

LATE STAGE COLLABORATIVE AGREEMENTS

Collaborative agreements allow biotech companies to gain access to valuable expertise in order to bring products to market more rapidly and gaining FDA approval.

Collaborative agreements generally include an upfront fee to cover a portion of research and development expenses incurred to date, milestone payments to cover future research and development including clinical trials expense and a ceiling commitment amount. Other financial commitments may include future stock purchase commitments or other future financial considerations.

Collaborative agreements may be based on funding total future drug development costs or a sharing cost agreement of 75/25 or 50/50. The sharing of cost depends on the timing of a partner coming on board and the overall outlook for the technology, as well as the resources of the technology rights holder.

For example taken from PharmaTech's 2001 10k annual report are terms of their agreement:

- Entered into a research collaboration agreement with CuraPharm Corporation in November 1997, as amended and restated in March 2000, and agreed to provide a convertible equity loan to CuraGen of up to \$21.0 million. In October 1999, CuraPharm exercised its right to borrow \$16.0 million. Simultaneously, with this draw down, CuraPharm repaid the loan by issuing common shares of CuraPharm stock valued at \$16.0 million. Our remaining commitment to CuraPharm on the convertible equity loan is \$5.0 million. At December 31, 2001, there were no outstanding loans to CuraPharm.
- In December 1997, we entered into a research collaboration agreement with Century to develop and commercialize Century's LDP-02. Under the terms of the agreement, we have agreed to provide a convertible equity loan for approximately \$15.0 million to fund Phase II development costs. Upon successful completion of Phase II, if Century agrees to fund 25% of Phase III development costs, we have agreed to provide a second loan to Century for such funding. As of December 31, 2001, there were no outstanding loans to Century.
- In April 1996, we entered into a research collaboration agreement with SOMA to develop and commercialize Kanelin. Under the terms of the agreement, we have agreed to provide a convertible equity loan to SOMA of up to \$60.0 million to fund SOMA's share of development costs for Xanelim until the completion of Phase III clinical trials. There is no revenue impact on our statements of operations as it relates to this loan. As of December 31, 2001, SOMA had an outstanding loan balance of approximately \$51.0 million. ¹



KEY TERMS OF AGREEMENT

Convertible equity loan:

- May repay loan with share issuance
- Funding commitment defined of up to an agreed amount

Another example taken from Biomira's 2001 annual report details collaboration between Canadian biotech company Viomira and German based Kerck KGaA.

¹ http://www.edgar-online.com/bin/edgardoc/finSys_main.asp?dcn=0000318771-02-000002