Substitute Form PTO-1594

7.26.99

RECORDATIO
TRADE

07-30-1999

101104580

Docket No.: 07333/045001

Commissioner for Trademarks: Please record the attac

1. Name of conveying party(ie
DepoTech Corporation

☐ Limited Partnership
■ Corporation-State: Califo

07-26-1999
U.S. Patent & TMOfc/TM Mail Rcpt Dt. #54

Additional name(s) attached? ☐ Yes ■ No

2. Name and address of receiving party(ies):
SkyePharma Inc.
10450 Science Center Drive
San Diego, CA 92121

☐ Limited Partnership
■ Corporation-State: California

If the assignee is not domiciled in the United States, a domestic representative designation is attached. ☐ Yes ■ No

Additional names/addresses attached? ☐ Yes ■ No

3. Nature of conveyance:
   - ☐ Assignment
   - ■ Merger
   - ☐ Security Agreement
   - ■ Change of Name
   - ☐ Other:

Execution Date: **Change of Name: 4/27/99;**
Agreement and Plan of Merger: 11/1/98;
Articles of Incorporation: 10/30/89

4. Application number(s) or trademark number(s):
A. Trademark Application No.(s):

75/590,639 **75/126,302**
75/590,522 **75/553,380**

B. Trademark No.(s):

Additional numbers attached? ☐ Yes ■ No

5. Name/address of party to whom correspondence concerning document should be mailed:

Diane L. Gardner
Fish & Richardson P.C.
4225 Executive Square, Suite 1400
La Jolla, CA 92037

6. Total number of applications and registrations involved: **4**

7. Total fee (37 CFR 3.41): **$115**
■ Enclosed
☐ Authorized to charge deposit account

8. Deposit account number: **06-1050**
If the fee above is being charged to deposit account, a duplicate copy of this cover sheet is attached. Please apply any additional charges, or any credits, to our Deposit Account No. 06-1050.

DO NOT USE THIS SPACE

9. Statement and signature: *To the best of my knowledge and belief, the foregoing information is true and correct and the attached is a true copy of the original document.*

Diane L. Gardner — Diane Gardner — 7/20/99
Name of Person Signing — Signature — Date

Total number of pages including cover sheet, attachments, and document: **109**

97253.LJ1

Date of Deposit 7/20/99

I hereby certify under 37 CFR 1.8(a) that this correspondence is being deposited with the United States Postal Service as **first class mail** with sufficient postage on the date indicated above and is addressed to the Assistant Commissioner for Trademarks, 2900 Crystal Drive, Arlington, VA 22202-3513.

Lisa Clifton

Lisa Clifton

TRADEMARK
REEL: 001936 FRAME: 0421

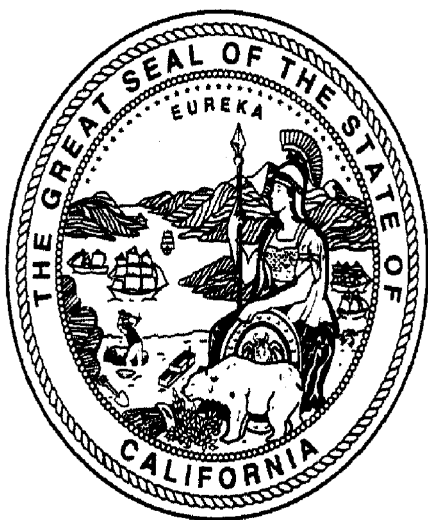
SECRETARY OF STATE

I, *BILL JONES*, Secretary of State of the State of California, hereby certify:

That the attached transcript of 5 page(s) was prepared by and in this office from the record on file, of which it purports to be a copy, and that it is full, true and correct.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of

JUL 08 1999



Bill Jones

Secretary of State

Sec/State Form CE-108 (rev. 6/98)

OSP 99 18276

1564215

FILED
In the office of the Secretary of State
of the State of California

OCT 30 1989

MARCH FONG EU, Secretary of State

ARTICLES OF INCORPORATION

OF

DEPOTECH

ONE: The name of this corporation is Depotech.

TWO: The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

THREE: The name and address in this state of the corporation's initial agent for service of process is:

Audrey V. Nelson
530 B Street, Suite 1900
San Diego, CA 92101

FOUR: This corporation is authorized to issue only one class of shares of stock; and the total number of shares which this corporation is authorized to issue is one million (1,000,000).

FIVE: (a) The liability of the directors of this corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

(b) The corporation is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) through bylaw provisions, agreements with the agents, vote of shareholders or disinter-

ested directors, or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject only to the limits set forth in Section 204 of the California Corporations Code with respect to actions for breach of duty to the corporation or its shareholders. The corporation is further authorized to provide insurance for agents as set forth in Section 317 of the California Corporations Code, provided that, in cases where the corporation owns all or a portion of the shares of the company issuing the insurance policy, the company and/or the policy must meet one of the two sets of conditions set forth in Section 317, as amended.

(c) Any repeal or modification of the foregoing provisions of this Article FIVE by the shareholders of this corporation shall not adversely affect any right or protection of an agent of this corporation existing at the time of such repeal or modification.

Dated: October 30, 1989

Audrey V. Nelson
Audrey V. Nelson, Incorporator

TRADEMARK
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#1564215

DEPOTECH CORPORATION

FILED
In the office of the Secretary of State of the State of California

JUN 28 1999

BILL JONES, Secretary of State

CERTIFICATE OF AMENDMENT OF ARTICLES OF INCORPORATION OF DEPOTECH CORPORATION, A CALIFORNIA CORPORATION

D. NICHOLSON and T. GARBURGEN certify that:

1. They are the duly elected President and Secretary, respectively, of Depotech Corporation, a California corporation.

2. Article I of the Fourth Restated Articles of Incorporation of Depotech Corporation is amended to read as follows:

"The name of the Corporation is SkyePharma Inc."

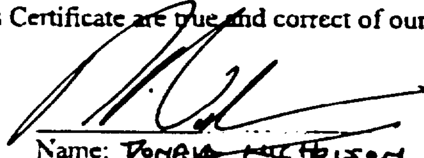
3. The foregoing amendment of the Fourth Restated Articles of Incorporation of Depotech Corporation has been duly approved by the Board of Directors pursuant to Section 902 of the California Corporations Code.

4. The foregoing amendment of the Fourth Restated Articles of Incorporation of Depotech Corporation has been duly approved by the required vote of shareholders pursuant to Section 902 of the California Corporations Code. The total number of outstanding shares entitled to vote with respect to the foregoing Amendment was 1,000 shares of Common Stock. The number of shares voting in favor of the Amendment exceeded the vote required in that the affirmative vote of a majority of the outstanding shares was required for the approval of the Amendment and the Amendment was approved by the affirmative vote of 100% of the outstanding voting shares. No preferred shares were issued.

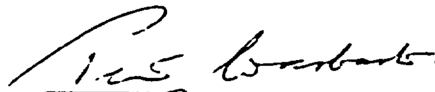
LONDON 116441 1

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this Certificate are true and correct of our own knowledge.

Dated: April 27, 1999



Name: Donald Nicholson
Title: President



Name: P. Barburton
Title: Secretary

LONDON 116441 1

AGREEMENT AND PLAN OF MERGER

between

SKYEPHARMA PLC

and

DEPOTECH CORPORATION

Dated as of November 1, 1998

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER (hereinafter called this "Agreement"), dated as of November 1, 1998, between DepoTech Corporation, a California corporation (the "Company") and SkyePharma plc, a public limited company incorporated under the laws of England ("Parent").

RECITALS

WHEREAS, Parent intends to incorporate a corporation in California which will be a wholly-owned subsidiary of Parent ("Merger Sub," the Company and Merger Sub sometimes being hereinafter collectively referred to as the "Constituent Corporations") and which will be the vehicle through which the merger contemplated by this Agreement will be effected;

WHEREAS, Parent and Company intend to make the Merger Sub a party to this Agreement upon the official confirmation of incorporation of Merger Sub;

WHEREAS, the respective boards of directors of each of Parent and the Company have approved the merger of Merger Sub at the Effective Time (as defined herein) with and into the Company (the "Merger") and approved the Merger upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, it is intended that, for federal income tax purposes, the Merger shall qualify as a reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder (the "Code");

WHEREAS, the Company and Parent desire to, and Parent desires to cause Merger Sub to, make certain representations, warranties, covenants and agreements in connection with this Agreement; and

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

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ARTICLE I

The Merger; Closing; Effective Time

1.1 The Merger. Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time (as defined in Section 1.3) Merger Sub shall be merged with and into the Company and the separate corporate existence of Merger Sub shall thereupon cease. The Company shall be the surviving corporation in the Merger (sometimes hereinafter referred to as the "Surviving Corporation"), and the separate corporate existence of the Company with all its rights, privileges, immunities, powers and franchises shall continue unaffected by the Merger, except as set forth in Article II. The Merger shall have the effects specified in Section 1100, et seq, of the California Corporations Code (the "CCC").

1.2 Closing. The closing of the Merger (the "Closing") shall take place (i) at the offices of Brobeck, Phleger & Harrison LLP, 550 West C Street, Suite 1300 San Diego, California 92101 at 9:00 A.M. on the second business day after the day on which the last to be fulfilled or waived of the conditions set forth in Article VII (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the fulfillment or waiver of those conditions) shall be satisfied or waived in accordance with this Agreement or (ii) at such other place and time and/or on such other date as the Company and Parent may agree in writing (the "Closing Date").

1.3 Effective Time. As soon as practicable following the Closing, the Company and Parent will cause a Plan of Merger with an officers' certificate of each of the Company and Merger Sub to be executed and filed with the Secretary of Stato of California in accordance with Section 1103 of the CCC, and the Merger shall thereupon become effective at the time of such filing (the "Effective Time").

ARTICLE II

Articles of Incorporation and By-Laws of the Surviving Corporation

2.1 The Articles of Incorporation. The articles of incorporation of the Company as in effect immediately prior to the Effective Time shall be the articles of incorporation of the Surviving Corporation (the "Charter"), until duly amended as provided therein or by applicable law, except that Article III of the Charter shall be amended to read in its entirety as follows: "The corporation is authorized to issue only one class of shares without par value; and the total number of shares which this corporation is authorized to issue is 1,000."

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2.2 The By-Laws. The by-laws of the Company in effect at the Effective Time shall be the by-laws of the Surviving Corporation (the "By-Laws"), until thereafter amended as provided therein or by applicable law.

ARTICLE III

Officers and Directors of the Surviving Corporation

3.1. Directors. The directors of Merger Sub at the Effective Time shall, from and after the Effective Time, be the directors of the Surviving Corporation until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Charter and the By-Laws.

3.2. Officers. The officers of the Company at the Effective Time shall, from and after the Effective Time, be the officers of the Surviving Corporation until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Charter and the By-Laws.

ARTICLE IV

Effect of the Merger on Capital Stock; Exchange of Certificates

4.1. Effect on Capital Stock. At the Effective Time, as a result of the Merger and without any action on the part of the holder of any capital stock of the Company:

(a) Merger Consideration. Each share of the Common Stock, no par value per share, of the Company, (a "Share" or, collectively, the "Shares") issued and outstanding immediately prior to the Effective Time (other than Shares owned by Parent, Merger Sub or any other direct or indirect subsidiary of Parent (collectively, the "Parent Companies") or Shares that are owned by the Company and in each case not held on behalf of third parties or Shares ("Dissenting Shares") that are owned by stockholders ("Dissenting Stockholders") exercising dissenters' rights pursuant to Section 1300 et seq. of the CCC (collectively, "Excluded Shares")) shall be converted into, and become exchangeable for, 0.185676393 (the "Conversion Number") Parent American Depositary Shares ("Parent ADSs"), each Parent ADS representing the right to receive ten ordinary shares, nominal value 10 pence each ("Parent Ordinary Shares") (the "Merger Consideration"), subject to adjustment as set forth in Section 4.4. At the Effective Time, all Shares shall no longer be outstanding and shall be canceled and retired and shall cease

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to exist, and each certificate (a "Certificate") formerly representing any of such Shares (other than Excluded Shares) shall thereafter represent only the right to the Merger Consideration and the right, if any, to receive pursuant to Section 4.2(e) cash in lieu of fractional shares into which such Shares have been converted pursuant to this Section 4.1(a) and any distribution or dividend pursuant to Section 4.2(c).

(b) Cancellation of Shares. Each Share issued and outstanding immediately prior to the Effective Time and owned by any of the Parent Companies or owned by the Company or any direct or indirect subsidiary of the Company (other than Shares that are in each case owned on behalf of third parties), shall, by virtue of the Merger and without any action on the part of the holder thereof, cease to be outstanding, shall be canceled and retired without payment of any consideration therefor and shall cease to exist.

(c) Merger Sub. At the Effective Time, each share of Common Stock of Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into one share of common stock of the Surviving Corporation.

4.2. Exchange of Certificates for Shares.

(a) Exchange Agent. As of the Effective Time, Parent shall deposit, or shall cause to be deposited, with an exchange agent selected by Parent with the Company's prior approval, which shall not be unreasonably withheld (the "Exchange Agent"), for the benefit of the holders of Shares, certificates representing the Parent ADSs and, after the Effective Time, if applicable, any cash, dividends or other distributions with respect to the Parent ADSs to be issued or paid pursuant to the last sentence of Section 4.1(a) in exchange for Shares outstanding immediately prior to the Effective Time upon due surrender of the Certificates (or affidavits of loss in lieu thereof) pursuant to the provisions of this Article IV (such certificates for Parent ADSs, together with the amount of any dividends or other distributions payable with respect thereto, being hereinafter referred to as the "Exchange Fund").

(b) Exchange Procedures. Promptly after the Effective Time, the Surviving Corporation shall cause the Exchange Agent to mail to each holder of record of Shares (other than holders of Excluded Shares) (i) a letter of transmittal specifying that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates (or affidavits of loss in lieu thereof) to the Exchange Agent, such letter of transmittal to be in such form and have such other provisions as Parent and the Company may reasonably agree, and (ii) instructions for use in effecting the surrender of the Certificates in exchange for (A) certificates representing Parent ADSs and (B) any unpaid dividends and other distributions and cash in lieu of fractional shares. Subject to Section 4.2(h), upon surrender of a Certificate for cancellation to the Exchange

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Agent together with such letter of transmittal, duly executed, the holder of such Certificate shall be entitled to receive in exchange therefor (x) a certificate representing that number of whole Parent ADSs that such holder is entitled to receive pursuant to this Article IV, (y) a check in the amount (after giving effect to any required tax withholdings) of (A) any cash in lieu of fractional Parent ADSs plus (B) any unpaid non-stock dividends and any other dividends or other distributions that such holder has the right to receive pursuant to the provisions of this Article IV, and the Certificate so surrendered shall forthwith be canceled. Such holders shall further provide, in the space allotted on the letter of transmittal referred to above, to the Exchange Agent (who shall enter on a register, the "Register"), the name and address of such holder and the number of Shares held by such holder as to which there is an entitlement to receive the Merger Consideration, and the DepoCyt ADSs, if any, and the Development Agreement ADSs, if any (each as defined below, and collectively, the "Contingent ADSs"). No interest will be paid or accrued on any amount payable upon due surrender of the Certificates. In the event of a transfer of ownership of Shares that is not registered in the transfer records of the Company, a certificate representing the proper number of shares of Parent ADSs, together with a check for any cash to be paid upon due surrender of the Certificate and any other dividends or distributions in respect thereof, may be issued and/or paid to such a transferee if the Certificate formerly representing such Shares is presented to the Exchange Agent, accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid. If any certificate for Parent ADSs is to be issued in a name other than that in which the Certificate surrendered in exchange therefor is registered, it shall be a condition of such exchange that the Person (as defined below) requesting such exchange shall pay any transfer or other taxes required by reason of the issuance of certificates for Parent ADSs in a name other than that of the registered holder of the Certificate surrendered, or shall establish to the satisfaction of Parent or the Exchange Agent that such tax has been paid or is not applicable. Each holder of record of Shares shall have the right to assign such holder's rights to the Contingent ADSs but only in accordance with the mutually agreeable procedures to be set forth in the letter of transmittal delivered by the Exchange Agent in accordance with this Section 4.2(b).

For the purposes of this Agreement, the term "Person" shall mean any individual, corporation (including not-for-profit), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, Governmental Entity (as defined in Section 5.1(d)) or other entity of any kind or nature.

(c) Distributions with Respect to Unexchanged Shares; Voting. All Parent Ordinary Shares underlying the Parent ADSs to be issued pursuant to the Merger shall, for purposes of this Section 4.2(c), be deemed issued and outstanding as of the Effective Time and whenever a dividend or other distribution is declared by Parent in respect of Parent Ordinary Shares underlying the Parent ADSs to be issued pursuant to

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the Merger, the record date for which is at or after the Effective Time, that declaration shall include dividends or other distributions in respect of all Parent Ordinary Shares underlying the Parent ADSs issuable pursuant to this Agreement. No dividends or other distributions in respect of the Parent Ordinary Shares underlying the Parent ADSs issuable pursuant to this Agreement shall be paid to any holder of any unsurrendered Certificate until such Certificate is surrendered for exchange in accordance with this Article IV. Subject to the effect of applicable laws and the terms and provisions of the Deposit Agreement (as defined in Section 5.2(c)), following surrender of any such Certificate, there shall be issued and/or paid to the holder of the certificates representing whole Parent ADSs issued in exchange therefor, without interest, (A) at the time of such surrender, the dividends or other distributions of Parent with a record date after the Effective Time theretofore distributable pursuant to the Deposit Agreement with respect to such whole Parent ADSs and not paid and (B) at the appropriate payment date, the dividends or other distributions distributable pursuant to the Deposit Agreement with respect to such whole Parent ADSs with a record date after the Effective Time but with a payment date subsequent to surrender.

(d) Transfers. After the Effective Time, there shall be no transfers on the stock transfer books of the Company of the Shares that were outstanding immediately prior to the Effective Time.

(e) Fractional Parent ADSs. Notwithstanding any other provision of this Agreement, no fractional Parent ADSs will be issued and any holder of Shares entitled to receive a fractional Parent ADS but for this Section 4.2(e) shall be entitled to receive a cash payment in lieu thereof, equal to (a) such holder's fractional interest in such Parent ADS, *times* (b) $9.425.

(f) Termination of Exchange Fund. At Parent's option and sole discretion, any portion of the Exchange Fund (including the proceeds of any investments thereof and any Parent ADSs) that remains unclaimed by the stockholders of the Company for 360 days after the Effective Time shall be transferred to Parent or its nominee. Any stockholders of the Company who have not theretofore complied with this Article IV shall thereafter look only to Parent for payment of their Parent ADSs and any cash, dividends and other distributions in respect thereof payable and/or issuable pursuant to Section 4.1 and Section 4.2(c) upon due surrender of their Certificates (or affidavits of loss in lieu thereof), in each case, without any interest thereon. Notwithstanding the foregoing, none of Parent, the Surviving Corporation, the Exchange Agent or any other Person shall be liable to any former holder of Shares for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

(g) Lost, Stolen or Destroyed Certificates. In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by

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the Person claiming such Certificate to be lost, stolen or destroyed and, if required by Parent, the posting by such Person of a bond in customary amount as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will issue in exchange for such lost, stolen or destroyed Certificate the Parent ADSs and any cash payable and any unpaid dividends or other distributions in respect thereof pursuant to Section 4.2(c) upon due surrender of and deliverable in respect of the Shares represented by such Certificate pursuant to this Agreement.

(h) Affiliates. Notwithstanding anything herein to the contrary, Certificates surrendered for exchange by any "affiliate" (as determined pursuant to Section 6.8) of the Company shall be subject to the limitations of Section 6.8.

4.3 Dissenters' Rights. No Dissenting Stockholder shall be entitled to shares of Parent Common Stock or cash in lieu of fractional shares thereof or any dividends or other distributions pursuant to this Article IV unless and until the holder thereof shall have failed to perfect or shall have effectively withdrawn or lost such holder's right to dissent from the Merger under the CCC, and any Dissenting Stockholder shall be entitled to receive only the payment provided by Section 1300 et seq. of the CCC with respect to Shares owned by such Dissenting Stockholder. If any Person who otherwise would be deemed a Dissenting Stockholder shall have failed to properly perfect or shall have effectively withdrawn or lost the right to dissent with respect to any Shares, such Shares shall thereupon be treated as though such Shares had been converted into Parent ADSs pursuant to Section 4.1 hereof. The Company shall give Parent (i) prompt notice of any written demands for appraisal, attempted withdrawals of such demands, and any other instruments served pursuant to applicable law received by the Company relating to stockholders' rights of appraisal and (ii) the opportunity to participate in all negotiations and proceedings with respect to demand for appraisal under the CCC. The Company shall not, except with the prior written consent of Parent, voluntarily make any payment with respect to any demands for appraisals of Dissenting Shares, offer to settle or settle any such demands or approve any withdrawal of any such demands.

4.4. Adjustments to Prevent Dilution. In the event that the Company changes the number of Shares or securities convertible or exchangeable into or exercisable for Shares, subject to the limitations hereunder, or Parent changes the number of Parent Ordinary Shares or securities convertible or exchangeable into or exercisable for shares of Parent Ordinary Shares (or makes a similar change with respect to the Parent ADSs), issued and outstanding prior to the Effective Time as a result of a reclassification, stock split (including a reverse split), stock dividend or distribution, recapitalization, merger, subdivision, issuer tender or exchange offer, or other similar transaction, the Merger Consideration shall be equitably and proportionately adjusted.

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4.5 Additional Contingent Consideration. (i) In addition to the Merger Consideration, in the event on or prior to March 31, 2000 of the occurrence of the DepoCyt Launch Date, as determined in accordance with Exhibit B hereto, each holder of Shares (other than holders of Excluded Shares) at the Effective Time shall be issued, promptly after the later of the Effective Time and the DepoCyt Launch Date, an amount of Parent ADSs (the "DepoCyt ADSs") equal to (a) the number of Shares held by such holder at the Effective Time, *times* (b) 0.106100796 (the "DepoCyt Conversion Price"); provided that such DepoCyt Conversion Price shall be subject to adjustment pursuant to Section 4.4 as if it were the Merger Consideration but using the DepoCyt Launch Date as the point of comparison to the Effective Time for purposes of the adjustments made thereunder. The right to receive DepoCyt ADSs shall be assignable in accordance with Section 4.2(b).

(ii) In addition to the Merger Consideration, in the event that a development and commercialization agreement is signed with a corporate partner in an arms length transaction with respect to (a) DepoMorphine or (b) a macromolecule for the delivery of drugs using DepoFoam technology, on or prior to March 31, 2000 (such trigger date the "Development Agreement Date"), as determined in accordance with Exhibit B hereto, each holder of Shares (other than holders of Excluded Shares) at the Effective Time shall each be issued, promptly after the later of the Effective Time and the Development Agreement Date, an amount of Parent ADSs (the "Development Agreement ADSs") equal to (a) the number of Shares held by such holder at the Effective Time, *times* (b) 0.079575597 (the "Development Agreement Conversion Price"); provided that such Development Agreement Conversion Price shall be subject to adjustment pursuant to Section 4.4 as if it were the Merger Consideration but using the Development Agreement Date as the point of comparison to the Effective Time for purposes of the adjustments made thereunder. The right to received Development Agreement ADSs shall be assignable in accordance with Section 4.2(b).

With respect to holders entitled to claim the DepoCyt ADSs and/or the Development Agreement ADSs under this Section 4.5, the provisions of Section 4.2 shall apply as if such holders were claiming the Merger Consideration, except to the extent the letter of transmittal referred to in Section 4.2(b) above (and related documents) specify otherwise, but substituting the later of (a) the Effective Time and (b) DepoCyt Launch Date or the Development Agreement Date, as the case may be, for the Effective Time throughout.

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ARTICLE V

Representations and Warranties

5.1. Representations and Warranties of the Company. The Company hereby represents and warrants to Parent and Merger Sub that, as of the date hereof and as of the Closing Date:

(a) Organization, Good Standing and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of California and has all requisite corporate or similar power and authority to own and operate its properties and assets and to carry on its business as presently conducted and is qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the ownership or operation of its properties or conduct of its business requires such qualification, except where the failure to be so qualified or in good standing, when taken together with all other such failures, is not reasonably likely to have a Company Material Adverse Effect (as defined below). The Company has made available to Parent a complete and correct copy of the Company's articles of incorporation and by-laws, each as amended to date. Except as set forth on Schedule 5.1(a), the Company's articles of incorporation and by-laws so delivered are in full force and effect. The Company has no, and has not ever had any, Subsidiaries.

As used in this Agreement, the term (i) "Subsidiary" means, with respect to the Company, Parent or Merger Sub, as the case may be, any entity, whether incorporated or unincorporated, of which at least a majority of the securities or ownership interests having by their terms ordinary voting power to elect a majority of the board of directors or other persons performing similar functions is directly or indirectly owned or controlled by such party or by one or more of its respective Subsidiaries or by such party and any one or more of its respective Subsidiaries, as the case may be, and (ii) "Company Material Adverse Effect" means a material adverse effect on the condition (financial or otherwise), business, results of operations, prospects, properties, assets or liabilities of the Company, taken as a whole.

(b) Capital Structure. The authorized capital stock of the Company consists of 30,000,000 Shares, of which 17,464,324 Shares are outstanding as of the date hereof, and 5,000,000 shares of Preferred Stock, no par value per share (the "Preferred Shares"), of which no shares are outstanding as of the date hereof. All of the outstanding Shares have been duly authorized and are validly issued, fully paid and nonassessable. The Company has no Shares or Preferred Shares reserved for issuance, except that there are 3,409,072 Shares reserved for issuance pursuant to the Company's plans, agreements and arrangements and warrants ("Stock Plans"). Schedule 5.1(b) contains a correct and complete list of each outstanding option, warrant or other right to purchase Shares under

the Stock Plans or otherwise (each a "Company Option"), including the holder, exercise price and number of Shares or capital stock or equity subject thereto. All such options shall expire at the Effective Time, with no further rights or obligations outstanding with respect thereto, except as set forth in Section 6.10 hereof. Except as set forth on Schedule 5.1(b), there are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements or commitments to issue or sell any shares of capital stock or other securities of the Company or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any securities of the Company, and no securities or obligations evidencing such rights are authorized, issued or outstanding. The Company does not have outstanding any bonds, debentures, notes or other obligations the holders of which have the right to vote (or convertible into or exercisable for securities having the right to vote) with the stockholders of the Company on any matter ("Voting Debt").

(c) Corporate Authority; Approval and Fairness. (i) The Company has all requisite corporate power and authority and has taken all corporate action necessary in order to execute, deliver and perform its obligations under this Agreement and to consummate, subject only to the adoption of this Agreement by the holders of a majority of the outstanding Shares (the "Company Requisite Vote"), the Merger. This Agreement is a valid and binding agreement of the Company enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles (the "Bankruptcy and Equity Exception").

(ii) The board of directors of the Company (A) has unanimously approved this Agreement and the Merger and the other transactions contemplated hereby and (B) has received the opinion of its financial advisors, EGS Securities, to the effect that the consideration to be received by the holders of the Shares pursuant to this Agreement is fair to such holders from a financial point of view, subject to customary limitations.

(d) Governmental Filings; No Violations. (i) Other than the filings and/or notices (A) pursuant to Section 1.3, (B) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the Securities Act of 1933, as amended (the "Securities Act"), (C) to comply with state securities or "blue-sky" laws, (D) required to be made with NASDAQ, no notices, reports or other filings are required to be made by the Company with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by the Company from, any governmental or regulatory authority, agency, commission, body or other governmental entity

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("Governmental Entity"), in connection with the execution and delivery of this Agreement by the Company and the consummation by the Company of the Merger and the other transactions contemplated hereby, except those that the failure to make or obtain are not, individually or in the aggregate, reasonably likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of Company to consummate the transactions contemplated by this Agreement.

(ii) Except as set forth on Schedule 5.1(d), the execution, delivery and performance of this Agreement by the Company do not, and the consummation by the Company of the Merger and the other transactions contemplated hereby will not, constitute or result in (A) a breach or violation of, or a default under, the certificate or by-laws of the Company, (B) a breach or violation of, or a default under, the acceleration of any obligations or the creation of a lien, pledge, charge, security interest or other encumbrance on the assets of the Company (with or without notice, lapse of time or both) pursuant to, any agreement, lease (including, without limitation, leases and purchase agreements for real property), contract, note, mortgage, indenture, arrangement or other obligation ("Contracts") binding upon the Company or any Law (as defined in Section 5.1(i)) or governmental or non-governmental permit or license to which the Company is subject or (C) any change in the rights or obligations of any party under any of the Contracts, except, in the case of clause (B) or (C) above, for any breach, violation, default, acceleration, creation or change that, individually or in the aggregate, is not reasonably likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of the Company to consummate the transactions contemplated by this Agreement. Schedule 5.1(d) sets forth a correct and complete list of material Contracts of the Company pursuant to which consents, notices, waivers or other actions are or may be required prior to consummation of the transactions contemplated by this Agreement (whether or not subject to the exception set forth with respect to clauses (B) and (C) above).

(e) Company Reports; Financial Statements. The Company has delivered to Parent each registration statement, report, proxy statement or information statement prepared by it (including, without limitation, (i) the Company's Annual Reports on Form 10-K, (ii) the Company's Current Reports on Form 8-K and (iii) the Company's Quarterly Reports on Form 10-Q), each in the form (including exhibits, annexes and any amendments thereto) filed with the Securities and Exchange Commission since January 1, 1996 (the "SEC") (collectively, including any such reports filed subsequent to the date hereof, the "Company Reports"). As of their respective dates, the Company Reports did not, and any Company Reports filed with the SEC subsequent to the date hereof will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading. Each of the consolidated balance sheets included in or incorporated by reference into the

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Company Reports (including the related notes and schedules) fairly presents, or will fairly present, the consolidated financial position of the Company as of its date and each of the consolidated statements of operations, statements of cash flows and statements of shareholders' equity included in or incorporated by reference into the Company Reports (including any related notes and schedules) fairly presents, or will fairly present, the results of operations, accumulated deficits, shareholders' equity and cash flows, as the case may be, of the Company for the periods set forth therein (subject, in the case of unaudited statements, to notes and normal year-end audit adjustments that will not be material in amount or effect), in each case in accordance with generally accepted accounting principles in the United States ("US GAAP") consistently applied during the periods involved, except as may be noted therein.

(f) Absence of Certain Changes. Except as set forth on Schedule 5.1(f), since December 31, 1997 (the "Audit Date") the Company has conducted its business only in, and has not engaged in any material transaction other than according to, the ordinary and usual course of such business and there has not been (i) any change or development of a state of circumstances in the financial condition, properties, prospects, business or results of operations of the Company or otherwise any development or combination of developments that, individually or in the aggregate, has had or may have a Company Material Adverse Effect, excluding any adverse effects that are the result of a downturn in the industry sector or downturn in the economy generally; (ii) any material damage, destruction or other casualty loss with respect to any material asset or property owned, leased or otherwise used by the Company, whether or not covered by insurance; (iii) any declaration, setting aside or payment of any dividend or other distribution in respect of the capital stock of the Company, except for dividends or other distributions on its capital stock publicly announced prior to the date hereof; or (iv) any change by the Company in accounting principles, practices or methods except such changes as required by changes in US GAAP. Since the Audit Date, except as set forth on Schedule 5.1(f), there has not been any increase in the compensation payable or that could become payable by the Company to officers or key employees or any amendment of any of the Compensation and Benefit Plans (as defined in paragraph (h) below) other than increases or amendments in the ordinary course of business.

(g) Litigation and Liabilities. Except as set forth in Schedule 5.1(g), there are no (i) civil, criminal or administrative actions, suits, claims, hearings, investigations or proceedings pending or, to the knowledge of the Company, threatened against the Company or any of its Affiliates or (ii) obligations or liabilities, whether or not accrued, contingent or otherwise and whether or not required to be disclosed, including those relating to environmental and occupational safety and health matters, or any other facts or circumstances of which the Company has knowledge that could reasonably result in any claims against, or obligations or liabilities of, the Company or

any of its Affiliates, other than those which are not reasonably likely to have a Company Material Adverse Effect.

(h) Employee Benefits. (i) A copy of each bonus, deferred compensation, pension, retirement, profit-sharing, thrift, savings, employee stock ownership, stock bonus, stock purchase, restricted stock, stock option, employment, termination, severance, compensation, medical, health or other plan, agreement, policy or arrangement that covers employees, directors, agents, former employees, former agents or former directors of the Company and which has not been previously terminated with no further obligations outstanding thereunder (the "Compensation and Benefit Plans") and any trust agreement or insurance contract forming a part of such Compensation and Benefit Plans has been provided or made available to Parent prior to the date hereof. The material Compensation and Benefit Plans are listed on Schedule 5.1(h) and any "change of control" or similar provisions or any provisions which might otherwise be triggered by this Agreement or the transactions contemplated hereunder therein are identified on Schedule 5.1(h).

(ii) To the Company's knowledge, all Compensation and Benefit Plans are in substantial compliance with all applicable law, including the Code and the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Each Compensation and Benefit Plan that is an "employee pension benefit plan" within the meaning of Section 3(2) of ERISA (a "Pension Plan") and that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service (the "IRS"), with respect to "TRA" (as defined in Section 1 of Rev, Proc. 93-39) and the Company is not aware of any circumstances likely to result in revocation of any such favorable determination letter. There is no pending or, to the knowledge of the Company, threatened litigation, claims actions or proceedings relating to the Compensation and Benefit Plans. The Company has not engaged in a transaction with respect to any Compensation and Benefit Plan that, assuming the taxable period of such transaction expired as of the date hereof, would subject the Company to a material tax or penalty imposed by either Section 4975 of the Code or Section 502 of ERISA.

(iii) No liability under Subtitle C or D of Title IV of ERISA has been or is reasonably expected to be incurred by the Company with respect to any ongoing, frozen or terminated "single-employer plan", within the meaning of Section 4001(a)(15) of ERISA, currently or formerly maintained by any of them, or the single-employer plan of any entity which is considered one employer with the Company under Section 4001 of ERISA or Section 414 of the Code (an "ERISA Affiliate"). The Company has not contributed, or been obligated to contribute, to a multiemployer plan under Subtitle E of Title IV of ERISA at any time since September 26, 1980. No notice of a "reportable event", within the meaning of Section 4043 of ERISA for which the 30-day reporting requirement has not been waived, has been required to be filed for any Pension Plan or by

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any ERISA Affiliate within the 12-month period ending on the date hereof or will be required to be filed in connection with the transactions contemplated by this Agreement.

(iv) All contributions required to be made under the terms of any Compensation and Benefit Plan as of the date hereof have been timely made or have been reflected on the most recent consolidated balance sheet filed or incorporated by reference in the Company Reports prior to the date hereof. Neither any Pension Plan nor any single-employer plan of an ERISA Affiliate has an "accumulated funding deficiency" (whether or not waived) within the meaning of Section 412 of the Code or Section 302 of ERISA and no ERISA Affiliate has an outstanding funding waiver. The Company has not provided, and is not required to provide, security to any Pension Plan or to any single-employer plan of an ERISA Affiliate pursuant to Section 401(a)(29) of the Code.

(v) Under each Pension Plan which is a single-employer plan, as of the last day of the most recent plan year ended prior to the date hereof, the actuarially determined present value of all "benefit liabilities", within the meaning of Section 4001(a)(16) of ERISA (as determined on the basis of the actuarial assumptions contained in the Pension Plan's most recent actuarial valuation), did not exceed the then current value of the assets of such Pension Plan, and there has been no material change in the financial condition of such Pension Plan since the last day of the most recent plan year.

(vi) The Company has no obligations for retiree health and life benefits under any Compensation and Benefit Plan, except as set forth on Schedule 5.1(h). The Company may amend or terminate any such plan under the terms of such plan at any time without incurring any material liability thereunder.

(vii) Except as set forth on Schedule 5.1(h) and as contemplated in Section 6.10, including the total amounts due under any such exceptions, the consummation of the Merger and the other transactions contemplated by this Agreement will not (x) entitle any employees of the Company to severance pay, (y) accelerate the time of payment or vesting or trigger any payment of compensation or benefits or forgiveness of obligations under, increase the amount payable or trigger any other material obligation pursuant to, any of the Compensation and Benefit Plans or (z) result in any breach or violation of, or a default under, any of the Compensation and Benefit Plans.

(i) Compliance with Laws; Permits. Except as Disclosed in the Company Reports filed prior to the date hereof, the businesses of the Company have not been, and are not being, conducted in violation of any federal, state, local or foreign law, statute, ordinance, rule, regulation, judgment, order, injunction, decree, arbitration award, agency requirement, license or permit of any Governmental Entity (individually, "Law" and collectively, "Laws"). Except as Disclosed in the Company Reports filed prior to the

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date hereof, no investigation or review by any Governmental Entity with respect to the Company or any of its Subsidiaries is pending or, to the knowledge of the Company, threatened, nor has any Governmental Entity indicated an intention to conduct the same. To the knowledge of the Company, no material change is required in the Company's processes, properties or procedures in connection with any such Laws, and the Company has not received any notice or communication of any material noncompliance with any such Laws that has not been cured as of the date hereof. The Company has all permits, licenses, franchises, variances, exemptions, orders and other governmental authorizations, consents and approvals necessary to conduct its business as presently conducted, except as Disclosed in the Company Reports filed prior to the date hereof and except those the absence of which are not, individually or in the aggregate, reasonably likely to have a Company Material Adverse Effect or prevent or materially burden or materially impair the ability of the Company to consummate the Merger and the other transactions contemplated by this Agreement.

(j) Takeover Statutes. (i) No "fair price," "moratorium," "control share acquisition" or other similar anti-takeover statute or regulation of any nature, each a "Takeover Statute") and (ii) no anti-takeover provision in the Company's articles of incorporation and by-laws requiring a supermajority approval of the Merger by the Company's shareholders, is, or at the Effective Time will be, applicable to the Company, the Shares, the Merger or the other transactions contemplated by this Agreement.

(k) Environmental Matters. Except as Disclosed in the Company Reports filed prior to the date hereof or as set forth in Schedule 5.1(k): (i) the Company has at all times complied with all applicable Environmental Laws; (ii) the properties currently owned or operated by the Company (including soils, groundwater, surface water, buildings or other structures) are not contaminated with any Hazardous Substances; (iii) the properties formerly owned or operated by the Company were not contaminated with Hazardous Substances on or prior to the period of ownership or operation by the Company; (iv) the Company is not subject to liability for any Hazardous Substance disposal or contamination on any third party property; (v) the Company has not been associated with any release or threat of release of any Hazardous Substance; (vi) the Company has not received any notice, demand, letter, claim or request for information indicating that the Company may be in violation of or liable under any Environmental Law; (vii) the Company is not subject to any orders, decrees, injunctions or other arrangements with any Governmental Entity or is subject to any indemnity or other agreement with any third party relating to liability under any Environmental Law or relating to Hazardous Substances; and (viii) there are no other circumstances or conditions involving the Company that are reasonably likely to result in any material claims, liability, investigations, costs or restrictions on the ownership, use, or transfer of any property of the Company pursuant to any Environmental Law.

As used herein, the term "Environmental Law" means any federal, state, local or foreign law, statute, ordinance, regulation, judgment, common law, order, decree, arbitration award, agency requirement, license, permit, authorization or opinion, relating to: (A) the protection, investigation or restoration of the environment, health and safety, or natural resources, (B) the handling, use, presence, disposal, release or threatened release of any Hazardous Substance or (C) noise, odor, wetlands, pollution, contamination or any injury or threat of injury to persons or property.

As used herein, the term "Hazardous Substance" means any substance that is: (A) listed, classified or regulated pursuant to any Environmental Law; (B) any petroleum product or by-product, asbestos-containing material, lead-containing paint or plumbing, polychlorinated biphenyls, radioactive materials or radon; or (C) any other substance which may be the subject of regulatory action by any Government Entity pursuant to any Environmental Law.

(l) Tax Matters. As of the date hereof, neither the Company nor any of its Affiliates has taken or agreed to take any action, nor does the Company have any knowledge of any fact or circumstance, that would prevent the Merger contemplated by this Agreement from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code.

(m) Taxes. Except as set forth in Schedule 5.1(m), the Company (i) has prepared in good faith and duly and timely filed (taking into account any extension of time within which to file) all Tax Returns (as defined below) required to be filed by any of them and all such filed Tax Returns are complete and accurate in all material respects; (ii) has paid all Taxes (as defined below) that are required to be paid or that the Company is obligated to withhold from amounts owing to any employee, creditor or third party, except with respect to matters contested in good faith; and (iii) has not waived any statute of limitations with respect to Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency. As of the date hereof, there are not pending or, to the knowledge of the Company threatened in writing, any audits, examinations, investigations or other proceedings against the Company in respect of Taxes or Tax matters. There are not any unresolved questions or claims concerning the Company's Tax liability that may have a Company Material Adverse Effect. The Company has made available to Purchaser true and correct copies of the United States federal income Tax Returns filed by the Company for each of the fiscal year commencing with the Company's initial fiscal year and including the year ended December 31, 1997. The Company has paid, or have made adequate provision or set up an adequate accrual or reserve for the payment of, all Taxes owing by the Company, except for inadequately reserved Taxes that would not, individually or in the aggregate with any other failure or misrepresentation under this Section 5.1(m), be material

As used in this Agreement, (i) the term "Tax" (including, with correlative meaning, the terms "Taxes", and "Taxable") includes all federal, state, local and foreign income, profits, franchise, gross receipts, environmental, customs duty, capital stock, severances, stamp, payroll, sales, employment, unemployment, disability, use, property, withholding, excise, production, value added, occupancy and other taxes, duties or assessments of any nature whatsoever, together with all interest, penalties and additions imposed with respect to such amounts and any interest in respect of such penalties and additions, and (ii) the term "Tax Return" includes all returns and reports (including elections, declarations, disclosures, schedules, estimates and information returns) required to be supplied to a Tax authority relating to Taxes.

(n) Labor Matters. The Company is not a party to or otherwise bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization, nor, as of the date hereof, is the Company the subject of any material proceeding asserting that the Company has committed an unfair labor practice or is seeking to compel it to bargain with any labor union or labor organization nor is there pending or, to the knowledge of the Company, threatened, nor has there been for the past five years, any labor strike, dispute, walk-out, work stoppage, slow-down or lockout involving the Company.

(o) Insurance. All material fire and casualty, clinical trials, general liability, business interruption, product liability, and sprinkler and water damage insurance policies maintained by the Company are with reputable insurance carriers, provide full and adequate coverage for all normal risks incident to the business of the Company and its properties and assets, and are in character and amount at least equivalent to that carried by persons engaged in similar businesses and subject to the same or similar perils or hazards.

(p) Intellectual Property. (i) The Company owns, or is licensed or otherwise possesses legally enforceable rights to use all patents, trademarks, trade names, logos, service marks, copyrights, and any applications therefor, technology, know-how, trade secrets, technical and business proprietary information, computer software programs or applications, and tangible or intangible proprietary information, data, samples, or materials including, without limitation, materials and documents used in connection or association therewith, that are used or reasonably necessary in the business of the Company as currently conducted, except for any such failures to own, be licensed or possess that, individually or in the aggregate, are not reasonably likely to have a Company Material Adverse Effect, and to the knowledge of the Company all patents, trademarks, trade names, service marks and copyrights held by the Company are valid and subsisting. The Company is not aware of any reasonable basis for the denial of any pending patent application (including divisions, continuations, continuations in part, reissuances and reexamination applications) relating to Company Intellectual Property

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Rights or Third-Party Intellectual Property Rights (as defined below) and does not believe that anything contained in such patent applications is reasonably likely to adversely affect any extension, modification, reissuance or reexamination of existing patents or patent applications relating to Company Intellectual Property Rights or Third-Party Intellectual Property Rights. The Company Intellectual Property Rights have not been permitted to lapse or expire except as indicated in the conduct of the business of the Company and no trade secret information has been disclosed except pursuant to an undertaking of confidentiality.

(ii) Except as set forth on Schedule 5.1(p) or as is not reasonably likely to have a Company Material Adverse Effect:

(A) the Company is not, nor will it be as a result of the execution and delivery of this Agreement or the performance of its obligations hereunder, in violation of any licenses, sublicenses and other agreements as to which the Company is a party, or result in a termination or material change in obligations or benefits under such licenses, sublicenses or other agreements, and pursuant to which the Company is authorized to use any third-party patents (including divisions, continuations, continuations in part, reissuances, reexaminations and modifications), trademarks, service marks, software, copyrights or know-how ("Third-Party Intellectual Property Rights");

(B) no claims or proceedings with respect to (I) the patents (including divisions, continuations, continuations in part, reissuances, and modifications), trademarks and service marks, and registrations therefor, copyrights, copyright registrations, trade names, and any applications therefor owned by or under obligation of assignment to the Company (the "Company Intellectual Property Rights"); (II) any trade secret material to the Company; or (III) Third-Party Intellectual Property Rights are currently pending or, to the knowledge of the Company, are threatened by any Person;

(C) the Company does not know of any valid grounds for any bona fide claims (I) to the effect that the manufacture, sale, licensing or use of any product as now used, sold or licensed or proposed for use, sale or license by the Company infringes on or is in violation of any copyright, patent, trademark, service mark or trade secret; (II) against the use by the Company, of any trademarks, trade names, trade secrets, copyrights, patents, technology, know-how or computer software programs and applications used in the business of the Company as currently conducted or as proposed to be conducted; (III) challenging the ownership, scope,

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validity or effectiveness of any of the Company Intellectual Property Rights or other trade secret material to the Company; or (IV) challenging the license or legally enforceable right to use of the Third-Party Intellectual Rights by the Company; and

(D) to the knowledge of the Company, there is no unauthorized use, infringement, conflicts with, violation or misappropriation of any of the Company Intellectual Property Rights by any third party, including any employee or former employee of the Company.

(q) Brokers and Finders. Neither the Company nor any of its officers, directors or employees has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finders, fees in connection with the Merger or the other transactions contemplated in this Agreement except that the Company has employed EGS Securities as its financial advisor, the arrangements with which have been disclosed in writing to Parent prior to the date hereof.

(r) FDA Matters. (i) Schedule 5.1(r) contains a complete and correct list of all products that are being researched, tested or studied on human or animal subjects or distributed for commercial sale by the Company (the "Products") (including, a list of all material Licenses (as defined below) for each Product that has been obtained by the Company, or form the basis for manufacturing, distribution, sale or human or animal research, testing or studies of a Product by the Company).

(ii) Except as set forth on Schedules 5.1(d) and (r), (A) with respect to each Product: (i) the Company has obtained all applicable approvals, clearances, authorizations, licenses and registrations required by United States or foreign governments or government agencies including, without limitation, the United States Food and Drug Administration (the "FDA") and the Drug Enforcement Administration of the Department of Justice to permit the manufacture, distribution, sale, marketing, to the extent applicable, or human or animal research, testing or studies of such Product, as the case may be (collectively, "Licenses"); (ii) the Company is in compliance with all requirements pertaining to the manufacture, distribution, sale (to the extent applicable) or human or animal research of such Product; and (iii) to the extent such product is intended for export from the United States, the Company is in compliance with either all FDA and export requirements and is in compliance with all applicable laws relating to research, testing, storage, handling or manufacture, sale or marketing (to the extent applicable) of drugs or medical devices; (B) to the extent applicable, all human and animal research performed by or for the Company have been and are being conducted in compliance with the current good industry practice, including for human and animal research, testing or studies but not limited to, the good human and animal research, testing and clinical studies regulations issued by FDA; (C) to the extent applicable, all nonclinical laboratory

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studies, as described in 21 C.F.R. 58.3(d), sponsored by the Company has been and are being conducted in compliance with the good laboratory practice regulations set forth in 21 C.F.R. Part 58; and (D) to the extent applicable, the Company is in compliance with all reporting requirements for all Licensees or plant registrations described in the preceding clause (ii)(A)(i), including, but not limited to, the adverse event reporting requirements for drugs in 21 C.F.R. Parts 312 and 314 and for devices in 21 C.F.R. Parts 812 and 803, as applicable; except, in the case of all of the preceding clauses in this Section (ii), for any such failures to obtain licenses or noncompliances with requirements which, individually or in the aggregate, would not reasonably be expected to have a Company Material Adverse Effect. Without limiting the generality of the foregoing definition of "Licenses", such definition shall specifically include, with respect to the United States, new drug applications, abbreviated new drug applications, product license applications, investigational new drug applications, and product export applications issued by the FDA, as well as registrations issued by the DEA.

(iii) Neither the Company nor, to the knowledge of the Company, any of its officers, employees or agents has made any untrue statement of a material fact or fraudulent statement to FDA, failed to disclose a fact required to be disclosed to FDA, or committed any act, made any statement, or failed to make any statement that would reasonably be expected to provide a basis for FDA to invoke its policy respecting "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities," set forth in 56 Fed. Reg. 46191 (September 10, 1991).

(iv) The Company has provided or made available to Parent all documents in its possession concerning communications to or from FDA or other applicable agencies regulating the research, testing, storage, handling, marketing or sale of drugs or medical devices (as applicable) or prepared by FDA, which bear in any material respect on compliance by the Company with FDA or other such regulatory requirements.

(s) Material Contracts. Schedule 5.1(s) contains a list of all Contracts by which the Company is bound and which are material to the current, or, in the light of the Company's 1999 and 2000 Annual Operating Plan previously provided to Parent by Company (the "Business Plan"), proposed future operation of the business of the Company. Each such Contract is valid and in full force and effect and there exists no default or occurrence, condition, commitment or act (including the consummation of the Merger) which would, with the passage of time, the giving of notice, or both, cause a default thereunder. To the best knowledge of the Company, all of the obligations to be performed by the other parties to each such Contract have been fully performed.

(t) Properties. Except as set forth on Schedule 5.1(t), with respect to each item of real property which the Company owns or leases, except for such matters

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that, individually or in the aggregate, are not reasonably likely to be material: (a) the Company has good and clear record and marketable title to such property, insurable by a recognized national title insurance company at standard rates, or a valid leasehold interest, as the case may be, free and clear of any security interest, easement, covenant or other restrictions, except for recorded easements, covenants and other restrictions which do not materially impair the current uses or occupancy of such property; and (b) the improvements constructed on such property are in good condition, and all mechanical and utility systems servicing such improvements are in good condition free in each case of material defects.

(u) Principal Stockholders of the Company. Except as set forth on Schedule 5.1(u), to the best knowledge of the Company after reasonable investigation, as of the date of this Agreement, no person or affiliated group of persons beneficially owns, or would beneficially own assuming the exercise of all options or rights to acquire Securities of the Company in favor of any such person, five percent or more of the Shares.

(v) Vote Required. The adoption of this Agreement and the authorization of the Merger by the affirmative vote of the holders of Shares entitling such holders to exercise at least a majority of the total voting power of the Shares (the "Company Stockholders' Approval") is the only vote of the holders of any class or series of the capital stock of the Company required to approve this Agreement, the Merger and the other transactions contemplated hereby.

(w) Affiliate Transactions. Except as set forth on Schedule 5.1(w), to the knowledge of the Company, no officer or director of the Company is a party to any transaction with the Company (A) providing for the rental of real or personal property from, or (B) otherwise requiring payments to (other than for services in their capacities as officers, directors or employees) any such person or any corporation, partnership, trust or other entity in which any such person has an interest as a stockholder (other than holdings of less than 1% of the shares of such corporation), officer, director, trustee or partner (other than holdings of less than 1% of the partnership interests in such partnership).

(x) Year 2000. The Company has reviewed its operations and any third parties with which the Company has a material relationship to evaluate the extent to which the business or operations of the Company will be affected by the Year 2000 Problem. The Year 2000 Problem is not reasonably likely to have a material adverse effect on the general affairs, management, the current or future consolidated financial position, business prospects, stockholders' equity or results of operations of the Company and its subsidiaries or result in any material loss or interference with the Company's business or operations. The "Year 2000 Problem" as used herein means any significant risk that computer hardware or software used in the receipt, transmission, processing,

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manipulation, storage, retrieval, retransmission or other utilization of data or in the operation of mechanical or electrical systems of any kind will not, in the case of dates or time periods occurring after December 31, 1999, function at least as effectively as in the case of dates or time periods occurring prior to January 1, 2000.

5.2. Representations and Warranties of Parent and Merger Sub. Parent and Merger Sub each hereby represent and warrant to the Company that, as of the date hereof and as of the Closing Date:

(a) Capitalization of Merger Sub. The authorized capital stock of Merger Sub consists of 1,000 shares of Common Stock all of which are validly issued and outstanding. All of the issued and outstanding capital stock of Merger Sub is, and at the Effective Time will be, owned directly or indirectly by Parent, and there are (i) no other shares of capital stock or voting securities of Merger Sub, (ii) no securities of Merger Sub convertible into or exchangeable for shares of capital stock or voting securities of Merger Sub and (iii) no options or other rights to acquire from Merger Sub, and no obligations of Merger Sub to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of Merger Sub. Merger Sub has not conducted any business prior to the date hereof and has no, and prior to the Effective Time will have no, assets, liabilities or obligations of any nature other than those incident to its formation and pursuant to this Agreement and the Merger and the other transactions contemplated hereby.

(b) Organization, Good Standing and Qualification. Each of Parent and its Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its respective jurisdiction of organization and has all requisite corporate or similar power and authority to own and operate its properties and assets and to carry on its business as presently conducted and is qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the ownership or operation of its properties or conduct of its business requires such qualification, except where the failure to be so qualified or in such good standing, when taken together with all other such failures, is not reasonably likely to have a Parent Material Adverse Effect (as defined below). Parent has made available to the Company a complete and correct copy of Parent's Memorandum and Articles of Association, each as amended to the date hereof. Parent's Memorandum and Articles of Association as so delivered are in full force and effect.

As used in this Agreement, the term "Parent Material Adverse Effect" means a material adverse effect on the condition (financial or otherwise), properties, prospects, business or results of operations, assets or liabilities of the Parent and its Subsidiaries, taken as a whole.

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(c) Capital Structure. The authorized capital stock of Parent consists of 545,000,000 Parent Ordinary Shares, nominal value 10 pence each, of which 399,959,529 shares have been issued as of September 30, 1998 and such number has not varied more than 2% as of the date hereof. All of the issued Parent Ordinary Shares have been duly authorized and are validly issued, fully paid and nonassessable. Parent has no Parent Ordinary Shares reserved for issuance except that there are Parent Ordinary Shares subject to the plans, agreements and arrangements set forth on Schedule 5.2(c) (the "Parent Stock Plans"). Each of the outstanding shares of capital stock of each of Parent's Subsidiaries is duly authorized, validly issued, fully paid and nonassessable and owned by a direct or indirect wholly-owned subsidiary of Parent, free and clear of any lien, pledge, security interest, claim or other encumbrance. Except as set forth on Schedule 5.2(c) or as may be required by the Companies Act, the rules and regulations of the London Stock Exchange, or Parent's Memorandum and Articles of Association, there are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements or commitments to issue or to sell any shares of capital stock or other securities of Parent or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any securities of Parent and no securities or obligation evidencing such rights are authorized, issued or outstanding. Except as set forth on Schedule 5.2(c), Parent does not have outstanding any bonds, debentures, notes or other obligations the holders of which have the right to vote (or convertible into or exercisable for securities having the right to vote) with the stockholders of Parent on any matter ("Parent Voting Debt"). The Parent ADSs are issued pursuant to the Deposit Agreement currently in effect, among Parent and The Bank of New York, as Depositary (and all owners and holders from time to time of ADRs issued thereunder) (the "Deposit Agreement").

(d) Corporate Authority. (i) Each of the Parent and Merger Sub has all requisite corporate power and authority and has taken all corporate action necessary in order to execute, deliver and perform its obligations under this Agreement and to consummate the Merger. This Agreement is a valid and binding agreement of Parent and Merger Sub, enforceable against each of Parent and Merger Sub in accordance with its terms, subject to the Bankruptcy and Equity Exception.

(ii) Prior to the Effective Time, Parent will have taken all necessary action to permit it to issue the number of Parent Ordinary Shares underlying the Parent ADSs required to be issued pursuant to Article IV. Such Parent Ordinary Shares, when issued, will be validly issued, fully paid and nonassessable, and no stockholder of Parent will have any preemptive right of subscription or purchase in respect thereof. Such Parent Ordinary Shares, when issued, will be registered under the Securities Act and Exchange Act and registered or exempt from registration under any applicable state securities or "blue sky" laws.

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(iii) The Board of Directors of each of Parent and Merger Sub has unanimously approved this Agreement and the Merger and the other transactions contemplated hereby, as necessary.

(e) Governmental Filings; No Violations. (i) Other than the filings and/or notices (A) pursuant to Section 1.3, (B) under the HSR Act, the Securities Act and the Exchange Act, (C) to comply with state securities or "blue sky" laws, (D) required to be made with NASDAQ and (E) filings required by the Companies Act and the rules and regulations of the London Stock Exchange, no notices, reports or other filings are required to be made by Parent or Merger Sub with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by Parent or Merger Sub from, any Governmental Entity, in connection with the execution and delivery of this Agreement by Parent and Merger Sub and the consummation by Parent and Merger Sub of the Merger and the other transactions contemplated hereby, except those that the failure to make or obtain are not, individually or in the aggregate, reasonably likely to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the ability of Parent or Merger Sub to consummate the transactions contemplated by this Agreement.

(ii) The execution, delivery and performance of this Agreement by Parent and Merger Sub do not, and the consummation by Parent and Merger Sub of the Merger and the other transactions contemplated hereby will not, constitute or result in (A) a breach or violation of, or a default under, the certificate or by-laws of Parent and Merger Sub or the comparable governing instruments of any of its Subsidiaries, (B) a breach or violation of, or a default under, the acceleration of any obligations or the creation of a lien, pledge, security interest or other encumbrance on the assets of Parent or any of its Subsidiaries (with or without notice, lapse of time or both) pursuant to, any Contracts binding upon Parent or any of its Subsidiaries or any Law or governmental or non-governmental permit or license to which Parent or any of its Subsidiaries is subject or (C) any change in the rights or obligations of any party under any of the Contracts, except, in the case of clause (B) or (C) above, for breach, violation, default, acceleration, creation or change that, individually or in the aggregate, is not reasonably likely to have a Parent Material Adverse Effect or prevent, materially delay or materially impair the ability of Parent or Merger Sub to consummate the transactions contemplated by this Agreement.

(f) Parent Reports; Financial Statements. Parent has delivered to the Company each registration statement proxy statement, information statement or report - prepared by it, each in the form (including exhibits, annexes and any amendments thereto) filed with the SEC (collectively, including any such reports filed subsequent to the date hereof, the "Parent Reports"). As of their respective dates, the Parent Reports did not, and any Parent Reports filed with the SEC subsequent to the date hereof will not,

contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading. Each of the consolidated balance sheets included in or incorporated by reference into the Parent Reports (including the related notes and schedules) fairly presents, or will fairly present, the consolidated financial position of Parent and its Subsidiaries as of its date and each of the consolidated statements of income, cash flows and gains and losses included in or incorporated by reference into the Parent Reports (including any related notes and schedules) fairly presents, or will fairly present, the results of operations, retained earnings and changes in financial position, as the case may be, of Parent and its Subsidiaries for the periods set forth therein (subject, in the case of unaudited statements, to notes and normal year-end audit adjustments that will not be material in amount or effect), in each case in accordance with generally accepted accounting principles in the United Kingdom ("UK GAAP") consistently applied during the periods involved, except as may be noted therein.

(g) Absence of Certain Changes. Except as set forth on Schedule 5.2(g), since December 31, 1997 Parent and its Subsidiaries have conducted their respective businesses only in, and have not engaged in any material transaction other than according to, the ordinary and usual course of such businesses and there has not been (i) any change or development of a state of circumstances in the financial condition, properties, prospects, business or results of operations of Parent and its Subsidiaries or any development or combination of developments of which management of Parent has knowledge that, individually or in the aggregate, has had or is reasonably likely to result in a Parent Material Adverse Effect; (ii) any material damage, destruction or other casualty loss with respect to any material asset or property owned, leased or otherwise used by Parent or any of its Subsidiaries, whether or not covered by insurance; or (iii) any change by Parent in accounting principles, practices or methods; or (iv) any declaration, setting aside or payment of any dividend or other distribution in respect of the capital stock of Parent, except for dividends or other distributions on its capital stock publicly announced prior to the date hereof.

(h) Litigation and Liabilities. There are no (i) civil, criminal or administrative actions, suits, claims, hearings, investigations or proceedings pending or, to the knowledge of Parent, threatened against Parent or any of its Affiliates or (ii) obligations or liabilities, whether or not accrued, contingent or otherwise and whether or not required to be disclosed, including those relating to environmental and occupational safety and health matters, or any other facts or circumstances of which Parent has knowledge that could result in any claims against, or obligations or liabilities of, Parent or any of its Affiliates, except for those that are not, individually or in the aggregate, reasonably likely to have a Parent Material Adverse Effect or prevent or

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materially burden or materially impair the ability of Parent or Merger Sub to consummate the transactions contemplated by this Agreement.

(i) Brokers and Finders. Neither Parent nor any of its officers, directors or employees has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finders, fees in connection with the Merger or the other transactions contemplated by this Agreement, except that Parent has employed Salomon Smith Barney as its financial advisors.

(j) Vote Required. Except as set forth on Schedule 5.2(j), no vote of the holders of the Parent Ordinary Shares is required to approve this Agreement, the Merger and the other transactions contemplated hereby.

ARTICLE VI

Covenants

6.1. Interim Operations. The Company covenants and agrees that, after the date hereof and prior to the Effective Time (unless Parent shall otherwise approve in writing and except as otherwise expressly contemplated by this Agreement):

(a) its business shall be conducted in the ordinary and usual course and, to the extent consistent therewith, it shall use its reasonable best efforts to preserve its business organization intact and maintain its existing relations and goodwill with customers, suppliers, distributors, creditors, lessors, employees and business associates;

(b) it shall not (i) form or acquire (by means of transfer, purchase or otherwise) any Subsidiaries; (ii) amend its articles of incorporation or by-laws or amend, modify or terminate the Stock Plans, other than as expressly required hereunder (including, without limitation, as set forth in Section 6.10); (iii) split, combine or reclassify its outstanding shares of capital stock; (iv) declare, set aside or pay any dividend payable in cash, stock or property in respect of any capital stock;

(c) it shall not (i) issue, sell, pledge, dispose of or encumber any shares of, or securities convertible into or exchangeable or exercisable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of its capital stock of any class or any Voting Debt or any other property or assets (other than Shares issuable pursuant to options outstanding on the date hereof under the Stock Plans); (ii) other than in the ordinary and usual course of business, transfer, lease, license, guarantee, sell, mortgage, pledge, dispose of or encumber any other property or assets or incur or modify any other material liability or modify any current material indebtedness; (iii) make or authorize or commit for any expenditures (including capital expenditures and

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expenditures relating to the use of Third-Party Intellectual Property Rights or the development, marketing or in-licensing of any products) or, by any means, make any acquisition of, or investment in, assets or stock of any other Person or entity in excess of (or reasonably likely to result in expenditures in excess of) $100,000 or (iv) authorize or enter into any agreement or other commitment relating to the licensing of any of the Company's products or the marketing by the Company of a third-party's products;

(d) it shall not terminate, establish, adopt, enter into, make any new grants or awards under, amend or otherwise modify, any Compensation and Benefit Plans or increase the salary, wage, bonus or other compensation or benefits of any employees except, in the case of employees that are not executive officers or directors of the Company, increases occurring in the ordinary and usual course of business (which shall include normal periodic performance reviews and related compensation and benefit increases);

(e) it will not (x) declare, set aside or pay any dividends on, or make any other distributions in respect of, any of its capital stock, (y) split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or (z) purchase, redeem or otherwise acquire any shares of capital stock of the Company or any other securities thereof (other than the acquisition of shares surrendered in whole or partial satisfaction of the exercise price for any stock options outstanding on the date hereof and properly exercised in accordance with their terms) or any rights, warrants or options to acquire any such shares or other securities;

(f) it shall not settle or compromise any material claims or litigation or, except in the ordinary and usual course of business modify, amend or terminate any of its material Contracts or waive, release or assign any material rights or claims;

(g) it shall not make any Tax election or permit any insurance policy naming it as a beneficiary or loss-payable payee to be canceled or terminated except in the ordinary and usual course of business;

(h) it shall continue to take all actions reasonably necessary in connection with the continued leasing or subleasing of Building One, but shall not enter into any further agreements relating to the lease or sublease of such property;

(i) it shall continue to take all actions reasonably necessary in connection with the valuation of and sale of equipment in Building One, but shall not enter into any agreements relating to the sale of any such equipment;

(j) it shall not incur additional indebtedness;

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(k) it shall not take any action or omit to take any action that would cause any of its representations and warranties herein to become untrue in any material respect; and

(l) it will not authorize or enter into an agreement to do any of the foregoing.

6.2. Acquisition Proposals. The Company agrees that neither it nor any of its officers and directors shall, and that it shall direct and use its reasonable best efforts to cause its employees, agents and representatives (including any investment banker, attorney or accountant retained by it) not to, directly or indirectly, initiate, solicit, encourage or otherwise facilitate any inquiries or the making of any proposal or offer with respect to a merger, reorganization, share exchange, consolidation or similar transaction involving, or any purchase of all or any significant portion of the assets or any equity securities of, it (any such proposal or offer being hereinafter referred to as an "Acquisition Proposal"). The Company further agrees that neither it nor any of its officers and directors shall, and that it shall direct and use its reasonable best efforts to cause its employees, agents and representatives (including any investment banker, attorney or accountant retained by it) not to, directly or indirectly, engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any Person relating to an Acquisition Proposal, or otherwise facilitate any effort or attempt to make or implement an Acquisition Proposal; provided, however, that nothing contained in this Agreement shall prevent the Company or its Board of Directors from (A) complying with Rule 14e-2 promulgated under the Exchange Act with regard to an Acquisition Proposal; (B) providing information in response to a request therefor by a Person who has made an unsolicited bona fide written Acquisition Proposal if the Board of Directors receives from the Person so requesting such information an executed confidentiality agreement on terms customary under the circumstances; (C) engaging in any negotiations or discussions with any Person who has made an unsolicited bona fide written Acquisition Proposal; or (D) recommending such an Acquisition Proposal to the stockholders of the Company, if and only to the extent that, (i) in each such case referred to in clause (B), (C) or (D) above, the Board of Directors of the Company determines in good faith after consultation with outside legal counsel that such action is necessary in order for its directors to comply with their respective fiduciary duties under applicable law and (ii) in each case referred to in clause (C) or (D) above, the Board of Directors of the Company determines in good faith (after consultation with its financial advisor) that such Acquisition Proposal, if accepted is reasonably likely to be consummated, taking into account all legal, financial and regulatory aspects of the proposal and the Person making the proposal and would, if consummated, result in a transaction more favorable to the Company's stockholders than the transaction contemplated by this Agreement (any such more favorable Acquisition Proposal being referred to in this Agreement as a "Superior Proposal"). The Company agrees that it will

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immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties conducted heretofore with respect to any of the foregoing. The Company agrees that it will take the necessary steps to promptly inform the individuals or entities referred to in the first sentence hereof of the obligations undertaken in this Section 6.2. The Company agrees that it will notify Parent promptly if any such inquiries, proposals or offers are received by, any such information is requested from, or any such discussions or negotiations are sought to be initiated or continued with, any of its representatives indicating, in connection with such notice, the name of such Person and the material terms and conditions of any proposals or offers and thereafter shall keep Parent informed, on a current basis, on the status and terms of any such proposals, offers, negotiations, discussions or requests, subject in all events to the fiduciary duties of the Company's Board of Directors. The Company also agrees that it will promptly request each Person that has heretofore executed a confidentiality agreement in connection with its consideration of acquiring it or any to return all confidential information heretofore furnished to such Person by or on behalf of it.

6.3. Information Supplied. The Company and Parent each agrees, as to itself, that none of the information supplied or to be supplied by it for inclusion or incorporation by reference in (i) the Registration Statement on Form F-4 to be filed with the SEC by Parent in connection with the issuance of the Parent Ordinary Shares underlying the Parent ADSs required to be issued in the Merger (including the proxy statement and prospectus (the "Prospectus/ Proxy Statement") constituting a part thereof) (the "F-4 Registration Statement") will, at the time the F-4 Registration Statement becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, (ii) the Prospectus/Proxy Statement and any amendment or supplement thereto will, at the date of mailing to stockholders and at the times of the meeting of stockholders of the Company to be held in connection with the Merger, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

6.4. Stockholders Meeting. Subject to requirements under applicable law, the Company will take, in accordance with applicable law and its charter or articles and by-laws, all action necessary to convene a meeting of holders of Shares (the "Stockholders Meeting") as promptly as practicable after the F-4 Registration Statement is declared effective (including mailing the Prospectus/Proxy Statement to the stockholders of the Company) to consider and vote upon the adoption of this Agreement, Plan of Merger and the Merger. Subject only to consideration of the factors described in Section 6.2 with respect to evaluating a Superior Proposal, the Company's board of

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directors shall unanimously recommend such approval and shall take all lawful action to solicit such approval.

6.5. Filings; Other Actions; Notification. (a) Parent and the Company shall as promptly as practicable prepare and file with the SEC the Prospectus/Proxy Statement, and Parent shall as promptly as practicable prepare and file with, or confidentially submit, the SEC the F-4 Registration Statement to provide that all Parent ADSs issued as part of the Merger Consideration are covered by the F-4 Registration Statement, including the Contingent ADSs. Parent and the Company each shall use its reasonable best efforts to have the F-4 Registration Statement declared effective under the Securities Act as promptly as practicable after such filing or submission. Parent shall also use reasonable best efforts to obtain prior to the effective date of the F-4 Registration Statement all necessary state securities law or "blue sky" permits and approvals required in connection with the Merger and will pay all expenses incident thereto.

(b) The Company and Parent shall cooperate with each other and use their respective reasonable best efforts to take or cause to be taken all actions, and do or cause to be done all things, necessary, proper or advisable on its part under this Agreement and applicable Laws to consummate and make effective the Merger and the other transactions contemplated by this Agreement as soon as practicable, subject, in the Company's case, to Section 6.2, including preparing and filing as promptly as practicable all documentation to effect all necessary notices, reports and other filings and to obtain as promptly as practicable all consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any third party and/or any Governmental Entity in order to consummate the Merger or any of the other transactions contemplated by this Agreement; provided, however, that nothing in this Section 6.5 shall require, or be construed to require, Parent to proffer to, or agree to, sell or hold separate and agree to sell, before or after the Effective Time, any assets, businesses, or interest in any assets or businesses of Parent, the Company or any of their respective Affiliates (or to consent to any sale, or agreement to sell, by the Company of any of its assets or businesses) or to agree to any material changes or restriction in the operations of any such assets or businesses. Subject to applicable laws relating to the exchange of information, Parent and the Company shall have the right to review in advance, and to the extent practicable each will consult the other on, all the information relating to Parent or the Company, as the case may be, that appear in any filing made with, or written materials submitted to, any third party and/or any Governmental Entity in connection with the Merger and the other transactions contemplated by this Agreement. In exercising the foregoing right, each of the Company and Parent shall act reasonably and as promptly as practicable.

(c) The Company and Parent each shall, upon request by the other, furnish the other with all information concerning itself, its directors, officers and

stockholders and such other matters as may be reasonably necessary or advisable in connection with the Prospectus/Proxy Statement, the F-4 Registration Statement, Parent's listing particulars with the LSE or any other statement, filing, notice or application made by or on behalf of Parent or the Company to any third party and/or any Governmental Entity in connection with the Merger and the transactions contemplated by this Agreement.

(d) The Company and Parent each shall keep the other apprised of the status of matters relating to completion of the transactions contemplated hereby, including promptly furnishing the other with copies of notice or other communications received by Parent or the Company, as the case may be, from any third party and/or any Governmental Entity with respect to the Merger and the other transactions contemplated by this Agreement. The Company and Parent each shall give prompt notice to the other of any change that is reasonably likely to result in a Company Material Adverse Effect or Parent Material Adverse Effect, respectively.

(e) The Company shall use reasonable best efforts to obtain or effect, as the case may be, any consents, notices, waivers or other actions set forth on Schedule 5.1(d), including, without limitation, any with respect to any Contracts of the Company with Chiron Corporation, Research Development Foundation and Pharmacia & Upjohn, necessary for the Surviving Corporation to be entitled to enforce on the same terms any rights against such parties enforceable by the Company thereunder and for the obligations performable by the Company thereunder to be performable on the same terms by the Surviving Corporation.

(f) The Company shall use reasonable best efforts to cooperate with Parent to establish an arrangement, prior to Parent's submission to the London Stock Exchange of the Listing Particulars relating to the Merger Consideration (the "Listing Submission Date") between Parent and Silicon Valley Bank with respect to any obligations owed (or to come due) by Company to Silicon Valley Bank, mutually satisfactory to Company and Parent (taking into consideration the Business Plan).

(g) If any or all of the $11.7 million amount owed to Chiron Corporation under that certain Collaboration Agreement between Chiron Corporation and the Company, dated March 31, 1994, as amended, becomes payable under the terms of such agreement, the Company shall use reasonable best efforts to cooperate to establish an arrangement, prior to the Listing Submission Date, with Chiron Corporation with respect to the timing and treatment of such payment, mutually satisfactory to Company and Parent (taking into consideration the Business Plan).

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(h) The Company shall use reasonable best efforts to cause the parties to the agreements attached hereto as Exhibit A to duly enter into such agreements as soon as possible.

6.6. Taxation. Subject to Section 6.2, neither Parent nor the Company shall take or cause to be taken any action, whether before or after the Effective Time, that would disqualify the Merger as a "reorganization" within the meaning of Section 368(a) of the Code.

6.7. Access. Upon reasonable notice, and except as may otherwise be required by applicable law, the Company shall afford Parent's officers, employees, counsel, accountants and other authorized representatives ("Representatives") access, during normal business hours throughout the period prior to the Effective Time, to its properties, books, contracts and records and, during such period, shall furnish promptly to Parent all information concerning its business, properties, financial condition, results of operations and personnel as may reasonably be requested, provided that no investigation pursuant to this Section shall affect or be deemed to modify any representation or warranty or covenant made by the Company, and provided, further, that the foregoing shall not require the Company to permit any inspection, or to disclose any information, that in the reasonable judgment of the Company, would result in the disclosure of any trade secrets of third parties or violate any of its obligations with respect to confidentiality if the Company shall have used reasonable best efforts to obtain the consent of such third party to such inspection or disclosure. All requests for information made pursuant to this Section shall be directed to an executive officer of the Company or such Person as may be designated by its officers. All such information shall be held confidential, except as may be publicly available, and except that it may be disclosed to a party's agents and advisors only in connection with the proposed transaction.

6.8. Affiliates. (i) Not later than thirty days prior to the date of the Stockholders Meeting, Parent shall deliver to the Company a list of names and addresses of those Persons who are, in the opinion of the Parent, as of the time of the Stockholders Meeting referred to in Section 6.4, "affiliates" of the Company within the meaning of Rule 145 under the Securities Act. The Company shall provide to Parent such information to the Company's best knowledge and documents as Parent shall reasonably request for purposes of preparing such list. There shall be added to such list the names and addresses of any other Person subsequently identified by either Parent or the Company as a Person who may be deemed to be such an affiliate of the Company; provided, however, that no such Person identified by Parent shall be added to the list of affiliates of the Company if Parent shall receive from the Company, on or before the date of the Stockholders Meeting, an opinion of counsel reasonably satisfactory to Parent to the effect that such Person is not such an affiliate. The Company shall exercise its reasonable best efforts to deliver or cause to be delivered to Parent, prior to the date of the

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Stockholders Meeting, from each affiliate of the Company identified in the foregoing list (as the same may be supplemented as aforesaid), a letter dated as of the Closing Date substantially in the form attached as Exhibit C (the "Affiliates Letter"). Parent shall not be required to maintain the effectiveness of the F-4 Registration Statement or any other registration statement under the Securities Act for the purposes of resale of Parent ADSs (or the underlying Parent Ordinary Shares) by such affiliates received in the Merger and the certificates representing Parent ADSs received by such affiliates shall bear a customary legend regarding applicable Securities Act restrictions and the provisions of this Section.

6.9. Publicity. The initial press release of the Company and Parent with regard to this Agreement and the transactions contemplated hereby shall be a joint press release and thereafter the Company and Parent each shall consult with each other prior to issuing any press releases or otherwise making public announcements with respect to the Merger and the other transactions contemplated by this Agreement and prior to making any filings with any third party and/or any Governmental Entity (including any interdealer quotation service) with respect thereto, except as may be required by law or by obligations pursuant to any listing agreement with or rules of any national securities interdealer quotation service.

6.10. Stock Options. The Company shall make all necessary arrangements, including adopting appropriate board resolutions, obtaining any shareholder votes or optionholder waivers or consents and otherwise take such necessary action, to (i) cause any and all options to acquire Shares, whether vested or unvested, held by any Person under any Stock Plans (other than the warrants set forth on Schedule 5.1(b)) to accelerate and vest and constitute an option to acquire Shares at the price and on the terms and conditions as are applicable to such options under such Stock Plans, prior to the Effective Time, (ii) provide all optionholders under such Stock Plans a reasonable opportunity (including advance notice of the provisions of this Section) to exercise such options, and deliver to such optionholders the Shares due thereupon, prior to the Effective Time, (but, without limiting this Section 6.10, Company and such optionholders shall be permitted to make arrangements for such exercise to be rescinded if the Closing does not occur), (iii) terminate any and all Stock Plans (except for the Company's 1995 Employee Stock Purchase Plan, as amended (the "ESPP") as set forth in clause (iv) below) and any other plan, program or arrangement providing for the issuance or grant of any other interest in respect of the capital stock of the Company, and any rights or obligations thereunder, in all such cases effective at the Effective Time, and (iv) the ESPP shall terminate prior to the Effective Time.

6.11. Expenses. The Surviving Corporation shall pay all charges and expenses, including those of the Exchange Agent, in connection with the transactions contemplated in Article IV, and Parent shall reimburse the Surviving Corporation for

such charges and expenses. Except as otherwise provided in Section 8.5(b), whether or not the Merger is consummated, all costs and expenses incurred in connection with this Agreement and the Merger and the other transactions contemplated by this Agreement shall be paid by the party incurring such expense, except that expenses incurred in connection with the filing fee for the F-4 Registration Statement and printing and mailing the Prospectus/Proxy Statement and the F-4 Registration Statement shall be shared equally by Parent and the Company.

6.12. Indemnification; Directors' and Officers' Insurance. (a) Parent's and the Surviving Corporation's only obligations with respect to providing any indemnities or insurance or coverage to directors or officers of Company for actions, inactions, conditions or occurrences prior to the Effective Time with respect to which such persons may incur losses as a result of their acting in the capacities of directors and officers, as the case may be, shall be to cause the Surviving Corporation to (i) pay the one time premium for the 'tail' coverage described in Exhibit D hereto provided by the insurer currently providing directors and officers insurance to such persons in such capacities at Company, (ii) maintain in the charter and by-laws of the Surviving Corporation the current charter and by-law provisions of the Company specifically relating to the provision of indemnities to directors and officers and (iii) maintain in accordance and for the time periods set forth in such agreements, the director and officer indemnity agreements listed in Schedule 6.12 hereof.

(b) If the Surviving Corporation or any of its successors or assigns (i) shall consolidate with or merge into any other corporation or entity and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) shall transfer all or substantially all of its properties and assets to any individual, corporation or other entity, then, and in each such case, proper provisions shall be made so that the successors and assigns of the Surviving Corporation shall assume all of the obligations set forth in this Section.

(c) The provisions of this Section are intended to be for the benefit of, and shall be enforceable by, each of the directors and officers referenced in (a) above, their heirs and their representatives.

6.13. Other Actions by the Company.

(a) Takeover Statute. If any Takeover Statute is or may become applicable to the Merger or the other transactions contemplated by this Agreement, each of Parent and the Company and its board of directors shall grant such approvals and take such actions as are necessary so that such transactions may be consummated as promptly as practicable on the terms contemplated by this Agreement or by the Merger and

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otherwise act to eliminate or minimize the effects of such statute or regulation on such transactions.

(b) Delivery of Sanderling Letters. The Company agrees to use its reasonable best efforts to cause within ten business days of the date hereof the delivery to Parent of a letter in the form of Exhibit A from, and signed by or on behalf of, each holder of Common Stock that is affiliated with either or both of Sanderling Ventures (and its affiliated companies which are shareholders of the Company) or Fred A. Middleton.

6.14. Other Actions by Parent. (a) Parent shall vote (or consent with respect to) or cause to be voted (or a consent to be given with respect to) any shares of common stock of Merger Sub beneficially owned by it or any of its Affiliates or with respect to which it or any of its Affiliates has the power (by agreement, proxy or otherwise) to cause to be voted (or to provide a consent), in favor of the adoption and approval of this Agreement, and the transactions contemplated hereby, at any meeting of stockholders of Merger Sub at which this Agreement shall be submitted for adoption and approval and at all adjournments or postponements thereof (or, if applicable, by any action of stockholders of Merger Sub by consent in lieu of a meeting).

(b) Parent will use its reasonable efforts to provide customary support to find a development partner for DepoMorphine or the Macromolecule (as defined in Exhibit B hereto) within the timeframe of the milestone payment, to the extent commercially reasonable.

(c) Promptly following the Effective Time, in accordance with applicable law and applicable corporate governance documents, Parent will take all such actions as are necessary to elect a person, who immediately prior to the Effective Time was a director of the Company, to the Board of Directors of Parent.

(d) Parent shall cause the Surviving Corporation to make appropriate provisions in connection with the Merger with respect to the rights and interests of the holders of the warrants set forth in Schedule 5.1(b), in accordance with the terms thereof.

(e) Parent shall use its reasonable best efforts to cause that the Parent ADSs issuable to Company shareholders pursuant to this Agreement are authorized for listing on Nasdaq National Market, except as would otherwise be permitted under (d) above.

(f) Parent shall cause that at the time of issuance of any Contingent ADSs, there shall be an adequate number of authorized shares of Parent Ordinary Shares to allow for the issuance for any such Contingent ADSs.

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ARTICLE VII

Conditions

7.1. Conditions to Each Party's Obligation to Effect the Merger. The respective obligation of each party to effect the Merger is subject to the satisfaction or waiver at or prior to the Effective Time of each of the following conditions:

(a) Stockholder Approval. This Agreement shall have been duly adopted by holders of Shares constituting the Company Requisite Vote and shall have been duly approved by the sole stockholder of Merger Sub in accordance with applicable law and the articles and by-laws of each such corporation.

(b) Regulatory Consents. The waiting period applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated and, other than the filing provided for in Section 1.3, all notices, reports and other filings required to be made prior to the Effective Time by the Company or Parent with, and all consents, registrations, approvals, permits and authorizations required to be obtained prior to the Effective Time by the Company or Parent from, any Governmental Entity (collectively, "Governmental Consents") in connection with the execution and delivery of this Agreement and the consummation of the Merger and the other transactions contemplated hereby by the Company, Parent and Merger Sub shall have been made or obtained (as the case may be).

(c) Litigation. No court or Governmental Entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law, statute, ordinance, rule, regulation, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins or otherwise prohibits consummation of the Merger (collectively, an "Order"), and no Governmental Entity shall have instituted any proceeding seeking any such Order.

(d) F-4. The F-4 Registration Statement shall have become effective under the Securities Act. No stop order suspending the effectiveness of the F-4 Registration Statement shall have been issued, and no proceedings for that purpose shall have been initiated or be threatened by the SEC.

(e) Blue Sky Approvals. Parent shall have received all state securities and "blue sky" permits and approvals necessary to consummate the transactions contemplated hereby.

(f) Listing Particulars. Parent shall have had its 'Listing Particulars' relating to the Merger Consideration to be filed with the London Stock Exchange, declared effective, stamped and approved by the London Stock Exchange.

(g) Nasdaq Listing. The Parent ADSs issuable to Company shareholders pursuant to this Agreement shall have been authorized for listing on Nasdaq National Market, subject to official notice of issuance, except as would otherwise be permitted under Section 6.14(d).

7.2. Conditions to Obligations of Parent and Merger Sub. The obligations of Parent and Merger Sub to effect the Merger are also subject to the satisfaction or waiver by Parent at or prior to the Effective Time of the following conditions:

(a) Representations and Warranties. The representations and warranties of the Company set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (except to the extent any such representation or warranty expressly speaks as of an earlier date), and Parent shall have received a certificate signed on behalf of the Company by the President of the Company to such effect.

(b) Performance of Obligations of the Company. The Company shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and Parent shall have received a certificate signed on behalf of the Company by the President of the Company to such effect.

(c) Consents Under Agreements. The Company shall have obtained the consent or approval of each Person whose consent or approval shall be required in connection with the consummation of the transactions contemplated hereby under any Contract to which the Company is a party, except where the failure to obtain such consents or approvals, individually or in the aggregate, does not have and is not reasonably likely to have a Company Material Adverse Effect or materially impair or delay the transactions contemplated hereby.

(d) Stock Plans. Company shall have effected the actions specified in Section 6.10.

(e) Resignations. Parent shall have received the resignations of each director and officer of the Company.

(f) Affiliates Letters. The Company shall have used its commercially reasonable efforts to obtain and deliver to Parent an Affiliates Letter from each Person identified as an affiliate of the Company pursuant to Section 6.8.

(g) Certain Consents. The Company shall have obtained or effected, as the case may be, any consents, notices, waivers or other actions set forth on Schedule 5.1(d) with respect to any Contracts of the Company with Chiron Corporation and Pharmacia & Upjohn, necessary for the Surviving Corporation to be entitled to enforce on the same terms any rights against such parties enforceable by the Company thereunder and for the obligations performable by the Company thereunder to be performable on the same terms by the Surviving Corporation, and shall have provided evidence to Parent's reasonable satisfaction, of Company's satisfaction of this condition.

(h) Bank Agreement. The Company, Parent and Silicon Valley bank, shall have established an arrangement, prior to the Listing Submission Date between Parent, Company and Silicon Valley Bank with respect to any obligations owed (or to come due) by Company to Silicon Valley Bank, mutually acceptable to Company and Parent, such acceptance not to be unreasonably withheld.

(i) Chiron Agreement. If any or all of the $11.7 million amount owed to Chiron Corporation under that certain Collaboration Agreement between Chiron Corporation and the Company, dated March 31, 1994, as amended, becomes payable under the terms of such agreement, the Company and Parent shall have established an arrangement, prior to the Listing Submission Date with Chiron Corporation with respect to the timing and treatment of such payment, mutually acceptable to Company and Parent, such acceptance not to be unreasonably withheld.

(j) Ancillary Agreements. The agreements attached as Exhibits A and C, shall have been duly executed by the parties thereto and shall constitute the binding and enforceable obligations of such parties, to the reasonable satisfaction of Parent.

(k) Tax Opinion. The Parent shall have received the opinion of Sullivan & Cromwell, counsel to the Parent, dated the Closing Date, to the effect that the Merger will be treated for Federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code, and that each of Parent, Merger Sub and the Company will be a party to that reorganization within the meaning of Section 368(b) of the Code. For purposes of rendering its opinion, Counsel to the Parent shall rely on reasonable assumptions and/or representations as to factual matters to be provided by Parent, Merger Sub and the Company.

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7.3. Conditions to Obligation of the Company. The obligation of the Company to effect the Merger is also subject to the satisfaction or waiver by the Company at or prior to the Effective Time of the following conditions:

(a) Representations and Warranties. The representations and warranties of Parent and Merger Sub set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date, (except to the extent any such representation and warranty expressly speaks as of an earlier date) and the Company shall have received a certificate signed on behalf of Parent by an executive officer of Parent and an executive officer of Merger Sub to such effect.

(b) Performance of Obligations of Parent and Merger Sub. Each of Parent and Merger Sub shall have performed in all material respects all obligations required to be performed by each of them under this Agreement at or prior to the Closing Date, and the Company shall have received a certificate signed on behalf of Parent and Merger Sub by an executive officer of Parent and an executive officer of Merger Sub to such effect.

(c) Tax Opinion. The Company shall have received the opinion of Brobeck Phleger & Harrison LLP, counsel to the Company, dated the Closing Date, to the effect that the Merger will be treated for Federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code, and that each of Parent, Merger Sub and the Company will be a party to that reorganization within the meaning of Section 368(b) of the Code. For purposes of rendering its opinion, Counsel to the Company shall rely on reasonable assumptions and/or representations as to factual matters to be provided by Parent, Merger Sub and the Company.

(d) Consents. Parent shall have obtained the consent or approval of each Person whose consent or approval shall be required in connection with the consummation of the transactions contemplated hereby under any Contract to which Parent is a party, except where the failure to obtain such consents or approvals, individually or in the aggregate, does not have or is not reasonably likely to have a Parent Material Adverse Effect.

ARTICLE VIII

Termination

8.1. Termination by Mutual Consent. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, whether before or after the approval by stockholders of the Company referred to in

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Section 7.1(a), by mutual written consent of the Company and Parent by action of their respective Boards of Directors.

8.2. Termination by Either Parent or the Company. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time by action of the Board of Directors of either Parent or the Company if (i) the Merger shall not have been consummated by April 30, 1999, whether such date is before or after the date of approval by the stockholders of the Company; (the "Termination Date"), (ii) the approval of the Company's stockholders required by Section 7.1(a) shall not have been obtained at a meeting duly convened therefor or at any adjournment or postponement thereof (the "Company Shareholders Meeting") or (iii) any Order permanently restraining, enjoining or otherwise prohibiting consummation of the Merger shall become final and non-appealable (whether before or after the approval by the stockholders of the Company); provided, that the right to terminate this Agreement pursuant to clause (i) above shall not be available to any party that has breached in any material respect its obligations under this Agreement in any manner that shall have proximately contributed to the occurrence of the failure of the Merger to be consummated.

8.3. Termination by the Company. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, whether before or after the approval by stockholders of the Company referred to in Section 7.1(a), by action of the Board of Directors of the Company (i) if the Board of Directors of Parent shall have withdrawn or adversely modified its approval of this Agreement or (ii) if there has been a material breach by Parent or Merger Sub of any representation, warranty, covenant or agreement contained in this Agreement that is not curable or, if curable, is not cured within 30 days after written notice of such breach is given by the Company to the party committing such breach.

8.4. Termination by Parent. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time by action of the Board of Directors of Parent if (i) the Board of Directors of the Company shall have withdrawn or adversely modified its approval or recommendation of this Agreement or failed to reconfirm its recommendation of this Agreement within five business days after a written request by Parent to do so, (ii) there has been a material breach by the Company of any representation, warranty, covenant or agreement contained in this Agreement that is not curable or, if curable, is not cured within 30 days after written notice of such breach is given by Parent to the party committing such breach, or (iii) if the Company or any of the other Persons described in Section 6.2 as affiliates, representatives or agents of the Company shall take any of the actions that would be proscribed by Section 6.2 but for the proviso therein allowing certain actions to be taken pursuant to clause (B), (C) or (D) of the proviso under the conditions set forth therein.

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8.5. Effect of Termination and Abandonment; Pre-Merger Liquidated Damages.

(a) In the event of termination of this Agreement and the abandonment of the Merger pursuant to this Article VIII, this Agreement (other than as set forth in Section 9.1) shall become void and of no effect with no liability on the part of any party hereto (or of any of its directors, officers, employees, agents, legal and financial advisors or other representatives); provided, however, except as otherwise provided herein, no such termination shall relieve any party hereto of any liability or damages resulting from any prior breach of this Agreement.

(b) In addition to any other remedies otherwise available in law or equity with respect to breaches of this Agreement, in the event that Parent terminates this Agreement in accordance with and pursuant to Section 8.2(i) or 8.4 above or in the event of the occurrence of any one of the events set forth in the next following sentence, the Company shall pay Parent $2,000,000 by wire transfer of same day funds; provided that the Company is not also then entitled to or does terminate this Agreement pursuant to and in accordance with Section 8.3. The Company shall also make the $2,000,000 payment referred to in the preceding sentence after the earliest to occur of: (i) the date on which the Company's stockholders approve the sale of substantially all of the Company's stock or assets to, or the consummation of a merger, consolidation, reorganization or similar transaction with, a party other than Parent or Merger Sub (a "Third Party Transaction") or (ii) the date on which a Third Party Transaction is consummated; provided that in any such cases, the Company is not otherwise entitled to, or does, terminate this Agreement pursuant to Section 8.3. In addition to any other remedies otherwise available in law or equity with respect to breaches of this Agreement, in the event that the Company terminates this Agreement in accordance with and pursuant to Section 8.3 above, Parent shall pay the Company $2,000,000 by wire transfer of same day funds; provided that Parent is not also then entitled to or does terminate this Agreement pursuant to and in accordance with Section 8.4. The parties acknowledge that the agreements contained in this Section 8.5(b) are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, Parent, Merger Sub and Company would not enter into this Agreement; accordingly, if either party fails to promptly pay the amount due pursuant to this Section 8.5(b), and, in order to obtain such payment, the claiming party commences a suit which results in a judgment against the paying party hereunder for the fee set forth in this paragraph (b), the paying party shall pay to the claiming party hereunder its costs and expenses (including attorneys' fees) in connection with such suit, together with interest on the amount of the fee at the prime rate of The Bank of New York in effect on the date such payment was required to be made. This clause 8.5(b) shall be of no effect after consummation of the Merger pursuant to the terms hereof.

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ARTICLE IX

Miscellaneous and General

9.1. Survival. This Article IX, the agreements of the Company, Parent and Merger Sub contained in Section 6.11 (Expenses), Section 8.5 (Effect of Termination and Abandonment) and the Stock Purchase Agreement between Company and Parent, dated as of October 19, 1998, shall survive the termination of this Agreement. All representations, warranties, covenants and agreements contained in this Agreement shall not survive the consummation of the Merger, except that the covenants and agreements contained in Sections 4.2, 4.4, 4.5, 6.6, 6.12, 6.14(b), (c), (d) and (f), and this Article IX, which shall survive and terminate 2 years from the date hereof.

9.2. Modification or Amendment. Subject to the provisions of the applicable law, at any time prior to the Effective Time, the parties hereto may modify or amend this Agreement, by written agreement executed and delivered by duly authorized officers of the respective parties.

9.3. Waiver of Conditions. The conditions to each of the parties' obligations to consummate the Merger are for the sole benefit of such party and may be waived by such party in whole or in part to the extent permitted by applicable law.

9.4. Counterparts. This Agreement may be executed in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement.

9.5. **GOVERNING LAW AND VENUE; WAIVER OF JURY TRIAL. (a) THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN AND IN ALL RESPECTS SHALL BE INTERPRETED, CONSTRUED AND GOVERNED BY AND IN ACCORDANCE WITH THE LAW OF THE STATE OF CALIFORNIA WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF, EXCEPT WITH RESPECT TO THE MERGER TO THE EXTENT OTHERWISE EXPRESSLY PROVIDED BY THE CCC.**

(b) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED HEREIN. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO

REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.5.

9.6. Notices. Any notice, request, instruction or other document to be given hereunder by any party to the others shall be in writing and delivered personally or sent by overnight delivery service, postage prepaid, or by facsimile:

if to Parent or Merger Sub

SkyePharma plc
105 Picadilly
London W1V 9FN
United Kingdom
Attention: Company Secretary
fax: 011 44 171 491 3338

with copies to:

Sullivan & Cromwell
St. Olave's House
9a Ironmonger Lane
London EC2V 8EY England
Attention: Kathryn Campbell, Esq.
fax: 011 44 171 710-6565

if to the Company

DepoTech Corporation
10450 Science Center Drive
San Diego, California 92121
Attention: President
fax: (619) 623-0376

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with a copy to:

Brobeck, Phleger & Harrison
550 West C Street
Suite 1300
San Diego, California 92101
Attention: Faye Russell, Esq.
fax: (619) 234-3848

or to such other persons or addresses as may be designated in writing by the party to receive such notice as provided above.

9.7. Entire Agreement; No Other Representations. This Agreement (including any exhibits hereto) and that certain Stock Purchase Agreement dated October 19, 1998 between the Company and Parent and the Irrevocable Proxy dated October 19, 1998 granted by Parent to the Company's Board of Directors constitute the entire agreement, and supersede all other prior agreements, understandings, representations and warranties both written and oral, among the parties, with respect to the subject matter hereof.

9.8. No Third Party Beneficiaries. This Agreement is not intended to confer upon any Person other than the parties hereto any rights or remedies hereunder, except as set forth in Section 6.12.

9.9. Obligations of Parent. Whenever this Agreement requires a Subsidiary of Parent to take any action, such requirement shall be deemed to include an undertaking on the part of Parent to cause such Subsidiary to take such action.

9.10. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability or the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

9.11. Interpretation. The table of contents and headings herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof. Where a reference in

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this Agreement is made to a Section or Exhibit, such reference shall be to a Section of or Exhibit to this Agreement unless otherwise indicated. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

9.12. Disclosure Schedules. (a) If a disclosure is made in one of the Schedules to this Agreement, such disclosure will not be deemed to have been made in any other Schedule hereto, unless such disclosure is made therein as well. The fact that any item or information has been included in any of the Schedules to this Agreement shall not be construed to establish, in whole or in part, any standard of materiality, including any standards of what constitutes a Company or Parent Material Adverse Effect, for purposes of the Schedules or this Agreement.

(b) "Disclosed in the Company Reports" shall mean, for purposes of this Agreement, specifically described in the Company Reports which are publicly available, such that the nature and details of the breach of the representation or warranty to which this definition applies are reasonably identified and including the identity of any third parties involved, as the case may be; provided that notwithstanding any contrary disclosure in the Company Reports, this definition shall not apply to any breach of a representation or warranty if such breach would or would be reasonably likely to prohibit or substantially impair the consummation of the transactions contemplated hereby.

9.13. Assignment. This Agreement shall not be assignable by operation of law or otherwise; provided, however, that Parent may designate, by written notice to the Company, another wholly-owned direct or indirect Subsidiary to be a Constituent Corporation in lieu of Merger Sub, in which event all references herein to Merger Sub shall be deemed references to such other Subsidiary, except that all representations and warranties made herein with respect to Merger Sub as of the date of this Agreement shall be deemed representations and warranties made with respect to such other Subsidiary as of the date of such designation.

9.14 Merger Sub Effective Date; Incorporation and Joinder of Merger Sub. (i) Notwithstanding anything to the contrary contained in this Agreement, all representations, warranties, agreements and covenants by and with respect to Merger Sub in this Agreement, except as set forth in this Section 9.14, shall be of no effect until Merger Sub is incorporated as a California Corporation and made party to this Agreement.

(ii) Parent shall use reasonable best efforts to incorporate Merger Sub as promptly as possible and in any event shall effect such incorporation by November 6, 1998. Promptly after Parent receives confirmation that Merger Sub has been

incorporated, Parent shall cause Merger Sub to become a party to this Agreement in accordance with its terms and Company and Parent shall amend the cover page and Recitals of this Agreement and attach a signature page executed by Merger Sub accordingly; provided that references to the date hereof or the date of this Agreement in any representations, warranties, agreements and covenants by and with respect to Merger Sub shall be deemed to refer to the date on which Merger Sub became a party to this Agreement.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties hereto as of the date first written above.

SKYEPHARMA PLC

By: [signature]
Name: P. WARBURTON
Title: COMPANY SECRETARY

DEPOTECH CORPORATION

By: ______________________
Name:
Title:

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties hereto as of the date first written above.

SKYEPHARMA PLC

By: ____________________
Name:
Title:

DEPOTECH CORPORATION

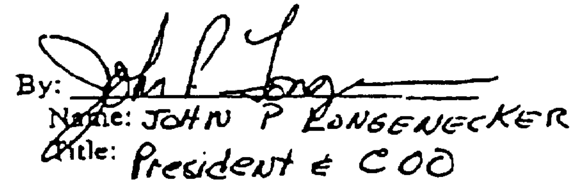
By: ____________________
Name: JOHN P LONGENECKER
Title: President & COO

EXHIBIT A

__________ __, 1998

SkyePharma plc

Re: Agreement and Plan of Merger between SkyePharma plc and DepoTech Corporation

The undersigned understands that DepoTech Corporation (the "*Company*") and SkyePharma plc (the "*Acquiror*") have entered into an Agreement and Plan of Merger (as entered into and as it may be amended, supplemented or replaced from time to time, the "*Merger Agreement*"), contemplating a business combination between the Company and the Acquiror (the "*Merger*"). In consideration of the substantial direct and indirect costs and other obligations the Acquiror will incur in connection with the transactions contemplated by the Merger, and given the potential benefits to the undersigned under the Merger should it be effected and in recognition that the delivery of this letter is a material condition precedent to the consummation of such Merger, the undersigned agrees and undertakes as follows:

1. The undersigned represents and warrants that the undersigned is the beneficial owner, free and clear of all pledges, liens, proxies, claims, charges, security interests, preemptive rights or any encumbrances whatsoever, other than solely by operation of law, with respect to the ownership, transfer or voting of such securities, of the number of shares set forth below the undersigned's signature hereto (the "*Shares*") of common stock, no par value per share (the "*Common Stock*"), of the Company, and is not the beneficial owner of any other Common Stock and has no rights (whether or not contingent, vested or accrued) to acquire any additional Common Stock or other securities of the Company;

2. Unless the Merger Agreement shall have been terminated, the undersigned will vote or cause to be voted for approval of the Merger and against any competing proposals all Shares (now held or hereafter acquired) that the undersigned has the power to vote and hereby irrevocably waives any rights of appraisal or rights to dissent from the Merger, to the extent such rights arise as a result of the Merger, and otherwise refrain from taking other action, permitted by

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applicable law, which would adversely affect the consummation of the Merger, except to the extent otherwise required by the undersigned's fiduciary duty as a director of the Company;

3. Unless the Merger Agreement shall have been terminated, the undersigned agrees not to, directly or indirectly, sell, transfer, pledge, assign or otherwise dispose of, or enter into any contract, option, commitment or other arrangement or understanding with respect to the sale, transfer, pledge, assignment or other disposition of, or the creation of any lien or encumbrance on, any and all interests in the Shares (or any Common Stock hereafter acquired), (including as part of a transaction involving the sale of the Company), other than to Acquiror. In the case of any transfer by operation of law, this letter agreement shall be binding upon and inure to the transferee. Any transfer or other disposition in violation of the terms of this paragraph 3 shall be null and void;

4. In the undersigned's capacity as a stockholder of the Company, the undersigned shall use its reasonable best efforts to cooperate with the Acquiror and the Company in (a) preparing and filing documentation, (b) effecting applications, notices, petitions, filings and other documents and (c) obtaining permits, consents, orders, approvals and authorizations necessary to make effective the Merger and the other transactions contemplated by the Merger Agreement and, except as otherwise permitted under this letter agreement or the Merger Agreement, shall not wilfully take, or cause to be taken, any action that could significantly impair the prospects of completing the Merger in accordance with the Merger Agreement, except to the extent otherwise required by the undersigned's fiduciary duty as a director of the Company;

5. The undersigned has all requisite power and authority and has taken all action necessary to execute, deliver and perform its obligations hereunder and obligations hereunder are valid, binding and enforceable against the undersigned by Acquiror, in accordance with their terms subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles;

6. No notices, reports or other filings are required to be made by the undersigned with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by the undersigned from any Governmental Entity, in connection with the execution and delivery of this letter agreement by the undersigned, the performance of its obligations hereunder or the consummation of the transactions referred to herein;

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7. In addition to any other requirements imposed by applicable law, until 180 calendar days (the "Restricted Period") following the receipt by the undersigned of the Merger Consideration, (including by reference the Parent Ordinary Shares underlying such ADSs) pursuant to the Merger (such aggregate amount of such Merger Consideration, the "Holder's Total Parent Shares"; provided, however, that the Holder's Total Parent Shares shall not include the Parent ADSs issued to the undersigned upon exercise of the undersigned's current options under any Stock Plans to acquire Shares), the undersigned agrees not to (i) offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer (including by way of capital contribution), directly or indirectly, any and all interests in the Holder's Total Parent Shares or any securities convertible into or exercisable or exchangeable for the Holder's Total Parent Shares or (ii) enter into any swap or other arrangement that relates to any of the transactions referred to in (i) above, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of the Holder's Total Parent Shares or such other securities, in cash or otherwise; and

8. The undersigned understands and acknowledges that Parent is entering into the Merger Agreement in reliance upon the undersigned's execution and delivery of this letter agreement.

Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Merger Agreement.

This letter agreement shall be governed by, and construed in accordance with, the laws of the State of California applicable to agreements made and to be performed entirely within such state.

Very truly yours,

____

Name:
Number of Shares: ________

Accepted:

SKYEPHARMA PLC

By: ______________________
Name:
Title:

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EXHIBIT B

Additional Consideration

Description of triggering events:

1. For purposes of this Agreement, "DepoCyt Launch Date" shall mean the date of the receipt by the Surviving Corporation of Final FDA Approval (as defined below) for DepoCyt such that there are no further FDA or similar regulatory approvals which must be satisfied for the Surviving Corporation to effect sales of DepoCyt to the public in the United States. For purposes of this Agreement, "Final FDA Approval" shall mean receipt from the United States Food and Drug Administration ("FDA") of such approval as is commercially permissible and legally advisable to permit a third party to begin the marketing, distribution in interstate commerce and selling of DepoCyt in the United States.

2. For purposes of this Agreement, the "Development Agreement Date", with respect to (a) DepoMorphine or (b) a macromolecule for the delivery of drugs using DepoTech's technology (the "Macromolecule"), shall be the date of execution of a definitive agreement (not a term sheet or other preliminary writing) under which a third party is to provide financial or other support (or otherwise compensates the Surviving Corporation) reasonably required by Parent to support the development of DepoMorphine or the Macromolecule in exchange for an exclusive license to commercialize DepoMorphine or the Macromolecule, as the case may be, in one or more territories ("territories" shall be any of (i) the United States, (ii) Europe, (iii) Asia and (iv) the rest of the world).

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EXHIBIT C

AFFILIATE LETTER

Ladies and Gentlemen:

I have been advised that as of the date of this letter I may be deemed to be an "affiliate" of DepoTech Corporation, a California corporation ("DepoTech"), as the term affiliate is defined for purposes of paragraphs (c) and (d) of Rule 145 of the rules and regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"). Pursuant to the terms of the Agreement and Plan of Merger dated as of November 1, 1998 (the "Merger Agreement"), between DepoTech and SkyePharma plc, a public limited company organized under the laws of England ("SkyePharma"), a wholly owned subsidiary of SkyePharma ("Merger Sub"), will be merged with and into DepoTech (the "Merger"). Unless otherwise defined herein, capitalized terms shall have the meanings ascribed to such terms in the Merger Agreement, a copy of which I have received and reviewed.

As a result of the Merger, I may receive Parent ADSs, each representing the right to receive ten Parent Ordinary Shares ("Restricted Parent ADSs") (Restricted Parent ADSs, together with the Parent Ordinary Shares such Restricted Parent ADSs represent the right to receive, being hereinafter referred to as "SkyePharma Securities") in exchange for shares owned by me of Common Stock, no par value, of DepoTech.

I represent, warrant and covenant to SkyePharma that in the event I receive any SkyePharma Securities as a result of the Merger or the other transactions and agreements contemplated by the Merger Agreement:

A. I shall not make any sale, transfer or other disposition of the SkyePharma Securities in violation of the Act or the Rules and Regulations.

B. I have carefully read this letter and the Merger Agreement and discussed the requirements of such documents and other applicable limitations upon my ability to sell, transfer or otherwise dispose of the SkyePharma Securities to the extent I felt necessary, with my counsel.

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C. I have been advised that the issuance of SkyePharma Securities to me pursuant to the Merger has been registered with the Commission under the Act on a Registration Statement on Form F-4. However, I have also been advised that, since at the time the Merger was submitted for a vote of the stockholders of DepoTech, I may be deemed to have been an affiliate of DepoTech and the distribution by me of the SkyePharma Securities has not been registered under the Act, I may not sell, transfer or otherwise dispose of the SkyePharma Securities issued to me in the Merger unless (i) such sale, transfer or other disposition has been registered under the Act, (ii) such sale, transfer or under other disposition is made in conformity with Rule 145 promulgated by the Commission under the Act, or (iii) in the opinion of counsel reasonably acceptable to SkyePharma, or a "no action" letter obtained by the undersigned from the staff of the Commission, such sale, transfer to other disposition is otherwise exempt from registration under the Act.

D. I understand that SkyePharma is under no obligation to register the sale, transfer or other disposition of the SkyePharma Securities by me or on my behalf under the Act or to take any further action necessary in order to make compliance with an exemption from such registration available.

E. I also understand that stop transfer instructions will be given to the Depositary under the Deposit Agreement pursuant to which the Restricted Parent ADSs are issued and SkyePharma's transfer agents with respect to the Parent Ordinary Shares such Restricted Parent ADSs represent the right to receive and that there will be placed on the certificates for the SkyePharma Securities issued to me, or any substitutions therefor; a legend stating in substance:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ISSUED IN A TRANSACTION TO WHICH RULE 145 PROMULGATED UNDER THE SECURITIES ACT OF 1933 APPLIES. THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY ONLY BE TRANSFERRED IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT DATED __________, 1998 BETWEEN THE REGISTERED HOLDER HEREOF AND SKYEPHARMA. A COPY OF WHICH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICES OF SKYEPHARMA."

F. I also understand that unless the transfer by me of my SkyePharma Securities has been registered under the Act or is a sale made in conformity with the provisions of Rule 145, SkyePharma reserves the right to put the following legend on the certificates issued to my transferee:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND WERE ACQUIRED FROM A PERSON WHO RECEIVED SUCH SECURITIES IN A TRANSACTION TO WHICH RULE 145 PROMULGATED UNDER THE SECURITIES ACT OF 1933 APPLIES. THE SECURITIES HAVE BEEN ACQUIRED BY THE HOLDER NOT WITH A VIEW TO, OR FOR RESALE IN CONNECTION WITH, ANY DISTRIBUTION THEREOF WITHIN THE MEANING OF THE SECURITIES ACT OF 1933 AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933."

It is understood and agreed that the legends set forth in paragraphs E and F above shall be removed by delivery of substitute certificates without such legend if such legend is not required for purposes of the Act or this Affiliate Letter. It is understood and agreed that such legends and the stop orders referred to above will be removed if (i) one year shall have elapsed from the date the undersigned acquired the SkyePharma Securities received in the Merger and the provisions of Rule 145(d)(2) are then available to the undersigned, (ii) two years shall have elapsed from the date the undersigned acquired the SkyePharma Securities received in the Merger and the provisions of Rule 145(d)(3) are then applicable to the undersigned, (iii) such SkyePharma Securities are sold by the undersigned in accordance with the provisions of Rule 145(d)(i), or (iv) SkyePharma has received either an opinion of counsel, which opinion and counsel shall be reasonably satisfactory to SkyePharma, or a "no action" letter obtained by the undersigned from the staff of the Commission, to the effect that the restrictions imposed by Rule 145 under the Act no longer apply to the undersigned.

The agreements of the undersigned hereof are in addition to, and not in limitation of, the letter agreement dated __________ __, 1998 between the undersigned and SkyePharma.

Execution of this letter should not be considered an admission on my part that I am an "affiliate" of DepoTech as described in the first paragraph of this letter or as a waiver of any rights I may have to object to any claim that I am such an affiliate on or after the date of this letter.

Very truly yours,

____
Name:

Accepted as of the date first written

SKYEPHARMA PLC

By: __________________________
Name:
Title:

SCHEDULES OF EXCEPTIONS

These Schedules of Exceptions are made and given pursuant to Article 5 of the Agreement and Plan of Merger dated as of November 1, 1998 (the "Agreement"). The section numbers in these Schedules of Exceptions correspond to the section numbers in the Agreement. Any terms defined in the Agreement shall have the same meaning when used in these Schedules of Exceptions as when used in the Agreement unless the context otherwise requires.

Nothing herein constitutes an admission of any liability or obligation of the Company nor an admission against the Company's interest. The inclusion of any agreement or other matter herein or any exhibit hereto should not be interpreted as indicating that the Company has determined that such an agreement or other matter is necessarily material to the Company. Each of Parent and Merger Sub acknowledges that certain information contained in these schedules may constitute material confidential information relating to the Company which may not be used for any purpose other than in connection with Parent's and Merger Sub's decision to consummate the transactions contemplated by the Agreement as set forth in that certain Confidentiality Agreement dated July 15, 1998 between the Company and Parent.

Schedule 5.1(a) -- Organization. Good Standing and Qualification

The supermajority vote requirement contained in the Company's Articles of Incorporation, as amended, is no longer effective pursuant to the provisions of Section 701(c) of the General Corporation Law of the State of California.

Schedule 5.1(b) -- Capital Structure

The following is a schedule of the Company's outstanding options, warrants and other rights to purchase Shares as of November 1, 1998:

Investor	Warrants/ Options	Price	Exercisable	Option Date
WARRANTS				
Warrants to Issue Series B Pfd. (December 31, 1992):				
Walden Investors	3,000	$2.75		
Walden Ventures	1,500	$2.75		
Walden International III, C.V.	3,500	$2.75		
Walden Capital Partners	1,000	$2.75		
G. C. & H. Partners	250	$2.75		
G. C. & H. Partners Warrant Exercise (12/12/95)	(250)	$2.75		
Gary Aronson	8,315	$2.75		
The Bourke Family Trust	8,311	$2.75		
John and Ann Daniels	16,628	$2.75		
M. Wainright Fishburn, Jr.	100	$2.75		
Total Series B Pref. Converted to Common	**42,354**	**$2.75**		
Warrants to Issue Series C Pfd.:				

Investor	Warrants/ Options	Price	Exercisable	Option Date
Phoenix Leasing	**22,400**	**$6.25**		
Warrants to Issue Series D Pfd. (Dec. 16, 1994)				
Alta V Limited Partnership	70,685	$7.00		
Customs House Partners	743	$7.00		
Norwest Equity Partners, IV	50,715	$7.00		
Sorrento Ventures II, L.P.	9,334	$7.00		
Sorrento Growth Partners I, L.P.	42,667	$7.00		
dated 4/13/89	4,739	$7.00		
Ira & Joan Katz Qualified Marital Trust	4,739	$7.00		
Hans W. Schoepflin Trust dated 6/9/89	4,739	$7.00		
Donald E. Felsinger	1,421	$7.00		
Steve Baum	1,421	$7.00		
Thomas A. Page	1,895	$7.00		
MDS Health Ventures, Inc.	11,905	$7.00		
Fund	35,714	$7.00		
Sanderling Ventures Partners II, L.P.	7,500	$7.00		
Sanderling Ventures Limited, L.P.	4,405	$7.00		
Walden Capital Partners	1,048	$7.00		
Walden Investors	3,143	$7.00		
Walden Ventures	1,591	$7.00		
Walden International III, C.V.	3,743	$7.00		
Peter Preuss	4,761	$7.00		
Lankford/DPI, a Calif. Limited Partnership	214,285	$7.00		
Lankford/DPI, a Calif. Limited Partnership transfer	(214,285)	$7.00		
Lankford Holding Partnership	23,428	$7.00		
David S. Taylor	5,143	$7.00		
Hensel Phelps Construction Co.	28,572	$7.00		
Slough-Torrey Pines I, Inc.	64,285	$7.00		
for the National Electrical Benefit Fund	64,285	$7.00		
August 15, 1995				
Silicon Valley Bank	714	$7.00		
Total Series D Pref. Converted to Common	**453,335**	**$7.00**		
Series D Warrants Converted 1/31/1997				
Sanderling Warrants (2/25/98)	100,000	$4.375		
Total Warrants	**618,089**			
OPTIONS				
Abdon, Ferdinand S.	1,500	$3.50	1500	2/ 3/98
Allman, L. Mark	1,000	$3.50	333	2/ 3/98
Allman, L. Mark	650	$4.38	122	1/ 1/98
Allman, L. Mark	500	$4.38	94	1/ 1/98
Andrade, Christopher E.	800	$1.19	33	10/13/98
Andrade, Christopher E.	500	$3.50	167	2/ 3/98
Andrade, Christopher E.	282	$4.38	53	1/ 1/98
Andrade, Christopher E.	75	$12.00	75	9/28/95
Aridor, Orly	1,000	$3.50	1000	2/ 3/98
Armes, Lyman G	5,000	$3.50	1667	2/ 3/98
Armes, Lyman G	3,800	$4.38	713	2/25/98
Armes, Lyman G	2,500	$5.50	833	3/30/98
Armes, Lyman G	1,500	$1.25	1500	3/23/94
Armes, Lyman G	200	$12.00	200	9/28/95

Investor	Warrants/ Options	Price	Exercisable	Option Date
Asherman, John T.	2,300	$1.19	96	10/13/98
Asherman, John T.	1,500	$3.50	500	2/ 3/98
Asherman, John T.	500	$4.38	94	1/ 1/98
Asherman, John T.	70	$12.00	70	9/28/95
Asherman, John T.	50	$0.80	50	9/17/93
Asuncion, Aurelio P.	1,500	$3.50	1500	2/ 3/98
Barba, Arthur J.	1,000	$3.50	1000	2/ 3/98
Bertelsen, Beth E.	4,500	$3.50	4500	2/ 3/98
Bien, Paul	10,000	$4.38	1875	1/ 1/98
Bien, Paul	6,562	$3.50	0	2/ 3/98
Bien, Paul	4,688	$3.50	3751	2/ 3/98
Brady, Patricia M.	4,700	$1.50	685	8/ 5/98
Brady, Patricia M.	4,200	$3.50	2925	3/ 9/95
Brady, Patricia M.	3,000	$3.50	1000	2/ 3/98
Brady, Patricia M.	500	$4.38	94	1/ 1/98
Brady, Patricia M.	250	$4.38	47	1/ 1/98
Brady, Patricia M.	200	$12.00	200	9/28/95
Braun, Brenda J.	125	$3.50	125	2/ 3/98
Braun, Brenda J.	109	$4.38	109	1/ 1/98
Brisson, Katherine	1,500	$3.50	1500	2/ 3/98
Bryan, Michael T.	1,000	$3.50	1000	2/ 3/98
Butler, Christopher S.	1,500	$3.50	1500	2/ 3/98
Cakiner, Georgeanne F.	500	$3.50	500	2/ 3/98
Campbell, Andrew J.	3,000	$3.50	1000	2/ 3/98
Campbell, Andrew J.	2,600	$1.50	379	8/ 5/98
Campbell, Andrew J.	2,000	$4.00	1433	5/24/95
Campbell, Andrew J.	1,000	$4.38	188	1/ 1/98
Campbell, Andrew J.	200	$12.00	200	9/28/95
Campos, Lilly A.	500	$2.00	425	7/11/94
Campos, Lilly A.	500	$3.50	167	2/ 3/98
Campos, Lilly A.	100	$4.38	19	1/ 1/98
Castro, Hector O.	500	$3.50	500	2/ 3/98
Chew, Terrence G	60,000	$1.50	18750	7/20/98
Colmenar, Veronica A.	500	$3.50	167	2/ 3/98
Colmenar, Veronica A.	250	$4.38	47	1/ 1/98
Colmenar, Veronica A.	250	$4.38	47	1/ 1/98
Crawmer, Bruce	667	$3.50	667	2/ 3/98
Crawmer, Bruce	272	$4.38	272	1/ 1/98
Dalrymple, Judy	500	$3.50	167	2/ 3/98
Dalrymple, Judy	200	$4.38	38	1/ 1/98
Dalrymple, Judy	100	$4.00	25	1/ 7/98
Danczak, John L.	700	$4.38	131	1/ 1/98
Danczak, John L.	500	$3.50	167	2/ 3/98
Danczak, John L.	500	$1.19	31	10/13/98
Davisson, Roger	20,000	$1.25	18333	3/23/94
Davisson, Roger	20,000	$14.00	5667	5/14/97
Davisson, Roger	20,000	$1.50	15000	8/ 5/98
DeLeage, Jean	20,000	$1.25	18333	3/23/94
Dombal, Gregory E.	2,000	$3.50	667	2/ 3/98
Dombal, Gregory E.	1,400	$7.00	700	7/18/95
Dombal, Gregory E.	800	$4.38	150	1/ 1/98
Dombal, Gregory E.	350	$4.38	66	1/ 1/98
Dombal, Gregory E.	200	$12.00	200	9/28/95
Dunbar, Jr., George W.	20,000	$23.50	12083	5/14/96

Investor	Warrants/ Options	Price	Exercisable	Option Date
Dunbar, Jr., George W.	20,000	$14.00	5667	5/14/97
Dunbar, Jr., George W.	20,000	$1.50	15000	8/ 5/98
Durocher, Gregory E.	1,500	$3.50	500	2/ 3/98
Durocher, Gregory E.	700	$4.38	175	2/25/98
Durocher, Gregory E.	650	$4.38	122	1/ 1/98
Eiler, Sr, Paul M.	3,000	$3.50	1000	2/ 3/98
Eiler, Sr, Paul M.	2,000	$4.38	375	1/ 1/98
Ettouati, Williams S.	30,000	$4.38	30000	2/25/98
Fleischer, Mark E.	2,000	$3.50	667	2/ 3/98
Fleischer, Mark E.	750	$4.38	141	1/ 1/98
Fleischer, Mark E.	100	$4.38	19	1/ 1/98
Flores, Mario V.	1,200	$4.38	200	2/25/98
Flores, Mario V.	1,120	$4.00	677	5/24/95
Flores, Mario V.	1,000	$3.50	333	2/ 3/98
Flores, Mario V.	100	$4.38	19	1/ 1/98
Flores, Mario V.	50	$4.38	9	1/ 1/98
Furman, Grace M.	5,000	$3.50	5000	2/ 3/98
Garcia, Louie D.	1,600	$1.19	67	10/13/98
Garcia, Louie D.	1,000	$3.50	333	2/ 3/98
Garcia, Louie D.	700	$4.38	131	2/25/98
Garcia, Louie D.	650	$4.38	122	1/ 1/98
Garcia, Louie D.	500	$5.50	167	3/30/98
Garcia, Louie D.	428	$2.50	303	11/15/94
Garcia, Louie D.	143	$12.00	143	9/28/95
Garcia, Louie D.	111	$9.00	63	9/12/95
Ginther, Sandra K.	2,400	$1.50	150	8/ 5/98
Ginther, Sandra K.	2,000	$5.50	292	3/30/98
Ginther, Sandra K.	1,500	$3.50	500	2/ 3/98
Ginther, Sandra K.	875	$4.38	164	1/ 1/98
Ginther, Sandra K.	650	$4.38	122	1/ 1/98
Ginther, Sandra K.	300	$4.38	56	1/ 1/98
Ginther, Sandra K.	150	$4.38	28	1/ 1/98
Gray, Ninette M.	500	$3.50	500	2/ 3/98
Greeley, David H.	1,500	$1.50	188	8/ 5/98
Greeley, David H.	500	$3.50	167	2/ 3/98
Greeley, David H.	250	$4.38	47	1/ 1/98
Greeley, David H.	100	$4.38	19	1/ 1/98
Hansbrough, MD, John F.	104	$0.80	104	11/17/93
Heller, Deana	800	$4.38	150	1/ 1/98
Heller, Deana	500	$3.50	167	2/ 3/98
Heller, Deana	400	$1.19	17	10/13/98
Hodges, Robert L.	1,500	$3.50	1500	2/ 3/98
Hoefler, Janice	750	$4.38	141	1/ 1/98
Hoefler, Janice	500	$3.50	167	2/ 3/98
Howell, Stephen B.	70,000	$4.46	46667	3/25/98
Howell, Stephen B.	30,000	$3.72	20000	2/25/98
Howell, Stephen B.	30,000	$1.44	22500	7/16/98
Howell, Stephen B.	20,000	$14.00	5667	5/14/97
Howell, Stephen B.	20,000	$1.50	15000	8/ 5/98
Howell, Stephen B.	10,500	$1.25	9333	3/23/94
Howell, Stephen B.	2,850	$18.63	2494	2/26/97
Howell, Stephen B.	540	$3.50	390	3/ 9/95
Itoh, Mika Jane	1,000	$3.50	333	2/ 3/98
Itoh, Mika Jane	800	$4.38	150	1/ 1/98

Investor	Warrants/ Options	Price	Exercisable	Option Date
Itoh, Mika Jane	500	$4.38	94	1/ 1/98
Katre, Nandini V.	10,000	$1.50	833	8/ 5/98
Katre, Nandini V.	7,500	$3.50	2500	2/ 3/98
Katre, Nandini V.	4,000	$9.00	2467	9/12/95
Katre, Nandini V.	3,350	$2.00	2417	6/ 1/94
Katre, Nandini V.	2,000	$4.38	375	1/ 1/98
Katre, Nandini V.	700	$4.38	131	1/ 1/98
Katre, Nandini V.	500	$18.25	267	2/14/96
Katre, Nandini V.	200	$12.00	200	9/28/95
Kenyon, Douglas L.	1,500	$3.50	1500	2/ 3/98
Knott, Glendon	1,700	$1.50	71	8/ 5/98
Kohn, Fred R.	3,900	$4.00	3900	5/24/95
Kohn, Fred R.	2,813	$3.50	2813	2/ 3/98
Kohn, Fred R.	401	$4.38	401	1/ 1/98
Kohn, Fred R.	146	$4.38	146	1/ 1/98
Kohn, Fred R.	80	$4.38	80	1/ 1/98
Kohn, Fred R.	15	$4.38	15	1/ 1/98
Kubrock, Charles A.	500	$3.50	500	2/ 3/98
Kunzler, Leslie	1,500	$3.50	1500	2/ 3/98
Kutch, Anthony M.	1,600	$1.50	267	8/ 5/98
Kutch, Anthony M.	1,500	$3.50	500	2/ 3/98
Kutch, Anthony M.	1,500	$4.38	281	1/ 1/98
Lamy, Raymond C.	7,500	$3.50	2500	2/ 3/98
Lamy, Raymond C.	3,584	$3.00	2667	1/17/95
Lamy, Raymond C.	3,500	$5.50	510	3/30/98
Lamy, Raymond C.	2,600	$14.13	704	12/10/97
Lamy, Raymond C.	1,300	$4.38	244	1/ 1/98
Lamy, Raymond C.	1,125	$4.38	211	1/ 1/98
Lamy, Raymond C.	250	$4.38	47	1/ 1/98
Lamy, Raymond C.	200	$12.00	200	9/28/95
Landers, Mark	500	$3.50	500	2/ 3/98
Langston, Melissa	1,500	$3.50	500	2/ 3/98
Langston, Melissa	1,300	$4.38	244	1/ 1/98
Lee, Dana D.	11,250	$3.50	11250	2/ 3/98
Lewcock, Karin	1,500	$1.50	94	8/ 5/98
Lilley, Kevin	3,000	$3.50	1000	2/ 3/98
Lilley, Kevin	2,150	$4.38	403	1/ 1/98
Lilley, Kevin	1,500	$4.38	344	2/25/98
Longenecker, John P.	70,000	$4.46	11667	3/25/98
Longenecker, John P.	60,000	$1.44	45000	7/16/98
Longenecker, John P.	30,000	$4.38	10000	2/25/98
Longenecker, John P.	30,000	$3.72	5000	2/25/98
Longenecker, John P.	28,863	$18.75	10938	8/27/96
Longenecker, John P.	22,917	$14.75	22916.64	4/28/97
Longenecker, John P.	22,139	$18.75	22138.5	8/27/96
Longenecker, John P.	18,230	$0.10	18230	11/19/92
Longenecker, John P.	10,000	$3.50	7167	3/ 9/95
Longenecker, John P.	9,648	$18.75	0	8/27/96
Longenecker, John P.	8,892	$18.63	7781	2/26/97
Longenecker, John P.	7,549	$18.75	7549	8/27/96
Longenecker, John P.	6,750	$19.63	6750	1/16/96
Longenecker, John P.	6,250	$18.75	0	8/27/96
Longenecker, John P.	2,083	$14.75	0	4/28/97
Longenecker, John P.	552	$18.75	0	8/27/96

Investor	Warrants/ Options	Price	Exercisable	Option Date
Longenecker, John P.	200	$12.00	200	9/28/95
Los, Kathleen D.	2,000	$3.50	667	2/ 3/98
Los, Kathleen D.	750	$0.80	750	11/17/93
Los, Kathleen D.	450	$4.38	84	1/ 1/98
Los, Kathleen D.	200	$12.00	200	9/28/95
Marlow, Aimee L.	200	$12.00	200	9/28/95
Marlow, Aimee L.	125	$3.50	125	2/ 3/98
Marlow, Aimee L.	99	$2.00	99	9/14/94
Marlow, Aimee L.	43	$3.50	43	3/ 9/95
Marlow, Aimee L.	29	$4.38	29	1/ 1/98
Matthies, Sally M.	750	$14.13	188	12/10/97
Matthies, Sally M.	500	$3.50	167	2/ 3/98
Mayhew, Eric	5,000	$0.01	5000	8/ 1/92
McAllister, Diane L.	1,500	$3.50	500	2/ 3/98
McAllister, Diane L.	1,000	$4.38	188	1/ 1/98
McAllister, Diane L.	350	$4.38	66	1/ 1/98
McClain, Yuk Lan	500	$3.50	167	2/ 3/98
McClain, Yuk Lan	375	$4.38	70	1/ 1/98
McCormick, Patrick	18,750	$3.50	6250	2/ 3/98
McCormick, Patrick	11,500	$4.38	2156	1/ 1/98
McCormick, Patrick	7,250	$4.38	1359	1/ 1/98
McCormick, Patrick	375	$4.38	70	1/ 1/98
McGowan, Dana S.	30,000	$4.38	10000	2/25/98
McGowan, Dana S.	30,000	$1.44	22500	7/16/98
McGowan, Dana S.	16,414	$13.25	7977.85	7/31/97
McGowan, Dana S.	15,000	$0.80	15000	1/19/94
McGowan, Dana S.	13,482	$13.25	2230.51	7/31/97
McGowan, Dana S.	6,000	$19.63	6000	1/16/96
McGowan, Dana S.	5,104	$13.25	0	7/31/97
McGowan, Dana S.	5,000	$2.00	4333	6/ 1/94
McGowan, Dana S.	5,000	$18.63	2188	2/26/97
McGowan, Dana S.	3,012	$18.63	2476.74	2/26/97
McGowan, Dana S.	1,274	$18.63	1273.58	2/26/97
McGowan, Dana S.	200	$12.00	200	9/28/95
Meissner, Dagmar	3,000	$3.50	3000	2/ 3/98
Miller, Benjamin	500	$3.50	500	2/ 3/98
Morgan, Robert O.	1,000	$3.50	1000	2/ 3/98
Newman, Trina M.	496	$13.25	496	7/31/97
Newman, Trina M.	435	$2.00	435	6/ 1/94
Newman, Trina M.	292	$3.50	292	2/ 3/98
Newman, Trina M.	200	$12.00	200	9/28/95
Nguyen, Minh	1,500	$3.50	500	2/ 3/98
Nguyen, Minh	1,000	$4.38	188	1/ 1/98
Olsen, Kathryn A.	1,000	$1.25	1000	3/23/94
Olsen, Kathryn A.	375	$3.50	375	2/ 3/98
Olsen, Kathryn A.	153	$4.38	153	1/ 1/98
Olsen, Kathryn A.	15	$4.38	15	1/ 1/98
Opelanio, Laura R.	7,000	$3.50	5133	3/ 9/95
Opelanio, Laura R.	4,500	$3.50	1500	2/ 3/98
Opelanio, Laura R.	500	$4.38	94	1/ 1/98
Opelanio, Laura R.	300	$5.50	50	3/30/98
Opelanio, Laura R.	250	$4.38	47	1/ 1/98
Opelanio, Laura R.	200	$12.00	200	9/28/95
Owens, Janis	1,000	$3.50	333	2/ 3/98

Investor	Warrants/ Options	Price	Exercisable	Option Date
Owens, Janis	750	$4.38	141	1/ 1/98
Pacheco, Gerardo N.	500	$3.50	500	2/ 3/98
Park, Pathamar S.	2,000	$3.50	667	2/ 3/98
Park, Pathamar S.	1,500	$4.38	281	1/ 1/98
Park, Pathamar S.	450	$4.38	84	1/ 1/98
Patel, Mayank D.	4,800	$1.50	200	8/ 5/98
Pepper, Clinton	3,750	$4.38	703	1/ 1/98
Pepper, Clinton	3,000	$3.50	1000	2/ 3/98
Pepper, Clinton	1,800	$1.50	113	8/ 5/98
Phillips, Bradley	5,000	$3.50	5000	2/ 3/98
Phillips, Bradley	1,406	$4.38	1406	1/ 1/98
Phravorachith, Phouthone	2,000	$3.50	667	2/ 3/98
Phravorachith, Phouthone	1,250	$4.38	234	1/ 1/98
Phravorachith, Phouthone	600	$4.38	113	1/ 1/98
Pietrogiovann, Alejandro A.	1,300	$4.38	190	2/25/98
Pietrogiovann, Alejandro A.	500	$3.50	167	2/ 3/98
Pietrogiovann, Alejandro A.	250	$4.38	47	1/ 1/98
Plumb, Nicole F.	3,000	$7.00	2000	7/18/95
Plumb, Nicole F.	1,900	$3.50	633	2/ 3/98
Plumb, Nicole F.	400	$4.38	67	2/25/98
Plumb, Nicole F.	100	$4.38	19	1/ 1/98
Potter, Kimberly M.	2,000	$3.50	2000	2/ 3/98
Preuss, Peter	45,000	$0.10	45000	11/19/92
Preuss, Peter	20,000	$1.25	18333	3/23/94
Preuss, Peter	20,000	$14.00	5667	5/14/97
Preuss, Peter	20,000	$1.50	15000	8/ 5/98
Rasmussen, Randal B.	1,500	$3.50	1500	2/ 3/98
Rejali, Asghar	2,000	$3.50	2000	2/ 3/98
Rena, Maria Goretti	500	$3.50	500	2/ 3/98
Rey, Samuel T.	18,500	$3.00	18500	1/17/95
Ricci, John	1,500	$3.50	1500	2/ 3/98
Rockwell, Anthony J.	500	$3.50	500	2/ 3/98
Rockwell, Anthony J.	422	$4.38	422	1/ 1/98
Ronquillo, Lourdes	1,500	$5.50	219	3/30/98
Ronquillo, Lourdes	1,150	$4.38	216	1/ 1/98
Ronquillo, Lourdes	1,000	$3.50	333	2/ 3/98
Sandoval, Ana	1,000	$3.50	1000	2/ 3/98
Sankaram, Mantripragada	15,000	$3.50	5000	2/ 3/98
Sankaram, Mantripragada	9,400	$4.38	1763	1/ 1/98
Sankaram, Mantripragada	4,000	$0.80	4000	6/ 1/94
Sankaram, Mantripragada	2,000	$3.50	1433	3/ 9/95
Sankaram, Mantripragada	1,500	$4.38	281	1/ 1/98
Sankaram, Mantripragada	1,000	$4.38	188	1/ 1/98
Sankaram, Mantripragada	100	$4.38	19	1/ 1/98
Schaefer, Heather D.	1,500	$3.50	1500	2/ 3/98
Schaffer, Sheldon	30,000	$4.38	10000	2/25/98
Schaffer, Sheldon	30,000	$1.44	22500	7/16/98
Schaffer, Sheldon	16,681	$18.00	14263.98	1/16/97
Schaffer, Sheldon	11,111	$18.00	11110	1/16/97
Schaffer, Sheldon	10,389	$18.00	0	1/16/97
Schaffer, Sheldon	9,431	$18.00	0	1/16/97
Schaffer, Sheldon	8,458	$18.00	0	1/16/97
Schaffer, Sheldon	6,000	$23.50	6000	5/14/96
Schaffer, Sheldon	1,930	$18.00	0	1/16/97

Investor	Warrants/ Options	Price	Exercisable	Option Date
Sedlund, Marilyn	1,000	$3.50	333	2/ 3/98
Sedlund, Marilyn	650	$4.38	122	1/ 1/98
Sedlund, Marilyn	250	$4.38	47	1/ 1/98
Seedenburg, William P.	2,750	$7.00	1700	7/18/95
Seedenburg, William P.	2,000	$3.50	667	2/ 3/98
Seedenburg, William P.	550	$4.38	103	1/ 1/98
Seedenburg, William P.	200	$12.00	200	9/28/95
Senior, Judy H.	5,000	$3.50	5000	2/ 3/98
Shebest, Aaron T.	2,300	$1.19	96	10/13/98
Shebest, Aaron T.	1,500	$3.50	500	2/ 3/98
Shebest, Aaron T.	700	$4.38	131	1/ 1/98
Shebest, Aaron T.	375	$4.38	70	1/ 1/98
Shebest, Aaron T.	200	$12.00	200	9/28/95
Shenkin, Aaron	1,600	$1.50	200	8/ 5/98
Shenkin, Aaron	1,500	$3.50	500	2/ 3/98
Shenkin, Aaron	1,300	$4.38	244	1/ 1/98
Solis, Rosa Marie	2,100	$1.19	44	10/13/98
Solis, Rosa Marie	1,500	$3.50	500	2/ 3/98
Solis, Rosa Marie	900	$0.80	900	11/17/93
Solis, Rosa Marie	250	$4.38	47	1/ 1/98
Solis, Rosa Marie	200	$12.00	200	9/28/95
Stancil, Jennifer	2,400	$3.50	800	2/ 3/98
Stancil, Jennifer	1,500	$4.38	281	2/25/98
Stancil, Jennifer	1,200	$4.38	225	1/ 1/98
Stancil, Jennifer	400	$4.00	100	1/ 7/98
Stevenson, Mark	1,000	$3.50	333	2/ 3/98
Stevenson, Mark	800	$4.38	150	1/ 1/98
Stiefel, Theodore H.	1,600	$5.50	0	3/30/98
Strijkert, Peter J.	20,000	$15.88	8750	1/ 2/97
Strijkert, Peter J.	20,000	$14.00	5667	5/14/97
Strijkert, Peter J.	20,000	$1.50	15000	8/ 5/98
Summers, Richard J.	8,000	$7.00	5333	7/18/95
Summers, Richard J.	7,500	$3.50	2500	2/ 3/98
Summers, Richard J.	1,375	$4.38	258	1/ 1/98
Summers, Richard J.	500	$1.50	42	8/ 5/98
Summers, Richard J.	250	$4.38	47	1/ 1/98
Summers, Richard J.	100	$4.38	19	1/ 1/98
Swaim, Lisa R.	1,000	$3.50	1000	2/ 3/98
Swedberg, Thomas E.	15,000	$4.38	15000	2/25/98
Tapia, Beatriz	1,000	$5.50	0	3/30/98
Tapia, Beatriz	1,000	$1.50	0	8/ 5/98
Tedde, Julie M	3,600	$1.50	0	8/ 5/98
Thomas, David B.	53,534	$13.63	21590	6/30/97
Thomas, David B.	30,000	$4.38	10000	2/25/98
Thomas, David B.	30,000	$1.44	22500	7/16/98
Thomas, David B.	23,627	$13.63	2785	6/30/97
Thomas, David B.	7,222	$1.25	5555	3/23/94
Thomas, David B.	6,750	$19.63	6750	1/16/96
Thomas, David B.	4,055	$18.63	3428.52	2/26/97
Thomas, David B.	1,970	$1.25	1970	3/23/94
Thomas, David B.	951	$18.63	951	2/26/97
Thomas, David B.	839	$13.63	0	6/30/97
Thomas, David B.	200	$12.00	200	9/28/95
Thrift, Richard N.	5,000	$3.50	1667	2/ 3/98

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Investor	Warrants/ Options	Price	Exercisable	Option Date
Thrift, Richard N.	2,750	$0.80	2750	11/19/92
Thrift, Richard N.	1,850	$4.38	347	1/ 1/98
Thrift, Richard N.	1,750	$0.25	1750	7/ 1/93
Thrift, Richard N.	750	$9.00	463	9/12/95
Thrift, Richard N.	200	$12.00	200	9/28/95
Tran, Tin T.	1,500	$3.50	1500	2/ 3/98
Trustee, Fred Middleton,	70,000	$4.46	46667	3/25/98
Trustee, Fred Middleton,	30,000	$3.72	20000	2/25/98
Trustee, Fred Middleton,	30,000	$1.44	22500	7/16/98
Trustee, Fred Middleton,	20,000	$14.00	5667	5/14/97
Trustee, Fred Middleton,	20,000	$1.50	15000	8/ 5/98
Trustee, Fred Middleton,	8,000	$1.25	6333	3/23/94
Trustee, Stephen Howell,	18,125	$0.80	18125	11/17/93
Trustee, Stephen Howell,	5,900	$4.00	4000	5/24/95
Trustee, Stephen Howell,	4,375	$19.63	4375	1/16/96
Vipatapalin, Julie	1,000	$3.50	333	2/ 3/98
Vipatapalin, Julie	750	$4.38	141	1/ 1/98
Viterbo, Jose F.	1,600	$1.50	100	8/ 5/98
Willis, Randall C.	15,000	$3.50	5000	2/ 3/98
Willis, Randall C.	9,400	$4.38	1763	1/ 1/98
Willis, Randall C.	1,200	$4.38	225	1/ 1/98
Willis, Randall C.	1,000	$3.50	717	3/ 9/95
Willis, Randall C.	750	$4.38	141	1/ 1/98
Willis, Randall C.	100	$4.38	19	1/ 1/98
Willkomm, Jane A	3,800	$1.50	0	8/ 5/98
Yeo, Pauline L.	5,000	$3.50	5000	2/ 3/98
Total Outstanding Options	**2,058,431**		**1,154,559**	
Total Warrants and Outstanding Options	**2,676,520**			

In addition to the outstanding options and warrants set forth above, pursuant to the terms of a certain Letter Agreement, dated January 15, 1998, between the Company and Cato Research Ltd., the Company is obligated to issue a warrant to purchase 20,000 shares of the Company's common stock at an exercise price of $3.875 per share if NDA approvable status is established for any indication of DepoCyt™ on or before December 31, 1998.

Directors of the Company receiving automatic option grants under the 1995 Stock Option/Stock Issuance Plan, as amended, have a special stock appreciation right in connection with their options under which the outstanding options can be surrendered for cancellation upon a hostile take-over of the Company in return for a cash distribution from the Company, based on the excess of the price per share paid by the acquiring entity in effecting the take-over above the option exercise price.

Schedule 5.1(d) -- Governmental Filings; No Violations

1. Under the terms of the Agreement, dated October 6, 1998, among the Company, Silicon Valley Bank ("SVB") and Lease Management Services, Inc. ("LMSI"), SVB and LMSI may require that all outstanding obligations of the Company be satisfied in full prior to the

consummation of the Merger. Alternatively, SVB and LMSI may, in their sole discretion, permit the acquiring company to assume the obligations. In the Agreement, the Company acknowledged certain defaults under the terms of the prior agreements between the Company and each of SVB and LMSI.

2. The Company is obligated to provide notice to Chiron Corporation ("Chiron") at least 30 days prior to the consummation of the Merger pursuant to the terms of the Collaboration Agreement (the "Chiron Agreement"), dated March 31, 1994, as amended through the date hereof, between the Company and Chiron. The Chiron Agreement further provides that in the event of any merger in which the Company is not the surviving corporation, Chiron may, upon notice to the Company, terminate the provisions of Article VI of the Chiron Agreement relating to the Generic Products and the Chiron Products (as defined in the Chiron Agreement) and negotiate with the Company reasonably and in good faith concerning alternative licensing arrangements, as described in the Chiron Agreement.

3. The Lease Agreement, dated April 2, 1992, and as amended, for the Company's facilities located at 11025 North Torrey Pines Road provides that any change in a controlling interest of the voting stock of the Company shall require the landlord's consent if such change results in a material adverse change to the Company's financial condition or prospective ability to perform under the lease.

4. The Lease Agreement, dated August 17, 1993, for the Company's facilities located at 11011 North Torrey Pines Road provides that any change in a controlling interest of the voting stock of the Company shall require the landlord's consent if such change results in a material adverse change to the Company's financial condition or prospective ability to perform under the lease.

5. The Marketing and Distribution Agreement, dated July 2, 1997, as amended, between the Company and Pharmacia & Upjohn provides that if a third party active in the pharmaceutical industry acquires by a stock purchase, merger or otherwise 50% or more of the outstanding shares entitled to vote for the election of the Company's directors, Pharmacia & Upjohn has the right, within 60 days of such acquisition, to terminate its obligations to disclose any know-how or other information relating to the clinical results and marketing of DepoCyt upon 30 days notice to the acquiring party and the Company.

6. The Loan and Security Agreement, dated June 18, 1996, as amended through the date hereof, between the Company and Silicon Valley Bank provides that the Company must obtain the prior written consent of Silicon Valley Bank to merge or consolidate with another corporation (except that the company may merge or consolidate with another corporation if the Company is the surviving corporation in the merger and the aggregate value of the assets acquired in the merger do not exceed 25% of the Company's tangible net worth as of the end of the month prior to the effective date of the merger, and the assets of the Company acquired in the merger are not subject to any liens or encumbrances, other than permitted liens).

7. The Addendum to Equipment Financing Agreement 10776, dated January 5, 1995, between the Company and LMSI provides that a consolidation or merger of the Company

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with or into any other corporation or entity where the Company is not the surviving company, without the prior written consent of LMSI, constitutes an event of default under the agreement.

8. The Series C Preferred Stock Purchase Warrant issued to Phoenix Leasing Incorporated requires the Company to provide written notice at least 20 days prior to the record date for any merger, sale or reorganization. In addition, the warrant contains an anti-dilution provision that gives the warrant holder certain rights to purchase securities and/or assets that are issued to the Company's preferred holders in connection with a merger or sale of the Company.

9. The Form of Series B Preferred Stock Purchase Warrant issued to various warrant holders requires the Company to provide written notice at least 10 days but not more than 90 days prior to the record date for any merger, sale or reorganization. In addition, the warrant contains an anti-dilution provision that gives the warrant holder certain rights to purchase securities and/or assets that are issued to the Company's preferred holders in connection with a merger or sale of the Company.

10. The Form of Series D Preferred Stock Purchase Warrant issued to various warrant holders requires the Company to provide written notice at least 10 days but not more than 90 days prior to the record date for any merger, sale or reorganization. In addition, the warrant contains an anti-dilution provision that gives the warrant holder certain rights to purchase securities and/or assets that are issued to the Company's preferred holders in connection with a merger or sale of the Company.

11. The Common Stock Purchase Warrant issued to an affiliate of Sanderling Ventures requires the Company to provide written notice at least 10 days but not more than 90 days prior to the record date for any merger, sale or reorganization. In addition, the warrant contains an anti-dilution provision that gives the warrant holder certain rights to purchase securities and/or assets that are issued to the Company's common holders in connection with a merger or sale of the Company.

12. The Company's 1991 Stock Option Plan, as amended, contains certain change of control provisions.

13. The Company's 1994 Stock Option Plan contains certain change of control provisions.

14. The Company's 1995 Stock Option Plan contains certain change of control provisions.

15. The Company's 1995 Stock Option/Stock Issuance Plan, as amended, contains certain change of control provisions.

16. The Company's 1997 Supplemental Stock Option Plan contains certain change of control provisions.

17. The Company's 1995 Employee Stock Purchase Plan contains certain change of control provisions.

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18. The Company's Retention Incentive Agreements and Retention Security Agreements contain certain change of control provisions as described in paragraph 10 of Schedule 5.1(h).

19. The Employment Agreement, dated June 30, 1997, between the Company and David B. Thomas contains certain change of control provisions.

20. The Company's Senior Management Committee Compensation Plan references other of the Company's Compensation and Benefits Plans, which contain certain change of control provisions.

21. The Agreement, dated June 22, 1998, between the Company and EGS Securities provides that the Company is obligated to pay certain transaction fees in the event that EGS provides certain assistance with the sale or merger of the Company.

Schedule 5.1(f) -- Absence of Certain Changes

1. On January 7, 1998, the Company entered into a Confidential Separation Agreement with Linda Paradiso, DVM. This was not in the ordinary course of business.

2. On January 15, 1998, the Company entered into a Letter Agreement with Cato Research Ltd. This was not in the ordinary course of business.

3. On January 20, 1998, the Company announced that it had submitted a Marketing Authorization Application ("MAA") to the European Medicines Evaluation Agency for its anticancer drug, Savedar™ (known as DepoCyt in the United States). The Company subsequently announced on October 16, 1998, that the MAA for Savedar was withdrawn. The decision to withdraw the application was based on an assessment that additional clinical data would be required to supplement the filing.

4. Also on January 20, 1998, the Company announced that Sinil Kim, M.D., a co-founder of the Company, resigned as Vice President, Advanced Technology and Chief Scientific Officer to pursue other interests. His responsibilities were assumed by Dr. Sheldon Schaffer, who was then serving as the Company's Vice President, Pharmaceutical Development. The Company also announced that Linda J. Paradiso, D.V.M., resigned as Vice President, Clinical Development, to pursue other interests. This was not in the ordinary course of business.

5. On February 2, 1998, the Company announced that Edward L. Erickson had resigned as President and Chief Executive Officer of the Company for personal reasons. John P. Longenecker, Ph.D., who had been serving as the Company Senior Vice President and Chief Operating Officer, was appointed as President and as a member of the Board of Directors. Fred A. Middleton, Chairman of the Company's Board of Directors, assumed the additional position of Chief Executive Officer. Stephen B. Howell, M.D., a co-founder and a member of the Board of Directors, was appointed as the Company's Medical Director. Also at this time, the Company announced a workforce reduction. This was not in the ordinary course of business.

6. In February 1998, the Board of Directors approved an employee retention program, an element of which was a cancellation/regrant program for all employees. The cancellation/regrant program excludes all officers and directors. Participation in the cancellation/regrant program is at the election of each individual employee. The program involved the cancellation of outstanding options with exercise prices of $7.00 per share or greater, in exchange for the grant of options exercisable into one-half the number of shares with an exercise price of $4.375, the fair market value of the Company's common stock on the February 25, 1998 grant date. The new option became exercisable beginning April 1, 1998 with 6.25% vesting on that date and the remaining shares vesting in 45 equal monthly installments. This was not in the ordinary course of business.

7. In March 1998, the Company entered into a Common Stock Purchase Warrant Agreement with Sanderling Management Company. At the same time, the Company issued 25,000 shares of its Common Stock to Stephen B. Howell, and has agreed to pay Dr. Howell amounts equal to any tax liability, grossed up, in connection with such issuance. These actions were not in the ordinary course of business.

8. On March 1, 1998, the Company entered into an Amended and Restated Consulting Agreement with Stephen B. Howell. This was not in the ordinary course of business.

9. On March 16, 1998, the Company entered into a Consulting Agreement with Stephen B. Howell. This was not in the ordinary course of business.

10. On March 24, 1998, the Company entered into that certain Letter Agreement with San Diego Gas & Electric. This was not in the ordinary course of business.

11. In April 1998, a class action suit was filed against the Company and two of its former officers in the United States District Court for the Southern District of California. The lawsuit alleges violations of the federal securities laws and purports to seek unspecified monetary damages on behalf of a class of shareholders who purchased the Company's Common Stock during the period April 1, 1996 through December 18, 1997. This was not in the ordinary course of business.

12. The Board of Directors of the Company amended its 1995 Stock Option/Stock Issuance Plan to, among other things, increase the number of common shares authorized for issuance by 620,000, and amended its 1995 Employee Stock Purchase Plan to increase the number of common shares authorized for issuance by 75,000 shares, which amendments were approved by the Company's shareholders on May 13, 1998. These actions were not in the ordinary course of business.

13. In April 1998, the Company filed an amendment to its New Drug Application ("NDA") for DepoCyt, an anticancer drug for the treatment of neoplastic meningitis ("NM") from solid tumors, with the U.S. Food and Drug Administration ("FDA"), which extended the time period available to the FDA to review the NDA under the Prescription Drug User Fee Act by three months, to July 28, 1998. On May 26, 1998, the Company announced that the FDA had

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notified the Company that its NDA for DepoCyt did not contain adequate information to support approval. In August 1998, the FDA issued a letter to the Company inviting it to submit an NDA for DepoCyt for the treatment of NM from lymphomas. This new NDA was filed in October 1998. The Company has been notified by the FDA that it is currently scheduling the NDA for the lymphoma indication for review by the FDA's Oncologic Drugs Advisory Committee ("ODAC") on November 16, 1998. There can be no assurance, however, that the results of the review by ODAC will be favorable.

14. On June 23, 1998, the Company announced a 35% reduction in its workforce aimed at lessening operating expenses. This was not in the ordinary course of business.

15. On July 30, 1998, the Company announced the appointment of Terrence G. Chew, M.D., as Vice President, Clinical Development, and entered into an Employment Agreement with Dr. Chew. This was not in the ordinary course of business.

16. Also on July 30, 1998, the Company announced that Williams S. Ettouati, D. Pharm., resigned as Vice President, Marketing and Business Development, effective July 31, 1998. Dr. Ettouati remained as a part-time consultant to the Company through September in order to assist in the transition of his duties. Sheldon A. Schaffer, Ph.D., the Company's Vice President of Pharmaceutical Development, assumed the responsibility for business development activities. This was not in the ordinary course of business.

17. On September 11, 1998, the Company and Pharmacia & Upjohn amended that certain Marketing and Distribution Agreement, dated July 2, 1997, to amend Pharmacia & Upjohn's right to terminate the agreement. This was not in the ordinary course of business.

18. On October 6, 1998, the Company entered into that certain Agreement, among the Company, SVB and LMSI, which amends the terms of the prior agreements between the Company and each of SVB and LMSI.

19. On October 19, 1998, the Company announced that it had reached preliminary agreement with Parent under which Parent will acquire all of the Company's outstanding capital stock in a stock-for-stock exchange. In addition, the Company and Parent have formed a strategic collaboration to develop drug delivery technologies based on the Company's lipid-based drug delivery systems. In connection with this collaboration, Parent purchased approximately 2.9 million shares of the Company's common stock. This was not in the ordinary course of business.

20. Since December 31, 1997, the Company has granted options to purchase an aggregate of 1,431,818 shares (includes regranted shares) and warrants to purchase an aggregate of 100,000 shares.

21. Since December 31, 1997, the Company has entered into Retention Incentive Agreements and Retention Security Agreements with certain of its employees, as described in paragraph 10 of Schedule 5.1(h). These were not entered into in the ordinary course of business.

22. The following schedule sets forth the changes in compensation payable or that could become payable to the Company's employees since December 31, 1997:

Last name	First name	1-1-98 Title	1-1-98 Annual Salary	10-27-98 Title	10-27-98 Annual Salary	Increase	% Increase	Note
Allman	L. Mark	Sr. Maint. Tech.	44,470.40	Sr. Maint. Tech.	47,590.40	3,120.00	7%	
Andrade	Christopher	Warehouse Clerk	30,326.40	Sr. Warehouse Dis.	33,753.20	3,426.80	11%	
Armes	Lyman	Senior Scientist	79,079.83	Staff Scientist	87,186.07	8,106.24	10%	
Arreola	Lilly	Lab Assistant	24,273.60	Lab Assistant	25,480.00	1,206.40	5%	
Asherman	John	Sr. Res. Assoc.	42,581.76	Staff Res. Assoc.	52,920.71	10,338.95	24%	
Bien	Paul	Assoc. Dir., Clin.	109,506.24	Assoc. Dir., Clin.	116,076.73	6,570.49	6%	
Brady	Patricia	Materials Manager	68,035.34	Sr. Mgr., Purch.	80,451.88	12,416.54	18%	
Campbell	Andrew	QA Comp. Mgr.	60,421.48	QA Comp. Mgr.	67,565.97	7,144.49	12%	
Crawmer	Bruce	Sr. Clin. Res. Ass.	58,044.65	Sr. Clin. Res. Ass.	60,946.89	2,902.24	5%	
Danczak	John	Calibration Tech.	33,280.00	Calibration Spec.	37,044.80	3,764.80	11%	
Dombal	Gregory	Reg. Affairs Sr.	55,042.33	Reg. Affairs Sr.	58,344.87	3,302.54	6%	
Durocher	Gregory	Facilities Maint.	38,729.60	Facilities Maint.	41,246.40	2,516.80	6%	
Flores	Mario	Pre Clinical Res.	42,703.86	Preclinical RA II	48,717.97	6,014.11	14%	
Garcia	Louie	Sr. Res. Assoc.	39,409.36	Sr. Res. Assoc.	44,033.87	4,624.51	12%	
Ginther	Sandra	Sr. Human Res.	54,700.07	Human Res.	63,925.18	9,225.11	17%	
Greeley	David	Production Oper.	24,003.20	Senior Prod. Oper	34,944.00	10,940.80	46%	1
Heller	Deana	Sr. Admin.	35,006.40	Clin. Res. Coord.	38,961.71	3,955.31	11%	
Itoh	Mika Jane	Research Assoc.	31,896.51	Research Assoc.	34,129.45	2,232.94	7%	
Katre	Nandini	Staff Scientist	95,116.17	Dir., Protein Pro	105,864.30	10,748.13	11%	
Knott	Glendon	Research Assoc.	33,617.85	Research Assoc.	34,676.68	1,058.82	3%	
Kutch	Anthony	Sr. Calibration Su.	48,437.25	PT Calibration Su.	13,350.52	-35,086.73	-72%	2
Lamy	Raymond	Regulatory Aff. M	88,355.97	Assoc. Dir., Reg.	98,460.27	10,104.31	11%	
Langston	Melissa	Sr. Res. Assoc.	44,033.79	Sr. Res. Assoc.	46,896.08	2,862.29	7%	
Lewcock	Karin	Research Assist.	28,215.00	Research Assoc.	32,217.91	4,002.91	14%	
Longenecker	John	Sr. V.P., R&D&Ops	215,165.52	President/COO	240,184.76	25,019.24	12%	
Nguyen	Minh	Sr. Res. Assoc.	39,968.74	Sr. Res. Assoc.	42,366.58	2,397.84	6%	
Opelanio	Laura	Mgr., Quality Con.	74,933.64	Sr. Mgr., Quality	83,401.16	8,467.51	11%	
Owens	Janis	Research Assoc.	32,970.00	Sr. Res. Assoc.	38,653.00	5,683.00	17%	
Park	Pathamar	Staff Res. Assoc.	59,591.83	Staff Res. Assoc.	62,571.43	2,979.60	5%	
Patel	Mayank	Sr. Process Eng.	61,857.58	Sr. Process Eng.	70,053.96	8,196.39	13%	
Pepper	Clinton	Scientist	72,555.81	Manager, Product	79,992.54	7,436.73	10%	
Phravorachith	Phouthone	Staff Res. Assoc.	53,969.51	Staff Res. Assoc.	57,747.41	3,777.90	7%	
Pietrogiovanna	Alejandro	Maintenance Tech.	32,032.00	Sr. Maint. Tech.	35,817.60	3,785.60	12%	
Plumb	Nicole	Sr. Validation Sp.	45,517.51	Manager, Valid.	61,951.01	16,433.50	36%	3
Ronquillo	Lourdes	Sr. Doc. Control	43,265.66	Supv., Document C	46,564.81	3,299.15	8%	
Sedlund	Marilyn	Facilities Plan.	34,320.00	Facilities Plan.	36,899.20	2,579.20	8%	
Seedenburg	William	Sr. Validation En.	60,808.40	Sr. Validation En.	64,457.33	3,648.92	6%	
Shebest	Aaron	Lead Prod. Oper.	38,625.60	Lead Prod. Oper.	47,003.01	8,377.41	22%	
Solis	Rosa Maria	Sr. Res. Assoc.	47,672.66	Staff Res. Assoc.	52,916.70	5,244.03	11%	
Stancil	Jennifer	Fin. Acctg. Mgr	45,582.00	Fin. Acctg. Mgr	60,776.00	15,194.00	33%	4
Stevenson	Mark	Research Assoc.	32,525.02	Research Assoc.	34,151.27	1,626.25	5%	
Summers	Richard	Microbiology Mana	83,527.25	Senior Microbiolo	92,966.52	9,439.27	11%	
Thrift	Richard	Senior Scientist	70,961.59	Senior Scientist	74,155.04	3,193.44	5%	

Last name	First name	1-1-98 Title	1-1-98 Annual Salary	10-27-98 Title	10-27-98 Annual Salary	Increase	% Increase	Note
Vipatapalin	Julie	Research Assoc.	32,217.79	Research Assoc.	34,473.03	2,255.24	7%	
Viterbo	Jose	Process Dev. Tech	26,827.01	Sr. Process Dev.	33,280.00	6,452.99	24%	
Willis	Randall	Dir., Advanced Te	113,929.63	Dir., Advanced Te	120,765.90	6,836.27	6%	

1) Received a two grade-level promotion and salary adjustment to meet salary minimum in new grade
2) Reflects reduction in hours from 40 hours/week to 10 hours/week
3) Received two promotions this year
4) Reflects change in hours from 24 hours/week to 32 hours/week

Schedule 5.1(g) -- Litigation and Liabilities

1. On October 6, 1998, the Company entered into that certain Agreement, among the Company, SVB and LMSI, which amends the prior agreements between the Company and each of SVB and LMSI and pursuant to which the Company acknowledged certain defaults under the prior agreements.

Schedule 5.1(h) -- Employee Benefits

1. The following is a list of the Company's material Compensation and Benefit Plans:

Flexible Time Off: 15-30 days Flexible Time Off.

Holidays: 10 fixed days per calendar year and 2 personal/floating holidays. Employees hired between Jan. and June will receive 2 floating holidays. Employees hired after June 30 and prior to Sept. 30, receive 1 floating holiday for the first year. Personal/Floating holidays do not carry over into the next calendar year.

Health Insurance*: The company provides a comprehensive program, including the options of Aetna HMO or PPO plans and a Kaiser HMO Plan. Employee coverage paid for by the Company. Employee pays 30% of dependent coverage.

Dental Insurance*: A comprehensive dental program is provided by the company through Guardian. Employees have the option of using a provider in the plan or their own dentist. No cost to employee or dependents.

Vision Insurance:** Vision coverage provided by Medical Eye Services. Employees can use a provider in the plan or their own eye practitioner. Employee coverage paid for by the Company. Employee pays 30% of dependent coverage.

Group Life Insurance and Accidental Death and Dismemberment (AD&D)*: 2 x annual salary for group life and additional 2 x annual salary for AD&D. Premiums paid by the Company.

Voluntary Life Insurance*: Employees can purchase additional for themselves, their spouse and children. Employees are responsible for entire premium.

Long-term Disability*: After 90 consecutive days of total disability, LTD will pay 67% of covered monthly earnings. Premium paid by the Company.

Flexible Benefit Plan:**	Dependent care, medical reimbursement, and group insurance pre-tax savings accounts.
401(K) Savings Plan:	Featuring six funds from the American Mutual fund family. Enrollment each quarter on: Jan. 1, Apr. 1, July 1, or Oct. 1.
Employee Stock Purchase Plan (ESPP)	Employees may purchase company common stock at 85% of fair market value semi-annually via payroll deductions.
Employee Stock Option Plans **1991 Stock Option Plan** **1994 Stock Option Plan** **1995 Stock Option Plan** **1995 Stock Option/Stock Issuance Plan** **1997 Supplemental Stock Option Plan**	Employees, consultants, and Board Members receive stock options. In general those options have a vesting schedule ranging from 1-5 years; some options are granted with immediate vesting and other vesting schedules.
SMC Compensation Plan	The Company provides a total compensation package to Senior Management Committee members. Total compensation is defined as the payment or provision of salary, stock option grants, incentive cash bonuses and all benefits to or on behalf of the employee in exchange for services performed by the employee.
Employee Recognition Program	It is the policy of the Company to recognize and reinforce the actions of employees who make a significant impact on the achievement of team, department or company goals. There are two forms of employee recognition: Spot Recognition Award ($100-$1000 grossed up) and the Peer Recognition Award ($1500 grossed up).
Education Reimbursement	The Company will reimburse employees who have completed approved courses offered by accredited schools, colleges, or universities which are a benefit to both the employee and the Company.
Employee Referral Program	Eligible employees may refer qualified candidates for posted positions. If the referred candidate is hired as a regular full-time employee and remains employed by the Company for a least 120 days, the referring employee will receive a check for $250.
Leaves of Absence	All eligible employees have the option to apply for a leave of absence which allows for extended periods of time off without pay if it is clearly justified by illness or other compelling reasons and in compliance with Federal and State regulations.

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* **30 days from date of hire, excluding the date of hire; for example, insurance for employees hired on December 12 would be effective January 11.**

** **The first of the month following 30 continuous days of employment.**

2. The Company has entered into Retention Incentive Agreements with certain of its key employees, as described in paragraph 10 below.

3. The Company has entered into Retention Security Agreements with certain of its other employees, as described in paragraph 10 below.

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4. The Company has entered into an Employment Agreement, dated June 30, 1997, with David B. Thomas, which contains certain change of control provisions and pursuant to which the Company may be obligated to make severance payments.

5. The Company has entered into an Employment Agreement with Terrence Chew, dated June 11, 1998, pursuant to which the Company may be obligated to make severance payments.

6. The Company has entered into a Confidential Separation Agreement, dated January 7, 1998, with Linda Paradiso, D.V.M.

7. The Company has entered into a Consulting Agreement, dated March 16, 1998, with Stephen B. Howell, pursuant to which the Company may be obligated to make severance payments.

8. The Company has entered into an Amended and Restated Consulting Agreement, dated March 1, 1998, with Stephen B. Howell, pursuant to which the Company may be obligated to make severance payments.

9. In addition to those agreements set forth above, the following Compensation and Benefits Plans contain "change of control" or similar provisions:

a. 1991 Stock Option Plan, as amended (Section 13(c))
b. 1994 Stock Option Plan (Article III, Section 7)
c. 1995 Stock Option Plan (Article II, Section III(A))
d. 1995 Stock Option/Stock Issuance Plan, as amended (Article V, Section I)
e. 1997 Supplemental Stock Option Plan (Article II)
f. 1995 Employee Stock Purchase Plan, as amended (Section VII)
g. SMC Compensation Plan

10. The potential obligations of the Company under the terms of the Retention Incentive Agreements and the Retention Security Agreements, which may be triggered as a result of the transactions contemplated by the Agreement, are as follows:

Employee	Annual Salary	Monthly Salary	Potential RIF Months	*Potential RIF Dollars	Potential Retention Incentive Months	**Potential Retention Incentive Dollars
Retention Incentive Agreements (Key Employees)						
Bien, Paul	115,987	9666	6	$57,994	2	$19,331
Brady, Pat	80,390	6699	4	$26,797	2	$13,398
Campbell, Andrew	67,514	5626	4	$22,505	2	$11,252
Eiler, Paul	66,403	5534	4	$22,134	2	$11,067
Ettouati, Williams			-	-		$82,500
Ginther, Sandra	63,876	5323	4	$21,292	2	$10,646
Hoefler, Janice	33,301	2775	4	$11,100	2	$5,550
Katre, Nandini	105,783	8815	6	$52,892	2	$17,631

Employee	Annual Salary	Monthly Salary	Potential RIF Months	*Potential RIF Dollars	Potential Retention Incentive Months	**Potential Retention Incentive Dollars
Lamy, Ray	92,702	7725	6	$46,351	2	$15,450
Longenecker, John	240,000	20000	12	$240,000	3	$60,000
McCormick, Pat	153,809	12817	6	$76,905	2	$25,635
McGowan, Dana	150,000	12500	12	$150,000	3	$37,500
Opelanio, Lorie	83,337	6945	4	$27,779	2	$13,890
Pepper, Clint	79,931	6661	4	$26,644	2	$13,322
Plumb, Nicole	61,903	5159	4	$20,634	2	$10,317
Sankaram, M.B.	114,925	9577	9	$86,194	2	$19,154
Schaffer, Sheldon	165,000	13750	9	$123,750	3	$41,250
Stancil, Jennifer	60,776	5065	9	$45,582	2	$10,129
Summers, Rick	92,895	7741	4	$30,965	2	$15,483
Tedde, Julie	54,000	4500	9	$40,500	2	$9,000
Wiilis, Randy	120,673	10056	9	$90,505	2	$20,112
SUBTOTAL:	2,003,205	$166,934		$1,220,521		$462,618
Retention Security Agreements						
Allman, Mark	47,590	3966	2	$7,932		
Andrade, Chris	33,753	2813	2.5	$7,032		
Armes, Gene	87,119	7260	3	$21,780		
Arreola, Lilly	25,480	2123	3	$6,370		
Asherman, John	44,676	3723	3.5	$13,031		
Colmenar, Veronica	30,559	2547	2.5	$6,366		
Dalrymple, Judy	26,000	2167	2	$4,333		
Danczak, Johnny	33,280	2773	2	$5,547		
Dombal, Greg	58,300	4858	2.5	$12,146		
Durocher, Gerg	41,246	3437	2	$6,874		
Fleischer, Mark	59,403	4950	3.5	$17,326		
Flores, Mario	48,681	4057	2.5	$10,142		
Garcia, Louie	44,000	3667	3	$11,000		
Greeley, David	34,944	2912	2	$5,824		
Heller, Deana	37,106	3092	2	$6,184		
Itoh, Mika	34,497	2875	2	$5,750		
Knott, Glen	34,650	2888	2	$5,775		
Kutch, Tony	13,351	1113	2	$2,225		
Langston, Melissa	46,860	3905	2	$7,810		
Lewcock, Karin	32,193	2683	2	$5,366		
Lilley, Kevin	70,219	5857	2	$11,714		
Los, Kathy	60,963	5080	3.5	$17,781		
Matthies, Sally	26,827	2236	2	$4,471		
McAllister, Diane	51,308	4276	2.5	$10,689		
McClain, Kitty	27,633	2303	2.5	$5,757		
Nguyen, Minh	42,334	3528	2	$7,056		
Owens, Janis	38,653	3221	2	$6,442		
Park, Pathamar	62,523	5210	2	$10,421		
Patel, Mayank	70,000	5833	2	$11,667		
Phravorachith, Tony	57,703	4809	2	$9,617		
Pietrogiovanna, A.	35,818	2985	2.5	$7,462		

Employee	Annual Salary	Monthly Salary	Potential RIF Months	*Potential RIF Dollars	Potential Retention Incentive Months	**Potential Retention Incentive Dollars
Ronquillo, Lourdes	46,529	3877	2	$7,755		
Sedlund, Marilyn	34,320	2860	2	$5,720		
Seedenburg, Bill	63,664	5305	2.5	$13,263		
Shebest, Aaron	47,003	3917	2.5	$9,792		
Shenkin, Aaron	44,000	3667	2	$7,333		
Solis, Rosa	52,876	4406	3.5	$15,422		
Stevenson, Mark	34,125	2844	2	$5,688		
Tapia, Beatriz	29,058	2422	2	$4,843		
Thrift, Richard	70,907	5909	3.5	$20,681		
Vipatapalin, Julie	34,447	2871	2	$5,741		
Viterbo, Jose	33,280	2773	2	$5,547		
Willkomm, Jane	60,000	5000	2	$10,000		
SUBTOTAL:	**$1,907,878**	**$158,995**		**$383,674**		
TOTAL:	**$3,911,083**	**$325,929**		**$1,604,195**		**$462,618**

(The amounts in the above chart were calculated based on each employee's rate of compensation as of the effective date of each agreement. The amounts payable under these agreements will vary as compensation rates change.)

* Potential Reduction In Force (RIF) liability.

- Retention Incentive Agreements

  If employment is terminated by the Company at any time prior to and including the Completion Date (as defined below). Unvested Stock Options will also accelerate in entirety and exercise period will be extended for twelve (12) months from date of termination of employment.

- Retention Security Agreements

  Promise of severance pay upon involuntary termination of the Company through December 31, 1998.

** Potential retention incentive payout to key employees who continue providing services to the company through a period ending on a date six (6) months after the completion of a sale or merger of the Company (the "Completion Date"). The retention incentive shall be payable to employee on the Completion Date.

11. It is not possible to determine the liability, if any, of the Company in connection with the severance provisions contained in the following agreements as a result of the transactions contemplated by the Agreement:

a. Employment Agreement, dated June 30, 1997, between the Company and David B. Thomas

b. Amended and Restated Consulting Agreement, dated March 1, 1998, between the Company and Stephen B. Howell

c. Consulting Agreement, dated March 16, 1998, between the Company and Stephen B. Howell

d. Employment Agreement, dated June 11, 1998, between the Company and Terrence Chew

Schedule 5.1(i) -- Compliance with Laws; Permits

1. The Company has been notified by the FDA that it is currently scheduling the NDA for the lymphoma indication for review by ODAC on November 16, 1998. There can be no assurance, however, that the results of the review by ODAC will be favorable.

Schedule 5.1(k) -- Environmental Matters

1. The following is a list of the third party hazardous and low-level radioactive waste disposal facilities at which the Company's hazardous and low-level radioactive waste has been disposed or recycled and which may present conditions that are exceptions to the representations and warranties. These conditions have not and are not reasonably likely to have a Company Material Adverse Effect or materially impair or delay the consummation of the transactions contemplated under the Agreement or otherwise be reasonably likely to cause the Parent or the Surviving Corporation to incur significant costs.

a. Ensco West, Inc.
1737 East Denni Street
Wilmington, CA 90744

b. Filter Recycling Services
180 West Monte
Rialto, CA 92316

c. Broco Environmental
2610 North Alder
Rialto, CA 92377

d. Integrated Environmental Serv.
499 High Street
Oakland, CA 94601

e. Chem Nuclear
Barnwell, South Carolina

f. U.S. Ecology/American Ecology
Hanford, Washington

2. Certain environmental conditions are disclosed in the Site Assessments for the Company's leased facilities at the following sites and those conditions have not had and are not reasonably likely to have a Company Material Adverse Effect or materially impair or delay the consummation of the transactions contemplated under the Agreement or otherwise be reasonably likely to cause the Parent or the Surviving Corporation to incur significant costs:

a. 10450 Science Center Drive, San Diego, California:

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- Phase I Environmental Assessment, dated December 15, 1997, prepared by Eckland Consultants Inc.

b. 11025 and 11011 North Torrey Pines Road:

- Phase I Environmental Site Assessment, dated November 9, 1988, prepared by Harding Lawson Associates;
- Phase II Environmental Site Assessment, dated April 17, 1989, prepared by Harding Lawson Associates;
- Phase I Preliminary Site Assessment Update, dated April 29, 1994, prepared by Harding Lawson Associates

3. Initial monitoring of airborne chloroform in Buildings 5 and 6 indicate levels of chloroform at higher than permissible limits for certain operations. This condition is not reasonably expected to have a Company Material Adverse Effect.

Schedule 5.1(m) – Taxes

1. The Company has waived the statute of limitations with respect to sales and use taxes for the tax year ended December 31, 1994, and for the period of April 1, 1995 through September 30, 1995. An audit for this period has been completed and submitted for review, however, the Company has not yet received a formal assessment. The preliminary audit results indicate a tax liability of approximately $191,000, which liability was accrued in the Company's September 1998 financial statements and was included in the projections.

2. The Company has waived the statute of limitations with respect to property taxes for the tax year ended March 1, 1994. The audit is in process and final liability has also not been determined. The Company has accrued an estimated liability of $235,000 in the projections.

Schedule 5.1(p) -- Intellectual Property

1. The Company and Research Development Foundation ("RDF") have entered into that certain Assignment Agreement, dated February 9, 1994 (the "RDF Agreement"), pursuant to which RDF has licensed certain proprietary information to the Company. Under the terms of the RDF Agreement, if the Company fails to meet the specified minimum commercialization requirements, RDF may, in its sole discretion, convert the RDF Agreement into a non-exclusive license agreement or terminate the RDF Agreement. In addition, the RDF Agreement provides that if (a) the Company becomes bankrupt or insolvent, (b) the business or any assets or property of the Company are placed in the hands of a receiver, assignee or trustee, (c) the Company institutes or suffers to be instituted any procedure in bankruptcy court for reorganization or rearrangement of its financial affairs, or (d) the Company makes a general assignment for the benefit of creditors, the RDF Agreement will immediately terminate and the Company will be obligated to reassign to RDF all right, title and interest in the licensed proprietary information,

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unless such bankruptcy, insolvency, receivership or assignment for the benefit of creditors is cured within 30 days.

Schedule 5.1(r) -- FDA Matters

1. The following is a list of Products currently being developed by the Company:

a. DepoCyt
b. DepoMorphine
c. DepoBupivacaine
d. DepoAmikacin

2. The Company has entered into feasibility studies with each of Synthelabo, Kirin and G.D. Searle & Company, a division of Monsanto Company, for undisclosed compounds and a feasibility study with an undisclosed entity for an undisclosed compound.

3. The following is a list of all material Licenses for each Product that have been obtained by the Company, or that form the basis for manufacturing, distribution, sale or human or animal research, testing or studies of a Product by the Company:

Project	Number	Initial Approval	Last Submission	Next Submission	Comments
DTC 101 NDA(1)	20-798	Not approved	4/28/97*	Not required	* Original application
DTC 101 – NDA(1)	21-041	Pending	10/2/98	Pending	* Original application
DTC 101 – IND(1)	29,839	3/18/89	6/3/98	3/18/99	Annual reports within 60 days of anniversary
DTC 101 – NDS(1)	052637	Pending	1/30/98*	Pending	* Original application
DTC 101 – INDS(1)			5/13/98	5/13/99	Annual reports, within 30 days of
• Phase I (Pediatric)	055509	6/27/98			anniversary
• Phase III	028794 037268	10/28/94			
• Phase IV	044055	8/24/96			
DTC 101 - Orphan Drug Status(1)	93-733	6/2/93	6/17/98	6/3/99	Renewal within 60 days of anniversary
C0201 – IND(2)	48,675	9/21/95	10/3/98	9/21/99	Annual reports within 60 days of anniversary
C0401 – IND(3)	52,113	1/05/97	3/5/98	1/5/99	Annual reports within 60 days of anniversary
DEA Manufacturer Reg. Bldg. 6	RD0215194	4/22/96	10/9/98	6/26/99	Renewal within 30 days of last registration
DEA Researcher Reg. Bldg. 1	RD0177433	2/8/96	10/9/98	6/30/99	Renewal within 30 days of last registration
DEA Manufacturer Reg.	RD0234029	3/16/98	6/1/98	7/1/99	Renewal within 30 days of last

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Project	Number	Initial Approval	Last Submission	Next Submission	Comments
Bldg. 1					registration
CA FDB Mftg Lic. Bldg. 6	41585	4/24/95	4/1/98	4/24/99	Renewal within 30 days of last license

(1) DTC 101 is DepoCyt.
(2) C0201 is a DepoFoam formulation of amikacin.
(3) C0401 is DepoMorphine.

4. On January 20, 1998, the Company announced that it had submitted an MAA to the European Medicines Evaluation Agency for its anticancer drug, Savedar. The Company subsequently announced on October 16, 1998, that the MAA for Savedar was withdrawn. The decision to withdraw the application was based on an assessment that additional clinical data would be required to supplement the filing. On May 26, 1998, the company announced that the FDA had notified the Company that its NDA for DepoCyt, an anticancer drug for the treatment of NM from solid tumors, did not contain adequate information to support approval.

Schedule 5.1(s) -- Material Contracts

1. Amended and Restated Investors' Rights Agreement, among the Company and certain shareholders of the Company, dated December 16, 1994, as amended pursuant to the Amendment to the Investors' Rights Agreement dated May 24, 1995.

2. Master Equipment Lease Agreement dated October 1, 1993, between the Company and Phoenix Leasing Incorporated.

3. Warrant Agreement dated January 1, 1994 between the Company and Phoenix Leasing Incorporated.

4. Master Equipment Lease dated March 20, 1995 between the Company and Phoenix Leasing Incorporated.

5. Master Lease Agreement Number 10476 dated December 21, 1994, between the Company and LMSI.

6. Addendum to Master Lease Agreement 10476 dated January 5, 1995, between the Company and LMSI.

7. Negative Covenant Pledge Agreements dated December 21, 1994, September 8, 1995, and April 22, 1996, between the Company and LMSI.

8. Equipment Financing Agreement, dated December 21, 1994, and Addendum to Equipment Financing Agreement 10776 dated January 5, 1995, between the Company and LMSI.

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9. Torrey Pines Science Park Industrial Real Estate Lease for the Company's facilities at 11025 North Torrey Pines Road dated April 2, 1992, as amended September 30, 1993, between the Company and Equitable Life Assurance Society of the United States.

10. Torrey Pines Science Park Industrial Real Estate Triple Net Lease for the Company's facilities at 11011 North Torrey Pines Road dated August 17, 1993 between the Company and Equitable Life Assurance Society of the United States.

11. Torrey Pines Science Center Industrial Real Estate Lease, dated December 8, 1994, between the Company and Lankford & Associates, Inc.

12. Sublease for the Company's facilities at 11025 North Torrey Pines Road dated July 9, 1993, between the Company and IRORI, Inc. and related Sublease dated April 15, 1998, between IRORI, Inc. and IDUN Pharmaceuticals.

13. Series B Preferred Stock Purchase Warrants dated July 14, 1992, July 15, 1992, October 15, 1992 and October 27, 1992 between the Company and certain individuals.

14. Series D Preferred Stock Purchase Warrants dated December 16, 1994 between the Company and certain individuals.

15. Series D Preferred Stock Purchase Warrant dated December 16, 1994 between the Company and LASDK, a California Limited Partnership.

16. Amendment to Series B Warrant and Agreement to Exercise.

17. Assignment Agreement dated February 9, 1994 by and between the Company and RDF.

18. Collaboration Agreement dated March 31, 1994 between the Company and Chiron Corporation.

19. The Company's 1991 Stock Option Plan, as amended.

20. 1991 Stock Option Plan Form of Incentive Stock Option Agreement, as amended.

21. 1991 Stock Option Plan Form of Nonstatutory Option Agreement.

22. 1991 Stock Option Plan Form of Notice of Exercise and Stock Purchase Agreement.

23. The Company's 1994 Stock Option Plan.

24. 1994 Stock Option Plan Form of Notice of Grant.

25. 1994 Stock Option Plan Form of Stock Option Agreement.

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26. 1994 Stock Option Plan Form of Stock Purchase Agreement.

27. The Company's 1995 Stock Option Plan.

28. 1995 Stock Option Plan Form of Notice of Grant.

29. 1995 Stock Option Plan Form of Stock Option Agreement.

30. 1995 Stock Option Plan Form of Stock Purchase Agreement.

31. The Company's 1995 Stock Option/Stock Issuance Plan, as amended.

32. 1995 Employee Stock Purchase Plan, as amended.

33. Form of Employee Proprietary Information Agreements.

34. Indemnification Agreements between the Company and each of its directors, as described on Schedule 6.12 of the Agreement.

35. Indemnification Agreements between the Company and each of its officers, as described on Schedule 6.12 of the Agreement.

36. Loan and Security Agreement dated June 18, 1996, as amended on August 20, 1997 and October 21, 1997, between the Company and SVB.

37. Series D Preferred Stock Purchase Warrant dated August 16, 1995 between the Company and SVB.

38. Registration Rights Agreement dated August 16, 1995 between the Company and Silicon Valley Bank.

39. Extension to Equipment Financing Agreement 10776 dated December 8, 1995 between the Company and LMSI.

40. Purchase Agreement dated November 18, 1996 between the Company and certain selling shareholders, as described in the Registration Statement on Form S-3 (No. 333-16371) filed on November 19, 1996, as amended.

41. David B. Thomas Employment Agreement dated June 30, 1997.

42. The Company's 1995 Stock Option/Stock Issuance Plan, as amended.

43. Amendment #2 to Collaboration Agreement, dated June 5, 1997 between the Company and Chiron.

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44. Marketing and Distribution Agreement between the Company and Pharmacia & Upjohn S.p.A. dated July 2, 1997, as amended on September 11, 1998.

45. Stock Purchase Agreement between the Company and Ross Financial Corporation dated September 10, 1997.

46. The Company's 1997 Supplemental Stock Option Plan.

47. Amendment #3 to Collaboration Agreement dated December 13, 1997 between the Company and Chiron.

48. Amended and Restated Consulting Agreement between the Company and Stephen B. Howell, M.D. dated March 1, 1998.

49. Consulting Agreement between the Company and Stephen B. Howell dated March 16, 1998.

50. Confidential Separation Agreement between the Company and Linda Paradiso, D.V.M., dated January 7, 1998.

51. Common Stock Purchase Warrant Agreement between the Company and Sanderling Management Company, LLC dated February 25, 1998.

52. Letter Agreement, dated January 15, 1998, between the Company and Cato Research Ltd.

53. Agreement, dated October 6, 1998, among the Company, SVB and LMSI.

54. Retention Incentive Agreements and Retention Security Agreements between the Company and certain of its employees, as described in paragraph 10 of Schedule 5.1(h).

55. Employment Agreement, dated June 11, 1998, between the Company and Terrence Chew.

56. Agreement, dated June 22, 1998, between the Company and EGS Securities.

57. Software License Agreement, dated June 30, 1993, as amended on March 11, 1994, October 15, 1996 and January 12, 1998, between the Company and Sierra Scientific Software, Inc.

58. Agreement, dated July 8, 1998, as amended on April 2, 1998, between the Company and Vector Securities International.

59. Confidentiality Agreement dated July 15, 1998 between the Company and Parent.

60. Stock Purchase Agreement dated October 19, 1998 between the Company and Parent.

61. Letter Agreement dated March 24, 1998 between the Company and San Diego Gas & Electric.

Schedule 5.1(d) sets forth a list of the material Contracts of the Company pursuant to which consents, notices, waivers or other actions are or may be required prior to (or pursuant to which a default, breach, violation or acceleration of the Company's obligations or any change in the rights of any other party may occur as a result of) the consummation of the transactions contemplated by the Agreement, subject to the exception concerning materiality set forth in Section 5.1(d)(ii).

Agreements between the Company and each of SVB and Chiron, as well as certain other agreements which have not yet been entered into, the terms and conditions of which are set forth in the "Major Assumptions" described in the 1999 and 2000 Annual Operating Plan for Plan 1 with DepoCyt and Plan 2 (the "Operating Plan"), will be material to the proposed future operations of the business of the Company in light of the Operating Plan.

Schedule 5.1(t) -- Properties

The following entities hold a security interest in leasehold improvements pursuant to the terms of lease agreements described in Schedule 5.1(s):

1. Phoenix Leasing, Inc.
2. LMSI
3. SVB
4. Lankford Associates, Inc.
5. Equitable Life Assurance Society of the United States

Schedule 5.1(u) -- Principal Stockholders of the Company

The following table sets forth, to the best knowledge of the Company after reasonable investigation, all persons who beneficially own 5% or more of the Shares, as of October 1, 1998:

Name and Address of Principal Stockholder	Number of Shares(1)	Percentage Ownership(2)
Franklin Resources, Inc. (3) 901 Mariners Island Blvd., 6th Floor San Mateo, California 94404	2,206,480	15.1%
Sanderling Ventures (4) 2730 Sand Hill Road, Suite 200	1,269,008	8.6%

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Name and Address of Principal Stockholder	Number of Shares(1)	Percentage Ownership(2)
Menlo Park, California 94025		
Ross Financial Corp. (5) P.O. Box 31363-SMB Mirco Commerce Center Cayman Islands B.W.I.	1,235,000	8.5%
S.A.C. Advisors, LLC (6) 777 Long Ridge Road Stamford, Connecticut 06902	833,479	5.7%
Fred A. Middleton (7) 10450 Science Center Drive San Diego, California 92121	1,456,715	9.8%

(1) Share ownership in each case includes shares issuable upon exercise of certain outstanding options and warrants exercisable within 60 days of October 1, 1998, as further described in the footnotes below. Percentage of ownership is calculated pursuant to Rule 13d-3(d)(1) under the Securities Exchange Act of 1934, as amended.

(2) Based on an aggregate of 14,607,181 shares of Common Stock outstanding on October 1, 1998.

(3) Information reported in the table is based on disclosures made in the Schedule 13G filed initially on October 10, 1997 and subsequently amended on January 29, 1998, by Franklin Resources, Inc., Charles B. Johnson, Rupert H. Johnson, Jr., and Franklin Advisers, Inc.

(4) Includes shares of Common Stock beneficially held by various funds associated with Sanderling Ventures. Includes 111,905 shares issuable upon exercise of warrants held by Sanderling Management Company within 60 days of October 1, 1998.

(5) Information reported in the table is based on disclosures made in the Schedule 13D filed initially on September 22, 1997 and subsequently amended on September 26, 1997 and December 30, 1997, by Kenneth B. Dart, Ross Financial Corporation, and STS Inc.

(6) Information reported in the table is based on disclosures made in the Schedule 13G filed initially on October 8, 1998, by S.A.C. Capital Advisors, LLC.

(7) Includes 1,269,008 shares beneficially owned by funds affiliated with Sanderling Ventures and 129,334 shares issuable upon exercise of options within 60 days of October 1, 1998. Mr. Middleton is a general partner of Sanderling Ventures.

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Schedule 5.1(w) -- Affiliate Transactions

1. David B. Thomas, the Company's Senior Vice President, Quality Assurance and Regulatory Affairs, is a director and shareholder of Sierra Scientific Software, Inc. ("Sierra"). Sierra and the Company have entered into a Software License Agreement, dated June 30, 1993, pursuant to which Sierra provides the Company with certain scientific software and other software development services. In addition, Mr. Thomas and the Company have entered into an Employment Agreement, dated June 30, 1997.

2. In June 1998, the Company entered into a Retention Incentive Agreement with Williams Ettouati, the Company's former Vice President, Marketing and Business Development. Under the agreement, Mr. Ettouati agreed to remain an employee of the Company through July 31, 1998, and agreed to provide consulting services on an as needed basis from August 1, 1998 through September 30, 1998. The agreement further provides that Mr. Ettouati is entitled to an additional payment in the event of a sale or merger of the Company on or before December 31, 1998, as described in paragraph 10 of Schedule 5.1(h), and provides for accelerated vesting of certain stock options awarded during employment.

3. In March 1998, the Company entered into a Common Stock Purchase Warrant Agreement with Sanderling Management Company. Fred A. Middleton, the Company's Chairman of the Board and Chief Executive Officer, is a general partner of Sanderling Ventures. At the same time, the Company issued 25,000 shares of its Common Stock to Stephen B. Howell, and has agreed to pay Dr. Howell amounts equal to any tax liability, grossed up, in connection with such issuance.

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Schedule 5.2(c) - Capital Structure

Parent Stock Plans

SkyePharma Executive Share Option Plan (U.K. version)

SkyePharma Executive Share Option Plan (U.S. and European Version (same substance as U.K. version))

As of 10/21/98, 16,984,221 options had been granted under the above plans. This number has not varied more than 1% as of the date hereof.

Other Capital Stock Agreements

— 'A' warrants. There were 24,376,700 'A' warrants outstanding as of 10/21/98, and this number has not varied more than 1% as of the date hereof. The 'A' warrants may be converted by the holders before 12/31/98 on the production of 10 'A' warrants per Parent Ordinary Share.

— 'B' warrants. There were 58,796,725 'B' warrants outstanding as of 10/21/98, and this number has not varied more than 1% as of the date hereof. The 'B' warrants may be converted into Parent Ordinary Shares at any time before 1/31/02 on the production of 10 'B' warrants plus 40p per Parent Ordinary Share.

— 'C' warrants - for 1,800,000 Parent Ordinary Shares; exercisable at 120p per Parent Ordinary Share; a maximum of 1.8 million Parent Ordinary Shares may be issued under the 'C' warrants, which maximum must be issued within the maximum of 30 million Parent Ordinary Shares mentioned next below and before 3/11/01.

— Unsecured debentures issued 3/98; convertible into Parent Ordinary Shares before 3/11/01; a maximum of 30 million Parent Ordinary Shares are issuable under such debenture; as of 10/21/98, 190,000 Parent Ordinary Shares were issued under the debentures and this number has not varied more than 1% as of the date hereof.

— Pursuant to the terms of an agreement whereby Parent acquired Krypton Limited in January 1986, the vendors of Krypton may become entitled to the issue of up to 37,500,000 Parent Ordinary Shares and the issue of up to 37,500,000 'B' warrants, (terms as under 'B' warrants described above). Such issue being Deferred Contingent Consideration.

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Schedule 5.2(g) - Absence of Certain Changes.

In March of 1998, Parent issued unsecured debentures, convertible into Parent Ordinary Shares before 3/11/01. A maximum of 30 million Parent Ordinary Shares are issuable under such debenture; as of 10/21/98, 190,000 Parent Ordinary Shares were issued under the debentures.

In July of 1998, Parent participated in an international offering of 36 million Parent Ordinary Shares. Approximately 12 million of such shares became American Depositary Shares.

Schedule 5.2(j) - Vote Required

Depending on the arrangements Parent elects to make with respect to Section 6.14(d), a vote may be required by the holders of Parent Ordinary Shares for the issuance of securities to such holders of warrants referred to in such Section.

Schedule 6.12 -- Indemnification Agreements

Date	Name	Officer / Director
9/28/95	Dana S. McGowan	Officer
9/28/95	David Thomas	Officer
7/1/93	Edward Erickson	Director
9/28/95	Edward Erickson	Director
9/28/95	Edward L. Erickson	Officer
12/7/92	Fred A. Middleton	Director
9/28/95	Fred A. Middleton	Director
2/2/98	Fred A. Middleton	Officer
5/14/96	George W. Dunbar, Jr.	Director
1/26/93	Jean Deleage	Director
9/28/95	Jean Deleage	Director
9/28/95	Jeffrey S. Vick	Officer
9/28/95	John P. Longenecker	Officer
2/2/98	John P. Longenecker	Director
8/27/96	Linda J. Paradiso	Officer
1/26/93	Peter Preuss	Director
9/28/95	Peter Preuss	Director
6/10/96	Pieter Strijkert	Director
9/28/95	Roger C. Davisson	Director
1/26/93	Roger Davisson	Director
1/26/93	Sinil Kim	Director
9/28/95	Sinil Kim	Officer
1/26/93	Stephen Howell	Director
9/28/95	Stephen Howell	Director
2/2/98	Stephen Howell	Officer
7/20/98	Terrence Chew	Officer
8/27/96	Williams Ettouati	Officer

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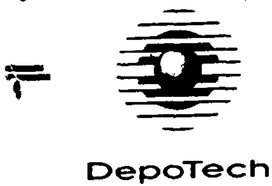

DepoTech

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EXHIBIT A

November 12, 1998

SkyePharma plc

Re: Agreement and Plan of Merger between SkyePharma plc and DepoTech Corporation

The undersigned understands that DepoTech Corporation (the "*Company*") and SkyePharma plc (the "*Acquiror*") have entered into an Agreement and Plan of Merger (as entered into and as it may be amended, supplemented or replaced from time to time, the "*Merger Agreement*") contemplating a business combination between the Company and the Acquiror (the "*Merger*"). In consideration of the substantial direct and indirect costs and other obligations the Acquiror will incur in connection with the transactions contemplated by the Merger, and given the potential benefits to the undersigned under the Merger should it be effected and in recognition that the delivery of this letter is a material condition precedent to the consummation of such Merger, the undersigned agrees and undertakes as follows:

1. The undersigned represents and warrants that the undersigned is the beneficial owner, free and clear of all pledges, liens, proxies, claims, charges, security interests, preemptive rights or any encumbrances whatsoever, other than solely by operation of law, with respect to the ownership, transfer or voting of such securities, of the number of shares set forth below the undersigned's signature hereto (the "*Shares*") of common stock, no par value per share (the "*Common Stock*"), of the Company, and is not the beneficial owner of any other Common Stock and has no rights (whether or not contingent, vested or accrued) to acquire any additional Common Stock or other securities of the Company;

2. Unless the Merger Agreement shall have been terminated, the undersigned will vote or cause to be voted for approval of the Merger and against any competing proposals all Shares (now held or hereafter acquired) that the undersigned has the power to vote and hereby irrevocably waives any rights of appraisal or rights to dissent from the Merger, to the extent such rights arise as a result of the Merger, and otherwise refrain from taking other action, permitted by applicable law, which would adversely affect the consummation of the Merger, except to the extent otherwise required by the undersigned's fiduciary duty as a director of the Company;

3. Unless the Merger Agreement shall have been terminated, the undersigned agrees not to, directly or indirectly, sell, transfer, pledge, assign or

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otherwise dispose of, or enter into any contract, option, commitment or other arrangement or understanding with respect to the sale, transfer, pledge, assignment or other disposition of, or the creation of any lien or encumbrance on, any and all interests in the Shares (or any Common Stock hereafter acquired), (including as part of a transaction involving the sale of the Company), other than to Acquiror. In the case of any transfer by operation of law, this letter agreement shall be binding upon and inure to the transferee. Any transfer or other disposition in violation of the terms of this paragraph 3 shall be null and void;

4. In the undersigned's capacity as a stockholder of the Company, the undersigned shall use its reasonable best efforts to cooperate with the Acquiror and the Company in (a) preparing and filing documentation, (b) effecting applications, notices, petitions ,filings and other documents and (c) obtaining permits, consents, orders, approvals and authorizations necessary to make effective the Merger and the other transactions contemplated by the Merger Agreement and, except as otherwise permitted under this letter agreement or the Merger Agreements, shall not willfully take, or cause to be taken, any action that could significantly impair the prospects of completing the Merger in accordance with the Merger Agreements, except to the extent otherwise required by the undersigned's fiduciary duty as a director of the Company;

5. The undersigned has all requisite power and authority and has taken all action necessary to execute, deliver and perform its obligations hereunder and obligations hereunder are valid, binding and enforceable against the undersigned by Acquiror, in accordance with their terms subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles;

6. No notices, reports or other filings are required to be made by the undersigned with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by the undersigned from any Governmental Entity, in connection with the execution and delivery of this letter agreement by the undersigned, the performance of its obligations hereunder or the consummation of the transactions referred to herein;

7. In addition to any other requirements imposed by applicable law, until 180 calendar days (the "Restricted Period") following the receipt by the undersigned of the Merger Consideration, (including by reference the Parent Ordinary Shares underlying such ADSs) pursuant to the Merger (such aggregate amount of such Merger Consideration, the "Holder's Total Parent Shares"; provided, however, that the Holder's Total Parent Shares shall not include the Parent ADSs issued to the undersigned upon exercise of the undersigned's current options under any Stock Plans to acquire Shares), the undersigned agrees not to (i) offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer (including by way of capital contribution), directly or

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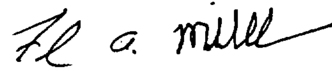
indirectly, any and all interests in the Holder's Total Parent Shares or any securities convertible into or exercisable or exchangeable for the Holder's Total Parent Shares or (ii) enter into any swap or other arrangement that relates to any of the transactions referred to in (i) above, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of the Holder's Total Parent Shares or such other securities, in cash or otherwise; and

8. The undersigned understands and acknowledges that Parent is entering into the Merger Agreement in reliance upon the undersigned's execution and delivery of this letter agreement.

Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Merger Agreement.

This letter agreement shall be governed by, and construed in accordance with, the laws of the State of California applicable to agreements made and to be performed entirely within such state.

Very truly yours,

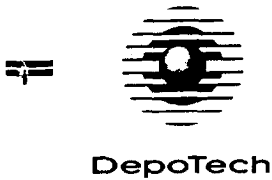


Name: Fred A. Middleton
Number of Shares: 67,091

Accepted:

SKYEPHARMA PLC

By: ________________
Name:
Title:



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DepoTech

EXHIBIT A

11/11/, 1998

SkyePharma plc

Re: Agreement and Plan of Merger between
SkyePharma plc and DepoTech Corporation

The undersigned understands that DepoTech Corporation (the "*Company*") and SkyePharma plc (the "*Acquiror*") have entered into an Agreement and Plan of Merger (as entered into and as it may be amended, supplemented or replaced from time to time, the "*Merger Agreement*"), contemplating a business combination between the Company and the Acquiror (the "*Merger*"). In consideration of the substantial direct and indirect costs and other obligations the Acquiror will incur in connection with the transactions contemplated by the Merger, and given the potential benefits to the undersigned under the Merger should it be effected and in recognition that the delivery of this letter is a material condition precedent to the consummation of such Merger, the undersigned agrees and undertakes as follows:

1. The undersigned represents and warrants that the undersigned is the beneficial owner, free and clear of all pledges, liens, proxies, claims, charges, security interests, preemptive rights or any encumbrances whatsoever, other than solely by operation of law, with respect to the ownership, transfer or voting of such securities, of the number of shares set forth below the undersigned's signature hereto (the "*Shares*") of common stock, no par value per share (the "*Common Stock*"), of the Company, and is not the beneficial owner of any other Common Stock and has no rights (whether or not contingent, vested or accrued) to acquire any additional Common Stock or other securities of the Company;

2. Unless the Merger Agreement shall have been terminated, the undersigned will vote or cause to be voted for approval of the Merger and against any competing proposals all Shares (now held or hereafter acquired) that the undersigned has the power to vote and hereby irrevocably waives any rights of appraisal or rights to dissent from the Merger, to the extent such rights arise as a result of the Merger, and otherwise refrain from taking other action, permitted by

applicable law, which would adversely affect the consummation of the Merger, except to the extent otherwise required by the undersigned's fiduciary duty as a director of the Company;

3. Unless the Merger Agreement shall have been terminated, the undersigned agrees not to, directly or indirectly, sell, transfer, pledge, assign or otherwise dispose of, or enter into any contract, option, commitment or other arrangement or understanding with respect to the sale, transfer, pledge, assignment or other disposition of, or the creation of any lien or encumbrance on, any and all interests in the Shares (or any Common Stock hereafter acquired), (including as part of a transaction involving the sale of the Company), other than to Acquiror. In the case of any transfer by operation of law, this letter agreement shall be binding upon and inure to the transferee. Any transfer or other disposition in violation of the terms of this paragraph 3 shall be null and void;

4. In the undersigned's capacity as a stockholder of the Company, the undersigned shall use its reasonable best efforts to cooperate with the Acquiror and the Company in (a) preparing and filing documentation, (b) effecting applications, notices, petitions, filings and other documents and (c) obtaining permits, consents, orders, approvals and authorizations necessary to make effective the Merger and the other transactions contemplated by the Merger Agreement and, except as otherwise permitted under this letter agreement or the Merger Agreement, shall not wilfully take, or cause to be taken, any action that could significantly impair the prospects of completing the Merger in accordance with the Merger Agreement, except to the extent otherwise required by the undersigned's fiduciary duty as a director of the Company;

5. The undersigned has all requisite power and authority and has taken all action necessary to execute, deliver and perform its obligations hereunder and obligations hereunder are valid, binding and enforceable against the undersigned by Acquiror, in accordance with their terms subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles;

6. No notices, reports or other filings are required to be made by the undersigned with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by the undersigned from any Governmental Entity, in connection with the execution and delivery of this letter agreement by the undersigned, the performance of its obligations hereunder or the consummation of the transactions referred to herein;

7. In addition to any other requirements imposed by applicable law, until 180 calendar days (the "Restricted Period") following the receipt by the undersigned of the Merger Consideration, (including by reference the Parent

Ordinary Shares underlying such ADSs) pursuant to the Merger (such aggregate amount of such Merger Consideration, the "Holder's Total Parent Shares"; provided, however, that the Holder's Total Parent Shares shall not include the Parent ADSs issued to the undersigned upon exercise of the undersigned's current options under any Stock Plans to acquire Shares), the undersigned agrees not to (i) offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer (including by way of capital contribution), directly or indirectly, any and all interests in the Holder's Total Parent Shares or any securities convertible into or exercisable or exchangeable for the Holder's Total Parent Shares or (ii) enter into any swap or other arrangement that relates to any of the transactions referred to in (i) above, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of the Holder's Total Parent Shares or such other securities, in cash or otherwise; and notwithstanding the foregoing; the undersigned at any time after the closing of the merger may request the written consent of the Acquiror to distribute the Holder's Total Parent Shares to its limited partners free of the restrictions of this Agreement, which consent shall not be unreasonably withheld or delayed by the Acquiror.

8. The undersigned understands and acknowledges that Parent is entering into the Merger Agreement in reliance upon the undersigned's execution and delivery of this letter agreement.

Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Merger Agreement.

This letter agreement shall be governed by, and construed in accordance with, the laws of the State of California applicable to agreements made and to be performed entirely within such state.

Very truly yours,

[signature], Sanderling

Name	Shares		
	Common	Warrants	Total
Sanderling Venture Partners II LP	724,936	7,500	732,436
Sanderling Venture Limited LP	408,731	4,405	413,136
Sanderling Management Company LLC		100,000	100,000

Accepted:

SKYEPHARMA PLC

By: ____________________

Name:

Title: