FORM 10−K

MEDICINES CO /DE − MDCO

Filed: March 05, 2003 (period: December 31, 2002)

Annual report which provides a comprehensive overview of the company for the past year

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED: DECEMBER 31, 2002

OR

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

FOR THE TRANSITION PERIOD FROM TO .

COMMISSION FILE NUMBER 000-31191

THE MEDICINES COMPANY
(Exact name of registrant as specified in its charter)

DELAWARE	04-3324394
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
FIVE SYLVAN WAY, SUITE 200 PARSIPPANY, NEW JERSEY (Address of principal executive offices)	07054 (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE:
(973) 656-1616

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

COMMON STOCK, $.001 PAR VALUE
(TITLE OF EACH CLASS)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [X] No [ ]

The aggregate market value of voting Common Stock held by non-affiliates of the registrant was approximately $657,828,739 based on the last reported sale price of the Common Stock on the Nasdaq National Market on February 28, 2003.

Number of shares of the registrant's class of Common Stock outstanding as

of February 28, 2003: 40,820,700.

THE MEDICINES COMPANY

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

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PART I

ITEM 1. BUSINESS

OVERVIEW

We are a specialty pharmaceutical company with growing revenue from sales of our first product, Angiomax, a direct thrombin inhibitor used as an anticoagulant in patients undergoing coronary angioplasty. The United States Food and Drug Administration, or FDA approved Angiomax for use as an anticoagulant in combination with aspirin in patients with unstable angina undergoing coronary angioplasty in December 2000, and we began selling the product in the United States in January 2001. Our total net revenue was $14.2 million in 2001 and $38.3 million in 2002, generated almost entirely from sales of Angiomax in the United States.

We believe that Angiomax has the potential to become a broadly applied intravenous anticoagulant as a replacement for heparin in the treatment of arterial thrombosis, a condition involving the formation of blood clots in arteries. Arterial thrombosis is associated with life-threatening conditions such as ischemic heart disease, peripheral vascular disease and stroke, all of which result from decreased blood flow and diminished supply of oxygen to vital organs. In particular, we are evaluating Angiomax for additional uses in open vascular surgery such as coronary artery bypass graft surgery, or CABG, in medical conditions that require urgent treatment such as unstable angina, in patients with heparin allergy, in children and in peripheral angioplasty.

We are evaluating clevidipine as an intravenous drug for the short-term control of high blood pressure in patients undergoing cardiac surgery. We have commenced a study in patients undergoing cardiac surgery comparing clevidipine with nitroglycerin, a drug that is typically used to control high blood pressure in patients undergoing cardiac surgery, and plan to commence a Phase 3 clinical program in 2003.

Our core strategy is to help hospitals alleviate the growing pressure to treat patients more efficiently, including the demands to improve the effectiveness and safety of treatment while minimizing the cost. We implement this strategy by acquiring and developing products in late stages of their clinical development or after they have been approved for marketing. Cost of treatment in hospitals is predominantly driven by length of patient stay, while length of stay is often driven by the occurrence of treatment complications. Products that are more effective, safe and predictable, which require shorter periods of treatment or are easier to use than current products, may reduce the length of hospital stay and, as a direct result, lower total costs. We believe that products with such attributes are attractive to hospital business management, physicians, pharmacists and other care staff. We also believe that promising, well-developed products which fit this profile may be acquired on reasonable terms from larger pharmaceutical companies in the process of refining their own product portfolios. We may also acquire rights to such products from smaller companies seeking competent development and/or commercial collaborations in this specialized area of medicine.

We believe that our concentration on hospital care enables us to be highly competitive in terms of the products we can acquire from others, our development and regulatory processes, the information and services we provide to our customers and the level of resources we can commit to potential customers. This concentration has allowed us to develop in-depth know-how related to the practice of acute hospital care, and gain valuable insights into procurement processes, usage patterns, caregiver-preferences and the evaluation of products by our customers. We believe we can focus successfully on this specialty market without hiring a large sales force and incurring the substantial fixed overhead costs associated with such personnel and without needing to build or acquire manufacturing infrastructure.

ANGIOMAX

Overview

In December 2000, we received marketing approval from the FDA for Angiomax for use as an anticoagulant in combination with aspirin in patients with unstable angina undergoing coronary balloon

angioplasty. We began selling Angiomax in the United States in January 2001. Angiomax was approved in New Zealand in 1999 and in Canada and Israel in 2002 for indications similar to those approved by the FDA. We are selling Angiomax in New Zealand and Israel and expect to begin selling Angiomax in Canada in the second quarter of 2003.

We believe Angiomax, as a direct thrombin inhibitor, is a valuable replacement for heparin, the anticoagulant that historically has been used in almost all angioplasty procedures performed. Heparin is also used in most major cardiac and vascular surgical procedures in the United States and administered to a majority of patients treated in hospitals in the United States for acute coronary syndromes, including heart attack.

As of February 21, 2003, clinical investigators had administered Angiomax to more than 16,000 patients in clinical trials for the treatment and prevention of blood clots in a wide range of hospital applications. In clinical trials in angioplasty, the use of Angiomax compared to heparin resulted in fewer ischemic complications and fewer bleeding events, including a reduction in the need for blood transfusion. In addition, in these trials, Angiomax demonstrated that its therapeutic effect is more predictable than heparin, which enables simplified dosing.

We believe that Angiomax has the potential to become a broadly applied intravenous anticoagulant as a replacement for heparin in the treatment of arterial thrombosis. In particular, we are evaluating Angiomax in clinical trials for additional uses in open vascular surgery such as CABG, in medical conditions that require urgent treatment such as unstable angina, in patients with heparin allergy, in children and in peripheral angioplasty.

Background

Clotting. Normally, blood loss at the site of an injury is limited by the formation of blood clots, in a process called coagulation. A blood clot is a collection of cross-linked strands of the protein fibrin, which is made as a result of coagulation and forms a mesh around activated platelets and red blood cells. Blood clots are formed through precisely regulated interactions among the blood vessel wall, plasma clotting factors, including thrombin and fibrinogen, and platelets. Current literature suggests that the clotting process is a series of overlapping phases in which groups of clotting factors are intertwined with platelets, red blood cells and endothelial cells that line the blood vessels. In general, clotting serves a life-saving function by reducing bleeding; however, unwanted clots in arteries can lead to heart attack, stroke or organ failure.

The trigger for the clotting process in an artery is typically a tearing or spontaneous rupture of plaque, which are deposits of cholesterol, fat and dead cells that build up under a protective layer of cells, known as endothelial cells, on a blood vessel wall. When the plaque ruptures, substances released from cells and plaque that are not normally exposed to the bloodstream come into contact with the bloodstream. This may happen without an apparent cause or may be caused as a direct result of, for example, an angioplasty procedure. This contact triggers the clotting process. In parallel interdependent processes, a small amount of the clotting factor thrombin is produced and a thin protective layer of platelets is deposited at the rupture site.

Thrombin has long been recognized as a key factor in the clotting process. Thrombin is technically a type of enzyme called a protease, like several other clotting factors. However, thrombin not only converts fibrinogen into the fibrin strands that hold a clot together, but thrombin also helps to amplify its own production by activating other clotting factors. Importantly, thrombin also provides signals, like a hormone does, to various cell types such as platelets and endothelial cells to initiate responses in coagulation, inflammation, and possibly other important physiological processes. Thrombin directly activates platelets, by producing effects through means of surface receptors on the platelets called protease-activated receptors, or PARs, that provide binding sites for the effector molecule. PARs carry a hidden message that is unmasked by the action of the protease, for example, thrombin. Activation of the PAR then transmits the signal to the platelet, which becomes activated.

In addition to being a powerful platelet activator through its action on platelets, thrombin can also recruit more platelets to the site of injury. Activated platelets not only help close the rupture, but the activated platelet's membrane becomes a docking site for other clotting factors. The clotting factors can assemble and much more efficiently produce very large amounts of thrombin. The thrombin produces fibrin, strands of protein that interweave and enmesh the platelets into a thrombus, or clot. The clotting factors on the platelets within the clot continue to produce large amounts of thrombin after the clot is formed, and the clot can continue to grow.

As a clot blocks the blood vessel, it may then cut off blood supply to the heart muscle, the brain or other organs. A heart attack, also known as a myocardial infarction, or MI, occurs if a clot blocks blood supply to the heart muscle, and the muscle stops working either in part or completely. This may result in irreversible damage to the heart or death.

During medical procedures such as coronary angioplasty, the blood clotting process must be slowed to avoid unwanted clotting in the coronary artery and the potential growth of clots or the movement of a clot or portions of it downstream in the blood vessels to new sites.

Anticoagulation Therapy. Anticoagulation therapy attempts to modify actions of the components in the blood system that activate clot−forming factors leading to blood clots. When the risks of clot formation cannot be avoided, or when medical procedures such as angioplasty give rise to an increased risk of clot formation, anticoagulation therapy is warranted. Anticoagulation therapy has typically involved the use of drugs to inhibit one or more components of the clotting process, thereby reducing the risk of clot formation. Anticoagulation therapy is usually started immediately after a diagnosis of blood clots, or after risk factors for clotting are identified. Because anticoagulation therapy reduces clotting, it also may cause excessive bleeding.

Current anticoagulation therapy for angioplasty focuses on the principal components of the clotting process: thrombin, platelets and fibrin.

- The actions of thrombin in the clotting process may be inhibited by direct thrombin inhibitors, such as Angiomax, which act directly on thrombin. Because thrombin activates platelets, direct thrombin inhibitors also prevent platelet clumping. The actions of thrombin in the clotting process may also be inhibited by indirect thrombin inhibitors, such as heparin, which act to turn off clotting factors and turn on natural anti−clotting factors such as antithrombin−III, or AT−III.

- The aggregation of platelets in the clotting process may be inhibited by products called platelet inhibitors, which act on different pathways leading to platelet activation, including specific enzyme pathways like the cyclo−oxygenase and the adenosine diphosphate, or ADP, pathways. Two important agents that prevent platelet activation are aspirin and a class of platelet inhibitors that can be administered orally and are referred to as thienopyridines, such as clopidogrel. The use of platelet inhibitors that block activation is considered important therapy.

- Other types of platelet inhibitors attempt to block the clumping, or aggregation of platelets by blocking surface sites, like the glycoprotein IIb/IIIa, or GP IIb/IIIa, receptor, on the platelet that allow them to attach to fibrin and each other. The GP IIb/IIIa inhibitors, although effective at inhibiting platelet aggregation, do not prevent platelet activation. In fact, many studies have found that use of these agents, especially at low levels, are associated with an increase in markers of platelet activation.

- Fibrin may be dissolved after clotting has occurred by products called fibrinolytics.

Drugs are currently used alone or in combination with other anticoagulant therapies to target one or more components of the clotting process. Because of the interdependence of clotting factors and platelets, drugs that target one or the other may have effects on the other. For example, a drug that targets thrombin may have an antiplatelet effect. However, possibly due to the critical, central role of thrombin, while anti−thrombin drugs have been used alone in angioplasty, the use of antiplatelet drugs without anti−thrombin drugs generally has not been successful.

Disadvantages of Heparin Therapies

In the hospital environment, most patients undergoing anticoagulation therapy for the prevention and treatment of arterial and venous thrombosis receive heparin or low molecular weight heparin. In the United States, over 12 million hospitalized patients annually receive heparin therapy. Heparin is a standard component of acute anticoagulation therapy because of the central role of thrombin in the clotting process and heparin's rapid anticoagulant effect.

Heparin's properties as an anticoagulant were discovered in 1916. It is prepared from the intestines of pigs or lungs of cows. Heparin is a complex mixture of animal-derived proteins with variable anticoagulant potencies. The anticoagulant effects of heparin on any given patient are difficult to predict because heparin binds non-specifically to human cells and circulating substances in the blood. For these and other reasons, heparin, as a non-specific, indirect thrombin inhibitor, presents a variety of clinical challenges including:

- Weak effect in clots. Because it is an indirect thrombin inhibitor, heparin is variably effective on thrombin that is bound to clots. In addition, large amounts of thrombin continue to be produced from within the clot after clot formation.

- Activation of platelets. Studies have shown that heparin enhances the clumping of platelets in unstable angina patients. Heparin activates platelets by binding to the GP IIb/IIIa receptor on the platelet surface, and has been shown to decrease the platelet inhibitory effects of GP IIb/IIIa platelet inhibitors.

- Increased risk of bleeding. Patients who receive heparin have a high incidence of bleeding. This is particularly the case with patients who are elderly, female or have low body weight. Recent clinical trials have shown that bleeding risk may also be increased when heparin is used in combination with intravenous platelet inhibitors.

- Unpredictability. A specified dose of heparin provides an unpredictable level of anticoagulation. As a result of this unpredictability, use of heparin requires close monitoring.

- Risk of clinical immune reaction. Heparin may cause the formation of antibodies, which antibodies may be associated with a clinical condition known as heparin-induced thrombocytopenia and thrombosis syndrome, or HIT/HITTS, which is characterized by reduced platelet counts and potentially by widespread, life-threatening blood clots.

- Diminished effect in high-risk patients. Heparin's effect may be reduced in patients who have suffered a prior heart attack and in patients with unstable angina.

- Indirect thrombin inhibition. Heparin can only bind to thrombin by first binding to AT-III which may be absent or present in insufficient amounts in some patients. AT-III deficiency can be severe and unpredictable in infants and children.

Heparin derivatives, such as low molecular weight heparins, were developed to attempt to diminish some of these disadvantages. Low molecular weight heparins are administered once or twice daily by subcutaneous injection. Although they tend to be more predictable than heparin in their effect, low molecular weight heparins exhibit similar clinical challenges to those of heparin, including a weak effect in a clot that has already formed and a comparable risk of bleeding. The effects of low molecular weight heparins are only partially reversible, making their use in surgery or in patients that may be candidates for surgery impractical.

Angiomax Advantages

Angiomax is a synthetic peptide of 20 amino acids that is a rapid-acting, direct and specific inhibitor of thrombin and is administered by intravenous injection. Angiomax is specific in that it only binds to thrombin and does not bind to or activate any other blood factors or cells.

Angiomax was engineered based on the biochemical structure of hirudin, a natural 65-amino acid protein anticoagulant. However, the binding of Angiomax to thrombin is "naturally" reversible because

thrombin slowly breaks down the Angiomax molecule, releasing it from binding, while hirudin remains intact and tightly bound to thrombin. This natural reversibility is associated with a reduced risk of bleeding.

Angiomax has numerous pharmacological and clinical advantages over heparin including:

- Effective in clot-bound thrombin. Angiomax, as a direct thrombin inhibitor, is equally effective on thrombin in the clot as well as thrombin circulating in the blood.

- Inhibition of platelets. Angiomax directly inhibits thrombin which also inhibits platelet activation through inhibition of platelet activating receptors, such as the PAR receptors, on the surface of platelets.

- Reduced bleeding risk. As a reversible thrombin inhibitor, Angiomax has consistently shown clinically meaningful reductions in bleeding compared to heparin.

- Predictability. As a synthetic peptide, a specified dose of Angiomax results in a predictable level of anticoagulation.

- Effective in high-risk patients. Angiomax has been shown to be effective in patients having suffered prior heart attacks and patients with acute coronary syndromes.

- Reduced incidence of thrombocytopenia. Angiomax has been shown to result in a significant reduction in thrombocytopenia, or lower platelet counts, an immunogenic disorder associated with heparin.

Use of Angiomax in Coronary Angioplasty

Coronary angioplasty has transformed the management of symptomatic arterial disease in the last 10 years. The procedure is used to restore normal blood flow in arteries that supply blood to the heart. In the year 2000, more than one million coronary angioplasty procedures with or without stenting were performed in the United States. The coronary angioplasty procedure itself increases the risk of coronary clotting, potentially leading to MI, CABG, or death.

To prevent clotting, anticoagulation therapy is routinely administered to patients undergoing angioplasty. Heparin has historically been used as an anticoagulant in virtually all patients undergoing angioplasty. In addition, platelet inhibitors such as aspirin, an ADP inhibitor such as Plavix or a GP IIb/ IIIa inhibitor are often administered to augment heparin.

Clinical Trials in Coronary Angioplasty

We invest significantly in the development of clinical data on the mode of action and clinical effects of Angiomax in procedures including coronary angioplasty and stenting.

In almost all of our investigations to date, we have compared Angiomax to heparin, which until relatively recently was the only injectable anticoagulant for use in coronary angioplasty, or combinations of drugs including heparin. Angiomax has been tested against heparin in eight comparative trials and found to reduce significantly the risk of arterial thrombosis and of bleeding. These data formed the basis for FDA approval in late 2000 and of our marketing programs in 2001 and 2002. In 2002, we conducted REPLACE-2 to evaluate Angiomax as the foundation anticoagulant for angioplasty within the context of modern therapeutic products and technologies, including coronary stents.

Trials in Angioplasty Performed Prior to REPLACE-2. More than 6,000 patients were studied in various clinical studies of Angiomax in coronary angioplasty prior to the REPLACE-2 trial. Based on a pooled analysis of Angiomax patient data for all of these trials, Angiomax-treated patients, as compared to heparin-treated patients, experienced, when measured seven days after treatment in the hospital:

- 43% fewer clinical events as measured by death, MI, revascularization procedures or major bleeding;

- 24% fewer ischemic events as measured by death, revascularization or MI; and

- 63% fewer events involving major bleeding.

These pooled data have been accepted for presentation by the American College of Cardiology in March 2003.

REPLACE-2 Trial in Angioplasty. We completed patient enrollment for the REPLACE-2 trial in September 2002, only 10 months after start-up in November 2001. The trial was a randomized, double blind study involving 6,002 patients who were referred for angioplasty in 233 clinical sites in the United States and eight other countries. In November 2002, the principal investigators reported 30-day patient follow-up results of the trial.

The trial was designed to evaluate whether the use of Angiomax with provisional use of GP IIb/IIIa inhibitors provides clinical outcomes relating to rates of ischemic and bleeding events that are superior to heparin alone and the same as, or non-inferior to, the current standard of low-dose weight-adjusted heparin plus GP IIb/IIIa inhibitors. These outcomes were designed to be assessed using formal statistical tests for superiority and non-inferiority.

REPLACE-2 employed two randomized arms:

- heparin with a GP IIb/IIIa inhibitor, which was either Integrilin or ReoPro; and

- Angiomax with the provisional use of a GP IIb/IIIa inhibitor, which was either Integrilin or ReoPro, if deemed necessary by the physician during the procedure.

The trial also evaluated the Angiomax regimen against heparin alone using a historical control arm. The heparin historical control arm of the study was calculated using an average of the event rates from the EPISTENT and ESPRIT trials, which were previous angioplasty trials of other companies in which heparin alone was compared to heparin plus a GP IIb/IIIa inhibitor.

The primary objective of REPLACE-2 was to demonstrate superiority versus heparin and non-inferiority to heparin plus a GP IIb/IIIa inhibitor for the quadruple composite endpoint of death, MI, urgent revascularization or major bleeding. The secondary objectives of REPLACE-2 included superiority versus heparin and non-inferiority to heparin plus a GP IIb/IIIa inhibitor for a triple composite endpoint of death, MI or urgent revascularization.

Based on 30-day patient follow-up results, Angiomax met all primary and secondary objectives for the study:

- The primary quadruple composite endpoint of death, MI, urgent revascularization or major bleeding at 30 days was met:

  - Angiomax was superior to heparin alone.

  - Angiomax was non-inferior to heparin plus a GP IIb/IIIa inhibitor.

- The secondary triple composite endpoint of death, MI or urgent revascularization at 30 days was met:

  - Angiomax was superior to heparin alone.

  - Angiomax was non-inferior to heparin plus a GP IIb/IIIa inhibitor.

- The Angiomax treatment group demonstrated a significant decrease in bleeding complications and thrombocytopenia as compared to heparin plus a GP IIb/IIIa inhibitor.

7.2% of the patients in the Angiomax treatment group received a GP IIb/IIIa inhibitor on a provisional basis.

Notably, 97% of patients achieved desired anticoagulation targets with the initial dose of Angiomax versus only 88% with heparin plus a GP IIb/IIIa inhibitor, resulting in 12% of the patients with heparin

plus a GP IIb/IIIa inhibitor having to receive multiple doses of heparin. The average patient duration of infusion was only 44 minutes with Angiomax versus 12 to 18 hours for patients treated with heparin plus a GP IIb/IIIa inhibitor, which may facilitate earlier release from the hospital for patients on Angiomax.

The study is continuing beyond these 30-day results, evaluating patient outcomes for two additional periods indicated in the study protocol: death, MI or urgent revascularization within six months following angioplasty and death within one year following angioplasty. We expect to report on these results later in 2003.

In addition to the objectives described above, the REPLACE-2 trial has a protocol-defined total hospital resource cost comparison at U.S. clinical trial sites, which is currently being analyzed, designed to evaluate whether use of Angiomax plus provisional GP IIb/IIIa inhibitors instead of the combination of heparin plus a GP IIb/IIIa inhibitor would reduce the costs of antithrombotic drug therapy and the total cost of care. We expect to report the results of this pharmacoeconomic analysis later in 2003. We expect these results to show that medical decision-makers who use Angiomax as part of a safe and effective anticoagulant therapy will reduce the cost of treating an angioplasty patient not only by reducing pharmacy acquisition costs, but also by reducing bleeding and other complications, and reducing the need for other drugs and devices such as closure devices. We believe the reduction of a hospital's cost of treating an angioplasty patient is significant because many U.S. hospitals receive a fixed reimbursement amount for the angioplasties they perform, which amount is not based on the actual expenses the hospital incurs.

We estimate, based on REPLACE-2 30-day follow-up dosing and administration data for each of the treatment arms, using wholesale drug acquisition costs, a difference of more than $400 per patient in pharmacy acquisition cost in favor of the Angiomax regimen, after taking into account the provisional use of GP IIb/IIIa inhibitors, versus the heparin plus a GP IIb/IIIa inhibitor regimen.

We intend to submit a supplement for FDA review to update the product labeling to include the previously reported REPLACE-2 data. In addition, we will use the REPLACE-2 results as the basis for regulatory updates and submissions in international markets, including Europe.

Angiomax Commercial Operations in Coronary Angioplasty. We are selling Angiomax in the United States with a hospital sales force of 86 people as of February 21, 2003. We expect to increase the size of this sales force to 97 in early 2003 to meet anticipated increasing customer demands. Our sales force has been configured to target, as potential hospital customers, the approximately 700 hospitals with cardiac catheterization laboratories in the United States that perform 500 or more coronary angioplasties per year. Our development, medical, marketing and sales professionals are qualified and trained to deal with complex scientific, treatment, pharmacy and economic questions on a day-to-day basis.

We are focusing our Angiomax marketing efforts on interventional cardiologists and other key clinical decision-makers at these cardiac catheterization laboratories. We use educational programs, preceptorships in leading medical centers, publications, and other targeted marketing techniques in efforts to increase Angiomax sales. We believe our ability to deliver relevant, advanced and reliable educational programs to our customers and our concentrated customer base provides us with significant market presence even in the highly competitive sub-segments of the hospital market such as cardiology. We work collaboratively with a number of prominent hospitals and teaching institutions around the United States who share our mission to educate our customers in the appropriate use of our products as part of modern practice and who provide independent guidance to their colleagues.

We sell Angiomax primarily to a limited number of national medical and pharmaceutical distributors and wholesalers with distribution centers located throughout the United States, including AmerisourceBergen Drug Company, McKesson Corporation and Cardinal Health, Inc., each of which accounted for more than 10% of our revenues for the year ended December 31, 2002. These wholesalers and distributors then sell to hospitals. If Angiomax is approved for use in other indications, we intend to market Angiomax for these indications in the United States by supplementing our commercial organization, or by collaborating with other health care companies.

We market, sell and distribute Angiomax in New Zealand and Israel through distribution partners, and we expect to begin selling Angiomax in Canada in the second quarter of 2003 through a distribution partner. In addition, we have agreements with other distribution partners for future sales of Angiomax that cover more than 56 additional countries, including an exclusive collaboration with Nycomed Danmark A/S for the distribution and promotion of Angiomax in 35 countries, including 12 countries in the European Union. We have not received approval to market Angiomax in any of these countries.

Angiomax Potential Applications

We believe that Angiomax is the leading replacement for heparin in angioplasty and can become the leading replacement for heparin in the treatment of arterial thrombosis. In particular, we are evaluating Angiomax for additional uses in open vascular surgery such as CABG, in medical conditions that require urgent treatment such as unstable angina, in patients with heparin allergy, in children and in peripheral angioplasty. If we are able to obtain regulatory approval in these additional indications, we believe that Angiomax could be marketed to customers across a spectrum of hospital-based acute cardiovascular care--in coronary angioplasty, vascular surgery and urgent medical treatment.

At present, we:

- have recently completed enrollment in a Phase 3 trial program studying the use of Angiomax in the treatment of HIT/HITTS patients undergoing coronary angioplasty, the results of which we expect to report in 2003;

- are conducting a Phase 2/3 trial program studying the use of Angiomax as an anticoagulant in patients undergoing CABG, with and without the use of a bypass pump, and in HIT/HITTS patients undergoing CABG, with and without the use of a bypass pump;

- plan to start a randomized Phase 3 trial program to study the use of Angiomax in patients presenting to the emergency department with acute coronary syndromes who may be medically managed or ultimately treated in the catheterization laboratory or operating room;

- are conducting a Phase 2 trial program to study the use of Angiomax in neonates and infants up to six months old with active thrombosis; and

- are supporting a number of investigations, including clinical studies, of Angiomax in patients undergoing percutaneous peripheral angioplasties.

Use of Angiomax in Vascular Surgery. Heparin is used widely as an anticoagulant in major surgical procedures. Many surgery patients, however, develop antibodies to heparin as a result of their exposure to heparin. Heparin antibody positivity is the major marker for the development of HIT/HITTS. Even absent the clinical condition of HIT/HITTS, the presence of heparin antibodies alone has been associated with an increased risk of death or major complications after CABG. In addition, the effects of heparin are routinely reversed with protamine, the use of which has been associated with an allergic reaction and a subsequent increase in the risk of death or major complications.

Clinical publications have cited several different rates of CABG patients who are heparin antibody positive, ranging from 25% to 50%. Clinical data indicate that heparin antibody positive patients have a significant increase in major complications of CABG, resulting in increased hospital stay or death. Based on hospital reimbursement data, in the United States in 2000 there were nearly 400,000 CABG procedures performed.

Surgeons conduct CABG either on-pump or off-pump. On-pump CABG is conducted with the use of a cardiac pulmonary bypass machine, a device that pumps the patient's blood while the heart is stopped and the surgery is conducted. For off-pump CABG, physicians slow the heartbeat and stop the heart only briefly during the surgery, and therefore do not use a bypass machine.

We are conducting Phase 3 studies in both on- and off-pump CABG, and assuming positive results, we intend to submit the data from these studies to the FDA for consideration of marketing Angiomax in

patients, including patients who are heparin antibody positive, undergoing CABG. We have completed a 100 patient Phase 2 trial of Angiomax comparing Angiomax to heparin in patients undergoing off-pump CABG. Patients in the trial who received Angiomax experienced more rapid and consistent anticoagulation, a similar level of bleeding and significant improvement in graft patency. We expect the principal investigator to publish the Phase 2 data in a medical journal in 2003.

Use of Angiomax in Urgent Medical Treatment. Ischemic heart disease patients are subject to chest pain that results from a range of conditions, from unstable angina to acute myocardial infarction. The severe onset of these cardiac conditions is collectively referred to as acute coronary syndromes, or ACS. Some ACS patients enter the hospital by way of the emergency department and are triaged to be medically managed with pharmacotherapy and observation, scheduled for an angioplasty procedure, and/or scheduled for CABG.

Unstable angina is a condition in which patients experience the new onset of severe chest pain, increasingly frequent chest pain or chest pain that occurs while they are resting. Unstable angina is caused most often by a rupture of plaque on an arterial wall that results in clot formation and ultimately decreases coronary blood flow but does not cause complete blockage of the artery. Unstable angina is often medically managed in the emergency department with anticoagulation therapy that may include aspirin, indirect thrombin inhibitors such as heparin or low molecular weight heparin and GP IIb/IIIa inhibitors. Many unstable angina patients also undergo coronary angioplasty or CABG depending on the severity of the disease.

Acute myocardial infarction, or AMI, is a leading cause of death in ischemic heart disease patients. AMI occurs when coronary arteries, which supply blood to the heart, become completely blocked by a clot. AMI patients are routinely treated with heparin, with and without fibrinolytics, in combination with GP IIb/IIIa inhibitors. AMI patients are increasingly undergoing angioplasty as a primary treatment to unblock clogged arteries.

Based on hospital reimbursement data, in the United States in 2000 there were approximately 1,882,000 patients hospitalized for ACS, including 900,000 unstable angina patients and 982,000 patients with heart attacks of varying severity.

Angiomax has been the subject of five Phase 2 trials in patients with unstable angina or who had experienced a less serious form of MI known as non Q-wave MI. These trials enrolled a total of 630 patients, of whom 553 received various doses of Angiomax. These studies have demonstrated that Angiomax is an anticoagulant that can be administered safely in patients with unstable angina.

The largest of these Phase 2 trials was a multicenter, double blind, placebo-controlled and randomized study in 410 patients with unstable angina or who had experienced non Q-wave MI. The trial compared the effect of three active dose levels and one placebo dose level of Angiomax with respect to death, MI, recurrent angina and major bleeding. Angiomax demonstrated a significant correlation between dose and anticoagulant effect.

In comparison to 160 patients treated with placebo doses in the trial, 250 patients treated with active doses of Angiomax experienced:

- a 68% reduction in death or MI in the hospital; and

- a 59% reduction in death or MI after six weeks.

The company from which we licensed Angiomax, Biogen, Inc. commenced a Phase 3 trial in 1994, the TIMI-8 trial, in unstable angina patients comparing Angiomax to heparin. The trial was discontinued after enrolling 133 patients when Biogen discontinued the Angiomax development program. Analysis of the data from the discontinued study showed the combined incidence of death, MI, or major bleeding reported in hospital within fourteen days of admission was 2.9% in Angiomax patients and 13.8% in heparin patients.

In 2001, we completed a 17,000 patient randomized Phase 3 clinical trial in AMI in 46 countries. In this Phase 3 trial, which we refer to as the HERO−2 trial, patients with AMI who were candidates for thrombolytic treatment with streptokinase received Angiomax or heparin. All patients in the trial also received aspirin and Streptase, a fibrinolytic. Clinical results were assessed 30 days after treatment. The trial assessed second heart attacks, or reinfarction, based on both adjudication by a panel of experts and direct observation by the sites in the trial. In comparison to heparin−treated patients in the trials, Angiomax−treated patients experienced:

- no significant difference in mortality, the primary endpoint of the trial;

- 22% fewer second heart attacks; and

- no significant difference in hemorrhagic stroke and transfusions.

The results of the HERO−2 trial were published in The Lancet in December 2001.

Use of Angiomax in Other Indications

Angiomax has been the subject of a number of additional clinical trials for other indications.

HIT/HITTS. Approximately one to three percent of patients who have received heparin experience HIT/HITTS. The underlying mechanism for the condition appears to be an immunological response to a complex formed by heparin and another factor, resulting in thrombocytopenia, and in some cases in arterial or venous clotting, which may result in death or the need for limb amputation. In order to treat a HIT/HITTS patient, an alternative anticoagulant is necessary because further administration of heparin is not possible.

Prior to 1997, Angiomax was administered to a total of 39 HIT/HITTS patients undergoing angioplasty requiring anticoagulation for invasive coronary procedures or treatment of thrombosis. For those patients undergoing angioplasty and other procedures, Angiomax provided adequate anticoagulation, was well−tolerated and rarely resulted in bleeding complications. In the approval letter for Angiomax, the FDA required us to complete our trial designed to evaluate the use of Angiomax for treatment of HIT/HITTS patients undergoing angioplasty. That trial has recently completed enrollment and we expect to report the results of the trial in the second quarter of 2003.

We are also conducting a Phase 3 trial program studying the use of Angiomax as an anticoagulant in HIT/HITTS patients undergoing CABG, with and without the use of a bypass pump.

Neonates and Infants (AT−III deficiency). Heparin can only bind to thrombin by first binding to an anti−clotting factor called AT−III, which may be absent or present in insufficient amounts in some patients. AT−III deficiency is often severe or unpredictable in infants and children, making the treatment and prevention of thrombosis especially difficult. We have commenced a Phase 2 trial program in neonates and infants up to six months old requiring intravenous anticoagulation due to active thrombosis.

Regulatory Status

In December 2000, we received approval from the FDA for the use of Angiomax in combination with aspirin in patients with unstable angina undergoing coronary angioplasty. In connection with this approval, the FDA required us to complete our ongoing trial evaluating the use of Angiomax for the treatment of HIT/HITTS patients undergoing angioplasty. Patient enrollment for this trial has been completed and, assuming the results are positive, we expect to submit the results to the FDA in 2003 for expanded labeling indications. We have received approval to market Angiomax stored at controlled room temperature which allows stocking of Angiomax in cardiac catheterization laboratories and other parts of a hospital where the issue of refrigeration was problematic.

We intend to submit a supplement for FDA review to update the product labeling to include the 30−day REPLACE−2 data.

With our European partner, Nycomed, we plan to submit in 2003 a Marketing Authorization Application, or MAA, to the European Agency for the Evaluation of Medicinal Products, or EMEA, for Angiomax for use in patients undergoing coronary angioplasty. In February 1998, an MAA was submitted that we subsequently withdrew. The withdrawal followed extensive discussions with the Committee of Proprietary Medicinal Products, or CPMP, relating to the relevance of the clinical data presented to EMEA to then current European medical practice. We believe that the results of the REPLACE-2 program address the issues raised by CPMP.

Angiomax was approved in New Zealand in September 1999 for use in the treatment of patients undergoing coronary angioplasty. Angiomax was approved in Canada in October 2002 and Israel in June 2002 for use in unstable angina patients undergoing coronary angioplasty. We plan to file applications for marketing authorization in several Latin American countries including Argentina, Brazil, Mexico and Venezuela.

CLEVIDIPINE

In March 2002, we entered into a study and exclusive option agreement with AstraZeneca PLC relating to the further study, licensing, development and commercialization of clevidipine, an intravenous compound for the short-term control of high blood pressure in patients undergoing cardiac surgery. Blood pressure control is important in patients undergoing surgery or other interventional procedures in a hospital. These patients are often treated with multiple medications, which may increase the duration of the patients' stay in the intensive care unit. We plan to commence Phase 3 clinical trials in 2003 in patients undergoing cardiac surgery to investigate the potential of clevidipine to simplify and improve the treatment of these patients.

Clevidipine belongs to a well-known class of drugs called calcium channel blockers, which are used to control high blood pressure. Clevidipine acts by selectively relaxing the smooth muscle cells that line small arteries, resulting in widening of the artery opening and reduction of blood pressure within the artery. Unlike some other blood pressure reducing agents, including some other calcium channel blockers, clevidipine does not appear, based on animal studies, to have effects on the coronary arteries or the veins, and has not been associated with quickening of the heart rate in anesthetized patients. Moreover, clevidipine has been shown in clinical trials to improve the pumping performance of the heart.

Prior to our agreement with AstraZeneca, AstraZeneca conducted Phase 2 clinical trials of clevidipine. These clinical trials demonstrated that clevidipine acts to reduce blood pressure rapidly after intravenous infusion. Clevidipine is metabolized rapidly by enzymes in the blood, which results in the drug being cleared from the blood stream in a short period of time. Therefore, the effects of clevidipine are short-lived, and in clinical trials it has been possible to demonstrate reductions in blood pressure that are dose-dependent and that cease rapidly after stopping clevidipine infusions.

We believe that attributes of clevidipine demonstrated in clinical trials to date, namely rapid, titratable onset of effect on blood pressure, simple preparation and administration, arterial selectivity and rapid metabolism and elimination, could potentially benefit patients with high blood pressure undergoing surgical procedures and patients with severely elevated blood pressure that requires rapid reduction.

We have commenced a study in patients undergoing cardiac surgery comparing clevidipine with nitroglycerin, a drug that is typically used to control high blood pressure in patients undergoing cardiac surgery, and plan to commence a Phase 3 program in 2003. We believe that clevidipine can be efficiently sold by our U.S. sales force to hospital customers, including Angiomax customers, when and if clevidipine is approved for sale by the FDA.

CTV-05

In 1999, we acquired from GyneLogix, Inc. exclusive worldwide rights to CTV-05, a strain of bacteria under clinical investigation for a broad range of applications in the areas of gynecological and reproductive health. We entered into a clinical trial agreement with the National Institutes of Allergy and Infectious

Diseases, a division of the National Institutes of Health, to conduct a Phase 2 trial of CTV-05 for the treatment of bacterial vaginosis.

In the Phase 2 safety and efficacy trial, the results of which were announced in April 2002, treatment with CTV-05 did not improve clinical cure rates at 30 days, the primary endpoint of the trial. Based on that result, we determined not to make further expenditures related to CTV-05.

In December 2002, we sublicensed our rights to develop CTV-05 to Osel, Inc. We believe that this arrangement will allow us to participate financially in the success of CTV-05 if Osel is successful in developing this potentially beneficial bacteria, while at the same time minimizing our expenditures and allowing us to focus on other opportunities more directly related to our core goals.

IS-159

In 1998, we acquired from Immunotech S.A. exclusive worldwide rights to IS-159, a selective chemical that reacts with receptors found on cerebral blood vessels and nerve terminals. Having determined not to devote further resources to development of IS-159, we terminated our license of IS-159 in January 2003.

PRODUCT ACQUISITION STRATEGY

We have assembled a management team with significant experience in drug development and in drug product launches and commercialization.

We plan to continue to seek to acquire and develop late-stage product candidates or products approved for marketing that help alleviate the growing pressures on U.S. hospitals to treat patients more efficiently. With regard to product candidates, we look for an anticipated time to market of four years or less and existing clinical data which provides reasonable evidence of safety and efficacy, together with the potential to reduce a patient's hospital stay. In addition, we aim to acquire approved products that can be marketed in hospitals by our commercial organization. In making our acquisition decisions, we attempt to achieve high investment returns by:

- understanding the market opportunity and potential cost savings for initially-targeted uses of the drug;

- assessing the investment and development programs that will be necessary to achieve a marketable product profile in these initial uses; and

- attempting to structure the design of our development programs to obtain critical information relating to the clinical and economic performance of the product early in the development process, so that we can make key development decisions.

MANUFACTURING

We do not build or operate manufacturing facilities but instead contract for manufacturing development and/or commercial supply.

Angiomax

In December 1999, we entered into a commercial development and supply agreement with UCB Bioproducts S.A. for the development and supply of Angiomax bulk drug substance. All Angiomax bulk drug substance used to date has been produced by UCB Bioproducts at its facility by means of a chemical synthesis process. Using this validated manufacturing process, UCB Bioproducts has completed the manufacture of bulk drug substance to meet our anticipated commercial supply requirements through the third quarter of 2003. As of the date of this annual report, we do not intend to purchase any additional product manufactured using this process.

Together with UCB Bioproducts, we have developed a second generation chemical synthesis process to improve the economics of manufacturing Angiomax bulk drug substance. This process, which must be approved by the FDA before it can be used, is known as the Chemilog process and involves limited changes to the early manufacturing steps of our current process in order to improve process economics. We expect the Chemilog process to produce material that is chemically equivalent to that produced using the current process. UCB Bioproducts has completed development of the Chemilog process and has manufactured validation and production batches, which have been submitted to the FDA for approval. We received approvable letters from the FDA on March 14, 2002 and December 12, 2002. In August 2002, we responded to the March 2002 approvable letter. In the December 2002 approvable letter to us and in a corresponding letter to UCB Bioproducts, the FDA requested additional data. In February 2003, we submitted what we believe to be the additional data requested by the FDA from us. Concurrently, UCB Bioproducts submitted what we believe to be the additional data requested by the FDA from UCB Bioproducts. Subject to receipt of FDA approval, we expect to sell Angiomax produced using the Chemilog process in the third or fourth quarter of 2003.

We have agreed that, assuming successful development and regulatory approval of the Chemilog process, we would purchase a substantial portion of our Angiomax bulk drug substance exclusively from UCB Bioproducts at agreed upon prices for a period of seven years from the date of the first commercial sale of Angiomax produced under the Chemilog process. Following the expiration of the agreement, which automatically renews for consecutive three year periods unless either party provides notice of non−renewal within one year prior to the expiration of the initial term or any renewal term, or if we terminate the agreement prior to its expiration, UCB Bioproducts has agreed to transfer the development technology to us. We may only terminate the agreement prior to its expiration in the event of a material breach by UCB Bioproducts. If we engage a third party to manufacture Angiomax for us using this technology during the first ten years following the date of the first commercial sale of Angiomax produced under the Chemilog process, we will be obligated to pay UCB Bioproducts a royalty based on the amount paid by us to the third−party manufacturer.

We have developed reproducible analytical methods and processes for the fill−finish of Angiomax drug product by Ben Venue Laboratories, Inc. Ben Venue Laboratories has carried out all of our Angiomax fill−finish activities.

Clevidipine

Astra Production Chemicals has manufactured all clevidipine bulk drug which, after testing and release by Astra Hassle, has been used in clinical trials. Both Astra Production Chemicals and Astra Hassle are divisions of AstraZeneca. The manufacturing process for bulk drug is currently being transferred to PharmEco, a Johnson Matthey Company, for scale up and manufacture for Phase 3 clinical trials and commercial supplies. Fresenius Kabi L.P., using its formulation technology, has manufactured all finished drug product and has also carried out release testing and clinical packaging.

COMPETITION

The development and commercialization of new drugs is competitive, and we face competition from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. Our competitors may develop or license products or other novel technologies that are more effective, safer or less costly than any that have been or are being developed by us, or may obtain FDA approval for their products more rapidly than we may obtain approval for ours.

Due to the incidence and severity of cardiovascular diseases, the market for anticoagulant therapies is large and competition is intense. We are evaluating Angiomax for additional uses in open vascular surgery such as CABG, in medical conditions that require urgent treatment such as unstable angina, in patients with heparin allergy, in children and in peripheral angioplasty. There are a number of anticoagulant therapies currently on the market, awaiting regulatory approval or in development for these uses.

In general, anticoagulant drugs may currently be classified into four groups according to their interaction with clotting mechanisms.

Direct thrombin inhibitors

Direct thrombin inhibitors act directly on thrombin, inhibiting the action of thrombin in the clotting process. Because thrombin activates platelets, direct thrombin inhibitors also prevent platelet aggregation. Direct thrombin inhibitors include Angiomax, Refludan from Berlex Laboratories and Argatroban from GlaxoSmithKline, Texas Biotechnology Corporation and Mitsubishi Chemical Corp. Both Refludan and Argatroban are approved for use in the treatment of patients with HIT/HITTS. Argatroban is also approved for use in patients with HIT/HITTS undergoing angioplasty.

Indirect thrombin inhibitors

Heparin and low molecular weight heparins act by first binding to AT−III. Heparin is manufactured and distributed by a number of companies as a generic product. Low molecular weight heparin products include Lovenox from Aventis Pharmaceuticals, Inc. and Fragmin from Pharmacia Corporation and The Upjohn Company. Very short molecules of heparin, called pentasaccharide sequences, include Arixtra from Sanofi−Synthelabo Inc. Heparin is widely used in patients with ischemic heart disease. Low molecular weight heparins have been approved for use in the treatment of patients with unstable angina and are being developed for use in angioplasty and vascular surgery. Arixtra has been approved for use in the treatment and prevention of deep vein thrombosis and is being developed for arterial thrombosis.

Platelet inhibitors

Platelet inhibitors, such as GP IIb/IIIa inhibitors, block the aggregation of platelets by blocking surface sites on the platelets that allow the platelets to attach to fibrin and to each other. GP IIb/IIIa inhibitors include ReoPro from Eli Lilly and Company and Johnson & Johnson/Centocor, Inc., Integrilin from Millennium Pharmaceuticals, Inc. and Schering−Plough Corporation, and Aggrastat from Merck & Co., Inc. ReoPro is approved and marketed for angioplasty in a broad range of patients. Integrilin is approved and marketed for angioplasty and for the management of acute coronary syndromes. Aggrastat is approved for the management of ACS.

Fibrinolytics

Fibrinolytics, or thrombolytics, dissolve fibrin in clots that have already formed. Fibrinolytics include Streptase from Aventis, Retevase from Johnson & Johnson/Centocor, TNKase from Genentech, Inc., and Abbokinase from Abbott Laboratories. These products are approved for use in the treatment of AMI, stroke and/or peripheral vascular arterial blockages.

We position Angiomax as an alternative to heparin as baseline anticoagulation therapy for use in patients with arterial thrombosis. In this regard, we expect Angiomax to be used with aspirin alone or in conjunction with other platelet inhibitors or fibrinolytic drugs and to compete with heparin and the low molecular weight heparin products.

In addition, although platelet inhibitors and fibrinolytic drugs may be complementary to Angiomax, Angiomax may compete with platelet inhibitors and fibrinolytic drugs for the use of hospital financial resources. For example, many U.S. hospitals receive a fixed reimbursement amount per procedure for the angioplasties and other treatment therapies they perform. Because this amount is not based on the actual expenses the hospital incurs, hospitals may be forced to use either Angiomax or a platelet inhibitor or fibrinolytic drugs but not necessarily several of the drugs together.

In each case, we will compete with other anticoagulant drugs on the basis of efficacy, safety, ease of administration and economic value.

We face potential competition from products that currently are in clinical development. One such potential competitor is an oral indirect thrombin inhibitor, Exanta, for which AstraZeneca is conducting a

Phase 3 development study for use in the prevention of deep venous thrombosis after orthopedic surgery. In addition, development studies of Exanta are ongoing in the prevention of stroke in patients with atrial fibrilation. We believe that Exanta's use in these indications will not have an effect upon our planned positioning for Angiomax.

The acquisition or licensing of pharmaceutical products is a competitive area, and a number of more established companies, which have acknowledged strategies to license or acquire products, may have competitive advantages as may emerging companies taking similar or different approaches to product acquisition. These established companies may have a competitive advantage over us due to their size, cash flows and institutional experience.

Many of our competitors will have substantially greater financial, technical and human resources than we have. Additional mergers and acquisitions in the pharmaceutical industry may result in even more resources being concentrated in our competitors. Competition may increase further as a result of advances made in the commercial applicability of technologies and greater availability of capital for investment in these fields. Our success will be based in part on our ability to build and actively manage a portfolio of drugs that addresses unmet medical needs and creates value in patient therapy.

RESEARCH AND DEVELOPMENT

Company−sponsored research and development expenses totaled $38.0 million in 2002, $32.8 million in 2001 and $39.6 million in 2000. The funding for Angiomax has represented and will continue to represent a significant portion of our research and development spending.

PATENTS, PROPRIETARY RIGHTS AND LICENSES

Our success will depend in part on our ability to protect the products we acquire or license by obtaining and maintaining patent protection both in the United States and in other countries. We rely upon trade secrets, know−how, continuing technological innovations, contractual restrictions and licensing opportunities to develop and maintain our competitive position. We plan to prosecute and defend any patents or patent applications we acquire or license, as well as any proprietary technology.

In all, as of February 21, 2003, we exclusively licensed nine issued United States patents and a broadly filed portfolio of corresponding foreign patents and patent applications. We have not yet filed any independent patent applications. The U.S. patents licensed by us are currently set to expire at various dates ranging from March 2010, in the case of the principal patent relating to Angiomax, to April 2017.

We have exclusively licensed from Biogen patents and applications for patents covering Angiomax and Angiomax analogs and other novel anticoagulants as compositions of matter, and processes for using Angiomax and Angiomax analogs and other novel anticoagulants. We are responsible for prosecuting and maintaining patents and patent applications relating to Angiomax. Under an exclusive option agreement, we may license exclusively from AstraZeneca, except in Japan, patents and patent applications covering formulations and uses of clevidipine, a compound used to control blood pressure. AstraZeneca would prosecute and maintain any patents and patent applications that we license relating to clevidipine, and we would reimburse AstraZeneca for expenses it incurs in connection with the prosecution and maintenance of the patents or patent applications. We have exclusively licensed patents and applications relating to CTV−05 from GyneLogix. Subsequently, we licensed our CTV−05 rights to Osel on an exclusive basis. Osel has assumed our obligation to prosecute and maintain the related patents and patent applications.

The patent positions of pharmaceutical and biotechnology firms like us can be uncertain and involve complex legal, scientific and factual questions. In addition, the coverage claimed in a patent application can be significantly reduced before the patent is issued. Consequently, we do not know whether any of the applications we acquire or license will result in the issuance of patents or, if any patents are issued, whether they will provide significant proprietary protection or will be challenged, circumvented or invalidated. Because unissued U.S. patent applications filed prior to November 29, 2000 and patent applications filed within the last 18 months are maintained in secrecy until patents issue, and since

publication of discoveries in the scientific or patent literature often lags behind actual discoveries, we cannot be certain of the priority of inventions covered by pending patent applications. Moreover, we may have to participate in interference proceedings declared by the United States Patent and Trademark Office to determine priority of invention, or in opposition proceedings in a foreign patent office, either of which could result in substantial cost to us, even if the eventual outcome is favorable to us. There can be no assurance that the patents, if issued, would be held valid by a court of competent jurisdiction. An adverse outcome could subject us to significant liabilities to third parties, require disputed rights to be licensed from third parties or require us to cease using such technology.

The development of anticoagulants is intensely competitive. A number of pharmaceutical companies, biotechnology companies, universities and research institutions have filed patent applications or received patents in this field. Some of these applications could be competitive with applications we have acquired or licensed, or could conflict in certain respects with claims made under such applications. Such conflict could result in a significant reduction of the coverage of the patents we have acquired or licensed, if issued, which would have a material adverse effect on our business, financial condition and results of operations. In addition, if patents are issued to other companies that contain competitive or conflicting claims and such claims are ultimately determined to be valid, no assurance can be given that we would be able to obtain licenses to these patents at a reasonable cost, or develop or obtain alternative technology.

We also rely on trade secret protection for our confidential and proprietary information. No assurance can be given that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets or disclose such technology, or that we can meaningfully protect our trade secrets. We have a number of trademarks that we consider important to our business. These trademarks are protected by registration in the United States and other countries in which our products are marketed.

It is our policy to require our employees, consultants, outside scientific collaborators, sponsored researchers and other advisors to execute confidentiality agreements upon the commencement of employment or consulting relationships with us. These agreements provide that all confidential information developed or made known to the individual during the course of the individual's relationship with us is to be kept confidential and not disclosed to third parties except in specific circumstances. In the case of employees, the agreements provide that all inventions conceived by the individual shall be our exclusive property. There can be no assurance, however, that these agreements will provide meaningful protection or adequate remedies for the our trade secrets in the event of unauthorized use or disclosure of such information

LICENSE AGREEMENTS

Biogen

In March 1997, we entered into an agreement with Biogen for the license of the anticoagulant pharmaceutical bivalirudin, which we have developed as Angiomax. Under the terms of the agreement, we acquired exclusive worldwide rights to the technology, patents, trademarks, inventories and know-how related to Angiomax. In exchange for the license, we paid $2.0 million on the closing date and are obligated to pay up to an additional $8.0 million upon reaching certain Angiomax sales milestones, which are the first commercial sales of Angiomax for the treatment of AMI in the United States and Europe. In addition, we are obligated to pay royalties on future sales of Angiomax and on any sublicense royalties on a country-by-country basis earned until the later of (1) 12 years after the date of the first commercial sales of the product in a country or (2) the date on which the product or its manufacture, use or sale is no longer covered by a valid claim of the licensed patent rights in such country. Under the terms of the agreement, the royalty rate due to Biogen on sales increases with growth in annual sales of Angiomax. The agreement also stipulates that we use commercially reasonable efforts to meet certain milestones related to the development and commercialization of Angiomax, including expending at least $20 million for certain developmental and commercialization activities, which we met in 1998. The license and rights under the agreement remain in force until our obligation to pay royalties ceases. Either party may terminate the

agreement for material breach by the other party, if the material breach is not cured within 90 days after written notice. In addition, we may terminate the agreement for any reason upon 90 days prior written notice. Through February 14, 2003, we have paid a total of approximately $3.9 million in royalties relating to Angiomax under our agreement with Biogen.

AstraZeneca

In March 2002, we entered into a study and exclusive option agreement with AstraZeneca relating to the further study, licensing, development and commercialization of the intravenous blood pressure control pharmaceutical, clevidipine. Under the terms of the agreement, we agreed to conduct a pilot study of clevidipine, which we have begun. The agreement provides that upon the conclusion of the pilot study within 15 months of the date AstraZeneca provided samples of clevidipine to us, we may acquire, and if the results of the pilot study meet or exceed a benchmark set forth in the agreement AstraZeneca may require us to acquire, exclusive worldwide rights (except for Japan) to the know-how, patents and trademarks relating to clevidipine. We believe that we will complete the pilot study by the end of the 15-month period. If we do not complete the pilot study by the end of such period, AstraZeneca may have the right to terminate the agreement. If we license the product, we plan to develop clevidipine as a short acting blood pressure control agent for use in hospital setting. In exchange for the license we would pay $1.0 million upon entering into the license and up to an additional $5.0 million upon reaching certain regulatory milestones. In addition, we will be obligated to pay royalties on a country-by-country basis on future annual sales of clevidipine, and on any sublicense royalties earned, until the later of (1) the duration of the licensed patent rights which are necessary to manufacture, use or sell clevidipine in a country or (2) ten years from our first commercial sale of clevidipine in such country. The licenses and rights under the agreement remain in force until we cease selling clevidipine in any country or the agreement is otherwise terminated. We may terminate the agreement upon 30 days written notice, unless AstraZeneca, within 20 days of having received our notice, requests that we enter into good faith discussions to redress our concerns. If we cannot reach a mutually agreeable solution with AstraZeneca within three months of the commencement of such discussions, we may then terminate the agreement upon 90 days written notice. Either party may terminate the agreement for material breach upon 60 days prior written notice, if the breach is not cured within such 60 days.

GOVERNMENT REGULATION

Government authorities in the United States and other countries extensively regulate, among other things, the research, development, testing, manufacture, labeling, promotion, advertising, distribution and marketing of our products. In the United States, the FDA regulates drugs under the Federal Food, Drug, and Cosmetic Act, and, in the case of biologics, also under the Public Health Service Act, and implementing regulations. Failure to comply with the applicable U.S. requirements may subject us to administrative or judicial sanctions, such as a refusal by the FDA to approve pending applications, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, and/or criminal prosecution.

The steps required before a drug may be marketed in the United States include:

- pre-clinical laboratory tests, animal studies and formulation studies;
- submission to the FDA of an investigational new drug exemption, or IND, for human clinical testing, which must become effective before human clinical trials may begin;
- adequate and well-controlled clinical trials to establish the safety and efficacy of the drug for each indication;
- submission to the FDA of a new drug application, or NDA, or biologics license application, or BLA;

- satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the drug is produced to assess compliance with current good manufacturing practices, or cGMP; and

- FDA review and approval of the NDA or BLA.

Pre-clinical tests include laboratory evaluations of product chemistry, toxicity and formulation, as well as animal studies. The results of the pre-clinical tests, together with manufacturing information and analytical data, are submitted to the FDA as part of an IND, which must become effective before human clinical trials may begin. An IND will automatically become effective 30 days after receipt by the FDA, unless before that time the FDA raises concerns or questions about issues such as the conduct of the trials as outlined in the IND. In such a case, the IND sponsor and the FDA must resolve any outstanding FDA concerns or questions before clinical trials can proceed. Submission of an IND does not necessarily result in the FDA allowing clinical trials to commence.

Clinical trials involve the administration of the investigational drug to human subjects under the supervision of qualified investigators. Clinical trials are conducted under protocols detailing the objectives of the study, the parameters to be used in monitoring safety, and the effectiveness criteria to be evaluated. Each protocol must be submitted to the FDA as part of the investigational new drug exemption.

Clinical trials typically are conducted in three sequential phases, but the phases may overlap or be combined. Each trial must be reviewed and approved by an independent Institutional Review Board before it can begin. Phase 1 usually involves the initial introduction of the investigational drug into people to evaluate its safety, dosage tolerance, pharmacodynamics, and, if possible, to gain an early indication of its effectiveness. Phase 2 usually involves trials in a limited patient population to:

- evaluate dosage tolerance and appropriate dosage;

- identify possible adverse effects and safety risks; and

- evaluate preliminarily the efficacy of the drug for specific indications.

Phase 3 trials usually further evaluate clinical efficacy and test further for safety by using the drug in its final form in an expanded patient population. We cannot guarantee that Phase 1, Phase 2 or Phase 3 testing will be completed successfully within any specified period of time, if at all. Furthermore, we or the FDA may suspend clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk.

Assuming successful completion of the required clinical testing, the results of the preclinical studies and of the clinical studies, together with other detailed information, including information on the manufacture and composition of the drug, are submitted to the FDA in the form of an NDA or BLA requesting approval to market the product for one or more indications. Before approving an application, the FDA usually will inspect the facility or the facilities at which the drug is manufactured, and will not approve the product unless cGMP compliance is satisfactory. If the FDA determines the application and the manufacturing facilities are acceptable, the FDA will issue an approval letter. If the FDA determines the application or manufacturing facilities are not acceptable, the FDA will outline the deficiencies in the submission and often will request additional testing or information. Notwithstanding the submission of any requested additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval. After approval, certain changes to the approved product, such as adding new indications, manufacturing changes, or additional labeling claims are subject to further FDA review and approval. The testing and approval process requires substantial time, effort and financial resources, and we cannot be sure that any approval will be granted on a timely basis, if at all.

In December 2000, we received marketing approval from the FDA for Angiomax for use as an anticoagulant in combination with aspirin in patients with unstable angina undergoing coronary balloon angioplasty.

After regulatory approval of a product is obtained, we are required to comply with a number of post−approval requirements. For example, as a condition of approval of an application, the FDA may require postmarketing testing and surveillance to monitor the drug's safety or efficacy. In the case of Angiomax, the FDA required us to complete our 50 patient trial designed to evaluate the use of Angiomax for treatment of HIT/HITTS patients who need coronary angioplasty.

In addition, holders of an approved NDA or BLA are required to report certain adverse reactions and production problems, if any, to the FDA, and to comply with certain requirements concerning advertising and promotional labeling for their products. Also, quality control and manufacturing procedures must continue to conform to cGMP after approval, and the FDA periodically inspects manufacturing facilities to assess compliance with cGMP. Accordingly, manufacturers must continue to expend time, money, and effort in the area of production and quality control to maintain compliance with cGMP and other aspects of regulatory compliance.

We use and will continue to use third−party manufacturers to produce our products in clinical and commercial quantities, and we cannot be sure that future FDA inspections will not identify compliance issues at our facilities or at the facilities of our contract manufacturers that may disrupt production or distribution, or require substantial resources to correct. In addition, discovery of problems with a product may result in restrictions on a product, manufacturer, or holder of an approved NDA or BLA, including withdrawal of the product from the market. Also, new government requirements may be established that could delay or prevent regulatory approval of our products under development.

We are also subject to foreign regulatory requirements governing human clinical trials and marketing approval for pharmaceutical products which we sell outside the United States. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary widely from country to country. Whether or not we obtain FDA approval, we must obtain approval of a product by the comparable regulatory authorities of foreign countries before manufacturing or marketing the product in those countries. The approval process varies from country to country and the time required for these approvals may differ substantially from that required for FDA approval. Clinical trials in one country may not be accepted by other countries, and approval in one country may not result in approval in any other country. For clinical trials conducted outside the United States, the clinical stages generally are comparable to the phases of clinical development established by the FDA.

EMPLOYEES

We believe that our success will depend greatly on our ability to identify, attract and retain capable employees. We have assembled a management team with significant experience in drug development and commercialization.

As of February 21, 2003, we employed 147 persons. Our employees are not represented by any collective bargaining unit, and we believe our relations with our employees are good.

AVAILABLE INFORMATION

Our Internet address is http://www.themedicinescompany.com. The contents of our website are not part of this Annual Report on Form 10−K, and our Internet address is included in this document as an inactive textual reference only. We make our Annual Reports on Form 10−K, Quarterly Reports on Form 10−Q, Current Reports on Form 8−K and all amendments to those reports available free of charge on our website as soon as reasonably practicable after we file such reports with, or furnish such reports to, the Securities and Exchange Commission, or the SEC.

ITEM 2. PROPERTIES

We entered into a lease for approximately 17,000 square feet of office space in Parsippany, New Jersey that we plan to occupy in March 2003, with a term expiring in January 2013. We currently occupy 12,000 square feet of office space in Parsippany, New Jersey, under two leases that will terminate upon our

relocation in March 2003. In addition, we lease approximately 9,000 square feet of office space in Cambridge, Massachusetts under a lease expiring in August 2003. We are currently reviewing plans for replacement space in Massachusetts. We believe our current facilities will be sufficient to meet our needs for the foreseeable future, except as previously noted, and that additional space will be available on commercially reasonable terms to meet space requirements if they arise. We also have offices in Oxford, United Kingdom and Parnell, Auckland, New Zealand.

ITEM 3. LEGAL PROCEEDINGS

None.

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

No matters were submitted to a vote of our security holders, through solicitation of proxies or otherwise, during the fourth quarter of the year ended December 31, 2002.

PART II

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

MARKET INFORMATION AND HOLDERS

Our common stock trades on the Nasdaq National Market under the symbol "MDCO". The following table reflects the range of the high and low bid information per share of our common stock, as reported on the Nasdaq National Market for the periods indicated. These prices reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	HIGH	LOW
YEAR ENDED DECEMBER 31, 2001		
First Quarter	$20.48	$ 8.75
Second Quarter	$22.05	$ 9.10
Third Quarter	$22.20	$ 4.52
Fourth Quarter	$12.15	$ 4.81
YEAR ENDED DECEMBER 31, 2002		
First Quarter	$14.81	$ 9.86
Second Quarter	$14.33	$ 7.40
Third Quarter	$12.50	$ 7.22
Fourth Quarter	$17.50	$ 9.45

Mellon Investor Services, LLC is the transfer agent and registrar for our common stock. As of the close of business on February 21, 2003, we had 231 holders of record of our common stock.

DIVIDENDS

We have never declared or paid cash dividends on our common stock. We anticipate that we will retain all of our future earnings, if any, for use in the expansion and operation of our business and do not anticipate paying cash dividends in the foreseeable future. Payment of future dividends, if any, will be at the discretion of our board of directors.

RECENT SALES OF UNREGISTERED SECURITIES

During the quarter ended December 31, 2002, we received notices of the following exercises of outstanding common stock purchase warrants:

- On November 7, 2002, an existing investor exercised a warrant covering an aggregate of 105,209 shares of our common stock;

- On November 19, 2002, an existing investor exercised a warrant covering an aggregate of 11,983 shares of our common stock;

- On November 20, 2002, an existing investor exercised a warrant covering an aggregate of 190,026 shares of our common stock.

In each of these warrant exercises, the purchase price of $5.92 per share was paid in the form of cancellation of a portion of the warrants, in accordance with the cashless exercise provision included in the warrants; accordingly, we received no proceeds from the issuance of the shares. In each case, the shares were issued to an "accredited investor" without registration under the Securities Act of 1933, as amended, or the securities laws of certain states, in reliance on the exemptions provided by Section 3(a)(9) of the Securities Act and in reliance on similar exemptions under applicable state laws.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

In the table below, we provide you with our selected consolidated financial data. We have prepared this information using our audited consolidated financial statements for the years ended December 31, 1998, 1999, 2000, 2001 and 2002. The pro forma net loss per share data reflect the conversion of our convertible notes, and accrued interest, and the conversion of our outstanding redeemable convertible preferred stock, and accrued dividends, into common stock upon the closing of our initial public offering in August 2000. The net loss per share data and pro forma net loss per share data do not include the effect of any options or warrants outstanding. For further discussion of earnings per share, please see note 8 to our consolidated financial statements.

	1998	1999	2000	2001	2002
	(in thousands, except share and per share data)				
STATEMENTS OF OPERATIONS DATA					
Net revenue	$ --	$ --	$ --	$ 14,248	$ 38,301
Operating expenses					
Cost of revenue	--	--	--	2,110	10,284
Research and development	24,005	30,345	39,572	32,768	37,951
Selling, general and administrative	6,248	5,008	15,034	36,567	36,808
Total operating expenses	30,253	35,353	54,606	71,445	85,043
Loss from operations	(30,253)	(35,353)	(54,606)	(57,197)	(46,742)
Other income (expense), net	1,302	640	(16,686)	2,313	911
Net loss	(28,951)	(34,713)	(71,292)	(54,884)	(45,831)
Dividends and accretion to redemption value of redeemable convertible preferred stock	(3,959)	(5,893)	(30,343)	--	--
Net loss attributable to common stockholders	$ (32,910)	$ (40,606)	$ (101,635)	$ (54,884)	$ (45,831)
Net loss attributable to common stockholders per common share, basic and diluted	$ (6.03)	$ (80.08)	$ (8.43)	$ (1.67)	$ (1.23)
Shares used in computing net loss attributable to common stockholders per common shares, basic and diluted	5,454,653	507,065	12,059,275	32,925,968	37,209,931
Unaudited pro forma net loss attributable to common stockholders per common share, basic and diluted		$ (1.94)	$ (2.10)	$ (1.67)	$ (1.23)
Shares used in computing unaudited pro forma net loss attributable to common stockholders per common shares, basic and diluted		17,799,876	24,719,075	32,925,968	37,209,931

AS OF DECEMBER 31,				
1998	1999	2000	2001	2002
(in thousands)				

BALANCE SHEET DATA					
Cash and cash equivalents, available for sale securities and accrued interest receivable	$ 29,086	$ 7,238	$ 80,718	$ 54,016	$ 43,638
Working capital (deficit)	24,570	(4,103)	68,023	59,744	54,172
Total assets	29,831	7,991	84,363	78,674	75,300
Convertible notes	--	5,776	--	--	--
Redeemable convertible preferred stock	79,384	85,277	--	--	--
Accumulated deficit	(54,319)	(94,925)	(196,560)	(251,444)	(297,275)
Total stockholders' (deficit) equity	(54,266)	(94,558)	69,239	61,121	53,934

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

You should read the following discussion and analysis of our financial condition and results of operations together with "Selected Consolidated Financial Data" and our financial statements and accompanying notes included elsewhere in this annual report. In addition to the historical information, the discussion in this annual report contains certain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated by the forward-looking statements due to factors including, but not limited to, those set forth under "Factors That May Affect Future Results" below and elsewhere in this annual report.

OVERVIEW

We are a specialty pharmaceutical company with growing revenue from sales of our first product, Angiomax, a direct thrombin inhibitor used as an anticoagulant in patients undergoing coronary angioplasty. The FDA approved Angiomax for use as an anticoagulant in combination with aspirin in patients with unstable angina undergoing coronary angioplasty in December 2000, and we began selling the product in the United States in January 2001. Our total net revenue was $14.2 million in 2001 and $38.3 million in 2002, generated almost entirely from sales of Angiomax in the United States.

Since our inception we have generated significant losses. We expect to continue to spend significant amounts on the development of our products and on the sales and marketing of Angiomax in 2003 and thereafter. In 2003, we plan on increasing our sales and marketing expenses by approximately 10%, in connection with anticipated increased customer demands, including expenses related to a planned increase in the size of our sales force from 86 to 97 persons. We also plan to continue to invest in clinical studies to expand the use of Angiomax and to develop new products. Additionally, we plan to continue to evaluate possible acquisitions of development-stage or approved products that would fit within our growth strategy. Accordingly, we will need to generate significantly greater revenues to achieve and then maintain profitability.

Since the announcement of the results of our REPLACE-2 clinical trial, additional hospitals have granted Angiomax formulary approval and hospital demand for the product has increased, and we expect that these trends will continue. In the fourth quarter of 2002, based on data obtained from an industry third-party, the number of hospitals purchasing Angiomax increased by approximately 25% as compared to the third quarter of 2002 and the number of hospitals purchasing four or more boxes of Angiomax increased by approximately 25% as compared to the third quarter of 2002.

Most of our expenditures to date have been for research and development activities and selling, general and administrative expenses. Research and development expenses represent costs incurred for product acquisition, clinical trials, activities relating to regulatory filings and manufacturing development efforts. We outsource our clinical trials and manufacturing development activities to independent organizations to maximize efficiency and minimize our internal overhead. We expense our research and development costs as they are incurred. Selling, general and administrative expenses consist primarily of salaries and related expenses, general corporate activities and costs associated with promotion and marketing activities.

In connection with our initial public offering, during the year ended December 31, 2000, we recorded deferred stock compensation on the grant of stock options of approximately $17.3 million, representing the difference between the exercise price of such options and the fair market value of our common stock at the date of grant of such options. The exercise prices of these options were below the estimated fair market value of our common stock as of the date of grant based on the estimated price of our common stock in our initial public offering. No additional deferred compensation was recorded during 2001 and 2002 because all of the exercise prices of all grants of stock options during this period were at the fair market value of our common stock on the date of grant.

We have not generated taxable income to date. At December 31, 2002, net operating losses available to offset future taxable income for federal income tax purposes were approximately $218.0 million. If not

utilized, federal net operating loss carryforwards will expire at various dates beginning in 2011 and ending in 2022. We have not recognized the potential tax benefit of our net operating losses in our balance sheets or statements of operations. The future utilization of our net operating loss carryforwards may be limited based upon changes in ownership pursuant to regulations promulgated under the Internal Revenue Code of 1986, as amended.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect our reported assets and liabilities, revenues and expenses, and other financial information. Actual results may differ significantly from these estimates under different assumptions and conditions. In addition, our reported financial condition and results of operations could vary due to a change in the application of a particular accounting standard.

We regard an accounting estimate underlying our financial statements as a "critical accounting estimate" if the accounting estimate requires us to make assumptions about matters that are highly uncertain at the time of estimation and if different estimates that reasonably could have been used in the current period, or changes in the estimate that are reasonably likely to occur from period to period, would have had a material effect on the presentation of financial condition, changes in financial condition, or results of operations.

Our significant accounting policies are more fully described in Note 2 to our consolidated financial statements. Not all of these significant accounting policies, however, require management to make difficult, complex or subjective judgments or estimates. Our management has discussed our accounting policies with the audit committee of our board of directors, and we believe that our estimates relating to revenue recognition and inventory described below fit the definition of "critical accounting estimates."

REVENUE RECOGNITION

Product Sales. We sell our products primarily to wholesalers and distributors, who, in turn, sell to hospitals. We recognize revenue from product sales in accordance with generally accepted accounting principles in the United States, including the guidance in Staff Accounting Bulletin 101. Revenue from product sales is recognized when there is persuasive evidence of an arrangement, delivery has occurred, the price is fixed and determinable, and collectibility is reasonably assured. However, because our products are sold with limited rights of return, our recognition of revenue from product sales is also subject to Statement of Financial Accounting Standards No. 48, or SFAS 48, "Revenue Recognition When Right of Return Exists." Under SFAS 48, revenue is recognized when the price to the buyer is fixed, the buyer is obligated to pay us and the obligation to pay is not contingent on resale of the product, the buyer has economic substance apart from us, we have no obligation to bring about the sale of the product and the amount of returns can be reasonably estimated.

We record allowances for product returns, rebates and discounts at the time of sale, and report revenue net of such allowances. We must make significant judgments and estimates in determining these allowances. If actual results differ, we will likely be required to make adjustments to these allowances in the future:

- Our customers have the right to return any unopened product with less than six months to the labeled expiration date, provided that the product is returned within 12 months of the labeled expiration date. As a result, we must estimate the likelihood that product sold to wholesalers might remain in their inventory to within six months of expiration, and whether the wholesalers might decide to return the product. We base our estimates on information from customers, industry data, historic patterns of returns and on the expiration dates of product being shipped.

- Certain hospitals purchasing our products from wholesalers have the right to receive a discounted price and a volume-based rebate if they participate in a group purchasing organization that has a contract with us. We must estimate the likelihood that product sold to wholesalers might be ultimately sold to a participating hospital. We base our estimates on information from customers, industry data, historic patterns of discounts and customer rebate thresholds.

Collaborations. Revenue from collaborative agreements with partners may include non-refundable fees or milestone payments. We record these payments as deferred revenue until contractual performance obligations have been satisfied, and we recognize these payments ratably over the term of these agreements. When the period of deferral cannot be specifically identified from the contract, we must estimate the period based upon other critical factors contained within the contract. We review these estimates at least annually, which could result in a change in the deferral period.

INVENTORIES

We record inventory upon the transfer of title from our vendors. Inventory is stated at the lower of cost or market value with cost determined using a weighted average of costs. We expensed all costs associated with the manufacture of Angiomax bulk drug product and finished product to which the title transferred to us prior to FDA approval of Angiomax and of its original manufacturing process as research and development. In December 2000, we received FDA approval for Angiomax and its original manufacturing process. Any Angiomax bulk drug product manufactured according to its original manufacturing process to which we took title after FDA approval is recorded as inventory. Together with UCB Bioproducts, we have developed, but not yet received FDA approval of, a second generation chemical synthesis process, the Chemilog process, for the manufacture of Angiomax bulk drug substance. All Angiomax bulk drug product manufactured using the Chemilog process to which we have taken title to date has been expensed as research and development. We review the inventory for slow moving or obsolete amounts based on expected revenues. If actual revenues are less than expected, we may be required to make allowances for excess amounts in the future.

RESULTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2002 AND 2001

Net Revenue. Net revenue increased 169% to $38.3 million in 2002 as compared to $14.2 million for 2001. Virtually all the revenue was from U.S. sales of Angiomax, which we commercially launched during the first quarter of 2001. The growth in 2002 was due primarily to increased use of Angiomax by existing hospital customers and penetration to new hospitals. Since we announced the results of REPLACE-2 in November 2002, additional hospitals have granted Angiomax formulary approval and hospital demand for the product has increased.

In 2002, we received $1.5 million from Nycomed as a non-refundable distributor fee. This payment has been recorded as deferred revenue and is being recognized ratably over the term of our agreement with Nycomed, which we currently estimate to be twelve years.

Cost of Revenue. Cost of revenue in 2002 was $10.3 million, or 27% of net revenue, compared to $2.1 million, or 15% of net revenue in 2001. Cost of revenue in 2002 consisted of expenses in connection with the manufacture of the Angiomax sold, which represented 58% of the 2002 cost of revenue, royalty expenses under our agreement with Biogen which represented 27% of the 2002 cost of revenue and the logistics costs of selling Angiomax, such as distribution, storage, and handling, which represented 14% of the 2002 cost of revenue. Prior to obtaining FDA approval for Angiomax and its original manufacturing process, all costs of manufacturing Angiomax were expensed as research and development costs. In late 2000, after obtaining FDA approval for Angiomax and its original manufacturing process, we began recording the costs of manufacturing Angiomax as a cost of revenue rather than as research and development expense. As a result, our cost of manufacturing as a percentage of net revenue increased substantially in 2002 as we sold a higher percentage of product manufactured after the date of FDA approval of Angiomax.

During 2002, we took delivery of drug material manufactured using the Chemilog process, which we expensed as research and development. The Chemilog process must be approved by the FDA before it can be used to produce Angiomax for sale to the public. Since the Chemilog process has not yet received FDA approval, we have expensed all costs of manufacturing Angiomax using the Chemilog process as research and development. If we receive FDA approval of the Chemilog process by July 2003, we expect to begin selling in the third or fourth quarter of 2003 Angiomax produced by the Chemilog process whose cost of manufacturing was previously expensed. As a result, we expect our cost of manufacturing as a percentage of product revenue will remain at current levels early in the year and then, subject to FDA approval of the Chemilog process, decrease substantially by the end of 2003.

We have partially funded development activities relating to the Chemilog process, paying total development expenses through December 31, 2002 of approximately $12.1 million, which includes validation and process batch costs of approximately $4.8 million and $6.7 million incurred in 2001 and 2002, respectively, and approximately $600,000 of other development costs. We expensed all of these development costs as research and development in the appropriate period. Subject to FDA approval of the Chemilog process, we expect to be able to sell the validation and process batches of Angiomax produced using the Chemilog process. We are committed to purchase during 2003 approximately $9.7 million of additional drug material manufactured using the Chemilog process. To the extent UCB Bioproducts transfers title to this drug material to us prior to FDA approval of the Chemilog process, we will expense these costs as research and development.

Research and Development Expenses. Research and development expenses increased 16% to $38.0 million for 2002, from $32.8 million for 2001. Over ninety percent of the 2002 expenses related to Angiomax development activities, of which sixty percent were associated with REPLACE−2. The increase in research and development expenses was primarily due to higher clinical development costs of $11.6 million relating to our REPLACE−2 trial and $1.5 million in higher manufacturing development cost incurred in connection with our receipts of Angiomax manufactured using the Chemilog process. These higher costs were partly offset by the absence of clinical development costs of the HERO−2 trial program, our Phase 3 trial of Angiomax in AMI, that we completed in 2001, and other development programs savings.

We have a number of clinical trial programs currently underway, or about to commence, for expanding the applications of Angiomax for use as an intravenous anticoagulant in the treatment of arterial thrombosis. The funding for Angiomax, our main product, has represented and will continue to represent a significant portion of research and development spending. For 2002 and 2001, research and development expenses related to Angiomax included the costs of clinical trials, development manufacturing costs for the bulk drug product and the cost associated with preparation of U.S. and worldwide marketing applications. The amount of future research and development expenses associated with Angiomax are not reasonably certain as these costs are dependent upon the regulatory process and the timing for obtaining marketing approval for other applications of the product in the United States and other countries. We currently plan to expend approximately $30 million to $35 million on research and development in 2003, of which about 80% is planned for Angiomax.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 1% to $36.8 million for 2002, from $36.6 million for 2001. The increase in selling, general and administrative expenses of $241,000 was primarily due to additional sales expense related to the promotion of Angiomax, offset in part by lower marketing expenses.

Noncash Stock Compensation. We amortize the deferred stock compensation that was recorded in 2000 over the respective vesting periods of the individual stock options. We recorded amortization expense for deferred compensation of approximately $4.1 million and $3.3 million for the years ended December 31, 2001 and 2002, respectively. We expect to record amortization expense for the deferred compensation of approximately $2.3 million in 2003 and approximately $800,000 in 2004. In 2002, we accelerated the vesting of stock options held by terminated employees in connection with their termination

agreements, which resulted in $500,000 in non-cash compensation expense. The amortization and non-cash compensation expense is included in our operating expenses in the consolidated statements of operations.

Other Income and Expense. Interest income decreased 70% to $944,000 for 2002, from $3.2 million for 2001. The decrease in interest income of $2.3 million was primarily due to lower cash and available for sale securities balances and lower available interest rates on securities. For 2002, interest income was attributable to the investment of the remaining proceeds of our sales of shares of common stock in a private placement in May 2001 and in a public offering in 2002. In 2001, interest income was primarily attributable to the investment of the remaining proceeds of our initial public offering in August and September 2000.

We had interest expense of $33,000 during 2002 associated with the draw down of our revolving line of credit at the end of March 2002. We terminated the revolving line of credit in August 2002. We had no interest expense for 2001. In 2001, we liquidated our $3.0 million principal investment in Southern California Edison 5 7/8% bonds, recognizing a loss of $850,000 on the sale.

YEARS ENDED DECEMBER 31, 2001 AND 2000

Net Revenue. We had net revenue of $14.2 million in 2001 from sales of Angiomax. We had no net revenue in 2000.

Cost of Revenue. Cost of revenue in 2001 was $2.1 million, or 15% of net revenue. The cost of revenue in 2001 consisted of expenses in connection with the manufacture of the Angiomax sold which represented 12% of the 2001 cost of revenue, the logistics costs of selling Angiomax such as distribution, storage, and handling, which represented 38% of the 2001 cost of revenue, and royalty expenses under our agreements with Biogen which represented 50% of the 2001 cost of revenue.

Research and Development Expenses. Research and development expenses decreased 17% from $39.6 million in 2000 to $32.8 million in 2001. Eighty-eight percent of the 2001 expenditures related to Angiomax development activities, of which 32% were associated with REPLACE-2 and 28% were related to our HERO-2 trial program. The decrease in research and development expenses of $6.8 million was primarily due to higher manufacturing development costs related to UCB Bioproduct's manufacture of Angiomax bulk drug product in 2000, which was expensed prior to FDA approval, and to lower clinical development costs associated with the completion in 2001 of the HERO-2 trial program, our Phase 3 clinical trial in AMI. Partly offsetting this decrease in research and development costs were higher costs related to our trials in angioplasty called REPLACE-1 and REPLACE-2 and higher development costs related to the Chemilog process.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 143% to $36.6 million in 2001 from $15.0 million in 2000. The increase in selling, general and administrative expenses of $21.5 million was primarily due to an increase in marketing and selling expenses and corporate infrastructure costs arising from an increase in activity relating to the commercial launch of Angiomax in 2001, including the addition of sales personnel.

Other Income and Expense. Interest income increased 19% to $3.2 million in 2001 from $2.7 million in 2000. The increase in interest income of $459,000 was primarily due to interest income arising from the investment of the proceeds of our initial public offering in August and September 2000 and from the investment of the proceeds from our sale of 4.0 million shares of our common stock in a private placement in May 2001.

We had no interest expense in 2001. Interest expense of $19.4 million in 2000 was related to interest charges and amortization of the discount on our convertible notes issued in October 1999 and March 2000.

During the second quarter of 2001, we liquidated our $3.0 million principal investment in Southern California Edison 5 7/8% bonds, recognizing a loss of $850,000 on the sale.

Noncash Stock Compensation. We amortize the deferred stock compensation that was recorded in 2000 over the respective vesting periods of the individual stock options. We recorded amortization expense

for deferred compensation of approximately $3.7 million and $4.1 million for the years ended December 31, 2000 and 2001, respectively. The amortization expense is included in our operating expenses in the consolidated statements of operations.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity. Since our inception, we have financed our operations through the sale of common and preferred stock, sales of convertible promissory notes and warrants, interest income and revenues from sales of Angiomax.

In August and September 2000, we received $101.4 million in net proceeds from the sale of common stock in our initial public offering. Since our initial public offering, we have received an additional $41.8 million in net proceeds in May 2001 from the sale of 4.0 million shares of our common stock in a private placement and $30.9 million in net proceeds in June 2002 from the sale of 4.0 million shares of our common stock in a public offering. Prior to our initial public offering, we had received net proceeds of $79.4 million from the private placement of equity securities, primarily redeemable convertible preferred stock, and $19.4 million from the issuance of convertible notes and warrants.

In March 2002, we entered into a collaboration agreement with Nycomed. Under the agreement, Nycomed paid us an initial non−refundable fee of $1.5 million and agreed to pay up to $2.5 million in additional milestones based on regulatory approvals in Europe. In addition, Nycomed purchased 79,428 shares of our common stock for a total purchase price of approximately $1.0 million.

In March 2002, we entered into a loan and security agreement with Comerica Bank−California. The agreement allowed us to borrow up to $10.0 million. The agreement was terminated in August 2002.

On March 5, 2003, we filed a registration statement on Form S−3 which registered 4,000,000 shares of our common stock under the Securities Act for sale to the public. Assuming an offering price of $18.94 per share, proceeds to us would be approximately $70.9 million after deducting underwriting discounts and commissions and all estimated offering expenses payable by us. We have also granted the underwriters of the offering an option to purchase up to 600,000 additional shares of common stock. If the underwriters were to exercise this option, the proceeds to us from the offering would be approximately $81.5 million.

We anticipate using the net proceeds from this offering as follows:

- to fund further clinical development and commercialization of Angiomax;
- to fund research and development of clevidipine; and
- to provide working capital and for general corporate purposes.

We also may use a portion of the net proceeds to acquire additional products consistent with our strategy, although we have not allocated any portion of the net proceeds for any specific acquisition. We cannot provide any assurance as to when or if we will close this offering.

Cash Flows. As of December 31, 2002, we had $36.8 million in cash and cash equivalents, as compared to $53.9 million as of December 31, 2001. The major uses of cash during 2002 include net cash used for operating activities of $45.1 million and net cash used in investing activities of $6.9 million, partly offset by $34.9 million received from financing activities.

We used net cash of $45.1 million in operating activities during 2002. This use of cash consisted of a net loss of $45.8 million and an increase in accounts receivable of $9.5 million and a decrease in accounts payable of $516,000, partly offset by a decrease in inventory of $2.4 million and increases in accrued expenses of $2.9 million, deferred revenue of $1.4 million, non−cash stock compensation of $3.8 million, and depreciation of $555,000. The increase in accounts receivable can be attributed to the higher sales levels.

During 2002, we used $6.9 million in cash in net investing activities, which consisted principally of the purchase of available for sale securities.

Cash provided by financing activities of $34.9 million during 2002 consisted primarily of the proceeds of the public offering of 4.0 million shares of our common stock in June 2002 which resulted in net proceeds of $30.9 million. In addition, Nycomed purchased 79,428 shares of our common stock for a total purchase price of approximately $1.0 million and employees purchased stock related to option exercises and our employee stock purchase plan for aggregate net proceeds to us of approximately $3.0 million.

Funding Requirements. We expect to devote substantial resources to our research and development efforts and to our sales, marketing and manufacturing programs associated with the commercialization of our products. Our funding requirements will depend on numerous factors including:

- whether Angiomax is commercially successful;
- the progress, level and timing of our research and development activities related to our additional clinical trials with respect to Angiomax and to our other product candidates;
- the cost and outcomes of regulatory reviews;
- the continuation or termination of third party manufacturing or sales and marketing arrangements;
- the cost and effectiveness of our sales and marketing programs;
- the status of competitive products;
- our ability to defend and enforce our intellectual property rights; and
- the establishment of additional strategic or licensing arrangements with other companies or acquisitions.

We believe, based on our operating plan as of the date of this annual report, which includes anticipated revenues from Angiomax and interest income, and the estimated proceeds of $70.9 million from the offering of our common stock, that our current cash, cash equivalents and available for sale securities will be sufficient to fund our operations for the foreseeable future. However, we expect to periodically assess our financing alternatives and access the capital markets opportunistically. In addition, if our existing resources are insufficient to satisfy our liquidity requirements due to slower than anticipated revenues from Angiomax or otherwise, or if we acquire additional product candidates, we may need to sell additional equity or debt securities or seek additional financing through other arrangements. Any sale of additional equity or debt securities may result in additional dilution to our stockholders, and we cannot be certain that additional public or private financing will be available in amounts or on terms acceptable to us, if at all. If we are unable to obtain this additional financing, we may be required to delay, reduce the scope of, or eliminate one or more of our planned research, development and commercialization activities, which could harm our financial condition and operating results.

CONTRACTUAL OBLIGATIONS

Our long-term contractual commitments consist of operating leases for our facilities in Parsippany, New Jersey and Cambridge, Massachusetts, which expire in January 2013 and August 2003, respectively. Future annual minimum payments under these operating leases are:

MINIMUM OPERATING LEASE OBLIGATION

YEAR(S)	AMOUNT
2003	$ 808,000
2004	526,000
2005	492,000
2006	495,000
2007	503,000
Later years	2,689,000
Total operating lease obligation	$5,513,000

In addition to amounts accrued or payable as of December 31, 2002, we have commitments to make payments to UCB Bioproducts of a total of $9.7 million during 2003 for Angiomax bulk drug substance to be produced using the Chemilog process. We also have $1.9 million in contractual commitments for 2003 related to research and development activities.

FACTORS THAT MAY AFFECT FUTURE RESULTS

This Annual Report on Form 10-K includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. For this purpose, any statements contained herein regarding our strategy, future operations, financial position, future revenues, projected costs, prospects, plans and objectives of management, other than statements of historical facts, are forward-looking statements. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We cannot guarantee that we actually will achieve the plans, intentions or expectations disclosed in our forward-looking statements. There are a number of important factors that cause actual results or events to differ materially from those disclosed in the forward-looking statements we make. These important factors include our "critical accounting estimates" and the risk factors set forth below. Although we may elect to update forward-looking statements in the future, we specifically disclaim any obligation to do so, even if our estimates change, and readers should not rely on those forward-looking statements as representing our views as of any date subsequent to the date of this annual report.

RISKS RELATED TO OUR BUSINESS

WE HAVE A HISTORY OF NET LOSSES, AND WE EXPECT TO CONTINUE TO INCUR ADDITIONAL NET LOSSES AND MAY NOT ACHIEVE OR MAINTAIN PROFITABILITY

We have incurred net losses since our inception, including net losses of approximately $45.8 million for the year ended December 31, 2002. As of December 31, 2002, we had an accumulated deficit of approximately $297.3 million. We expect to make substantial expenditures to further develop and commercialize our products, including costs and expenses associated with clinical trials, regulatory approval and commercialization. We will need to generate significantly greater revenues to achieve and then maintain profitability. However, we remain unsure as to when we will become profitable, if at all. And, if we do become profitable, we may not remain profitable for any substantial period of time. If we fail to

achieve profitability within the time frame expected by investors or securities analysts, the market price of our common stock may decline.

OUR BUSINESS IS VERY DEPENDENT ON THE COMMERCIAL SUCCESS OF ANGIOMAX

Angiomax is our only commercial product and, we expect, will account for almost all of our revenues for the foreseeable future. The commercial success of Angiomax will depend upon its acceptance by regulators, physicians, patients and other key decision-makers as a safe, therapeutic and cost-effective alternative to heparin and other products used in current practice, or currently being developed. If Angiomax is not commercially successful, we will have to find additional sources of funding or curtail or cease operations.

NEAR-TERM GROWTH IN OUR SALES OF ANGIOMAX IS HIGHLY DEPENDENT ON PHYSICIAN ACCEPTANCE OF THE REPLACE-2 TRIAL

In the fall of 2002, we completed a 6,002 patient post-marketing Phase 3b/4 clinical trial of Angiomax in coronary angioplasty called REPLACE-2. In November 2002, the principal investigators of the clinical trial announced that, based on 30-day patient follow-up results, Angiomax met all of the primary and secondary objectives of the trial. We believe that the near-term commercial success of Angiomax will depend upon the extent to which physicians, patients and other key decision-makers accept the results of the REPLACE-2 trial. Since the results were announced, additional hospitals have granted Angiomax formulary approval and hospital demand for the product has increased. We cannot be certain, however, that these trends will continue. Some commentators have challenged various aspects of the trial design of REPLACE-2, the conduct of the study and the analysis and interpretation of the results from the study, including how we define bleeding and the clinical relevance of types of ischemic events. If physicians, patients and other key decision-makers do not accept the trial results, adoption of Angiomax may suffer, and our business will be materially adversely affected.

We are continuing to follow the patients involved in the REPLACE-2 trial for six-month and one-year follow-up periods and are conducting a detailed cost analysis study to examine per-patient total hospital resource consumption at U.S. clinical trial sites. If the extended follow-up data are less favorable than the 30-day patient follow-up data announced to date, or if the cost analysis is less favorable than we expect, physician adoption of Angiomax may be adversely affected.

WE CANNOT EXPAND THE INDICATIONS FOR WHICH WE ARE MARKETING ANGIOMAX UNLESS WE RECEIVE FDA APPROVAL FOR EACH ADDITIONAL INDICATION. FAILURE TO EXPAND THESE INDICATIONS WILL LIMIT THE SIZE OF THE COMMERCIAL MARKET FOR ANGIOMAX

In December 2000, we received approval from the FDA for the use of Angiomax as an anticoagulant in combination with aspirin in patients with unstable angina undergoing coronary angioplasty. One of our key objectives is to expand the indications for which Angiomax is approved for marketing by the FDA. In order to market Angiomax for these expanded indications, we will need to complete our clinical trials that are currently underway, conduct additional clinical trials, obtain positive results from those trials and obtain FDA approval for such proposed indications. If we are unsuccessful in expanding the approved indications for the use of Angiomax, the size of the commercial market for Angiomax will be limited.

IF WE DO NOT SUCCEED IN OBTAINING TIMELY APPROVAL FOR A SECOND-GENERATION PROCESS FOR THE PRODUCTION OF ANGIOMAX BULK DRUG SUBSTANCE, WE MAY NOT BE ABLE TO SUPPLY OUR CUSTOMERS

All Angiomax bulk drug substance used to date has been produced by UCB Bioproducts by means of a chemical synthesis process. Using this validated manufacturing process, UCB Bioproducts has completed the manufacture of bulk drug substance to meet our anticipated commercial supply requirements through the third quarter of 2003. As of the date of this annual report, we do not intend to purchase any additional product manufactured using this process.

We have developed, with UCB Bioproducts, a second-generation process for the production of Angiomax bulk drug substance, which is referred to as the Chemilog process. This process involves changes to the early manufacturing steps of our current process and, we expect, will reduce our Angiomax manufacturing costs in the future. We received approvable letters from the FDA with respect to the Chemilog process on March 14, 2002 and December 12, 2002. In August 2002, we responded to the March 2002 approvable letter. In the December 2002 approvable letter to us and in a corresponding letter to UCB Bioproducts, the FDA requested additional data. In February 2003, we submitted what we believe to be the additional data requested by the FDA from us. Concurrently, UCB Bioproducts submitted what we believe to be the additional data requested by the FDA from UCB Bioproducts. If the FDA does not approve the Chemilog process by July 2003, we would expect to consider purchasing additional product produced using our current process, but potentially on less favorable terms. This product would likely not be available for a significant period of time, and we could be forced to reject or limit customer orders for Angiomax until such product is available. In such event, sales of Angiomax would suffer and our business would be materially adversely affected.

FAILURE TO OBTAIN REGULATORY APPROVAL IN FOREIGN JURISDICTIONS WILL PREVENT US FROM MARKETING ANGIOMAX ABROAD

We intend to market Angiomax through distribution partners in international markets, including Europe. In order to market Angiomax in the European Union and many other foreign jurisdictions, we or our distribution partners must obtain separate regulatory approvals. Obtaining foreign approvals may require additional trials and expense. In February 1998, we submitted a MAA to the EMEA for use of Angiomax in unstable angina patients undergoing coronary angioplasty. Following extended interaction with European regulatory authorities, the CPMP of the EMEA voted in October 1999 not to recommend Angiomax for approval in coronary angioplasty. We withdrew our application to the EMEA in 1999 and, as of the date of this annual report, plan to resubmit an MAA with the results of the REPLACE-2 trial. We may not be able to obtain approval or may be delayed in obtaining approval from any or all of the jurisdictions in which we seek approval to market Angiomax.

THE DEVELOPMENT AND COMMERCIALIZATION OF OUR PRODUCTS MAY BE TERMINATED OR DELAYED, AND THE COSTS OF DEVELOPMENT AND COMMERCIALIZATION MAY INCREASE, IF THIRD PARTIES WHO WE RELY ON TO MANUFACTURE AND SUPPORT THE DEVELOPMENT AND COMMERCIALIZATION OF OUR PRODUCTS DO NOT FULFILL THEIR OBLIGATIONS

Our development and commercialization strategy entails entering into arrangements with corporate and academic collaborators, contract research organizations, distributors, third-party manufacturers, licensors, licensees and others to conduct development work, manage our clinical trials, manufacture our products and market and sell our products outside of the United States. We do not have the expertise or the resources to conduct such activities on our own and, as a result, are particularly dependent on third parties in most areas.

We may not be able to maintain our existing arrangements with respect to the commercialization of Angiomax or establish and maintain arrangements to develop and commercialize clevidipine or any additional product candidates or products we may acquire on terms that are acceptable to us. Any current or future arrangements for development and commercialization may not be successful. If we are not able to establish or maintain agreements relating to Angiomax, clevidipine or any additional products we may acquire on terms which we deem favorable, our results of operations would be materially adversely affected.

Third parties may not perform their obligations as expected. The amount and timing of resources that third parties devote to developing, manufacturing and commercializing our products are not within our control. Furthermore, our interests may differ from those of third parties that manufacture or commercialize our products. Disagreements that may arise with these third parties could delay or lead to the termination of the development or commercialization of our product candidates, or result in litigation or arbitration, which would be time consuming and expensive.

If any third party that manufactures or supports the development or commercialization of our products breaches or terminates its agreement with us, or fails to conduct its activities in a timely manner, such breach, termination or failure could:

- delay or otherwise adversely impact the development or commercialization of Angiomax, clevidipine, our other product candidates or any additional product candidates that we may acquire or develop;

- require us to undertake unforeseen additional responsibilities or devote unforeseen additional resources to the development or commercialization of our products; or

- result in the termination of the development or commercialization of our products.

FAILURE TO RAISE ADDITIONAL FUNDS IN THE FUTURE MAY AFFECT THE DEVELOPMENT, MANUFACTURE AND SALE OF OUR PRODUCTS

Our operations to date have generated a substantial need for cash, and this negative cash flow from operations may persist. Our ability to generate positive operating cash flow is highly dependent on our ability to achieve our revenue targets. The clinical development and regulatory approval of Angiomax for additional indications, the clinical development and regulatory approval of clevidipine and the acquisition and development of additional product candidates by us will require a commitment of substantial funds. Our future capital requirements are dependent upon many factors and may be significantly greater than we expect.

As of the date of this annual report, we believe, based on our current operating plan, which includes anticipated revenues from Angiomax and interest income, and the estimated proceeds of $70.9 million from the offering of shares of our common stock, that our current cash, cash equivalents and available for sale securities will be sufficient to fund our operations for the foreseeable future. If our existing resources are insufficient to satisfy our liquidity requirements due to slower than anticipated sales of Angiomax or otherwise, or if we acquire additional product candidates, we may need to sell additional equity or debt securities or seek additional financing through other arrangements. Any sale of additional equity or debt securities may result in additional dilution to our stockholders, and we cannot be certain that additional public or private financing will be available in amounts or on terms acceptable to us, if at all. If we are unable to obtain this additional financing, we may be required to delay, reduce the scope of, or eliminate one or more of our planned research, development and commercialization activities, which could harm our financial condition and operating results. In addition, in order to obtain additional financing, we may be required to relinquish rights to products, product candidates or technologies that we would not otherwise relinquish.

WE DEPEND ON A SINGLE SUPPLIER FOR THE PRODUCTION OF ANGIOMAX BULK DRUG SUBSTANCE AND A DIFFERENT SINGLE SUPPLIER TO CARRY OUT ALL FILL-FINISH ACTIVITIES FOR ANGIOMAX

We do not manufacture any of our products and do not plan to develop any capacity to manufacture them. As of the date of this annual report, we obtain all of our Angiomax bulk drug substance from one manufacturer, UCB Bioproducts, and rely on another manufacturer, Ben Venue Laboratories, to carry out all fill-finish activities for Angiomax, which includes final formulation and transfer of the drug into vials where it is then freeze-dried and sealed. The terms of our agreement with UCB Bioproducts require us to purchase a substantial portion of our Angiomax bulk drug product from UCB Bioproducts which could hinder our ability to obtain an additional supplier for Angiomax.

The FDA requires that all manufacturers of pharmaceuticals for sale in or from the United States achieve and maintain compliance with the FDA's cGMP regulations and guidelines. There are a limited number of manufacturers that operate under cGMP regulations capable of manufacturing Angiomax. As of the date of this annual report, we do not have alternative sources for production of Angiomax bulk drug substance or to carry out fill-finish activities. In the event that either of our current manufacturers is unable to carry out its respective manufacturing obligations, we may be unable to obtain alternative

manufacturing, or obtain such manufacturing on commercially reasonable terms or on a timely basis. If we were required to transfer manufacturing processes to other third party manufacturers, we would be required to satisfy various regulatory requirements, which could cause us to experience significant delays in receiving an adequate supply of Angiomax. Any delays in the manufacturing process may adversely impact our ability to meet commercial demands for Angiomax on a timely basis and supply product for clinical trials of Angiomax.

WE DO NOT OWN THE TECHNOLOGY UNDERLYING THE CHEMILOG PROCESS, AND MAY BE UNABLE TO UTILIZE THE CHEMILOG PROCESS IF UCB BIOPRODUCTS BREACHES OUR AGREEMENT

Our agreement with UCB Bioproducts for the supply of Angiomax bulk drug substance provides that UCB Bioproducts owns all of the proprietary technology that was used to develop and that is employed in the Chemilog process. Although the agreement requires that UCB Bioproducts transfer this technology to a secondary supplier of Angiomax bulk drug substance or to us or an alternate supplier at the expiration of this agreement, if UCB Bioproducts fails or is unable to transfer successfully this technology, we would be unable to employ the Chemilog process to manufacture our Angiomax bulk drug substance, which could increase our manufacturing costs in the future.

CLINICAL TRIALS OF OUR PRODUCT CANDIDATES ARE EXPENSIVE AND TIME-CONSUMING, AND THE RESULTS OF THESE TRIALS ARE UNCERTAIN

Before we can obtain regulatory approvals to market any product for a particular indication, we will be required to complete pre-clinical studies and extensive clinical trials in humans to demonstrate the safety and efficacy of such product for such indication. We are evaluating Angiomax in clinical trials for additional uses in open vascular surgery such as CABG, in medical conditions that require urgent treatment such as unstable angina, in patients with heparin allergy, in children and in peripheral angioplasty. There are numerous factors that could delay our clinical trials or prevent us from completing our trials successfully. We, or the FDA, may suspend a clinical trial at any time on various grounds, including a finding that patients are being exposed to unacceptable health risks.

The rate of completion of clinical trials depends in part upon the rate of enrollment of patients. Patient enrollment is a function of many factors, including the size of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the trial, the existence of competing clinical trials and the availability of alternative or new treatments. In particular, the patient population targeted by some of our clinical trials may be small. Delays in future planned patient enrollment may result in increased costs and program delays.

In addition, clinical trials, if completed, may not show a product candidate to be safe or effective for the intended use. Results obtained in pre-clinical studies or early clinical trials are not always indicative of results that will be obtained in later clinical trials. Moreover, data obtained from pre-clinical studies and clinical trials may be subject to varying interpretations. As a result, the FDA or other applicable regulatory authorities may not approve a product in a timely fashion, or at all. Even if regulatory approval to market a product is granted, the regulatory approval may impose limitations on the indicated use for which the product may be marketed.

OUR FAILURE TO ACQUIRE AND DEVELOP ADDITIONAL PRODUCT CANDIDATES OR APPROVED PRODUCTS WILL IMPAIR OUR ABILITY TO GROW

As part of our growth strategy, we intend to acquire and develop additional product candidates or approved products. The success of this strategy depends upon our ability to identify, select and acquire pharmaceutical products that meet the criteria we have established. Because we neither have, nor intend to establish, internal scientific research capabilities, we are dependent upon pharmaceutical and biotechnology companies and other researchers to sell or license product candidates to us.

Any product candidate we acquire will require additional research and development efforts prior to commercial sale, including extensive pre-clinical and/or clinical testing and approval by the FDA and

corresponding foreign regulatory authorities. All product candidates are prone to the risks of failure inherent in pharmaceutical product development, including the possibility that the product candidate will not be safe, non-toxic and effective or approved by regulatory authorities. In addition, we cannot assure you that any approved products that we develop or acquire will be:

- manufactured or produced economically;
- successfully commercialized; or
- widely accepted in the marketplace.

In addition, proposing, negotiating and implementing an economically viable acquisition is a lengthy and complex process. Other companies, including those with substantially greater financial, marketing and sales resources, may compete with us for the acquisition of product candidates and approved products. We may not be able to acquire the rights to additional product candidates and approved products on terms that we find acceptable, or at all.

A BREACH OF ANY OF THE AGREEMENTS UNDER WHICH WE LICENSE COMMERCIALIZATION RIGHTS TO PRODUCTS OR TECHNOLOGY FROM OTHERS, COULD CAUSE US TO LOSE LICENSE RIGHTS THAT ARE IMPORTANT TO OUR BUSINESS OR SUBJECT US TO CLAIMS BY OUR LICENSORS

We license rights to products and technology that are important to our business, and we expect to enter into additional licenses in the future. For instance, we have exclusively licensed the patents and patent applications relating to Angiomax from Biogen. Under our agreement with Biogen, we are subject to commercialization and development, sublicensing, royalty, patent prosecution and maintenance, insurance and other obligations. If we exercise our option to acquire an exclusive license to clevidipine from AstraZeneca, we will be subject to similar obligations with respect to clevidipine. Any failure by us to comply with any of these obligations or any other breach by us of these license agreements could give the licensor the right to terminate the license in whole, terminate the exclusive nature of the license or bring a claim against us for damages. Any such termination or claim, particularly relating to our agreement with Biogen, could have a material adverse effect on our business. Even if we contest any such termination or claim and are ultimately successful, our stock price could suffer. In addition, upon any termination of a license agreement, we may be required to license to the licensor any related intellectual property that we developed.

WE MAY NOT BE ABLE TO MANAGE OUR BUSINESS EFFECTIVELY IF WE ARE UNABLE TO ATTRACT AND RETAIN KEY PERSONNEL AND CONSULTANTS

Our industry has experienced a high rate of turnover of management personnel in recent years. We are highly dependent on our ability to attract and retain qualified personnel for the acquisition, development and commercialization activities we conduct or sponsor. If we lose one or more of the members of our senior management, including our executive chairman, Dr. Clive A. Meanwell, or our chief executive officer, David M. Stack, or other key employees or consultants, our ability to implement successfully our business strategy could be seriously harmed. Our ability to replace these key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to develop and commercialize products successfully. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate such additional personnel.

BECAUSE THE MARKET FOR THROMBIN INHIBITORS IS COMPETITIVE, OUR PRODUCT MAY NOT OBTAIN WIDESPREAD USE

We have positioned Angiomax as a replacement for heparin, which is a widely used, inexpensive, generic drug used in patients with arterial thrombosis. Because heparin is inexpensive and has been widely used for many years, physicians and medical decision-makers may be hesitant to adopt Angiomax. In addition, due to the high incidence and severity of cardiovascular diseases, competition in the market for thrombin inhibitors is intense and growing. There are a number of direct and indirect thrombin inhibitors

currently on the market, awaiting regulatory approval and in development, including orally administered agents. The thrombin inhibitors on the market include products for use in the treatment of patients with a clinical condition known as HIT/HITTS, patients with unstable angina and patients with deep vein thrombosis.

ANGIOMAX MAY COMPETE WITH ALL GROUPS OF ANTICOAGULANT DRUGS, INCLUDING PLATELET INHIBITORS AND FIBRINOLYTIC DRUGS, WHICH MAY LIMIT THE USE OF ANGIOMAX

In general, anticoagulant drugs may be classified into four groups: drugs that directly target and inhibit thrombin, drugs that indirectly target and inhibit thrombin, drugs that target and inhibit platelets and drugs that break down fibrin. Because each group of anticoagulants acts on different components of the clotting process, we believe that there will be continued clinical work to determine the best combination of drugs for clinical use. We expect Angiomax to be used with aspirin alone or in conjunction with platelet inhibitors or fibrinolytic drugs. Although platelet inhibitors and fibrinolytic drugs may be complementary to Angiomax, we recognize that Angiomax may compete with these and other anticoagulant drugs to the extent Angiomax and any of these anticoagulant drugs are approved for the same indication.

In addition, platelet inhibitors and fibrinolytic drugs may compete with Angiomax for the use of hospital financial resources. For example, many U.S. hospitals receive a fixed reimbursement amount per procedure for the angioplasties and other treatment therapies they perform. Because this amount is not based on the actual expenses the hospital incurs, hospitals may be forced to use either Angiomax or platelet inhibitors or fibrinolytic drugs but not necessarily several of the drugs together.

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

Our industry is highly competitive. Our success will depend on our ability to acquire and develop products and apply technology, and our ability to establish and maintain markets for our products. Potential competitors in the United States and other countries include major pharmaceutical and chemical companies, specialized pharmaceutical companies and biotechnology firms, universities and other research institutions. Many of our competitors have substantially greater research and development capabilities and experience, and greater manufacturing, marketing and financial resources, than we do. Accordingly, our competitors may develop or license products or other novel technologies that are more effective, safer or less costly than existing products or technologies or products or technologies that are being developed by us or may obtain FDA approval for products more rapidly than we are able. Technological development by others may render our products or product candidates noncompetitive. We may not be successful in establishing or maintaining technological competitiveness.

FLUCTUATIONS IN OUR OPERATING RESULTS COULD AFFECT THE PRICE OF OUR COMMON STOCK

Our operating results may vary from period to period based on the amount and timing of sales of Angiomax, the availability and timely delivery of a sufficient supply of Angiomax, the timing and expenses of clinical trials, announcements regarding clinical trial results and product introductions by us or our competitors, the availability and timing of third-party reimbursement and the timing of regulatory approvals. If our operating results do not match the expectations of securities analysts and investors as a result of these and other factors, the trading price of our common stock will likely decrease.

WE MAY UNDERTAKE STRATEGIC ACQUISITIONS IN THE FUTURE AND ANY DIFFICULTIES FROM INTEGRATING SUCH ACQUISITIONS COULD DAMAGE OUR ABILITY TO ATTAIN OR MAINTAIN PROFITABILITY

We may acquire additional businesses and products that complement or augment our existing business. Integrating any newly acquired business or product could be expensive and time-consuming. We may not be able to integrate any acquired business or product successfully or operate any acquired business profitably. Moreover, we may need to raise additional funds through public or private debt or

equity financing to acquire any businesses, which may result in dilution for stockholders and the incurrence of indebtedness.

OUR REVENUES ARE SUBSTANTIALLY DEPENDENT ON A LIMITED NUMBER OF WHOLESALERS TO WHICH WE SELL ANGIOMAX, AND SUCH REVENUES MAY FLUCTUATE FROM QUARTER TO QUARTER BASED ON THE BUYING PATTERNS OF THESE WHOLESALERS

We sell Angiomax primarily to a limited number of national medical and pharmaceutical distributors and wholesalers with distribution centers located throughout the United States. During the year ended December 31, 2002, revenues from the sale of Angiomax to three wholesalers totaled approximately 94% of our net revenues. Our reliance on this small number of wholesalers could cause our revenues to fluctuate from quarter to quarter based on the buying patterns of these wholesalers. In addition, if any of these wholesalers fail to pay us on a timely basis or at all, our financial position and results of operations could be materially adversely affected.

RISKS RELATED TO OUR INDUSTRY

IF WE DO NOT OBTAIN FDA APPROVALS FOR OUR PRODUCTS OR COMPLY WITH GOVERNMENT REGULATIONS, WE MAY NOT BE ABLE TO MARKET OUR PRODUCTS AND MAY BE SUBJECT TO STRINGENT PENALTIES

Except for Angiomax, which has been approved for sale in the United States for use as an anticoagulant in patients undergoing coronary angioplasty and which has been approved for sale in Canada, Israel and New Zealand for indications similar to those approved by the FDA, we do not have a product approved for sale in the United States or any foreign market. We must obtain approval from the FDA in order to sell our product candidates in the United States and from foreign regulatory authorities in order to sell our product candidates in other countries. We must successfully complete our clinical trials and demonstrate manufacturing capability before we can file with the FDA for approval to sell our products. The FDA could require us to repeat clinical trials as part of the regulatory review process. Delays in obtaining or failure to obtain regulatory approvals may:

- delay or prevent the successful commercialization of any of our product candidates;
- diminish our competitive advantage; and
- defer or decrease our receipt of revenues or royalties.

The regulatory review and approval process is lengthy, expensive and uncertain. Extensive pre-clinical data, clinical data and supporting information must be submitted to the FDA for each additional indication to obtain such approvals, and we cannot be certain when we will receive these regulatory approvals, if ever.

In addition to initial regulatory approval, our product and product candidates will be subject to extensive and rigorous ongoing domestic and foreign government regulation of, among other things, the research, development, testing, manufacture, labeling, promotion, advertising, distribution and marketing of our products and product candidates. Any approvals, once obtained, may be withdrawn if compliance with regulatory requirements is not maintained or safety problems are identified. Failure to comply with these requirements may also subject us to stringent penalties.

WE MAY NOT BE ABLE TO OBTAIN OR MAINTAIN PATENT PROTECTION FOR OUR PRODUCTS, AND WE MAY INFRINGE THE PATENT RIGHTS OF OTHERS

The patent positions of pharmaceutical companies like us are generally uncertain and involve complex legal, scientific and factual issues. Our success depends significantly on our ability to:

- obtain and maintain U.S. and foreign patents;
- protect trade secrets;

-- operate without infringing the proprietary rights of others; and

-- prevent others from infringing our proprietary rights.

We may not have any patents issued from any patent applications that we own or license. If patents are granted, the claims allowed may not be sufficiently broad to protect our technology. In addition, issued patents that we own or license may be challenged, invalidated or circumvented. Our patents also may not afford us protection against competitors with similar technology. Because patent applications in the United States and many foreign jurisdictions are typically not published until eighteen months after filing and because publications of discoveries in the scientific literature often lag behind actual discoveries, we cannot be certain that others have not filed or maintained patent applications for technology used by us or covered by our pending patent applications without our being aware of these applications.

We exclusively license U.S. patents and patent applications and corresponding foreign patents and patent applications relating to Angiomax from Biogen. As of the date of this annual report, we exclusively license six issued U.S. patents relating to Angiomax. The principal U.S. patent that covers Angiomax expires in 2010. The U.S. Patent and Trademark Office has rejected our application for an extension of the term of the patent beyond 2010 because the application was not filed on time. We are exploring an alternative to extend the term of the patent, but we can provide no assurance that we will be successful. We have not yet filed any independent patent applications.

We may not hold proprietary rights to some patents related to our product candidates. In some cases, others may own or control these patents. As a result, we may be required to obtain licenses under third-party patents to market some of our product candidates. If licenses are not available to us on acceptable terms, we will not be able to market these products.

We may become a party to patent litigation or other proceedings regarding intellectual property rights. The cost to us of any patent litigation or other proceeding, even if resolved in our favor, could be substantial. If any patent litigation or other intellectual property proceeding in which we are involved is resolved unfavorably to us, we may be enjoined from manufacturing or selling our products without a license from the other party, and we may be held liable for significant damages. We may not be able to obtain any required license on commercially acceptable terms, or at all.

IF WE ARE NOT ABLE TO KEEP OUR TRADE SECRETS CONFIDENTIAL, OUR TECHNOLOGY AND INFORMATION MAY BE USED BY OTHERS TO COMPETE AGAINST US

We rely significantly upon unpatented proprietary technology, information, processes and know-how. We seek to protect this information by confidentiality agreements with our employees, consultants and other third-party contractors, as well as through other security measures. We may not have adequate remedies for any breach by a party to these confidentiality agreements. In addition, our competitors may learn or independently develop our trade secrets.

WE COULD BE EXPOSED TO SIGNIFICANT LIABILITY CLAIMS IF WE ARE UNABLE TO OBTAIN INSURANCE AT ACCEPTABLE COSTS AND ADEQUATE LEVELS OR OTHERWISE PROTECT OURSELVES AGAINST POTENTIAL PRODUCT LIABILITY CLAIMS

Our business exposes us to potential product liability risks, which are inherent in the testing, manufacturing, marketing and sale of human healthcare products. Product liability claims might be made by patients in clinical trials, consumers, health care providers or pharmaceutical companies or others that sell our products. These claims may be made even with respect to those products that are manufactured in licensed and regulated facilities or otherwise possess regulatory approval for commercial sale.

These claims could expose us to significant liabilities that could prevent or interfere with the development or commercialization of our products. Product liability claims could require us to spend significant time and money in litigation or pay significant damages. As of the date of this annual report, we are covered, with respect to our commercial sales in the United States, Israel and New Zealand and our clinical trials, by primary product liability insurance in the amount of $20.0 million per occurrence and

$20.0 million annually in the aggregate on a claims-made basis. This coverage may not be adequate to cover any product liability claims.

As we commercialize our products, we may wish to increase our product liability insurance. Product liability coverage is expensive. In the future, we may not be able to maintain or obtain such product liability insurance on reasonable terms, at a reasonable cost or in sufficient amounts to protect us against losses due to product liability claims.

OUR ABILITY TO GENERATE FUTURE REVENUE FROM PRODUCTS WILL DEPEND ON REIMBURSEMENT AND DRUG PRICING

Acceptable levels of reimbursement of drug treatments by government authorities, private health insurers and other organizations will have an effect on our ability to successfully commercialize, and attract collaborative partners to invest in the development of, product candidates. We cannot be sure that reimbursement in the United States or elsewhere will be available for any products we may develop or, if already available, will not be decreased in the future. If reimbursement is not available or is available only to limited levels, we may not be able to commercialize our products, and may not be able to obtain a satisfactory financial return on our products.

Third-party payers increasingly are challenging prices charged for medical products and services. Also, the trend toward managed health care in the United States and the changes in health insurance programs, as well as legislative proposals to reform health care or reduce government insurance programs, may result in lower prices for pharmaceutical products, including any products that may be offered by us. Cost-cutting measures that health care providers are instituting, and the effect of any health care reform, could materially adversely affect our ability to sell any products that are successfully developed by us and approved by regulators. Moreover, we are unable to predict what additional legislation or regulation, if any, relating to the health care industry or third-party coverage and reimbursement may be enacted in the future or what effect such legislation or regulation would have on our business.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Our exposure to market risk is confined to our cash, cash equivalents and available for sale securities. We place our investments in high-quality financial instruments, primarily money market funds, corporate debt and U.S. government agency securities with maturities or auction dates of less than one year, which we believe are subject to limited credit risk. We currently do not hedge interest rate exposure. At December 31, 2002, we held $43.5 million in cash, cash equivalents, and available for sale securities, all due within one year, which had an average interest rate of approximately 2.0%.

Most of our transactions are conducted in U.S. dollars. We do have certain development and commercialization agreements with vendors located outside the United States. Transactions under certain of these agreements are conducted in U.S. dollars, subject to adjustment based on significant fluctuations in currency exchange rates. Transactions under certain other of these agreements are conducted in the local foreign currency. If the applicable exchange rate undergoes a change of 10.0%, we do not believe that it would have a material impact on our results of operations or cash flows.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

All financial statements required to be filed hereunder are filed as Appendix A hereto, are listed under Item 15(a)(1) and are included elsewhere in this annual report.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Our executive officers, directors and key employees and their respective ages are as follows:

NAME	AGE	POSITION
Clive A. Meanwell, M.D., Ph.D.*.....	45	Executive Chairman and Chairman of the Board of Directors
David M. Stack*.....	51	Chief Executive Officer, President and Director
Steven H. Koehler, M.B.A.*.....	52	Vice President and Chief Financial Officer
Gary Dickinson.....	51	Vice President
Sonja Barton Loar, Pharm. D., M.M.	42	Vice President
David C. Mitchell.....	49	Vice President
Stephanie Plent, M.D.	41	Vice President
John D. Richards, D.Phil.*.....	46	Vice President
Fred M. Ryan, M.B.A.	51	Vice President
Peter Teuber, Ph.D.*.....	44	Vice President
John W. Villiger, Ph.D.	47	Vice President
Leonard Bell, M.D.....	44	Director
Stewart J. Hen, M.B.A., M.S.	36	Director
M. Fazle Husain, M.B.A.(1).....	38	Director
T. Scott Johnson, M.D.(1).....	55	Director
Armin M. Kessler, Dh.c.(1)(2).....	64	Director
Nicholas J. Lowcock, M.B.A.(2).....	39	Director
James E. Thomas, M.Sc.(2).....	42	Director

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* Executive Officer

(1) Member of Audit Committee

(2) Member of the Compensation Committee

Set forth below is certain information regarding the business experience during the past five years for each of the above-named persons.

Clive A. Meanwell, M.D., Ph.D. has been a director since the inception of our company in July 1996 and has served as our Executive Chairman since September 2001. From 1996 to September 2001, Dr. Meanwell served as our Chief Executive Officer and President. From 1995 to 1996, Dr. Meanwell was a Partner and Managing Director at MPM Capital L.P., a venture capital firm. From 1986 to 1995, Dr. Meanwell held various positions at Hoffmann-La Roche, Inc., a pharmaceutical company, including Senior Vice President from 1992 to 1995, Vice President from 1991 to 1992 and Director of Product Development from 1986 to 1991. Dr. Meanwell currently serves as a director of Endo Pharmaceuticals Inc. Dr. Meanwell received an M.D. and a Ph.D. from the University of Birmingham, United Kingdom.

David M. Stack has been our President and Chief Executive Officer and a director since September 2001. From April 1, 2000 to September 2001, Mr. Stack served as a Senior Vice President. From January 2000 to September 2001, Mr. Stack also served as President and General Partner of Stack Pharmaceuticals, Inc., a commercialization, marketing and strategy consulting firm serving healthcare companies, and, from January 2000 to December 2001, as a Senior Advisor to the Chief Executive Officer of Innovex Inc., a contract pharmaceutical organization. Mr. Stack served as President and General Manager of Innovex Inc. from May 1995 to December 1999. Mr. Stack currently serves as a director of BioImaging Technologies, Inc. Mr. Stack received a B.S. in biology from Siena College and a B.S. in pharmacy from Albany College of Pharmacy.

Steven H. Koehler, M.B.A. has been our Vice President and Chief Financial Officer since April 2002. From March 2002 to April 2002, Mr. Koehler served as our Vice President, Finance and Business Administration. From July 2001 to March 2002, Mr. Koehler was Vice President, Finance and Chief Financial Officer of Vion Pharmaceuticals, Inc., a biotechnology company which develops cancer treatments. From April 1999 to July 2001, Mr. Koehler served as Vice President, Finance and Administration and as a member of the executive board of Knoll Pharmaceuticals, Inc., a wholly owned subsidiary of BASF Corporation, the U.S. subsidiary of a transnational chemical and life sciences company. From June 1997 to April 1999, Mr. Koehler was Vice President, Finance and Controlling for Knoll AG in Ludwigshafen, Germany, the former global pharmaceutical subsidiary of BASF AG. From November 1995 to June 1997, he served as Vice President, Value Based Management for Knoll AG. Mr. Koehler was Vice President, Finance and Treasurer for Boots Pharmaceuticals, Inc. from 1993 until its acquisition by Knoll in 1995. Mr. Koehler is a Certified Public Accountant. Mr. Koehler received a B.A. degree from Duke University and an M.B.A. degree from the Kellogg Graduate School of Management, Northwestern University.

Gary Dickinson has been a Vice President since April 2001 with a focus on human resources activities. From March 2000 to April 2001, Mr. Dickinson was the Vice President of Human Resources of Elementis Specialties, Inc., a specialty chemicals manufacturing firm. From January 1997 to April 2001, Mr. Dickinson was the Senior Director of Human Resources of Bristol−Myers Squibb Company, a pharmaceuticals firm. Mr. Dickinson holds a B.A. from the University of Sheffield, United Kingdom.

Sonja Barton Loar, Pharm. D., M.M., has been a Vice President since June 2000 with a focus on Regulatory Affairs. Dr. Loar joined us in June 2000 as the Senior Director of Regulatory Affairs. Prior to joining us, Dr. Loar spent eight years at Interneuron Pharmaceuticals, Inc., most recently as Vice President of Regulatory Affairs. Prior to this, Dr. Loar was in international regulatory affairs with Searle Pharmaceuticals Inc., a pharmaceutical company, and worked in clinical research at DuPont Critical Care. Dr. Loar holds a Doctor of Pharmacy from the University of Nebraska, after which she completed a two−year hospital pharmacy residency at the University of Kentucky. In addition, Dr. Loar holds a Masters of Management from the Kellogg Graduate School of Management, Northwestern University.

David C. Mitchell has been a Vice President since December 2000 with a focus on information technology and information systems. From February 1999 to December 2000, Mr. Mitchell was the Vice President of Information Technology for Innovex Americas, Inc., a subsidiary of Innovex Inc., a contract pharmaceutical company. From July 1997 to October 1998, Mr. Mitchell was Director of Information Technology at NBC Broadcasting. From 1985 to July 1997, Mr. Mitchell served as the Director of Information and Technology at the Walt Disney Company. Mr. Mitchell received a Bachelor of Music from Arizona State University.

Stephanie Plent, M.D., has been a Vice President since July 2002 with a focus on medical policy and economics. Dr. Plent joined us in July 2000. Prior to joining us, Dr. Plent spent six years as Medical Director for Disease Management, Aetna US Healthcare Inc., an insurance company, and before that as a consultant in the Health Care Practice at Arthur D. Little Inc., a consulting firm. Dr. Plent received her medical degree from the Royal Free Hospital School of Medicine, United Kingdom.

John D. Richards, D.Phil. joined us in October 1997 and has been a Vice President since 1999, with a focus on product manufacturing and quality. From 1993 until he joined us in October 1997, Dr. Richards was Director of Process Development and Manufacturing at Immulogic Pharmaceutical Corporation, a pharmaceutical company. From 1989 to 1993, Dr. Richards was a Technical Manager at Zeneca PLC, a pharmaceutical company, where he developed and implemented processes for the manufacture of peptides as pharmaceutical active intermediates. In 1986, Dr. Richards helped establish Cambridge Research Biochemicals, a manufacturer of peptide−based products for pharmaceutical and academic customers. Dr. Richards received an M.A. and a D.Phil. in organic chemistry from the University of Oxford, United Kingdom, and has carried out post−doctoral research work at the Medical Research Councils Laboratory of Molecular Biology in Cambridge, United Kingdom.

Fred M. Ryan, M.B.A. has been a Vice President since April 2000, with a focus on corporate strategic development, new product acquisitions and Angiomax commercial development. From April 2000 to September 2001, Mr. Ryan also served as a Partner and the Vice President of Business Development of Stack Pharmaceuticals, Inc. From July 1991 to April 2000, he held senior management positions with Novartis Pharmaceuticals Corporation, a pharmaceutical company, in the United States in the areas of Finance, Strategic Planning, Business Development and Marketing, serving from 1998 to April 2000 as Executive Director Mature Products responsible for managing sales and marketing activities for a portfolio of products having annual sales in excess of $500 million. He received a B.S. and a B.A. degrees from Bryant College and his M.B.A. from Fairleigh Dickinson University.

Peter Teuber, Ph.D. has been a Vice President since June 2001 with a focus on product development. From February 1990 to May 2001, Dr. Teuber held positions at Roche Pharmaceuticals, Inc., a global pharmaceutical company, working on product development, strategic marketing and business development. He led the development and global marketing team working on XELODA(R), an oral treatment, from the product's first human trials through the initial New Drug Application filings, two supplemental filings and approval in the United States, Europe and over 70 other countries. In addition, at Roche Dr. Teuber acted as the head of project management and served as a member of the global regulatory management team. Dr. Teuber received a Ph.D., in Pharmacy from the University of Basel in Switzerland.

John W. Villiger, Ph.D. has been a Vice President since March 1997, with a focus on cardiovascular product development. From December 1986 until he joined us in March 1997, Dr. Villiger held various positions in product development at Hoffmann−La Roche, Inc., a global pharmaceutical company, including Head of Global Project Management from 1995 to 1996 and International Project Director from 1991 to 1995. As Head of Global Project Management, Dr. Villiger was responsible for overseeing the development of Hoffmann−LaRoche's pharmaceutical portfolio, with management responsibility for over 50 development programs. As International Project Director, Dr. Villiger was responsible for the global development of Tolcapone, also known as tasmar. Dr. Villiger received a Ph.D. in neuropharmacology from the University of Otago.

Leonard Bell, M.D. has been a director since May 2000. From January 1992 to March 2002, Dr. Bell served as the President and Chief Executive Officer, Secretary and Treasurer of Alexion Pharmaceuticals, Inc., a pharmaceutical company. Since March 2002, Dr. Bell has served as the Chief Executive Officer, Secretary and Treasurer of Alexion Pharmaceuticals, Inc. Since 1993, Dr. Bell has served as an Adjunct Assistant Professor of Medicine and Pathology at the Yale University School of Medicine. From 1991 to 1992, Dr. Bell was an Assistant Professor of Medicine and Pathology and co−Director of the Program in Vascular Biology at the Yale University School of Medicine. From 1990 to 1992, Dr. Bell was an attending physician at the Yale−New Haven Hospital and an Assistant Professor in the Department of Internal Medicine at the Yale University School of Medicine. Dr. Bell was the recipient of the Physician Scientist Award from the National Institutes of Health and Grant−in−Aid from the American Heart Association. Dr. Bell is the recipient of various honors and awards from academic and professional organizations and his work has resulted in more than 45 scientific publications, invited presentations and patent applications. Dr. Bell is an invited Member of the State of Connecticut Governor's Council on Economic Competitiveness and Technology and a director of Connecticut United for Research Excellence, Inc. He also served as a director of the Biotechnology Research and Development Corporation from 1993 to 1997. Dr. Bell currently also serves as a director of Alexion Pharmaceuticals, Inc. Dr. Bell received an A.B. from Brown University and an M.D. from the Yale University School of Medicine.

Stewart J. Hen, M.B.A., M.S. has been a director since February 2001. Since January 2003, Mr. Hen has been a Managing Director of Warburg Pincus LLC, a private equity investment firm. From May 2000 to January 2003, Mr. Hen was a Vice President of Warburg Pincus LLC. Mr. Hen focuses on investments in the emerging life sciences area, including biotechnology, specialty pharmaceuticals, drug delivery and diagnostics. From 1996 to May 2000, Mr. Hen was a consultant at McKinsey & Company, a consulting firm, where he advised pharmaceutical and biotechnology companies on a range of strategic management issues. Mr. Hen served at Merck & Company, a pharmaceutical company, from 1991 to 1994 in manufacturing operations. Mr. Hen currently also serves as a director of Synaptic Pharmaceuticals Corp.

Mr. Hen received a B.S. in chemical engineering from the University of Delaware, an M.S. in chemical engineering from the Massachusetts Institute of Technology and an M.B.A. from The Wharton School of the University of Pennsylvania.

M. Fazle Husain, M.B.A. has been a director since September 1998. Since 1987, Mr. Husain has been employed by Morgan Stanley & Co. Incorporated, an investment banking firm, and is currently a Managing Director. Mr. Husain is also a Managing Director of Morgan Stanley Venture Capital III, Inc. Mr. Husain focuses primarily on investments in the health care industry, including health care services, medical technology and health care information technology. He currently also serves as a director of Allscripts Healthcare Solutions, Inc., Healthstream, Inc., Cross Country, Inc. and several privately held companies. Mr. Husain received an Sc.B. degree in chemical engineering from Brown University and an M.B.A. from the Harvard Graduate School of Business Administration.

T. Scott Johnson, M.D. has been a director since September 1996. In July 1999, Dr. Johnson founded JSB Partners, L.P., an investment bank focusing on mergers and acquisitions, private financings and corporate alliances within the health care sector. From September 1991 to July 1999, Dr. Johnson served as a founder and managing director of MPM Capital, L.P., a venture capital firm. Dr. Johnson received both a B.S. and an M.D. from the University of Alabama.

Armin M. Kessler, Dh.c. has been a director since October 1998. Dr. Kessler joined us after a 35−year career in the pharmaceutical industry, which included senior management positions at Sandoz Pharma Ltd., Basel, Switzerland, United States and Japan (now Novartis Pharma AG) and, most recently, at Hoffmann−La Roche, Basel where he was Chief Operating Officer and Head of the Pharmaceutical Division until 1995. Dr. Kessler currently also serves as a director of Spectrum Pharmaceuticals, Inc. and Gen−Probe Incorporated. Dr. Kessler received degrees in physics and chemistry from the University of Pretoria, a degree in chemical engineering from the University of Cape Town, a law degree from Seton Hall and an honorary doctorate in business administration from the University of Pretoria.

Nicholas J. Lowcock, M.B.A. has been a director since December 2000, and he previously served as a director from September 1996 until December 1998. Mr. Lowcock has served as a Managing Director of Warburg Pincus LLC, a private equity investment firm, since January 2000. Since October 2002, Mr. Lowcock has also been a member of the Executive Management Group of Warburg Pincus LLC. Mr. Lowcock has been a member of Warburg Pincus LLC since 1994 and previously served as a Vice President. From 1992 to 1994, Mr. Lowcock was a consultant with the Boston Consulting Group. Mr. Lowcock currently also serves as a director of several privately held companies. Mr. Lowcock is also a director of Project Hope U.K., a charity devoted to improving healthcare in developing nations. Mr. Lowcock received a B.A. in Experimental Psychology from Oxford University and an M.B.A. from The Wharton School of the University of Pennsylvania.

James E. Thomas, M.Sc. has been a director since September 1996. Since March 2001, Mr. Thomas has served as Managing Partner of Thomas, McNerney & Partners, LLC, a health care private equity investment fund. From 1989 to June 2000, Mr. Thomas served in various capacities, including from 1994 to 2000, as a Partner and Managing Director, at E.M. Warburg, Pincus & Co., LLC, a private equity investment firm. From 1984 to 1989, Mr. Thomas was a Vice President of Goldman Sachs International, an investment banking firm, in London. Mr. Thomas currently also serves as a director of Transkaryotic Therapies, Inc. and Wright Medical Group. Mr. Thomas received a B.Sc. in finance and economics from The Wharton School of the University of Pennsylvania and an M.Sc. in economics from the London School of Economics.

ITEM 11. EXECUTIVE COMPENSATION

The following table presents summary information for the years ended December 31, 2000, 2001 and 2002, for:

- our chief executive officers;
- our three most highly compensated executive officers who were serving at the end of the fiscal year; and
- one additional individual, John M. Nystrom, for whom disclosure would have been required but for the fact that he was not serving as an executive officer at the end of the fiscal year,

These six individuals are referred to collectively as the named executive officers.

SUMMARY COMPENSATION TABLE

				LONG-TERM COMPENSATION	
		ANNUAL COMPENSATION(1)		AWARDS	
NAME AND POSITION	YEAR	SALARY	BONUS	SECURITIES UNDERLYING OPTIONS(#)	ALL OTHER COMPENSATION($)(2)
Clive A. Meanwell, M.D., Ph.D.(3)....	2002	$300,000	$180,000	123,000	$ 990
Executive Chairman	2001	$300,000	$ 50,000	15,000	$ 770
	2000	$250,000	$ 85,000	424,781	$ 852
David M. Stack(4).....	2002	$265,000	$115,000	204,000	$1,325
President and Chief Executive Officer	2001	$197,917	$ 40,000	215,000	$ 516
	2000	$112,500	$ 45,000	227,500	$ 320
Peter Teuber, Ph.D.(5).....	2002	$200,000	$119,986	50,000	$ 420
Vice President					
Steven H. Koehler(6).....	2002	$172,689	$ 65,000	250,000	$ 874
Vice President and Chief Financial Officer					
John D. Richards, D. Phil.....	2002	$150,000	$ 48,000	25,000	$ 450
Vice President	2001	$150,000	$ 30,000	15,000	$ 450
	2000	$143,958	$ 42,100	51,591	$ 304
John M. Nystrom(7).....	2002	$198,519	--	--	--
Former Vice President	2001	$185,000	$ 15,000	5,000	$1,651
	2000	$165,000	$ 50,000	121,101	$ 580

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(1) Perquisites for the named executive officers did not exceed the lesser of $50,000 or 10% of total salary and bonus for the respective fiscal years and accordingly have been omitted in accordance with SEC rules.

(2) The dollar amount in the "Other Annual Compensation" column represents life insurance premium payments made by us on behalf of the named executive officer.

(3) Dr. Meanwell served as our President and Chief Executive Officer from 1996 to September 2001. In September 2001, he became our Executive Chairman.

(4) Mr. Stack became our President and Chief Executive Officer in September 2001. Mr. Stack served as our Senior Vice President from April 2000 to September 2001.

(5) Dr. Teuber became our Vice President in June 2001.

(6) Mr. Koehler became our Vice President in March 2002 and our Chief Financial Officer in April 2002.

(7) Mr. Nystrom served as our Vice President from September 1998 to July 2002.

OPTION GRANTS IN 2002

The following table summarizes information regarding options granted to each of the named executive officers during the year ended December 31, 2002. Options granted in 2002 become exercisable in 48 equal monthly installments, commencing one month after the vesting commencement date, which is typically the grant date.

Amounts in the following table represent hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. The 5% and 10% assumed annual rates of compounded stock price appreciation are mandated by the rules of the SEC and do not represent an estimate or projection of our future common stock prices. These amounts represent assumed rates of appreciation in the value of our common stock from the fair market value on the date of grant. Actual gains, if any, on stock option exercises are dependent on the future performance of our common stock and overall stock market conditions. The amounts reflected in the following table may not be achieved.

OPTION GRANTS IN LAST FISCAL YEAR

	INDIVIDUAL GRANTS (1)				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM	
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENT OF OPTIONS GRANTED TO EMPLOYEES IN 2002	EXERCISE PRICE PER SHARE	EXPIRATION DATE	5%	10%
Clive A. Meanwell.....	123,000	6.5%	$15.50	12/10/12	$1,198,988	$3,038,470
David M. Stack.....	100,000	5.3%	$10.77	6/26/12	$ 677,320	$1,716,461
	104,000	5.5%	$15.50	12/10/12	$1,013,778	$2,569,113
Peter Teuber.....	50,000	2.6%	$15.50	12/10/12	$ 487,393	$1,235,150
Steven H. Koehler.....	200,000	10.6%	$12.82	3/13/12	$1,612,486	$4,086,356
	50,000	2.6%	$15.50	12/10/12	$ 487,393	$1,235,150
John D. Richards.....	25,000	1.3%	$15.50	12/10/12	$ 243,697	$ 617,575
John M. Nystrom.....	--	--	--	--	--	--

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(1) The percentage of total options granted to employees in 2002 is calculated based on options granted to employees under our 1998 stock incentive plan, as amended and 2001 non-officer, non-director employee stock incentive plan, or 2001 Plan.

OPTION EXERCISES IN 2002 AND OPTION VALUES AT DECEMBER 31, 2002

The following table sets forth information regarding options exercised by each of the named executive officers during the fiscal year ended December 31, 2002 and exercisable and unexercisable stock options held as of December 31, 2002 for each of the named executive officers.

Amounts shown under the column "Value Realized" represent the difference between the option exercise price and the closing sale price of our common stock on the date of exercise. Amounts shown under the column "Value of Unexercised In-the-Money Options at December 31, 2002" have been calculated based on the closing sale price of our common stock on the Nasdaq National Market on December 31, 2002 of $16.02 per share, without taking into account any taxes that may be payable in connection with the transaction, multiplied by the number of shares underlying the option, less the exercise price payable for these shares.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 2002		VALUE OF UNEXERCISED IN THE MONEY OPTIONS AT DECEMBER 31, 2002	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Clive A. Meanwell, M.D., Ph.D.....	--	--	320,731	282,930	$3,607,082	$1,517,560
David M. Stack.....	14,000	$187,335	216,489	416,011	$1,346,321	$1,302,071
Peter Teuber, Ph.D.	--	--	53,229	136,771	$ 132,006	$ 260,144
Steven H. Koehler, M.B.A.	--	--	--	250,000	--	$ 666,000
John D. Richards, D. Phil.....	15,500	$156,230	29,951	51,615	$ 278,701	$ 185,892
John M. Nystrom.....	95,320	$800,751	--	--	--	--

DIRECTOR COMPENSATION

Each of our non-employee directors who attends, either in person or by phone, at least 75% of the meetings of the board of directors held during the year receives annual compensation of $12,500. In addition, each member of our audit or compensation committee who attends, either in person or by phone, at least 75% of the meetings of the committee on which he served held during the year receives an additional $12,500. Directors are reimbursed for expenses in connection with their attendance at board meetings.

In addition, non-employee directors may receive stock options and other equity awards under our 1998 stock incentive plan and our 2000 outside director stock option plan, or 2000 Plan. In May 2002, we granted each of Drs. Bell, Johnson and Kessler, and Messrs. Hen, Husain, Lowcock and Thomas an option under our 2000 Plan to purchase 7,500 shares of common stock at an exercise price of $8.51 per share.

2000 OUTSIDE DIRECTOR STOCK OPTION PLAN

Our 2000 Plan was adopted by our board of directors on May 15, 2000. Under the plan, our non-employee directors are eligible to receive non-statutory options to purchase shares of our common stock. A total of 250,000 shares of our common stock may be issued upon the exercise of options granted under the 2000 Plan. As of December 31, 2002, options to purchase 145,000 shares of our common stock were outstanding under the 2000 Plan.

Under the terms of the 2000 Plan, each non-employee director will be granted an option to purchase 20,000 shares of our common stock on the date of his or her initial election to the board of directors. In addition, beginning with the 2003 annual meeting of stockholders each non-employee director will receive an option to purchase 12,500 shares of our common stock on the date of each annual meeting of our stockholders, other than a director who was initially elected to the board of directors at any such annual meeting.

All options granted under the 2000 Plan vest in 48 equal monthly installments commencing one month after the date of grant and have an exercise price per share equal to the closing sale price of our common stock on the Nasdaq National Market on the date of grant. An optionee may exercise his or her option only while he or she is a director and for one year after he or she ceases to be a director. Unexercised options expire ten years after the date of grant. Options granted under the 2000 Plan are not transferable or assignable other than by will or the laws of descent and distribution and expire upon an acquisition event, which is defined to mean (1) any merger or consolidation which results in our stockholders prior to the transaction holding less than a majority of the voting power of the combined or acquiring entity immediately after the transaction, (2) any sale of all or substantially all of our assets or (3) our complete liquidation.

EMPLOYMENT AGREEMENTS

Dr. Meanwell serves as our Executive Chairman pursuant to the terms of an employment agreement dated September 5, 1996. This agreement renews automatically on a yearly basis unless either party provides written notice of non-renewal at least 90 days prior to the expiration of the then-current term. Pursuant to the terms of the agreement, Dr. Meanwell's annual compensation is determined by our board of directors. If Dr. Meanwell terminates his employment for good reason, as defined in the agreement, or if we terminate his employment other than for cause, Dr. Meanwell will be entitled to three months salary and the same health, disability and other benefits as were provided during his employment for a period ending upon the earlier of (1) three months after the date of his termination, or (2) the date upon which Dr. Meanwell commences full-time employment with a new employer. Dr. Meanwell has agreed not to compete with us during the term of his employment and for a period of one year after his termination, unless such termination is at our election or at the election of Dr. Meanwell for good reason.

Mr. Stack serves as our Chief Executive Officer and President pursuant to the terms of an employment agreement dated November 1, 2001. This agreement renews automatically on a yearly basis unless either party provides written notice of non-renewal at least 90 days prior to the expiration of the then-current term. Pursuant to the terms of the agreement, Mr. Stack's annual salary is $265,000, and he is eligible to receive a bonus of up to 40% of his base salary. If Mr. Stack terminates his employment for good reason, as defined in the agreement, or if we terminate his employment other than for cause, Mr. Stack will be entitled to three months salary and the same health, disability and other benefits as were provided during this employment for a period ending upon the earlier of (1) three months after the date of his termination, or (2) the date upon which Mr. Stack commences full-time employment with a new employer. Mr. Stack has agreed not to compete with us during the term of his employment and for a period of one year after his termination, unless such termination is at our election or at the election of Mr. Stack for good reason.

Dr. Richards serves as one of our Vice Presidents pursuant to the terms of an employment agreement dated October 16, 1997. This agreement renews automatically on a yearly basis unless either party provides written notice of non-renewal. Pursuant to the terms of the agreement, Dr. Richards' annual compensation is determined by our board of directors. If Dr. Richards terminates his employment for good reason, as defined in the agreement, or if we terminate his employment other than for cause, Dr. Richards will be entitled to three months salary and the same health, disability and other benefits as were provided during his employment for a period of three months after the date of his termination. Dr. Richards has agreed not to compete with us during the term of his employment and for a period of one year after his termination.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The compensation committee consists of Dr. Kessler and Messrs. Lowcock and Thomas, none of whom ever has been an officer or employee of our company and each of whom served on the compensation committee throughout 2002.

None of our executive officers has served as a director or member of the compensation committee, or other committee serving an equivalent function, of any other entity, one of whose executive officers served as one of our directors or as a member of our compensation committee.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table presents information we know regarding the beneficial ownership of our common stock as of January 31, 2003 for each person, entity or group of affiliated persons whom we know to beneficially own more than 5% of our common stock. The table also sets forth such information for our directors and named executive officers, individually, and our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. Except as indicated by footnote, to our knowledge, the persons named in the table have sole voting and investment power with

respect to all shares of common stock shown as beneficially owned by them. Common stock purchase warrants and options to purchase shares of common stock that are exercisable within 60 days of January 31, 2003 are deemed to be beneficially owned by the person holding such options for the purpose of computing ownership of such person, but are not treated as outstanding for the purpose of computing the ownership of any other person. Applicable percentage of beneficial ownership is based on 39,935,531 shares of common stock outstanding as of January 31, 2003.

Unless otherwise indicated in the footnotes, the address of each of the individuals named below is: c/o The Medicines Company, Five Sylvan Way, Suite 200, Parsippany, New Jersey 07054.

BENEFICIAL OWNER:	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE BENEFICIALLY OWNED
Wellington Management Company, LLP(1)	5,357,240	13.4%
Biotech Growth N.V.(2)	3,656,425	9.0%
T. Rowe Price Associates, Inc.(3)	2,996,810	7.5%
Mutuelles AXA(4)	2,096,430	5.2%
QFinance, Inc.(5)	2,062,520	5.2%
Clive A. Meanwell(6)	616,608	1.5%
David M. Stack(7)	249,264	*
Steven H. Koehler(8)	55,125	*
John M. Nystrom(9)	2,205	*
John D. Richards(10)	32,153	*
Peter Teuber(11)	65,180	*
Leonard Bell(12)	15,343	*
Stewart J. Hen(13)	1,657,019	4.1%
M. Fazle Husain(14)	230,613	*
T. Scott Johnson(15)	84,824	*
Armin M. Kessler(16)	91,311	*
Nicholas J. Lowcock(17)	1,657,852	4.1%
James E. Thomas(18)	67,543	*
All directors and executive officers as a group (12 persons)	3,181,234	7.8%

* Represents beneficial ownership of less than 1%.

(1) Includes shares owned by various investors for which Wellington Management Company, LLP serves as investment advisor with shared power to direct investments and/or to vote the shares. The shares were acquired by Wellington Trust Company, NA, a wholly owned subsidiary of Wellington Management Company, LLP. The address of Wellington Trust Company, NA and Wellington Management Company, LLP is 75 State Street, Boston, Massachusetts 02109. This information is based on a Schedule 13G/A filed by Wellington Management Company, LLP with the SEC on February 12, 2003.

(2) Consists of warrants to purchase 675,925 shares and 2,980,500 shares owned directly by Biotech Growth N.V. with respect to which BB Biotech AG and Biotech Growth N.V. share voting and dispositive power. Biotech Growth N.V. is a wholly owned subsidiary of BB Biotech AG. The address of Biotech Growth N.V. is Calle 53, Urbanizacion Obarrio, Torre Swiss Bank, Piso 16, Panama City, Zona 1, Republic of Panama. This information is based on a Schedule 13G/A filed by BB Biotech AG on behalf of Biotech Growth N.V. with the SEC on February 14, 2003.

(3) Includes shares owned by various individual and institutional investors for which T. Rowe Price Associates, Inc. serves as investment advisor with power to direct investments and/or sole power to vote the shares. For purposes of the reporting requirements of the Securities Exchange Act of 1934, T. Rowe Price Associates, Inc. is deemed to be a beneficial owner of such shares; however, T. Rowe Price Associates, Inc. expressly disclaims that it is, in

(footnotes on next page)

fact, the beneficial owner of such shares. The address of T. Rowe Price Associates, Inc. is 100 E. Pratt Street, Baltimore, Maryland 21202. This information is based on a Schedule 13G/A filed by T. Rowe Price Associates, Inc. with the SEC on February 4, 2003.

(4) Includes 8,000 shares owned directly by AXA Rosenberg Investment Management LLC, a wholly owned subsidiary of AXA, 1,977,330 shares held by Alliance Capital Management L.P., a majority owned subsidiary of AXA Financial, Inc., on behalf of unaffiliated third-party client discretionary investment advisory accounts and 111,100 shares owned by The Equitable Life Assurance Society of the United States, a wholly owned subsidiary of AXA Financial, Inc. Mutelles AXA, a group of companies consisting of AXA Conseil Vie Assurance Mutuelle, AXA Assurances I.A.R.D. Mutuelle, AXA Assurance Vie Mutuelle and AXA Courtage Assurance Mutuelle, is the parent holding company of AXA. AXA is the parent holding company of AXA Financial, Inc. For purposes of the reporting requirements of the Securities Exchange Act of 1934, as amended, Mutelles AXA (and each company of the group thereof) and AXA are deemed to be beneficial owners of such shares; however, each expressly disclaims that it is, in fact, the beneficial owner of such shares. The address of AXA Conseil Vie Assurance Mutuelle, AXA Assurances I.A.R.D. Mutuelle and AXA Assurance Vie Mutuelle is 370, rue Saint Honore, 75001 Paris, France. The address of AXA Courtage Assurance Mutuelle is 26, rue Louis le Grand, 75002 Paris, France. The address of AXA is 25, avenue Matignon, 75008 Paris, France. The address of AXA Financial, Inc. is 1290 Avenue of the Americas, New York, New York 10104. This information is based on a Schedule 13G filed by AXA Conseil Vie Assurance Mutuelle, AXA Assurances I.A.R.D. Mutuelle, AXA Assurance Vie Mutuelle, AXA Courtage Assurance Mutuelle, AXA and AXA Financial, Inc. with the SEC on February 12, 2003.

(5) Consists of shares owned directly by QFinance, Inc. with respect to which Quintiles Transnational Corp. and QFinance, Inc. share voting and dispositive power. QFinance, Inc. is a wholly owned subsidiary of Quintiles Transnational Corp. The address of QFinance, Inc. is c/o Quintiles Transnational Corp., 4709 Creekstone Drive, Suite 200, Durham, North Carolina 27703. This information is based on a Schedule 13G/A filed by Quintiles Transnational Corp. and QFinance, Inc. with the SEC on February 14, 2003.

(6) Includes warrants to purchase 59,143 shares and options to purchase 354,879 shares. Excludes 350,000 shares subject to a pre-paid variable forward sales contract, pursuant to which Dr. Meanwell pledged 350,000 shares to secure a future obligation to deliver a maximum of 350,000 shares in February 2006.

(7) Includes options to purchase 244,264 shares.

(8) Includes options to purchase 53,125 shares.

(9) Includes 1,100 shares held by one of Dr. Nystrom's children. Dr. Nystrom disclaims beneficial ownership of the shares held by his child.

(10) Includes options to purchase 25,053 shares.

(11) Includes options to purchase 65,105 shares.

(12) Consists of options to purchase 15,343 shares. The address of Dr. Bell is c/o Alexion Pharmaceuticals, Inc., 352 Knotter Drive, Chesire, Connecticut 06410.

(13) Consists of options to purchase 15,418 shares held by Mr. Hen and 1,641,601 shares held by Warburg, Pincus Ventures, L.P. Warburg, Pincus & Co. is the sole general partner of Warburg, Pincus Ventures, L.P. Warburg, Pincus Ventures, L.P. is managed by Warburg Pincus LLC. Mr. Hen is a member of Warburg Pincus LLC and a general partner of Warburg, Pincus & Co. Mr. Hen may be deemed to have an indirect pecuniary interest (within the meaning of Rule 16a-1 under the Securities Exchange Act of 1934, as amended) in an indeterminate portion of the shares beneficially owned by Warburg, Pincus Ventures, L.P. Mr. Hen disclaims beneficial ownership of all of the shares owned by the Warburg Pincus entities. The address of Mr. Hen is c/o Warburg Pincus LLC, 466 Lexington Avenue, New York, NY 10017. This information is based on a Schedule 13D/A filed by Warburg Pincus LLC with the SEC on December 12, 2002.

(14) Includes options to purchase 5,001 shares held by Mr. Husain, 190,737 shares held by Morgan Stanley Venture Partners III, L.P., 18,272 shares held by Morgan Stanley Venture Investors III, L.P., and 8,343 shares held by The Morgan Stanley Venture Partners Entrepreneur Fund, L.P. Mr. Husain is a Managing Member of Morgan Stanley Venture Partners III, LLC, which is the general partner of each of the Morgan Stanley funds described above. Mr. Husain disclaims such beneficial ownership except to the extent of his pecuniary interest therein.

(15) Includes 5,000 shares held by Dr. Johnson as trustee, warrants to purchase 13,744 shares held by Dr. Johnson and options to purchase 5,001 shares held by Dr. Johnson. The address of Dr. Johnson is c/o JSB Partners, Damonmill Square 6A, Concord, Massachusetts 01742.

(16) Includes 3,000 shares held by Dr. Kessler's wife, warrants to purchase 33,796 shares held by Dr. Kessler and options to purchase 19,601 shares held by Dr. Kessler.

(17) Consists of options to purchase 16,251 shares held by Mr. Lowcock and 1,641,601 shares held by Warburg, Pincus Ventures, L.P. Warburg, Pincus & Co. is the sole general partner of Warburg, Pincus Ventures, L.P. Warburg, Pincus Ventures, L.P. is managed by Warburg Pincus LLC. Mr. Lowcock is a member of Warburg Pincus LLC and a general partner of Warburg, Pincus & Co. Mr. Lowcock may be deemed to have an indirect pecuniary interest (within the meaning of Rule 16a-1 under the Securities Exchange Act of 1934, as amended) in an indeterminate portion of the shares beneficially owned by Warburg, Pincus Ventures, L.P. Mr. Lowcock disclaims beneficial ownership of all of the shares owned by the Warburg Pincus entities. The address of Mr. Lowcock is c/o Warburg Pincus LLC, 466 Lexington Avenue, New York, NY 10017. This information is based on a Schedule 13D/A filed by Warburg Pincus LLC with the SEC on December 12, 2002.

(18) Includes options to purchase 15,343 shares. The address of Mr. Thomas is Woods End Road, New Canaan, Connecticut 06840.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as of December 31, 2002 about the securities authorized for issuance under our equity compensation plans, consisting of our 2001 Plan, our 2000 Plan, our 1998 stock incentive plan, as amended, and our employee stock purchase plan.

EQUITY COMPENSATION PLAN INFORMATION

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (A))
	(A)	(B)	(C)
Equity compensation plans approved by security holders	3,918,726	$12.06	1,581,871
Equity compensation plans not approved by security holders	919,931	$ 9.51	252,880
Total	4,838,657	$11.57	1,834,751

2001 NON-OFFICER, NON-DIRECTOR EMPLOYEE STOCK INCENTIVE PLAN

In May 2001, our board of directors approved the 2001 Plan pursuant to which non-statutory stock options for up to 1,250,000 shares of common stock were authorized to be issued to our employees, consultants and advisors and those of our subsidiaries. The 2001 Plan has not been approved by our stockholders.

Our board is authorized to administer the 2001 Plan, to adopt, amend and repeal the administrative rules, guidelines and practices relating to the 2001 Plan and to interpret the provisions of the 2001 Plan. Our board may amend, suspend or terminate the 2001 Plan at any time. In accordance with the provisions of the 2001 Plan, our board of directors may delegate any or all of its powers under the 2001 Plan to one or more committees or subcommittees of the board.

Our board selects the recipients of awards under the 2001 Plan and determines:

- the number of shares of common stock covered by such awards;

- the dates upon which such awards become exercisable;

- the exercise price of options; and

- the duration of the options.

If any award granted under the 2001 Plan expires or is terminated, surrendered, canceled or forfeited, the unused shares of common stock covered by such option or other award will again be available for grant under the 2001 Plan.

Our board is required to make appropriate adjustments in connection with the 2001 Plan to reflect any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar event to the extent that the board determines, in good faith, that such as adjustment is necessary and appropriate. Upon the occurrence of an acquisition event, as defined in the 2001 Plan, the 2001 Plan requires our board to take one or more of the following actions with respect to any then outstanding options and other awards:

- provide that each outstanding option or award will be assumed, or an equivalent option or award will be substituted by, the successor entity or an affiliate of the successor entity;

- provide that all outstanding options become exercisable in full for a specified period of time before such acquisition event takes place, even if such options would not have been exercisable otherwise; and

- if the acquisition event involves a cash payment to holders of common stock in exchange for their shares of common stock, provide for the termination of all outstanding options and provide for a cash payment to each option holder equal to the amount by which (1) the cash payment per share of common stock paid the holders of common stock multiplied by the number of shares of common stock subject to such outstanding option (whether or not exercisable), exceeds (2) the total exercise price of such options.

Upon the occurrence of a change in control, as defined in the 2001 Plan, that is not an acquisition event, each option shall become immediately exercisable in full if, on or prior to the first anniversary of the date of the change in control event, a termination event, as defined in the 2001 Plan, occurs, provided that the parties involved in the change of control have not explicitly agreed to the contrary.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

ITEM 14. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Exchange Act) as of a date within 90 days of the filing of this Annual Report on Form 10-K, our principal executive officers and principal financial officer have concluded that our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and are operating in an effective manner.

(b) Changes in Internal Controls. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their most recent evaluation.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND REPORTS ON FORM 8-K

(a) Documents filed as part of this Report:

(1) Financial Statements. The Consolidated Financial Statements are included as Appendix A hereto and are filed as part of this Report. The Consolidated Financial Statements include:

(2) Exhibits. The exhibits set forth on the Exhibit Index following the signature page to this Report are filed as part of this Report. This list of exhibits identifies each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Report.

(b) Reports on Form 8-K:

On October 25, 2002, we filed a current report on Form 8-K, dated October 22, 2002, with the SEC in connection with our announcement of financial results for the quarter and nine-month period ended September 30, 2002.

On November 27, 2002, we filed a current report on Form 8-K, dated November 21, 2002, with the SEC in connection with a trading plan pursuant to Rule 10b5-1 under the Exchange Act entered into by our President and Chief Executive Officer, David Stack, and a pre-paid variable forward sales contract entered into by our Executive Chairman, Clive Meanwell.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 27, 2003.

THE MEDICINES COMPANY

By: /s/ CLIVE A. MEANWELL
Clive A. Meanwell
Executive Chairman

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 27, 2003:

SIGNATURE	TITLE(S)
/s/ CLIVE A. MEANWELL Clive A. Meanwell	Executive Chairman and Chairman of the Board of Directors (Principal Executive Officer)
/s/ DAVID M. STACK David M. Stack	Chief Executive Officer and President and Director (Principal Executive Officer)
/s/ STEVEN H. KOEHLER Steven H. Koehler	Vice President, Chief Financial Officer, Treasurer and Secretary (Principal Financial and Accounting Officer)
/s/ LEONARD BELL Leonard Bell	Director
/s/ STEWARD J. HEN Steward J. Hen	Director
/s/ M. FAZLE HUSAIN M. Fazle Husain	Director
/s/ T. SCOTT JOHNSON T. Scott Johnson	Director
/s/ ARMIN M. KESSLER Armin M. Kessler	Director
/s/ NICHOLAS J. LOWCOCK	Director

Nicholas J. Lowcock

/s/ JAMES E. THOMAS — Director

James E. Thomas

CERTIFICATIONS

I, Clive A. Meanwell, certify that:

1. I have reviewed this annual report on Form 10-K of The Medicines Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ CLIVE A. MEANWELL

Clive A. Meanwell
Executive Chairman

Dated: March 4, 2003

I, David M. Stack, certify that:

1. I have reviewed this annual report on Form 10-K of The Medicines Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ DAVID M. STACK

David M. Stack
President and Chief Executive Officer

Dated: March 4, 2003

I, Steven H. Koehler, certify that:

1. I have reviewed this annual report on Form 10-K of The Medicines Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ STEVEN H. KOEHLER

Steven H. Koehler
Chief Financial Officer

Dated: March 4, 2003

APPENDIX A

INDEX TO THE
CONSOLIDATED FINANCIAL STATEMENTS OF
THE MEDICINES COMPANY

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
The Medicines Company

We have audited the accompanying consolidated balance sheets of The Medicines Company as of December 31, 2001 and 2002, and the related consolidated statements of operations, redeemable convertible preferred stock and stockholders' equity (deficit), and cash flows, for each of the three years in the period ending December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Medicines Company at December 31, 2001 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

MetroPark, New Jersey
February 11, 2003

THE MEDICINES COMPANY

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	2001	2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 53,884,376	$ 36,777,007
Available for sale securities	125,000	6,731,728
Accrued interest receivable	6,757	129,414
Accounts receivable, net of allowance of $0.05 million as of December 31, 2001 and 2002	6,119,325	15,664,432
Inventories	16,610,928	14,178,660
Prepaid expenses and other current assets	550,564	660,720
Total current assets	77,296,950	74,141,961
Fixed assets, net	1,223,528	924,497
Other assets	153,076	233,854
Total assets	$ 78,673,554	$ 75,300,312
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 8,805,476	$ 8,291,995
Accrued expenses	8,747,114	11,678,078
Total current liabilities	17,552,590	19,970,073
Commitments and contingencies	--	--
Deferred revenue	--	1,395,833
Stockholders' equity:		
Preferred stock, $1.00 par value per share, 5,000,000 shares authorized; no shares issued and outstanding	--	--
Common stock, $.001 par value per share, 75,000,000 shares authorized at December 31, 2001 and December 31, 2002, respectively; 34,606,582 and 39,894,285 issued and outstanding at December 31, 2001 and December 31, 2002, respectively	34,607	39,894
Additional paid-in capital	321,041,704	354,239,193
Deferred compensation	(8,593,773)	(3,125,494)
Accumulated deficit	(251,443,682)	(297,274,830)
Accumulated other comprehensive income	82,108	55,643
Total stockholders' equity	61,120,964	53,934,406
Total liabilities and stockholders' equity	$ 78,673,554	$ 75,300,312

See accompanying notes.

THE MEDICINES COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31,		
	2000	2001	2002
Net revenue	$ --	$ 14,247,724	$ 38,301,286
Operating expenses:			
Cost of revenue	--	2,110,425	10,284,033
Research and development	39,572,297	32,767,394	37,951,458
Selling, general and administrative	15,033,585	36,566,761	36,807,679
Total operating expenses	54,605,882	71,444,580	85,043,170
Loss from operations	(54,605,882)	(57,196,856)	(46,741,884)
Other income (expense):			
Interest income	2,704,126	3,163,208	943,583
Interest expense	(19,390,414)	--	(32,847)
Loss on sale of investment	--	(850,000)	--
Net loss	(71,292,170)	(54,883,648)	(45,831,148)
Dividends and accretion to redemption value of redeemable preferred stock	(30,342,988)	--	--
Net loss attributable to common stockholders	$(101,635,158)	$(54,883,648)	$(45,831,148)
Basic and diluted net loss attributable to common stockholders per common share	$ (8.43)	$ (1.67)	$ (1.23)
Unaudited pro forma basic and diluted net loss attributable to common stockholders per common share	$ (2.10)	$ (1.67)	$ (1.23)
Shares used in computing net loss attributable to common stockholders per common share:			
Basic and diluted	12,059,275	32,925,968	37,209,931
Unaudited pro forma basic and diluted	24,719,075	32,925,968	37,209,931

See accompanying notes.

THE MEDICINES COMPANY

CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2000, 2001 AND 2002

	REDEEMABLE CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN	DEFERRED STOCK
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	COMPENSATION
Balance at December 31, 1999...	22,962,350	85,277,413	833,400	834	339,144	--
Repurchase of common stock...			(22,205)	(22)		
Employee stock purchases.....			227,525	226	286,068	
Issuance of redeemable preferred stock.....	5,946,366	25,688,284				
Accretion and dividend on preferred stock.....	1,751,241	4,898,537				
Beneficial conversion of redeemable convertible preferred stock.....					25,444,299	
Issuance of warrants associated with convertible notes.....					18,789,805	
Issuance of common stock through initial public offering.....			6,900,000	6,900	101,343,162	
Conversion of preferred stock to common stock.....	(30,659,957)	(115,864,234)	22,381,735	22,382	115,841,732	
Deferred compensation expense associated with stock options.....					17,279,612	$(17,279,612)
Adjustments to deferred compensation for terminations.....					(197,485)	197,485
Amortization of deferred stock compensation.....						3,726,433
Net loss.....						
Currency translation adjustment.....						
Unrealized loss on marketable securities.....						
Comprehensive loss.....						
Balance at December 31, 2000...	--	--	30,320,455	30,320	279,126,337	(13,355,694)
Repurchase of common stock...			(11,239)	(11)	--	
Employee stock purchases.....			297,366	298	743,147	
Issuance of common stock through private placement.....			4,000,000	4,000	41,798,975	
Adjustments to deferred compensation for terminations.....					(626,755)	626,755
Amortization of deferred stock compensation.....						4,135,166
Net loss.....						

	ACCUMULATED DEFICIT	ACCUMULATED COMPREHENSIVE INCOME (LOSS)	TOTAL STOCKHOLDERS' EQUITY/(DEFICIT)
Balance at December 31, 1999...	(94,925,028)	27,395	(94,557,655)
Repurchase of common stock...			(22)
Employee stock purchases.....			286,294
Issuance of redeemable preferred stock.....			--
Accretion and dividend on preferred stock.....	(4,898,537)		(4,898,537)
Beneficial conversion of redeemable convertible preferred stock.....	(25,444,299)		--
Issuance of warrants associated with convertible notes.....			18,789,805
Issuance of common stock through initial public offering.....			101,350,062
Conversion of preferred stock to common stock.....			115,864,114
Deferred compensation expense associated with stock options.....			--
Adjustments to deferred compensation for terminations.....			--
Amortization of deferred stock compensation.....			3,726,433
Net loss.....	(71,292,170)		(71,292,170)
Currency translation			

adjustment		5,141	5,141
Unrealized loss on marketable securities		(34,482)	(34,482)
Comprehensive loss			(71,321,511)
Balance at December 31, 2000	(196,560,034)	(1,946)	69,238,983
Repurchase of common stock			(11)
Employee stock purchases			743,445
Issuance of common stock through private placement			41,802,975
Adjustments to deferred compensation for terminations			--
Amortization of deferred stock compensation			4,135,166
Net loss	(54,883,648)		(54,883,648)

	REDEEMABLE CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN	DEFERRED STOCK
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	COMPENSATION
Currency translation adjustment						
Reclassification adjustment for realized loss on available for sale securities						
Comprehensive loss						
Balance at December 31, 2001	--	$ --	34,606,582	$34,607	$321,041,704	$ (8,593,773)
Employee stock purchases			738,081	738	2,993,498	
Issuance of common stock--Nycomed purchase			79,428	79	999,921	
Issuance of common stock--through public sale			4,000,000	4,000	30,906,000	
Issuance of common stock--Warrant purchases			470,194	470	(547)	
Adjustments to deferred compensation for terminations					(2,191,644)	2,191,644
Non-cash stock compensation--terminations					490,261	
Amortization of deferred stock compensation						3,276,635
Net loss						
Currency translation adjustment						
Reclassification adjustment for realized loss on available for sale securities						
Comprehensive loss						
Balance at December 31, 2002	--	$ --	39,894,285	$39,894	$354,239,193	$ (3,125,494)

	ACCUMULATED DEFICIT	ACCUMULATED COMPREHENSIVE INCOME (LOSS)	TOTAL STOCKHOLDERS' EQUITY/(DEFICIT)
Currency translation adjustment		47,446	47,446
Reclassification adjustment for realized loss on available for sale securities		36,608	36,608
Comprehensive loss			(54,799,594)
Balance at December 31, 2001	$(251,443,682)	$ 82,108	$ 61,120,964
Employee stock purchases			2,994,236
Issuance of common stock--Nycomed purchase			1,000,000
Issuance of common stock--through public sale			30,910,000
Issuance of common stock--Warrant purchases			(77)
Adjustments to deferred compensation for terminations			--
Non-cash stock compensation--terminations			490,261
Amortization of deferred stock compensation			3,276,635
Net loss	(45,831,148)		(45,831,148)
Currency translation adjustment		(42,240)	(42,240)
Reclassification adjustment for realized loss on available for sale securities		15,775	15,775
Comprehensive loss			(45,857,613)
Balance at December 31, 2002	$(297,274,830)	$ 55,643	$ 53,934,406

See accompanying notes.

THE MEDICINES COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		
	2000	2001	2002
Cash flows from operating activities:			
Net loss	$(71,292,170)	$(54,883,648)	$(45,831,148)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	277,307	470,930	555,026
Amortization of premium on available for sale securities	--	--	66,517
Amortization of discount on convertible notes	19,013,486	--	--
Non-cash stock compensation expense	3,726,433	4,135,166	3,766,895
Loss on sales and disposal of fixed assets	14,631	2,113	1,079
Changes in operating assets and liabilities:			
Accrued interest receivable	(1,337,703)	1,386,171	(122,657)
Accounts receivable	--	(6,119,325)	(9,545,107)
Inventory	(1,963,491)	(14,620,838)	2,405,669
Prepaid expenses and other current assets	(312,027)	(85,806)	(108,340)
Other assets	(82,391)	96,927	(80,778)
Accounts payable	(1,823,602)	2,819,943	(516,068)
Accrued expenses	5,708,535	(377,245)	2,887,070
Deferred revenue	--	--	1,395,833
Net cash used in operating activities	(48,070,992)	(67,175,612)	(45,126,009)
Cash flows from investing activities:			
Purchase of available for sale securities	(51,098,901)	(7,430,886)	(6,782,470)
Maturities and sales of available for sale securities	9,083,090	49,863,097	125,000
Purchase of fixed assets	(834,160)	(735,571)	(247,218)
Net cash provided by (used in) investing activities	(42,849,971)	41,696,640	(6,904,688)
Cash flows from financing activities:			
Proceeds from revolving line of credit borrowings	--	--	10,000,000
Repayments of revolving line of credit borrowings	--	--	(10,000,000)
Proceeds from issuance of convertible notes and warrants	13,348,779	--	--
Proceeds from issuances of preferred stock, net	6,095,338	--	--
Proceeds from issuances of common stock, net	101,636,334	42,546,409	34,904,155
Dividends paid in cash	(118)	--	--
Net cash provided by financing activities	121,080,333	42,546,409	34,904,155
Effect of exchange rate changes on cash	(280)	14,583	19,173
Increase (decrease) in cash and cash equivalents	30,159,090	17,082,020	(17,107,369)
Cash and cash equivalents at beginning of period	6,643,266	36,802,356	53,884,376
Cash and cash equivalents at end of period	$ 36,802,356	$ 53,884,376	$ 36,777,007
Non-cash transactions:			
Dividends on preferred stock	$ 31,894,474	$ --	$ --
Supplemental disclosure of cash flow information:			
Interest paid	$ 255,781	$ --	$ 32,847
Taxes paid	$ --	$ 6,303	$ 35,069

See accompanying notes.

1. NATURE OF BUSINESS

The Medicines Company (the "Company") was incorporated in Delaware on July 31, 1996. The Company is a specialty pharmaceutical company engaged in the acquisition, development and commercialization of late-stage development drugs or drugs approved for marketing. The U.S. Food and Drug Administration approved Angiomax(R) (bivalirudin) for use as an anticoagulant in combination with aspirin in patients with unstable angina undergoing coronary angioplasty in December 2000, and the Company commenced sales of Angiomax in the first quarter of 2001. The Company was considered to be a development-stage enterprise, as defined in Statement of Financial Accounting Standards No. 7, "Accounting and Reporting by Development-Stage Enterprises," through December 31, 2000. With the commencement of sales in 2001, the Company is no longer considered to be a development-stage enterprise.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company has no unconsolidated subsidiaries.

USE OF ESTIMATES

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

RECLASSIFICATION

Certain reclassifications have been made to prior years' information to conform to the 2002 presentation.

RISKS AND UNCERTAINTIES

The Company is subject to risks common to companies in the pharmaceutical industry including, but not limited to, uncertainties related to regulatory approvals, dependence on key products, dependence on key customers and suppliers, and protection of proprietary rights.

CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to concentration of credit risk include cash, cash equivalents, available for sale securities and accounts receivable. The Company believes it minimizes its exposure to potential concentrations of credit risk by placing investments in high-quality financial instruments with high quality institutions. At December 31, 2002, approximately $31.2 million of the cash and cash equivalents balance was invested in a single fund, the Munder Money Market Fund, a no-load money market fund.

The Company's products are sold primarily to a limited number of national medical and pharmaceutical distributors and wholesalers with distribution centers located throughout the United States. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. The Company maintains reserves for potential credit losses and, during 2002, such losses were

within the expectations of management. During 2001 and 2002, the Company's revenues from three of its customers totaled approximately 94% of net revenues. At December 31, 2001 and 2002, these same customers represented approximately $5.9 million, or 97%, and $15.1 million, or 96%, respectively, of gross accounts receivable.

CASH, CASH EQUIVALENTS AND AVAILABLE FOR SALE SECURITIES

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents at December 31, 2001 and 2002 consist of investments in money market funds. These investments are carried at cost, which approximates fair value.

The Company considers securities with original maturities of greater than three months to be available for sale securities. Securities under this classification are recorded at fair market value and unrealized gains and losses are recorded as a separate component of stockholders' equity. The cost of debt securities in this category is adjusted for amortization of premium and accretion of discount to maturity. The estimated fair value of the available for sale securities is determined based on quoted market prices or rates for similar instruments. At December 31, 2001, the Company held a certificate of deposit for $125,000 with a one-year term that was pledged as a security deposit on its facility lease in Parsippany, New Jersey. This certificate of deposit matured in 2002.

Available for sale securities consisted of investments in corporate bonds, United States government agency notes and certificates of deposit with maturities of less than one year and are summarized as follows:

2001	COST	UNREALIZED GAIN	FAIR VALUE
Certificate of Deposit	$ 125,000	$--	$125,000
TOTAL	$ 125,000	$--	$125,000

2002	COST	UNREALIZED GAIN	FAIR VALUE
Certificates of deposit	$1,499,944	$ --	$1,499,944
Corporate debt securities	2,606,044	7,042	2,613,086
U.S. government agency notes	2,609,965	8,733	2,618,698
TOTAL	$6,715,953	$15,775	$6,731,728

During the second quarter of 2001, the Company sold its $3.0 million investment in Southern California Edison 5 7/8% bonds, which were originally due on January 15, 2001, realizing a loss of $850,000 on the sale. There were also maturities of available for sale securities during the year ended December 31, 2001, which are disclosed in the accompanying consolidated statements of cash flows. There were no realized gains or losses in 2002.

REVENUE RECOGNITION

The Company sells its products primarily to wholesalers and distributors who, in turn sell to hospitals. The Company recognizes revenue from product sales in accordance with generally accepted accounting principles in the United States including the guidance in Staff Accounting Bulletin 101. Revenue from product sales is recognized when there is persuasive evidence of an arrangement, delivery has occurred, the price is fixed and determinable, and collectibility is reasonably assured. However because the Company's products are sold with limited rights of return, the Company's recognition of revenue from product sales is

also subject to the Statement of Financial Accounting Standards No. 48, or SFAS 48, "Revenue Recognition When Right of Return Exists." Under SFAS 48, revenue is recognized when the price to the buyer is fixed, the buyer is obligated to pay the Company and the obligation to pay is not contingent on resale of the product, the buyer has economic substance apart from the Company, the Company has no obligations to bring about sale of the product and the amount of returns can be reasonably be estimated. The Company reserves for estimated returns at the time of sale and revenues are reported net of such amounts.

The Company records allowances for product returns, rebates and discounts, and reports revenue net of such allowances. The Company must make significant judgments and estimates in determining the allowances. If actual results differ, the Company will likely be required to make adjustments to these allowances in the future:

- The Company's customers have the right to return any unopened product with less than six months to the labeled expiration date, provided that the product is returned within 12 months of the labeled expiration date. As a result, the Company must estimate the likelihood that product sold to wholesalers might remain in their inventory to within six months of expiration and determine if it will be returned. The Company bases its estimates on information from customers, historic patterns of returns, industry data and on the expiration dates of product currently being shipped.

- Certain hospitals purchasing the Company's products from wholesalers have the right to receive a discounted price and a volume-based rebate if they participate in a group purchasing organization that has a contract with the Company. As a result, the Company must estimate the likelihood that product sold to wholesalers might be ultimately sold to a participating hospital. The Company bases its estimates on information from customers, industry data, historic patterns of discounts and customer rebate thresholds.

Revenue from collaborative agreements may include non-refundable fees or milestone payments. These payments are recorded as deferred revenue until contractual performance obligations have been satisfied, and they are recognized ratably over the term of these agreements. When the period of deferral cannot be specifically identified from the contract, the Company must estimate the period based upon other critical factors contained within the contract. The Company reviews these estimates, at least annually, which could result in a change in the deferral period.

ADVERTISING COSTS

The Company expenses advertising costs as incurred. Advertising costs were approximately $807,000, $1,258,000 and $837,000 for the years ended December 31, 2000, 2001 and 2002, respectively.

INVENTORIES

Inventory is recorded upon the transfer of title from our vendors. Inventory is stated at the lower of cost or market value with cost determined using a weighted average of costs. All costs associated with the manufacture of Angiomax bulk drug product and finished product to which the title transferred to us prior to FDA approval of Angiomax and of its original manufacturing process were expensed as research and development. In December 2000, we received FDA approval for Angiomax and its original manufacturing process. Any Angiomax bulk drug product manufactured according to its original manufacturing process to which we took title after FDA approval is recorded as inventory. Together with UCB Bioproducts, the Company has developed, but not yet received FDA approval of, a second generation chemical synthesis process, the Chemilog process, for the manufacture of Angiomax bulk drug substance. All Angiomax bulk drug product manufactured using the Chemilog process to which title has transferred to the Company to

date has been expensed as research and development. The Company reviews the inventory for slow moving or obsolete amounts based on expected revenues. If actual revenues are less than expected, allowances for excess amounts may be required in the future.

INVENTORIES	2001	2002
Raw materials	$14,547,422	4,126,870
Work-in-progress	1,991,874	8,370,949
Finished Goods	71,632	1,680,841
TOTAL	$16,610,928	$14,178,660

FIXED ASSETS

Fixed assets are stated at cost. Depreciation is provided using the straight-line method based on estimated useful lives or, in the case of leasehold improvements, over the lesser of the useful lives or the lease terms.

RESEARCH AND DEVELOPMENT

Expenditures for research and development costs are expensed as incurred.

STOCK-BASED COMPENSATION

Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has elected to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25").

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation:

	YEARS ENDED DECEMBER 31,		
	2000	2001	2002
Net loss attributable to common stockholders--As reported	$101,635,158	$54,883,648	$45,831,148
Deduct: Total stock-based compensation expense determined under fair value based method for all stock option awards and discounts under the Employee Stock Purchase Plan, net of amortization of deferred stock compensation	4,515,446	10,923,152	2,477,278
Net loss attributable to common stockholders--Pro forma	$106,150,604	$65,806,800	$48,308,426
Net loss per share attributable to common stockholders--As reported	$ (8.43)	$ (1.67)	$ (1.23)
Net loss per share attributable to common stockholders--Pro forma	$ (8.80)	$ (2.00)	$ (1.30)

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	YEARS ENDED DECEMBER 31,		
	2000	2001	2002
Expected dividend yield	0%	0%	0%
Expected stock price volatility	70%	96%	90%
Risk-free interest rate	6.32%	4.0%	3.0%
Expected option term	3.35 years	3.34 years	2.79 years

TRANSLATION OF FOREIGN CURRENCIES

The functional currencies of the Company's foreign branches and subsidiaries are the local currencies: British pound sterling, Swiss franc and New Zealand dollar. The Company translates its foreign operations using a current exchange rate. In accordance with Statement of Financial Accounting Standards No. 52, assets and liabilities are exchanged using the current exchange rate as of the balance sheet date. Stockholders' equity is exchanged using historical rates at the balance sheet date. Expenses and items of income are exchanged using a weighted average exchange rate over the period ended on the balance sheet date. Adjustments resulting from the translation of the financial statements of the Company's foreign subsidiaries into U.S. dollars are excluded from the determination of net loss and are accumulated in a separate component of stockholders' equity. Foreign exchange transaction gains and losses are included in the results of operations and are not material to the Company's consolidated financial statements.

INCOME TAXES

Deferred tax assets and liabilities are determined based on differences between financial reporting and income tax bases of assets and liabilities, as well as net operating loss carryforwards, and are measured using the enacted tax rates and laws in effect when the differences reverse. Deferred tax assets are reduced by a valuation allowance to reflect the uncertainty associated with ultimate realization.

COMPREHENSIVE INCOME (LOSS)

The Company reports comprehensive income (loss) and its components in accordance with the provisions of SFAS No. 130, "Reporting Comprehensive Income." Comprehensive income (loss) includes all changes in equity for cumulative translations adjustments resulting from the consolidation of foreign branches and subsidiaries' financial statements and unrealized gains and losses on available for sale securities.

NET LOSS PER SHARE

Basic net loss per share is computed using the weighted average number of shares of common stock outstanding during the period reduced, where applicable, for outstanding, yet unvested, shares. Diluted net loss per share includes the effect of stock options, warrants and redeemable convertible preferred stock and convertible notes outstanding during the period, if dilutive. Since the Company has a net loss for all periods presented, the effect of all potentially dilutive securities is antidilutive. Accordingly, basic and diluted net loss per share are the same.

UNAUDITED PRO FORMA NET LOSS PER SHARE

Unaudited pro forma net loss per share is computed using the weighted average number of common shares outstanding, including the pro forma effects of automatic conversion of all outstanding redeemable

convertible preferred stock and accrued dividends and convertible notes and accrued interest through the balance sheet date into shares of the Company's common stock (Common Stock) effective upon the closing of the Company's initial public offering, as if such conversion had occurred at the date of original issuance.

SEGMENTS

The Company manages its business and operations as one segment and is focused on the acquisition, development and commercialization of late-stage development drugs and drugs approved for marketing. The Company has license rights to Angiomax(R) and has the option to license the rights to another potential product, clevidipine. Revenues reported to date are derived primarily from the sales of the Company's Angiomax(R) product.

3. THE COMPANY'S PLANS AND FINANCING

The Company has incurred substantial losses since inception. To date, the Company has primarily funded its operations through the issuance of debt and equity. The Company expects to continue to expend substantial amounts for continued product research, development and commercialization activities for the foreseeable future, and the Company plans to fund these expenditures by increasing revenue or through debt or equity financing, if possible, and to secure collaborative partnering arrangements that will provide available cash funding for operations. Should revenue growth or additional debt or equity financing or collaborative partnering arrangements be unavailable to the Company, it will restrict certain of its planned activities and operations, as necessary, to sustain operations and conserve cash resources.

4. FIXED ASSETS

Fixed assets consist of the following:

	ESTIMATED LIFE (YEARS)	DECEMBER 31, 2001	DECEMBER 31, 2002
Furniture, fixtures and equipment.....	3	$ 675,482	$ 785,190
Computer hardware and software.....	3	1,314,358	1,443,076
Leasehold improvements.....	5	250,585	269,448
		2,240,425	2,497,714
Less: Accumulated depreciation.....		(1,016,897)	(1,573,217)
		$ 1,223,528	$ 924,497

Depreciation expense was approximately $277,000, $471,000 and $555,000 for the years ended December 31, 2000, 2001 and 2002, respectively.

5. ACCRUED EXPENSES

Accrued expenses consist of the following at December 31:

	2001	2002
Compensation related	$1,142,131	$ 2,812,737
Development services	3,311,060	3,118,093
Product returns, rebates and discounts	772,641	2,906,778
Sales and marketing	2,202,632	651,375
Royalties and commissions	707,313	1,676,718
Legal, accounting and other	611,337	512,377
	$8,747,114	$11,678,078

6. CONVERTIBLE NOTES AND COMMON STOCK PURCHASE WARRANTS

In October 1999, the Company issued $6,000,000 of 8% convertible notes (October Notes) and 1,013,877 Common Stock purchase warrants (October Warrants) to existing investors, raising proceeds of $6,000,000. The October Notes were convertible into shares of stock of the Company upon a subsequent sale of stock of the Company provided that such sale resulted in aggregate gross proceeds of at least $6,000,000. Each October Warrant provides the holder with the right to purchase one share of Common Stock at a price of $5.92 per share at any time prior to October 19, 2004. The Company recorded $325,355 as the fair value of the October Warrants using the Black-Scholes method and the estimated fair value of the Common Stock on the date of the issuance of the October Warrants, and $5,674,645 as the value of the October Notes on the issuance date. The discount on the October Notes was amortized to interest expense over the expected term of the October Notes to June 2000. Since the October Notes were issued in October 1999, the carrying amount at December 31, 1999 approximated their fair value at December 31, 1999. Upon completion of the Company's sale of Series IV redeemable convertible preferred stock (Series IV Redeemable Convertible Preferred Stock) in May 2000, the principal and accrued interest on the October Notes were converted into 1,393,909 shares of Series IV Redeemable Convertible Preferred Stock. At December 31, 2002 there were 694,897 October Warrants outstanding.

In March 2000, the Company issued $13,348,779 of 8% Convertible Notes (March Notes) and 2,255,687 Common Stock Purchase Warrants (March Warrants) to current stockholders, raising proceeds of $13,348,779. The March Notes were convertible into shares of Common Stock upon a subsequent private sale of Common Stock, provided that such sale resulted in aggregate gross proceeds of at least $6,000,000. Each March Warrant provides the holder with the right to purchase one share of Common Stock of the Company at a price of $5.92 per share at any time prior to March 2005. The Company recorded approximately $18,800,000 as the value of the March Warrants using the Black-Scholes method and the estimated fair value of the Common Stock on the date of the issuance of the March Warrants. The discount on the March Notes was amortized over the expected term of the Notes to June 2000. For the year ended December 31, 2000, amortization of the discount was approximately $18,800,000 and is included with the interest expense in the accompanying financial statements. Upon completion of the Company's sale of Series IV Redeemable Convertible Preferred Stock in May 2000, the principal and accrued interest on the March Notes were converted into 3,141,457 shares of Series IV Redeemable Convertible Preferred Stock. At December 31, 2002 there were 1,679,078 March Warrants outstanding.

7. STOCKHOLDERS' EQUITY

On June 29, 2000, the Company's Board of Directors approved a reverse split of .73 shares for every one share of Common Stock then outstanding. The reverse stock split became effective on August 4, 2000.

The accompanying financial statements and footnotes including all share and per share amounts reflect the reverse stock split.

SERIES I, SERIES II, SERIES III AND SERIES IV REDEEMABLE CONVERTIBLE PREFERRED STOCK

The Company had four series of redeemable convertible preferred stock. A brief summary of the Series I, Series II, Series III (Series I Redeemable Convertible Preferred Stock, Series II Redeemable Convertible Preferred Stock, Series III Redeemable Convertible Preferred Stock, respectively) and Series IV Redeemable Convertible Preferred Stock follows. At December 31, 2000, 2001 and 2002, there were no shares of any series of redeemable convertible preferred stock outstanding.

In August 1998, the Company executed an agreement (Exchange Agreement) under which 8,892,912 shares of Common Stock and 41,992 shares of Series A redeemable preferred stock (Series A Redeemable Preferred Stock) were exchanged for 2,506,000 shares of Series I Redeemable Convertible Preferred Stock and 10,565,714 shares of Series II Redeemable Convertible Preferred Stock. Holders of Series A Redeemable Preferred Stock were entitled to receive preferential cumulative annual dividends payable in additional shares of Series A Redeemable Preferred Stock at the rate of 7% per annum of the stated value. Prior to the Exchange Agreement, dividends earned from January 1, 1998 through the date of the Exchange Agreement were paid to the holders of Series A Redeemable Preferred Stock. During 1997, certain preferred shareholders waived their right to a portion of earned dividends and the Company paid agreed-upon amounts through December 31, 1997. To the extent that all or any part of the Series A Redeemable Preferred Stock would have resulted in the issuance of a fractional share of the Series A Redeemable Preferred Stock, the amount of such fraction, multiplied by the stated value, was paid in cash.

On May 17, 2000, the Company issued 1,411,000 shares of Series IV Redeemable Convertible Preferred Stock for net proceeds of $6,095,520. In addition, on May 17, 2000, the October and March Notes and accrued interest were converted into 4,535,366 shares of Series IV Redeemable Convertible Preferred Stock. The Series IV Redeemable Convertible Preferred Stock carried terms and conditions similar to the Series I, II, III Preferred Stock. The Series IV Redeemable Convertible Preferred Stock was convertible into Common Stock at a 1-for-0.73 conversion rate and automatically converted upon the closing of the Company's initial public offering (IPO). The Series IV Redeemable Convertible Preferred Stock issued on May 17, 2000 contained a beneficial conversion feature based on the estimated fair market value of common stock into which it is convertible. In accordance with EITF 98-5, the total amount of such beneficial conversion is approximately $25,450,000. The beneficial conversion is analogous to a dividend and was recognized during 2000 when issued. Simultaneously with the closing of the Company's IPO, 30,659,957 shares of the Series I, II, III and IV Redeemable Convertible Preferred Stock then outstanding (including accrued dividends for the period August 1, 2000 to August 11, 2000) were converted into 22,381,735 shares of Common Stock.

PREFERRED STOCK

Following the conversion of the Series I, Series II, Series III and Series IV Redeemable Convertible Preferred Stock upon the closing of the IPO, there were 5,000,000 shares of the Company's preferred stock (Preferred Stock) authorized, none of which has been issued.

COMMON STOCK

Common stockholders are entitled to one vote per share and dividends when declared by the Company's board of directors (Board of Directors), subject to the preferential rights of any outstanding shares of Preferred Stock.

In its IPO on August 11, 2000, the Company sold 6,000,000 shares of Common Stock at a price of $16.00 per share. In addition, on September 8, 2000, the underwriters of the IPO exercised their over-allotment option and purchased an additional 900,000 shares of Common Stock at a price of $16.00 per share. The Company received proceeds of approximately $101.4 million, net of underwriting discounts and commissions, and expenses. Simultaneously with the closing of the IPO, 30,659,957 shares of Series I, II, III and IV Redeemable Convertible Preferred Stock then outstanding (including accrued dividends for the period August 1, 2000 to August 11, 2000) were converted into 22,381,735 shares of Common Stock.

In May 2001, the Company received $41.8 million from a private placement of 4,000,000 shares of Common Stock sold to both new and existing shareholders at a price of $11.00 per share. The shares sold in the private placement were subsequently registered for resale.

In March 2002, the Company received $1.0 million in proceeds from the sale of shares of Common Stock to Nycomed at the then fair market price of $12.59 per share at the time of purchase. In June 2002, the Company received $30.9 million in proceeds from the sale of 4.0 million shares of Common Stock in a public offering at a price of $8.20 per share.

During 1996, 1997 and 1998, certain employees of the Company purchased 335,800, 627,070 and 32,850 shares of Common Stock, respectively, for $0.001 per share. These shares are subject to restriction and vesting agreements that limit transferability and allow the Company to repurchase unvested shares at the original purchase price. The shares vest ratably over a four-year period that generally begins on each employee's hire date. During 2000, 2001 and 2002, the Company repurchased 22,205, 11,239 and 177 shares, respectively, of unvested Common Stock for $0.001 per share. There were no shares of unvested Common Stock at December 31, 2002.

STOCK PLANS

In April 1998, the Company adopted the 1998 Stock Incentive Plan (the "1998 Plan"), which provides for the grant of stock options, restricted stock and other stock-based awards to employees, directors and consultants. The Board of Directors determines the term of each option, the option price, the number of shares for which each option is granted and the rate at which each option is exercisable. During 1999, the Board of Directors amended all outstanding grants to allow holders the opportunity to exercise options prior to vesting. Exercised options that are unvested are subject to repurchase by the Company at the original exercise price. Options granted under the 1998 Plan generally vest in increments over four years and have a ten year term.

In January 2000, the Board of Directors approved an amendment to the 1998 Plan to increase the number of shares available under the 1998 Plan to 1,448,259. In May 2000, the Board of Directors approved an amendment to the 1998 Plan to increase the number of shares available under the 1998 Plan to 4,368,259. In February 2002, the Board of Directors also adopted, subject to shareholder approval which was received in May 2002, an increase in the number of shares of common stock under the 1998 Plan to 6,118,259 shares.

The Board of Directors also approved the 2000 Employee Stock Purchase Plan (the "2000 ESPP") which provides for the issuance of up to 255,500 shares of Common Stock to participating employees and the 2000 Directors Stock Option Plan which provides for the issuance of up to 250,000 shares of Common Stock to the Company's outside directors. Both the 2000 ESPP and the 2000 Directors Stock Option Plan have received stockholder approval.

In May 2001, the Board of Directors approved the 2001 Non-Officer, Non-Director Employee Stock Incentive Plan (the "2001 Plan"), which provides for the grant of nonstatutory stock options to employees, consultants and advisors, of the Company and its subsidiaries. The 2001 Plan provides for the issuance of up to 1,250,000 shares of stock. The Board of Directors administers the 2001 Plan, although it may

delegate its authority to one or more committees and, in limited circumstances, to one or more of the executive officers.

Prior to the Company's IPO, the Board of Directors determined the fair value of the Common Stock in its good faith judgment at each option grant date for grants under the 1998 Plan considering a number of factors including the financial and operating performance of the company, recent transactions in the Common Stock and Preferred Stock, if any, the values of similarly situated companies and the lack of marketability of Common Stock. Following the IPO, the fair value is determined based on the traded value of Common Stock.

During the period January 1, 2000 to September 30, 2000, the Company issued 2,273,624 options at exercise prices below the estimated fair value of the Common Stock as of the date of grant of such options based on the price of the Common Stock in connection with the IPO. The total deferred compensation associated with these options is approximately $17.3 million. Included in the results of operations for the years ended December 31, 2000, 2001 and 2002 is compensation expense of approximately $3.7 million, $4.1 million and $3.3 million, respectively, associated with such options. Total deferred compensation is reduced when the associated options are cancelled prior to exercise. During 2000, 2001 and 2002, cancellation of options that had not been exercised resulted in a reduction in total deferred compensation of approximately $0.2 million, $0.6 million and $2.2 million, respectively. In 2002, the Company accelerated the vesting of stock options held by terminated employees in connection with their termination agreements, which resulted in $0.5 million in non-cash stock compensation expense. The amortization and non-cash compensation expense is included in our operating expenses in the consolidated statements of operations.

The Company has elected to follow APB 25 in accounting for its stock options granted to employees because the alternative fair value accounting provided for under SFAS 123, requires the use of option valuation models that were not developed for use in valuing employee stock options. Because the exercise price of the Company's stock options generally equals the market price of the underlying stock on the date of grant, no compensation is recognized under APB 25.

A summary of stock option activity under all the Company's stock option plans are as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
Outstanding, December 31, 1999	768,966	$ 1.16
Granted	3,080,424	9.80
Exercised	(227,523)	1.26
Canceled	(406,713)	1.22
Outstanding, December 31, 2000	3,215,154	$ 9.43
Granted	2,090,000	11.25
Exercised	(216,118)	2.45
Canceled	(329,086)	14.94
Outstanding, December 31, 2001	4,759,950	$10.16
Granted	1,945,700	12.71
Exercised	(708,723)	3.88
Canceled	(1,158,270)	12.39
Outstanding, December 31, 2002	4,838,657	$11.57
Available for future grant at December 31, 2002	1,625,377	

The weighted average per share fair value of options granted during 2000, 2001 and 2002 was $10.34, $7.17 and $6.95, respectively. There were no options granted during 2001 and 2002 with an exercise price below the fair market value of the underlying shares on the date of grant. The weighted average fair value and exercise price of options granted during 2000 that were granted with exercise prices below fair market value were $9.35 and $4.68, respectively. The weighted average fair value and exercise price of options granted with exercise prices equal to fair value were $13.19 and $24.96, respectively, during 2000, $7.17 and $11.25, respectively, during 2001, and $6.95 and $12.71, respectively, during 2002.

The following table summarizes information about stock options from all the Company's stock option plans outstanding at December 31, 2002:

	OPTIONS OUTSTANDING			OPTIONS VESTED	
RANGE OF EXERCISE PRICES PER SHARE	NUMBER OUTSTANDING AT 12/31/02	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	NUMBER OUTSTANDING AT 12/31/02	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
$0.69- $5.90	1,152,169	7.55	$ 4.24	721,210	$ 3.90
$5.92- $10.60	1,036,882	8.80	8.57	232,588	7.65
$10.76- $13.80	1,124,192	8.91	12.29	241,609	12.53
$14.88- $18.10	1,072,900	9.45	16.03	118,336	17.22
$21.50- $30.00	452,514	7.90	24.78	251,124	24.77
	4,838,657	8.59	$11.57	1,564,867	$10.15

COMMON STOCK RESERVED FOR FUTURE ISSUANCE

At December 31, 2002, there were 9,047,383 shares of Common Stock reserved for future issuance under the 2000 ESPP, for conversion of the October Warrants and March Warrants and for grants made under the 1998 Plan, the 2001 Plan and the 2000 Directors Stock Option Plan.

8. NET LOSS AND UNAUDITED PRO FORMA NET LOSS PER SHARE

The following table sets forth the computation of basic and diluted and unaudited pro forma basic and diluted net loss per share for the respective periods. The unaudited pro forma basic and diluted net loss per share for 2000 gives effect to the conversion of the Series I, II, III and IV Redeemable Convertible Preferred Stock and the October Notes and March Notes and accrued interest as if converted at the date of original issuance.

	YEAR ENDED DECEMBER 31,		
	2000	2001	2002
BASIC AND DILUTED			
Net loss	$ (71,292,170)	$(54,883,648)	$(45,831,148)
Dividends and accretion on redeemable convertible preferred stock	(30,342,988)	--	--
Net loss attributable to common stockholders	$(101,635,158)	$(54,883,648)	$(45,831,148)
Weighted average common shares outstanding	12,225,537	32,987,766	37,223,342
Less: unvested restricted common shares outstanding	(166,262)	(61,798)	(13,411)
Weighted average common shares used to compute net loss per share	12,059,275	32,925,968	37,209,931
Basic and diluted net loss per share	$ (8.43)	$ (1.67)	$ (1.23)
UNAUDITED PRO FORMA BASIC AND DILUTED			
Net loss	$ (71,292,170)	$(54,883,648)	$(45,831,148)
Interest expense on convertible notes	19,390,414	--	--
Net loss used to compute pro forma net loss per share	$ (51,901,756)	$(54,883,648)	$(45,831,148)
Weighted average common shares used to compute net loss per share	12,059,275	32,925,968	37,209,931
Weighted average number of common shares assuming the conversion of all redeemable convertible preferred stock and convertible notes and accrued interest at the date of original issuance	12,659,800	--	--
Weighted average common shares used to compute pro forma net loss per share	24,719,075	32,925,968	37,209,931
Unaudited pro forma basic and diluted pro forma net loss per share	$ (2.10)	$ (1.67)	$ (1.23)

Options to purchase 3,215,154, 4,759,950 and 4,838,657 shares of Common Stock have not been included in the computation of diluted net loss per share and pro forma net loss per share for the years ended December 31, 2000, 2001 and 2002, respectively, as their effects would have been antidilutive. Warrants to purchase 3,269,564, 3,156,073 and 2,373,975 shares of Common Stock were also excluded

from the computation of diluted net loss per share and pro forma net loss per share for the years ended December 31, 2000, 2001 and 2002, respectively, as their effect would be antidilutive.

9. INCOME TAXES

The significant components of the Company's deferred tax assets are as follows:

	DECEMBER 31,	
	2001	2002
Deferred tax assets:		
Net operating loss carryforwards	$ 68,689,000	$ 86,128,000
Research and development credit	5,062,000	7,556,000
Intangible assets	998,000	886,000
Other	491,000	1,543,000
	75,240,000	96,113,000
Valuation allowance	(75,240,000)	(96,113,000)
Net deferred tax assets	$ --	$ --

The Company has increased its valuation allowance by $20,873,000 in 2002 to provide a full valuation allowance for deferred tax assets since the realization of these future benefits is not considered more likely than not. The amount of the deferred tax asset considered realizable is subject to change based on estimates of future taxable income during the carryforward period. If the Company achieves profitability, these deferred tax assets would be available to offset future income taxes. The future utilization of net operating losses and credits may be subject to limitation based upon changes in ownership under the rules of the Internal Revenue Code. The Company has not yet determined the effect of these rules on the utilization of its net operating loss and credit carryforwards. The Company assesses the need for the valuation allowance at each balance sheet date based on all available evidence.

At December 31, 2002, the Company had federal net operating loss carryforwards available to reduce taxable income, and federal research and development tax credit carryforwards available to reduce future tax liabilities, which expire approximately as follows:

YEAR OF EXPIRATION	FEDERAL NET OPERATING LOSS CARRYFORWARDS	FEDERAL RESEARCH AND DEVELOPMENT TAX CREDIT CARRYFORWARDS
2011	$ 929,000	$ 22,000
2012	15,260,000	527,000
2018	27,876,000	425,000
2019	33,800,000	1,000,000
2020	45,335,000	1,176,000
2021	49,700,000	1,000,000
2022	45,500,000	2,787,000
	$218,400,000	$6,937,000

For state tax purposes, net operating loss carryforwards of approximately $196,000,000 expire in the years 2003 through 2010. State research and development tax credit carryforwards are approximately $620,000.

10. LICENSE AGREEMENTS

ANGIOMAX(R)

In March 1997, the Company entered into an agreement with Biogen, Inc. for the license of the anticoagulant pharmaceutical bivalirudin, which the Company has developed as Angiomax. Under the terms of the agreement, the Company acquired exclusive worldwide rights to the technology, patents, trademarks, inventories and know-how related to Angiomax. In exchange for the license, the Company paid $2.0 million on the closing date and is obligated to pay up to an additional $8.0 million upon reaching certain Angiomax sales milestones, which are the first commercial sales of Angiomax for the treatment of acute myocardial infarction in the United States and Europe. In addition, the Company will pay royalties on future sales of Angiomax and on any sublicense royalties on a country-by-country basis earned until the later of (1) 12 years after the date of the first commercial sale of the product in a country or (2) the date on which the product or its manufacture, use or sale is no longer covered by a valid claim of the licensed patent rights in such country. Under the terms of the agreement, the royalty rate due to Biogen on sales increases with growth in annual sales of Angiomax. The agreement also stipulates that the Company use commercially reasonable efforts to meet certain milestones related to the development and commercialization of Angiomax, including expending at least $20 million for certain development and commercialization activities, which the Company met in 1998. The license and rights under the agreement remain in force until the Company's obligation to pay royalties ceases. Either party may terminate the agreement for material breach by the other party, if the material breach is not cured within 90 days after written notice. In addition, the Company may terminate the agreement for any reason upon 90 days prior written notice. The Company recognized royalty expense under the agreement of $1.1 million in 2001, and $2.8 million in 2002 for Angiomax sales.

CLEVIDIPINE

In March 2002, the Company entered into a study and exclusive option agreement with AstraZeneca PLC relating to the further study, licensing, development and commercialization of the intravenous blood pressure control pharmaceutical, clevidipine. Under the terms of the agreement, the Company agreed to conduct a pilot study of clevidipine, which has begun. The agreement provides that upon the conclusion of the pilot study within 15 months of the date AstraZeneca provided samples of clevidipine to the Company, the Company may acquire, and if the results of the pilot study meet or exceed a benchmark set forth in the agreement AstraZeneca may require the Company to acquire, exclusive worldwide rights (except for Japan) to the know-how, patents and trademarks relating to clevidipine. If we do not complete the pilot study by the end of such 15-month period, AstraZeneca may have the right to terminate the agreement. If the Company licenses the product, it plans to develop clevidipine as a short acting blood pressure control agent for use in hospital setting. In exchange for the license, the Company will pay $1.0 million upon entering into the license and up to an additional $5.0 million upon reaching certain regulatory milestones. In addition, the Company will be obligated to pay royalties on a country-by-country basis on future annual sales of clevidipine, and on any sublicense royalties earned, until the later of (1) the duration of the licensed patent rights which are necessary to manufacture, use or sell clevidipine in a country or (2) ten years from our first commercial sale of clevidipine in such country. The licenses and rights under the agreement remain in force until the Company ceases selling clevidipine in any country or the agreement is otherwise terminated. The Company may terminate the agreement upon 30 days written notice, unless AstraZeneca, within 20 days of having received the Company's notice, requests that the Company enter into good faith discussions to redress its concerns. If the Company cannot reach a mutually agreeable solution with AstraZeneca within three months of the commencement of such discussions, the Company may then terminate the agreement upon 90 days written notice. Either party may terminate the agreement for material breach upon 60 days prior

written notice, if the breach is not cured within such 60 days. The Company has had made no payments to date under this agreement.

11. STRATEGIC ALLIANCES AND RELATED PARTIES

UCB

In December 1999, the Company entered into a commercial supply agreement with UCB Bioproducts S.A. ("UCB") for the development and supply the Angiomax bulk drug substance. Under the terms of the commercial supply agreement, UCB completed development of a modified production process known as the "Chemilog" process and filed an amendment in 2001 to its drug master file for regulatory approval of the Chemilog process by the FDA. In addition, UCB manufactured two validation batches of Angiomax bulk drug substance using the Chemilog process in 2001, with a third validation batch completed in January 2002. In addition, the Company has agreed to purchase a substantial portion of its Angiomax bulk drug product from UCB at agreed upon prices for a period of seven years from the date of the first commercial sale of Angiomax produced using the Chemilog process. Following the expiration of the agreement, or if the Company terminates the agreement prior to its expiration, UCB will transfer the development technology to the Company. If the Company engages a third party to manufacture Angiomax using this technology, the Company will be obligated to pay UCB a royalty based on the amount paid by the Company to the third-party manufacturer.

During 2000, 2001 and 2002 the Company recorded $14.6 million, $19.4 million and $9.7 million, respectively, in costs related to UCB's production of Angiomax bulk drug substance and Angiomax related development activities, of which $12.8 million, $4.8 million and $6.8 million were expensed as research and development in 2000, 2001 and 2002, respectively, as FDA approval of Angiomax or the related manufacturing processes had not been received. In addition, $1.5 million was also expensed in 2001 related to cancellation of a contract commitment with UCB. The Company has committed to purchase $9.7 million of additional Angiomax bulk drug substance produced by the Chemilog process in 2003.

PHARMABIO

In August 1996, the Company entered into a strategic alliance with one of its stockholders, PharmaBio Development Inc. ("PharmaBio"), a wholly owned subsidiary of Quintiles Transnational Corporation ("Quintiles"). Under the terms of the strategic alliance agreement, PharmaBio and any of its affiliates who work on the Company's projects will, at no cost to the Company, review and evaluate, jointly with the Company, development programs designed by the Company related to potential or actual product acquisitions. The purpose of this collaboration is to optimize the duration, cost, specifications and quality aspects of such programs. PharmaBio and its affiliates have also agreed to perform other services with respect to the Company's products, including clinical and non-clinical development services, project management, project implementation, pharmacoeconomic services, regulatory affairs and post marketing surveillance services and statistical programming, data processing and data management services pursuant to work orders agreed to by the Company and PharmaBio from time to time. Through December 31, 2002, the Company has entered into approximately 46 work orders with PharmaBio and has paid PharmaBio a total of $14.4 million. During 2000, 2001, and 2002, expenses incurred for such services were approximately $2.3 million, $2.3 million, and $1.1 million respectively, of which approximately $13,000 was recorded in accounts payable and accrued expenses at December 31, 2002.

INNOVEX

In January 1997, the Company entered into a consulting agreement with Innovex, Inc. ("Innovex"), a subsidiary of Quintiles, which was subsequently superceded by a consulting agreement executed with Innovex in December 1998. Pursuant to the terms of the agreement, Innovex provided the Company with

consulting services with respect to pharmaceutical marketing and sales. Since December 1997, the Company has also entered into various clinical services agreements with Innovex pursuant to which Innovex has provided project management, clinical monitoring, site management, medical monitoring, regulatory affairs, data management and quality assurance services with respect to clinical trials of Angiomax. None of the clinical services agreements is currently outstanding. Through December 31, 2001, the Company has paid Innovex $1.8 million under these agreements. The Company did not make any payments to Innovex in 2002 under these agreements.

In December 2000, the Company signed a master services agreement and a work order with Innovex under which Innovex agreed to provide contract sales, marketing and commercialization services relating to Angiomax. Under the master services agreement and the Angiomax work order, Innovex was to provide a sales force of up to 52 representatives, a sales territory management system and operational support for the launch of Angiomax. The Company provided the marketing plan and marketing materials for the sales force and other sales and marketing support and direction for the sales force. For Innovex services, the Company agreed to pay a daily fee for each day worked by the members of the Innovex sales force. The Company was also responsible for reimbursing Innovex for expenses incurred in providing its services and for the incentive compensation paid to the sales force. The Company had the right to terminate the work order and the master services agreement at any time upon 90 days prior written notice and could hire members of the sales force, potentially incurring additional fees to Innovex. In June 2001, the Company notified Innovex of its decision to terminate the agreement with Innovex, and in October, the Company hired most of the Innovex sales representatives. Through December 31, 2002, the Company has paid Innovex $7.0 million under the master services agreement and work order.

During 2000, 2001 and 2002, total expenses incurred for services provided by Innovex were approximately $1.7 million, $5.6 million and $0.0, respectively, of which approximately $440,000, $275,000 and $0.0 were recorded in accounts payable and accrued expenses at December 31, 2000, 2001 and 2002, respectively.

STACK PHARMACEUTICALS

In 2000, the Company entered into an agreement, with Stack Pharmaceuticals Inc. (SPI), an entity controlled by David M. Stack, then one of the Company's senior vice presidents. Pursuant to the terms of this agreement, SPI performed infrastructure services for the Company, which included providing office facilities, equipment and supplies, and such consulting, advisory and related services for the Company as was agreed upon from time to time. For the infrastructure services, the Company agreed to pay SPI a service fee of $20,100 per month. From January 2000 through March 2000, SPI provided the Company with consulting services under a consulting agreement that expired on March 31, 2000. In November 2001, the Company terminated its agreement with SPI when David M. Stack became President and Chief Executive Officer of the Company. As part of the termination agreement, the Company assumed SPI's facility lease in Parsippany, New Jersey and acquired all its furniture and equipment for approximately $70,000. Through December 31, 2001, the Company had paid SPI $711,000 under these agreements. The Company did not make any payments to SPI in 2002.

12. COMMITMENTS AND CONTINGENCIES

The Company leases its facilities in Parsippany, New Jersey and Cambridge, Massachusetts, and certain office furniture and equipment at those facilities under operating leases. The leases for the Parsippany and Cambridge facilities expire in January 2013 and August 2003, respectively.

Future annual minimum payments under all non-cancelable leases

2003	$ 808,000
2004	526,000
2005	492,000
2006	495,000
2007	503,000
Later years	2,689,000
TOTAL FUTURE ANNUAL MINIMUM PAYMENTS	$5,513,000

Rent expense was approximately $504,000 $634,000 and $685,000 in 2000, 2001 and 2002, respectively.

In addition to amounts accrued or payable as of December 31, 2002, the Company has commitments to make payments to UCB Bioproducts of a total of $9.7 million during 2003 for Angiomax bulk drug substance to be produced using the Chemilog process. The Company also has $1.9 million in contractual commitments for 2003 related to research and development activities.

The Company is involved in ordinary and routine matters and litigation incidental to its business. There are no such matters pending that the Company expects to be material in relation to its financial condition or results of operations.

13. EMPLOYEE BENEFIT PLAN

The Company has an employee savings and retirement plan which is qualified under Section 401(k) of the Internal Revenue Code. The Company's employees may elect to reduce their current compensation up to the statutorily prescribed limit and have the amount of such reduction contributed to the 401(k) plan. The Company may make matching or additional contributions to the 401(k) plan in amounts to be determined annually by the Board of Directors. The Company has not made any matching or additional contributions to date.

14. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents selected quarterly financial data for the years ended December 31, 2001 and 2002.

	THREE MONTHS ENDED							
	MAR. 31, 2001	JUNE 30, 2001	SEPT. 30, 2001	DEC. 31, 2001	MAR. 31, 2002	JUNE 30, 2002	SEPT. 30, 2002	DEC. 31, 2002
	(IN THOUSANDS, EXCEPT PER SHARE DATA)							
Net revenue	$ 1,861	$ 2,048	$ 3,526	$ 6,813	$ 7,715	$ 7,156	$ 9,133	$14,297
Cost of sales	332	319	565	894	1,085	1,647	2,227	5,324
Total operating expenses	21,987	18,196	15,623	15,639	19,726	20,439	20,561	24,317
Net loss	(19,056)	(16,003)	(11,309)	(8,516)	(11,641)	(13,141)	(11,212)	(9,837)
Net loss attributable to common stockholders	(19,056)	(16,003)	(11,309)	(8,516)	(11,641)	(13,141)	(11,212)	(9,837)
Basic and diluted net loss attributable to common stockholders per common share	$ (0.63)	$ (0.49)	$ (0.33)	$ (0.25)	$ (0.34)	$ (0.37)	$ (0.29)	$ (0.25)
Pro forma basic and diluted net loss attributable to common stockholders per common share	(0.63)	(0.49)	(0.33)	(0.25)	(0.34)	(0.37)	(0.29)	(0.25)
Market Price								
High	$ 20.48	$ 22.05	$ 22.20	$ 12.15	$ 14.81	$ 14.33	$ 12.50	$ 17.50
Low	$ 8.75	$ 9.10	$ 4.52	$ 4.81	$ 9.86	$ 7.40	$ 7.22	$ 9.45

INDEX TO EXHIBITS

NUMBER	DESCRIPTION
3.1(1)	Third Amended and Restated Certificate of Incorporation of the registrant
3.2(5)	Amended and Restated By−laws of the registrant, as amended
4.1(1)	Form of Common Stock Purchase Warrant dated October 19, 1999
4.2(1)	Form of Common Stock Purchase Warrant dated March 2, 2000
10.1(1)	1998 Stock Incentive Plan, as amended
10.2(5)	2000 Employee Stock Purchase Plan, as amended
10.3(2)*	2000 Outside Director Stock Option Plan
10.4(6)	2001 Non−Officer, Non−Director Employee Stock Incentive Plan
10.4(1)	Amended and Restated Registration Rights Agreement, dated as of August 12, 1998, as amended, by and among the registrant and the other parties thereto
10.6(1)+	Chemilog Development and Supply Agreement, dated as of December 20, 1999, by and between the registrant and UCB Bioproducts S.A.
10.7(1)+	License Agreement, dated as of June 6, 1990, by and between Biogen, Inc. and Health Research, Inc., as assigned to the registrant
10.8(1)+	License Agreement dated March 21, 1997, by and between the registrant and Biogen, Inc.
10.9(1)+	Development and Commercialization Agreement, dated August 16, 1999, by and between the registrant and GyneLogix, Inc.
10.10(4)	Termination Agreement, dated November 1, 2001, by and between the Registrant and Stack Pharmaceuticals, Inc. relating to the Services Agreement dated April 1, 2000, as amended
10.11(3)	Form of Stock Purchase Agreement dated May 11, 2001 between the registrant and the selling stockholders party thereto
10.12(1)*	Employment agreement dated September 5, 1996 by and between the registrant and Clive Meanwell
10.15(2)*	Employment Agreement dated October 16, 1997 by and between the registrant and John D. Richards
10.18(4)*	Amended and Restated Employment Agreement, dated November 1, 2001, by and between the Registrant and David M. Stack
10.19(1)	Lease for One Cambridge Center dated March 15, 1997 by and between Boston Properties, Inc. and the registrant, as amended
10.20(2)	Lease for Five Sylvan Way dated August 15, 2000, by and between the registrant and Mack−Cali Morris Realty LLC
10.21(4)	Assignment and Assumption of Lease, dated October 18, 2001, by and between the Registrant and Stack Pharmaceuticals, Inc.
10.22	Lease for 8 Campus Drive dated September 30, 2002 by and between Sylvan/Campus Realty L.L.C. and the registrant
21(2)	Subsidiaries of the registrant
23	Consent of Ernst &Young LLP, Independent Auditors
99.1	Executive Chairman −− Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes−Oxley Act of 2002

NUMBER	DESCRIPTION
99.2	Chief Executive Officer -- Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.3	Chief Financial Officer -- Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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* Management contract or compensatory plan or arrangement filed as an exhibit to this form pursuant to Items 15(a) and 15(c) of Form 10-K

\+ Confidential treatment was granted for certain portions of this Exhibit pursuant to Rule 406 promulgated under the Securities Act

(1) Incorporated by reference to the exhibits to the registration statement on Form S-1 (registration no. 333-37404)

(2) Incorporated by reference to the exhibits to the registration statement on Form S-1 (registration no. 333-53280)

(3) Incorporated by reference to the exhibits to the registration statement on Form S-1 (registration no. 333-61430)

(4) Incorporated by reference to the exhibits to the registrant's quarterly report on Form 10-Q for the quarter ended September 30, 2001

(5) Incorporated by reference to the exhibits to the registrant's annual report on Form 10-K for the fiscal year ended December 31, 2001

(6) Incorporated by reference to the exhibits to the registration statement on Form S-8 (registration no. 333-74612)

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Exhibit 10.22

LEASE

FROM:

SYLVAN/ CAMPUS REALTY L.L.C.

LESSOR

TO:

THE MEDICINES COMPANY

LESSEE

BUILDING:

8 CAMPUS DRIVE
PARSIPPANY, NEW JERSEY

TABLE OF CONTENTS

LEASE, is made the 30th day of September, 2002 between SYLVAN/ CAMPUS REALTY L.L.C. (herein referred to as "Lessor") whose address is c/o Mack−Cali Realty Corporation, 11 Commerce Drive, Cranford, New Jersey 07016 and THE MEDICINES COMPANY (herein referred to as "Lessee") whose address is 5 Sylvan Way, Parsippany, New Jersey, 07054.

PREAMBLE

BASIC LEASE PROVISIONS AND DEFINITIONS

In addition to other terms elsewhere defined in this Lease, the following terms whenever used in this Lease shall have only the meanings set forth in this section, unless such meanings are expressly modified, limited or expanded elsewhere herein.

1. ADDITIONAL RENT shall mean all sums in addition to Fixed Basic Rent payable by Lessee to Lessor pursuant to the provisions of the Lease.

2. BASE PERIOD COSTS shall mean the following:

   A. Base Operating Costs: Those Operating Costs incurred during Calendar Year 2003.

   B. Base Real Estate Taxes: Those Real Estate Taxes incurred during Calendar Year 2003.

   C. Base Utility and Energy Costs: Those Utility and Energy Costs incurred during Calendar Year 2003

3. BUILDING shall mean 8 Campus Drive, Parsippany, New Jersey.

4. BUILDING HOLIDAYS shall be those shown on Exhibit F.

5. BUILDING HOURS shall be Monday through Friday, 8:00 a.m. to 6:00 p.m., but excluding those holidays as set forth on Exhibit F attached hereto and made a part hereof, except that Common Facilities, lighting in the Building and Office Building Area shall be maintained for such additional hours as, in Lessor's sole judgement, is necessary or desirable to insure proper operating of the Building and Office Building Area.

6. COMMENCEMENT DATE is the date of this Lease. RENT COMMENCEMENT DATE is the date which is the earlier of (i) the date upon which Lessee, or anyone claiming under or through Lessee, commences using the Premises for the conduct of business, or (ii) the date which is ninety (90) days after the date of this Lease.

7. DEMISED PREMISES OR PREMISES shall be deemed to be 16,779 gross rentable square feet on the second (2nd) floor as shown on Exhibit A hereto, which includes an allocable share of the Common Facilities as defined in Article 42(b).

8. EXHIBITS shall be the following, attached to this Lease and incorporated herein and made a part hereof.

Exhibit A	Location of Premises
Exhibit A−1	Office Building Area
Exhibit B	Rules and Regulations
Exhibit C	Lessor's Work
Exhibit C−1	Air Conditioning & Heating Design Standards
Exhibit D	Cleaning Services
Exhibit E	Building Holidays
Exhibit F	Tenant Estoppel Certificate
Exhibit G	Commencement Date Agreement
Exhibit H	Form of Letter of Credit
Exhibit I	Exclusions from Operating Costs

9. EXPIRATION DATE shall be the last day of the month in which the day before the ten (10) year anniversary of the Rent Commencement Date occurs.

10. FIXED BASIC RENT shall mean: FIVE MILLION SEVENTY-FIVE THOUSAND SIX HUNDRED FORTY-SEVEN AND 50/100 DOLLARS ($5,075,647.50) for the Term commencing on the Rent Commencement Date payable as follows:

Year	Yearly Rate	Monthly Installments
1	$469,812.00	$39,151.00
2	$478,201.50	$39,850.13
3	$486,591.00	$40,549.25
4	$494,980.50	$41,248.38
5	$503,370.00	$41,947.50
6	$511,759.50	$42,646.63
7	$520,149.00	$43,345.75
8	$528,538.50	$44,044.88
9	$536,928.00	$44,744.00
10	$545,317.50	$45,443.13

11. LESSEE'S BROKER shall mean Trammell Crow Company.

12. LESSEE'S PERCENTAGE shall be 7.80% subject to adjustment as provided in the Lease.

13. OFFICE BUILDING AREA is as set forth on Exhibit A-1.

14. PARKING SPACES shall mean a total of sixty-three (63) unassigned surface parking spaces.

15. PERMITTED USE shall be general office use and for no other purpose.

16. SECURITY DEPOSIT shall be EIGHTY-FOUR THOUSAND FIVE HUNDRED NINETY-FIVE AND 00/100 DOLLARS ($84,595.00)

17. TERM shall mean ten (10) years from the Rent Commencement Date, plus the number of days, if any, to have the Lease expire on the last day of a calendar month, unless extended pursuant to any option contained herein.

-- End of Preamble --

W I T N E S S E T H

For and in consideration of the covenants herein contained, and upon the terms and conditions herein set forth, Lessor and Lessee agree as follows:

1. DESCRIPTION:

Lessor hereby leases to Lessee, and Lessee hereby hires from Lessor, the Premises as defined in the Preamble which includes an allocable share of the Common Facilities, as shown on the plan or plans, initialed by the parties hereto, marked Exhibit A attached hereto and made part of this Lease in the Building as defined in the Preamble, (hereinafter called the "Building") which is situated on that certain parcel of land (hereinafter called "Office Building Area") as described on Exhibit A-1 attached hereto and made part of this Lease, together, with the right to use in common with other lessees of the Building, their invitees, customers and employees, those public areas of the Common Facilities as hereinafter defined.

2. TERM:

The Premises are leased for a term to commence on the Commencement Date, and to end at 12:00 midnight on the Expiration Date, all as defined in the Preamble.

3. BASIC RENT:

The Lessee shall pay to the Lessor during the Term, the Fixed Basic Rent as defined in the Preamble (hereinafter called "Fixed Basic Rent") payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. The Fixed Basic Rent shall accrue at the Yearly Rate as defined in the Preamble and shall be payable, in advance, on the first day of each calendar month during the Term commencing on the Rent Commencement Date at the Monthly Installments as defined in the Preamble, except that a proportionately lesser sum may be paid for the first and last months of the Term of this Lease if the Term commences on a day other than the first day of the month, in accordance with the provisions of this Lease herein set forth. Lessor acknowledges receipt from Lessee of the first monthly installment by check, subject to collection, for Fixed Basic Rent for the first month of the Lease Term. Lessee shall pay Fixed Basic Rent, and any Additional Rent as hereinafter provided, to Lessor at Lessor's above stated address, or at such other place as Lessor may designate in writing, without demand and without counterclaim, deduction or set off.

4. USE AND OCCUPANCY:

Lessee shall use and occupy the Premises for the Permitted Use as defined in the Preamble.

Lessee hereby acknowledges "no smoking" is permitted in the Common Facilities. Lessee shall use its best efforts to enforce Lessor's policy prohibiting its employees, agents or invitees from smoking within the Common Facilities including the areas outside of the Building's main entrance.

5. CARE AND REPAIR OF PREMISES/ENVIRONMENTAL:

(a) Lessee shall commit no act of waste and shall take good care of the Premises and the fixtures and appurtenances therein, and shall, in the use and occupancy of the Premises, conform to all laws, orders and regulations of the federal, state and municipal governments or any of their departments affecting the Premises and with any and all environmental requirements resulting from the Lessee's particular use of the Premises, this covenant to survive the expiration or sooner termination of the Lease. Notwithstanding anything to the contrary contained in this Lease, Lessee shall not be required to make any repairs, alterations or modifications to the Premises as a result of any laws, orders and regulations of the federal, state and municipal governments or any of their departments affecting the Premises unless the need for

such repairs, alterations or modifications arises from the particular manner in which Lessee uses the Premises, and repairs, alterations or modifications to the Premises as a result of any laws, orders and regulations of the federal, state and municipal governments or any of their departments affecting the Premises which are required of all owners and tenants generally, and do not arise from the particular manner in which an owner or tenant uses its premises, shall be undertaken by and at the sole cost and expense of Lessor and same may be included in Operating Costs pursuant to Article 23 of this Lease. Lessor shall, subject to the same being included in Operating Costs (except as expressly excluded in the immediately preceding sentence.), make all necessary repairs to the Premises, Common Facilities and to the assigned parking areas, if any, except where the repair has been made necessary by misuse or neglect by Lessee or Lessee's agents, servants, visitors or licensees, in which event Lessor shall nevertheless make the repair but Lessee shall pay to Lessor, as Additional Rent, immediately upon demand, the costs therefor. All improvements made by Lessee to the Premises, which are so attached to the Premises, shall become the property of Lessor upon installation. Not later than the last day of the Term, Lessee shall, at Lessee's expense, remove all Lessee's personal property and those improvements made by Lessee which have not become the property of Lessor, including trade fixtures, cabinetwork, movable paneling, partitions and the like; repair all injury done by or in connection with the installation or removal of said property and improvements; and surrender the Premises in as good condition as they were at the beginning of the Term, reasonable wear and damage by fire, the elements, casualty or other cause not due to the misuse or neglect by Lessee, Lessee's agents, servants, visitors or licensees excepted and excluding maintenance and repairs required to be undertaken by Lessor. All other property of Lessee remaining on the Premises after the last day of the Term of this Lease shall be conclusively deemed abandoned and may be removed by Lessor, and Lessee shall reimburse Lessor for the cost of such removal. Lessor may have any such property stored at Lessee's risk and expense.

ENVIRONMENTAL

(b) COMPLIANCE WITH ENVIRONMENTAL LAWS. Lessee shall, at Lessee's own expense, promptly comply with each and every federal, state, county and municipal environmental law, ordinance, rule, regulation, order, directive and requirement, now or hereafter existing ("Environmental Laws"), applicable to the Premises, Lessee, Lessee's operations at the Premises, or all of them, except if there is any violation of Environmental Laws with regard to the Premises existing at the date of this Lease, Lessor shall comply therewith at its sole cost and expense, which cost and expense shall not be included in Operating Costs.

(c) ISRA COMPLIANCE. Lessee shall, at Lessee's own expense, comply with the Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq., the regulations promulgated thereunder and any amending and successor legislation and regulations ("ISRA"), if and to the extent the need for such compliance is triggered by Lessee having become an Industrial Establishment (as defined in ISRA) with respect to its use of the Premises.

(d) INFORMATION TO LESSOR. At no expense to Lessor, Lessee shall promptly provide all information and sign all documents requested by Lessor with respect to compliance with Environmental Laws.

(e) LESSOR AUDIT. Lessee shall permit Lessor and its representatives access to the Premises, from time to time, to conduct an environmental assessment, investigation and sampling, all at Lessor's own expense. If such assessment, investigation and sampling reveal a violation of this provision, the cost shall be borne by Lessee.

(f) LESSEE REMEDIATION. Should any assessment, investigation or sampling reveal the existence of any spill, discharge or placement of Contaminants in, on, under, or about, or migrating from or onto the Premises, the Building or the Office Building Area, as a result of the action or omission of Lessee or a "Lessee Representative", then, in addition to being in default under this Lease and Lessor having all rights available to Lessor under this Lease and by law by reason of such default, Lessee shall, at Lessee's own expense, in accordance with Environmental Laws, undertake all action required by Lessor and any governmental authority, including, without

limitation, promptly obtaining and delivering to Lessor an unconditional No Further Action Letter. For purposes of this Article, the term "Lessee's Representative" shall mean any shareholder, officer, director, member, partner, employee, agent, licensee, assignee, sublessee or invitee of Lessee, or any third party for whom Lessee is legally responsible. In no event shall any of Lessee's remedial action involve engineering or institutional controls, a groundwater classification exception area or well restriction area, and Lessee's remedial action shall meet the most stringent published or unpublished remediation standards for soil, surface water, groundwater and drinking water. Promptly upon completion of all required investigatory and remedial activities, Lessee shall, at Lessee's own expense, to Lessor's satisfaction, restore the affected areas of the Premises, the Building or the Office Building Area, as the case may be, from any damage or condition caused by the investigatory or remedial work.

(g) ENVIRONMENTAL QUESTIONNAIRE. Upon Lessor's request, contemporaneously with the signing and delivery of this Lease, and thereafter upon renewal of the lease, if at all, Lessee shall complete, execute and deliver to Lessor an environmental questionnaire in form and substance satisfactory to Lessor.

(h) ENVIRONMENTAL DOCUMENTS AND CONDITIONS. For purposes of this Article, the term "Environmental Documents" shall mean all environmental documentation concerning the Building or the Office Building Area, of which the Premises is a part, or its environs, in the possession or under the control of Lessee, including, without limitation, plans, reports, correspondence and submissions. During the term of this Lease and subsequently, promptly upon receipt by Lessee or Lessee's Representatives, Lessee shall deliver to Lessor all Environmental Documents concerning or generated by or on behalf of Lessee, whether currently or hereafter existing. In addition, Lessee shall promptly notify Lessor of any environmental condition of which Lessee has knowledge, which may exist in, on, under, or about, or may be migrating from or onto the Building or the Office Building Area.

(i) LESSOR'S RIGHT TO PERFORM LESSEE'S OBLIGATIONS. Notwithstanding anything to the contrary set forth in this Lease, in the event, pursuant to this Lease, Lessee is required to undertake any sampling, assessment, investigation or remediation with respect to the Premises, the Building or the Office Building Area, as the case may be, then, at Lessor's discretion, Lessor shall have the right, if Lessee has failed to do so with reasonable promptness upon notice to Lessee, from time to time, to perform such activities at Lessee's expense, and all sums incurred by Lessor shall be paid by Lessee, as Additional Rent, upon demand.

(j) INDEMNITY. Lessee shall indemnify, defend and hold harmless Lessor, Lessor's officers, directors, shareholders, employees and personal or legal representatives from and against any and all claims, liabilities, losses, damages, penalties and costs, foreseen or unforeseen, including, without limitation, counsel, engineering and other professional or expert fees, which an indemnified party may incur resulting directly or indirectly, wholly or partly from Lessee's actions or omissions with regard to Lessee's obligations under this Article.

Lessor shall indemnify, defend and hold harmless Lessee, Lessee's officers, directors, shareholders, employees and personal or legal representatives from and against any and all claims, liabilities, losses, damages, penalties and costs, foreseen or unforeseen, including, without limitation, counsel, engineering and other professional or expert fees, which an indemnified party may incur resulting directly or indirectly, wholly or partly from Lessor's actions or omissions with regard to Lessor's obligations under this Article. Any cost or expense incurred by Lessor pursuant to this indemnity shall be excluded from Operating Costs.

(k) SURVIVAL. This Article shall survive the expiration or earlier termination of this lease. Lessee's failure to abide by the terms of this Article shall be restrainable or enforceable, as the case may be, by injunction.

(l) INTERPRETATION. The obligations imposed upon Lessee under subparagraphs (a) through (j) above are in addition to and are not intended to limit, but to expand upon, the obligations imposed upon Lessee under this Article 5. As used in this Article, the term "Contaminants" shall include, without limitation, any regulated substance, toxic

substance, hazardous substance, hazardous waste, pollution, pollutant, contaminant, petroleum, asbestos or polychlorinated biphenyls, as defined or referred to in any Environmental Laws. Where a law or regulation defines any of these terms more broadly then another, the broader definition shall apply.

6. ALTERATIONS, ADDITIONS OR IMPROVEMENTS:

Lessee shall not, without first obtaining the written consent of Lessor, make any structural or Building Systems alterations, additions or improvements in, to or about the Premises. Building Systems shall mean any structural, life safety, plumbing, electrical, heating, ventilation or air conditioning system or its components. Lessee shall not, without first obtaining the written consent of Lessor (which shall not be unreasonably withheld or delayed) make any non−Building Systems alterations, additions or improvements in, to or about the Premises. Lessee may, upon notification to Lessor, perform minor cosmetic improvements, such as painting and wallpapering, without prior consent of Lessor.

7. ACTIVITIES INCREASING FIRE INSURANCE RATES:

Lessee shall not do or suffer anything to be done on the Premises which will increase the rate of fire insurance on the Building.

8. ASSIGNMENT AND SUBLEASE:

Provided Lessee is not in default of any provisions of this Lease, Lessee may assign or sublease the within Lease to any party subject to the following:

a. In the event Lessee desires to assign this Lease or sublease all or part of the Premises to any other party, the terms and conditions of such assignment or sublease shall be communicated to the Lessor in writing no less than thirty (30) days prior to the effective date of any such sublease or assignment, and, prior to such effective date, the Lessor shall have the option, exercisable in writing to the Lessee, to: (i) recapture in the case of subletting, that portion of the Premises to be sublet or all of the Premises in the case of an assignment ("Recapture Space") so that such prospective sublessee or assignee shall then become the lessee of Lessor hereunder, or (ii) recapture the Recapture Space for Lessor's own use. In the event that Lessor exercise its option to Recapture Space, the within Lessee shall be fully released from any and all obligations hereunder with respect to the Recapture Space and the Fixed Basic Rent and Lessee's Percentage shall be adjusted appropriately. Lessor shall advise Lessee in writing of Lessor's election with respect to the Recapture Space within twenty (20) days after Lessor's receipt of Lessee's notice of its intent to sublet or assign. Notwithstanding the foregoing, Lessor shall have no right to exercise its rights pursuant to clauses (i) or (ii) above if the space that Lessee proposes to sublet is less than eighty percent (80%) of the Premises and the term of such subletting, including renewal options, if any, is to expire at any time prior to the commencement of the last year of the Term.

b. In the event that the Lessor elects not to recapture the Lease or relet the Premises as hereinabove provided or in the event the proposed sublease falls within the provisions of the last sentence of sub section a. above, the Lessee may assign this Lease or sublet the whole or any portion of the Premises, subject to the Lessor's prior written consent, which consent shall not be unreasonably withheld and shall be deemed to have been given if Lessor does not advise Lessee otherwise in writing not less than twenty (20) days after Lessor's receipt of Lessee's notice of its intent to sublease or assign, on the basis of the following terms and conditions:

i. The Lessee shall provide to the Lessor the name and address of the assignee or sublessee.

ii. The assignee or sublessee shall assume, by written instrument, all of the obligations of this Lease, and a copy of such assumption agreement shall be furnished to the Lessor within ten (10) days of its execution. Any sublease

shall expressly acknowledge that said sublessee's rights against Lessor shall be no greater than those of Lessee. Lessee further agrees that notwithstanding any such subletting, no other and further subletting of the Premises by Lessee or any person claiming through or under Lessee shall or will be made except upon compliance with and subject to the provisions of this Article 8.

iii. Each sublease shall provide that it is subject and subordinate to this Lease and to the matters to which this Lease is or shall be subordinate, and that in the event of default by Lessee under this Lease, Lessor may, at its option, take over all of the right, title and interest of Lessee, as sublessor, under such sublease, and such sublessee shall, at Lessor's option, attorn to Lessor pursuant to the then executory provisions of such sublease, except that Lessor shall not (i) be liable for any previous act or omission of Lessee under such sublease or, (ii) be subject to any offset not expressly provided in such sublease which theretofore accrued to such sublease to which Lessor has not specifically consented in writing or by any previous prepayment of more than one month's rent.

iv. The Lessee and each assignee shall be and remain liable for the observance of all the covenants and provisions of this Lease, including, but not limited to, the payment of Fixed Basic Rent and Additional Rent reserved herein, through the entire Term of this Lease, as the same may be renewed, extended or otherwise modified.

v. The Lessee and any assignee shall promptly pay to Lessor fifty percent (50%) of any consideration received for any assignment and/or fifty percent (50%) of the rent, as and when received, in excess of the Rent required to be paid by Lessee for the area sublet computed on the basis of an average square foot rent for the gross square footage Lessee has leased after deducting therefrom Lessee's actual and reasonable expenses in connection with such sublease or assignment.

vi. In any event, the acceptance by the Lessor of any rent from the assignee or from any of the subtenants or the failure of the Lessor to insist upon a strict performance of any of the terms, conditions and covenants herein shall not release the Lessee herein, nor any assignee assuming this Lease, from any and all of the obligations herein during and for the entire Term of this Lease.

vii. In Lessor's reasonable judgment, the proposed assignee or subtenant is engaged in a business or activity, and the Premises, or the relevant part thereof, will be used in a manner, which (a) is in keeping with the then standard of the Building and (b) is limited to the use of the Premises as general offices.

viii. The proposed assignee or subtenant is not then an occupant of any part of the Building or any other building then owned by Lessor or its affiliates within the Mack−Cali Business Campus and Lessor has space available for leasing reasonably equivalent to the Premises, in the case of an assignment, or the space proposed to be sublet, in the case of a subletting. For the purposes hereof, the "Mack−Cali Business Campus" shall mean, Two Hilton Court, One Sylvan Way, Two Dryden Way, 4 Campus Drive, 4 Gatehall Drive, 5 Sylvan Way, 6 Campus Drive, 600 Parsippany Road, 7 Campus Drive, 7 Sylvan Way, and 9 Campus Drive.

ix. The proposed assignee or subtenant is not an entity or a person with whom Lessor is or has been, within the preceding sixty (60) day period, engaged in active negotiations to lease space in the Building or any other building owned by Lessor or its affiliates within the Mack−Cali Business Campus and Lessor has space available for leasing reasonably equivalent to the Premises, in the case of an assignment, or the space proposed to be sublet in case of a subletting.

x. There shall not be more than three (3) subtenants in the Premises.

xi. Lessee shall not publicly advertise the subtenancy for less than the then current market rent per rentable square foot for the Premises as though the Premises were vacant; provided that nothing contained herein shall prohibit subleases for less than the then current market rent.

xii. Lessee shall not have (a) publicly advertised the availability of the Premises without prior notice to and approval by Lessor (which approval shall not be unreasonably withheld or delayed), nor shall any advertisement state the name (as distinguished from the address) of the Building or (b) listed the Premises for subletting or assignment other than with a broker, agent or representative who waives any entitlement to a commission or other fee from Lessor in the event of a recapturing of the Premises;

xiii. The proposed occupancy shall not, in Lessor's reasonable opinion, exceed the parking allocation presently provided for in this Lease;

xiv. The proposed assignee or subtenant shall only use the Premises for general offices and shall not be engaged in any of the following:

(a) educational, including but not limited to, instructional facilities and correspondence schools;

(b) employment agencies;

(c) model agencies;

(d) photographic studios or laboratories;

(e) spas, health, physical fitness or exercise salons;

(f) small loan offices;

(g) real estate brokerage or real estate sales offices open to the general public or construction offices;

(h) medical or dental facilities, including professional offices, treatment facilities, dispensaries or laboratories;

(i) federal, state or local government offices;

(j) so−called boiler room operations;

(k) retail stock brokerage offices; and

(l) religious organizations making facilities available to congregations for uses other than business purposes; and

(m) executive office suite use.

xv. The proposed assignee or subtenant shall not be entitled, directly or indirectly, to diplomatic or sovereign immunity and shall be subject to the service of process in, and the jurisdiction of, the state courts of New Jersey.

xvi. Lessor shall require a FIVE HUNDRED AND 00/100 DOLLAR ($500.00) payment to cover its handling charges for each request for consent to any sublet or assignment prior to its consideration of the same. Unless it is judicially determined that Lessor has acted in bad faith, Lessee acknowledges that its sole remedy with respect to any assertion that Lessor's failure to consent to any sublet or assignment is unreasonable shall be the remedy of specific performance and Lessee shall have no other claim or cause of action against Lessor as a result of Lessor's actions in refusing to consent thereto.

c. If Lessee is a corporation other than a corporation whose stock is listed and traded on a nationally recognized stock exchange, the provisions of Sub−section a. shall apply to a transfer (however accomplished, whether in a single transaction or in a series of related or unrelated transactions) of stock (or any other mechanism such as, by way of example, the issuance of additional stock, a stock voting agreement or change in class(es) of stock) which results in a change of control of Lessee as if such transfer of stock (or other mechanism) which results in a change of control of Lessee were an assignment of this Lease, and if Lessee is a partnership or joint venture, said provisions shall apply with respect to a transfer (by one or more transfers) of an interest in the distributions of profits and losses of such partnership or joint venture (or other mechanism, such as, by way of example, the creation of additional general partnership or limited partnership interests) which results in a change of control of such a partnership or joint venture, as if such transfer of an interest in the distributions of profits and

losses of such partnership or joint venture which results in

a change of control of such partnership or joint venture were an assignment of this Lease; provided, however: (A) said provisions of Sub−section a. of this Article 7 shall not apply to transactions with a corporation into or with which Lessee is merged or consolidated or to which all or substantially all of Lessee's assets are transferred or to any corporation which controls or is controlled by Lessee or is under common control with Lessee (any of such transactions, a "Capital Transaction"), (B) Lessor's consent shall not be required with respect to a Capital Transaction in which (i) the successor to Lessee has the financial ability, in Lessor's reasonable discretion, to meet Lessee's obligations under the Lease, and (ii) proof satisfactory to Lessor of such financial ability to meet Lessee's obligations shall have been delivered to Lessor at least 10 days prior to the effective date of any such transaction.

d. In the event that any or all of Lessee's interest in the Premises and/or this Lease is transferred by operation of law to any trustee, receiver, or other representative or agent of Lessee, or to Lessee as a debtor in possession, and subsequently any or all of Lessee's interest in the Premises and/or this Lease is offered or to be offered by Lessee or any trustee, receiver, or other representative or agent of Lessee as to its estate or property (such person, firm or entity being hereinafter referred to as the "Grantor"), for assignment, conveyance, lease, or other disposition to a person, firm or entity other than Lessor (each such transaction being hereinafter referred to as a "Disposition"), it is agreed that Lessor has and shall have a right of first refusal to purchase, take, or otherwise acquire, the same upon the same terms and conditions as the Grantor thereof shall accept upon such Disposition to such other person, firm, or entity; and as to each such Disposition the Grantor shall give written notice to Lessor in reasonable detail of all of the terms and conditions of such Disposition within twenty (20) days next following its determination to accept the same but prior to accepting the same, and Grantor shall not make the Disposition until and unless Lessor has failed or refused to accept such right of first refusal as to the Disposition, as set forth herein.

   Lessor shall have sixty (60) days next following its receipt of the written notice as to such Disposition in which to exercise the option to acquire Lessee's interest by such Disposition, and the exercise of the option by Lessor shall be effected by notice to that effect sent to the Grantor; but nothing herein shall require Lessor to accept a particular Disposition or any Disposition, nor does the rejection of any one such offer of first refusal constitute a waiver or release of the obligation of the Grantor to submit other offers hereunder to Lessor. In the event Lessor accept such offer of first refusal, the transaction shall be consummated pursuant to the terms and conditions of the Disposition described in the notice to Lessor. In the event Lessor rejects such offer of first refusal, Grantor may consummate the Disposition with such other person, firm, or entity; but any decrease in price of more than two percent (2%) of the price sought from Lessor or any change in the terms of payment for such Disposition shall constitute a new transaction requiring a further option of first refusal to be given to Lessor hereunder.

e. Without limiting any of the provisions of Articles 12 and 13, if pursuant to the Federal Bankruptcy Code (herein referred to as the "Code"), or any similar law hereafter enacted having the same general purpose, Lessee is permitted to assign this Lease notwithstanding the restrictions contained in this Lease, adequate assurance of future performance by an assignee expressly permitted under such Code shall be deemed to mean the deposit of cash security in an amount equal to the sum of one year's Fixed Basic Rent plus an amount equal to the Additional Rent for the calendar year preceding the year in which such assignment is intended to become effective, which deposit shall be held by Lessor for the balance of the Term, without interest, as security for the full performance of all of Lessee's obligations under this Lease, to be held and applied in the manner specified for security in Article 16.

f. Except as specifically set forth above, no portion of the Premises or of Lessee's interest in this Lease may be acquired by any other person or entity, whether by assignment, mortgage, sublease, transfer, operation of law or act of the Lessee, nor shall Lessee pledge its interest in this Lease or in any security deposit required hereunder.

9. COMPLIANCE WITH RULES AND REGULATIONS:

Lessee shall observe and comply with the rules and regulations hereinafter set forth in Exhibit B attached hereto and made a part hereof and with such further reasonable rules and regulations as Lessor may prescribe, on written notice to the Lessee, for the safety, care and cleanliness of the Building and the comfort, quiet and convenience of other occupants of the Building. Lessee shall not place a load upon any floor of the Premises exceeding the floor load per square foot area which it was designed to carry and which is allowed by law. Lessor reserves the right to prescribe the weight and position of all safes, business machines and mechanical equipment. Such installations shall be placed and maintained by Lessee, at Lessee's expense, in settings sufficient, in Lessor's judgement, to absorb and prevent vibration, noise and annoyance.

10. DAMAGES TO BUILDING:

If the Building is damaged by fire or any other cause to such extent the cost of restoration, as reasonably estimated by Lessor, will equal or exceed twenty−five percent (25%) of the replacement value of the Building (exclusive of foundations) just prior to the occurrence of the damage, then Lessor may, no later than the sixtieth (60th) day following the date of damage, give Lessee a notice of election to terminate this Lease, or if the cost of restoration will equal or exceed fifty percent (50%) of such replacement value and if the Premises shall not be reasonably usable for the purpose for which they are leased hereunder, or if restoration of the damage will require more than one hundred eighty (180) days to complete or if such damage is not fully repaired and reasonable access to the Premises restored within one hundred eighty (180) days from the date of damage, then, in any such event, Lessee may, no later than the sixtieth (60th) day following the date of damage or following the end of said one hundred eighty (180) day period, give Lessor a notice of election to terminate this Lease. In either said event of election, this Lease shall be deemed to terminate on the thirtieth (30th) day after the giving of said notice, and Lessee shall surrender possession of the Premises within a reasonable time thereafter, and the Fixed Basic Rent, and any Additional Rent, shall be apportioned as of the date of said casualty and any Fixed Basic Rent or Additional Rent paid for any period beyond said date shall be repaid to Lessee. If the cost of restoration or condition of the Premises shall not entitle Lessor or Lessee to terminate this Lease, or if, despite the cost or such condition, neither Lessor nor Lessee elects to terminate this Lease within the periods provided above, Lessor shall restore the Building and the Premises with reasonable promptness, subject to Force Majeure, and Lessee shall have no right to terminate this Lease, except as set forth above. Lessor need not restore fixtures and improvements owned by Lessee.

In any case in which use of the Premises is affected by any damage to the Building, there shall be either an abatement or an equitable reduction in Fixed Basic Rent, depending on the period for which and the extent to which the Premises are not reasonably usable for the purpose for which they are leased hereunder. The words "restoration" and "restore" as used in this Article 10 shall include repairs. If the damage results from the fault of the Lessee, Lessee's agents, servants, visitors or licensees, Lessee shall not be entitled to any abatement or reduction in Fixed Basic Rent, except to the extent of any rent insurance received by Lessor.

11. EMINENT DOMAIN:

If Lessee's use of the Premises is materially affected due to the taking by eminent domain of (a) the Premises or any part thereof or any estate therein; or (b) any other part of the Building; then, in either event, this Lease shall terminate on the date when title vests pursuant to such taking. The Fixed Basic Rent, and any Additional Rent, shall be apportioned as of said termination date and any Fixed Basic Rent or Additional Rent paid for any period beyond said date, shall be repaid to Lessee. Lessee shall not be entitled to any part of the award for such taking or any payment in lieu thereof, but Lessee may file a separate claim for any taking of fixtures and improvements owned by Lessee which have not become the Lessor's property, and for moving expenses, provided the same shall, in no way, affect or diminish Lessor's award. In the event of a partial taking which does not effect a termination of this Lease but does deprive Lessee of the use of a portion of the Premises, there shall either be an abatement or an equitable reduction of the Fixed Basic Rent, and an equitable

adjustment reducing the Base Period Costs as hereinafter defined depending on the period for which and the extent to which the Premises so taken are not reasonably usable for the purpose for which they are leased hereunder.

12. INSOLVENCY OF LESSEE:

Either (a) the appointment of a receiver to take possession of all or substantially all of the assets of Lessee, or, (b) a general assignment by Lessee for the benefit of creditors, or, (c) any action taken or suffered by Lessee under any insolvency or bankruptcy act, shall constitute a default of this Lease by Lessee, and Lessor may terminate this Lease forthwith and upon notice of such termination Lessee's right to possession of the Premises shall cease, and Lessee shall then quit and surrender the Premises to Lessor but Lessee shall remain liable as hereinafter provided in Article 14 hereof.

13. LESSOR'S REMEDIES ON DEFAULT:

If Lessee defaults in the payment of Fixed Basic Rent, or any Additional Rent, or defaults in the performance of any of the other covenants and conditions hereof or permits the Premises to become deserted, abandoned or vacated, Lessor may give Lessee notice of such default, and if Lessee does not cure any Fixed Basic Rent or Additional Rent default within ten (10) days or other default within thirty (30) days after giving of such notice (or if such other default is of such nature that it cannot be completely cured within such period, if Lessee does not commence such curing within such thirty (30) day period and thereafter proceed with reasonable diligence and in good faith to cure such default), then Lessor may terminate this Lease on not less than ten (10) days notice to Lessee, and on the date specified in said notice, Lessee's right to possession of the Premises shall cease but Lessee shall remain liable as hereinafter provided. If this Lease shall have been so terminated by Lessor pursuant to Articles 12 or 13 hereof, Lessor may at any time thereafter resume possession of the Premises by any lawful means and remove Lessee or other occupants and their effects. The unsuccessful party shall pay tothe prevailing party, on demand, such expenses asthe prevailing party may incur, including, without limitation, court costs and reasonable attorney's fees and disbursements, in any proceeding relating to this Lease. Notwithstanding the foregoing, Lessee's vacating of the Premises shall not be deemed a default under this Lease, provided that at the time of such vacating of the Premises, Lessee shall deliver to Lessor a certification of the Chief Executive Officer or Chief Financial Officer of Lessee certifying that Lessee has the ability to meet its financial obligations under this Lease.

14. DEFICIENCY:

In any case where Lessor has recovered possession of the Premises by reason of Lessee's default, Lessor may, at Lessor's option, occupy the Premises or cause the Premises to be redecorated, altered, divided, consolidated with other adjoining premises or otherwise changed or prepared for reletting, and may relet the Premises or any part thereof, as agent of Lessee or otherwise, for a term or terms to expire prior to, at the same time as or subsequent to, the original Expiration Date of this Lease, at Lessor's option and receive the rent therefor. Rent so received shall be applied first to the payment of such reasonable expenses as Lessor may have incurred in connection with the recovery of possession, redecorating, altering, dividing, consolidating with other adjoining premises, or otherwise changing or preparing for reletting, and the reletting, including brokerage and reasonable attorney's fees, and then to the payment of damages in amounts equal to the Fixed Basic Rent and Additional Rent hereunder and to the costs and expenses of performance of the other covenants of Lessee as herein provided. Lessee agrees, in any such case, whether or not Lessor has relet, to pay to Lessor damages equal to the Fixed Basic Rent and Additional Rent from the date of such default to the date of expiration of the term demised and other sums herein agreed to be paid by Lessee, less the net proceeds of the reletting, if any, received by Lessor during the remainder of the unexpired term hereof, as ascertained from time to time, and the same shall be payable by Lessee on the several rent days above specified. Lessee shall not be entitled to any surplus accruing as a result of any such reletting. In reletting the Premises as aforesaid, Lessor may grant commercially reasonable rent concessions, and Lessee shall not be credited therewith. No such reletting shall constitute a surrender and acceptance or be deemed evidence thereof. If Lessor elects, pursuant hereto, actually to occupy and use the Premises or

any part thereof during any part of the balance of the Term as originally fixed or since extended, there shall be allowed against Lessee's obligation for rent or damages as herein defined, during the period of Lessor's occupancy, the reasonable value of such occupancy, not to exceed, in any event, the Fixed Basic Rent and Additional Rent herein reserved and such occupancy shall not be construed as a release of Lessee's liability hereunder.

Alternatively, in any case where Lessor has recovered possession of the Premises by reason of Lessee's default, Lessor may at Lessor's option, and at any time thereafter, and without notice or other action by Lessor, and without prejudice to any other rights or remedies it might have hereunder or at law or equity, become entitled to recover from Lessee, as Damages for such breach, in addition to such other sums herein agreed to be paid by Lessee, to the date of re−entry, expiration and/or dispossess, an amount equal to the difference between the Fixed Basic Rent and Additional Rent reserved in this Lease from the date of such default to the date of Expiration of the original Term demised and the then fair and reasonable rental value of the Premises for the same period. Said Damages shall become due and payable to Lessor immediately upon such breach of this Lease and without regard to whether this Lease be terminated or not, and if this Lease be terminated, without regard to the manner in which it is terminated. In the computation of such Damages, the difference between an installment of Fixed Basic Rent and Additional Rent thereafter becoming due and the fair and reasonable rental value of the Premises for the period for which such installment was payable shall be discounted to the date of such default at the rate of not more than six percent (6%) per annum.

Lessee hereby waives all right of redemption to which Lessee or any person under Lessee might be entitled by any law now or hereafter in force.

Lessor's remedies hereunder are in addition to any remedy allowed by law.

15. SUBORDINATION OF LEASE:

This Lease shall, at Lessor's option, or at the option of any holder of any underlying lease or holder of any mortgages or trust deed, be subject and subordinate to any such underlying leases and to any such mortgages or trust deed which may now or hereafter affect the real property of which the Premises form a part, and also to all renewals, modifications, consolidations and replacements of said underlying leases and said mortgages or trust deed provided, that Lessor shall use commercially reasonable efforts to obtain a non−disturbance agreement from the holder of any such underlying lease, mortgage or trust deed. Any reasonable expenses charged by the mortgagee in connection with the obtaining of the aforesaid agreement shall be paid by Lessee. Although no instrument or act on the part of Lessee shall be necessary to effectuate such subordination, Lessee will, nevertheless, execute and deliver such further instruments confirming such subordination of this Lease as may be desired by the holders of said mortgages or trust deed or by any of the lessor's under such underlying leases. Lessee hereby appoints Lessor attorney−in−fact, irrevocably, to execute and deliver any such instrument for Lessee. If any underlying lease to which this Lease is subject terminates, Lessee shall, on timely request, attorn to the owner of the reversion.

Lessor represents that there currently is no mortgage encumbering the Premises.

16. SECURITY DEPOSIT:

Lessee shall deposit with Lessor on the signing of this Lease, the Security Deposit as defined in the Preamble for the full and faithful performance of Lessee's obligations under this Lease, including without limitation, the surrender of possession of the Premises to Lessor as herein provided. If Lessor applies any part of said Security Deposit to cure any default of Lessee, Lessee shall, on demand, deposit with Lessor the amount so applied so that Lessor shall have the full Security Deposit on hand at all times during the Term of this Lease. In the event of a bona fide sale of the Building, subject to this Lease, Lessor shall have the right to transfer the Security Deposit to the vendee, and Lessor shall be considered released by Lessee from all liability for the return of the Security Deposit; and Lessee agrees to look solely to the new lessor for the return of the Security Deposit, and it is agreed that this shall apply to every transfer or assignment made of the Security Deposit to the new lessor. Provided this Lease is not in default, the Security Deposit (less any portions thereof used, applied or retained by Lessor in accordance with the provisions of this Article 16), shall be returned to Lessee after

the expiration or sooner termination of this Lease and after delivery of the entire Premises to Lessor in accordance with the provisions of this Lease. Lessee covenants that it will not assign or encumber or attempt to assign or encumber the Security Deposit and Lessor shall not be bound by any such assignment, encumbrance or attempt thereof.

In the event of the insolvency of Lessee, or in the event a petition is filed by or against Lessee under any chapter of the bankruptcy laws of the State of New Jersey or the United States of America, then in such event, Lessor may require the Lessee to deposit additional security in an amount which in Lessor's sole judgement would be sufficient to adequately assure Lessee's performance of all of its obligations under this Lease including all payments subsequently accruing. Failure of Lessee to deposit the security required by this Article 16 within ten (10) days after Lessor's written demand shall constitute a material breach of this Lease by Lessee.

Lessee may deliver to Lessor after the date hereof, in lieu of the cash deposit set forth in this Article, an irrevocable negotiable letter of credit in amount set forth in Paragraph 16 of the Preamble and substantially in the form annexed hereto as Exhibit H. Said letter of credit shall be for a term of not less than one (1) year and shall be renewed by Lessee (without notice from Lessor) no later than forty−five (45) days prior to its expiration, and the expiration of each replacement thereof, until Lessor shall be required to return the security to Lessee pursuant to the terms of this Lease but in no event earlier than ninety (90) days after the Expiration Date, and each such renewal letter of credit shall be delivered to Lessor no later than forty−five (45) days prior to the expiration of the letter of credit then held by Lessor. If any portion of the security deposit shall be utilized by Lessor in the manner permitted by this Lease, Lessee shall, within five (5) days after request by Lessor, replenish the security account by depositing with Lessor, in cash or by letter of credit, an amount equal to that utilized by Lessor. Failure of Lessee to comply strictly with the provisions of this Article shall constitute a material breach of this Lease and Lessor shall be entitled to present the letter of credit held by for payment (without notice to Lessee). If the cash security is converted into a letter of credit, the provisions with respect to letters of credit shall apply (with the necessary changes in Points of detail) to such letter of credit deposit. In the event of a bank failure or insolvency affecting the letter of credit, Lessee shall replace same within twenty (20) days after being requested to do so by Lessor.

17. RIGHT TO CURE LESSEE'S BREACH:

If Lessee breaches any covenant or condition of this Lease, Lessor may, on reasonable notice to Lessee (except that no notice need be given in case of emergency), cure such breach at the expense of Lessee and the reasonable amount of all expenses, including attorney's fees, incurred by Lessor in so doing (whether paid by Lessor or not) shall be deemed Additional Rent payable on demand.

18. MECHANIC'S LIENS:

Lessee shall, within fifteen (15) days after notice from Lessor, discharge or satisfy by bonding or otherwise any mechanic liens for materials or labor claimed to have been furnished to the Premises on Lessee's behalf.

19. RIGHT TO INSPECT AND REPAIR:

Lessor may enter the Premises but shall not be obligated to do so (except as required by any specific provision of this Lease) at any reasonable time on reasonable notice to Lessee (except that no notice need be given in case of emergency), in such a manner and at such times as to minimize interference with Lessee's business, for the purpose of inspection or the making of such repairs, replacement or additions in, to, on and about the Premises or the Building, as Lessor deems necessary or desirable. Lessee shall have no claims or cause of action against Lessor by reason thereof. In no event shall Lessee have any claim against Lessor for interruption of Lessee's business, however occurring, including but not limited to that arising from the negligence of Lessor, its agents, servants or invitees, or from defects, errors or omissions in the construction or design of the Premises and/or the Building, including the structural and non−structural portions thereof.

20. SERVICES TO BE PROVIDED BY LESSOR/LESSOR'S EXCULPATION:

Subject to intervening laws, ordinances, regulations and executive orders, Lessor agrees to furnish, except on holidays, as set forth on Exhibit E attached hereto and made a part hereof:

a. The cleaning services, as set forth on Exhibit D attached hereto and made a part hereof, and subject to the conditions therein stated. Except as set forth on Exhibit D, Lessee shall pay the cost of all other cleaning services required by Lessee.

b. Heating, ventilating and air conditioning (herein "HVAC") as appropriate for the season, and as set forth on Exhibit C−1, attached hereto and made a part hereof, together with Common Facilities lighting and electric energy all during Building Hours, as defined in the Preamble.

c. Cold and hot water for drinking and lavatory purposes.

d. Elevator service during Building Hours (if the Building contains an elevator or elevators for the use of the occupants thereof).

e. Restroom supplies and exterior window cleaning when reasonably required.

f. Notwithstanding the requirements of Exhibit C−1 (as to HVAC) or D or any other provision of this Lease, Lessor shall not be liable for failure to furnish any of the aforesaid services when such failure is due to Force Majeure, as hereinafter defined. Lessor shall not be liable, under any circumstances, including, but not limited to, that arising from the negligence of Lessor, its agents, servants or invitees, or from defects, errors or omissions in the construction or design of the Premises and/or the Building, including the structural and non−structural portions thereof, for loss of or injury to Lessee or to property, however occurring, through or in connection with or incidental to the furnishings of, or failure to furnish, any of the aforesaid services or for any interruption to Lessee's business, however occurring.

21. INTERRUPTION OF SERVICES OR USE:

Interruption or curtailment of any service maintained in the Building or at the Office Building Area, if caused by Force Majeure, as hereinafter defined, shall not entitle Lessee to any claim against Lessor or to any abatement in rent, and shall not constitute a constructive or partial eviction, unless Lessor fails to take measures as may be reasonable under the circumstances to restore the service without undue delay. If the Premises are rendered untenantable in whole or in part, for a period of five (5) consecutive business days, by the making of repairs, replacements or additions, other than those made with Lessee's consent or caused by misuse or neglect by Lessee, or Lessee's agents, servants, visitors or licensees, there shall be a proportionate abatement of Rent from and after said fifth (5th) consecutive business day and continuing for the period of such untenantability. In no event, shall Lessee be entitled to claim a constructive eviction from the Premises unless Lessee shall first have notified Lessor in writing of the condition or conditions giving rise thereto, and if the complaints be justified, unless Lessor shall have failed, within a reasonable time after receipt of such notice, to remedy, or commence and proceed with due diligence to remedy such condition or conditions, all subject to Force Majeure as hereinafter defined.

22. BUILDING STANDARD OFFICE ELECTRICAL SERVICE:

The cost of electric current which is supplied by the Lessor for use by the Lessee in the Premises, other than for heating or air conditioning purposes, shall be reimbursed to the Lessor at terms, classification and rates normally charged by the public utilities corporation serving that part of the municipality where the subject Premises are located.

a. From and after the Commencement Date, Lessee agrees to pay as Additional Rent an estimated electrical charge of $.10 per square foot per month, payable on the first day

of each and every month, until such time as an electrical survey can be performed pursuant to Article 22(b) below.

b. Lessee agrees that an independent electrical engineering consultant shall make a survey of electric power demand of the electric lighting fixtures and the electric equipment of Lessee used in the Premises to determine the average monthly electric consumption thereof, and the costs of said survey shall be borne by Lessee but not in excess of $350.00. The findings of said consultant as to the average monthly electric consumption of Lessee shall, unless objected to by Lessee within forty−five (45) days, be conclusive and binding on Lessor and Lessee. After Lessor's consultant has submitted its report, Lessee shall pay to Lessor, within ten (10) days after demand therefor by Lessor, the amount (based on the monthly consumption found by such consultant) as owing from the Lease Term's Commencement Date, and the then expired months, to include the then current month and thereafter adjusted for the estimated electrical charges already paid pursuant to Article 22(a), on the first day of every month, in advance, the amount set forth as the monthly consumption in said report. Said amounts shall be treated as Additional Rent due hereunder. Proportionate sums shall be payable for periods of less than a full month if the Term commences or ends on any other than the first or last day of the month. If Lessee objects to said findings, Lessee shall nevertheless pay and continue to pay the amount determined by Lessor's consultant until the issue is finally resolved, but Lessee may, at its expense, seek the services of an independent electrical consultant who shall make a survey as provided above. If Lessor's and Lessee's consultant cannot agree as to Lessee's consumption within thirty (30) days of Lessee's consultant's findings either Lessor or Lessee may request the American Arbitration Association in Somerset, New Jersey to appoint an electrical engineering consultant whose decision shall be final and binding on Lessor and Lessee, and whose cost shall be shared equally. Upon the issue being finally resolved, any overpayment made by Lessee shall be promptly refunded.

c. In the event that there shall be an increase or decrease in the rate schedule (including surcharges or demand adjustments), of the public utility for the supply of Building Standard Office Electrical Service, or the imposition of any tax with respect to such service or increase in any such tax following the Lease Term's commencement, the Additional Rent payable hereunder shall be adjusted equitably to reflect the increase or decrease in rate or imposition or increase in the aforesaid tax. All computations shall be made on the basis of Lessee's surveyed usage as if a meter exclusively measuring such usage to the Premises was in place.

d. Lessee covenants that it shall notify Lessor immediately upon the introduction of any office equipment or lighting different from that on the Premises as of Lessor's electrical survey or in addition to the aforesaid equipment or lighting on the Premises as of said survey. The introduction of any new or different equipment or lighting shall be cause for, at Lessor's election, a resurveying of the Premises at Lessee's expense. Lessor reserves the right to inspect the Premises to insure compliance with this provision.

e. Lessor shall not be liable in any way to Lessee for any loss, damage or expense which Lessee may sustain or incur as a result of any failure, defect or change in the quantity or character of electrical energy available for redistribution to the Premises pursuant to this Article 22 nor for any interruption in the supply, and Lessee agrees that such supply may be interrupted for inspection, repairs and replacement and in emergencies. In any event, the full measure of Lessor's liability for any interruption in the supply due to Lessor's acts or omissions shall be an abatement of Fixed Basic Rent and Additional Rent, unless Lessor fails to take such measures as may be reasonable under the circumstances to restore such service without undue delay. In no event shall Lessor be liable for any business interruption suffered by Lessee.

f. Lessor, at Lessee's expense, shall furnish and install all replacement lighting tubes, lamps, ballasts and bulbs required in the Premises. Lessee, however, shall have the right to furnish and/or install any or all of the items mentioned in this Article 22(f).

g. Lessee's use of electrical service as contemplated herein shall be during Building Hours, and any use in excess of said Building Hours shall result in an adjustment as set forth in Article 22(a) hereof to reflect such additional consumption.

23. ADDITIONAL RENT:

It is expressly agreed that Lessee will pay in addition to the Fixed Basic Rent provided in Article 3 hereof, an Additional Rent to cover Lessee's Percentage as defined in the Preamble, of the increased cost to Lessor, for each of the categories enumerated herein, over the "Base Period Costs", as defined in the Preamble for said categories.

a. OPERATING COST ESCALATION -- If the Operating Costs incurred for the Building in which the Premises are located and Office Building Area for any Lease Year or Partial Lease Year during the Lease Term shall be greater than the Base Operating Costs (adjusted proportionately for periods less than a Lease Year), then Lessee shall pay to Lessor, as Additional Rent, Lessee's Percentage of all such excess Operating Costs. Operating Costs shall include, by way of illustration and not of limitation: personal property taxes; management fees; labor, including all wages and salaries; social security taxes, and other taxes which may be levied against Lessor upon such wages and salaries; supplies; repairs and maintenance; maintenance and service contracts; painting; wall and window washing; laundry and towel service; tools and equipment (which are not required to be capitalized for federal income tax purposes); fire and other insurance; trash removal; lawn care; snow removal and all other items properly constituting direct operating costs according to standard accounting practices (hereinafter collectively referred to as the "Operating Costs"), but not including any of the exclusions from Operating Costs set forth on Exhibit I attached hereto.

b. FUEL, UTILITIES AND ELECTRIC COST ESCALATION (hereinafter referred to as "Utility and Energy Costs") - If the Utility and Energy Costs, including any fuel surcharges or adjustments with respect thereto, incurred for water, sewer, gas, electric, other utilities and heating, ventilating and air conditioning for the Building, to include all leased and leasable areas (not separately billed or metered within the Building), and Common Facilities electric, lighting, water, sewer and other utilities for the Building and Office Building Area, for any Lease Year or Partial Lease Year, during the Term, shall be greater than the Base Utility and Energy Costs (adjusted proportionately for periods less than a Lease Year), then Lessee shall pay to Lessor as Additional Rent, Lessee's Percentage of all such excess Utility and Energy Costs. As used in this Article 23, the Base Utility and Energy Costs shall be as defined in the Preamble.

c. TAX ESCALATION -- If the Real Estate Taxes for the Building and Office Building Area at which the Premises are located for any Lease Year or Partial Lease Year, during the Lease Term, shall be greater than the Base Real Estate Taxes (adjusted proportionately for periods less than a Lease Year), then provided that such increase in Real Estate Taxes is not the result of expansion or addition to the Building and the Office Building Area at which the Premises are located, Lessee shall pay to Lessor as Additional Rent, Lessee's Percentage as hereinafter defined, of all such excess Real Estate Taxes. Lessor represents to Lessee that the Building and Office Building Area at which the Premises are located are assessed for Real Estate Tax purposes as of the date of this Lease as fully completed.

As used in this Article 23(c), the words and terms which follow mean and include the following:

i. "Base Real Estate Taxes" shall be as defined in the Preamble.

ii. "Real Estate Taxes" shall mean the property taxes and assessments imposed upon the Building and Office Building Area, or upon the rent, as such, payable to the Lessor, including, but not limited to, real estate, city, county, village, school and transit taxes, or taxes, assessments, or charges levied, imposed or assessed against the Building and Office Building Area by any other taxing authority, whether general or specific, ordinary or extraordinary, foreseen or unforeseen. If due to a future change in the method of taxation, any franchise, income or profit tax shall be levied against Lessor in substitution for, or in lieu of, or in addition to, any tax which would otherwise constitute a Real Estate Tax, such franchise, income or profit tax shall be

deemed to be a Real Estate Tax for the purposes hereof; conversely, any additional real estate tax hereafter imposed in substitution for, or in lieu of, any franchise, income or profit tax (which is not in substitution for, or in lieu of, or in addition to, a Real Estate Tax as hereinbefore provided) shall not be deemed a Real Estate Tax for the purposes hereof.

d. LEASE YEAR -- As used in this Article 23, Lease Year shall mean a calendar year. Any portion of the Term which is less than a Lease Year as hereinbefore defined, that is, from the Commencement Date through the following December 31, and from the last January 1, falling within the Term to the end of the Term, shall be deemed a "Partial Lease Year". Any reference in this Lease to a Lease Year shall, unless the context clearly indicates otherwise, be deemed to be a reference to a Partial Lease Year if the period in question involves a Partial Lease Year.

e. PAYMENT -- At any time, and from time to time, after the establishment of the Base Period Costs for each of the categories referred to above, Lessor shall advise Lessee in writing of Lessee's Percentage share with respect to each of the categories as reasonably estimated for the next twelve (12) month period (or proportionate part thereof if the last period prior to the Lease's expiration is less than twelve (12) months) as then known to the Lessor, and thereafter, the Lessee shall pay as Additional Rent, Lessee's Percentage share of these costs for the then current period affected by such advice (as the same may be periodically revised by Lessor as additional costs are incurred) in equal monthly installments, such new rates being applied to any months, for which the Fixed Basic Rent shall have already been paid which are affected by the Operating Cost Escalation and/or Utility and Energy Cost Escalation and/or Tax Escalation Costs above referred to, as well as the unexpired months of the current period, the adjustment for the then expired months to be made at the payment of the next succeeding monthly rental, all subject to final adjustment at the expiration of each Lease Year as defined in Article 23(e) hereof (or Partial Lease Year if the last period prior to the Lease's termination is less than twelve (12) months).

In the event the last period prior to the Lease's termination is less than twelve (12) months, the Base Period Costs during said period shall be proportionately reduced to correspond to the duration of said final period.

f. BOOKS AND REPORTS -- For the protection of Lessee, Lessor shall maintain books of account which, together with the back-up materials thereto, shall be open to Lessee and its representatives at all reasonable times so that Lessee can determine that such Operating, Utility and Energy and Real Estate Tax Costs have, in fact, been paid or incurred. Lessee's representatives shall not (i) perform such inspection and/or audit on a contingency basis, or (ii) perform such an inspection and/or audit for any other tenant in the Building. At Lessor's request, Lessee shall execute a confidentiality agreement reasonably acceptable to Lessor prior to any examination of Lessor's books and records. In the event Lessee disputes any one or more of said charges, Lessee shall attempt to resolve such dispute with Lessor, provided that if such dispute shall not be satisfactorily settled between Lessor and Lessee, the dispute shall be referred by either party to an independent certified public accountant to be mutually agreed upon, and if such an accountant cannot be agreed upon, The American Arbitration Association may be asked by either party to select an arbitrator, whose decision on the dispute will be final and binding upon both parties, who shall jointly share any cost of such arbitration. If the arbitrator determines that Lessor has overstated the disputed sum by more than five percent (5%), then Lessor shall pay the entire cost of the arbitration. Pending resolution of said dispute the Lessee shall pay to Lessor the sum so billed by Lessor subject to its ultimate resolution as aforesaid. The parties agree to make any adjustment to such Operating, Utility and Energy and Real Estate Tax Costs payments determined to be necessary as a result of such review by Lessee and/or arbitration.

g. RIGHT OF REVIEW -- Once Lessor shall have finally determined said Operating, Utility and Energy or Real Estate Tax Costs at the expiration of a Lease Year, then as to the item so established, Lessee shall only be entitled to dispute said charge as finally established for a period of six (6) months after such charge is finally established, and

Lessee specifically waives any right to dispute any such charge at the expiration of said six (6) month period.

h. OCCUPANCY ADJUSTMENT -- If, with respect to Operating Cost Escalation, as established in Article 23(a) hereof, and Utility and Energy Cost Escalation, as established in Article 23(b) hereof, the Building is less than ninety-five percent (95%) occupied during the establishment of the respective Base Periods, then the Base Costs incurred with respect to said Operating Cost or Utility and Energy Cost shall be adjusted during any such period within the Base Period so as to reflect ninety-five percent (95%) occupancy. Similarly, if during any Lease Year or Partial Lease Year, subsequent to the Base Period the Building is less than ninety-five percent (95%) occupied, then the actual costs incurred for Operating Cost and Utility and Energy Cost shall be increased during any such period to reflect ninety-five percent (95%) occupancy so that at all times after the Base Period the Operating Cost or Utility and Energy Cost shall be actual costs, but in the event less than ninety-five percent (95%) of the Building is occupied during all or part of the Lease Year involved, the Operating Cost or Utility and Energy Cost shall not be less than that which would have been incurred had ninety-five percent (95%) of the Building been occupied. The aforesaid adjustment shall only be made with respect to those items that are in fact affected by variations in occupancy levels.

24. LESSEE'S ESTOPPEL:

Lessee shall, from time to time, on not less than ten (10) days prior written request by Lessor, execute, acknowledge and deliver to Lessor a written statement, substantially in the form of Exhibit F attached hereto, certifying that the Lease is unmodified and in full force and effect, or that the Lease is in full force and effect as modified and listing the instruments of modification; the dates to which the rents and charges have been paid; and, to the best of Lessee's knowledge, whether or not Lessor is in default hereunder, and if so, specifying the nature of the default. It is intended that any such statement delivered by Lessee pursuant to this Article 24 may be relied on by a prospective purchaser of Lessor's interest or mortgagee of Lessor's interest or assignee of any mortgage of Lessor's interest.

Lessor shall, from time to time, on not less than ten (10) days prior written request by Lessee, execute, acknowledge and deliver to Lessee a written statement reasonably acceptable to Lessee, certifying that the Lease is unmodified and in full force and effect, or that the Lease is in full force and effect as modified and listing the instruments of modifications; the dates to which the rents and charges have been paid; and whether or not Lessee is in default hereunder, and if so, specifying the nature of the default. It is intended that any such statement delivered by Lessor pursuant to this Article 24 may be relied on by the person to whom Lessee requests that such statement be addressed.

25. HOLDOVER TENANCY:

If Lessee holds possession of the Premises after the Expiration Date of this Lease, Lessee shall (i) become a tenant from month to month under the provisions herein provided, but at one hundred fifty percent (150%) of the monthly Fixed Basic Rent for the last month of the Term, plus the Additional Rent, for the first two (2) months of Lessee's holding over and two hundred percent (200%) of the monthly Fixed Basic Rent for the last month of the Term, plus the Additional Rent, thereafter, which shall continue as provided in the Lease which sum shall be payable in advance on the first day of each month, and without the requirement for demand or notice by Lessor to Lessee demanding delivery of possession of said Premises, and such tenancy shall continue until terminated by Lessor, or until Lessee shall have given to Lessor, at least thirty (30) days prior to the intended date of termination, a written notice of intent to terminate such tenancy, which termination date must be as of the end of a calendar month; and (ii) indemnify Lessor against loss or liability resulting from the delay by Lessee in so surrendering the Premises including, without limitation, any claims made by any succeeding occupant founded on such delay. Lessee's obligations under this Section shall survive the expiration or sooner termination of the Lease. The time limitations described in this Article 25 shall not be subject to extension for Force Majeure.

26. RIGHT TO SHOW PREMISES:

Lessor may show the Premises to prospective purchasers and mortgagees; and during the twelve (12) months prior to termination of this Lease, to prospective tenants, during Building Hours on reasonable notice to Lessee.

27. LESSOR'S WORK – LESSEE'S DRAWINGS:

Lessee shall accept the Premises "as is". Such term shall mean in the same condition and repair in which the prior tenant vacated such space, and Lessee shall be responsible for any demolition and removal of any improvements existing in the Premises in connection with the prior tenant's occupancy, and all other work as may be necessary to convert the Premises to Lessee's requirements. Lessor shall not be responsible for performing any work with respect to such space. Any work, changes or improvements made to such space shall be performed at Lessee's expense in accordance with the terms of Exhibit C of this Lease.

28. WAIVER OF TRIAL BY JURY:

To the extent such waiver is permitted by law, the parties waive trial by jury in any action or proceeding brought in connection with this Lease or the Premises.

29. LATE CHARGE:

Anything in this Lease to the contrary notwithstanding, at Lessor's option, Lessee shall pay a "Late Charge" of five percent (5%) of any installment of Fixed Basic Rent or Additional Rent paid more than five (5) business days after the due date thereof, to cover the extra expense involved in handling delinquent payments, said Late Charge to be considered Additional Rent. The amount of the Late Charge to be paid by Lessee shall be reassessed and added to Lessee's obligations for each successive monthly period until paid.

Notwithstanding anything in this Section to the contrary, Lessor shall waive a Late Charge one time during each Lease Year provided, however, the installment of Fixed Basic Rent or Additional Rent so due is paid by the fifteenth (15th) day of the month.

30. LESSEE'S INSURANCE:

a. Lessee covenants to provide at Lessee's cost and expense on or before the earlier of (i) the Commencement Date, or (ii) Lessee's taking actual possession for the purpose of completing any improvement work, and to keep in full force and effect during the entire Term and so long thereafter as Lessee, or anyone claiming by, through or under Lessee, shall occupy the Premises, insurance coverage as follows:

i. Commercial General Liability insurance with contractual liability endorsements with respect to the Premises and the business of Lessee in which Lessee shall be adequately covered under limits of liability of not less than FIVE MILLION AND 00/100 DOLLARS ($5,000,000.00) combined single limit per occurrence for bodily or personal injury (including death) and property damage. Such insurance may be carried (x) under a blanket policy covering the Premises and other locations of Lessee, if any, provided that each such policy shall in all respects comply with this Article and shall specify that the portion of the total coverage of such policy that is allocated to the Premises is in the amounts required pursuant to this Article 30 and (y) under a primary liability policy of not less than ONE MILLION AND 00/100 DOLLARS ($1,000,000.00) and the balance under an umbrella policy. Notwithstanding anything to the contrary contained in this Lease, the carrying of insurance by Lessee in compliance with this Article 30 shall not modify, reduce, limit or impair Lessee's obligations and liability under Article 33 hereof.

ii. Fire and Extended Coverage, Vandalism, Malicious Mischief, Sprinkler Leakage and Special Extended Coverage Insurance in an amount adequate to cover the cost of replacement of all personal property, decoration, trade fixtures, furnishings, equipment in the Premises and all contents therein. Lessor shall not be liable for any damage to such property of Lessee by fire or other peril includable in the coverage afforded by the standard form of fire insurance policy with extended coverage endorsement attached (whether or not such coverage is in effect), no matter how caused, it being understood that the Lessee will look solely to its insurer for reimbursement.

iii. Worker's Compensation Insurance in the minimum statutory amount covering all persons employed by Lessee.

iv. Said limits shall be subject to periodic review and Lessor reserves the right to increase said coverage limits if, in the reasonable opinion of Lessor, said coverage becomes inadequate and is less than that commonly maintained by tenants in similar buildings in the area by tenants making similar uses. On or before the Commencement Date, and thereafter at Lessor's request, Lessee shall provide Lessor evidence of the insurance coverage required herein in the form of a duplicate original insurance policy, an insurance binder (countersigned by the insurer), or Evidence of Insurance (in form ACORD 27 with respect to property insurance and ACORD 25−S with respect to liability insurance) for each of the insurance policies Lessee is required to carry in compliance with its obligations under this Lease.

b. All of the aforesaid insurance shall (i) name Lessor as an additional insured on a primary basis; (ii) be written by one or more responsible insurance companies licensed in the State of New Jersey satisfactory to Lessor and in form satisfactory to Lessor; (iii) contain endorsements substantially as follows: "It is understood and agreed that the insurer will give to Lessor, or any successor lessor, c/o Mack−Cali Realty Corporation, 11 Commerce Drive, Cranford, New Jersey, thirty (30) days prior written notice of any material change in or cancellation of this policy."; (iv) shall be written on an "occurrence" basis and not on a "claims made" basis.

c. Lessee shall be solely responsible for payment of premium and Lessor (or its designee) shall not be required to pay any premium for such insurance. Lessee shall deliver to Lessor at least fifteen (15) days prior to the expiration of such policy, either a duplicate original or a certificate it being the intention of the parties hereto that the insurance required under the terms hereof shall be continuous during the entire Term of this Lease and any other period of time during which pursuant to the Term hereof, said insurance is required. Any insurance carried by Lessee shall be in excess of and will not contribute with the insurance carried by Lessor for injuries or damage arising out of the Premises.

d. Lessee agrees, at its own cost and expense, to comply with all rules and regulations of the National Fire Protection Association (NFPA) National Fire Code. If, at any time or from time to time, as a result of or in connection with any failure by Lessee to comply with the foregoing sentence or any act or omission or commission by Lessee, its employees, agents, contractors or licensees, or a result of or in connection with the use to which the Premises are put (notwithstanding that such use may be for the purposes hereinbefore permitted or that such use may have been consented to by Lessor), the fire insurance rate(s) applicable to the Premises shall be higher than that which would be applicable for a business office legally permitted therein, Lessee agrees that it will pay to Lessor as Additional Rent, such portion of the premiums for all Lessor's fire insurance policies in force with respect to the building and the contents of any occupant thereof as shall be attributable to such higher rate(s).

e. Lessor makes no representation that the limits of liability specified to be carried by Lessee or Lessor under the terms of this Lease are adequate to protect Lessee against Lessee's undertaking under this Article 30, and in the event Lessee believes that any such insurance coverage called for under this Lease is insufficient, Lessee shall provide, at is own expense, such additional insurance as Lessee deems adequate.

f. Lessor and Lessee shall procure a clause in, or endorsement on, each of their policies for fire or extended coverage insurance covering the Premises or personal property, fixtures or equipment located therein, pursuant to which the insurance company waives subrogation or consents to a waiver of right of recovery against the other party. Lessor and Lessee agree not to make claims against, or seek to recover from, the other party for loss or damage to its property or property of others covered by such insurance (or which would be covered by insurance required to be maintained hereunder). To the extent either party shall be a self−insurer, such party waives the right of recovery, if any, against the other party, its agents and employees, for loss, damages or destruction of such self−insured party's property. In the event of any conflict between the provisions of this Section 30 f. and any other provision of this Lease, the provisions of this Section 30f. shall control.

g. Should Lessee fail to maintain the insurance coverage as set forth in this Article 30, then Lessee shall be in default hereunder and shall be deemed to have breached its covenants as set forth herein.

31. NO OTHER REPRESENTATIONS:

No representations or promises shall be binding on the parties hereto except those representations and promises contained herein or in some future writing signed by the party making such representation(s) or promise(s).

32. QUIET ENJOYMENT:

Lessor covenants that if, and so long as, Lessee pays Fixed Basic Rent, and any Additional Rent as herein provided, and performs Lessee's covenants hereof, neither Lessor nor anyone claiming by, through or under Lessor shall do anything to affect Lessee's right to peaceably and quietly have, hold and enjoy the Premises for the Term herein mentioned, subject to the provisions of this Lease.

33. INDEMNITY:

Lessee shall defend, indemnify and save harmless Lessor and its agents against and from; (a) any and all claims (i) arising from (x) the conduct or management by Lessee, its subtenants, licensees, its or their employees, agents, contractors or invitees on the Premises or of any business therein, or (y) any work or thing whatsoever done, or any condition created (other than by Lessor for Lessor's or Lessee's account) in or about the Premises during the Term of this Lease, or during the period of time, if any, prior to the Commencement Date that Lessee may have been given access to the Premises, (z) any default by Lessee under the terms, covenants and conditions of this Lease or (ii) arising from any negligent or otherwise wrongful act or omission of Lessee or any of its subtenants or licensees or its or their employees, agents, contractors or invitees, and (b) all costs, expenses and liabilities including attorneys fees and disbursements incurred in or in connection with each such claim, action or proceeding brought thereon. In case any action or proceeding be brought against Lessor by reason of any such claim, Lessee, upon notice from Lessor, shall resist and defend such action or proceeding.

Lessor shall indemnify and save harmless Lessee and Lessee's shareholders, officers, directors, employees, agents and contractors (collectively, the "Lessee Indemnitees") from and against (a) any and all claims of whatever nature against Lessee and/or the Lessee Indemnitees (i) arising from (x) the conduct or management by Lessor, its employees, agents, contractors or invitees on the Office Building Area or the Building, or (y) any work or thing whatsoever done, or any condition created by Lessor for Lessor's or Lessee's account in or about the Office Building Area or the Building during the Term of this Lease, (z) any default by Lessor in the performance of Lessor's obligations under this Lease, or (ii) arising from any negligent or otherwise wrongful act or omission of Lessor or any of its employees, agents or contractors, and (b) all costs, expenses and liabilities including attorneys' fees and disbursements incurred in or in connection with each such claim, action or proceeding brought thereon. In case any action or proceeding be brought against Lessee by reason of any

such claim, Lessor, upon notice from Lessee, shall resist and defend such action or proceeding.

34. ARTICLE HEADINGS:

The article headings in this Lease and position of its provisions are intended for convenience only and shall not be taken into consideration in any construction or interpretation of this Lease or any of its provisions.

35. APPLICABILITY TO HEIRS AND ASSIGNS:

The provisions of this Lease shall apply to, bind and inure to the benefit of Lessor and Lessee, and their respective heirs, successors, legal representatives and assigns. It is understood that the term "Lessor" as used in this Lease means only the owner, a mortgagee in possession or a term lessee of the Building, so that in the event of any sale of the Building or of any lease thereof, or if a mortgagee shall take possession of the Premises, the Lessor herein shall be and hereby is entirely freed and relieved of all covenants and obligations of Lessor hereunder accruing thereafter, and it shall be deemed without further agreement that the purchaser, the term lessee of the Building, or the mortgagee in possession has assumed and agreed to carry out any and all covenants and obligations of Lessor hereunder.

36. OUTSIDE PARKING SPACES:

Lessee's occupancy of the Premises shall include the use of the number of outside parking spaces as set forth in the Preamble. Lessor shall not be responsible for any damage or theft of any vehicle in the parking area and shall not be required to keep parking spaces clear of unauthorized vehicles or to otherwise supervise the use of the parking area. Lessee shall, upon request, promptly furnish to Lessor the license numbers of the cars operated by Lessee and its subtenants, licensees, invitees, concessionaires, officers and employees. If any vehicle of the Lessee, or of any subtenant, licensee, concessionaire, or of their respective officers, agents or employees, is parked in any part of the Common Facilities other than the employee parking area(s) designated therefor by Lessor, Lessee shall pay to Lessor such reasonable penalty as may be fixed by Lessor from time to time. All amounts due under the provisions of this Article 36 shall be deemed to be Additional Rent.

37. LESSOR'S LIABILITY FOR LOSS OF PROPERTY:

Lessor shall not be liable for any loss of property from any cause whatsoever, including but not limited to theft or burglary from the Premises, and any such loss arising from the negligence of Lessor, its agents, servants or invitees, or from defects, errors or omissions in the construction or design of the Premises and/or the Building, including the structural and non−structural portions thereof, and Lessee covenants and agrees to make no claim for any such loss at any time.

38. PARTIAL INVALIDITY:

If any of the provisions of this Lease, or the application thereof to any person or circumstances, shall to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision or provisions to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and every provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

39. LESSEE'S BROKER:

Lessee represents and warrants to Lessor that its broker, as defined in the Preamble is the sole broker with whom Lessee has negotiated in bringing about this Lease and Lessee agrees to indemnify and hold Lessor and its mortgagee(s) harmless from any and all claims of other

brokers claiming to have dealt with Lessee and expenses in connection therewith arising out of or in connection with the negotiation of or the entering into this Lease by Lessor and Lessee. In no event shall Lessor's mortgagee(s) have any obligation to any broker involved in this transaction. In the event that no broker was involved as aforesaid, then Lessee represents and warrants to the Lessor that no broker brought about this transaction, and Lessee agrees to indemnify and hold Lessor harmless from any and all claims of any broker claiming to have dealt with Lessee arising out of or in connection with the negotiations of, or entering into of, this Lease by Lessee and Lessor.

40. PERSONAL LIABILITY:

Notwithstanding anything to the contrary provided in this Lease, it is specifically understood and agreed, such agreement being a primary consideration for the execution of this Lease by Lessor, that there shall be absolutely no personal liability on the part of Lessor, its constituent members (to include but not be limited to, officers, directors, partners and trustees) their respective successors, assigns or any mortgagee in possession (for the purposes of this Article, collectively referred to as "Lessor"), with respect to any of the terms, covenants and conditions of this Lease, and that Lessee shall look solely to the equity of Lessor in the Building (including, without limitation, rental income and proceeds of sale, insurance and condemnation) for the satisfaction of each and every remedy of Lessee in the event of any breach by Lessor of any of the terms, covenants and conditions of this Lease to be performed by Lessor, such exculpation of liability to be absolute and without any exceptions whatsoever.

41. NO OPTION:

The submission of this Lease Agreement for examination does not constitute a reservation of, or option for, the Premises, and this Lease Agreement becomes effective as a Lease Agreement only upon execution and delivery thereof by Lessor and Lessee.

42. DEFINITIONS:

a. AFFILIATE –– Affiliate shall mean any corporation related to Lessee as a parent, subsidiary or brother–sister corporation so that such corporation and such party and other corporations constitute a controlled group as determined under Section 1563 of the Internal Revenue Code of 1986, as amended and as elaborated by the Treasury Regulations promulgated thereunder or any business entity in which Lessee has more than a fifty percent (50%) interest.

b. COMMON FACILITIES –– Common Facilities shall mean the non–assigned parking areas; lobby; elevator(s); fire stairs; public hallways; public lavatories; all other general Building facilities that service all Building tenants; air conditioning rooms; fan rooms; janitors' closets; electrical closets; telephone closets; elevator shafts and machine rooms; flues; stacks; pipe shafts and vertical ducts with their enclosing walls. Lessor may at any time close temporarily any Common Facilities to make repairs or changes therein or to effect construction, repairs or changes within the Building, or to discourage non–tenant parking, and may do such other acts in and to the Common Facilities as in its judgement may be desirable to improve the convenience thereof, but shall always in connection therewith, endeavor to minimize any inconvenience to Lessee.

c. FORCE MAJEURE –– Force Majeure shall mean and include those situations beyond Lessor's reasonable control, including by way of example and not by way of limitation, acts of God; accidents; repairs; strikes; shortages of labor, supplies or materials; inclement weather; or, where applicable, the passage of time while waiting for an adjustment or insurance proceeds. Any time limits required to be met by either party hereunder, whether specifically made subject to Force Majeure or not, except those related to the payment of Fixed Basic Rent or Additional Rent, shall, unless specifically stated to the contrary elsewhere in this Lease, be automatically extended by the number of days by which any performance called for is delayed due to Force Majeure.

d. LESSEE'S PERCENTAGE -- The parties agree that Lessee's Percentage, as defined in the Preamble, reflects and will be continually adjusted to reflect the ratio of the gross square feet of the area rented to Lessee (including an allocable share of all Common Facilities) [the numerator] as compared with the total number of gross square feet of the entire Building (or additional buildings that may be constructed within the Office Building Area) [the denominator] measured outside wall to outside wall, but excluding therefrom any storage areas. Lessor shall have the right to make changes or revisions in the Common Facilities of the Building so as to provide additional leasing area. Lessor shall also have the right to construct additional buildings in the Office Building Area for such purposes as Lessor may deem appropriate, and subdivide the lands for that purpose if necessary, and upon so doing, the Office Building Area shall become the subdivided lot on which the Building in which the Premises is located. However, if any service provided for in Article 23(a) or any utility provided for in Article 23(b) is separately billed or separately metered within the Building, then the square footage so billed or metered shall be subtracted from the denominator and the Lessee's proportionate share for such service and/or utility shall be separately computed, and the Base Costs for such item shall not include any charges attributable to said square footage. Lessee understands that as a result of changes in the layout of the Common Facilities from time to time occurring due to, by way of example and not by way of limitation, the rearrangement of corridors, the aggregate of all Building tenant proportionate shares may be equal to, less than or greater than one hundred percent (100%).

43. LEASE COMMENCEMENT:

The Rent Commencement Date of this Lease, as defined in the Preamble to this Lease, shall occur regardless of Lessee's failure to complete tenant improvement work pursuant to Exhibit C attached hereto. Lessor and Lessee shall ratify and confirm the Rent Commencement Date and Expiration Date by completing and signing Exhibit G attached hereto and made a part hereof.

44. NOTICES:

Any notice by either party to the other shall be in writing and shall be deemed to have been duly given only if (i) delivered personally or (ii) sent by registered mail or certified mail return receipt requested in a postage paid envelope addressed or (iii) sent by nationally recognized overnight delivery service, if to Lessee, at the Building (except that any notice to Lessee prior to the Rent Commencement Date shall be addressed to Lessee at 5 Sylvan Way, Parsippany, NJ 07054); if to Lessor, at Lessor's address as set forth above; or, to either at such other address as Lessee or Lessor, respectively, may designate in writing. Notice shall be deemed to have been duly given, if delivered personally, on delivery thereof, if mailed, upon the tenth (10th) day after the mailing thereof or if sent by overnight delivery service, the next business day.

45. ACCORD AND SATISFACTION:

No payment by Lessee or receipt by Lessor of a lesser amount than the rent and additional charges payable hereunder shall be deemed to be other than a payment on account of the earliest stipulated Fixed Basic Rent and Additional Rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment for Fixed Basic Rent or Additional Rent be deemed an accord and satisfaction, and Lessor may accept such check or payment without prejudice to Lessor's right to recover the balance of such Fixed Basic Rent and Additional Rent or pursue any other remedy provided herein or by law.

46. EFFECT OF WAIVERS:

No failure by Lessor to insist upon the strict performance of any covenant, agreement, term or condition of this Lease, or to exercise any right or remedy consequent upon a breach thereof, and no acceptance of full or partial rent during the continuance of any such breach,

shall constitute a waiver of any such breach or of such covenant, agreement, term or condition. No consent, or waiver, express or implied, by Lessor to or of any breach of any covenant, condition or duty of Lessee shall be construed as a consent or waiver to or of any other breach of the same or any other covenant, condition or duty, unless in writing signed by Lessor.

47. LEASE CONDITION: INTENTIONALLY OMITTED

48. MORTGAGEE'S NOTICE AND OPPORTUNITY TO CURE:

Lessee agrees to give any mortgagees and/or trust deed holders, by registered mail, a copy of any notice of default served upon Lessor, provided that, prior to such notice, Lessee has been notified in writing (by way of notice of assignment of rents and leases or otherwise) of the address of such mortgagees and/or trust deed holders. Lessee further agrees that, if Lessor shall have failed to cure such default within the time provided for in this Lease, then the mortgagees and/or trust deed holders shall have an additional thirty (30) days within which to cure such default, or if such default cannot be cured within that time, then such additional time as may be necessary, if within such thirty (30) days, any mortgagee and/or trust deed holder has commenced and is diligently pursuing the remedies necessary to cure such default (including but not limited to commencement of foreclosure proceedings if necessary to effect such cure), in which event this Lease shall not be terminated while such remedies are being so diligently pursued.

49. LESSOR'S RESERVED RIGHT:

Lessor and Lessee acknowledge that the Premises are in a Building which is not open to the general public. Access to the Building is restricted to Lessor, Lessee, their agents, employees and contractors and to their invited visitors. In the event of a labor dispute including a strike, picketing, informational or associational activities directed at Lessee or any other tenant, Lessor reserves the right unilaterally to alter Lessee's ingress and egress to the Building or make any change in operating conditions to restrict pedestrian, vehicular or delivery ingress and egress to a particular location.

50. CORPORATE AUTHORITY:

If Lessee is a corporation, Lessee represents and warrants that this Lease has been duly authorized and approved by the corporation's Board of Directors. The undersigned officers and representatives of the corporation represent and warrant that they are officers of the corporation with authority to execute this Lease on behalf of the corporation, and within fifteen (15) days of execution hereof, Lessee will provide Lessor with a corporate resolution confirming the aforesaid.

51. AFTER-HOURS USE:

Lessee shall be entitled to make use of said Standard Electric Service and HVAC beyond the Building Hours, at Lessee's sole cost and expense, provided Lessee shall notify the Lessor by 3:00 p.m. on the day that Lessee shall require said overtime use if said overtime use is required on any weekday, and by 3:00 p.m. on Friday for Saturday and/or Sunday overtime use. It is understood and agreed that Lessee shall pay the sum of SEVENTY-FIVE AND 00/100 DOLLARS ($75.00) per hour per zone for air-conditioning service and SIXTY AND 00/100 DOLLARS ($60.00) per hour per zone for heating services, plus such additional percentage increase of the aforesaid hourly sum computed by measuring the percentage increase between the rate in effect (including fuel surcharges or adjustments) during the month for which such overtime use is requested and the Base Rate. The Base Rate for purposes hereof shall be the average of the rates in effect (including surcharges and/or adjustments) during Calendar Year 2003.

In no event shall the Lessee pay less than the sum of SEVENTY-FIVE AND 00/100 DOLLARS ($75.00) per hour per zone for such overtime air-conditioning service or less than SIXTY AND 00/100 DOLLARS ($60.00) per hour per zone for such overtime heating service.

52. LESSEE'S EXPANSION/RELOCATION: INTENTIONALLY OMITTED

53. BUILDING PERMIT:

Intentionally Omitted.

54. OPTION TO RENEW

(a) If the term of this Lease shall then be in full force and effect and Lessee is not in default hereunder beyond applicable notice and grace periods, Lessee shall have the option to extend the term of this Lease for a period of five (5) years (the "Renewal Term") commencing on the day immediately following the Expiration Date, provided however that Lessee shall give Lessor notice of its election to extend the term no earlier than eighteen (18) months prior to the Expiration Date nor later than nine (9) months prior to the Expiration Date of the initial term. TIME BEING OF THE ESSENCE in connection with the exercise of Lessee's option pursuant to this Article.

(b) Such extension of the term of this Lease shall be upon the same covenants and conditions, as herein set forth except: (i) for the Fixed Basic Rent (which shall be determined in the manner set forth below), (ii) the Base Period Costs shall be re-set to be those incurred in the first year of the Renewal Term, and (iii) that Lessee shall have no further right to extend the term of this Lease after the exercise of the single option described in paragraph (a) of this Section. If Lessee shall duly give notice of its election to extend the term of this Lease, the Renewal Term shall be added to and become a part of the Term of this Lease (but shall not be considered a part of the initial Term), and any reference in this Lease to the "Term of this Lease", the "Term hereof", or any similar expression shall be deemed to include such Renewal Term, and, in addition, the term "Expiration Date" shall thereafter mean the last day of such Renewal Term. Lessor shall have no obligation to perform any alteration or preparatory or other work in and to the Premises and Lessee shall continue possession thereof in its "as is" condition.

(c) If Lessee exercises its option for the Renewal Term, the Fixed Basic Rent during the Renewal Term shall be the fair market rent for the Premises, as hereinafter defined.

(d) Lessor and Lessee shall use their best efforts, within thirty (30) days after Lessor receives Lessee's notice of its election to extend the Term of this Lease for the Renewal Term ("Negotiation Period"), to agree upon the Fixed Basic Rent to be paid by Lessee during the Renewal Term. If Lessor and Lessee shall agree upon the Fixed Basic Rent for the Renewal Term, the parties shall promptly execute an amendment to this Lease stating the Fixed Basic Rent for the Renewal Term.

(e) If the parties are unable to agree on the Fixed Basic Rent for the Renewal Term during the Negotiation Period, then within fifteen (15) days after notice from the other party, given after expiration of the Negotiation Period, each party, at its cost and upon notice to the other party, shall appoint a person to act as an appraiser hereunder, to determine the fair market rent for the Premises for the Renewal Term. Each such person shall be a real estate broker or appraiser with at least ten years' active commercial real estate appraisal or brokerage experience (involving the leasing of office space as agent for both landlords and lessees) in the County of Morris. If a party does not appoint a person to act as an appraiser within said fifteen (15) day period, the person appointed by the other party shall be the sole appraiser and shall determine the aforesaid fair market rent. Each notice containing the name of a person to act as appraiser shall contain also the person's address. Before proceeding to establish the fair market rent, the appraisers shall subscribe and swear to an oath fairly and impartially to determine such rent.

If the two appraisers are appointed by the parties as stated in the immediately preceding paragraph, they shall meet promptly and attempt to determine the fair market rent. If they are unable to agree within forty−five (45) days after the appointment of the second appraiser, they shall attempt to select a third person meeting the qualifications stated in the immediately preceding paragraph within fifteen (15) days after the last day the two appraisers are given to determine the fair market rent. If they are unable to agree on the third person to act as appraiser within said fifteen (15) day period, the third person shall be appointed by the American Arbitration Association (the "Association"), upon the application of Lessor or Lessee to the office of the Association nearest the Building. The person appointed to act as appraiser by the Association shall be required to meet the qualifications stated in the immediately preceding paragraph. Each of the parties shall bear fifty percent (50%) of the cost of appointing the third person and of paying the third person's fees. The third person, however selected, shall be required to take an oath similar to that described above.

The three appraisers shall meet and determine the fair market rent. A decision in which two of the three appraisers concur shall be binding and conclusive upon the parties. In deciding the dispute, the appraisers shall act in accordance with the rules then in force of the Association, subject however, to such limitations as may be placed on them by the provisions of this Lease.

Notwithstanding the foregoing, in no event shall the Fixed Basic Rent during the Renewal Term be less than the Fixed Basic Rent during the last year of the initial Term of this Lease.

(f) After the fair market rent for the Renewal Term has been determined by the appraiser or appraisers and the appraiser or appraisers shall have notified the parties, at the request of either party, both parties shall execute and deliver to each other an amendment of this Lease stating the Fixed Basic Rent for the Renewal Term.

(g) If the Fixed Basic Rent for the Renewal Term has not been agreed to or established prior to the commencement of the Renewal Term, then Lessee shall pay to Lessor an annual rent ("Temporary Rent") which Temporary Rent shall be equal to the Fixed Basic Rent payable by Lessee for the last year of the initial Term. Thereafter, if the parties shall agree upon a Fixed Basic Rent, or the Fixed Basic Rent shall be established upon the determination of the fair market rent by the appraiser or appraisers, at a rate at variance with the Temporary Rent (i) if such Fixed Basic Rent is greater than the Temporary Rent, Lessee shall promptly pay to Lessor the difference between the Fixed Basic Rent determined by agreement or the appraisal process and the Temporary Rent, or (ii) if such Fixed Basic Rent is less than the Temporary Rent, Lessor shall credit to Lessee's subsequent monthly installments of Fixed Basic Rent the difference between the Temporary Rent and the Fixed Basic Rent determined by agreement or the appraisal process.

(h) In describing the fair market rent during the Renewal Term, the appraiser or appraisers shall be required to take into account the rentals at which leases are then being concluded (as of the last day of the initial Term) (for five (5) year leases without renewal options with the lessor and lessee each acting prudently, with knowledge and for self−interest, and assuming that neither is under undue duress) for as−is comparable space in the Building and in comparable office buildings in the County of Morris, without a Lessor contribution for tenant fit−up but with new base years.

55. RIGHT OF FIRST OFFER

a. i. Subject to the provisions of this Article, Lessee shall have the option to lease from Lessor space on the east wing of the second (2nd) floor as shown on the attached floor plan, ("Additional Space") at the expiration of the existing space lease(s) for such Additional Space, or to the extent any portion of the Additional Space is presently vacant, at the expiration of the initial lease for such vacant space. If the Term of this Lease shall be in full force and effect on the expiration or termination date of the existing space lease(s) or initial space lease, as the case may be, for the Additional Space, subject to Lessor's right to

renew such lease(s), and the date upon which Lessee shall exercise the option hereinafter referred to, Lessee shall have the option to lease all, but not less than all of the Additional Space on an as-is basis, provided Lessee gives Lessor written notice of such election within fifteen (15) business days after Lessee shall receive Lessor's notice that such Additional Space is available for leasing to Lessee. If Lessee fails or refuses to exercise this option within the time period set forth above (TIME BEING OF THE ESSENCE), then and in such event Lessee shall have no further rights under this Section with respect to such Additional Space. If Lessee shall elect to lease said Additional Space: (v) said Additional Space shall be deemed incorporated within and part of the Premises on the date that Lessor shall notify Lessee that such Additional Space is ready for occupancy by Lessee and shall expire on the Expiration Date of this Lease, (x) the Fixed Basic Rent payable under this Lease shall be increased by an amount such that during the balance of the term of this Lease the Fixed Basic Rent for said Additional Space shall be the then fair market rent for the Additional Space, as determined in the manner set forth in clause (ii) below, (y) Lessee's Percentage Share shall be proportionately increased, and (z) all other terms and provisions set forth in this Lease shall apply, except that Lessor not be required to perform any work with respect to said Additional Space.

The parties shall promptly execute an amendment of this Lease confirming Lessee's election to lease said Additional Space and the incorporation of said Additional Space into the Premises.

ii. Lessor and Lessee shall use their best efforts, within thirty (30) days after Lessor receives Lessee's notice of its election to lease said Additional Space, ("Negotiation Period") to agree upon the Fixed Basic Rent to be paid by Lessee for said Additional Space. If Lessor and Lessee shall agree upon the Fixed Basic Rent, the parties shall promptly execute an amendment to this Lease stating the Fixed Basic Rent for the Additional Space.

If the parties are unable to agree on the Fixed Basic Rent for said Additional Space during the Negotiation Period, then within fifteen (15) days notice from the other party, given after expiration of the Negotiation Period, each party, at its cost and upon notice to the other party, shall appoint a person to act as an appraiser hereunder, to determine the fair market rent for the Additional Space. Each such person shall be a real estate broker or appraiser with at least ten (10) years' active commercial real estate appraisal or brokerage experience (involving the leasing of similar space as agent for both landlords and tenants) in Morris County. If a party does not appoint a person to act as an appraiser within said fifteen (15) day period, the person appointed by the other party shall be the sole appraiser and shall determine the aforesaid fair market rent. Each notice containing the name of a person to act as appraiser shall contain the person's address. Before proceeding to establish the fair market rent, the appraisers shall subscribe and swear to an oath fairly and impartially to determine such rent.

If the two appraisers are appointed by the parties as stated in the immediately preceding paragraph, they shall meet promptly and attempt to determine the fair market rent. If they are unable to agree within forty-five (45) days after the appointment of the second appraiser, they shall attempt to select a third person meeting the qualifications stated in the immediately preceding paragraph within fifteen (15) days after the last day the two appraisers are given to determine the fair market rent. If they are unable to agree on the third person to act as appraiser within said fifteen (15) day period, the third person shall be appointed by the American Arbitration Association, upon the application of Lessor or Lessee to the office of the Association nearest the Building. The person appointed to act as appraiser by the Association shall be required to meet the qualifications stated in the immediately preceding paragraph. Each of the parties shall bear fifty percent (50%) of the cost of appointing the third person and of paying the third person's fees. The third person, however selected, shall be required to take an oath similar to that described above.

The three appraisers shall meet and determine the fair market rent. A decision

in which two of the three appraisers concur shall be binding and conclusive upon the parties. In deciding the dispute, the appraisers shall act in accordance with the rules then in force of the American Arbitration Association, subject however, to such limitations as may be placed on them by the provisions of this Lease.

After the Fixed Basic Rent for the Additional Space has been determined by the appraiser or appraisers and the appraiser or appraisers shall have notified the parties, at the request of either party, both parties shall execute and deliver to each other an amendment of this Lease stating the Fixed Basic Rent for the Additional Space.

If the Fixed Basic Rent for said Additional Space has not been agreed to or established prior to the incorporation of said Additional Space in the Premises, then Lessee shall pay to Lessor an annual rent ("Temporary Rent") which Temporary Rent on a per square foot basis shall be equal to the Fixed Basic Rent, on a per square foot basis, then being paid by Lessee for the Premises.

Thereafter, if the parties shall agree upon a Fixed Basic Rent, or the Fixed Basic Rent shall be established upon the determination of the fair market rent by the appraiser or appraisers, at a rate at variance with the Temporary Rent (i) if such Fixed Basic Rent is greater than the Temporary Rent, Lessee shall promptly pay to Lessor the difference between the Fixed Basic Rent determined by agreement or the appraisal process and the Temporary Rent, or (ii) if such Fixed Basic Rent is less than the Temporary Rent, Lessor shall credit to Lessee's subsequent monthly installments of Fixed Basic Rent the difference between the Temporary Rent and the Fixed Basic Rent determined by agreement or the appraisal process.

In determining the fair market rent for said Additional Space, the appraiser or appraisers shall be required to take into account the rentals at which leases are then being concluded for comparable space in the Building and in comparable buildings in the County of Morris, New Jersey, without a Lessor contribution for tenant fit-up. In no event shall the Fixed Basic Rent for the Additional Space, on a per square foot basis, be less than the Fixed Basic Rent for the Premises, on a per square foot basis.

b. The option granted to Lessee under this Article 55 may be exercised only by Lessee, its permitted successors and assigns, and not by any subtenant or any successor to the interest of Lessee by reason of any action under the Bankruptcy Code, or by any public officer, custodian, receiver, United States Trustee, trustee or liquidator of Lessee or substantially all of Lessee's property. Lessee shall have no right to exercise any of such options subsequent to the date Lessor shall have the right to give the notice of termination referred to in Article 13. Notwithstanding the foregoing, Lessee shall have no right to exercise the option granted to Lessee hereunder if, at the time it gives notice of such election (i) Lessee shall not be in occupancy of substantially all of the Premises or (ii) the Premises or any part thereof shall be the subject of a sublease. If Lessee shall have elected to exercise its option hereunder, such election shall bee deemed withdrawn if, at any time after the giving of notice of such election and prior to the occupancy of the Additional Space, Lessee shall sublease all or any part of the Premises.

56. ROOF RIGHTS.

Without limiting any other provision of this Lease, Lessee shall have the non-exclusive right to install one satellite dish (the "Dish") and a supplemental air conditioning unit for the Premises (the "Air Conditioner" and, together with the Dish, the "Facilities") on the roof of the Building (including necessary connection to the Demised Premises) for use by Lessee, provided any such installations shall be subject to Lessor's prior consent, which consent shall not be unreasonably withheld, conditioned or delayed. Any such Facilities shall be installed in accordance with all applicable laws and building codes. Lessee shall remove such Facilities at the expiration or

earlier termination of the Lease; provided Lessee shall repair any damage to the roof caused by such removal. Prior to making any installations on the roof of the Building, Lessee shall use a roofing contractor for all work to be performed by Lessee on the roof of the Building approved by Lessor, which approval shall not be unreasonably withheld.

Lessee shall furnish detailed plans and specifications for the Facilities (or any modifications thereof) to Lessor for its approval. The parties agree that Lessee's use of the rooftop of the Building is a non−exclusive use and Lessor may permit the use of any other portion of the roof to any other person for any use including installation of other satellite dishes, antennas and support equipment. Lessee shall use its reasonable efforts to insure that its use of the rooftop does not impair such other person's data transmission and reception via its respective antennas and support equipment. If Lessee's construction, installation, maintenance, repair, operation or use of the Dish shall interfere with the rights of Lessor (including, without limitation, Lessor's right to reasonably use the remainder of the roof) or other lessees in the Building, Lessee shall cooperate with Lessor or such other lessees in eliminating such interference; provided, however, the cost of remedying such interference shall be borne by the party which is suffering such interference, unless such party was not suffering such interference prior to the use of the Dish causing such interference by Lessee, in which case the cost of remedying such interference shall be borne by Lessee. Lessee shall secure and keep in full force and effect, from and after the time Lessee begins construction and installation of the Facilities, such supplementary insurance with respect to the Facilities as Lessor may reasonably require, provided that the same shall not be in excess of that which would customarily be required from time to time by Lessors of buildings of similar class and character in Morris County, New Jersey with respect to similar installations.

In connection with the installation, maintenance and operation of the Facilities , Lessee, at Lessee's sole cost and expense, shall comply with all legal requirements and shall procure, maintain and pay for all permits required therefor, and Lessor makes no warranties whatsoever as to the permissibility of the Facilities under applicable legal requirements or the suitability of the roof of the Building for the installation thereof. If Lessor's structural engineer deems it advisable that there be structural reinforcement of the roof in connection with the installation of the Facilities, Lessor shall perform same at Lessee's cost and expense and Lessee shall not perform any such installation prior to the completion of any such structural reinforcement. The installation of the Facilities shall be subject to the provisions of Articles 5 and 6 applicable to alterations and installations. For the purpose of installing, servicing or repairing the Facilities, Lessee shall have access to the rooftop of the Building, upon reasonable notice to Lessor, and Lessor shall have the right to require, as a condition to such access, that Lessee (or its employee, contractor or other representative) at all times be accompanied by a representative of Lessor. Lessee shall pay for all electrical service required for Lessee's use of the Facilities, in accordance with the provision set forth in Article 22 hereof.

Lessee, at its sole cost and expense, shall promptly repair any and all damage to the rooftop or to any other part of the Building caused by the installation, maintenance and repair, operation or removal of the Facilities. Lessee shall be responsible for all costs and expense for repairs of the roof which result from Lessee's use of the roof for the construction, installation, maintenance, repair, operation and use of the Facilities. All installations made by Lessee on the rooftop or in any other part of the Building pursuant to the provisions of this Article 56 shall be at the sole risk of Lessee, and neither Lessor, nor any agent or employee of Lessor, shall be responsible or liable for any injury or damage to, or arising out of, the Facilities. Lessee's indemnity under Article 33 shall apply with respect to the installation, maintenance, operations, presence or removal of the Facilities by Lessee.

Upon the expiration of the Term, the Facilities shall be removed by Lessee at its sole cost and expense, and Lessee shall repair any damage to the rooftop or any other portions of the Building to substantially their condition immediately prior to Lessee's installation of the Facilities (ordinary wear and tear excepted).

Notwithstanding anything to the contrary contained in this Article 56, Lessor shall have the right, at Lessor's expense, on not less than thirty (30) days' prior notice, to relocate the Facilities to another location on the roof of the Building, such expense to include, without limitation, the removal of the existing Facilities, the purchasing of labor, materials and equipment necessary for the relocation thereof and the reinstallation of the Facilities at such other location as reasonably designated by Lessor on the roof of the Building, provided that Lessor does not, except if work is reasonably required to be performed on the roof or in the

Building, either materially interfere with or adversely affect the receipt of and/or transmittal of microwaves or other similar signals, and Lessee shall cooperate in all reasonable respects with Lessor in any such relocations; provided, however, that if such relocation is done pursuant to any legal requirement, the cost thereof shall be borne by Lessee (unless such legal requirement relates to, or results from, other actions taken, or permitted to be taken, by Lessor, in which event Lessor shall bear all of the costs and expenses of such relocation).

The rights granted in this Article 56 are given in connection with, and as part of the rights created under this Lease and are not separately transferable or assignable.

If the installation of the Facilities or act or omission relating thereto should revoke, negate or in any manner impair or limit any roof warranty or guaranty obtained by Lessor, then Lessee shall reimburse Lessor for any loss or damage sustained or costs or expenses incurred by Lessor as a result of such impairment or limitation.

57. LESSOR'S INSURANCE:

During the Term, Lessor shall maintain the following insurance, insuring Lessor and any mortgagee, as their respective interests may appear: (x) insurance against damage to the Building and Office Building Area by all risks of direct physical loss in an amount equivalent to the full replacement cost thereof; (y) comprehensive general liability insurance against claims for bodily injury and property damage occurring in or about the Common Facilities in amounts customarily carried by owners of similar buildings in the Morris County, New Jersey area; and (z) insurance against such other hazards as, from time to time, are then commonly insured against for buildings similarly situated in amounts normally carried with respect thereto. All insurance maintained pursuant to this Article 57 may be effected by blanket insurance policies.

58. OTHER AGREEMENTS:

Lessor shall deliver to Lessee, upon the execution of this Lease, the written agreement of Mack-Cali Morris Realty L.L.C. ("MCMR"), in form and substance reasonably satisfactory to Lessee, providing for: (i) effective as of the Rent Commencement Date of this Lease, the termination of that certain Lease, dated August 15, 2000, by and between MCMR and The Medicines Company ("TMC"), and that certain Lease, dated February 28, 2000, between MCMR and Stack Pharmaceuticals, Inc., assigned to TMC by Assignment and Assumption of Lease dated October 18, 2001, relating to premises located at 5 Sylvan Way, Parsippany, New Jersey, in each case as if such termination were occurring upon the respective expiration dates of such leases, and (ii) the extension of the term of that certain Storage Space License, dated October 12, 2001, between MCMR and TMC until the earlier of (x) the Expiration Date of this Lease, or (y) such date as storage space, similar in size and quality to the space which is the subject of such license, shall be available in the Building for use by Lessee. If storage space in the Building shall become available for leasing, Lessor shall use commercially reasonable efforts to notify Lessee and Lessee shall have fifteen (15) business days to accept Lessor's offer upon the terms and conditions set forth in Lessor's offer. A failure of Lessor to notify Lessee of the availability of such storage space shall not constitute default under this Lease.

EACH PARTY AGREES that it will not raise or assert as a defense to any obligation under this Lease or make any claim that this Lease is invalid or unenforceable due to any failure of this document to comply with ministerial requirements including, but not limited to, requirements for corporate seals, attestations, witnesses, notarizations, or other similar requirements, and each party hereby waives the right to assert any such defense or make any claim of invalidity or unenforceability due to any of the foregoing.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals the day and year first above written.

LESSOR:	LESSEE:
SYLVAN/CAMPUS REALTY L.L.C	THE MEDICINES COMPANY
By: Grove Street Associates of Jersey City Limited Partnership, member	
By: Mack−Cali Sub IV, Inc., its general partner	
/s/ Michael K. Nevins	/s/ Steven H. Koehler
By: _____	By: _____
Michael K. Nevins	Name: Steven H. Koehler
Vice President − Leasing	Title: Chief Financial Officer

EXHIBIT A

LOCATION OF PREMISES

EXHIBIT A−1

OFFICE BUILDING AREA

All that certain lot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the Township of Parsippany−Troy Hills, County of Morris, State of New Jersey:

BEGINNING at an iron pipe at a corner common to Lot 3.10 and Lot 3.11 Block 202 on the easterly right−of−way line of Hilton Court as shown on a map entitled "Final Plat of Prudential Business Campus, Block 202, Lots 3.02 thru 3.12 Tax Map Sheet Nos. 62 & 63, 66 & 67, 69 & 70, situated in Parsippany−Troy Hills Township, Morris County, New Jersey, Sheet 1 of 2" prepared by Henderson and Bodwell, Russell S. Bodwell, P.E. & L.S., N.J. License No. 8456. Said map being filed in the Morris County Clerk's Office on April 29, 1980 as Map #3908; thence

1. Along the easterly right−of−way line of Hilton Court on the arc of a curve to the left having a radius of 525.00 feet, an arc length of 118.00 feet and a central angle of 12(degree) 52' 40" to a point of tangency; thence

2. Continuing along same, N 08(degree) 47' 00" E 490.89 feet to a point of curvature; thence

3. Along the arc of a curve to the right having a radius of 90.00 feet, an arc length of 141.37 feet and a central angle of 90(degree) 00' 00" to a concrete monument at a point of tangency on the southerly right−of−way line of Campus Drive; thence

4. Along same, S 81(degree) 12' 00" E 455.00 feet to a concrete monument at a point of curvature; thence

5. Along the arc of a curve to the right having a radius of 40.00 feet, an arc length of 62.83 feet and a central angle of 90(degree) 00' 00", to a concrete monument at a point of tangency; thence along the westerly right−of−way line of Dryden Way on the following three courses:

6. S 08(degree) 47' 00" W 704.33 feet to a concrete monument; thence

7. N 81(degree) 13' 00" W 2.00 feet to a concrete monument; thence

8. S 08(degree) 47' 00" W 89.88 feet to an iron pipe; thence

9. Along a line common to Lot 3.10 and Lot 3.11, Block 202, N 68(degree) 20' 20" W 611.59 feet to the point of BEGINNING.

All that certain tract, or parcel of land and premises, hereinafter particularly described, situate, lying and being in the Township of Parsippany−Troy Hills, in the County of Morris, and the State of New Jersey:

BEGINNING at the point of intersection of the projection of the westerly sideline of Parsippany Road and the northerly sideline of Eastman's Road, running thence South 85(degree) 19' 57" West 96.53 feet to the true point Of the beginning and running thence;

(1) Along the northerly sideline of said Eastman's Road, 60 feet wide, South 85(degree) 19' 57" West 393.30 feet; thence

(2) North 53(degree) 22' 15" West 238.00 feet; thence

(3) North 50(degree) 43' 10" West 216.33 feet; thence

(4) North 39(degree) 16'50" East 134.14 feet along southeasterly sideline of Interstate Route 287 (formerly U.S. Route 202) as shown on a plat entitled "New Jersey State Highway Department General Property Parcel Map Route U.S. 202 Freeway Section 1" sheets 1 through 4 dated December, 1953 and filed in the Morris County Clerk's Office on February 18, 1955 as Map No. 1560−F; thence

(5) At right angles to said Interstate Route 287 South 50(degree) 43' 10" East 5.00 feet; thence

(6) At right angles to the previous course and along the southerly sideline of said Interstate 287 as shown on a plat entitled "New Jersey State Highway Department General Property Parcel Map Route U.S. 202 Freeway Section 1" sheets 1 through 4 dated December, 1953 and filed in the Morris County Clerk's Office on February 18, 1955 as Map No. 1560−F, North 39(degree) 16' 50" East 355.00 feet; thence

(7) Leaving the southeasterly sideline of said Interstate Route 287, North 85(degree) 16' 50" East 135.00 feet; thence

(8) South 67(degree) 43' 10" East 145.00 feet; thence

(9) South 50(degree) 43' 10" East 105.00 feet; thence

(10) South 30(degree) 43' 10" East 75.00 feet; thence

(11) South 18(degree) 24' 25" East 361.30 feet along the westerly sideline of Parsippany Road; thence

(12) Along the westerly sideline of Parsippany Road, South 17(degree) 35' 00" East 44.13 feet; thence

(13) South 51(degree) 30' 00" West 100.73 feet; to the point of BEGINNING.

The forgoing premises are shown on a survey make by Couvrette Associates Inc. Consulting Engineers, Rockaway, New Jersey, dated September 21, 1978, last revised to April 1, 1992 showing Lot 1, Block 738, Tax Maps Township of Parsippany−Troy Hills, Morris County, New Jersey.

The foregoing survey reference shall not be deemed or construed to limit or diminish the estate more particularly described above and encumbered hereby.

EXHIBIT B

RULES AND REGULATIONS

1. OBSTRUCTION OF PASSAGEWAYS: The sidewalks, entrance, passages, courts, elevators, vestibules, stairways, corridors and public parts of the Building shall not be obstructed or encumbered by Lessee or used by Lessee for any purpose other than ingress and egress. If the Premises are situated on the ground floor with direct access to the street, then Lessor shall, at Lessor's expense, keep the sidewalks and curbs directly in front of the Premises clean and free from ice, snow and refuse.

2. WINDOWS: Windows in the Premises shall not be covered or obstructed by Lessee. No bottles, parcels or other articles shall be placed on the windowsills, in the halls, or in any other part of the Building other than the Premises. No article shall be thrown out of the doors or windows of the Premises.

3. PROJECTIONS FROM BUILDING: No awnings, air−conditioning units, or other fixtures shall be attached to the outside walls or the window sills of the Building or otherwise affixed so as to project from the Building, without prior written consent of Lessor.

4. SIGNS: No sign or lettering shall be affixed by Lessee to any part of the outside of the Premises, or any part of the inside of the Premises so as to be clearly visible from the outside of the Premises, without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed. However, Lessee shall have the right to place its name on any door leading into the Premises the size, color and style thereof to be subject to the Lessor's approval. Lessee shall not have the right to have additional names placed on the Building directory without Lessor's prior written consent.

5. FLOOR COVERING: Lessee shall not lay linoleum or other similar floor covering so that the same shall come in direct contact with the floor of the Premises. If linoleum or other similar floor covering is desired to be used, an interlining of builder's deadening felt shall first be fixed to the floor by a paste or other material that may easily be removed with water, the use of cement or other similar adhesive material being expressly prohibited.

6. INTERFERENCE WITH OCCUPANTS OF BUILDING: Lessee shall not make, or permit to be made, any unseemly or disturbing noises or odors and shall not interfere with other tenants or those having business with them. Lessee will keep all mechanical apparatus in the Premises free of vibration and noise which may be transmitted beyond the limits of the Premises.

7. LOCK KEYS: No additional locks or bolts of any kind shall be placed on any of the doors or windows by Lessee. Lessee shall, on the termination of Lessee's tenancy, deliver to Lessor all keys to any space within the Building either furnished to or otherwise procured by Lessee, and in the event of the loss of any keys furnished, Lessee shall pay to Lessor the cost thereof. Lessee, before closing and leaving the Premises, shall ensure that all windows are closed and entrance doors locked. Nothing in this Paragraph 7 shall be deemed to prohibit Lessee from installing a burglar alarm within the Premises, provided: (1) Lessee obtains Lessor's consent which will not be unreasonably withheld or delayed; (2) Lessee supplies Lessor with copies of the plans and specifications of the system; (3) such installation shall not damage the Building; and (4) all costs of installation shall be borne solely by Lessee.

8. CONTRACTORS: No contract of any kind with any supplier of towels, water, toilet articles, waxing, rug shampooing, venetian blind washing, furniture polishing, lamp servicing, cleaning of electrical fixtures, removal of waste paper, rubbish, garbage, or other like service shall be entered into by Lessee, nor shall any machine of any kind be installed in the Building or the Office Building Area (other than ordinary office equipment) without the prior written consent of the Lessor. Lessee shall not employ any persons other than Lessor's janitors for the purpose of cleaning the Premises without prior written consent of Lessor. Lessor shall not be responsible to Lessee for any loss of property from the Premises however occurring, or for any damage to the effects of Lessee by such janitors or any of its employees, or by any other person or any other cause.

9. PROHIBITED ON PREMISES: Lessee shall not conduct, or permit any other person to conduct, any auction upon the Premises, manufacture or store goods, wares or merchandise upon the Premises without the prior written approval of Lessor, except the storage of usual supplies and inventory to be used by Lessee in the conduct of his business, permit the Premises to be used for gambling, make any unusual noises in the Building, permit to be played musical instrument on the Premises, permit any radio to be played, or television, recorded or wired music in such loud manner as to disturb or annoy other tenants, or permit any unusual odors to be produced on the Premises. Lessee shall not permit any portion of the Premises to be occupied as an office for a public stenographer or typewriter, or for the storage, manufacture, or sale of intoxicating beverages, narcotics, tobacco in any form or as a barber or manicure shop. Canvassing, soliciting and peddling in the Building and the Office Building Area are prohibited and Lessee shall cooperate to prevent the same. No bicycles, vehicles or animals of any kind shall be brought into or kept in or about the Premises.

10. PLUMBING, ELECTRIC AND TELEPHONE WORK: Plumbing facilities shall not be used for any purpose other than those for which they were constructed; and no sweepings, rubbish, ashes, newspaper or other substances of any kind shall be thrown into them. Waste and excessive or unusual amounts of electricity or water is prohibited. When electric wiring of any kind is introduced, it must be connected as directed by Lessor, and no stringing or cutting of wires will be allowed, except by prior written consent of Lessor, and shall be done by contractors approved by Lessor. The number and locations of telephones, telegraph instruments, electrical appliances, call boxes, etc. shall be subject to Lessor's approval.

11. MOVEMENT OF FURNITURE, FREIGHT OR BULKY MATTER: The carrying in or out of freight, furniture or bulky matter of any description must take place during such hours as Lessor may from time to time reasonably determine and only after advance notice to the superintendent of the Building. The persons employed by Lessee for such work must be reasonably acceptable to the Lessor. Lessee may, subject to these provisions, move freight, furniture, bulky matter, and other material into or out of the Premises on Saturdays between the hours of 9:00 a.m. and 1:00 p.m., provided Lessee pays additional costs, if any, incurred by Lessor for elevator operators or security guards, and for any other expenses occasioned by such activity of Lessee. If, at least three (3) days prior to such activity, Lessor requests that Lessee deposit with Lessor, as security of Lessee's obligations to pay such additional costs, a sum of which Lessor reasonably estimates to be the amount of such additional cost, the Lessee shall deposit such sum with Lessor as security of such cost. There shall not be used in the Building or Premises, either by Lessee or by others in the delivery or receipt of merchandise, any hand trucks except those equipped with rubber tires and side guards, and no hand trucks will be allowed in the elevators without the consent of the superintendent of the Building.

12. SAFES AND OTHER HEAVY EQUIPMENT: Lessor reserves the right to prescribe the weight and position of all safes and other heavy equipment so as to distribute properly the weight thereof and to prevent any unsafe condition from arising.

13. ADVERTISING: Lessor shall have the right to prohibit any advertising by Lessee which in Lessor's reasonable opinion tends to impair the reputation of the Building or its desirability as a building for offices, and upon written notice from Lessor, Lessee shall refrain from or discontinue such advertising.

14. NON−OBSERVANCE OR VIOLATION OF RULES BY OTHER TENANTS: Lessor shall not be responsible to Lessee for non−observance or violation of any of these rules and regulations by any other tenant.

15. AFTER HOURS USE: Lessor reserves the right to exclude from the Building between the hours of 6:00 p.m. and 8:00 a.m. and at all hours on Saturdays, Sundays and Building Holidays, all persons who do not present a pass to the Building signed by the Lessee. Each Lessee shall be responsible for all persons for whom such a pass is issued and shall be liable to the Lessor for the acts of such persons.

16. PARKING: Lessee and its employees shall park their cars only in those portions of the parking area designated by Lessor.

17. Lessor hereby reserves to itself any and all rights not granted to Lessee hereunder, including, but not limited to, the following rights which are reserved to Lessor for its purposes in operating the Building:

    a) the exclusive right to the use of the name of the Building for all purposes, except that Lessee may use the name as its business address and for no other purposes; and

    b) the right to change the name or address of the Building, without incurring any liability to Lessee for doing so; and

    c) the right to install and maintain a sign on the exterior of the Building; and

    d) the exclusive right to use or dispose of the use of the roof of the Building; and

    e) the right to limit the space on the directory of the Building to be allotted to Lessee; and

    f) the right to grant to anyone the right to conduct any particular business or undertaking in the Building.

18. The Lessee shall be responsible for initiating, maintaining and supervising all health and safety precautions and/or programs required by Law in connection with the Lessee's use and occupancy of the Premises.

19. The Lessee shall not store, introduce or otherwise permit any material known to be hazardous within the Premises, other than normal office cleaners and substances used in ordinary office machines. Any material within the Premises which is determined to be hazardous shall be removed and properly disposed of by the Lessee at the Lessee's sole expense.

-- END --

EXHIBIT C

LESSEE'S WORK AND ALTERATIONS

1. Lessee may make the alterations required for Lessee's use of the Premises (hereinafter the "Work") after the Commencement Date subject to the following:

   a. Lessee, at its sole cost and expense, shall prepare and submit to Lessor, for Lessor's and governmental approval, the following descriptive information, detailed architectural and engineering drawings and specifications (hereinafter the "Plans") for the Work. The Plans shall be as complete and finished as required to completely describe the Work and shall include, but not be limited to, the following:

      i. Demolition Plans depicting all existing conditions to be removed, abandoned or cut patched.

      ii. Architectural floor plans depicting partition locations and types; door location, size, and hardware types.

      iii. Structural plans, if required, depicting new structural components and their connections to existing elements.

      iv. Electrical plans depicting all new and existing electrical wiring, devices, fixtures and equipment.

      v. Mechanical plans depicting all new plumbing, piping, heating, ventilating, air conditioning equipment, and duct work and its connections to existing elements.

      vi. Life Safety System plans depicting all new or altered alarm system fixtures, devices, detectors and wiring within the Premises and their connection to existing systems.

      vii. Coordinated reflected ceiling plan showing ceiling systems and materials and all of the above items and their proximity to one another.

      viii. Finish plans showing locations and types of all interior finishes with a schedule of all proposed materials and manufacturers.

      The Plans shall provide for all systems and construction components complying with the requirements of all governmental authorities and insurance bodies having jurisdiction over the Building.

   b. The Plans for the Work are subject to Lessor's prior written approval which shall not be unreasonably withheld, provided, however, that Lessor may in any event disapprove the Plans if they are incomplete, inadequate or inconsistent with the terms of the Lease or with the quality and architecture of the Building. Lessor agrees to approve or disapprove the Plans within three (3) business days of receipt of same (the "Lessor's Approval Period"). If Lessor disapproves the Plans or any portion thereof, Lessor shall promptly notify Lessee thereof and of the revisions which Lessor reasonably requires in order to obtain Lessor's approval Lessee shall, at its sole cost and expense, submit the Plans, in such form as may be necessary, with the appropriate governmental agencies for obtaining required permits and certificates. Any changes required by any governmental agency affecting the Work or the Plans shall be complied with by Lessee in completing said Work at Lessee's sole cost and expense. Lessee shall submit completed Plans to Lessor simultaneously with Lessee's submission of said plans to the local building department.

2. Lessor shall permit Lessee to solicit competitive pricing and select its own general and/or individual subcontractors to perform the Work at its sole cost

   a. All general contractors shall be subject to Lessor's prior written approval, which shall not be unreasonably withheld. Lessor hereby approves Interior Resource Group as

Lessee's general contractor for the Work.

b. Lessee shall instruct all approved general contractors to exclusively use Lessor's Base Building Sub−Contractors for heating, ventilation, air conditioning, electrical, fire suppression and life safety systems (hereinafter "Building Systems"). Other subcontractors may be used only when specifically approved in writing by Lessor, which approval shall not be unreasonably withheld or delayed.

c. The Base Building Sub−Contractors and their respective trades are set forth in Paragraph 6 below.

d. Lessee notifies Lessor in writing of Lessee's selection of general and subcontractors.

e. All costs associated with the biding process soliciting competitive pricing will be at the sole cost and expense of the Lessee.

f. Lessee's workmen and mechanics shall work in harmony and not interfere with the labor employed by Lessor, Lessor's mechanics or contractors or by any other occupant of the Building or their mechanic or contractors, if any. If at any time Lessee and/or its contractors cause disharmony or interference with the operation of the Building, Lessor shall give forty−eight (48) hours written notice to Lessee and within twenty−four (24) hours Lessee shall resolve any dispute so that the tenor of the construction process and the operation of the Building is returned to that which existed prior to Lessor's notice. Such entry by Lessee's contractors shall be deemed controlled by all of the terms, covenants, provisions and conditions of the Lease.

g. Prior to the commencement of the Work, Lessee shall provide Lessor with evidence of Lessee's contractors and sub−contractors carrying such worker's compensation, general liability, personal and property insurance required by law and in amounts no less than the amounts set forth in Paragraph 7 herein. Lessor shall not be liable in any way for any injury, loss or damage which may occur to any portion of the Work, Lessee's decorations, or installments so made, the same being solely at Lessee's risk.

h. In the event Lessor approves the use of subcontractors other than Lessor's Base Building sub−contractors, all proposed Building System work, including the preparation of the plans and specifications identified herein, shall be approved by Lessor's engineers (the "Engineering Review"), and any cost thereof shall be Lessee's responsibility.

i. Lessor shall afford Lessee and its contractors the opportunity to use the Building facilities at reasonable cost in order to enable Lessee and its contractors to perform the Work, provided however, that Lessee and its contractors shall remain responsible for the scheduling and transportation of materials and equipment used in the performance of such work. Lessee shall give Lessor adequate prior notice with regard to the scheduling and transportation of materials in and out of the Building. Lessor shall furnish, at Lessor's expense, water, electricity, heat and ventilation during the performance of the Work during regular construction trade hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, exclusive of trade holidays. Scavenger service shall be provided by Lessor at Lessee's expense.

j. All plans, changes to the plans and work installed by Lessee and its sub−contractors shall require inspections to be made by Lessor's Base Building Sub−Contractors at Lessee's or Lessee's contractors expense (the "Inspection Fees"). The Base Building Sub−Contractors shall supply Lessor with certification that work so preformed has been completed in accordance with the Plans which have been previously approved by Lessor. If a Base Building Sub−Contractor is selected and actually installs the work, the Inspection Fees described in this paragraph with respect to such work shall not be required.

k. Lessee shall be responsible for all cleaning and removal of debris necessitated by the performance of the Work. If Lessee fails to provide such cleaning and removal, the same may be performed by Lessor on Lessee's behalf and Lessee will pay Lessor an amount equal to the contractor's charge therefore, plus twenty percent (20%) thereof.

l. Neither the outside appearance nor the strength of the Building or of any of its structural parts shall be affected by the Work.

m. The proper functioning of any of the Building Systems shall not be adversely affected or the usage of such systems by Lessee shall not be materially increased above the projected usage of such systems indicated by the current plans and specifications of the Building.

n. Lessee and its general and sub−contractors shall be bound by and observe all of the conditions and covenants contained in the Lease and this Exhibit A.

o. Lessor shall designate a "Project Manager" as its representative in the Building who shall be responsible for coordination and supervision of the Work as it pertains to the daily operation of the Building. The Project Manager and his subordinates shall be granted access to the Premises at all times during the construction period.

p. Lessee agrees to pay Lessor three percent (3%) of the contract awarded to Lessee's general contractor and/or any subcontractors to reimburse Lessor for coordination, supervision, and utility costs.

3. Intentionally Omitted

4. Any part of the Work within the Premises shall become the property of the Lessor upon installation. Furthermore, with respect to any material and installation which is part of the Work, Lessee shall not be entitled to remove, pledge or sell same unless otherwise agreed to in writing by Lessor and Lessee. No refund, credit, or removal of said items shall be permitted at the termination of the Lease. Items installed that are not integrated in any such way with other common building materials do not fall under this provision (Example: shelving, furniture, trade fixtures).

5. Lessor shall provide a cash contribution of THREE HUNDRED SIXTY−NINE THOUSAND ONE HUNDRED THIRTY−EIGHT AND 00/100 DOLLARS ($369,138.00) ("Lessor's Construction Allowance") for payment of the costs associated with the completion of The Work. Lessor's Construction Allowance shall be payable within fifteen (15) business days of Lessor's receipt of the following:

a. Copy of the Certificate of Occupancy (temporary and permanent) issued by the local construction official;

b. AIA Document G704, Certificate of substantial completion issued and signed by Lessee's Architect;

c. Release of Lien statements from the general and all sub−contractors associated with the Work; and

d. Lessee shall provide Lessor a set of reproducible drawings of the Plans and a "CAD" file (in .DWG or .DXF format) of the "As−Built" Plans.

6. The Base Building Sub−Contractors are:

FIRE SPRINKLER CONTRACTOR
"To be provided by Lessor upon request from Lessee."

ELECTRICAL CONTRACTOR
"To be provided by Lessor upon request from Lessee."

PLUMBING CONTRACTOR
"To be provided by Lessor upon request from Lessee."

HVAC CONTRACTOR
"To be provided by Lessor upon request from Lessee."

7. Lessee's Contractor's Insurance:

a. The Lessee shall require any and all contractors of the Lessee performing work on or about the Premises to obtain and/or maintain specific insurance coverage for events which could occur while operations are being performed and which could occur after the completion of the work. The insurance coverage of the contractor shall be at least equal to the coverage required by Article 30 of the Lease and the contractor shall name Lessor and, if requested, Mortgagee as additional insureds on all policies of liability insurance.

b. The contractor shall purchase and maintain such insurance as will protect itself and Lessor and Lessee from claims set forth below which may arise out of or result from its operations under the contract and after contract completion with Lessee, whether such operations are performed by the contractor or by any subcontractor or by anyone directly or indirectly employed by any of them or by anyone for whose acts any of them may be liable. The insurance coverage shall include but not be limited to protection for:

   i. Claims under Workers or Workmens Compensation, Disability Benefits, and other Employee Benefit Acts;

   ii. Claims for damages because of bodily injury, occupational sickness, disease or death of its employees;

   iii. Claims for damages because of bodily injury, sickness, disease, or death of any person other than its employees;

   iv. Claims for damages insured by the usual personal injury liability coverages which are sustained by (i) any person as a result of an offense directly or indirectly related to the employment of such person by the contractor, or (ii) by any other person;

   v. Claims for damages, other than to the work itself, because of injury to or destruction of tangible property, including loss of use resulting therefrom;

   vi. Claims for damages because of bodily injury or death of any person and/or property damage arising out of the ownership, maintenance, or use of any motor vehicle; and

   vii. Claims which include the foregoing, but not limited thereto, which may occur while operations are being performed and claims which may occur after operations are completed.

c. Lessee shall secure evidence of Lessee's contractor's insurance coverage adequate to protect Lessor and Lessee.

d. The contract between the Lessee and its contractor shall require that the Lessee's contractor hold the Lessor harmless in a form and manner equal to the indemnity agreement in Article 33, "Indemnity" of the Lease agreement.

e. Lessee shall cause to be executed a waiver of all rights their contractors have or may have against Lessor and any Mortgagee involved in the Premises in any way, for damages caused by fire or other perils so insured.

f. If request by Lessor, Lessee shall obtain and furnish surety in a form satisfactory to Lessor, covering the faithful performance of the work and the payment of all obligations arising thereunder.

8. All sums payable by Lessee to Lessor in connection with this Exhibit C and any other work to be performed by Lessor within the Premises and billable to Lessee shall be deemed Additional Rent.

−END−

EXHIBIT C − 1

AIR CONDITIONING & HEATING DESIGN STANDARDS

The following are design standards for the building air−conditioning system for cooling and heating in the air in the subject building:

1. During the normal heating season to maintain an average indoor dry bulb temperature of not less than 70 degrees F (21 degrees C) or more than 76 degrees (24.4 degrees C) when the outdoor dry bulb temperature is lower than 65 degrees F (18 degrees C) but not lower than 0 degrees F (−13 degrees C).

2. To maintain comfort cooling for an average indoor dry bulb temperature of not more than 78 degrees F when the outside dry bulb temperature is 95 degrees F (24 degrees C).

3. During the intermediate seasons, when the outside dry bulb temperature is below 55 degrees (13 degrees C), cooling will be provided by outside air usage in conjunction with operating of return air, outside air and exhaust air dampers.

4. To furnish not less than .10 cubic foot of fresh air per minute per square foot of rentable area, and between .20 and 1.0 cubic feet of total air per minute, per square foot of rentable occupied space.

5. Lessor will not be responsible for the failure of the air−conditioning system if such failure results from (i) the occupancy of the Premises with more than an average of one (1) person for each one hundred (100) usable square feet of floor area (ii) the installation or operation by Lessee of machines and appliances, the installed electrical load of which when combined with the load of all lighting fixtures exceeds five (5) watts per square foot of floor area and in any manner exceeding the aforementioned occupancy and electrical load criteria, or (iii) rearrangement of partitioning after the initial preparation of the Premises. If interference with normal operation of the air−conditioning system in the Premises results, necessitating changes in the air conditioning system servicing the Premises, such changes shall be made by Lessor upon written notice to Lessee at Lessee's sole cost and expense. Lessee agrees to lower and close window coverings when necessary because of the sun's position whenever the air conditioning system is in operation, and Lessee agrees at all times to cooperate fully with Lessor and to abide by all the Rules and Regulations attached hereto as well as reasonable rules and regulations which Lessor may hereafter prescribe involving the air−conditioning system.

−− END −−

EXHIBIT D

CLEANING SERVICES
(Five Nights Per Week)

LESSEE'S PREMISES

1. Vacuum clean all carpeted areas.

2. Sweep and dust mop all non−carpeted areas. Wet mop whenever necessary.

3. All office furniture such as desks, chairs, files, filing cabinets, etc. shall be dusted with a clean treated dust cloth whenever necessary and only if such surfaces are clear of Lessee's personal property including but not limited to plants.

4. Empty and wash ashtrays.

5. Empty wastepaper baskets and remove waste to the designated areas.

6. All vertical surfaces within arms reach shall be spot cleaned to remove finger marks and smudges. Baseboard and window sills are to be spot cleaned whenever necessary.

7. All cleaning of cafeterias, vending areas, kitchen facilities are excluded. Lessee may make necessary arrangements for same directly with Lessor's cleaning maintenance company.

8. Cleaning hours shall be Monday through Friday between 5:30 p.m. and 11:00 p.m.

9. No cleaning service is provided on Saturday, Sunday and Building Holidays.

10. Cartons or refuse in excess which can not be placed in wastebaskets will not be removed. Lessee is responsible to place such unusual refuse in trash dumpster.

11. Cleaning maintenance company will not remove nor clean tea, office cups or similar containers. If such liquids are spilled in waste baskets, the waste baskets will be emptied but not otherwise cleaned. Lessor will not be responsible for any stained carpet caused from liquids leaking or spilling from Lessee's wastepaper receptacles.

12. Upon completion of cleaning, all lights will be turned off and doors locked leaving the Premises in an orderly condition.

13. Glass entrance doors will be cleaned nightly. Interior glass doors or glass partitions are excluded. Lessee may make arrangements for same with Lessor's cleaning maintenance company.

COMMON AREAS

1. Vacuum all carpeting in entrance lobbies, outdoor mats and all corridors.

2. Wash glass doors in entrance lobby with a clean damp cloth and dry towel.

3. Clean cigarette urns. Sweep and/or wet mop all resilient tile flooring. Hard surface floors such as quarry tile, etc., shall be cleaned nightly.

4. Wash, clean and disinfect water fountains.

5. Clean all elevators and stairwells.

6. Lavatories −− Men and Women.
   a. Floors in all lavatories shall be wet mopped each evening with a germicidal detergent to ensure a clean and germ free surface.
   b. Wash and polish all mirrors, shelves, bright work including any piping and toilet seats.
   c. Wash and disinfect wash basins and sinks using a germicidal detergent.
   d. Wash and disinfect toilet bowls and urinals.
   e. Keep lavatory partitions, tiled walls, dispensers and receptacles in a clean condition using a germicidal detergent when necessary.
   f. Empty and sanitize sanitary disposal receptacles.
   g. Fill toilet tissue holders, towel dispensers and soap dispensers. Refills to be supplied by Lessor.

7. Clean all air ventilation grill work in ceilings.

EXHIBIT E

BUILDING HOLIDAYS

BUILDING CLOSED

* NEW YEAR'S DAY *

* MEMORIAL DAY *

* INDEPENDENCE DAY *

* LABOR DAY *

* THANKSGIVING DAY *

* CHRISTMAS DAY *

-- END --

EXHIBIT F

TENANT ESTOPPEL CERTIFICATE

TO: MORTGAGEE and/or its affiliates and/or whom else it may concern:

1. The undersigned is the Lessee (Tenant) under that certain Lease dated by and between as Lessor (Landlord) and as Lessee, covering those certain premises commonly known and designated as r.s.f. on the ( ) floor of ,NJ.

2. The Lease has not been modified, changed, altered or amended in any respect (except as indicated following this sentence) and is the only Lease or agreement between the undersigned and the Lessor affecting said premises. If none, state "none".

3. The undersigned has made no agreements with Lessor or its agents or employees concerning free rent, partial rent, rebate of rental payments or any other type of rental concession (except as indicated following this sentence). If none, state "none".

4. The undersigned has accepted and now occupies the premises, and is and has been open for business since , 200_. The Lease term began , 2002, and the rent for said premises has been paid to and including , 2002 in conformity with this Lease agreement. No rent has been prepaid for more than two (2) months. The fixed minimum rent being paid as above is $ _____ per month. If Lessee is not in full possession, whether Lessee has assigned the Lease, sublet all or any portion of the Premises, or otherwise transferred any interest in the Lease or the Premises, Lessee agrees to provide a copy of such assignment, sublease, or transfer upon request.

5. The Lease is not in default and is in full force and effect. As of the date hereof, the undersigned is entitled to no credit, no free rent and no offset or deduction in rent.

6. All alterations, improvements, additions, build-outs, or construction required to be performed under the Lease have been completed in accordance with the terms of the Workletter attached to Lease as Exhibit C.

7. The Lease does not contain and the undersigned doesn't have any outstanding options or rights of first refusal to purchase the premises or any part thereof or the real property of which the premises are a part.

8. No actions, whether voluntary or otherwise, are pending against the undersigned under the bankruptcy laws of the United States or any State thereof.

9. There are currently no valid defenses, counterclaims, off-sets, credits, deductions in rent, or claims against the enforcement of any of the agreements, terms, or conditions of the Lease.

10. The undersigned acknowledges that all the interest of Lessor in and to the above-mentioned Lease is being duly assigned to MORTGAGEE or one of its affiliates hereunder and that pursuant to the terms thereof (i) all rental payments under said Lease shall continue to be paid to Lessor in accordance with the terms of the Lease unless and until you are otherwise notified in writing by MORTGAGEE, or its successor or assigns and (ii) no modification, revision, or cancellation of the Lease or amendments thereto shall be effective unless a written consent thereto of such mortgagee is first obtained.

11. The undersigned is authorized to execute this Tenant Estoppel Certificate on behalf of the Lessee.

Dated this _____ day of _____ , 2002

LESSEE:

_____

Name:
Title:

EXHIBIT G

RENT COMMENCEMENT DATE AGREEMENT

1.0 PARTIES

THIS AGREEMENT made the _____day of _____, 2002 is by and between _____ (hereinafter "Lessor") whose address is c/o Mack-Cali Realty Corporation, 11 Commerce Drive, Cranford, New Jersey 07016 and _____ (hereinafter "Lessee") whose address is _____.

2.0 STATEMENT OF FACTS

2.1 Lessor and Lessee entered into a Lease dated _____, 2002 (hereinafter "Lease") setting forth the terms of occupancy by Lessee of approximately _____ rentable square feet on the _____ (___) floor (hereinafter "Premises") at _____ (hereinafter "Building"); and

2.2 The Term of the Lease is ten (10) years with the Rent Commencement Date being defined in the Preamble to the Lease as being subject to certain alternatives; and

2.3 It has been determined that _____, 2002 is the Rent Commencement Date of the Lease.

3.0 STATEMENT OF TERMS

NOW, THEREFORE, in consideration of the Premises and the covenants hereinafter set forth, it is agreed:

3.1 The Rent Commencement Date of the Lease is _____ , and the Expiration Date thereof is _____ , and the Lease Preamble Articles 6 shall be deemed modified accordingly.

3.2 This Agreement is executed by the parties hereto for the purpose of providing a record of the Rent Commencement Date and Expiration Dates of the Lease.

EXCEPT as modified herein, the Lease covering the Premises shall remain in full force and effect as if the same were set forth in full herein and Lessor and Lessee hereby ratify and confirm all the terms and conditions thereof.

THIS AGREEMENT shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and permitted assigns.

EACH PARTY AGREES that it will not raise or assert as a defense to any obligation under the Lease or this Agreement or make any claim that the Lease or this Agreement is invalid or unenforceable due to any failure of this document to comply with ministerial requirements including, but not limited to, requirements for corporate seals, attestations, witnesses, notarizations, or other similar requirements, and each party hereby waives the right to assert any such defense or make any claim of invalidity or unenforceability due to any of the foregoing.

IN WITNESS THEREOF, Lessor and Lessee have hereunto set their hands and seals the date and year first above written and acknowledge one to the other they possess the requisite authority to enter into this transaction and to sign this Agreement.

LESSOR	LESSEE
By: _____	By: _____
Michael K. Nevins	Name:
Vice President - Leasing	Title:

EXHIBIT H

LETTER OF CREDIT

[DATE]

TO:
[Name of Beneficiary]
[Address]

Re: Irrevocable Letter of Credit

Gentlemen:

By order of our client, _____, we hereby establish our irrevocable Letter of Credit No. _____ in your favor for a sum or sums not to exceed $_____– (_____U.S. Dollars) in the aggregate, effective immediately.

This Letter of Credit shall be payable in immediately available funds in U.S. Dollars. Funds under this credit are payable to you upon your presentation to us a sight draft drawn on us in the form annexed hereto. All drafts must be marked: "Drawn under Letter of Credit No. ____ of [Name of Issuing Bank].

This Letter of Credit shall expire twelve (12) months from the date hereof; but is automatically extendable, so that this Letter of Credit shall be deemed automatically extended, from time to time, without amendment, for one year from the expiration date hereof and from each and every future expiration date, unless at least sixty (60) days prior to any expiration date we shall notify you by registered mail that we elect not to consider this Letter of Credit renewed for any such additional period. The final expiration date hereof shall be no earlier than [fill in suitable date after expiration of lease].

This Letter of Credit is transferable and may be transferred one or more times. However, no transfer shall be effective unless advice of such transfer is received by us in our standard form.

We hereby agree to honor each draft drawn under and in compliance with this Letter of Credit, if duly presented at our offices at _____or at any other of our offices.

This Letter of Credit is subject to the International Standby Practices 1998, International Chamber of Commerce Publication No. 590.

[Name of Bank]

By:

[Annex Bank's Form of Sight Draft]

EXHIBIT I

EXCLUSIONS FROM OPERATING COSTS

(1) Any ground lease rental;

(2) Costs of items considered capital repairs, replacements, improvements and equipment under generally accepted accounting principles consistently applied or otherwise, except as set forth below ("Capital Items");

(3) Rentals for items (except when needed in connection with normal repairs and maintenance of permanent systems) which if purchased, rather than rented, would constitute a Capital Item which is specifically excluded in (2) above (excluding, however, equipment not affixed to the Building which is used in providing janitorial or similar services);

(4) Costs incurred by Lessor for the repair of damage to the Building to the extent that Lessor is or should be reimbursed by insurance proceeds, regardless of whether such repairs are covered by insurance;

(5) Costs, including permit, license and inspection costs, incurred with respect to the installation of tenant or other occupants' improvements in the Building or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants of the Building;

(6) Depreciation, amortization, and interest payments, except as provided herein and except on materials, tools, supplies, and vendor−type equipment purchased by Lessor to enable Lessor to supply services Lessor might otherwise contract for with a third party when such depreciation, amortization and interest payments would otherwise have been included in the charge for such third party's services, all as determined in accordance with generally accepted accounting principles, consistently applied, and when depreciation or amortization is permitted or required, the item shall be amortized over its reasonably anticipated useful life;

(7) Marketing costs, including without limitation, leasing commissions, attorneys' fees in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases, subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with Lessee or present or prospective tenants or other occupants of the Building;

(8) Expenses for services or other benefits that are not offered to Lessee or for which Lessee is charged for directly but that are provided to another tenant or occupant of the Building;

(9) Costs incurred by Lessor because of the violation by Lessor or any tenant of the terms and conditions of any lease of space in the Building;

(10) Overhead and profit increment paid to Lessor or to subsidiaries or affiliates of Lessor for goods and/or services in or to the Building to the extent the same exceeds the costs of such goods and/or services rendered by unaffiliated third panics on a competitive basis;

(11) Interest, principal, points and fees on debts or amortization on any mortgage or mortgages or any other debt instrument encumbering the Building or the Land;

(12) Lessor's general corporate overhead and general and administrative expenses;

(13) Any compensation paid to clerks, attendants or other persons in commercial concessions operated by Lessor or in the parking garage of the Building or wherever Lessee is granted its parking privileges and/or all fees paid to any parking facility operator;

(14) Rentals and other related expenses incurred in leasing HVAC systems, elevators or

other equipment ordinarily considered to be Capital Items, except for (a) expenses in connection with making repairs on or keeping such Building systems in operation while repairs are being made and (b) costs of equipment not affixed to the Building which is used in providing janitorial or similar services;

(15) Advertising and promotional expenditures, and costs of signs in or on the Building identifying the owner of the Building;

(15A) The cost of any electrical power used by any tenant in the Building in excess of the Building−standard amount, or electric power costs for which any tenant directly contracts with the local public service company or for which any tenant is separately metered or submetered and pays Lessor directly;

(16) Services and utilities provided, taxes attributable to, and costs incurred in connection with the operation of the retail and restaurant operations in the Building, except to the extent the square footage of such operations are included in the rentable square feet of the Building and do not exceed the services, utility and tax costs that would have been incurred had the retail and/or restaurant space been used for general office purposes;

(17) Costs incurred in connection with upgrading the Building to comply with life, fire and safety codes, ordinances, statutes or other laws in effect before the Commencement Date, including, without limitation, the ADA, including penalties or damages incurred because of that non−compliance;

(18) Tax penalties incurred as a result of Lessor's failure to make payments and/or to file any tax or informational returns when due;

(19) Costs for which Lessor has been compensated by a management fee, and any management fees in excess of those management fees which are normally and customarily charged by landlords of comparable buildings;

(19A) Costs arising from the negligence or fault of other tenants or Lessor or its agents, or any vendors, contractors, or providers of materials or services selected, hired or engaged by Lessor or its agents including, without limitation, the selection of Building materials;

(20) Notwithstanding any contrary provision of the Lease, including, without limitation, any provision relating to capital expenditures, any and all costs arising from the presence of hazardous materials or substances (as defined by applicable laws in effect on the date this Lease is executed) in or about the Premises, the Building or the Office Building Area including, without limitation, hazardous substances in the ground water or soil, not placed in the Premises, the Building or the Land by Lessee;

(21) Costs arising from Lessor's charitable or political contributions;

(22) Costs arising from defects in the base, shell, or core of the Building or improvements installed by Lessor or repair thereof;

(23) Costs for the acquisition of (as contrasted with the maintenance of) sculpture, paintings, or other objects of art;

(24) Costs (including in connection therewith all attorneys' fees and costs of settlement judgments and payments in lieu thereof) arising from claims, disputes or potential disputes in connection with potential or actual claims litigation or arbitrations pertaining to Lessor and/or the Building and/or the Office Building Area;

(25) Costs associated with the operation of the business of the partnership or entity which constitutes Lessor as the same are distinguished from the costs of operation of the Building, including partnership accounting and legal matters, costs of defending any lawsuits with or claims by any mortgagee (except as the actions of Lessee may be in issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of Lessor's interest in the Building, costs of any disputes between Lessor and its employees (if any) not engaged in Building operation, disputes of Lessor with

Building management, or outside fees paid in connection with disputes with other tenants;

(26) Costs of any "tap fees" or any sewer or water connection fees for the benefit of any particular tenant in the Building;

(27) Costs incurred in connection with any environmental clean−up, response action, or remediation on, in, under or about the Premises or the Building or the Office Building Area, including but not limited to, costs and expenses associated with the defense, administration, settlement, monitoring or management thereof;

(28) Any expenses incurred by Lessor for use of any portions of the Building to accommodate events including, but not limited to shows, promotions, kiosks, displays, filming, photography, private events or parties, ceremonies, and advertising beyond the normal expenses otherwise attributable to providing Building services, such as lighting and HVAC to such public portions of the Building in normal Building operations during standard Building hours of operation;

(29) Any entertainment, dining, or travel expenses for any purpose;

(30) Any flowers, gifts, balloons, etc. provided to any entity whatsoever, to include, but not limited to, Lessee, other tenants, employees, vendors, contractors, prospective tenants, and agents;

(31) Any "validated" parking for any entity;

(32) Any "finders' fees," brokerage commissions, job placement costs, or job advertising cost;

(33) Any "above−standard" cleaning, including, but not limited to construction cleanup or special cleanings associated with parties/events and specific tenant requirements in excess of service provided to Lessee, including related trash collection, removal, hauling and dumping;

(34) The cost of any magazine, newspaper, trade or other subscriptions;

(35) The cost of any training or incentive programs, other than for tenant life safety information services;

(36) The cost of any "tenant relations" parties, events or promotion not consented to by an authorized representative of Lessee in writing;

(37) "In−house" legal and/or accounting fees; and

(38) Reserves for bad debts or for future improvements, repairs, additions, etc.; and

It is understood that Operating Costs shall be reduced by all cash discounts, trade discounts, quantity discounts, rebates, or other amounts received by Lessor or Lessor's managing agent in the purchase of any goods, utilities, or services in connection with the operation of the Building. Lessor shall make payments for goods, utilities, or services in a timely manner to obtain the maximum possible discount. If Capital Items which are customarily purchased by landlords of comparable buildings are leased by Lessor, rather than purchased, the decision by Lessor to lease the item in question shall not serve to increase Lessee's Percentage of Operating Costs beyond that which would have applied had the item in question been purchased.

If any facilities, services, or utilities used for the Building are provided from another building owned or operated by Lessor or vice versa, the costs incurred by Lessor for those facilities, services, or utilities shall be allocated to Operating Costs by Lessor on a reasonably equitable basis.

If any repair, replacement or improvement within the definition of Operating Costs is capitalized under generally accepted accounting principles, then (A) the cost of any such repair, replacement or improvement shall only be included in Operating Costs if such repair, replacement or improvement (i) is necessary to comply with any governmental or quasi−governmental law, statute,

ordinance, rule, order, requirements or regulation, which is enacted or promulgated after the date hereof, (ii) is reasonably intended to reduce Operating Costs or (iii) constitutes a replacement which in Lessor's reasonable judgment is economically prudent to make in lieu of repairs, (B) the cost thereof shall be amortized on a straight line basis over the useful life of such repair, the amount so amortized attributable to such repair, replacement or improvement and (C) there shall be included in Operating Costs in each Lease Year for such portion of the amortization period which occurs during the Term, provided, however, that all amounts thereof included in Operating Costs in any Lease Year subsequent to the year paid shall have added thereto interest from the date Lessor incurred such cost. For amortization purposes, applicable interest shall be two (2) percentage points in excess of the prime rate charged by Chase Manhattan Bank, or its successor, at the time of expenditure.

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Exhibit 23

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statements on Form S-8 No. 333-44884 pertaining to the 1998 Stock Incentive Plan, Form S-8 No. 333-74612 pertaining to the 2000 Outside Director Option Plan and the 2000 Employee Stock Purchase Plan, 2001 Non-Officer, Non-Director Employee Stock Incentive Plan and Form S-3 No. 333-61430 of The Medicines Company of our report dated February 11, 2003, with respect to the consolidated financial statements of The Medicines Company included in the Annual Report (Form 10-K) for the year ended December 31, 2002.

/s/ Ernst & Young LLP

MetroPark, New Jersey
March 3, 2003

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Exhibit 99.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of The Medicines Company (the "Company") for the period ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Clive A. Meanwell, Executive Chairman of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) of 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Clive A. Meanwell
_____
Clive A. Meanwell
Executive Chairman

Dated: March 4, 2003

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Exhibit 99.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of The Medicines Company (the "Company") for the period ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, David M. Stack, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) of 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David M. Stack
_____
David M. Stack
President and Chief Executive Officer

Dated: March 4, 2003

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Exhibit 99.3

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of The Medicines Company (the "Company") for the period ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Steven H. Koehler, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) of 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Steven H. Koehler
_____
Steven H. Koehler
Chief Financial Officer

Dated: March 4, 2003

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