activity in any competitive business, other than for the Company.

4. I will promptly disclose to the Company, or any persons designated by it, all Developments, improvements, processes, techniques, know-how, data and Developments made or conceived or reduced to practice or learned by me, either alone or jointly with others, during the period of my employment by the Company which are related to or useful in the business of the Company, or result from use of premises owned, leased or contracted for by the Company (all said Developments, improvements, processes, techniques,

know-how, data and documentation, shall be collectively hereinafter called "Know-how").

5. I agree that all Know-how shall be the sole property of the Company and its assigns, and the Company and its assigns shall be the sole owner of all patents, copyrights, trademarks and other rights in connection therewith. I hereby assign to the Company any rights I may have or acquire in all Know-how.

I understand that this paragraph 5 does not apply to Know-how for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely on my own time, and (a) which does not relate (1) to the business of the Company or (2) to the Company's actual or demonstrably



anticipated research or development, or (b) which does not result from any work performed by me for the Company. I agree to execute any documents requested by the Company to effectuate the intent of this paragraph.

6. The Company shall have the right (but shall not be obligated) to use, assert and/or apply for patent, copyright, trademark and other statutory or common law protection for any or all Know-how in any and all countries. I agree to assist the Company in every reasonable way without additional compensation (but at the Company's expense), to apply for, prosecute and obtain, and from time to time enforce, defend and protect, any and all patent, copyright, trademark and other statutory or common law protection for any of the Know-how in any and all countries. I shall, whether during or following my employment by the Company, at the Company's request and expense, but without additional compensation to me, execute any and all assignments, transfers, applications and other papers covering any Know-how which may be considered necessary or helpful by the Company in furtherance of the foregoing and/or to accomplish the assignment, transfer and/or license of any Know-how to persons designated by the Company.

7. In the event of the termination of my employment by me or by the Company for any reason, I will deliver to the Company all documents, materials, compounds, samples, plasmids, proteins, probes and data of any nature pertaining to my work with the Company and I will not take with me any documents or data of any description or any reproduction of any description containing or pertaining to any Proprietary Information, and Know-how.

8. I represent that to the best of my knowledge my performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence proprietary information acquired by me in confidence or in trust prior to my employment by the Company. I have not entered into, and I agree I will not enter into, any agreement either written or oral in conflict herewith.

9. I understand as part of the consideration for the offer of employment extended to me by the Company and of my employment or continued employment by the Company, that I have not brought and will not bring with me to the Company or use in the performance of my responsibilities at the Company any materials or documents of a former employer which are not generally available to the public, unless I have obtained written authorization from the former employer for their possession and use.

Accordingly, this is to advise the Company that the only materials or documents of a former employer which are not generally available to the public that I have brought or will bring to the Company or have used or will use in my employment are identified on Schedule A attached hereto, and, as to each such item, I represent that I have obtained prior to the effective date of my employment with the Company written authorization for their possession and use in my employment with the Company.

I also understand that, in my employment with the Company, I am not to breach any obligation of confidentiality that I have to former employers, and I agree that I shall fulfill all such obligations during my employment with the Company.

10. In the event that any provision herein would be held to be invalid, prohibited or unenforceable in any jurisdiction for any reason (including, but not limited to, any provision which may be held unenforceable because of the scope, duration or area of its applicability), unless narrowed by construction, this Agreement shall, as to such jurisdiction, be construed as if such invalid, prohibited or unenforceable provision had been more narrowly drawn so as not to be invalid, prohibited or unenforceable (and the court making any such determination as to any provision shall have the power to modify such scope, duration or area or all of them, and such provision shall then be applicable in such modified form in such jurisdiction only). If, notwithstanding the foregoing, any provision herein would be held to be invalid, prohibited or unenforceable in any jurisdiction for any reason, such provision, as to such jurisdiction, shall be ineffective to the extent of such invalidity, prohibition or unenforceability, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

11. By reason of the fact that irreparable harm would be sustained by the Company in the event that there is a breach by me of any of the terms, covenants and agreements set forth herein, in addition to any other rights that the Company may otherwise have, the Company shall be entitled to apply to any court of competent jurisdiction and obtain specific performance and/or injunctive relief against me, without making a showing that monetary damages would be inadequate and without the requirement of posting any bond or other security whatsoever, in order to enforce or prevent any breach or threatened breach of any of the terms, covenants and agreements set forth herein, and I will not object thereto.

12. This Agreement shall be binding upon me, my heirs, executors, assigns and administrators and shall inure to the benefit of the Company, its successors and assigns.

This Agreement shall be governed in all respects by the laws of the State of Delaware, applicable to agreements made and to be performed solely therein.

By: /s/
---

Dated: 10/2397

ACCEPTED AND AGREED TO:
ALEXION PHARMACEUTICALS, INC.

By: /s/ LEONARD BELL
---
Leonard Bell
Title: President/CEO

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") dated as of October 22, 1997, by and between ALEXION Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and Louis A. Matis (the "Executive").

W I T N E S S E T H

WHEREAS, the Company wishes to employ Executive in an executive capacity and Executive is desirous of being so employed;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. Employment, Duties and Acceptance.

(a) The Company hereby employs the Executive for the Term (as hereinafter defined), to render full-time services to the Company as Vice President of Research, Immunobiology, and to perform such duties commensurate with such office as he shall reasonably be directed by the Board of Directors (the "Board") of the Company to perform, which duties shall be consistent with the provisions of the By-laws in effect on the date hereof that relate to the duties of the Vice President of Research, Immunobiology.

(b) The Executive hereby accepts such employment and agrees to render the services described above.

2. Term of Employment.

The term of the Executive's employment under this Agreement (the "Term") commences as of August 1, 1997 (the "Effective Date") and shall end on the fifth anniversary thereof unless sooner terminated pursuant to Section 7 or 8 of this Agreement. This Agreement shall not be renewed unless otherwise mutually agreed by the parties.

3. Compensation.

(a) As full compensation for all services to be rendered pursuant to this Agreement, the Company agrees to pay the Executive, during the Term, an annual base salary of not less than $158,000 for the first year of the Term and for each subsequent year of the Term an amount to be determined by the Company, payable in such installments as is the policy of the Company with respect to executive employees of the Company (the "Salary").

(b) Executive may receive bonuses on such dates, in such amounts and on such other terms as may be determined by the Board of Directors in



its sole discretion. In the sole discretion of the Board of Directors, such bonuses, if any, may be paid in the form of grants of stock of the Company or non-qualified stock options, each granted pursuant to plans adopted by the Company and approved by the Company's Board of Directors.

(c) The Company shall pay or reimburse the Executive for all reasonable expenses actually incurred or paid by him during the Term in the performance of his services under this Agreement, upon presentation of expense statements or vouchers or such other supporting information as it reasonably may require.

(d) The Executive shall be eligible under any incentive plan, stock option plan, stock award plan, bonus, participation or extra compensation plan, relocation plan, pension, group insurance or other so-called "fringe" benefits which the Company generally provides for its executives.

4. Other Benefits.

In addition to all other benefits contained herein, the Executive shall be entitled to:

(1) Payment of health, disability, and life insurance at regular rates as described in Schedule A as of the date of this agreement; and

(2) Vacation time of four weeks per year taken, subject to fulfillment of his duties hereunder, in accordance with the vacation policy of the Company during the Term.

5. Confidentiality.

The Executive agrees that the "Proprietary Information and Inventions Agreement" annexed hereto as Exhibit A and made a part hereof shall be deemed to be a part of this Employment Agreement.

6. Non-Competition.

(a) During the Term the Executive shall not (1) provide any services, directly or indirectly, to any other business or commercial entity or (2) participate in the formation of any business or commercial entity, provided that the Executive shall not be prohibited from part-time teaching at any educational institution to the extent that such teaching does not interfere with Executive's duties, responsibilities, and obligations to the Company. For a period of one year following the date of termination, if terminated by the Company for Cause or by the Executive for any reason other than as provided in Section 8 hereof, the Executive shall not (1) provide any services, directly or indirectly, to any other business or commercial entity engaged in the Company's Field of Interest or (2) participate in the formation of any business or commercial entity engaged in the Company's Field of Interest; provided, however, that nothing contained in this Section 6 shall be deemed to prohibit the Executive from acquiring, solely as an investment, shares of capital stock (or other



interests) of any corporation (or other entity) not exceeding 2% of such corporation's (or other entity's) then outstanding shares of capital stock. The "Company's Field of Interest" means the primary business of the Company as determined from time to time by the Board of Directors. This Section 6 shall be subject to written waivers that may be obtained by the Executive from the Company.

(b) If the Executive commits a breach, or threatens to commit a breach, of any of the provisions of this Section 6 or Exhibit A, the Company shall have the right and remedy to have the provisions of this Agreement specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company.

(c) If any of the covenants contained in Section 5, 6 or 10, or any part thereof, is hereafter construed to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants, which shall be given full effect without regard to the invalid portions.

(d) If any of the covenants contained in Section 5, 6 or 10, or any part thereof, is held to be unenforceable because of the duration of such provision or the area covered thereby, the parties agree that the court making such determination shall have the power to reduce the duration and/or area of such provision and, in its reduced form, such provision shall then be enforceable.

(e) The parties hereto intend to and hereby confer jurisdiction to enforce the covenants contained in Sections 5, 6 and 10 upon the courts of any state within the geographical scope of such covenants. In the event that the courts of any one or more of such states shall hold any such covenant wholly unenforceable by reasons of the breadth of such scope or otherwise, it is the intention of the parties hereto that such determination not bar or in any way affect the Company's right to the relief provided above in the courts of any other states within the geographical scope of such other covenants, as to breaches of such covenants in such other respective jurisdictions, the above covenants as they

relate to each state being, for this purpose, severable into diverse and independent covenants.

7. Termination by the Company.

(a) The Company may terminate this Agreement for any reason, with or without Cause, including, without limitation, if any one or more of the following shall occur:

(1) The Executive shall die during the Term; provided, however, that the Executive's legal representatives shall be entitled to receive his Salary through the last day of the month in which his death occurs.

(2) The Executive shall become physically or mentally disabled so that he is unable substantially to perform his services hereunder for (a) a period of 120 consecutive days, or (b) for shorter periods aggregating 180 days during



any twelve-month period. Notwithstanding such disability the Company shall continue to pay the Executive his Salary through the date of such termination.

(3) The Executive acts, or fails to act, in a manner that provides Cause for termination. For purposes of this Agreement, the term "Cause" means (a) the Executive's indictment for, or conviction of, any crime or serious offense involving money or other property which constitutes a felony in the jurisdiction involved, (b) the Executive's wilful and continual neglect or failure to discharge his duties, responsibilities, and obligations as Director of Immunobiology of the Company after notice and a reasonable opportunity to cure, (c) the Executive's wilful misconduct or wilful breach of his fiduciary duties to the Company in connection with the performance of his duties, (d) the Executive's violation of any of the non-competition provisions of Section 6 hereof or the Executive's breach of any confidentiality provisions contained in Exhibit A hereto or (e) any act of fraud or embezzlement by the Executive involving the Company or any of its Affiliates.

(b) All determinations of Cause or termination pursuant this Section 7 shall be determined by the Board (excluding the Executive if he is at such time a member of the Board).

8. Termination by the Executive.

The Executive may terminate this Agreement on written notice to the Company in the event of a material breach of the terms of this Agreement by the Company and such breach continues uncured for 30 days after notice of such breach is first given; provided, however, it shall constitute the termination of this Agreement if such breach is for the payment of money and continues uncured for ten days after notice of such termination is given.

9. Severance.

If, within the Term of this Agreement, the Company terminates this Agreement for any reason other than Cause, death, or disability, or if the Executive terminates this Agreement pursuant to Section 8, then: (1) the Company shall pay the Executive a lump sum cash payment (the "Severance Payment") equal to the greater of (x) the annual salary for the remainder of the then current year of employment and (y) six months salary at the annual rate for the then current year of employment; and (2) for options granted to the Executive prior to the date of termination, the Company shall accelerate the vesting schedule for such options such that the number of such options vested on the day of termination shall be equal to the number of such options vested if the Executive were to have been continuously employed by the Company until the date twelve months after the date of termination. After termination of employment for any reason other than death of the Executive, the Company shall continue to provide all benefits subject to COBRA at its expense for the maximum required COBRA period.

10. Indemnification.

The Company shall indemnify the Executive, to the maximum extent permitted by applicable law, against all costs, charges and expenses incurred or sustained by him in connection with any action, suit or proceeding to which he may be made a party by reason of his being an officer, director or employee of the Company or of any subsidiary or affiliate of the Company.

11. Arbitration.

Any controversy or claim arising out of or relating to this Agreement or the breach thereof shall be settled by arbitration in the City of New York, in accordance with the rules then existing of the American Arbitration Association (three arbitrators), and judgment upon the award rendered may be entered in any court having jurisdiction thereof. The parties shall be free to pursue any remedy before the arbitration tribunal that they shall be otherwise permitted to pursue in a court of competent jurisdiction. The award of the arbitrators shall be final and binding. During the pendency of any arbitration or any dispute not yet submitted to arbitration, the Company shall not be entitled to any offset against payments, stock awards or other benefits due to the Executive under this Agreement or otherwise.

12. Notices.

All notices, requests, consents and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if sent by private overnight mail service (delivery confirmed by such service), registered or certified mail (return receipt requested and received), telecopy (confirmed receipt by return fax from the receiving party) or delivered personally, as follows (or to such other address as either party shall designate by notice in writing to the other in accordance herewith):

If to the Company:

Alexion Pharmaceuticals, Inc.
25 Science Park, Suite 360
New Haven, Connecticut 06510

Telephone: (203) 776-1790
Fax: (203) 776-2089

If to the Executive:

Louis A. Matis, M.D.
775 Flintlock Road
Southport, CT 06490

Telephone: (203) 255-9906



13. General.

(a) This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Connecticut applicable to agreements made and to be performed entirely in Connecticut.

(b) This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter hereof, and supersedes all prior

agreements, arrangements and understandings, written or oral, relating to the subject matter hereof. No representation, promise or inducement has been made by either party that is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

(c) This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms or covenants hereof may be waived, only by a written instrument executed by the parties hereto, or in the case of a waiver, by the party waiving compliance. The failure of a party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by a party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, or any one or more or continuing waivers of any such breach, shall constitute a waiver of the breach of any other term or covenant contained in this Agreement.

(d) This Agreement shall be binding upon the legal representatives, heirs, distributees, successors and assigns of the parties hereto.

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

ALEXION PHARMACEUTICALS, INC.

By: /s/ LEONARD BELL
---
Leonard Bell

/s/ LOUIS A. MATIS
---
Louis A. Matis



EXHIBIT A

ALEXION PHARMACEUTICALS, INC.

PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

I recognize that Alexion Pharmaceuticals, Inc., a Delaware corporation (the "Company", which term includes any subsidiaries thereof), is engaged in multiple aspects of pharmaceutical development and biotechnology.

I understand that:

A. As part of my employment by the Company I am expected to make new contributions of value of the Company.

B. My employment creates a relationship of confidence and trust between me and the Company with respect to any information:

(1) Applicable to the business of the Company and made known to me by the Company or learned by me during the period of my employment; or

(2) Applicable to the business of any client, customer or strategic partner of the Company, which may be made known to me by the Company or by any client, customer or strategic partner of the Company, or learned by me during the period of my employment.

C. The Company possesses and will continue to possess information that has

been created, discovered or developed, or has otherwise become known to the Company (including without limitation information created, discovered, developed or made known by or to me during the period of my employment by the Company), and/or in which property or other rights have been assigned or otherwise conveyed to the Company, which information has commercial value in the business in which the Company is engaged and none of which is in the public domain except through the breach by me or anyone else of a confidentiality duty. All of the aforementioned information is hereinafter called "Proprietary Information." By way of illustration, but not limitation, Proprietary Information includes "Developments (as herein defined), data and know-how, techniques, marketing plans and opportunities, cost and pricing data, strategies, forecasts and customer lists. By way of illustration, but not limitation, "Developments" includes developments, improvements, discoveries, trade secrets, technologies, processes, research, methods, procedures, designs, models, testing systems, research, assays, compounds, molecules, organisms, gene sequences, cell lines, complement inhibitors and other re-agents (including the composition thereof), uses of any of the foregoing, computer software and programs (including source code and related documentation), test and/or experimental data and results, specifications, laboratory notebooks, drawings and technical information and materials.



D. As used herein, the period of my employment includes any time in which I may be retained by the Company as a consultant.

In consideration of my employment or continued employment, as the case may be, and the compensation received by me from the Company from time to time, I hereby agree as follows:

1. Prior to entering the employ of the Company, I have terminated employment with one or more prior employers. I represent and warrant that I have full right, power and authority to execute the terms of this Agreement; this Agreement has been duly executed by Executive and such execution and the performance of this Agreement by Executive does not result in any conflict, breach or violation of or default under any other agreement or any judgment, order or decree to which I am a party or by which I am bound. I acknowledge and agree that any material breach of the representations set forth in this paragraph will constiute Cause under Section 7(a)(3) of the accompanying Employment Agreement.

2. All Proprietary Information shall be the sole property of the Company and its assigns, and the Company and its assigns shall be the sole owner of all patents, copyrights, trade secrets and trademarks and other rights in connection therewith. I hereby assign to the Company any and all rights I may have or acquire in all Proprietary Information. At all times, both during my employment by the Company and after its termination, I will keep in confidence and trust all Proprietary Information, and I will not use or disclose any Proprietary Information without the written consent of the Company, except as may be necessary in the ordinary course of performing my duties as an employee of the Company.

3. During the period of my employment by the Company I will not, without the Company's express written consent, engage in any employment or activity in any competitive business, other than for the Company.

4. I will promptly disclose to the Company, or any persons designated by it, all Developments, improvements, processes, techniques, know-how, data and Developments made or conceived or reduced to practice or learned by me, either alone or jointly with others, during the period of my employment by the Company which are related to or useful in the business of the Company, or result from use of premises owned, leased or contracted for by the Company (all said Developments, improvements, processes, techniques, know-how, data and documentation, shall be collectively hereinafter called "Know-how").

5. I agree that all Know-how shall be the sole property of the Company and its assigns, and the Company and its assigns shall be the sole owner of all patents, copyrights, trademarks and other rights in connection

therewith. I hereby assign to the Company any rights I may have or acquire in all Know-how.

I understand that this paragraph 5 does not apply to Know-how for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely on my own time, and (a) which does not relate (1) to



the business of the Company or (2) to the Company's actual or demonstrably anticipated research or development, or (b) which does not result from any work performed by me for the Company. I agree to execute any documents requested by the Company to effectuate the intent of this paragraph.

6. The Company shall have the right (but shall not be obligated) to use, assert and/or apply for patent, copyright, trademark and other statutory or common law protection for any or all Know-how in any and all countries. I agree to assist the Company in every reasonable way without additional compensation (but at the Company's expense), to apply for, prosecute and obtain, and from time to time enforce, defend and protect, any and all patent, copyright, trademark and other statutory or common law protection for any of the Know-how in any and all countries. I shall, whether during or following my employment by the Company, at the Company's request and expense, but without additional compensation to me, execute any and all assignments, transfers, applications and other papers covering any Know-how which may be considered necessary or helpful by the Company in furtherance of the foregoing and/or to accomplish the assignment, transfer and/or license of any Know-how to persons designated by the Company.

7. In the event of the termination of my employment by me or by the Company for any reason, I will deliver to the Company all documents, materials, compounds, samples, plasmids, proteins, probes and data of any nature pertaining to my work with the Company and I will not take with me any documents or data of any description or any reproduction of any description containing or pertaining to any Proprietary Information, and Know-how.

8. I represent that to my actual knowledge my performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence proprietary information acquired by me in confidence or in trust prior to my employment by the Company.

9. I understand as part of the consideration for the offer of employment extended to me by the Company and of my employment or continued employment by the Company, that, to my actual knowledge, I have not brought and will not bring with me to the Company or use in the performance of my responsibilities at the Company any materials or documents of a former employer which are not generally available to the public, unless I have obtained written authorization from the former employer for their possession and use.

Accordingly, this is to advise the Company that, to my actual knowledge, the only materials or documents of a former employer which are not generally available to the public that I have brought or will bring to the Company or have used or will use in my employment are identified on Schedule A attached hereto, and, as to each such item, I represent that I have obtained prior to the effective date of my employment with the Company written authorization for their possession and use in my employment with the Company.

I also understand that, in my employment with the Company, I am not to breach any obligation of confidentiality that I have to former employers, and I agree that I shall fulfill all such obligations during my employment with the Company.

10. In the event that any provision herein would be held to be invalid, prohibited or unenforceable in any jurisdiction for any reason (including, but not limited to, any provision which may be held unenforceable because of the scope, duration or area of its applicability), unless narrowed by construction, this Agreement shall, as to such jurisdiction, be construed as if such invalid, prohibited or unenforceable provision had been more narrowly drawn so as not to be invalid, prohibited or unenforceable (and the court making any such determination as to any provision shall have the power to modify such scope, duration or area or all of them, and such provision shall then be applicable in such modified form in such jurisdiction only). If, notwithstanding the foregoing, any provision herein would be held to be invalid, prohibited or unenforceable in any jurisdiction for any reason, such provision, as to such jurisdiction, shall be ineffective to the extent of such invalidity, prohibition or unenforceability, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

11. By reason of the fact that irreparable harm would be sustained by the Company in the event that there is a breach by me of any of the terms, covenants and agreements set forth herein, in addition to any other rights that the Company may otherwise have, the Company shall be entitled to apply to any court of competent jurisdiction and obtain specific performance and/or injunctive relief against me, without making a showing that monetary damages would be inadequate and without the requirement of posting any bond or other security whatsoever, in order to enforce or prevent any breach or threatened breach of any of the terms, covenants and agreements set forth herein, and I will not object thereto.

12. This Agreement shall be binding upon me, my heirs, executors, assigns and administrators and shall inure to the benefit of the Company, its successors and assigns.

This Agreement shall be governed in all respects by the laws of the State of Delaware, applicable to agreements made and to be performed solely therein.

By: /s/ LOUIS A. MATIS
---
Louis A. Matis, M.D.

Dated: 10/23/97

ACCEPTED AND AGREED TO:
ALEXION PHARMACEUTICALS, INC.

By: /s/ LEONARD BELL
---
Leonard Bell
Title: President/CEO

STOCK PURCHASE AGREEMENT

Alexion Pharmaceuticals, Inc.
25 Science Park
New Haven, CT 06511

Ladies & Gentlemen:

The undersigned, _____ (the "Investor"), hereby confirms its agreement with you as follows:

1. This Stock Purchase Agreement (the "Agreement") is made as of June 12, 1997 between Alexion Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and the Investor.

2. The Company has authorized the sale and issuance of up to 1,450,000 shares of Common Stock of the Company (the "Stock"), subject to adjustment by the Company's Board of Directors.

3. The Company and the Investor agree that the Investor will purchase and the Company will sell, for a purchase price of $7.75 per share, or an aggregate purchase price of $ _____, _____ shares pursuant to the Terms and Conditions for Purchase of Shares attached hereto as Annex I and incorporated herein by reference as if fully set forth herein. Unless otherwise requested by the Investor, certificates representing the shares purchased by the Investor will be registered in the Investor's name and address as set forth below.

4. The Investor represents that, except as set forth below, (a) it has had no position, office or other material relationship within the past three years with the Company or its affiliates, (b) neither it, nor any group of which it is a member or to which it is related, beneficially owns (including the right to acquire or vote) any securities of the Company and (c) it has no direct or indirect affiliation or association with any NASD member. Exceptions:

_____

_____

(If no exceptions, write "none." If left blank, response will be deemed to be "none.")

Please confirm that the foregoing correctly sets forth the agreement between us by signing in the spow for that purpose.

INVESTOR

_____

Name:_____

By:_____

Title:_____

Address:_____

_____

Tax ID No.:_____

Contact name:_____

Telephone:_____

Name in which shares should be

registered
(if different):_____

AGREED AND ACCEPTED:

_____
ALEXION PHARMACEUTICALS, INC.

_____
By: Leonard Bell, M.D.
Title: President and Chief
Executive Officer



ANNEX I

TERMS AND CONDITIONS FOR PURCHASE OF SHARES

1. Authorization and Sale of the Shares. Subject to the terms and conditions of this Agreement, the Company has authorized the sale of up to 1,450,000 shares of the Common Stock, $.0001 par value (the "Stock"), of the Company. The Company reserves the right to increase or decrease this number.

2. Agreement to Sell and Purchase the Stock. At the Closing (as defined in Section 3), the Company will sell to the Investor, and the Investor will purchase from the Company, upon the terms and conditions hereinafter set forth, the number of shares of Stock set forth on the signature page hereto at the purchase price set forth on such signature page.

The Company proposes to enter into this same form of purchase agreement with certain other investors (the "Other Investors") and expects to complete sales of the Stock to them. The Investor and the Other Investors are hereinafter sometimes collectively referred to as the "Investors," and this Agreement and the agreements executed by the Other Investors are hereinafter sometimes collectively referred to as the "Agreements." The term "Placement Agent" shall mean Robertson Stephens & Company LLC.

3. Delivery of the Stock at Closing. The completion of the purchase and sale of the Stock (the "Closing") shall occur at a place and time (the "Closing Date") specified by the Company and the Placement Agent, not later than 90 days after the date the Registration Statement (as hereinafter defined) is filed, and of which tl be notified in advance by the Placement Agent. At the Closing, the Company shall deliver to the Investor one or more stock certificates representing the number of shares of Stock set forth on the signature page hereto, each such certificate to be registered in the name of the Investor or, if so indicated on the signature page hereto, in the name of a nominee designated by the Investor.

The Company's obligation to close the transaction shall be subject to the following conditions, any one or more of which may be waived by the Company: (a) receipt by the Company of a certified or official bank check or wire transfer of funds in the full amount of the purchase price for the Stock being purchased hereunder; (b) completion of the purchases and sales under the Agreements with Other Investors; and (c) the accuracy of the representations and warranties made by the Investors and the fulfillment of those undertakings of the Investors to be fulfilled prior to the Closing.

The Investor's obligation to close the transaction shall be subject to the following conditions, any one or more of which may be waived by the Investor: (a) Investors shall have executed Agreements for the purchase of at least 500,000 shares of Stock; (b) the Company shall have filed a registration statement within five (5) business days of the date on which all of the Agreements are executed (the "Pricing Date"), the Company shall have received an indication from the Securities and Exchange Commission ("SEC") that the SEC has no further comments, and the Company shall have submitted an

acceleration request providing for the Registration Statement to be declared effective at a time immediately following the Closing and on or prior to the 90th day after the date of its filing; and (c) receipt by the Placement Agent of legal opinions from the Company's counsel and patent counsel and of a comfort letter from the Company's Independent Auditors. The Investor's obligations hereunder are expressly not conditioned on the purchase by any or all of the Other Investors of the Stock that they have agreed to purchase from the Company. The Company may sign Stock Purchase Agreements with respect to sales of stock to Other Investors on dates subsequent to the Pricing Date, provided that all such Agreements shall have been executed on or prior to the date on which the Registration Statement is filed with the SEC.

4. Representations, Warranties and Covenants of the Company. The Company hereby represents and warrants to, and covenants with, the Purchaser as follows:

4.1. Organization. Each of the Company and its Subsidiaries (as defined in Rule 405 under the Securities Act of 1933, as amended (the "Securities Act")), if any, is duly organized and validly existing in good standing under the laws of the jurisdiction of its organization. Each of the Company and its Subsidiaries has full power and authority to own, operate and occupy its properties an business as presently conducted and as described in the private placement memorandum, dated May 16, 1997 distributed in connection with the sale of the Stock (including the documents incorporated by reference therein, the "Placement Memorandum") and is registered or qualified to do business and in good standing in each jurisdiction in which it owns or leases property or transacts business and where the failure to be so qualified would have a material adverse effect upon the business, financial condition, properties or operations of the Company and its Subsidiaries, taken as a whole.

4.2. Due Authorization. The Company has all requisite power and authority to execute, deliver and perform its obligations under the Agreements, and the Agreements have been duly authorized and validly executed and delivered by the Company and constitute legal, valid and binding agreements of the Company enforceable against the Company in accordance with their terms, except as rights to indemnity and contribution may be limited by state or federal securities laws or the public policy underlying such laws, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' and contracting parties' rights generally and except as enforceability may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4.3. Non-Contravention. The execution and delivery of the Agreements, the issuance and sale of the Stock to be sold by the Company thereunder, the fulfillment of the terms of the Agreements and the consummation of the transactions contemplated thereby will not conflict with or constitute a violation of, or default (with the passage of time or otherwise) under, any material agreement or instrument to which the Company or any Subsidiary is a party or by which it is bound or the charter, by-laws or other organizational documents of the Company or any Subsidiary nor result in the



creation or imposition of any lien, encumbrance, claim, security interest or restriction whatsoever upon any of the material properties or assets of the Company or any Subsidiary or an acceleration of indebtedness pursuant to any obligation, agreement or condition contained in any material bond, debenture, note or any other evidence of indebtedness or any material indenture, mortgage, deed of trust or any other agreement or instrument to which the Company or any Subsidiary is a party or by which any of them is bound or to which any of the property or assets of the Company or any Subsidiary is subject, nor conflict with, or result in a violation of, any law, administrative regulation, ordinance or order of any court or governmental agency, arbitration panel or authority

applicable to the Company or any Subsidiary. No consent, approval, authorization or other order of, or registration, qualification or filing with, any regulatory body, administrative agency, or other governmental body in the United States is required for the valid issuance and sale of the Stock to be sold pursuant to the Agreements, other than such as have been or will be made or obtained.

4.4. Capitalization. The capitalization of the Company as of May 16, 1997 is as set forth in the Placement Memorandum. The Company has not issued any capital stock since that date other than as contemplated by the Placement Memorandum. The Stock to be sold pursuant to the Agreements have been duly authorized, and when issued and paid for in accordance with the terms of the Agreements will be validly issued, fully paid and nonassessnding shares of capital stock of the Company have been duly and validly issued and are fully paid and nonassessable. Except as set forth in or contemplated by the Placement Memorandum, there are no outstanding rights (including, without limitation, preemptive rights), warrants or options to acquire, or instruments convertible into or exchangeable for, any shares of capital stock or other equity interest in the Company or any Subsidiary, or any contract, commitment, agreement, understanding or arrangement of any kind relating to the issuance of any capital stock of the Company or any Subsidiary, any such convertible or exchangeable securities or any such rights, warrants or options. The Company owns the entire equity interest in each of its Subsidiaries, other than as contemplated by the Placement Memorandum.

4.5. Legal Proceedings. There is no material legal or governmental proceeding pending or, to the knowledge of the Company, threatened or contemplated to which the Company or any Subsidiary is or may be a party or of which the business or property of the Company or any Subsidiary is or may be subject that is not disclosed in the Placement Memorandum.

4.6. No Violations. Neither the Company nor any Subsidiary is in violation of its charter, bylaws, or other organizational document, in violation of any law, administrative regulation, ordinance or order of any court or governmental agency, arbitration panel or authority applicable to the Company or any Subsidiary, which violation, individually or in the aggregate, would have a material adverse effect on the business or financial condition of the Company and its Subsidiaries, taken as a whole, or is in default in any material respect in the performance of any obligation, agreement or condition contained in any bond, debenture, note or any other evidence of indebtedness in any indenture, mortgage, deed of trust or any other agreement or



instrument to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary is bound or by which the properties of the Company or any Subsidiary are bound or affected, and there exists no condition which, with the passage of time or otherwise, would constitute a material default under any such document or instrument or result in the imposition of any material penalty or the acceleration of any material indebtedness.

4.7. Governmental Permits, Etc. Each of the Company and its Subsidiaries has all necessary franchises, licenses, certificates and other authorizations from any foreign, federal, state or local government or governmental agency, department, or body that are currently necessary for the operation of the business of the Company and its Subsidiaries as currently conducted and as described in the Placement Memorandum, the absence of which would have a material adverse effect on the Company and its Subsidiaries taken as a whole.

4.8. Intellectual Property. Each of the Company and its Subsidiaries owns or possesses sufficient rights to use all material patents, patent rights, trademarks, copyrights, licenses, inventions, trade secrets and know-how described or referred to in the Placement Memorandum as owned or used by it or that are necessary for the conduct of its business as now conducted and as proposed to be conducted as now conducted or (to the Company's knowledge based on the current stage of development of the Company's products and, subject to the matters discussed under "Risk Factors" in the Placement Memorandum) as proposed to be conducted as described in the Placement Memorandum; except as described in the Placement Memorandum, neither the Company nor any of its Subsidiaries has received any notice of, or has any knowledge of, any

infringement of or conflict with as others with respect to any patent, patent right, trademark, copyright, invention, trade secret or know-how that, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the condition (financial or otherwise), earnings, operations, business or business prospects of the Company and its Subsidiaries considered as one enterprise.

4.9. Financial Statements. The financial statements of the Company and the related notes contained in the Placement Memorandum present fairly the financial position of the Company as of the dates indicated, and the results of its operations and cash flows for the periods therein specified. Such financial statements (including the related notes) have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods therein specified, except as disclosed in the Placement Memorandum. The other financial information contained in the Placement Memorandum has been prepared on a basis consistent with the financial statements of the Company.

4.10. No Material Adverse Change. Subsequent to the respective dates as of which information is given in the Placement Memorandum, and except as contemplated in the Placement Memorandum, the Company and its Subsidiaries taken as a whole have not incurred any material liabilities or obligations, direct or contingent, other than in the ordinary course of business, and there has not been any material adverse change



in their consolidated condition (in each case, financial or other), results of operations, business, prospects, key personnel or capitalization.

4.11. Placement Memorandum. The information contained in the Placement Memorandum does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

4.12. Additional Information. The Company has filed in a timely manner all documents that the Company was required to file under the Securities Exchange Act of 1934, as amended (the "Exchange Act") during the 12 months preceding the date of this Agreement. The following documents complied in all material respects with the SEC's requirements as of their respective filing dates, and the information contained therein as of the date thereof did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading:

(a) The Company's Annual Report on Form 10-K for the year ended July 31, 1996;

(b) The Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 1997;

(c) The Company's proxy statement in connection with its Annual Meeting of Stockholders on December 13, 1996;

(d) The Company's Current Report on Form 8-K dated February 14, 1997;

(e) The Company's prospectus dated April 7, 1997 from its resale Registration Statement on Form S-1; and

(f) all other documents, if any, filed by the Company with the Securities and Exchange Commission (the "Commission") since April 7, 1997 pursuant to the reporting requirements of the Exchange Act.

4.13. Listing. The Company shall comply with all requirements of the National Association of Securities Dealers, Inc. with respect to the issuance of the Stock and the listing thereof on the Nasdaq National Market.

4.14. Lock-up Agreements. Lock-up Agreements with the Placement Agent have been executed by eay's Officers and Directors agreeing that such individual will not sell, offer, contract to sell, pledge, grant any option to purchase or

otherwise dispose of any shares of the Company's Common Stock prior to the 90th day after the Registration Statement is declared effective.



5. Representations, Warranties and Covenants of the Investor.

(a) The Investor represents and warrants to, and covenants with, the Company that: (i) the Investor is an "accredited investor" as defined in Regulation D under the Securities Act of 1933, as amended (the "Securities Act") and the Investor is also knowledgeable, sophisticated and experienced in making, and is qualified to make decisions with respect to investments in shares presenting an investment decision like that involved in the purchase of the Stock, including investments in securities issued by the Company and investments in comparable companies, and has requested, received, reviewed and considered all information it deemed relevant in making an informed decision to purchase the Stock; (ii) the Investor is acquiring the number of shares of Stock set forth on the signature page hereto in the ordinary course of its business and for its own account for investment only and with no present intention of distributing any of such shares of Stock or any arrangement or understanding with any other persons regarding the distribution of such shares of Stock; (iii) the Investor will not, directly or indirectly, offer, sell, pledge, transfer or otherwise dispose of (or solicit any offers to buy, purchase or otherwise acquire or take a pledge of) any of the shares of Stock except in compliance with the Securities Act, applicable state securities laws and the respective rules and regulations promulgated thereunder; (iv) the Investor has answered all questions on the signature page hereto for use in preparation for the Registration Statement and the answers thereto are true and correct as of the date hereof and will be true and correct as of the Closing Date; (v) the Investor will notify the Company immediately of any change in any of such information until such time as the Investor has sold all of its shares of Stock or until the Company is no longer required to keep the Registration Statement effective; and (vi) the Investor has, in connection with its decision to purchase the number of shares of Stock set forth on the signature page hereto, relied only upon the representations and warranties of the Company contained herein.

(b) The Investor acknowledges, represents and agrees that no action has been or will be taken in any jurisdiction outside the Untied States by the Company or the Placement Agent that wofering of the shares of Stock, or possession or distribution of offering materials in connection with the issue of the shares of Stock, in any jurisdiction outside the United States where action for that purpose is required. Each Investor outside the United States will comply with all applicable laws and regulations in each foreign jurisdiction in which it purchases, offers, sells or delivers shares of Stock or has in its possession or distributes any offering material, in all cases at its own expense. The Placement Agent is not authorized to make any representation or use any information in connection with the issue, placement, purchase and sale of the shares of Stock other than as contained in the Placement Memorandum.

(c) The Investor hereby covenants with the Company not to make any sale of the shares of Stock without complying with the provisions of this agreement, including Section 7.2 hereof, and without effectively causing the prospectus delivery requirement under the Securities Act to be satisfied. The Investor acknowledges that there may occasionally be times when the Company, based on the advice of its counsel, determines that it must suspend the use of the prospectus forming a part of the



Registration Statement until such time as an amendment to the Registration Statement has been filed by the Company and declared effective by the Commission or until the Company has amended or supplemented such prospectus.

(d) The Investor further represents and warrants to, and covenants with, the Company that (i) the Investor has full right, power, authority and capacity to enter into this Agreement and to consummate the transactions contemplated hereby and has taken all necessary action to authorize the execution, delivery and performance of this Agreement, and (ii) upon the execution and delivery of this Agreement, this Agreement shall constitute a valid and binding obligation of the Investor enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' and contracting parties' rights generally and except as enforceability may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and except as the indemnification agreements of the Investors herein may be legally unenforceable.

(e) Investor will not, prior to the effectiveness of the Registration Statement, sell, offer to sell, solicit offers to buy, dispose of, loan, pledge or grant any right with respect to (collectively, a "Disposition"), the Common Stock of the Company, nor will Investor engage in any hedging or other transaction which is designed to or could reasonably be expected to lead to or result in a Disposition of Common Stock of the Company by the Investor or any other person or entity. Such prohibited hedging or other transactions would include without limitation effecting any short sale or having in effect any short position (whether or not such sale or position is against the box and regardless of when such position was entered into) or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to the Common stock of the Company or with respect to any security (other than a broad-based market basket or index) that includes, relates to or derives any significant part of its value from the Common stock of the Company.

(f) The Investor understands that nothing in the Placement Memorandum, this Agreement or any other materials presented to the Investor in connection with the purchase and sale of the Stock constitutes legal, tax or investment advice. The Investor has consulted such legal, tax and investment advisors as it, in its sole discretion, has deemed necessary or appropriate in connection of Stock.

6. Survival of Representations, Warranties and Agreements. Notwithstanding any investigation made by any party to this Agreement or by the Placement Agent, all covenants, agreements, representations and warranties made by the Company and the Investor herein shall survive the execution of this Agreement, the delivery to the Investor of the shares of Stock being purchased and the payment therefor.



7. Registration of the Stock; Compliance with the Securities Act.

7.1. Registration Procedures and Expenses. The Company shall:

(a) use its best efforts, subject to receipt of necessary information from Investors, to prepare and file with the Commission, within five (5) business days of the Pricing Date, a Registration Statement on Form S-3 (the "Registration Statement") to enable the sale of the Stock by the Investor from time to time through the automated quotation system of the Nasdaq National Market or in privately-negotiated transactions;

(b) use its best efforts, subject to receipt of necessary information from the Investor, to cause the Registration Statement to become effective within 90 days after the Registration Statement is filed by the Company;

(c) prepare and file with the Commission such amendments and supplements to the Registration Statement and the prospectus used in connection therewith as may be necessary to keep the Registration Statement effective for a period not exceeding, with respect to each Investor's shares purchased hereunder, the earlier of (i) the second anniversary of the Closing Date, (ii) such time after the first anniversary of the Closing Date when such Investor's shares of Stock purchased hereunder and then owned by such Investor represent no more than one percent of the Company's outstanding Common Stock, or (iii) such time as all

shares purchased by such Investor in this offering have been sold pursuant to a registration statement.

(d) furnish to the Investor with respect to the Stock registered under the Registration Statement (and to each underwriter, if any, of such Stock) such number of copies of prospectuses and preliminary prospectuses in conformity with the requirements of the Securities Act and such other documents as the Investor may reasonably request, in order to facilitate the public sale or other disposition of all or any of the Stock by the Investor, provided, however, that the obligation of the Company to deliver copies of prospectuses or preliminary prospectuses to the Investor shall be subject to the receipt by the Company of reasonable assurances from the Investor that the Investor will comply with the applicable provisions of the Securities Act and of such other securities or blue sky laws as may be applicable in connection with any use of such prospectuses or preliminary prospectuses;

(e) file documents required of the Company for normal blue sky clearance in states specified in writing by the Investor, provided, however, that the Company shall not be required to qualify to do business or consent to service of process in any jurisdiction in which it is not now so qualified or has not so consented; and

(f) bear all expenses in connection with the procedures in paragraph (a) through (e) of this Section 7.1 and the registration of the Stock pursuant ton Statement, other than fees and expenses, if any, of counsel or other advisers to the Investor or Other Investors.



The Company understands that the Investor disclaims being an underwriter, but the Investor being deemed an underwriter shall not relieve the Company of any obligations it has hereunder.

7.2. Transfer of Stock After Registration.

(a) The Investor agrees that it will not effect any disposition of the Stock or its right to purchase the Stock that would constitute a sale within the meaning of the Securities Act except as contemplated in the Registration Statement referred to in Section 7.1 and described below, and that it will promptly notify the Company of any changes in the information set forth in the Registration Statement regarding the Investor or its Plan of Distribution.

(b) The Investor agrees that to sell shares pursuant to the Registration Statement, the Investor will:

(i) The Investor must notify the Company three (3) business days prior to sale through the Company's counsel, Fulbright & Jaworski L.L.P., at the address provided in Section 9(b) hereto, of its intent to sell, so as to confirm that no event has occurred or is expected to occur which would make the Registration Statement false or misleading, and to ensure that the Registration Statement in its possession is current and has not been suspended. The Company may refuse to permit the Investor to resell pursuant to the Registration Statement, provided that it must notify the Investor in writing within three (3) business days that such as sale would violate federal securities laws unless the Registration Statement is updated. In such an event, the Company shall use its best efforts to amend the Registration Statement if necessary and take all other actions necessary to allow such sale under the federal securities laws within 10 business days of Investor's initial notification, and shall notify the Investor promptly after it has determined that such sale has become permissible under the federal securities laws. Notwithstanding the foregoing, within any twelve (12) month period the Company shall not, except upon advice of counsel as to the necessity pursuant to federal securities laws exercise its right to refuse to permit resale of any shares of Stock pursuant to the Registration Statement (i) more than three (3) times or (ii) for an aggregate period in excess of forty-five (45) days. Each Investor hereby covenants and agrees that it will not sell any shares of Stock pursuant to the Registration Statement during the periods the Registration Statement is withdrawn as set forth in this Section.

(ii) If the Company or its counsel does not, within such three business days, notify the Investor that it is exercising its right to delay such sale, the investor may proceed with such sale provided that it arranges for delivery of a current prospectus to the transferee. Upon receipt of a request therefor, the Company has agreed to provide an adequate number of current prospectuses to each investor and to supply copies to any other parties requiring such prospectuses.

(iii) The Investor must also deliver to the Company's counsel a Notice of Sale substantially in the form attached hereto as Exhibit A, so that the shares may be properly transferred.



7.3. Indemnification. For the purpose 7.3:

(i) the term "Selling Stockholder" shall include the Investor and any affiliate of such Investor;

(ii) the term "Registration Statement" shall include any final prospectus, exhibit, supplement or amendment included in or relating to the Registration Statement referred to in Section 7.1;

(iii) the term "untrue statement" shall include any untrue statement or alleged untrue statement, or any omission or alleged omission to state in the Registration Statement a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(a) The Company agrees to indemnify and hold harmless each Selling Stockholder from and against any losses, claims, damages or liabilities to which such Selling Stockholder may become subject (under the Securities Act or otherwise) insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of, or are based upon any untrue statement of a material fact contained in the Registration Statement on the effective date thereof, or arise out of any failure by the Company to fulfill any undertaking included in the Registration Statement and the Company will reimburse such Selling Stockholder for any reasonable legal or other expenses reasonably incurred in investigating, defending or preparing to defend any such action, proceeding or claim, or preparing to defend any such action, proceeding or claim, provided, however, that the Company shall not be liable in any such case to the extent that such loss, claim, damage or liability arises out of, or is based upon, an untrue statement made in such Registration Statement in reliance upon and in conformity with written information furnished to the Company by or on behalf of such Selling Stockholder specifically for use in preparation of the Registration Statement, or the failure of such Selling Stockholder to comply with the covenants and agreements contained in Sections 5(c) or 7.2 hereof respecting sale of the Stock or any statement or omission in any Prospectus that is corrected in any subsequent Prospectus that was delivered to the Investor prior to the pertinent sale or sales by the Investor.

(b) The Investor agrees to indemnify and hold harmless the Company (and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, each officer of the Company who signs the Registration Statement and each director of the Company) from and against any losses, claims, damages or liabilities to which the Company (or any such officer, director or controlling person) may become subject (under the Securities Act or otherwise), insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of, or are based upon, any failure to comply with the covenants and agreements contained in Section 5(c) or 7.2 hereof respecting sale of the Stock, or any untrue statement of a material fact contained in the Registration Statement on the effective date thereof if such untrue statement was made in reliance upon and in conformity with written information furnished by or on behalf of the Investor specifically for use in preparation

of the Registration Statement, and the Investor will reimburse the Company (or such officer, director or controlling person), as the case may be, for any legal or other nably incurred in investigating, defending or preparing to defend any such action, proceeding or claim.

(c) Promptly after receipt by any indemnified person of a notice of a claim or the beginning of any action in respect of which indemnity is to be sought against an indemnifying person pursuant to this Section 7.3, such indemnified person shall notify the indemnifying person in writing of such claim or of the commencement of such action, and, subject to the provisions hereinafter stated, in case any such action shall be brought against an indemnified person and such indemnifying person shall be entitled to participate therein, and, to the extent it shall wish, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified person. After notice from the indemnifying person to such indemnified person of its election to assume the defense thereof, such indemnifying person shall not be liable to such indemnified person for any legal expenses subsequently incurred by such indemnified person in connection with the defense thereof, provided, however, that if there exists or shall exist a conflict of interest that would make it inappropriate, in the opinion of counsel to the indemnified person, for the same counsel to represent both the indemnified person and such indemnifying person or any affiliate or associate thereof, the indemnified person shall be entitled to retain its own counsel at the expense of such indemnifying person; provided, however, that no indemnifying person shall be responsible for the fees and expenses of more than one separate counsel for all indemnified parties.

(d) If the indemnification provided for in this Section 7.3 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and the Investors on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or a Investor on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Investors agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by pro rata allocation (even if the Investors were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim.



Notwithstanding the provisions of this subsection (d), no Investor shall be required to contribute any amount in excess of the amount by which the net amount received by the Investor from the sale of the Stock to which such loss the amount of any damages which such Investor has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Investors obligations in this subsection to contribute are several in proportion to their sales of shares of Stock to which such loss relates and not joint.

7.4. Termination of Conditions and Obligations. The conditions precedent

imposed by Section 5 or this Section 7 upon the transferability of the Stock shall cease and terminate as to any particular number of the shares of Stock when such Stock shall have been effectively registered under the Securities Act and sold or otherwise disposed of in accordance with the intended method of disposition set forth in the Registration Statement covering such Stock or at such time as an opinion of counsel satisfactory to the Company shall have been rendered to the effect that such conditions are not necessary in order to comply with the Securities Act.

7.5. Information Available. So long as the Registration Statement is effective covering the resale of Stock owned by the Investor, the Company will furnish to the Investor:

(a) as soon as practicable after available one copy of (i) its Annual Report to Stockholders (which Annual Report shall contain financial statements audited in accordance with generally accepted accounting principles by a national firm of certified public accountants), (ii) if not included in substance in the Annual Report to Stockholders, its Annual Report on Form 10-K, (iii) if not included in substance in its Quarterly Reports to Stockholders, its Quarterly Reports on Form 10-Q, and (iv) a full copy of the particular Registration Statement covering the Stock (the foregoing, in each case, excluding exhibits);

(b) upon the reasonable request of the Investor, all exhibits excluded by the parenthetical to subparagraph (a)(iv) of this Section 7.6 and all other information that is made available to stockholders; and

(c) upon the reasonable request of the Investor, an adequate number of copies of the prospectuses to supply to any other party requiring such prospectuses; and the Company, upon the reasonable request of the Investor, will meet with the Investor or a representative thereof at the Company's headquarters to discuss all information relevant for disclosure in the Registration Statement covering the Stock and will otherwise cooperate with any Investor conducting an investigation for the purpose of reducing or eliminating such Investor's exposure to liability under the Securities Act, including the reasonable production of information at the Company's headquarters; provided, that, the Company shall not be required to disclose any confidential information to or meet at its headquarters with any Investor until and unless the



Investor shall have entered into a confidentiality agreement in the form and substance reasonably satisfactory to the Company with the Company with respect thereto.

8. Placement Agent's Fee. The Investor acknowledges that the Company intends to pay to the Placement Agent a fee in respect of the sale of the Stock to the Investor.

9. Notices. All notices, requests, consents and other communications hereunder shall be in writing, shall be mailed by first-class registered or certified airmail, or nationally recognized overnight express courier, postage prepaid, and shall be deemed given when so mailed and shall be delivered as addressed as follows:

(a) if to the Company, to:

Alexion Pharmaceuticals, Inc.
25 Science Park, Suite 360
New Haven,11
Attn: David W. Keiser or Barry Luke
Phone: 203-776-1790
Telecopy: 203-776-2089

(b) with a copy mailed to:

Fulbright & Jaworski L.L.P.
666 Fifth Avenue
New York, NY 10103
Attn: Lawrence Spector or Merrill M. Kraines

Phone: 212-318-3000
Telecopy: 212-752-5958

(c) if to the Investor, at its address on the signature page hereto, or at such other address or addresses as may have been furnished to the Company in writing.

10. Changes. This Agreement may not be modified or amended except pursuant to an instrument in writing signed by the Company and the Investor.

11. Headings. The headings of the various section of this Agreement have been inserted for convenience of reference only and shall not be deemed to be part of this Agreement.

12. Severability. In case any provision contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.



13. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware and the federal law of the United States of America.

14. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one instrument, and shall become effective when one or more counterparts have been signed by each party hereto and delivered to the other parties.



EXHIBIT A

Date:_____

Lawrence Spector, Esq. or Merrill Kraines, Esq.
Fulbright & Jaworski L.L.P.
666 Fifth avenue
New York, NY 10103

Re: Alexion Pharmaceuticals, Inc.

INVESTOR'S CERTIFICATE OF SUBSEQUENT SALE

The undersigned, an officer of, or other person duly authorized by [official name of shareholder] _____ ("Shareholder") hereby certifies that Shareholder has sold [number] _____ shares of Alexion Pharmaceuticals, Inc. Common Stock on [date] _____ in accordance with registration statement number [fill in number or otherwise identify registration statement] _____ and the requirements of delivering a current prospectus has been connection with such sale.

Print or Type:

Name of Purchaser
(Individual or Institution):_____

Name of Individual representing
Purchaser (if an Institution):_____

Title of Individual representing
Purchaser (if an Institution):_____

Signature by:

Individual Purchaser or
Individual representing Purchaser:_____

SERIES B PREFERRED STOCK PURCHASE AGREEMENT

Alexion Pharmaceuticals, Inc.
25 Science Park
New Haven, CT 06511

Ladies & Gentlemen:

The undersigned, Biotech Target S.A. (the "Investor"), hereby confirms its agreement with you as follows:

1. This Series B Preferred Stock Purchase Agreement (the "Agreement") is made as of September 4, 1997 between Alexion Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and the Investor.

2. The Company has authorized the sale and issuance of up to 400,000 shares of Series B Convertible Preferred Stock, par value $.0001 per share (the "Series B Preferred Stock").

3. The Company and the Investor agree that the Investor will purchase and the Company will sell, for a purchase price of $25.00 per share of Series B Preferred Stock, or an aggregate purchase price of $10,000,000.00, the Series B Preferred Stock, and upon such purchase and sale, the Company will issue the Series B Preferred Stock, pursuant to the Terms and Conditions for Purchase of Series B Preferred Stock attached hereto as Annex I and incorporated herein by reference as if fully set forth herein (any reference to the "Agreement" in Annex I shall mean this signature page and Annex I hereto, collectively). Unless otherwise requested by the Investor, certificates representing the Series B Preferred Stock will be registered in the Investor's name and address as set forth below.

4. The Investor represents that, except as set forth below, (a) it has had no position, office or other material relationship within the past three years with the Company or its affiliates, (b) neither it, nor any group of which it is a member or to which it is related, beneficially owns (including the right to acquire or vote) any securities of the Company and (c) it has no direct or indirect affiliation or association with any NASD member. Exceptions:

_____

_____

(If no exceptions, write "none." If left blank, response will be deemed to be "none.")

Please confirm that the foregoing correctly sets forth the agreement between us by signing in the space below for that purpose.

INVESTOR

_____

Name:_____

By:_____

Title:_____

Address:_____

_____

Tax ID No.:_____

Contact name:_____

Telephone:

Name in which the Series B Preferred Stock should be registered (if different):_____

AGREED AND ACCEPTED:

_____
ALEXION PHARMACEUTICALS, INC.

_____
By: Leonard Bell, M.D.
Title: President and Chief Executive Officer



ANNEX I

TERMS AND CONDITIONS FOR PURCHASE OF SERIES B PREFERRED STOCK

1. Authorization and Sale of the Series B Preferred Stock. Subject to the terms and conditions of this Agreement, the Company has authorized the sale of up to 400,000 shares of its Series B Preferred Stock, $.0001 par value (the "Series B Preferred Stock"), having the designations, powers, preferences and rights described in the Certificate of the Designations, Powers, Preferences and Rights of the Series B Preferred Stock (the "Certificate of Designations") attached hereto as Exhibit A. The shares of Series B Preferred Stock, shares of Common Stock, $.0001 par value (the "Common Stock") issuable upon the conversion of the Series B Preferred Stock (the "Conversion Shares") and the Common Stock issuable as a dividend upon the Series B Preferred Stock, if any, (the "Dividend Shares") are sometimes collectively referred to herein as the "Securities."

2. Agreement to Sell and Purchase the Series B Preferred Stock. At the Closing (as defined in Section 3), the Company will sell to the Investor, and the Investor will purchase from the Company, upon the terms and conditions hereinafter set forth, 400,000 shares of Series B Preferred Stock at the purchase price set forth on the signature page hereto.

3. Delivery of the Series B Preferred Stock at Closing. The completion of the purchase and sale of the Series B Preferred Stock (the "Closing") shall occur on September 5, 1997 (the "Closing Date"). At the Closing, the Company shall deliver to the Investor one or more stock certificates representing the shares of Series B Preferred Stock to be purchased by the Investor hereunder, each such certificate to be registered in the name of the Investor or, if so indicated on the signature page hereto, in the name of a nominee designated by the Investor.

The Company's obligation to close the transaction shall be subject to the following conditions, any one or more of which may be waived by the Company: (a) receipt by the Company of a certified or official bank check or wire transfer of funds in the full amount of the purchase price for the shares of Series B Preferred Stock being purchased hereunder; and (b) the accuracy of the representations and warranties made by the Investor and the fulfillment of those undertakings of the Investor to be fulfilled prior to the Closing.

The Investor's obligation to close the transaction shall be subject to: (a) the receipt of the shares of Series B Preferred Stock; and (b) the accuracy of the representations and warranties made by the Company and the fulfillment of those undertakings of the Company to be fulfilled prior to the Closing.

4. Representations, Warranties and Covenants of the Company. The Company hereby represents and warrants to, and covenants with, the Investor as follows:

4.1. Organization. The Company is duly organized and validly existing in good standing under the laws of the State of Delaware. The Company has full power and authority to own, operate and occupy its properties and conduct its business as presently conducted and as described in its Annual Report on Form 10-K for the year ended July 31, 1996 (the "10-K") and the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 1996, the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 1997, as amended by Form 10-Q/A, filed March 17, 1997, and Form 10-Q/A2, filed June 19, 1997, the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 1997, the Company's Current Report on Form 8-K, dated February 28, 1997, the Company's Current Report on Form 8-K, dated June 17, 1997, the Company's Current Report on Form 8-K dated July 9, 1997 and Registration Statement on Form 8-A dated February 21, 1997, the foregoing filings constitute all documents filed by the Company since the date of the 10-K with the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (all such documents are hereinafter referred to as the "1934 Act Filings"), and is registered or qualified to do business and in good standing in each jurisdiction in which it owns or leases property or transacts business and where the failure to be so qualified would have a material adverse effect upon the business, financial condition, properties or operations of the Company. The Company has no subsidiaries.

4.2. Due Authorization. The Company has all requisite power and authority to execute, deliver and perform its obligations under this Agreement, and this Agreement has been duly authorized and validly executed and delivered by the Company and constitutes the legal, valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except as rights to indemnity and contribution may be limited by state or federal securities laws or the public policy underlying such laws, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' and contracting parties' rights generally and except as enforceability may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4.3. Non-Contravention. The execution and delivery of the Agreement, the issuance and sale of the shares of Series B Preferred Stock to be sold by the Company hereunder, the fulfillment of the terms of the Agreement and the terms of the Certificate of Designations the shares of Series B Preferred Stock and the consummation of the transactions contemplated hereby and thereby will not conflict with or constitute a violation of, or default (with the passage of time or otherwise) under, any material agreement or instrument to which the Company is a party or by which it is bound or the charter, by-laws or other organizational documents of the Company nor result in the creation or imposition of any lien, encumbrance, claim, security interest or restriction whatsoever upon any of the material properties or assets of the Company or an acceleration of indebtedness pursuant to any obligation, agreement or condition contained in any material bond, debenture, note or any other evidence of indebtedness or any material indenture, mortgage, deed of trust or any other agreement or instrument to which the Company is a party or by which it is bound



or to which any of the property or assets of the Company is subject, nor conflict with, or result in a violation of, any law, administrative regulation, ordinance, order, judgment or decree of any court or governmental agency, arbitration panel or authority applicable to the Company. No consent, approval, authorization or other order of, or registration, qualification or filing with, any regulatory body, administrative agency, or other governmental body in the United States is required for the valid issuance and sale of the Securities, other than such as have been made or obtained before the date of this Agreement and which, in the case of the Conversion Shares and the Dividend Shares, are not required to be made until after the issuance of such shares, and other than a Form D which will be filed under the Securities Act of 1933, as amended, after the Closing Date, and other than Nasdaq listing which has been applied for and

will be obtained.

4.4. Capitalization. The capitalization of the Company as of July 31, 1996 is as set forth in the 10-K. The Company has not issued any capital stock since that date other than as contemplated by or described in the 1934 Act Filings, including the issuance in June 1997 of 1,450,000 shares of Common Stock in a private placement transaction. At September 4, 1997 the Company had outstanding 8,865,468 shares of Common Stock, holds in treasury 11,875 shares of Common Stock and has outstanding options and warrants to purchase 1,471,484 and 926,669 shares of Common Stock, respectively. The shares of Series B Preferred Stock to be sold pursuant to the Agreement have been, subject to the filing of the Certificate of Designations with the Secretary of State of Delaware, duly authorized, and upon Closing, will be validly issued, fully paid and nonassessable. The Conversion Shares and, upon resolution by the Board of Directors of the Company to pay the dividend on the shares of Series B Preferred Stock in the form of Common Stock, the Dividend Shares, if any, issuable in accordance with the Series B Preferred Stock have been, or will be, as the case may be, duly authorized, and when issued in accordance with the terms of the Series B Preferred Stock, will be validly issued, fully paid and nonassessable. All outstanding shares of capital stock of the Company have been duly and validly issued and are fully paid and nonassessable. Except as set forth above there are no outstanding rights (including, without limitation, preemptive rights), warrants or options to acquire, or instruments convertible into or exchangeable for, any shares of capital stock or other equity interest in the Company, or any contract, commitment, agreement, understanding or arrangement of any kind relating to the issuance of any capital stock of the Company, any such convertible or exchangeable securities or any such rights, warrants or options, except for the rights granted to the holders of Common Stock pursuant to the Rights Agreement, dated February 14, 1997, by and between the Company and Continental Stock Transfer & Trust Company.

4.5. Legal Proceedings. There is no material legal or governmental proceeding pending or, to the knowledge of the Company, threatened or contemplated to which the Company is or may be a party or of which the business or property of the Company is or may be subject that is not disclosed in the 1934 Act Filings, and to the Company's knowledge no basis exists for any (i) legal proceeding by or against the Company or (ii) governmental proceeding or investigation of the Company.



4.6. No Violations. The Company is not in violation of its charter, bylaws, or other organizational document, in violation of any law, administrative regulation, ordinance, order, judgment or decree of any court or governmental agency, arbitration panel or authority applicable to the Company, except for any violations which, individually or in the aggregate, would have a material adverse effect on the business or financial condition of the Company. The Company is not in default in any material respect in the performance of any obligation, agreement or condition contained in any bond, debenture, note or any other evidence of indebtedness in any indenture, mortgage, deed of trust or any other agreement or instrument to which the Company is a party or by which the Company is bound or by which the properties of the Company are bound or affected, and there exists no condition which, with the passage of time or otherwise, would constitute a material default under any such document or instrument or result in the imposition of any material penalty or the acceleration of any material indebtedness.

4.7. Governmental Permits, Etc. The Company has all necessary franchises, licenses, permits, certificates and other authorizations from any foreign, federal, state or local government or governmental agency, department, or body that are currently necessary for the operation of the business of the Company as currently conducted and as described in the 1934 Act Filings, the absence of which would have a material adverse effect on the Company.

4.8. Intellectual Property. Except as described in the 1934 Act Filings, the Company owns or possesses sufficient rights to use all material patents, patent rights, trademarks, copyrights, licenses, inventions, trade secrets and know-how described or referred to in the 1934 Act Filings as owned or used by it or that are necessary for the conduct of its business as now conducted or as

described in the 1934 Act Filings. Except as described in the 1934 Act Filings, the Company has not received any notice of, and has no knowledge of or reason to believe that, any infringement of or conflict with any right of others with respect to any patent, patent right, trademark, copyright, invention, trade secret or know-how that, individually or in the aggregate would have a material adverse effect on the condition (financial or otherwise), earnings, operations, business or business prospects of the Company. Except as described in 1934 Act Filings, the Company has not entered into or become party to any development, work for hire, license or other agreement pursuant to which they have secured the right or obligation to use, or granted others the right or obligation to use, any trademarks, servicemarks, trade names, copyrights, patents or any other intellectual property right. All proprietary technical information developed by or belonging to the Company which has not been patented has been kept confidential.

4.9. Financial Statements. The financial statements of the Company and the related notes contained in the 1934 Act Filings present fairly, subject to customary year end adjustments in the case of the quarterly statements, the financial position of the Company as of the dates indicated, and the results of its operations and cash flows for the periods therein specified and the assets and liabilities of the Company have not changed significantly since the date of the most recent 1934 Act Filing except for changes in the ordinary course of business or resulting from the Company's private



placement of Common Stock during June 1997. Such financial statements (including the related notes) have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods therein specified, except as disclosed in the 1934 Act Filings. The other financial information contained in the 1934 Act Filings has been prepared on a basis consistent with the financial statements of the Company.

4.10. No Material Adverse Change. Subsequent to the respective dates as of which information is given in the 1934 Act Filings, and except as contemplated or described in the 1934 Act Filings, the Company has not incurred any material liabilities or obligations, direct or contingent, other than in the ordinary course of business, and there has not been any material adverse change in its condition (financial or other), results of operations, business, prospects, key personnel or capitalization.

4.11. Additional Information. The Company has filed in a timely manner all documents that the Company was required to file under the Securities Exchange Act of 1934, as amended (the "Exchange Act") since the Company's initial public offering. The 1934 Act Filings complied in all material respects with the SEC's requirements as of their respective filing dates, and the information contained therein as of the respective dates thereof did not contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

4.12. Listing. The Company shall comply with all requirements of the National Association of Securities Dealers, Inc. with respect to the issuance of the Securities and the listing of the Conversion Shares and Dividend Shares, if any, on the Nasdaq National Market.

4.13. Maintenance of Capital Surplus. The Company shall maintain sufficient capital surplus (as such term is described in Section 154 of the Delaware General Corporation Law) in order to satisfy its dividend obligations with respect to the Series B Preferred Stock in accordance with Section 170 of the Delaware General Corporation Law. In addition, the Corporation will take whatever actions are necessary in order to satisfy its obligation to pay the dividends referenced in the Certificate of Designations.

4.14. Operation of the Business. Except as described in the 1934 Act Filings, the Company owns and retains all such assets, tangible or intangible, contractual, license and leasehold rights necessary for it (i) to operate its business as described in the 1934 Act Filings, and (ii) to utilize the assets and contractual, license and leasehold rights in the same manner as they were utilized at the Closing Date, except where the failure to own, retain or utilize

such assets or rights will not have a material adverse effect upon the business or financial condition of the Company.

4.15. Environmental Matters. The Company is in compliance in all respects with all applicable local, state and federal safety and environmental laws, rules, orders and regulations ("Environmental Laws") under the jurisdiction of the USDA, BATF, USNRC and CTDEP and any other federal or state agency with applicable programs



relating to biosafety, chemical hygiene, radiation safety, blood borne pathogens, hazard communication, hazardous waste management and chemical, medical and radiation waste disposal, except where the failure to comply with the Environmental Laws will not have a material adverse effect upon the business or financial condition of the Company.

4.16. Reliance. The Company acknowledges that the Investor has reviewed and relied upon the 1934 Act Filings in making its decision to purchase the shares of Series B Preferred Stock.

5. Representations, Warranties and Covenants of the Investor.

(a) The Investor represents and warrants to, and covenants with, the Company that: (i) the Investor is an "accredited investor" as defined in Regulation D under the Securities Act of 1933, as amended (the "Securities Act") and the Investor is also knowledgeable, sophisticated and experienced in making, and is qualified to make decisions with respect to investments in securities presenting an investment decision like that involved in the purchase of the Securities, including investments in securities issued by the Company and investments in comparable companies, and has requested, received, reviewed and considered all information it deemed relevant in making an informed decision to purchase the Securities; (ii) the Investor is acquiring the shares of Series B Preferred Stock set forth on the signature page hereto in the ordinary course of its business and for its own account for investment only and with no present intention of distributing any of the Securities or any arrangement or understanding with any other persons regarding the distribution of such Securities; (iii) the Investor will not, directly or indirectly, offer, sell, pledge, transfer or otherwise dispose of (or solicit any offers to buy, purchase or otherwise acquire or take a pledge of) any of the Securities except in compliance with the Securities Act, applicable state securities laws and the respective rules and regulations promulgated thereunder; (iv) the Investor has answered all questions on the signature page hereto for use in preparation for the Registration Statement (referred to below) and the answers thereto are true and correct to the best of the Investors knowledge as of the Closing Date; and (v) the Investor will notify the Company immediately of any change in any of such information until such time as the Investor has sold all of its Securities or until the Company is no longer required to keep the Registration Statement effective.

(b) The Investor acknowledges that no action has been or will be taken in any jurisdiction outside the United States by the Company that would permit an offering of the Securities, or possession or distribution of offering materials in connection with the issue of the Securities, in any jurisdiction outside the United States where action for that purpose is required. The Investor will comply with all applicable laws and regulations in each foreign jurisdiction in which it purchases, offers, sells or delivers Securities or has in its possession or distributes any offering material, in all cases at its own expense.

(c) The Investor hereby covenants with the Company not to make any sale of the Securities without complying with the provisions of this Agreement, including

Section 7.2 hereof, and without effectively causing the prospectus delivery requirement under the Securities Act to be satisfied. The Investor acknowledges that there may occasionally be times when the Company, based on the reasonable advice of its counsel, determines that it must suspend the use of the prospectus forming a part of the Registration Statement until such time as an amendment to the Registration Statement has been filed by the Company and declared effective by the SEC or until the Company has amended or supplemented such prospectus.

(d) The Investor further represents and warrants to the Company that (i) the Investor has full right, power, authority and capacity to enter into this Agreement and to consummate the transactions contemplated hereby and has taken all necessary action to authorize the execution, delivery and performance of this Agreement, and (ii) upon the execution and delivery of this Agreement, this Agreement shall constitute a valid and binding obligation of the Investor enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' and contracting parties' rights generally and except as enforceability may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and except as the indemnification agreements of the Investors herein may be legally unenforceable.

(e) The Investor will not (unless pursuant to an applicable exemption under the Securities Act) sell, offer to sell, solicit offers to buy, dispose of, loan, pledge or grant any right with respect to the shares of Series B Preferred Stock and, will not, prior to the effectiveness of the Registration Statement, sell, offer to sell, solicit offers to buy, dispose of, loan, pledge or grant any right with respect to (collectively, a "Disposition"), the Conversion Shares or the Dividend Shares, if any, nor will the Investor engage in any hedging or other transaction which is designed to or could reasonably be expected to lead to or result in a Disposition of Common Stock of the Company by the Investor or any other person or entity. Such prohibited hedging or other transactions would include without limitation effecting any short sale or having in effect any short position (whether or not such sale or position is against the box and regardless of when such position was entered into) or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to the Common stock of the Company or with respect to any security (other than a broad-based market basket or index) that includes, relates to or derives any significant part of its value from the Common Stock of the Company, but such security shall not include the capital stock or debt of the Investor, its parent companies or their respective subsidiaries.

(f) The Investor understands that nothing in this Agreement or any other materials presented to the Investor in connection with the purchase and sale of the Securities constitutes legal, tax or investment advice. The Investor has consulted such legal, tax and investment advisors as it, in its sole discretion, has deemed necessary or appropriate in connection of Securities.

6. Survival of Representations, Warranties and Agreements. Notwithstanding any investigation made by any party to this Agreement, all covenants,



agreements, representations and warranties made by the Company and the Investor herein shall survive the execution of this Agreement, the delivery to the Investor of the shares of Series B Preferred Stock being purchased and the payment therefor, including, without limitation, those contained in Section 7.3 hereof.

7. Registration of the Conversion Shares and the Dividend Shares; Compliance with the Securities Act.

7.1. Registration Procedures and Expenses. The Company shall:

(a) subject to receipt of necessary information from the Investor to prepare and file with the Commission, within seventy-five (75) days of the Closing Date, a Registration Statement on Form S-3 (the "Registration

Statement") to enable the sale of the Conversion Shares and the Dividend Shares, if any, by the Investor from time to time through the automated quotation system of the Nasdaq National Market or in privately-negotiated transactions;

(b) use its best efforts, subject to receipt of necessary information from the Investor, to cause the Registration Statement to become effective within 90 days after the Registration Statement is filed by the Company;

(c) prepare and file with the Commission such amendments and supplements to the Registration Statement and the prospectus used in connection therewith as may be necessary to keep the Registration Statement effective until the earlier of (i) the second anniversary of the Closing Date or (ii) such time as all Conversion Shares and Dividend Shares have been sold pursuant to a registration statement.

(d) furnish to the Investor with respect to the Conversion Shares and Dividend Shares registered under the Registration Statement (and to each underwriter, if any, of such shares of Common Stock) such number of copies of prospectuses and preliminary prospectuses in conformity with the requirements of the Securities Act and such other documents as the Investor may reasonably request, in order to facilitate the sale or other disposition of all or any of the Conversion Shares and Dividend Shares by the Investor, provided, however, that the obligation of the Company to deliver copies of prospectuses or preliminary prospectuses to the Investor shall be subject to the receipt by the Company of reasonable assurances from the Investor that the Investor will comply with the applicable provisions of the Securities Act and of such other securities or blue sky laws as may be applicable in connection with any use of such prospectuses or preliminary prospectuses;

(e) file documents required of the Company for blue sky clearance in states specified in writing by the Investor; provided, however, that the Company shall not be required to qualify to do business or consent to service of process in any jurisdiction in which it is not now so qualified or has not so consented; and

(f) bear all expenses in connection with the procedures in paragraph (a) through (e) of this Section 7.1 and the registration of the Conversion Shares and



Dividend Shares pursuant to the Registration Statement, other than fees and expenses, if any, of counsel or other advisers to the Investor.

The Company understands that the Investor disclaims being an underwriter, but the Investor being deemed an underwriter shall not relieve the Company of any obligations it has hereunder.

7.2. Transfer of Conversion Shares and Dividend Shares After Registration.

(a) The Investor agrees that it will not effect any disposition of the Conversion Shares or the Dividend Shares that would constitute a sale within the meaning of the Securities Act except as contemplated in the Registration Statement referred to in Section 7.1 or Section 5(e) and described below, and that it will promptly notify the Company of any changes in the information set forth in the Registration Statement regarding the Investor or in the "Plan of Distribution" section of the Registration Statement.

(b) The Investor agrees that to sell the Conversion Shares or Dividend Shares pursuant to the Registration Statement or pursuant to an applicable exemption under the Securities Act:

(i) The Investor must notify the Company three (3) business days prior to sale through the Company's counsel, Fulbright & Jaworski L.L.P., at the address provided in Section 10(b) hereto, of its intent to sell, so as to confirm that no event has occurred or is expected to occur which would make the Registration Statement false or misleading, and to ensure that the Registration Statement in its possession is current and has not been suspended. The Company may refuse to permit the Investor to resell pursuant

to the Registration Statement, provided that it must notify the Investor within three (3) business days that such a sale would violate federal securities laws unless the Registration Statement is updated. In such an event, the Company shall use its best efforts to amend the Registration Statement if necessary and take all other actions necessary to allow such sale under the federal securities laws within 10 business days of Investor's initial notification, and shall notify the Investor promptly after it has determined that such sale has become permissible under the federal securities laws. Notwithstanding the foregoing, within any twelve (12) month period the Company shall not, except upon advice of counsel as to the necessity pursuant to federal securities laws, exercise its right to refuse to permit resale of any Conversion Shares or Dividend Shares pursuant to the Registration Statement (i) more than three (3) times or (ii) for an aggregate period in excess of forty-five (45) days. The Investor hereby covenants and agrees that it will not sell any Conversion Shares or Dividend Shares pursuant to the Registration Statement during the periods the Registration Statement is withdrawn as set forth in this Section.

(ii) If the Company or its counsel does not, within such three business days, notify the Investor that it is exercising its right to delay such sale, the Investor may proceed with such sale provided that it arranges for delivery of a current prospectus to the transferee.



(iii) The Investor must also deliver to the Company's counsel a Notice of Sale substantially in the form attached hereto as Exhibit B, so that the Conversion Shares and Dividend Shares may be properly transferred.

7.3. Indemnification. For the purpose 7.3:

(i) the term "Selling Stockholder" shall include the Investor and any affiliate of such Investor;

(ii) the term "Registration Statement" shall include any final prospectus, exhibit, supplement or amendment included in or relating to the Registration Statement referred to in Section 7.1;

(iii) the term "untrue statement" shall include any untrue statement or alleged untrue statement, or any omission or alleged omission to state in the Registration Statement a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(a) The Company agrees to indemnify and hold harmless each Selling Stockholder from and against any losses, claims, damages or liabilities to which such Selling Stockholder may become subject (under the Securities Act or otherwise) insofar as such Losses (as used herein the term "Losses" means any and all claims, demands, costs, losses, damages and liabilities, net of insurance proceeds, and includes reasonable attorney's fees and costs incurred in the investigation and defense of a claim, demand, cost, loss or liability), claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of, or are based upon a breach by the Company of its representations, warranties, covenants or obligations in this Agreement or any untrue statement of a material fact contained in the Registration Statement on the effective date thereof, or arise out of any failure by the Company to fulfill any undertaking included in the Registration Statement and the Company will reimburse such Selling Stockholder for any reasonable legal or other expenses reasonably incurred in investigating, defending or preparing to defend any such action, proceeding or claim, or preparing to defend any such action, proceeding or claim, provided, however, that the Company shall not be liable in any such case to the extent that such loss, claim, damage or liability arises out of, or is based upon, an untrue statement made in such Registration Statement in reliance upon and in conformity with written information furnished to the Company by or on behalf of such Selling Stockholder specifically for use in preparation of the Registration Statement or the failure of such Selling Stockholder to comply with the covenants and agreements contained in Sections 5(c) or 7.2 hereof respecting sale of the Stock or any statement or omission in any Prospectus that is

corrected in any subsequent Prospectus that was delivered to the Investor within a reasonable time prior to the pertinent sale or sales by the Selling Stockholder to inform the buyer of such change.

(b) Each Selling Stockholder agrees to indemnify and hold harmless the Company (and each person, if any, who controls the Company within the meaning of



Section 15 of the Securities Act, each officer of the Company who signs the Registration Statement and each director of the Company) from and against any Losses, claims, damages or liabilities to which the Company (or any such officer, director or controlling person) may become subject (under the Securities Act or otherwise), insofar as such Losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of, or are based upon, any failure to comply with the covenants and agreements contained in Section 5(c) or 7.2 hereof respecting sale of the Conversion Shares or Dividend Shares, or any untrue statement of a material fact contained in the Registration Statement on the effective date thereof if such untrue statement was made in reliance upon and in conformity with written information furnished by or on behalf of the Selling Stockholder specifically for use in preparation of the Registration Statement, and the Selling Stockholder will reimburse the Company (or such officer, director or controlling person), as the case may be, for any legal or other expenses reasonably incurred in investigating, defending or preparing to defend any such action, proceeding or claim; provided, however, that (i) the obligations of the Selling Stockholder hereunder shall be limited to an amount equal to the aggregate public offering price of the registered stock of such Selling Stockholder sold as contemplated herein, unless such liability arises out of or is based upon willful misconduct by the Selling Stockholder and (ii) the indemnity for untrue statements or omissions described above, and the reimbursement obligation relating thereto, shall not apply if the Selling Stockholder provides the Company with additional written information a reasonable time prior to the effectiveness of the Registration Statement as is required to make the previously supplied written information true and complete, together with a description in reasonable detail of the information previously supplied which was untrue or complete.

(c) Promptly after receipt by any indemnified person of a notice of a claim or the beginning of any action in respect of which indemnity is to be sought against an indemnifying person pursuant to this Section 7.3, such indemnified person shall notify the indemnifying person in writing of such claim or of the commencement of such action, and, subject to the provisions hereinafter stated, in case any such action shall be brought against an indemnified person and such indemnifying person shall be entitled to participate therein, and, to the extent it shall wish, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified person. After notice from the indemnifying person to such indemnified person of its election to assume the defense thereof, such indemnifying person shall not be liable to such indemnified person for any legal expenses subsequently incurred by such indemnified person in connection with the defense thereof, provided, however, that if there exists or shall exist a conflict of interest that would make it inappropriate, in the opinion of counsel to the indemnified person, for the same counsel to represent both the indemnified person and such indemnifying person or any affiliate or associate thereof, the indemnified person shall be entitled to retain its own counsel at the expense of such indemnifying person; provided, however, that no indemnifying person shall be responsible for the fees and expenses of more than one separate counsel for all indemnified parties.

(d) If the indemnification provided for in this Section 7.3 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in



respect of any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to therein, then each indemnifying party shall

contribute to the amount paid or payable by such indemnified party as result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and the Investor on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Investor on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Investor agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), the Investor shall not be required to contribute any amount in excess of the amount by which the net amount received by the Investor from the sale of the Stock to which such loss the amount of any damages which the Investor has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

7.4. Termination of Conditions and Obligations. The conditions precedent imposed by Section 5 or this Section 7 upon the transferability of the Conversion Shares and Dividend Shares shall cease and terminate as to any particular number of the shares of Common Stock when such shares of Common Stock shall have been effectively registered under the Securities Act and sold or otherwise disposed of in accordance with the intended method of disposition set forth in the Registration Statement covering such Conversion Shares and Dividend Shares or at such time as an opinion of counsel reasonably satisfactory to the Company shall have been rendered to the effect that such conditions are not necessary in order to comply with the Securities Act at such time for such sale or at such time for all future sales at the Investor's option.

7.5. Information Available. So long as the Registration Statement is effective covering the resale of Conversion Shares and Dividend Shares owned by the Investor, the Company will furnish to the Investor:

(a) as soon as practicable after available one copy of (i) its Annual Report to Stockholders (which Annual Report shall contain financial statements audited in



accordance with generally accepted accounting principles by a national firm of certified public accountants), (ii) if not included in substance in the Annual Report to Stockholders, its Annual Report on Form 10-K, (iii) if not included in substance in its Quarterly Reports to Stockholders, its Quarterly Reports on Form 10-Q, and (iv) a full copy of the particular Registration Statement covering the Conversion Shares and Dividend Shares (the foregoing, in each case, excluding exhibits);

(b) upon the reasonable request of the Investor, all exhibits excluded by the parenthetical to subparagraph (a)(iv) of this Section 7.5 and all other information that is made available to stockholders; and

(c) upon the reasonable request of the Investor, an adequate number of copies of the prospectuses to supply to any other party requiring such prospectuses; and the Company, upon the reasonable request of the Investor, will meet with the Investor or a representative thereof at the Company's headquarters to discuss all information relevant for disclosure in the Registration Statement covering the Conversion Shares and Dividend Shares and will otherwise cooperate

with any Investor conducting an investigation for the purpose of reducing or eliminating such Investor's exposure to liability under the Securities Act, including the reasonable production of information at the Company's headquarters; provided, that, the Company shall not be required to disclose any confidential information to or meet at its headquarters with any Investor until and unless the Investor shall have entered into a confidentiality agreement in the form and substance reasonably satisfactory to the Company with the Company with respect thereto.

8. Right of First Refusal. The Company hereby grants to the Investor the right of first refusal to purchase a pro rata portion of Common Stock, preferred stock, debt or notes convertible into Common Stock, or notes sold together with warrants to purchase Common Stock (collectively, "New Securities"), which the Company may, from time to time, propose to sell and issue in private placements for cash. This right of first refusal shall be subject to the following provisions:

(a) The right of first refusal granted herein shall not apply to New Securities, (A) issued upon the exercise of the Company's outstanding options or warrants, (B) issued pursuant to the acquisition of another corporation by the Company by merger, purchase of substantially all the assets or other reorganization, (C) issued by the Company in connection with the acquisition of any patent or other rights to technology, including licenses, (D) issued to employees, consultants, officers or directors of the Company pursuant to any stock option plan or stock purchase or stock bonus arrangement approved by the Board of Directors of the Company, (E) issued in connection with a corporate collaboration, joint venture, partnership, or marketing, manufacturing, research or other similar arrangement, or (F) issued pursuant to a public offering by the Company.

(b) In the event the Company proposes to undertake an issuance of New Securities in a private placement, it shall give each Investor written notice of its intention describing the price and other material terms at which the Company proposes



to issue the same. Each Investor shall have three (3) days from the date of receipt of any such notice to agree to purchase its pro rata portion of such securities for the price specified in the notice by giving written notice to the Company and stating therein the quantity of securities to be purchased. Any Investor exercising its right of first refusal hereunder shall, unless the Company otherwise consents, be required to purchase its entire pro rata portion if any securities are to be purchased.

(c) In the event, and to the extent, that the Investors fail to exercise the right of first refusal within said three (3) day period, the Company shall have ninety (90) days thereafter to sell or enter into an agreement (pursuant to which the sale of securities covered thereby shall be closed, if at all, within ninety (90) days from the date of said agreement) to sell the securities respecting which the right of first refusal was not exercised, at a price and upon material terms no more favorable to the purchasers thereof than specified in the Company's notice. In the event the Company has not sold within said ninety (90) day period or entered into an agreement to sell the securities within said ninety (90) day period (or sold and issued securities in accordance with the foregoing within ninety (90) days from the date of said agreement), the Company shall not thereafter issue or sell any New Securities in a private placement for cash without first offering such securities to the Investors in the manner provided above.

(d) For purposes of this Agreement, an Investor's "pro rata" portion shall be the ratio of (A) the number of shares of Series B Preferred Stock held by such Investor to (B) the total number of shares of Series B Preferred Stock then outstanding.

(e) The rights to purchase securities of the Company pursuant to this Agreement may not be assigned by the Investors and shall terminate upon the conversion of the Series B Preferred Stock into Common Stock.

9. Fee. The Investor acknowledges that the Company intends to pay to the a placement agent a fee in respect of the sale of the Securities to the Investor.

10. Notices. All notices, requests, consents and other communications hereunder shall be in writing, shall be mailed by first-class registered or certified airmail, or nationally recognized overnight express courier, postage prepaid, and shall be deemed given when so mailed and shall be delivered as addressed as follows:

(a) if to the Company, to:

Alexion Pharmaceuticals, Inc.
25 Science Park, Suite 360
New Haven, Connecticut
Attn: David W. Keiser or Barry Luke
Phone: 203-776-1790
Telecopy: 203-776-2089



(b) with a copy mailed to:

Fulbright & Jaworski L.L.P.
666 Fifth Avenue
New York, NY 10103
Attn: Lawrence A. Spector or Merrill M. Kraines
Phone: 212-318-3000
Telecopy: 212-752-5958

(c) if to the Investor, at its address on the signature page hereto, or at such other address or addresses as may have been furnished to the Company in writing.

(d) with a copy mailed to:

Baker & McKenzie
815 Connecticut Avenue, N.W.
Washington, D.C. 20006
Attn: Daniel Goelzer, Esq.
Phone: (202) 452-7000
Facsimile: (202) 452-7074

11. Changes. This Agreement may not be modified or amended except pursuant to an instrument in writing signed by the Company and the Investor.

12. Headings. The headings of the various section of this Agreement have been inserted for convenience of reference only and shall not be deemed to be part of this Agreement.

13. Severability. In case any provision contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware and the federal law of the United States of America.

15. Choice of Forum; Venue; Service of Process. Any claim, suit, action, or proceeding among any or all of the parties hereto relating to this Agreement, to any document, instrument, or agreement delivered pursuant hereto, referred to herein, or contemplated hereby, or in any other manner arising out of or relating to the transactions contemplated by or referenced in this Agreement, shall be commenced and maintained exclusively in the United States District Court for the District of Delaware, or, if such Court lacks jurisdiction over the subject matter, in a state court of competent subject-matter jurisdiction sitting in the State of Delaware. The parties hereby submit themselves unconditionally and irrevocably to the personal jurisdiction of such courts. The parties further agree that venue shall be exclusively in Delaware. The parties

irrevocably waive any objection to such personal jurisdiction or venue including,



Delaware but not limited to, the objection that any suit, action, or proceeding brought in the State of Delaware has been brought in an inconvenient forum. The parties irrevocably agree that process issuing from such courts may be served on them, either personally or by certified mail, return receipt requested, at the addresses given Section 10 hereof; and further irrevocably waive any objection to service of process made in such manner and at such addresses, including without limitation any objection that service in such manner and at such addresses is not authorized by the local or procedural laws of the State of Delaware.

16. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one instrument, and shall become effective when one or more counterparts have been signed by each party hereto and delivered to the other parties.



EXHIBIT A

Date:_____

Lawrence Spector, Esq. or Merrill Kraines, Esq.
Fulbright & Jaworski L.L.P.
666 Fifth avenue
New York, NY 10103

Re: Alexion Pharmaceuticals, Inc.

INVESTOR'S CERTIFICATE OF SUBSEQUENT SALE

The undersigned, an officer of, or other person duly authorized by [official name of shareholder] _____ ("Shareholder") hereby certifies that Shareholder has sold [number] _____ shares of Alexion Pharmaceuticals, Inc. Common Stock on [date] _____ in accordance with registration statement number [fill in number or otherwise identify registration statement]_____ and the requirements of delivering a current prospectus has been complied with in connection with such sale.

Print or Type:

Name of Purchaser
(Individual or Institution):_____

Name of Individual representing
Purchaser (if an Institution):_____

Title of Individual representing
Purchaser (if an Institution):_____

Signature by:

Individual Purchaser or
Individual representing Purchaser:_____

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statements File numbers 333-19905, 333-24863, and 333-29617.

ARTHUR ANDERSEN LLP

Hartford, Connecticut
August 29, 1997 (except with respect to the matters discussed in Note 16 of the Company's July 31, 1997 financial statements, as to which the date is September 30, 1997)

EXHIBIT 99

ALEXION PHARMACEUTICALS, INC.

IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS

IN ADDITION TO OTHER INFORMATION IN THIS ANNUAL REPORT ON FORM 10-K AND IN THE DOCUMENTS INCORPORATED BY REFERENCE HEREIN, THE FOLLOWING RISK FACTORS SHOULD BE CAREFULLY CONSIDERED IN EVALUATING THE COMPANY AND ITS BUSINESS BECAUSE SUCH FACTORS CURRENTLY HAVE A SIGNIFICANT IMPACT OR MAY A SIGNIFICANT IMPACT IN THE COMPANY'S BUSINESS, OPERATING RESULTS OR FINANCIAL CONDITION. THIS FORM 10-K CONTAINS FORWARD-LOOKING STATEMENTS THAT HAVE BEEN MADE PURSUANT TO THE PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE PROJECTED IN THE FORWARD-LOOKING STATEMENTS AS A RESULT OF THE RISK-FACTORS SET FORTH BELOW AND ELSEWHERE IN THIS FORM.

Operating Losses; Uncertainty of Future Profitability. Alexion has generated no revenues from product sales and is dependent upon its research and development contracts, including the agreements with US Surgical and GTI/Novartis, external financing, other research and development contracts and research and development grants to the extent that they can be obtained and interest income to pursue its intended business activities. The Company has incurred losses since inception and has cumulative net losses of approximately $31.8 million through July 31, 1997. Losses have resulted principally from costs incurred in research activities aimed at identifying and developing the Company's product candidates and from general and administrative costs. The Company expects to incur substantial additional operating losses over the next several years and expects losses to increase as the Company's research and development efforts expand and clinical trials continue and potentially expand. The Company's ability to achieve profitability is dependent on its ability to obtain patent protection and regulatory approval for its products, to obtain licenses from third parties to use technology which it may need, to enter into agreements for product development and commercialization with corporate partners and to develop the capacity to manufacture and sell products. There can be no assurance that the Company will successfully develop, commercialize, manufacture or market any of its potential products, obtain required regulatory approvals, patents or third party licenses to technology or ever achieve profitability.

Early Stage of Product Development; Risks of Clinical Trials. The Company's research and development programs are at an early stage. There can be no assurance that the Company's drug discovery efforts will result in the development of commercially successful therapeutic drugs. Potential products which have been identified will require significant additional development, preclinical and clinical testing, regulatory approval, and additional investment prior to their commercialization, which may never be achieved. Potential products may be found to be ineffective or cause harmful side effects or unexpected results during preclinical testing or clinical trials, fail



to receive necessary regulatory approvals, be difficult to manufacture on a large scale, fail to achieve market acceptance, be uneconomical or be precluded from commercialization by proprietary rights of third parties. The results from preclinical studies and early clinical trials may not be predictive of results that will be obtained in large-scale clinical trials and do not necessarily predict or prove safety or efficacy in humans.

In addition, the Company has recently commenced clinical trials of one of its product candidates. There can be no assurance that clinical trials of the Company's product candidates will demonstrate sufficient safety and efficacy to obtain the requisite regulatory approvals or will result in marketable products. Clinical trials are often conducted with patients that are critically ill. During the course of treatment, these patients can die or suffer other adverse medical effects for reasons that may not be related to the pharmaceutical agent being tested but which can nevertheless affect clinical trial results. A number of companies in the pharmaceutical industry have suffered significant setbacks in advanced clinical trials, even after promising results in earlier trials. Any such setback could have a material adverse effect on the Company's business, financial condition and results of operations. The completion of clinical trials of the Company's product candidates may be delayed by many factors and there can

be no assurance that delays or terminations will not occur. One such factor is the rate of enrollment of patients, which generally varies throughout the course of a clinical trial and which depends on the size of the patient population, the number of clinical trial sites, the proximity of patients to clinical trial sites, the eligibility criteria for the trial and the existence of competing clinical trials. The Company cannot control the rate at which patients present themselves for enrollment, and there can be no assurance that the rate of patient enrollment will be consistent with the Company's expectations or be sufficient to enable clinical trials of the Company's product candidates to be completed in a timely manner. Further, there can be no assurance that clinical trial materials will be produced in a timely manner, if at all.

Need for Additional Funds. The Company will require substantial additional funds for its research and product development programs, for operating expenses, for pursuing regulatory approval and for developing required production, sales and marketing capabilities. With the exception of the Company's agreements with US Surgical and GTI/Novartis and certain research grants, the Company does not have any commitments or arrangements to obtain any such funds and there can be no assurance that funds for these purposes, whether through additional sales of securities or collaborative or other arrangements with corporate partners or from other sources, will be available to the Company when needed or on terms favorable to the Company. The unavailability of additional financing could require the Company to delay, scale back or eliminate certain of its research and product development programs or to license third parties to commercialize products or technologies that the Company would otherwise undertake itself, any of which would have a material adverse effect on the Company. The Company believes that its existing available resources, together with anticipated future funding from US Surgical and GTI/Novartis and certain research grants, and interest income should be sufficient to fund its operating expenses and capital requirements as currently planned for at least 18 months through April 1999. However, the Company's cash requirements may vary materially from those now planned because of results of research and development, results of product testing, relationships with strategic partners, changes in the focus and direction of the Company's research and development programs, competitive and technological factors, developments in the regulatory process and other factors, none of which can be predicted.



Rapid Technological Change. The Company is engaged in pharmaceutical fields characterized by extensive research efforts, rapidly evolving technology and intense competition from numerous organizations, including pharmaceutical companies, biotechnology firms, academic institutions and others. New developments are expected to continue at a rapid pace in both industry and academia. There can be no assurance that research and discoveries by others will not render any of the Company's programs or potential products obsolete or uneconomical. In order to compete successfully, the Company will need to complete development of and obtain regulatory approval of products that keep pace with technological developments on a timely basis. Any failure by the Company to anticipate or respond adequately to technological developments will have a material adverse effect on the Company's business, financial condition and results of operations.

Patent, License and Proprietary Rights Uncertainties. The Company's success will depend in part on its ability to obtain United States and foreign patent protection for its products, preserve its trade secrets and proprietary rights, and operate without infringing on the proprietary rights of third parties or having third parties circumvent the Company's rights. Because of the length of time and expense associated with bringing new products through development and regulatory approval to the marketplace, the health care industry has traditionally placed considerable importance on obtaining patent and trade secret protection for significant new technologies, products and processes. There can be no assurance that any patents will issue from any of the patent applications owned by or licensed to the Company. Further, even if patents were to issue, there can be no assurance that they will provide the Company with significant protection against competitive products or otherwise be commercially valuable. In addition, patent law relating to certain of the Company's fields of interest, particularly as to the scope of claims in issued patents, is still developing and it is unclear how this uncertainty will affect the Company's patent rights. Litigation, which could be costly and time consuming, may be necessary to enforce patents issued to the Company and/or to determine the scope and validity of others' proprietary rights, in either case in judicial or administrative proceedings. The Company's competitive position is also dependent upon unpatented trade secrets which generally are difficult to protect. There

can be no assurance that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to the Company's trade secrets, that the Company's trade secrets will not be disclosed or that the Company can effectively protect its rights to unpatented trade secrets. As the biotechnology industry expands and more patents are issued, the risk increases that the Company's potential products may give rise to claims that they infringe the patents of others. Any such infringement litigation would be costly and time consuming to the Company.

The Company is aware of broad patents owned by third parties relating to the manufacture, use, and sale of recombinant humanized antibodies, recombinant humanized single chain antibodies and genetically engineered animals. The Company has received notice from one company regarding the existence of a patent which the owners claim may be relevant to the development and commercialization of certain of the Company's proposed UniGraft organ transplantation products. The Company has identified and is testing various approaches which it believes should not infringe this patent and which should permit commercialization of its products. There can be no assurance that the owner of this patent will not seek to enforce the patent against the Company's so-modified commercial products or against the development activities related to the non-modified products. To the extent it becomes necessary, there can be



no assurance that the Company will be able to obtain a license on commercially reasonable terms. If the Company does not obtain necessary licenses, it could encounter delays in product market introductions while it attempts to design around such patent, or could find that the development, manufacture or sale of products requiring such a license could be foreclosed. Further, there can be no assurance that owners of patents that the Company does not believe are relevant to the Company's product development and commercialization will not seek to enforce their patents against the Company. Such action could result in litigation which would be costly and time consuming. There can be no assurance that the Company would be successful in such litigations. The Company is currently unaware of any such threatened action.

Certain of the licenses by which the Company obtained its rights in and to certain technologies require the Company to diligently commercialize or attempt to commercialize such technologies. There can be no assurance that the Company will meet such requirements, and failure to do so for a particular technology could result in the Company losing its rights to that technology.

Currently, the Company has not sought to register its potential trademarks and there can be no assurance that the Company will be able to obtain registration for such trademarks.

No Assurance of FDA Approval; Government Regulation. The preclinical and clinical testing, manufacturing, and marketing of the Company's products are subject to extensive regulation by numerous government authorities in the United States and other countries, including, but not limited to, the FDA. Among other requirements, FDA approval of the Company's products, including a review of the manufacturing processes and facilities used to produce such products, will be required before such products may be marketed in the United States. Similarly, marketing approval by a foreign governmental authority is typically required before such products may be marketed in a particular foreign country. In order to obtain FDA approval of a product, the Company must, among other things, demonstrate to the satisfaction of the FDA that the product is safe and effective for its intended uses and that the Company is capable of manufacturing the product with procedures that conform to the FDA's then current good manufacturing practice ("cGMP") regulations, which must be followed at all times. The process of seeking FDA approvals can be costly, time consuming, and subject to unanticipated and significant delays. There can be no assurance that such approvals will be granted to the Company on a timely basis, or at all. Any delay in obtaining or any failure to obtain such approvals would adversely affect the Company's ability to introduce and market products and to generate product revenue.

The Company's research and development processes involve the controlled use of hazardous materials. The Company is subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposing of such materials and certain waste products. 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. There can be no assurance that the Company will not be required to incur significant costs to

comply with the environmental laws and regulations in the future, or that the business, financial condition and results of operations of the Company will not be materially adversely affected by current or future environmental laws or regulations.



Substantial Competition. The pharmaceutical and biotechnology industries are characterized by intense competition. Many companies, including major pharmaceutical and chemical companies, as well as specialized biotechnology companies, are engaged in activities similar to those of the Company. Certain of these companies have substantially greater financial and other resources, larger research and development staffs, and more extensive marketing and manufacturing organizations than the Company. Many of these companies have significant experience in preclinical testing, human clinical trials, product manufacturing, marketing and distribution and other regulatory approval procedures. In addition, colleges, universities, governmental agencies and other public and private research organizations conduct research and may market commercial products on their own or through joint ventures. These institutions are becoming more active in seeking patent protection and licensing arrangements to collect royalties for use of technology that they have developed. These institutions also compete with the Company in recruiting and retaining highly qualified scientific personnel.

In particular, T-Cell Sciences, Inc. and Chiron Corporation have both publicly announced intentions to develop complement inhibitors to treat diseases related to trauma and inflammation indications and the Company is aware that SmithKline Beecham Plc, Merck & Co., Inc. and CytoMed Inc. are attempting to develop similar therapies. In addition, each of Bayer A.G. ("Bayer"), Immunex Corporation, Pharmacia & Upjohn and Rhone-Poulenc Rorer, Inc. sells a product which is used to reduce surgical bleeding during CPB. The Company is also aware of announced and ongoing clinical trials of certain companies, including Autoimmune, Inc., ImmuLogic Pharmaceutical Corporation, Neurocrine Biosciences, Inc., and Anergen, Inc. employing T-cell specific tolerance technologies and addressing patients with multiple sclerosis or diabetes mellitus. Baxter Healthcare Corporation and Novartis, Inc., in collaboration with Biotransplant Inc., have publicly announced intentions to commercially develop xenograft organs and the Company is aware that Diacrin Inc. and Genzyme Tissue Repair, Inc. are also working in this field. These companies may succeed in developing products that are more effective or less costly than any that may be developed by Alexion and may also prove to be more successful than Alexion in production and marketing. Competition may increase further as a result of potential advances in the commercial applicability of biotechnology and greater availability of capital for investment in these fields.

Dependence on Qualified Personnel. The Company is highly dependent upon the efforts of its senior management and scientific personnel including its consultants, generally, and Dr. Leonard Bell, its President and Chief Executive Officer, in particular. The Company and Dr. Bell are parties to an employment agreement which expires on April 1, 2000. The loss of the services of one or more of these individuals could have a material adverse effect on the Company's ability to achieve its development objectives on a timely basis or at all. The Company has a $2,000,000 key man life insurance policy on the life of Dr. Bell of which the Company is the beneficiary. Because of the specialized scientific nature of its business, Alexion is also highly dependent upon its ability to continue to attract and retain qualified scientific and technical personnel. There is intense competition for qualified personnel in the areas of the Company's activities, and there can be no assurance that Alexion will be able to continue to attract and retain the qualified personnel necessary for the development of its business. Loss of the services of, or failure to recruit, key scientific and technical personnel would be significantly detrimental to the Company's product development programs.



All members of the Company's Board of Scientific Advisors and the Company's other scientific consultants are employed on a full-time basis by academic or research institutions. Accordingly, such advisors and consultants will be able to devote only a small portion of their time to the Company. In addition, in certain circumstances, inventions or processes discovered by them may not become the property of the Company but may be the property of their full-time employers

or of other companies and institutions for which they now consult. There can be no assurance that the interests and motivations of the Company's collaborators are or will remain consistent with those of the Company. Furthermore, there can be no assurance that the Company will be able to successfully negotiate license rights to the results of collaborations or that such licenses will be on commercially reasonable terms.

Dependence on Outside Parties and Collaborators. The Company's strategy for the research, development, manufacture and commercialization of certain of its products contemplates that it will enter into various arrangements with corporate partners, licensors, licensees, outside researchers, consultants and others and, therefore, the success of the Company is, and will be, dependent in part upon the efforts of outside parties. There can be no assurance that the Company will be able to negotiate acceptable collaborative arrangements to develop or commercialize its products, that arrangements or other collaborations entered into, if any, will be successful, or that current or potential collaborators will not pursue treatments for other diseases or seek alternative means of developing treatments for the diseases targeted by programs with the Company.

The Company has entered into research and development agreements with US Surgical and GTI/Novartis to commercialize potential products to be developed in the UniGraft program and for gene therapy. The amount and timing of resources which US Surgical, GTI/Novartis or any other potential parties to collaboration arrangements devote to these activities may not be within the control of the Company. There can be no assurance that outside parties and collaborators will perform their obligations as expected or that any revenue will be derived from outside arrangements. The Joint Development Agreement with US Surgical may be terminated by US Surgical for any or no reason effective on or after January 1, 1998, if notice is given by US Surgical at least six months prior thereto. If any of the Company's collaborators breaches or terminates its agreement with the Company or otherwise fails to conduct its collaborative activities in a timely manner, the development or commercialization of the product candidate or the research program which is the subject of the agreement may be delayed and the Company may be required to undertake unforeseen additional responsibilities or to devote additional resources to development or commercialization or terminate the development or commercialization. This could have a material adverse effect on the Company's prospects, financial condition, intellectual property position and results of operations.

Limited Manufacturing, Marketing, Sales, Clinical Testing and Regulatory Compliance Capability. The Company has not invested in the development of commercial manufacturing, marketing, distribution or sales capabilities. Moreover, the Company has insufficient capacity to manufacture more than one product candidate at a time or to manufacture its product candidates for later stage clinical development or commercialization. If the Company is unable to develop or contract for additional manufacturing capabilities on acceptable terms, the Company's ability to conduct human clinical testing will be materially adversely affected, resulting in delays in the submission of products for regulatory approval and in the initiation of new development programs, which could have a material adverse effect on the Company's competitive position and



the Company's prospects for achieving profitability. In addition, as the Company's product development efforts progress, the Company will need to hire additional personnel skilled in clinical testing, regulatory compliance, and, if the Company develops products with commercial potential, marketing and sales. There can be no assurance that the Company will be able to acquire, or establish third-party relationships to provide, any or all of these resources or be able to obtain required personnel and resources to manufacture, or perform testing or engage in marketing, distribution and sales on its own in a timely manner, or at all.

Uncertainty of Availability of Health Care Reimbursement. The Company's ability to commercialize its products successfully may depend in part on the extent to which reimbursement for the cost of such products and related treatments will be available from government health administration authorities, private health insurers and other organizations. Third-party payors are attempting to control costs by limiting coverage of products and treatments and the level of reimbursement for medical products and services. Significant uncertainty exists as to the reimbursement status of newly approved health care

products, and if the Company succeeds in bringing one or more products to market, there can be no assurance that these products will be considered cost-effective, that reimbursement will be available, or, if available, that the payor's reimbursement policies will not materially adversely affect the Company's ability to sell its products on a profitable basis.

Product Liability; Potential Liability for Human Clinical Trials. The Company's business exposes it to potential product liability risks which are inherent in the testing, manufacturing, marketing and sale of human therapeutic products and there can be no assurance that the Company will be able to avoid significant product liability exposure. With respect to the Company's UniGraft program, little is known about the potential long-term health risks of transplanting non-human tissue into humans. In addition to product liability risks associated with sales of products, the Company may be liable to the claims of individuals who participate in human clinical trials of its products. While the Company has obtained, and will seek, waivers of liability from all persons who participated or may in the future participate in human clinical trials conducted by or on behalf of the Company, there can be no assurance that waivers will be effective to protect the Company from liability or the costs of product liability litigation. The Company currently has product liability insurance to cover certain liabilities relating to the conduct of human clinical trials. However, there can be no assurance that it will be able to maintain such insurance on acceptable terms or that the insurance will provide adequate protection against potential liabilities. An inability to maintain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or limit the commercialization of products developed by the Company. Furthermore, a product liability related claim or recall could have a material adverse effect on the business, financial condition and results of operations of the Company.

Volatility of Share Price. The market prices for securities of biopharmaceutical companies have been volatile. Factors such as announcements of technological innovations or new commercial products by the Company or its competitors, government regulation, patent or proprietary rights developments, public concern as to the safety or other implications of biopharmaceutical products, results of preclinical or clinical trials, positive or negative developments related to the Company's collaborators and market conditions in general may have a significant impact on the market price of the Company's Common Stock.



Dilutive Effect of Stock Issuances, Grants, Options and Warrants. As of July 31, 1997, Alexion has granted options to purchase an aggregate of approximately 1,484,284 shares of the Company's Common Stock under certain stock option plans. Warrants to purchase an aggregate of approximately 926,669 shares of the Company's Common Stock, are also outstanding under previous financing arrangements and other transactions. Many of these options and warrants have exercise prices below the current market price of the Company's Common Stock. In addition, the Company may issue additional stock, warrants and/or options to raise capital in the future. The Company regularly examines opportunities to expand its technology base through means such as licenses, joint ventures and acquisition of assets or ongoing businesses and may issue securities in connection with such transactions. The Company may also issue additional securities in connection with its stock option plans. During the terms of such options and warrants, the holders thereof are given the opportunity to profit from a rise in the market price of the Company's Common Stock. The exercise of such options and warrants may have an adverse effect on the market value of the Company's Common Stock. The existence of such options and warrants may adversely affect the terms on which the Company can obtain additional equity financing. To the extent the exercise prices of such options and warrants are less than the net tangible book value of the Company's Common Stock at the time such options and warrants are exercised, the Company's stockholders will experience an immediate dilution in the net tangible book value of their investment.

Possible Adverse Impact on Holders of Common Stock; Anti-takeover Provisions; Rights Plan. The Board of Directors may issue one or more series of Preferred Stock, without any action on the part of the stockholders of the Company, the terms of which may adversely affect the rights of holders of Common Stock. Issuance of Preferred Stock, which may be accomplished through a public offering or a private placement, may dilute the voting power of holders of Common Stock (such as by issuing Preferred Stock with super voting rights) and may render more difficult the removal of current management, even if such removal may be in the stockholders' best interests. Further, the issuance of

Preferred Stock may be used as an "anti-takeover" device without further action on the part of the stockholders. On February 14, 1997, the Board of Directors of Alexion declared a dividend distribution of one preferred stock purchase right (a "Right") for each outstanding share of Common Stock of the Company. The Rights are not exercisable until the date of the earlier to occur of (i) ten business days following the time of a public announcement or notice to the Company that a person or group of affiliated or associated persons has acquired beneficial ownership of 20% or more of the outstanding shares of Common Stock of the Company (such 20% beneficial owner, an "Acquiring Person"), or (ii) ten business days, or such later date as may be determined by the Board of Directors of the Company, after the date of the commencement or announcement by a person of an intention to make a tender offer or exchange offer for an amount of Common Stock which, together with the shares of such stock already owned by such person, constitutes 20% or more of the outstanding shares of such Common Stock. The Rights and the Rights Agreement, as well as certain provisions of Delaware law are designed to prevent any unsolicited acquisitions of the Company's Common Stock. These provisions and any issuance of Preferred Stock could prevent the holders of Common Stock from realizing a premium on their shares.

Ownership by Management and Principal Stockholders. On October 1, 1997, directors and officers of the Company and certain principal stockholders and their



affiliates beneficially owned (as defined by the Securities and Exchange Commission (the "SEC")) in the aggregate 2,095,934 shares of Common Stock, representing 21.8% of the outstanding shares of Common Stock. Accordingly, they have the ability to influence significantly the affairs of the Company and matters requiring a stockholder vote, including the election of the Company's directors, the amendment of the Company's charter documents, the merger or dissolution of the Company and the sale of all or substantially all of the Company's assets. The voting power of these holders may also discourage or prevent any proposed takeover of the Company pursuant to a tender offer.

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET, THE STATEMENT OF OPERATIONS, AND THE STATEMENT OF CASH FLOWS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>

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