UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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, 1996

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 National Market System on October 21, 1996, was $51,214,970.

The number of shares of Common Stock outstanding as of October 21, 1996 was 7,339,084.

DOCUMENTS INCORPORATED BY REFERENCE

(To the Extent Indicated Herein)

Registrant's Proxy Statement to be filed with the Securities and Exchange Commission in connection with solicitations of proxies for the Registrant's 1996

Annual Meeting of Stockholders on December 13, 1996 is incorporated by reference in Part III, Item 11 of this Form 10-K.

When used in this discussion, the words "believes", "anticipates", "expects", and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, to preserve its trade secrets and proprietary rights which could cause actual results to differ materially from those projected.

The risks and uncertainties which could affect actual results include, but are not limited to, the Company's past operating losses and lack of revenue from product sales, the Company's anticipated need for additional funds for its research and product development programs, for operating expenses and for other development costs, the early stage of the Company's product development, the rapid technological changes and intense competition in the pharmaceutical industry, the uncertainty of the Company's ability to obtain patent protection for its technology, to preserve its trade secrets and proprietary rights and to operate without infringing the proprietary rights of third parties, the Company's ability to compete successfully in its industry, the ability of the Company to obtain required governmental approvals for testing, and thereafter, manufacturing and marketing products, the eligibility of the Company's products, if developed, for reimbursement from the government and private health insurers, the Company's ability to attract and retain qualified personnel, the Company's dependence on outside parties and collaborators for certain research and development and other product development functions, the Company's ability to develop or arrange with third parties for manufacturing, marketing, sales, clinical testing and regulatory compliance capabilities, and the ability of the Company to obtain sufficient liability insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims.

These forward-looking statements speak only as of the date hereof. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

PART I.

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 ("C5 Inhibitors") and Apogens ("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 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 Inhibitor products are cardiovascular disorders, including prevention of bleeding and inflammation in cardiopulmonary bypass procedures ("CPB") during open heart surgery and 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.

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. Consequently, Alexion's product candidates may represent significant therapeutic advances which might be expected to afford the Company's products, if successfully developed, important advantages in achieving market acceptance, third party reimbursement and support of its products from cost/benefit and health economic perspectives.

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 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 and in collaboration with US Surgical, the Company is developing non-human UniGraft organ products which are designed for transplantation into humans without clinical rejection.

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 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 impaired oxygenation 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 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 morbidities associated with CPB. Those effects might reduce the need for blood transfusions, 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 United States ("U.S.") Food and Drug Administration ("FDA") at the end of 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. In September 1996, the Company received authorization from the FDA to begin its second clinical trial, a Phase I/II trial, of 5G1.1-SC in patients undergoing CPB.

The American Heart Association ("AHA") estimates that approximately 450,000 CPB surgical procedures were performed in the United States during 1992 (the latest year for which AHA data is available).

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 subsequently infarcts (dies). 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. The subsequent severe inflammatory response targeting the area of the underperfused cardiac muscle is associated with subsequent necrosis (death) 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.

The AHA estimates that approximately 1,000,000 Americans survived a heart attack in 1992 and thus be 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 antigen-specific 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 and disease progression, ameliorated established disease and also substantially prevented the onset of clinical signs of rheumatoid arthritis. 5G1.1 is currently in the early stages of process development for the production of material for use in clinical trials.

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 inflammation, 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 mouse 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 mouse 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.

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. MP4 is currently in process development and the Company believes it will file an IND for the multiple sclerosis indication in 1997.

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 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 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 in the later stage of preclinical studies and process development. The Company anticipates that it will file an IND for MP4 in 1997. 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.

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 an Apogen DM prototype.

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

As an outgrowth of its core technologies, the Company is also developing, in collaboration with U.S. 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 transplantation of genetically engineered and proprietary porcine cells and organs into primates. 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 swine so that the porcine cells 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 has tested genetically engineered pig hearts, livers and lungs transplanted into primates and has observed pig organ function for as long as 48 hours, as compared to less than one hour for porcine organs that have not been genetically engineered. 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 18,000 organ transplants performed annually in the U.S. and there are an additional 35,000 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 Vector Products

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.

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. For licensed applications, a corporate partner would be likely to bear the substantial cost and much of the manpower-intensive effort of clinical development, scale-up production, FDA approval

and marketing. Alexion has entered into a strategic alliance with US Surgical with respect to the Company's UniGraft program, and 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.

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 October 1, 1996, the Company has received approximately $3.0 million in research and development support under its collaboration with US Surgical. In addition, US Surgical agreed to pay $1 million upon achieving a milestone involving the transplantation of non-primate tissue into primates (the "Primate Milestone"). There can be no assurance that the Company will achieve the agreed upon milestones, and therefore, there can be no assurance that Alexion will receive any particular milestone payment from US Surgical. 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. US Surgical beneficially owns an aggregate of 657,142 shares of Common Stock or 9.0% of the outstanding shares.

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. 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 (i.e., anti-inflamatories 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.

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. To date, approximately $477,000 has been paid under such agreement. The NIH is part of the United States Department of Health and Human Services.

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 Cyanamid Company, Hewlett Packard Company, Dow Chemical Company, Mallinckrodt Group Inc. 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 has 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. To date, the Company has paid approximately $550,000 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.

Tufts University

In October 1995, Alexion entered into a Research Subcontract Agreement with Tufts University funded by the ATP/NIST grant referred to below. Under the research program governed by this one year contract, Tufts has been engaged to undertake genetically engineered pig production on behalf of the Company, in support of its UniGraft organ transplantation program.

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.

Phase I SBIR Grant

In July 1995, Alexion was awarded a $100,000 Phase I SBIR grant from the NIAID of the NIH. The award was made in support of the research and development of the Company's gene transfer technology.

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. Amongst the Company's owned and licensed patents and patent applications, approximately 25% relate to technologies or products in the C5 Inhibitor program, 11% relate to the Apogen program, 11% relate to the Gene Transfer program and 53% 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 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 Product License Application ("PLA") and Establishment License Application ("ELA"), and (v) FDA review of the PLA and the ELA. 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 ("GMP") regulations, enforced by the FDA though 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 GMP 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 raises concerns or questions about the conduct of the trials as outlined in the IND. In such a 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), dosage tolerance, absorption, metabolism, distribution, excretion and pharmacodynamics. 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 PLA/ELA requesting approval for the manufacture, marketing and commercial shipment of the product. The FDA may deny a PLA/ELA 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 PLA/ELA 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 PLA/ELA approval is the requirement that the prospective manufacturers quality control and manufacturing procedures conform to GMP 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 PLA/ELA 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 PLA/ELA holder. In addition, later discovery of previously unknown problems may result in

restrictions on a product, manufacturer, or PLA/ELA 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 ("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) and myocardial infarction. The Company believes that its potential C5 Inhibitors differ substantially from those of its competitors due to the Company's compounds' demonstrated ability 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. 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 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 Sandoz, Inc., in collaboration with Biotransplant Inc., have publicly announced intentions to commercially develop xenograft organs and the Company is aware that Diacrin Inc. is 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 initial clinical studies. The Company's pilot plant has the capacity to manufacture under GMP specifications. 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 vial filing, 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, 1996, the Company had 47 full-time employees, of whom 40 were engaged in research, development, and manufacturing, and seven in administration and finance. Doctorates are held by 16 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 28,400 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, and March 1999, respectively, each with an option for up to an additional three years. Current monthly rental on the facilities is approximately $29,000. 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 Sytem for the periods indicated since February 29, 1996 when the Company's Common Stock commenced trading.

Fiscal 1996	High	Low
Third Quarter (February 28 - April 30, 1996)	$ 9.50	$8.38
Fourth Quarter (May 1 - July 31, 1996)	$ 11.75	$6.00

As of October 21, 1996, the number of stockholders of record of the Company's Common Stock was approximately 170. The closing sale price of the Company's Common Stock on October 21, 1996 was $10.00 per share. The Company has never paid cash dividends and does not anticipate paying any cash dividends in the foreseeable future.

DIVIDEND POLICY

The Company does not expect to declare or pay any cash or stock dividends 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

Statements of Operations Data:	For the Fiscal Years Ended				For the Period from Inception (January 31, 1992) to July 31,
	1996	1995	1994	1993	1992
Contract research revenues	$ 2,640,239	$ 136,091	$ -	$ -	$ -
Operating expenses:					
Research and development	6,629,157	5,637,431	5,519,035	2,969,327	399,878

General and administrative	1,843,093	1,591,886	1,860,887	1,131,114	263,886
Total operating expenses	8,472,250	7,229,317	7,379,922	4,100,441	663,764
Operating loss	(5,832,011)	(7,093,226)	(7,739,922)	(4,100,441)	(663,764)
Other income (expense), net	397,495	(29,195)	93,770	32,613	-
Net loss	$(5,434,516)	$(7,122,421)	$(7,286,152)	$(4,067,828)	$(663,764)
Net loss per common share(1)	$(.95)	$(1.76)	$(1.89)	$(1.77)	$(.38)
Shares used in computing net loss per common share(1)	5,746,697	4,055,966	3,857,044	2,301,179	1,728,093

Balance Sheet Data:	July 31, 1996	July 31, 1995	July 31, 1994	July 31, 1993	July 31, 1992
Cash, cash equivalents, and marketable securities	$18,597,751	$ 5,701,465	$ 4,209,200	$ 6,859,947	$ 41,248
Working capital	17,031,891	3,558,788	3,014,418	6,388,533	(1,055,692)
Total assets	20,453,980	7,927,276	6,983,361	8,334,274	491,340
Deficit accumulated during the development stage	(24,574,681)	(19,140,165)	(12,017,744)	(4,731,592)	(663,764)
Stockholders' equity (deficit)	18,284,925	5,119,217	4,699,846	7,224,900	(729,177)

(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

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, 1996, the Company has incurred a cumulative net loss of $24.6 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. While there can be no assurance as to the terms of future corporate partnerships, if any, for licensed applications, a corporate partner would likely be expected to bear the substantial cost and much of the manpower-intensive effort of clinical development, scale-up production, seeking FDA approval and marketing. Alexion has entered into a strategic alliance with US Surgical with respect to the Company's UniGraft program, and intends to seek additional strategic alliances with major pharmaceutical companies.

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, 1996, 1995, and 1994

The Company earned contract research revenues of $2.6 million and $136,000

for the fiscal years ended July 31, 1996 and 1995, respectively, with no comparable revenue in the fiscal year ended July 31, 1994. The increase in fiscal 1996 was primarily due to revenues from the Company's collaborative research and development agreement with US Surgical, the Company's two SBIR grants from the NIH, and funding received from the NIST's ATP. 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, 1996, 1995 and 1994, the Company expended $6.6 million, $5.6 million and $5.5 million, respectively, on research and development activities. Increases in research and development spending are attributable to expanded preclinical development of the Company's research programs, manufacturing process development for the Company's C5 Inhibitor 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.

General and administrative expenses increased to $1.8 million in fiscal 1996 from $1.6 million in fiscal 1995, and were $1.9 million in fiscal 1994. The increase in fiscal 1996 over 1995 resulted primarily from increased outside professional services related to business development, recruiting, patent and legal activities. The decline in fiscal 1995 as compared to 1994 was due primarily to a reduction in costs for outside professional services.

Other income, net was $397,000 for fiscal 1996 as compared to other expense, net of $29,000 for the same period a year ago. In fiscal 1994, other income, net was $94,000. This fluctuation over the past three years was due primarily to greater interest income from higher cash balances available for investment and to a more favorable investment market during fiscal 1996 as compared to the prior two fiscal years .

As a result of the above factors, the Company incurred net losses of $5.4 million, $7.1 million and $7.3 million for the fiscal years ended July 31, 1996, 1995, and 1994, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Since its inception, the Company has financed its operations and capital expenditures primarily through its initial public offering and private placements of equity securities resulting in aggregate approximately $41.5 million of 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. The Company has also received $3.0 million in research and development support under its collaboration with US Surgical and has received $582,000 from its SBIR grants from the NIH and $246,000 under the ATP from NIST.

The proceeds of the Company's initial public offering, private placements, notes payable and capital leases and the cash generated from the corporate collaboration and SBIR and ATP grants have been used to fund operating activities of approximately $20.8 million and investments of approximately $2.2 million in equipment and approximately $952,000 in licensed technology rights and patents through July 31, 1996. During the fiscal year ended July 31, 1996, the Company's capital expenditures totalled $332,000, primarily for the acquisition of laboratory equipment. As of July 31, 1996, the Company had working capital of approximately $17.0 million and total cash,

cash equivalents, and marketable securities amounted to approximately $18.6 million.

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.

The Company is obligated to make payments pursuant to certain of its licensing and research and development agreements. The Company is scheduled to pay (assuming non-termination of these agreements) $453,000, $228,000 and $228,000 pursuant to its licensing and research and development agreements during the fiscal years ending July 31, 1997, 1998 and 1999, respectively. 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 at least through calendar year 1997. The Company's future capital requirements will depend on many factors, 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, 1996, the Company had approximately $23.0 million and $1,190,000 of net operating loss and tax credit carryforwards, respectively, which expire at various dates between fiscal 2008 and 2011. 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 by 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 FINACIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND KEY EMPLOYEES

Name	Age	Position
John H. Fried, Ph.D.	67	Chairman of the Board of Directors
Leonard Bell, M.D.	38	President, Chief Executive Officer, Secretary, Treasurer, Director
David W. Keiser	45	Executive Vice President, Chief Operating Officer
Timothy F. Howe	38	Director
Max Link, Ph.D.	56	Director
Joseph A. Madri, Ph.D., M.D.	50	Chairman of the Scientific Advisory Board, Director
Leonard Marks, Jr., Ph.D.	75	Director
Eileen M. More	50	Director
Stephen P. Squinto, Ph.D.	40	Vice President of Research, Molecular Sciences
Louis A. Matis, M.D.	46	Vice President of Research, Immunobiology
Bernadette L. Alford, Ph.D.	47	Vice President of Regulatory Affairs & Project Management
James A. Wilkins, Ph.D.	44	Senior Director of Process Development
Barry P. Luke	38	Senior Director of Finance and Administration

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; 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. 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 U.S. Holdings, Inc., 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 1990 to 1992, Dr. Link was the Chief Executive Officer of Sandoz and from 1987 to 1989, he was head of the Pharmaceutical Division 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. and Procept, Inc., each a publicly held pharmaceutical company, and Human Genome Sciences Inc., a gene discovery 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 Ford Motor Company) 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 Pharmacopeia, Inc., Trophix Pharmaceuticals, Inc., Instream Corporation, Teloquent Communication Corporation, and Coral Therapeutics, Inc. 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 75 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 Administration 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 executive officers are appointed and serve at the pleasure of the Board of Directors.

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, 1996 (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 as a group.

Name and Address of Beneficial Owner(1)	Number of Shares Beneficially Owned(2)	Percentage of Outstanding Shares of Common Stock
Collinson Howe Venture Partners 1055 Washington Boulevard, 5th Floor Stamford, Connecticut 06901(3)	991,897	13.5%
Biotechnology Investment Group, L.L.C. c/o Collinson Howe Venture Partners 1055 Washington Boulevard, 5th Floor Stamford, Connecticut 06901(4)(5)	697,575	9.5%
United States Surgical Corporation 150 Glover Avenue Norwalk, Connecticut 06856	657,142	9.0%
Oak Investment Partners c/o Oak Investment Partners V One Gorham Island Westport, Connecticut 06880(6)	495,884	6.7%
INVESCO Global Health Sciences Fund c/o INVESCO Trust Company attn: Health Care Group 7800 E. Union Avenue, Ste. 800 Denver, Colorado 80237(7)	366,776	5.0%
Timothy F. Howe(8)	993,597	13.6%
Eileen M. More(9)	517,584	7.0%
Leonard Bell, M.D.(10)	271,100	3.6%
John H. Fried, Ph.D.(11)	85,236	1.2%
Stephen P. Squinto, Ph.D(12)	85,450	1.2%
David W. Keiser(13)	59,800	*
Joseph Madri, Ph.D., M.D(14)	50,700	*
Louis A. Matis, M.D.(15)	57,400	*
Max Link, Ph.D(16)	19,723	*
Leonard Marks, Jr., Ph.D(17)	10,200	*
Bernadette L. Alford, Ph.D.(18)	8,850	*
Directors and Executive Officers as a group (11 persons)(19)	2,158,840	28.1%

- ----------

* Less than one percent

(1) Unless otherwise indicated, the address of all persons is 25 Science Park, Suite 360, New Haven, CT 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) 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, 133,880 shares, 122,105 and 30,525 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 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.

(4) 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"), a trust for the benefit of the minor child of David Blech, a principal stockholder of the Company, 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.

(5) 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.

(6) 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.

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

(8) Consists of shares beneficially owned by CHVP (See footnote 3 above). Includes 1,700 shares which may be acquired upon the exercise of options within 60 days of October 1, 1996. Excludes 5,100 shares obtainable through the exercise of options granted to Mr. Howe which are not exercisable within 60 days of October 1, 1996. Mr. Howe disclaims beneficial ownership of shares held or beneficially owned by funds managed by CHVP.

(9) Includes 21,700 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. Excludes 5,100 shares obtainable through the exercise of options granted to Ms. More which are not exercisable within 60 days of October 1, 1996. Ms. More is a General Partner at Oak Investments.

(10) Includes 112,500 shares of Common Stock that may be acquired upon the exercise of options within 60 days of October 1, 1996 and 300 shares, in aggregate, held in the names of Dr. Bell's three minor children. Excludes 222,500 shares obtainable through the exercise of options which are not exercisable within 60 days of October 1, 1996 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.

(11) Includes 4,686 shares that may be acquired upon the exercise of warrants and 9,200 shares that may be acquired on the exercise of options that are exercisable within 60 days of October 1, 1996. Excludes 5,100 shares obtainable through the exercise of options which are not exercisable within 60 days of October 1, 1996.

(12) Includes 28,750 shares of Common Stock which may be acquired upon the exercise of options granted to Dr. Squinto within 60 days of October 1, 1996 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 Dr. Squinto's wife. Excludes 88,750 shares obtainable through the exercise of options granted to Dr. Squinto which are not exercisable within 60 days of October 1, 1996. Dr. Squinto disclaims beneficial ownership of the shares held in the name of his minor children and the foregoing trusts.

(13) Includes 17,500 shares which may be acquired upon the exercise of options within 60 days of October 1, 1996 and 300 shares, in aggregate, held in the names of Mr. Keiser's three minor children. Excludes 107,500 shares obtainable through the exercise of options granted to Mr. Keiser, which are not exercisable within 60 days of October 1, 1996. Mr. Keiser disclaims beneficial ownership of the shares held in the name of his minor children.

(14) Includes 5,700 shares that may be acquired upon the exercise of options within 60 days of October 1, 1996. Excludes 6,100 shares obtainable through the exercise of options which are not exercisable within 60 days of October 1, 1996.

(15) Includes 38,750 shares of Common Stock which may be acquired upon the exercise of options granted to Dr. Matis within 60 days of October 1, 1996 and 150 shares, in aggregate, held in the names of Dr. Matis' three minor children. Excludes 88,750 shares obtainable through the exercise of options, granted to Dr. Matis, which are not exercisable within 60 days of October 1, 1996. Dr. Matis disclaims beneficial ownership of the shares held in the name of his minor children.

(16) Excludes 5,100 shares obtainable through the exercise of options, granted to Dr. Link, which are not exercisable within 60 days of October 1, 1996.

(17) Includes 9,200 shares which may be acquired upon the exercise of options within 60 days of October 1, 1996. Excludes 5,100 shares obtainable through the exercise of options granted to Dr. Marks, which are not exercisable within 60 days of October 1, 1996.

(18) Consists of 8,750 shares of Common Stock which may be acquired upon the exercise of options granted to Dr. Alford within 60 days of October 1, 1996 and 100 shares held in the name of Dr. Alford's minor child. Excludes 71,250 shares obtainable through the exercise of options, granted to Dr. Alford, which are not exercisable within 60 days of October 1, 1996.

(19) 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, 1996 and 253,750 shares of Common Stock which may be acquired upon the exercise of options within 60 days of October 1, 1996.

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 is 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. US Surgical beneficially owns an aggregate of 657,142 shares of Common Stock or 9.0% of the outstanding shares. Through October 1, 1996, the

Company has received approximately $3.0 million in research and development support under its collaboration with US Surgical.

Between December 1994 and March 1995, the Company consummated the sale of an aggregate of 1,986,409 shares of Series A Preferred Stock for an aggregate consideration of $3,774,177. Each two and one-half shares of Series A Preferred Stock were converted into one share of Common Stock. Certain of the Company's principal stockholders, directors and relatives of directors purchased shares of Series A Preferred Stock on the same terms as all of the other purchasers of Series A Preferred 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.

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 has 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. Dr. Sims is currently the Associate Director for Research of The Blood Center of Southeastern Wisconsin and the research operations of Dr. Sims and Dr. 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 requried 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 the notes thereto.

(3) Exhibits with each management contract or compensatory plan or arrangement required to be identified. See paragraph (c) below.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed by the Company during the fourth quarter of the fiscal year ended July 31, 1996.

(c) Exhibits

3.1 Certificate of Incorporation, as amended.*

3.2 Bylaws.*

4.1 Specimen Common Stock Certificate.*

4.2 Form of Representative's Warrant Agreement including Form of Warrant.*

10.1 Employment Agreement, dated April 1992, between the Company and Dr. Leonard Bell, as amended.*

10.2 Employment Agreement, dated June 1992, between the Company and David Keiser, as amended.*

10.3 Employment Agreement, dated March 1992, between the Company and Dr. Stephen P. Squinto, as amended.*

10.4 Employment Agreement, dated September 1992, between the Company and Dr. Louis A. Matis, as amended.*

10.5 Employment Agreement, dated July 1993, between the Company and Dr. James A. Wilkins, as amended.*

10.6 Employment Agreement, dated July 1994, between the Company and Dr. Bernadette Alford, as amended.*

10.7 Administrative Facility Lease, dated August 23, 1995, between the Company and Science Park Development Corporation.*

10.8 Research and Development Facility Lease, dated August 23, 1995, between the Company and Science Park Development Corporation.*

10.9 Option Agreement, dated April 1, 1992 between the Company and Dr. Leonard Bell.*

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

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

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

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

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

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.*

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

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

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.*

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.*

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

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

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

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

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.*+

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

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

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

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

10.29 License Agreement dated as of January 10, 1995 between the Company and Yale University.*+

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

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.*+

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.*+

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

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

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

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

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

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

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

\+ 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) Financial Statement Schedules

SIGNATURES

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

ALEXION PHARMACEUTICALS, INC.

/S/ LEONARD BELL, M.D.

By: LEONARD BELL, M.D.
PRESIDENT, CHIEF EXECUTIVE OFFICER,
SECRETARY AND TREASURER

/S/ DAVID W. KEISER

By: DAVID W. KEISER
EXECUTIVE VICE PRESIDENT AND
CHIEF OPERATING OFFICER

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

/S/ LEONARD BELL, M.D. - ----------	LEONARD BELL, M.D. President, Chief Executive Officer, Secretary and Treasurer (principal executive officer)	October 28, 1996
/S/ DAVID W. KEISER - ----------	DAVID W. KEISER Executive Vice President and Chief Operating Officer (principal financial and accounting officer)	October 28, 1996
/S/ JOHN H. FRIED - ----------	JOHN H. FRIED, PH.D. Chairman of the Board of Directors	October 28, 1996
/S/ TIMOTHY F. HOWE - ----------	TIMOTHY F. HOWE Director	October 28, 1996
/S/ MAX LINK - ----------	MAX LINK, PH.D. Director	October 28, 1996
/S/ JOSEPH A. MADRI - ----------	JOSEPH A. MADRI, PH.D., M.D. Director	October 28, 1996
/S/ LEONARD MARKS, JR. - ----------	LEONARD MARKS, JR., PH.D. Director	October 28, 1996
/S/ EILEEN M. MORE - ----------	EILEEN M. MORE Director	October 28, 1996

ALEXION PHARMACEUTICALS, INC.

(A Development Stage Company)

INDEX TO FINANCIAL STATEMENTS

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, 1995 and 1996, and the related statements of operations, stockholders' equity and cash flows for each of the three years in the period ended July 31, 1996, and for the period from inception (January 28, 1992) through July 31, 1996. 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, 1995 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended July 31, 1996, and for the period from inception (January 28, 1992) through July 31, 1996, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Hartford, Connecticut
August 30, 1996

ALEXION PHARMACEUTICALS, INC.

(A Development Stage Company)

BALANCE SHEETS

	July 31,	
	1995	1996
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,079,212	$ 9,491,217
Marketable securities	622,253	9,106,534
Prepaid expenses	172,462	466,731
Total current assets	5,873,927	19,064,482
EQUIPMENT, net	970,938	592,271

OTHER ASSETS:		
Licensed technology rights, net	418,363	330,365
Patent application costs, net	198,246	194,004
Organization costs, net	17,986	5,280
Security deposits and other assets	447,816	267,578
	1,082,411	797,227
Total assets	$ 7,927,276	$ 20,453,980
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of notes payable	$ 316,978	$ 322,508
Current obligations under capital leases	103,447	28,593
Accounts payable	318,517	280,913
Accrued expenses	576,197	400,577
Deferred revenue	1,000,000	1,000,000
Total current liabilities	2,315,139	2,032,591
NOTES PAYABLE, less current portion included above	456,127	128,264
OBLIGATIONS UNDER CAPITAL LEASES, less current portion included above	36,793	8,200
COMMITMENTS AND CONTINGENCIES (Notes 1, 9 and 11)		
STOCKHOLDERS' EQUITY:		
Series A convertible preferred stock $.0001 par value; 5,000,000 shares authorized; 1,986,409 shares issued and outstanding at July 31, 1995	199	-
Common stock $.0001 par value; 25,000,000 shares authorized; 3,996,913 and 7,334,909 issued at July 31, 1995 and 1996, respectively	400	733
Additional paid-in capital	24,258,885	42,858,975
Deficit accumulated during the development stage	(19,140,165)	(24,574,681)
Treasury stock, at cost, 11,875 shares	(102)	(102)
Total stockholders' equity	5,119,217	18,284,925
Total liabilities and stockholders' equity	$ 7,927,276	$ 20,453,980

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) Through July 31, 1996
	1994	1995	1996	
CONTRACT RESEARCH REVENUES	$ -	$ 136,091	$ 2,640,239	$ 2,776,330
OPERATING EXPENSES:				
Research and development	5,519,035	5,637,431	6,629,157	21,154,828

General and administrative	1,860,887	1,591,886	1,843,093	6,690,866
Total operating expenses	7,379,922	7,229,317	8,472,250	27,845,694
OPERATING LOSS	(7,379,922)	(7,093,226)	(5,832,011)	(25,069,364)
OTHER INCOME (EXPENSE), net	93,770	(29,195)	397,495	494,683
Net loss	$(7,286,152)	$(7,122,421)	$(5,434,516)	$(24,574,681)
NET LOSS PER COMMON SHARE (Note 2)	$(1.89)	$(1.76)	$(.95)	
SHARES USED IN COMPUTING NET LOSS PER COMMON SHARE	3,857,044	4,055,966	5,746,697	

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
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	-	-	-	-	-
BALANCE, July 31, 1996	-	$ -	7,334,909	$733	$42,858,975

	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
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)	-	-	-	(5,434,516)
BALANCE, July 31, 1996	$(24,574,681)	$ -	11,875	$(102)	$18,284,925

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,		
	1994	1995	1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(7,286,152)	$(7,122,421)	$(5,434,516)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	530,495	786,628	811,120
Compensation expense related to grant of stock options	-	-	122,500
Net realized loss on marketable securities	7,278	28,956	9,156
Change in assets and liabilities -			
Prepaid expenses	89,312	(14,361)	(294,269)
Accounts payable	73,996	(99,483)	(37,604)
Accrued expenses	344,639	(15,411)	(175,620)
Deferred revenue	-	1,000,000	-
Net cash used in operating activities	(6,240,432)	(5,436,092)	(4,999,233)
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Purchases of) proceeds from marketable securities, net	(2,470,339)	1,795,575	(8,443,001)
Purchases of equipment	(1,007,530)	(356,710)	(332,427)
Licensed technology costs	(191,000)	(32,500)	-
Patent application costs	(130,309)	(53,746)	(41,714)
Organization costs	-	-	-
Net cash (used in) provided by investing activities	(3,799,178)	1,352,619	(8,817,142)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from issuance of preferred and common stock	4,878,983	7,440,186	18,473,922

Deferred offering costs	(55,000)	55,000	-
Advances from stockholder	-	-	-
Repayments of capital lease obligations	(80,995)	(87,034)	(103,447)
Borrowings under notes payable	917,220	-	-
Repayments of notes payable	(110,049)	(273,528)	(322,333)
Security deposits and other assets	(561,472)	219,039	180,238
Repurchase of common stock	(2)	-	-
Net cash provided by financing activities	4,988,685	7,353,663	18,228,380
NET INCREASE (DECREASE) IN CASH	(5,050,925)	3,270,190	4,412,005
CASH, beginning of period	6,859,947	1,809,022	5,079,212
CASH, end of period	$ 1,809,022	$ 5,079,212	$ 9,491,217
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for income taxes	$ 15,838	$ 6,554	$ -
Cash paid for interest expense	$ 89,796	$ 176,716	$ 108,593
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES:			
Conversion of advances from stockholder into common stock	$ -	$ -	$ -
Equipment acquired pursuant to capital lease obligations	$ 29,330	$ -	$ -

	For the Period From Inception (January 28, 1992) Through July 31, 1996
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	$(24,574,681)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	2,397,576
Compensation expense related to grant of stock options	122,500
Net realized loss on marketable securities	45,390
Change in assets and liabilities -	
Prepaid expenses	(466,731)
Accounts payable	280,913
Accrued expenses	400,577
Deferred revenue	1,000,000
Net cash used in operating activities	(20,794,456)
CASH FLOWS FROM INVESTING ACTIVITIES:	
(Purchases of) proceeds from marketable securities, net	(9,117,765)
Purchases of equipment	(2,172,743)
Licensed technology costs	(615,989)
Patent application costs	(335,804)
Organization costs	(63,530)
Net cash (used in) provided by investing activities	(12,305,831)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net proceeds from issuance of preferred and common stock	41,549,683
Deferred offering costs	-
Advances from stockholder	1,200,000
Repayments of capital lease obligations	(341,271)
Borrowings under notes payable	1,179,135
Repayments of notes payable	(728,363)
Security deposits and other assets	(267,578)
Repurchase of common stock	(102)
Net cash provided by financing activities	42,591,504
NET INCREASE (DECREASE) IN CASH	9,491,217
CASH, beginning of period	-
CASH, end of period	$ 9,491,217
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for income taxes	$ 30,684
Cash paid for interest expense	$ 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.

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 (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 a third party (see Note 10), non-human organ ("xenograft" organs) products designed for transplantation into humans without clinical rejection.

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 $24.6 million through July 31, 1996. The Company has made no product sales to date and has recognized cumulative revenue from research grants and funding of $2.8 million through July 31, 1996. 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 (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 early 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 $18.6 million as of July 31, 1996 will be sufficient to fund operations of the Company through at least calendar 1997.

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 follows Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Pursuant to this Statement, 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, 1996, the Company's marketable securities had a maximum maturity of approximately one year and consisted of U.S. government obligations, municipal obligations, and corporate bonds. Unrealized losses on the Company's marketable securities aggregated approximately $16,000 and $12,000 at July 31, 1995 and 1996, respectively.

The following is a summary of marketable securities at July 31, 1995 and 1996:

	Amortized Cost	Unrealized Losses	Fair Value
U.S. government obligations	$ 450,171	$ (7,893)	$ 442,278
Municipal obligations	80,000	(1,873)	78,127
Corporate bonds	108,359	(6,511)	101,848
Total marketable securities at July 31, 1995	$ 638,530	$(16,277)	$ 622,253

	Amortized Cost	Unrealized 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

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.

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, 1995 and 1996 amounted to $197,626 and $285,624, 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, 1995 and 1996 amounted to $95,845 and $141,801, respectively.

Organization costs -

Costs incurred in connection with the organization of the Company are amortized over a five year period using the straight-line method. Accumulated amortization as of July 31, 1995 and 1996 amounted to $45,544

and $58,250, 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.

Reverse stock split -

In December 1995, the Company effected a two and one-half-for-one reverse stock split of its common stock and decreased the authorized number of common stock and preferred stock shares. In addition, the Board authorized a decrease in the number of authorized shares of common stock from 60,000,000 to 25,000,000 shares and preferred stock from 20,000,000 to 5,000,000 shares, respectively. The accompanying financial statements have been restated to reflect this reverse stock split and change in authorized shares.

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.

Effect of recent accounting pronouncement -

In March 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," which established criteria for the recognition and measurement of impairment loss associated with long-lived assets. The Company will be required to adopt this standard in fiscal 1997. Based on the Company's initial evaluation, adoption is not expected to have a material impact on the Company's financial position or results of operations.

The Company plans to adopt SFAS No. 123, "Accounting for Stock-Based Compensation" in fiscal 1997. SFAS No. 123 was issued by the Financial Accounting Standards Board in October 1995 and allows companies to choose whether to account for stock-based compensation on a fair value method or to continue to account for stock-based compensation under the current intrinsic value method as prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees." Entities electing to remain with the accounting in APB Opinion No. 25 must make proforma disclosures of net income, as if the fair value based method of accounting defined in the statement had been applied. The Company plans to continue to follow the provisions of APB Opinion No. 25. Management of the Company believes that the impact of adoption will not have a significant effect on the Company's financial position or 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 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, 1993 to April 30, 1996 using the treasury stock method. The inclusion of additional shares assuming the conversion of Series A convertible preferred stock into common stock would have been antidilutive for all periods presented and, accordingly, has been excluded from the computation of net loss per common share.

3. Equipment:

A summary of equipment as of July 31, 1995 and 1996 is as follows:

	July 31,	
	1995	1996
Laboratory equipment	$1,732,840	$2,038,304
Office equipment	91,367	112,351
Furniture	16,109	22,088
Equipment under capital leases	378,064	378,064
	2,218,380	2,550,807
Less - Accumulated depreciation and amortization	1,247,442	1,958,536
	$ 970,938	$ 592,271

4. Security Deposits and Other Assets:

A summary of security deposits and other assets as of July 31, 1995 and 1996, is as follows:

	July 31,	
	1995	1996
Amounts held in deposit as collateral for notes payable (see Note 7)	$379,932	$183,444
Other	67,884	84,134
	$447,816	$267,578

5. Accrued Expenses:

A summary of accrued expenses as of July 31, 1995 and 1996, is as follows:

	July 31,	
	1995	1996
Professional fees	$320,914	$225,990
Research and development agreements	106,914	86,369
Other	148,369	88,218
	$576,197	$400,577

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, 1996. 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, security deposits aggregating $180,238, 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.

Payments of principal (as of July 31, 1996) for the next two fiscal years are as follows:

Year Ending July 31,	
1997	$322,508
1998	128,264
	$450,772

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 1999, at interest rates ranging from approximately 10%-12% per annum.

The future annual minimum required payments as of July 31, 1996 are as follows:

Year Ending July 31,	
1997	$30,778
1998	8,359
1999	135
Total minimum lease payments	39,272
Less - Amounts representing interest	2,479
Present value of net minimum lease payments	36,793
Less - Current portion	28,593
	$ 8,200

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 call 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 call 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, 1996, for each of the next four years are as follows:

Year Ending July 31,	License Agreements	Research & Development Agreements
1997	$ 77,500	$375,000
1998	177,500	50,000
1999	177,500	50,000
2000	177,500	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 year ended July 31, 1995 consist of Small Business Innovation Research ("SBIR") grants from the National Institutes of Health ("NIH") and research and development support under a collaboration with a third party.

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 (the first installment of which was paid on July 31, 1995), 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). No revenue was recognized related to this agreement as of July 31, 1995. For the year ended July 31, 1996, the Company recognized $1.98 million of revenue related to this agreement. During fiscal 1996 the third party purchased an additional $1.8 million of common stock offered in the Company's IPO.

In July 1995, the Company was awarded a $100,000 Phase I SBIR grant from the NIH. The award was made in support of the research and development of the Company's gene transfer technology. For the year ended July 31, 1996, the Company recognized $100,000 of revenue related to this agreement.

In August 1995, the Company was awarded funding from the Commerce Department's National Institute of Standards and Technology under its Advanced Technology Program ("ATP"). Through the ATP, the Company may receive up to approximately $2 million over three years to support the Company's UniGraft(TM) program in universal donor organs for transplantation. For the year ended July 31, 1996, the Company recognized $246,000 of revenue related to this agreement.

In September 1995, the Company was awarded a Phase II SBIR grant for approximately $750,000 over two years from the NIH to support the research and clinical development of the Company's product to treat complications of cardiovascular surgery. For the year ended July 31, 1996, the Company recognized $315,000 of revenue related to this agreement.

11. Commitments:

The Company has entered into five-year employment agreements with five executives. These agreements provide that these individuals will receive aggregate annual base salaries of approximately $710,000 as of July 31, 1996. These individuals may also receive discretionary bonus awards, as determined by the Board of Directors.

As of July 31, 1996, 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, 1996, under these leases and other noncancellable operating leases (primarily for equipment) are as follows:

Year ending July 31,	
1997	$365,372
1998	297,883
1999	33,333
	$696,588

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 and to 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.

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. Fair market value is determined by the Board of Directors based on an examination of comparable companies, consultation with financial advisors and consultation with certain large investors in the Company. In March 1995, the Plans were amended by shareholders' majority consent to increase the number of shares covered by the Plans to 1,320,000. 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.

A summary of stock option activity is as follows:

	Number of Shares	Price per Share
Outstanding at January 28, 1992	-	-
Granted	80,000	$7.50
Outstanding at July 31, 1992	80,000	$7.50
Granted	176,795	$7.50
Cancelled	(10,000)	$7.50
Outstanding at July 31, 1993	246,795	$7.50
Granted	220,074	$8.00 - $ 8.25
Cancelled	(18,200)	$7.50 - $ 8.00
Outstanding at July 31, 1994	448,669	$7.50 - $ 8.25
Cancelled	(276,129)	$2.375 - $ 8.25
Granted/reissued	671,284	$2.375
Exercised	(1,500)	$7.50
Outstanding at July 31, 1995	842,324	$2.375 - $ 8.00
Granted	405,800	$2.50 - $10.00

Cancelled	(27,348)	$2.375 - $ 8.00
Exercised	(13,442)	$2.375 - $ 7.50
Outstanding at July 31, 1996	1,207,334	$2.375 - $10.00
Exercisable at July 31, 1996	363,492	$2.375 - $ 8.00

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 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. As of July 31, 1996, no warrants have been exercised.

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 has been 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 1996. 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 for the year ended July 31, 1996.

15. Federal Income Taxes:

At July 31, 1996, the Company has available for tax reporting purposes, net operating loss carryforwards of approximately $23,000,000 which expire commencing in fiscal 2008. The Company also has research and development credit carryovers of approximately $1,190,000 which expire commencing in fiscal 2008.

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, 1996 are as follows:

Deferred tax assets:	
Net operating loss carryforwards	$ 10,400,000
Tax credit carryforwards	1,190,000
Other	160,000
Total deferred tax assets	11,750,000
Valuation allowance for deferred tax assets	(11,750,000)
Net deferred tax assets	$ -

The Company has not yet achieved profitable operations. Accordingly, management believes the tax benefits as of July 31, 1996 do not satisfy the realization criteria set forth in SFAS No. 109 and has recorded a valuation allowance for the entire deferred tax asset.

[Confidential treatment has been requested for portions of this Exhibit. The confidential portions have been redacted and are denoted [***]. The confidential portions have been separately filed with the Commission.]

NON-EXCLUSIVE LICENSE AGREEMENT

THIS AGREEMENT, effective as of May 8, 1996, is between Enzon, Inc. a corporation of the State of Delaware (ENZON) having its principal place of business at 20 Kingsbridge Road, Piscataway, New Jersey 08854-3969 and Alexion Pharmaceuticals, Inc., a corporation of the State of Delaware (LICENSEE) having its principal place of business at 25 Science Park, Suite 360, New Haven, Connecticut 06511.

RECITALS

ENZON has conceived and reduced to practice certain inventions relating to single-chain antigen binding molecules (as hereinafter further defined under SCA DISCOVERIES);

LICENSEE has an interest in the non-exclusive development of said SCA DISCOVERIES into commercially useful products and processes in the field of complement protein C5-binding proteins (as hereinafter further defined under FIELD);

ENZON has certain PATENT RIGHTS and RESEARCH INFORMATION pertaining to the SCA DISCOVERIES; ENZON is interested in licensing said PATENT RIGHTS and RESEARCH INFORMATION associated with SCA DISCOVERIES;

LICENSEE is interested in becoming a non-exclusive licensee and desires to develop, manufacture, use, and sell products and processes in the FIELD related to said SCA DISCOVERIES throughout the world; and

Both ENZON and LICENSEE recognize the possibility that said PATENT RIGHTS may or may not cover products or processes to be commercialized;

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

1. DEFINITIONS

1.1 The term "AFFILIATE" shall mean:

1.1.1 Any corporation owning or controlling, directly or indirectly, at least fifty-one percent (51%) of the stock normally entitled to vote for election of directors of a party and

1.1.2 Any corporation at least fifty-one percent (51%) of whose stock normally entitled to vote for election of directors is owned or controlled, directly or indirectly, by a party and

1.1.3 Any other business entity at least fifty-one percent (51%) of the equity interest of which is owned or controlled, directly or indirectly, by a party.

1.2 The term "EFFECTIVE DATE" shall mean the date first written above.

1.3 The term "FIELD" shall mean and be limited solely to [***].

1.4 The term "FIRST COMMERCIAL SALE" shall mean the first sale of any PRODUCT by LICENSEE or its AFFILIATES.

1.5 The term "NET SALES" shall mean the gross sales for any quantity of PRODUCT subject to royalty under this Agreement that is sold by LICENSEE or its AFFILIATES or sublicensee to any third party, less discounts and allowances actually given to customers and commissions paid to distributors and other sales agencies not employees of LICENSEE or its AFFILIATES or sublicensee, that are included in its gross sales. Except as set forth above, no deduction from the gross sales shall be made for any item of cost incurred by the seller in its own operations incident to the research and development, manufacture, sale, or

shipment of the PRODUCT sold. PRODUCT shall be considered sold when billed out or invoiced.

1.6 The term "PATENT RIGHTS" shall mean any United States or foreign patent applications or patents owned by ENZON or its AFFILIATES during the term of this Agreement, or licensed or sublicensed to ENZON during the term of this Agreement which ENZON is entitled to license or sublicense on a royalty-free bases to others, containing one or more claims to SCA DISCOVERIES, any continuation-in-part, division, or continuation application thereof, any patent or the equivalent thereof granted thereon, and any reissue, reexamination, or extension of any of these patent(s). Existing PATENT RIGHTS are listed in Appendix I which shall be modified by ENZON from time-to-time so that it accurately reflects those patent applications and patents owned by ENZON or its AFFILIATES existing during the term of this Agreement relevant to the FIELD.

1.7 The term "PRODUCT(S)" shall mean an SCA PROTEIN or product incorporating an SCA PROTEIN whose manufacture, composition, use or sale is covered in whole or in part by PATENT RIGHTS or utilizes or incorporates RESEARCH INFORMATION.

1.8 The term "RESEARCH INFORMATION" shall mean only the specific items of technical know-how or information relating to SCA DISCOVERIES that are owned by ENZON or its AFFILIATES or in ENZON's or its AFFILIATES' possession on the EFFECTIVE DATE and are expressly listed in attached Appendix II.

1.9 The term "SCA DISCOVERIES" shall mean any technology related to the creation, development, manufacture or use of SCA PROTEIN; PROVIDED, HOWEVER, that SCA DISCOVERIES shall not include any specific SCA PROTEIN, or any specific variable region genetic sequence or specific transformed host coding for or containing such variable region genetic sequence.

1.10 The term "SCA PROTEIN" shall mean [***].

2 PATENT RIGHT(S)

2.1 Costs. All future patent costs pertaining to PATENT RIGHT(S) whether or not such PATENT RIGHT(S) are pending on the EFFECTIVE DATE, including preparation, filing, and prosecution of patent applications, issuance, taxation, and maintenance costs, shall be borne by ENZON.

2.2 Control. All control over PATENT RIGHT(S) will be in ENZON, and all PATENT RIGHT(S) will be filed and prosecuted by ENZON's attorneys.

3 LICENSE GRANTS TO LICENSEE

3.1 Non-Exclusive License. As of the EFFECTIVE DATE of this Agreement, ENZON hereby grants to LICENSEE and its AFFILIATES a non-exclusive, worldwide license in the FIELD under PATENT RIGHT(S) to make, use, and sell PRODUCTS. The license includes the right to grant to the purchasers of PRODUCTS from LICENSEE the right to use such PRODUCTS in the FIELD.

3.2 Ancillary License. As of the EFFECTIVE DATE of this Agreement and ancillary to the grants under PATENT RIGHT(S) under Section 3.1, ENZON hereby grants to LICENSEE and its AFFILIATES a non-exclusive right to use RESEARCH INFORMATION in the FIELD.

3.3 Sublicense. LICENSEE shall have the right to grant and authorize one (1) sublicense under the PATENT RIGHT(S) and RESEARCH INFORMATION to make, use, and sell PRODUCTS in the FIELD, but no such grant or authorization shall permit further licensing by the sublicensee. Such sublicense shall have no terms that are inconsistent with this Agreement. LICENSEE shall report to ENZON the identity of the sublicensee within fifteen (15) days after execution of such sublicense.

4 PAYMENT BY LICENSEE

4.1 License Fee. On the EFFECTIVE DATE of this Agreement, LICENSEE shall pay ENZON a license fee in the sum of [***].

4.2 Milestone Payments. For each therapeutic PRODUCT, LICENSEE shall pay ENZON the following sums at the indicated Milestones:

4.2.1 [***] at the time of filing of the first request for permission to initiate a clinical trial of said PRODUCT;

4.2.2 [***] at the time of filing of the first request for permission to market said PRODUCT;

4.2.3 [***] one year after the time of filing of the first request for permission to market said PRODUCT;

4.2.4 [***] at the time of the first approval to market said PRODUCT;

4.2.5 [***] one year after the time of the first approval to market said PRODUCT.

4.2.6 In the event that a Milestone is reached before the EFFECTIVE DATE, LICENSEE shall pay ENZON the sum indicated above for such Milestone on the EFFECTIVE DATE of this Agreement.

4.3 Royalties. LICENSEE shall pay to ENZON [***] royalty on NET SALES for each PRODUCT sold by LICENSEE or its AFFILIATES or sublicensee and covered by PATENT RIGHT(S). If LICENSEE must pay royalties to a third party on NET SALES of PRODUCT in a country due to an issued patent of any third party, then the royalty payable by LICENSEE to ENZON on NET SALES in such country shall be reduced by the amount of the royalty payable by LICENSEE to such third party, provided that the royalty rate payable by LICENSEE to ENZON shall not be reduced below [***] of NET SALES.

4.4 RESEARCH INFORMATION Royalties. In consideration of the right granted LICENSEE in Section 3.2 above to use RESEARCH INFORMATION in the FIELD, LICENSEE shall pay ENZON a [***] royalty on NET SALES of PRODUCTS not covered by PATENT RIGHT(S) but made, used or sold using RESEARCH INFORMATION. LICENSEE's obligation to pay royalties on such NET SALES shall terminate on the twelfth anniversary of the FIRST COMMERCIAL SALE. No royalty shall accrue or be paid under this Section 4.4 on the manufacture, sale, or use of any PRODUCT on which a royalty is due and payable pursuant to Section 4.3.

4.5 Currency Conversion. Royalties and license fees due on sales made in currency other than United States dollars shall first be calculated in the foreign currency and then converted to United States dollars on the basis of the closing buying rates quoted by the Wall Street Journal for the last business day of the period for which royalties are due.

4.6 Currency Restrictions. If restrictions on the transfer of currency exist in any country such as to prevent LICENSEE from making payments to ENZON in the United States, LICENSEE shall take all reasonable steps to obtain a waiver of such restrictions or otherwise to enable LICENSEE to make such payments, failing which LICENSEE shall make the royalty payments due upon sales in such country in local currency and deposit such payments in a local bank or other depository designated by ENZON.

5 ACCOUNTING

5.1 Reports. LICENSEE shall report in writing to ENZON within thirty (30) days after the end of each calendar quarter the quantities of PRODUCT subject to license fees or royalties hereunder that were sold by LICENSEE and its AFFILIATES and sublicensees during said quarter, and the calculation of the fees and royalties thereon. With said report LICENSEE shall pay to ENZON the total amount of said fees and royalties. If no PRODUCT subject to license fees or royalties hereunder has been sold by LICENSEE or its AFFILIATES or sublicensee during any given quarter, LICENSEE shall so report in writing to ENZON within thirty (30) days after the end of such quarter. Reports, notices, license fee and royalty payments, and other communications hereunder shall be sent to the appropriate party at the following addresses:

For LICENSEE:

David W. Keiser
Executive Vice President and Chief Operating Officer
Alexion Pharmaceuticals, inc.
25 Science Park, Suite 360
New Haven, CT 06511

For ENZON:

John A. Caruso, Esq.
Vice President Business Development and General Counsel
ENZON, Inc.
20 Kingsbridge Road
Piscataway, NJ 08854-3969

5.2 Records. LICENSEE shall keep, and require each AFFILIATE and sublicensee to keep, adequate records in sufficient detail to enable the license fees and royalties payable by LICENSEE hereunder to be determined, and permit, and require each AFFILIATE and sublicensee to permit, said records to be inspected at any time during regular business hours by an independent auditor appointed by ENZON for this purpose, who shall report to ENZON only the amount of the fees and royalties payable hereunder.

6 OPTIONS TO LICENSEE

6.1 Option to Develop SCA PROTEINS. ENZON hereby grants LICENSEE and its AFFILIATES the option, at any time during the term of this Agreement, to request from ENZON in writing that ENZON develop for LICENSEE or its AFFILIATES a specific SCA PROTEIN. If ENZON, in its sole discretion, accepts the request, then the parties will negotiate in good faith to determine the terms and conditions of a Development Agreement.

6.2 Option to Manufacture SCA PROTEINS. ENZON hereby grants LICENSEE and its AFFILIATES the option, at any time during the term of this Agreement, to request from ENZON in writing that ENZON manufacture a specific SCA PROTEIN for LICENSEE or its AFFILIATES under Good Manufacturing Practices. If ENZON, in its sole discretion, accepts the request, then the parties will negotiate in good faith to determine the terms and conditions of a Manufacturing Agreement.

7 INFRINGEMENT

7.1 No Warranty of Non-Infringement. Nothing in this Agreement shall be construed as a warranty, assurance, or representation by ENZON or its AFFILIATES that LICENSEE or its AFFILIATES or sublicensee can make, use, or sell PRODUCT free of any proprietary rights, including third party patent rights, other than those specifically granted in this Agreement.

7.2 Infringement by LICENSEE. If LICENSEE or its AFFILIATE(S) or sublicensee is sued for infringement by reason of making, using, or selling PRODUCT, LICENSEE shall notify ENZON in writing of the suit and defend such suit at LICENSEE's or its AFFILIATE's or sublicensee's own expense. ENZON shall have the right to provide advice and assistance in any such litigation at

its expense, unless such advice and assistance are requested by LICENSEE or its AFFILIATE or sublicensee, in which case it shall be at LICENSEE's expense. In the event ENZON is joined in such litigation, ENZON shall have the right to defend itself with counsel of its choice at its expense.

7.3 Infringement by Third Party.

(a) LICENSEE shall notify ENZON of any infringement by a third party of any PATENT RIGHTS or misappropriation by a third party of RESEARCH INFORMATION and shall provide ENZON with the available evidence, if any, of such infringement or misappropriation.

(b) ENZON shall have the exclusive right and sole discretion during the term of this Agreement to effect termination of such infringement, including bringing suit or other proceedings against the infringer in its own name and LICENSEE shall be kept informed at all times of all such proceedings taken by ENZON. If ENZON requests, LICENSEE may, at LICENSEE's discretion, join with ENZON as a party to the lawsuit or other proceeding at ENZON's expense; however, ENZON shall retain control of the prosecution of such suit or proceedings, as the case may be.

(c) ENZON shall bear all its costs incurred in connection with such lawsuit or other proceeding, and consequently shall be entitled to collect and retain for its own account any damages or profits as may be accrued as a result of such lawsuit or other proceeding.

(d) Nothing in this Agreement shall be construed as obligating ENZON, or giving LICENSEE the right, to proceed against a third party infringer or misappropriator.

8 CONFIDENTIALITY, NON-USE AND PUBLICATIONS

8.1 ENZON's Rights. Nothing in this Agreement shall be construed to prohibit or limit in any manner the right of ENZON or its AFFILIATES to disclose RESEARCH INFORMATION or grant any license for PATENT RIGHTS and/or RESEARCH INFORMATION to any party. ENZON may issue public announcements or press releases relating to the existence and/or subject matter of this Agreement and to the identity of LICENSEE or its AFFILIATES. However, ENZON shall not disclose in such announcements or releases the FIELD or the financial terms of this Agreement, except as required by law or government regulation.

8.2 LICENSEE's Rights. LICENSEE may issue public announcements or press releases relating to the existence of this Agreement and to the identity of ENZON as licensor. However, LICENSEE shall not include in such announcements or releases any mention or indication, explicitly or implicitly, that ENZON endorses the manufacture, use, or sale of any PRODUCT.

8.3 LICENSEE's Obligations. LICENSEE shall hold all information and proprietary materials received hereunder from ENZON (hereinafter "CONFIDENTIAL INFORMATION") in strictest confidence and shall not use such CONFIDENTIAL INFORMATION for any purpose other than under this Agreement, nor for any product other than PRODUCT, nor outside of the FIELD. CONFIDENTIAL INFORMATION shall not be disclosed to any persons other than (i) employees or agents of LICENSEE or independent contractors employed by LICENSEE who have reasonable need for access to such information in connection with this Agreement and who are bound to LICENSEE by a written agreement of confidentiality containing terms consistent with those contained in this paragraph, and (ii) governmental authorities, as required, to obtain necessary regulatory clearances. LICENSEE shall keep any CONFIDENTIAL INFORMATION disclosed to LICENSEE by ENZON confidential during the term of this Agreement and for five (5) years following the termination of this Agreement for any reason; PROVIDED, HOWEVER, that ENZON may at any time agree in writing to a waiver of such requirement. Nothing in this Agreement shall prevent LICENSEE from making any disclosure of CONFIDENTIAL INFORMATION required by law; PROVIDED, HOWEVER, in the event LICENSEE is so required, LICENSEE shall provide ENZON with prompt notice so that ENZON may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. In any event, LICENSEE shall furnish only that portion of the CONFIDENTIAL INFORMATION which is legally required in the opinion of LICENSEE's counsel.

Notwithstanding the above, nothing in this Agreement shall in any way restrict the right of LICENSEE to use or disclose information that:

(a) at the time of disclosure by ENZON to LICENSEE had been published or publicly known; or

(b) is published, becomes publicly known, or otherwise becomes part of the public domain after disclosure by ENZON to LICENSEE through no fault

of LICENSEE; or

(c) was known to LICENSEE prior to the time of disclosure by ENZON, as demonstrated by written records.

The obligation of this Section 8.3 shall apply equally to LICENSEE and its AFFILIATES and sublicensee.

9 INDEMNIFICATION

LICENSEE shall defend, indemnify, and hold ENZON and its AFFILIATES harmless from and against any and all claims, suits, and expenses, including reasonable attorney fees and expenses arising out of or based upon the manufacture, use, or sale or other distribution of PRODUCTS by LICENSEE or its AFFILIATES or sublicensee or persons purchasing PRODUCTS from them.

10 TERM AND TERMINATION

10.1 Default. If either party shall fail to perform any of its obligations under this Agreement, the nondefaulting party may give written notice of the default to the defaulting party. Unless such default is corrected within sixty (60) days after receipt of such notice, the notifying party may thereafter terminate this Agreement upon thirty (30) days prior written notice.

10.2 Term. Unless otherwise terminated as provided for in this Agreement, this Agreement will continue on a country-by-country basis until the expiration of the last to expire PATENT RIGHT or, if no PRODUCT, its manufacture, or use is covered by PATENT RIGHT(S), until the expiration of the period for which royalty payments are required pursuant to Section 4.4.

10.3 Survivability. Sections 7, 8 and 9 shall survive the expiration or termination of this Agreement.

11 MISCELLANEOUS

11.1 DISCLAIMER OF WARRANTIES. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, ENZON EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR OF NON-INFRINGEMENT.

11.2 Integration. This Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof, and supersedes and replaces all prior agreements, understandings, writings, and discussions between the parties relating to said subject matter.

11.3 Amendments. This Agreement may be amended only by a written instrument executed by the parties.

11.4 Waiver. The failure of either party at any time or times to require performance of any provision hereof shall in no manner affect its rights at a later time to enforce the same. No waiver by either party of any condition or term in any one or more instances shall be construed as a further or continuing waiver of such condition or term or any other condition or term.

11.5 Successors. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns.

11.6 Assignability. This Agreement shall not be assignable by either party without the other party's written consent, except for ENZON's right to receive fees and royalties payable hereunder. Either party, however, shall have the right to transfer this Agreement to any successor of its entire business or substantially all of its assets in the line of business related to the Agreement without the consent of the other party. Such transferee may transfer this Agreement back to the transferor party without the prior written consent of the

other party.

11.7 Notices. Any notice and payment of fees or royalties required or permitted to be given hereunder shall be deemed sufficient if mailed by overnight service providing evidence of delivery or by registered or certified mail (return receipt requested), or delivered by hand to the party to whom such notice is required at the address set forth in Section 5.1 hereof. Any notice required or permitted to be given hereunder shall be considered given upon the earlier of: (i) when actually received at the address set forth in Section 5.1; or (ii) two business days after such notice is properly mailed in accordance with this Section 11.7.

11.8 Validity of Provisions. If any provision(s) of this Agreement are or become invalid, are ruled illegal by any court of competent jurisdiction or are deemed unenforceable under then current applicable law from time to time in effect during the term hereof, it is the intention of the parties that the remainder of this Agreement shall not be affected thereby. It is further the intention of the parties that in lieu of each such invalid, illegal, or unenforceable provision, there shall be substituted or added as part of this Agreement a provision that shall be as similar as possible in economic and business objectives to such invalid, illegal, or unenforceable provision as was originally intended by the parties, but that shall be valid, legal, and enforceable.

11.9 Titles. All titles and subtitles used in this Agreement are for purposes of illustration or organization and are not legally binding on the Parties.

11.10 Relationship of the Parties. Nothing in this Agreement is intended or shall be deemed to constitute a partnership, agency, employer-employee, or joint venture relationship between the Parties, and neither party is authorized or empowered to act as agent for the other for any purpose or to make any statement, contract, warranty, representation or commitment on behalf of the other.

11.11 Further Acts and Instruments. Each party hereto agrees to execute, acknowledge, and deliver such further instruments and to do all such other acts as may be necessary or appropriate to effect the purpose and intent of this Agreement.

11.12 Export Restrictions. This Agreement, and any products or technical data supplied during the term of this Agreement, are made subject to any restrictions concerning the export of products or technical data from the United States of America that may be imposed upon ENZON or LICENSEE or their respective AFFILIATES from time to time by the Government of the United States of America. Furthermore, LICENSEE and its AFFILIATES agree that at no time, either during the term of this Agreement or thereafter, will they export, directly or indirectly, any United States source products or technical data acquired from ENZON or its AFFILIATES under this Agreement or any direct products of that technical data to any country for which the U.S. Government or any agency thereof at the time of export requires an export license or other governmental approval, without first obtaining that license or approval when required by applicable United States law.

11.13 Choice of Law. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Delaware.

The parties have duly executed this Agreement as of the date first above written.

Enzon, Inc.	LICENSEE
By:_____	By:_____
Title:_____	Title:_____

APPENDIX I

Constituting part of Section 1.6 of the Non-Exclusive License Agreement dated May 8, 1996, between LICENSEE and Enzon, Inc.

PATENT RIGHTS

TITLE	INVENTOR	COUNTRY	DATE FILED	SERIAL NO.	PATENT NO.	DATE ISSUED
[***]						

TITLE	INVENTOR	COUNTRY	DATE FILED	SERIAL NO.	PATENT NO.	DATE ISSUED
[***]						

APPENDIX II

Constituting part of Section 1.8 of the Non-Exclusive License Agreement dated May 8, 1996, between LICENSEE and Enzon, Inc.

RESEARCH INFORMATION

[***]

APPENDIX III

Constituting part of Section 1.3 of the Non-Exclusive License Agreement dated May 8, 1996, between LICENSEE and Enzon, Inc.

EXCLUDED AREAS

The following areas are specifically excluded from the FIELD:

[***]

[Confidential treatment has been requested for portions of this Exhibit. The confidential portions have been redacted and are denoted [***]. The confidential portions have been separately filed with the Commission.]

MEDICAL RESEARCH COUNCIL

- and -

ALEXION PHARMACEUTICAL INC.

L I C E N S E

for

Winter Patent

THIS AGREEMENT is made the 27th day of March One thousand nine hundred and ninety six between MEDICAL RESEARCH COUNCIL of 20 Park Crescent, London WIN 4AL (hereinafter called "MRC" which expression includes its successors and assigns) of the one part and ALEXION PHARMACEUTICALS, INC. of 25, Science Park, Suite 360, New Haven, Connecticut 06511, USA (hereinafter called "THE LICENSEE" which expression includes its successors and permitted assigns) of the other part.

W H E R E A S:

MRC is the proprietor of certain patent rights in respect of the genetic engineering of monoclonal antibodies comprising the replacement in whole or in part of the complementary determining regions of one antibody by those of another.

NOW IT IS HEREBY AGREED as follows:

1. Definitions

(1) IN this Agreement the following words and expressions shall be construed as follows:

'THE EFFECTIVE DATE' shall mean the date specified above.

"THE RESHAPING PROCESS" shall mean the [***].

"THE PRODUCTS" shall mean end products produced either directly or indirectly from antibodies which have been modified using the Reshaping Process and which are in a form capable of being marketed or sold upon a commercial basis.

"AFFILIATE" shall mean any corporation, company, partnership or other entity which directly or indirectly controls, is controlled by or is under common control with either party to this Agreement.

"CONTROL" means the ownership of more than 50% of issued share capital or the legal power to direct or cause the direction of the general management and policies of the party in question.

"FIELDS" [***].

"NET RECEIPTS" shall mean all monies received by Licensee in respect of the sale of the Products, less the following items to the extent that they are paid or allowed and included in the invoice price:

normal discounts actually granted;

credits allowed for Products returned or not accepted by customers;

packaging, transportation and prepaid insurance charges on shipments or deliveries to customers;

taxes actually incurred and paid by Licensee in connection with the sale or delivery of Products to customers.

"THE WINTER PATENT" shall mean the patents and applications therefor set out in Schedule I hereto and any divisions, renewals, continuations, extensions or reissues thereof and any patent granted thereon.

"THE BOSS PATENTS" shall mean the patents and patent applications therefore set out in Schedule 3 hereto in [***] and any patent granted on such patent applications including but without prejudice to the generality of the foregoing author certificates, inventor certificates, improvement patents, utility certificates and models and certificates of addition and including any divisions, renewals, continuations, extensions or reissues thereof.

(2) IN this Agreement the singular shall where the context so permits include the plural and vice versa.

2. Commencement

THIS Agreement shall be deemed to have come into force on the Effective Date and shall be read and construed accordingly.

3. Grant of Rights

(1) MRC agrees to grant to the Licensee the following licenses under the Winter Patent:

(i) a non-exclusive world-wide license to exploit the Winter Patent commercially in any way whatsoever by the use of the Reshaping Process in the Fields and by the commercial exploitation in the Fields of any resulting antibodies provided always that any such exploitation does not involve the antibodies detailed in the Second Schedule hereto;

(ii) a non-exclusive sub-license under the Boss Patents to the extent required to enable the licensee to use the Reshaping Process in

accordance with (i) above to produce Products from mammalian cells and for no other purpose.

(2) The Licensee shall not be entitled to grant sub-licenses of the rights granted to it under this Agreement except with the prior written consent of MRC. Such consent shall not be unreasonably withheld or delayed to requests to sublicense rights to the Winter Patent in respect of antibodies modified by the Licensee itself using the Reshaping Process. MRC and Licensee acknowledge that it is not the intention that Licensee should offer a contract service to third parties in the use of the Reshaping Process. In cases where MRC gives consent to the grant of a sublicense under the Winter Patent MRC shall also not unreasonably withhold consent from requests by Licensee for MRC to grant to the sublicensee a sublicense under the Boss Patent, in accordance with the limitations specified in Clause 3 (1) (ii) above and restricted to the modified antibodies sublicensed by Licensee. The Licensee shall use its best endeavors to ensure that any sub-licensee performs its obligations under any such sub-license.

(3) The following arrangements shall not require the prior consent of MRC:

(i) The appointment of any person as agent or distributor to market sell use or otherwise dispose of the Products in any part of the world.

(ii) The sub-contracting of the development of new Products for the Licensee .

(iii) The sub-contracting of manufacture for the Licensee of Products or intermediates for Products.

4. Payments

(1) IN CONSIDERATION for the non-exclusive license granted pursuant to Clause 3.1 hereof the Licensee shall pay to MRC the sum of [***] upon signature of this Agreement.

(2) IN FURTHER consideration of the licenses granted by MRC to Licensee under this Agreement, Licensee shall pay to MRC a royalty at the rate of [***] of Net Receipts on all sales of Products by Licensee or any Affiliate where the Products are either manufactured and/or sold in a country where the Winter and/or the Boss Patent is granted valid and subsisting at the date of such sale. The royalty payments shall be exclusive of any applicable value added tax ("VAT").

(3) If MRC shall hereafter license another party under the Winter Patents in the Fields at a lower royalty rate than is payable by Licensee by virtue of

this license agreement, or with another substantial term more favorable to such party than the corresponding term of this license agreement, then Licensee shall have an option to convert this license agreement so that the royalty rate payable thereunder. or other corresponding term, is the same as the rate of term that applies to the third party; PROVIDED that if the third party's license imposes upon that party any other obligation (including any restriction as to product or territory) which is associated with that party's operations as patent licensee and which is more onerous than an obligation of corresponding category on the part of Licensee under this agreement, then any exercise of the option by Licensee shall operate so that Licensee assumes an obligation as patent licensee corresponding to such other obligation of the third party, either as a substitute in place of Licensee's obligation(s) of corresponding category, or if there is no such obligation or corresponding category, then as an additional obligation.

This clause shall not entitle a Licensee to a license in respect of any of the restricted antibodies set out in Schedule 2.

(4) Licensee agrees to keep true and accurate records and books of account containing all data necessary for the calculation of the royalties payable to MRC under Clause 4(2). Such records and books of account shall upon reasonable notice having been given by MRC be open at all reasonable

times during business hours for inspection by MRC or its duly authorized representative.

(5) Licensee shall prepare a statement in respect of each calendar quarter of this Agreement which shall show for the calendar quarter in

question Licensee's Net Receipts on sales by it of the Products on a country by country basis. details of the quantities of Products manufactured and sold in each country and the royalty and, if applicable, VAT due to MRC thereon pursuant to Clause 4(2) above. Such statement shall be submitted to MRC within 60 days following the end of the calendar quarter or part thereof to which it relates together with a remittance for the royalties and, if applicable, VAT due to MRC. If MRC shall give notice to Licensee within 30 days of the receipt of any such statement that it does not accept the same such statement shall be certified by an independent chartered accountant appointed by agreement between the parties or, in default of agreement within 14 days, by the President for the time being of the Institute of Chartered Accountants of England and Wales in London. Licensee shall make available all books and records required for the purpose of such certification at reasonable times during normal business hours and the statement so certified shall be binding between the parties. The costs of such certification shall be the responsibility of MRC if the certification shows the original statement to have been accurate (i.e. the certification shows a deficiency of 5% or less of the total amount in fact

payable by the Licensee) and otherwise shall be the responsibility of Licensee. Following any such certification the parties shall make any adjustments necessary in respect of the royalties already paid to MRC in relation to the year in question.

(6) The Licensee shall pay royalties to MRC free and clear of and without deduction or deferment in respect of any demand, set-off, counterclaim or other dispute and so far as is legally possible such payment shall be made free and clear of any taxes imposed by or under the authority of any government or public authority and in particular but without limitation where any sums due to be paid to MRC hereunder are subject to any withholding or similar tax, the Licensee shall pay such additional amount as shall be required to ensure that the net amount received by MRC hereunder will equal the full amount which would have been received by it had not such tax been imposed or withheld. The Licensee and, without prejudice to the foregoing, MRC shall use their best endeavors to do all such lawful acts and things and to sign all such lawful deeds and documents as will enable the Licensee to take advantage of any applicable legal provision or any double taxation treaties with the object of paying the sums due to MRC without imposing or withholding any tax.

Sums are expressed in this agreement as exclusive of VAT. MRC agrees to provide Licensee with a VAT invoice in respect of every payment affected by VAT.

(7) Where MRC does not receive payment of any sums due to it within the period specified hereunder in respect thereof interest shall accrue on the sum outstanding at the rate of 1% per month calculated on a daily basis without prejudice to MRC right to receive payment on the due date therefor.

5. Term and Termination

(1) SUBJECT as hereinafter provided this Agreement and the licenses granted pursuant thereto shall continue in force in each territory during the subsistence of the last to expire of the Winter or Boss Patents.

(2) MRC may terminate this Agreement and the said licenses forthwith by notice to the Licensee to that effect upon the happening of any of the following events:

(A) if the Licensee fails to perform or observe any of the

obligations on its part to be performed or observed and if the breach is one

capable of remedy has not been remedied within three (3) months of the giving of a notice informing the Licensee of such breach;

(B) if the Licensee files a voluntary petition in bankruptcy or applies to any Tribunal for a Receiver Trustee or similar officer to be appointed by any Court or Executive Department to liquidate or conserve the Licensee or any substantial part of its property or assets due to insolvency or to the threat thereof or if the Licensee suffers any trusteeship or receivership to continue undischarged for a period of sixty days or suffers any similar procedure for the relief of distressed debtors entered into by the Licensee voluntarily or involuntarily or if the Licensee is otherwise divested of its assets for a period of sixty days or makes a general assignment for the benefit of its creditors;

(3) The Licensee may terminate this Agreement and the Licenses granted pursuant hereto by giving to MRC 6 months notice to that effect if the Licensee considers that substantial unlicensed competition is seriously interfering with Licensee's exploitation of the Reshaping Process under this Agreement and that MRC is not taking appropriate steps to seek to prevent or reduce such unlicensed competition. Such termination shall be without prejudice to the right of MRC to enforce the Winter Patents in the event of subsequent manufacture of Products by the Licensee.

(4) TERMINATION of this Agreement or of the said Licenses shall be without prejudice to any rights of either party against the other which may have accrued up to the date of such termination and the Licensee shall pay to MRC the appropriate royalties hereunder on all stocks of the Products (on which royalties have not already been paid) held at the date of termination by the Licensee or any person engaged by the same to manufacture the Products and shall thereafter be free to sell such products on which royalty has been paid.

6. Warranties

(1) MRC hereby represents and warrants that MRC owns the Winter Patents or is otherwise authorized to license the Winter Patents to the Licensee.

(2) MRC hereby represents and warrants that MRC is entitled or authorized to grant a sub-license under the Boss Patents in conjunction with a license to the Licensee to use the Reshaping Process for the production of Products from mammalian cells and for no other purpose.

(3) NOTHING in this Agreement or in any licenses to be granted pursuant thereto shall be construed as a representation or warranty that any of the said Patents are valid or that any manufacture use sale or other disposal

of the Products is not an infringement of any patents or other rights not vested in the MRC.

(4) THE Licensee shall promote the sale of the Products of good marketable quality and shall use reasonable endeavors to meet the market demand therefore.

7. Infringement

IF the Licensee becomes aware of a suspected infringement of the Winter Patents it shall notify MRC giving full particulars thereof. If the alleged infringement consists of any act which (if done by the Licensee) would be within the scope of the licenses granted under this Agreement MRC and the Licensee shall (within a reasonable time of the said notification) consult together with a view to agreeing upon a course of action to be pursued.

8. Waiver

THE waiver by MRC of any breach default or omission in the performance or observance of any of the terms of this Agreement by the Licensee shall not be deemed to be a waiver of any other such breach default or omission.

9. Notices

ANY notice consent or other communication authorized or required to be given hereunder or for the purposes hereof shall be in writing and be deemed to be duly given to MRC if left at or sent by recorded delivery or registered post addressed to its principal office and to the Licensee if left at or sent by recorded delivery or registered post to its principal place of business. Any such notice consent or other communication if served by post shall be deemed to have been given at the time when it would have been received in due course of the post.

10. Non-assignability

Save for an assignment to an Affiliate of the Licensee, the Licensee shall not be entitled to assign the benefit of this Agreement or any rights granted or to be granted under the Agreement.

11. Law and Jurisdiction

THIS Agreement is to be read and construed in accordance with and governed by the Laws of England so far as the subject matter allows and the parties hereby submit to the jurisdiction of the English courts in relation to any dispute arising out of this Agreement.

IN WITNESS whereof the parties hereto have caused this Agreement to be executed in the matter legally binding upon them by causing authorized representatives to sign this Agreement.

MEDICAL RESEARCH COUNCIL	ALEXION PHARMACEUTICALS, INC.
Signed:_____	_____
Name and Position:	
_____	_____
_____	_____
Date: _____	_____

SCHEDULE ONE above referred to

Inventor: [***]

Applicant: [***]

Title: [***]

UK Priority Application: [***]

Final Application

Territory	Application number (Publication number) *(Patent number)	Date of filing (Publication date) (Grant date)
[***]		

SCHEDULE TWO above referred to

ANTIBODIES EXCLUDED FROM THE LICENSE

[***]

SCHEDULE THREE above referred to

Title: [***]

Subject matter: [***]

Inventors: [***]

[***]

<ARTICLE> 5
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THIS STATEMENT 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.

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