As filed with the Securities and Exchange Commission on January 9, 2008

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Omeros Corporation

(Exact name of registrant as specified in its charter)

Washington	2834	91-1663741
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

1420 Fifth Avenue, Suite 2600
Seattle, Washington 98101
(206) 676-5000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Gregory A. Demopulos, M.D.
President, Chief Executive Officer,
Chief Medical Officer and
Chairman of the Board of Directors
Omeros Corporation
1420 Fifth Avenue, Suite 2600
Seattle, Washington 98101
(206) 676-5000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Please send copies of all communications to:

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Professional Corporation	**1420 Fifth Avenue, Suite 2600**	**1290 Avenue of the Americas**
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Seattle, Washington 98104	**(206) 676-5000**	**(212) 468-8000**
(206) 883-2500		

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price (1)(2)	Amount of Registration Fee
Common Stock, $0.01 par value	$115,000,000	$4,519.50

(1) Estimated solely for the purpose of computing the amount of registration fee pursuant to Rule 457(o) of the Securities Act of 1933.

(2) Includes the offering price of shares the underwriters have an option to buy to cover over-allotments, if any.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Subject to Completion, Dated January 9, 2008

Omeros Corporation

Shares
Common Stock

This is the initial public offering of Omeros Corporation. We are offering shares of our common stock. We anticipate that the initial public offering price will be between $ and $ per share. We have applied to list our common stock on the NASDAQ Global Market under the symbol "OMER."

Investing in our common stock involves risk. See "Risk Factors" beginning on page 9.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to Omeros Corporation	$	$

We have granted the underwriters the right to purchase up to additional shares of common stock to cover over-allotments.

Deutsche Bank Securities

Pacific Growth Equities, LLC

Leerink Swann **Needham & Company, LLC**

The date of this prospectus is , 2008.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our common stock. Except where the context requires otherwise, in this prospectus the "Company," "Omeros," "we," "us" and "our" refer to Omeros Corporation, a Washington corporation, and, where appropriate, its subsidiary.

For investors outside the United States: Neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of shares of common stock and the distribution of this prospectus outside of the United States.

Market Data

This prospectus contains market data regarding the healthcare industry that we obtained from Sharon O'Reilly Consulting, or SOR Consulting, Thomson Healthcare and The Reimbursement Group. The market data regarding the number of arthroscopic operations, including knee arthroscopy operations, performed in the United States in 2006 is from SOR Consulting. Ms. O'Reilly is the founder of Medtech Insight, a market research firm that she left in 2007. Medtech Insight did not provide any of the data used in this prospectus. The market data regarding the number of cataract and uroendscopic operations performed in the United States in 2006 is from Thomson Healthcare. In addition, our conclusions regarding the potential reimbursement of our PharmacoSurgery™ product candidates are based on reports that we commissioned from The Reimbursement Group, or TRG. Market data publications and reports generally indicate that their information has been obtained from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. Although we believe that all of these reports and data are reliable, we have not independently verified any of this information.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information you should consider in making your investment decision. You should read this summary together with the more detailed information, including our financial statements and the related notes, elsewhere in this prospectus. You should carefully consider, among other things, the matters discussed in "Risk Factors."

Omeros Corporation

We are a clinical-stage biopharmaceutical company committed to discovering, developing and commercializing products focused on inflammation and disorders of the central nervous system. Our most clinically advanced product candidates are derived from our proprietary PharmacoSurgery™ platform designed to improve the clinical outcomes of patients undergoing arthroscopic, ophthalmological, urological and other surgical and medical procedures. Our PharmacoSurgery platform is based on low-dose proprietary combinations of therapeutic agents delivered directly to the surgical site throughout the duration of the procedure to preemptively inhibit inflammation and other problems caused by surgical trauma and to provide clinical benefits both during and after surgery. We currently have three ongoing PharmacoSurgery clinical development programs, two in arthroscopy and one in uroendoscopy. The most advanced of these, OMS103HP for use in arthroscopy, is in Phase 3 clinical trials. We expect to initiate a fourth clinical program in ophthalmology in the first half of 2008. In addition to our PharmacoSurgery platform, we have leveraged our expertise in inflammation and the central nervous system, or CNS, to build a pipeline of preclinical programs targeting large markets. By combining our late-stage PharmacoSurgery product candidates with our deep and diverse pipeline of preclinical development programs, we believe that we create multiple opportunities for commercial success. For each of our product candidates and programs, we have retained all manufacturing, marketing and distribution rights.

Our PharmacoSurgery Platform

Limitations of Current Treatments

Current standards of care for the management and treatment of surgical trauma are limited in effectiveness. Surgical trauma causes a complex cascade of molecular signaling and biochemical changes, resulting in inflammation, pain, spasm, loss of function and other problems. As a consequence, multiple pharmacologic actions are required to manage the complexity and inherent redundancy of the cascade. Accordingly, we believe that single-agent treatments acting on single targets do not result in optimal therapeutic benefit. Further, current pre-operative treatments are not optimally effective because the administration of standard irrigation solution during the surgical procedure washes out pre-operatively delivered drugs. In addition, current postoperative therapies are not optimally effective because the cascade and resultant inflammation, pain, spasm, loss of function and other problems have already begun, and are difficult to reverse and manage after surgical trauma has occurred. Also, drugs that currently are systemically delivered, such as by oral or intravenous administration, to target these problems are frequently associated with adverse side effects.

Advantages of our PharmacoSurgery Platform

In contrast, we generate from our PharmacoSurgery platform proprietary product candidates that are combinations of therapeutic agents designed to act simultaneously at multiple discrete targets to preemptively block the molecular-signaling and biochemical cascade caused by surgical trauma and to provide clinical benefits both during and after surgery. Supplied in pre-dosed, pre-formulated, single-use containers, our PharmacoSurgery

product candidates are added to standard surgical irrigation solutions and delivered intra-operatively to the site of tissue trauma throughout the surgical procedure. This results in the delivery of low concentrations of agents with minimal systemic uptake and reduced risk of adverse side effects, and does not require a surgeon to change his or her operating procedure. In addition to ease of use, we believe that the clinical benefits of our product candidates could provide surgeons a competitive marketing advantage and may facilitate third-party payor acceptance, all of which we expect will drive adoption and market penetration. Our patent portfolio covers all arthroscopic, ophthalmological, urological, cardiovascular and other types of surgical and medical procedures, and includes both method and composition claims broadly directed to combinations of agents drawn from distinct classes of therapeutic agents delivered to the procedural site intra-operatively, regardless of whether the agents are generic or proprietary. Our current PharmacoSurgery product candidates are specifically comprised of active pharmaceutical ingredients, or APIs, contained in generic drugs already approved by the U.S. Food and Drug Administration, or FDA, with established profiles of safety and pharmacologic activities, and are eligible for submission under the potentially less-costly and time-consuming Section 505(b)(2) New Drug Application, or NDA, process.

Market Opportunity

According to market data from SOR Consulting and Thomson Healthcare, approximately a total of: 4.0 million arthroscopic operations, including 2.6 million knee arthroscopy operations; 2.9 million cataract operations; and 4.3 million uroendoscopic operations were performed in the United States in 2006. We expect the number of these operations to grow as the population and demand for minimally invasive procedures increases and endoscopic technologies improve. In addition, based on reports that we commissioned from a reimbursement consulting firm, we anticipate that each of our current PharmacoSurgery product candidates will be favorably reimbursed both to the surgical facility and to the surgeon. As a result, we estimate that there are large markets for each of our PharmacoSurgery product candidates and believe that OMS103HP alone provides a multi-billion dollar market opportunity.

Our Lead Product Candidate OMS103HP

OMS103HP, our lead PharmacoSurgery product candidate, is in two Phase 3 clinical programs. The first program is evaluating OMS103HP's safety and ability to improve postoperative joint function and reduce pain following arthroscopic anterior cruciate ligament, or ACL, reconstruction surgery. The second program is evaluating OMS103HP's safety and ability to reduce pain and improve postoperative joint function following arthroscopic meniscectomy surgery. OMS103HP is a proprietary combination of APIs with known anti-inflammatory, analgesic and vasoconstrictive activities. Each of the APIs in OMS103HP are components of generic, FDA-approved drugs that have been marketed in the United States as over-the-counter or prescription drug products for over 15 years and have established and well-characterized safety profiles. We believe that OMS103HP will, if approved, be the first commercially available drug product for the improvement of function following arthroscopic surgery, and will, based on the data from our OMS103HP Phase 1/Phase 2 clinical program, provide additional postoperative clinical benefits, including improved range of motion, reduced pain and earlier return to work.

OMS103HP selectively targets multiple and discrete pro-inflammatory mediators and pathways within the inflammatory and pain cascade. Added to standard irrigation solutions, OMS103HP is delivered to the joint at the initiation of surgical trauma to preemptively inhibit the inflammatory and pain cascade. Continuous intra-operative delivery to the joint creates a constant concentration of OMS103HP, bathing and replenishing the joint with drug throughout the duration of the surgical procedure. Because OMS103HP is delivered locally to, and acts directly at, the site of tissue injury, it can be delivered in low concentration, and will not be

subject to the substantial interpatient variability in pharmacokinetics that is associated with systemic delivery. By delivering low-concentration OMS103HP locally and only during the arthroscopic procedure, systemic absorption of the APIs will be minimized or avoided, thereby reducing the risk of adverse side effects.

We expect to complete the Phase 3 clinical trials in patients undergoing ACL reconstruction surgery by the end of 2008 and intend to submit, during the first half of 2009, an NDA to the FDA under the Section 505(b)(2) process. We expect to complete our first Phase 3 clinical trial, and begin our second Phase 3 clinical trial, in patients undergoing meniscectomy surgery in the second half of 2008.

Our Other PharmacoSurgery Product Candidates

OMS302

OMS302 is our PharmacoSurgery product candidate being developed for use during ophthalmological procedures, including cataract and other lens replacement surgery. OMS302 is a proprietary combination of an anti-inflammatory API and an API that causes pupil dilation, or mydriasis, each with well-known safety and pharmacologic profiles. FDA-approved drugs containing each of these APIs have been used in ophthalmological clinical practice for more than 15 years, and both APIs are contained in generic, FDA-approved drugs.

OMS302 is added to standard irrigation solution used in cataract and other lens replacement surgery, and is delivered directly into the anterior chamber of the eye to induce and maintain mydriasis, to prevent surgically induced pupil constriction, or miosis, and to reduce postoperative pain and irritation. Mydriasis is an essential prerequisite for these procedures and, if not maintained throughout the surgical procedure or if miosis occurs, risk of damaging structures within the eye increases as does the operating time required to perform the procedure.

In the first half of 2008, we plan to submit an Investigational New Drug Application, or IND, to the FDA for OMS302, and expect to begin enrolling patients into a Phase 1/Phase 2 clinical trial to evaluate the efficacy and safety of OMS302 in patients undergoing cataract surgery.

OMS201

OMS201 is our PharmacoSurgery product candidate being developed for use during urological surgery, including uroendoscopic procedures of the bladder, ureter, urethra and other urinary tract structures. OMS201 is a proprietary combination of an anti-inflammatory API and a smooth muscle relaxant API. Both APIs are contained in generic, FDA-approved drugs with well-known profiles of safety and pharmacologic activities, and each has been individually prescribed to manage the symptoms of ureteral and renal stones. Each of the APIs in OMS201 is contained in drugs that have been marketed in the United States for more than 15 years.

Added to standard irrigation solutions in urological surgery, OMS201 is delivered directly to the surgical site during uroendoscopic procedures, such as bladder endoscopy, minimally invasive prostate surgery and ureteroscopy, to inhibit surgically induced inflammation, pain and smooth muscle spasm, or contractility. We are currently conducting a Phase 1 clinical trial to evaluate the safety and systemic absorption of OMS201 added to standard irrigation solution and delivered to patients undergoing ureteroscopy for removal of ureteral or renal stones.

We expect to complete the Phase 1 clinical trial of OMS201 in the first half of 2008.

Our Preclinical Development Programs

MASP-2 Program

In our mannan-binding lectin-associated serine protease-2, or MASP-2, program, we are developing antibody therapies to treat disorders caused by complement activated inflammation. MASP-2 is a novel pro-inflammatory protein target in the complement system, an important component of the immune system. MASP-2 appears to be required for the function of the lectin pathway, one of the principal complement activation pathways. Our preclinical data suggest that MASP-2 plays a significant role in macular degeneration, ischemia-reperfusion injury associated with myocardial infarction, renal disease and rheumatoid arthritis. We have generated several fully human, high-affinity, blocking antibodies to MASP-2, and from these or others expect to select a clinical product candidate in 2008.

Chondroprotective Program

In our cartilage protective, or Chondroprotective, program, we are developing drug therapies to treat cartilage disorders, such as osteoarthritis and rheumatoid arthritis. While cartilage health requires a balance between cartilage breakdown and synthesis, current drugs approved for the treatment of arthritis are focused only on inhibiting breakdown. Our drug therapies in development combine an inhibitor of cartilage breakdown with an agent that promotes cartilage synthesis. We believe that our issued and pending patents broadly cover any drug inhibiting cartilage breakdown, including those drugs already approved, in combination with any promoter of cartilage synthesis to treat cartilage disorders.

PDE10 Program

In our Phosphodiesterase 10, or PDE10, program, we are developing compounds that inhibit PDE10 for the treatment of schizophrenia. PDE10 is an enzyme that is expressed in areas of the brain strongly linked to schizophrenia and other psychotic disorders and has been recently identified as a target for the development of new anti-psychotic drugs. Results from preclinical studies suggest that PDE10 inhibitors may address the limitations of currently used anti-psychotic drugs by avoiding the associated weight gain and improving cognition.

GPCR Program

Members of our scientific team were the first to identify and characterize the full family of all 357 G protein-coupled receptors, or GPCRs, common to mice and humans, with the exception of those GPCRs linked to smell, taste and pheromone functions. Located in the brain and in peripheral tissues, GPCRs are involved in numerous physiological processes, including the regulation of the nervous system, metabolism, behavior, reproduction, development and hormonal homeostasis. Using our expertise in GPCRs, our 61 proprietary strains of knock-out mice, our in-house battery of behavioral assays and available libraries of compounds, we have discovered what we believe to be previously unknown links between specific molecular targets in the brain and a series of CNS disorders. We have filed corresponding patent applications and are developing compounds to treat several of these disorders.

Our Other CNS Programs

In our other CNS programs, we have discovered what we believe to be previously unknown links between specific molecular targets and a series of CNS disorders. We have filed patent applications directed to our discoveries broadly claiming any agents that act at these molecular targets for use in the treatment of these CNS disorders. Based on promising preclinical data in animal models, we are developing compounds for several of these CNS disorders.

Our Strategy

Our objective is to become a leading biopharmaceutical company, discovering, developing and successfully commercializing a large portfolio of diverse products. The key elements of our strategy are to:

- obtain regulatory approval for our PharmacoSurgery product candidates OMS103HP, OMS302 and OMS201;
- maximize commercial opportunity for our PharmacoSurgery product candidates OMS103HP, OMS302 and OMS201;
- continue to leverage our business model to mitigate risk by combining our multiple late-stage PharmacoSurgery product candidates with our deep and diverse pipeline of preclinical development programs;
- further expand our broad patent portfolio; and
- manage our business with continued efficiency and discipline, while continuing to evaluate opportunities and acquire technologies that meet our business objectives.

Risks Related to our Business

The risks set forth under the section entitled “Risk Factors” beginning on page 9 of this prospectus reflect risks and uncertainties that could significantly and adversely affect our business and our ability to execute our business strategy. For example:

- We are largely dependent on the success of our PharmacoSurgery product candidates, particularly our lead product candidate, OMS103HP, and our clinical trials may fail to adequately demonstrate the safety and efficacy of OMS103HP or our other PharmacoSurgery product candidates. If a clinical trial fails, if regulatory approval is delayed or if additional clinical trials are required, our development costs may increase and we will not have the anticipated revenue from that product candidate to fund our operations.
- We are a clinical-stage company with no product revenue and no products approved for marketing. The regulatory approval process is expensive, time-consuming and uncertain, and our product candidates have not been, and may not be, approved for sale by regulatory authorities. Even if approved for sale by the appropriate regulatory authorities, our products may not achieve market acceptance and we may never achieve profitability.
- Our preclinical development programs may not generate product candidates that are suitable for clinical testing or that can be successfully commercialized.
- Our patents may not adequately protect our present and future product candidates or permit us to gain or keep a competitive advantage. Our pending patents for our present and future product candidates may not be issued.

Corporate Information

We were incorporated as a Washington corporation on June 16, 1994. Our principal executive offices are located at 1420 Fifth Avenue, Suite 2600, Seattle, Washington 98101, and our telephone number is (206) 676-5000. Our web site address is www.omeros.com. The information on, or that can be accessed through, our web site is not part of this prospectus.

Omeros®, the Omeros logo®, nura®, and PharmacoSurgery™ are trademarks of Omeros Corporation in the United States and other countries. This prospectus also includes trademarks of other persons.

The Offering

Shares of common stock offered by us	shares
Shares of common stock to be outstanding after this offering	shares
Use of proceeds	We plan to use the net proceeds of this offering to fund (1) the completion of our Phase 3 clinical trials for OMS103HP and the submission of the related NDA(s) to the FDA, (2) the launch and commercialization of OMS103HP, (3) the clinical development of OMS302 and OMS201, (4) the development of our pipeline of preclinical programs and (5) working capital, capital expenditures, potential acquisitions of products or technologies and general corporate purposes. See "Use of Proceeds."
Proposed NASDAQ Global Market symbol	OMER

The number of shares of common stock that will be outstanding after this offering is based on the number of shares outstanding at September 30, 2007, and excludes:

- 5,257,413 shares of common stock issuable upon the exercise of options outstanding at September 30, 2007, at a weighted-average exercise price of $0.56 per share;
- 843,233 shares of common stock issuable upon exercise of options granted from October 1, 2007 to January 9, 2008, at a weighted-average exercise price of $1.25 per share;
- 512,029 shares of common stock issuable upon exercise of warrants outstanding at September 30, 2007, which will automatically terminate upon the closing of this offering if not exercised, at a weighted-average exercise price of $5.15 per share; and
- 22,613 shares of common stock issuable upon exercise of warrants outstanding at September 30, 2007, which will not automatically terminate upon the closing of this offering, at a weighted-average exercise price of $4.66 per share.
- shares of common stock available for future issuance under our 2008 Equity Incentive Plan.

Unless otherwise indicated, all information in this prospectus assumes:

- *the automatic conversion of all outstanding shares of our convertible preferred stock into 22,327,407 shares of common stock, effective upon the completion of this offering;*
- *the conversion of all outstanding warrants to purchase shares of our convertible preferred stock into warrants to purchase 534,642 shares of common stock, effective upon the completion of this offering;*
- *the issuance of shares of common stock pursuant to the cashless net exercise of warrants that will automatically terminate upon the closing of this offering based on the assumed initial public offering price of $ (the mid-point of the range set forth on the cover page of this prospectus); and*
- *no exercise by the underwriters of their right to purchase additional shares of common stock to cover over-allotments, if any.*

Summary Consolidated Financial Data

The following tables summarize consolidated financial data regarding our business and should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus. The consolidated statements of operations data for the years ended December 31, 2006, 2005 and 2004 are derived from our audited consolidated financial statements included elsewhere in this prospectus. The consolidated statements of operations data for the nine months ended September 30, 2007, and the nine months ended September 30, 2006, and for the period from June 16, 1994 (inception) to September 30, 2007 and the consolidated balance sheet data as of September 30, 2007 are derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements included in this prospectus and include, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the financial information in those statements. Our historical results are not necessarily indicative of the results to be expected in any future period, and the results for the nine months ended September 30, 2007 are not necessarily indicative of the results to be expected for the full year ending December 31, 2007. We acquired nura, inc., or nura, on August 11, 2006, and the results of nura are included in the consolidated financial statements from that date. The pro forma basic and diluted net loss per common share data are computed using the weighted-average number of shares of common stock outstanding, after giving effect to the conversion (using the as if-converted method) of all shares of our convertible preferred stock into common stock.

	Nine Months Ended September 30,		Year Ended December 31,			Period from June 16, 1994 (Inception) to September 30, 2007
	2007	2006	2006	2005	2004	
	(in thousands, except share and per share data)					
Consolidated Statements of Operations Data:						
Grant revenue	$ 650	$ 200	$ 200	$ —	$ —	$ 950
Operating expenses:						
Research and development	11,173	6,230	9,637	5,803	2,670	39,635
Acquired in-process research and development	—	10,891	10,891	—	—	10,891
General and administrative	8,619	1,893	3,625	1,904	2,079	22,859
Total operating expenses	19,792	19,014	24,153	7,707	4,749	73,385
Loss from operations	(19,142)	(18,814)	(23,953)	(7,707)	(4,749)	(72,435)
Investment income	1,173	722	1,088	333	171	4,093
Other income (expense)	(355)	108	179	8	—	(168)
Interest expense	(123)	(38)	(91)	—	—	(266)
Net loss	$ (18,447)	$ (18,022)	$ (22,777)	$ (7,366)	$ (4,578)	$ (68,776)
Denominator for basic and diluted net loss per common share	4,184,919	3,653,537	3,694,388	3,468,886	3,416,197	
Basic and diluted net loss per common share	$ (4.41)	$ (4.93)	$ (6.17)	$ (2.12)	$ (1.34)	
Pro forma basic and diluted net loss per common share (unaudited)	$ (0.66)		$ (1.10)			
Weighted-average shares used to compute pro forma basic and diluted net loss per common share (unaudited)	27,005,598		20,843,076			

The pro forma consolidated balance sheet data in the table below reflect (a) the automatic conversion of all outstanding shares of our convertible preferred stock into 22,327,407 shares of our common stock upon the closing of this offering and (b) the automatic conversion of all outstanding warrants to purchase convertible preferred stock into warrants to purchase 534,642 shares of our common stock upon the closing of this offering, resulting in the reclassification of $1.7 million from preferred stock warrant liability to shareholders' equity (deficit), and (c) the repayment of $239,000 in notes receivable from a related party. The pro forma as adjusted consolidated balance sheet data in the table below adjust the pro forma information to reflect (a) our sale of shares of our common stock in this offering at an assumed initial public offering price of $ per share (the mid-point of the range set forth on the cover page of this prospectus), after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us and (b) the issuance of shares of common stock pursuant to the cashless net exercise of warrants that will automatically terminate upon the closing of this offering based on the assumed initial public offering price.

	As of September 30, 2007		
	Actual	Pro Forma	Pro Forma As Adjusted (1)
		(in thousands)	
Consolidated Balance Sheet Data:			
Cash, cash equivalents and short-term investments	$ 27,171	$ 27,410	
Working capital	21,793	22,032	
Total assets	28,959	29,198	
Total debt	1,270	1,270	
Preferred stock warrant liability	1,674	—	
Convertible preferred stock	89,168	—	
Deficit accumulated during the development stage	(68,776)	(68,776)	
Total shareholders' equity (deficit)	(66,246)	24,835	

(1) A $1.00 increase (decrease) in the assumed public offering price of $ would increase (decrease) each of cash, cash equivalents and short-term investments, working capital, total assets and total shareholders' equity (deficit) by $, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

RISK FACTORS

You should carefully consider the risks described below before making an investment decision. Our business, prospects, financial condition or operating results could be materially adversely affected by any of these risks, as well as other risks not currently known to us or that we currently deem immaterial. The trading price of our common stock could decline due to any of these risks and you may lose all or part of your investment. In assessing the risks described below, you should also refer to the other information contained in this prospectus, including our consolidated financial statements and the related notes, before deciding to purchase any shares of our common stock.

Risks Related to Our Product Candidates and Operations

Our success largely depends on the success of our lead PharmacoSurgery™ product candidate, OMS103HP, and we cannot be certain that it will receive regulatory approval or be successfully commercialized. If we are unable to commercialize OMS103HP, or experience significant delays in doing so, our business will be materially harmed.

We are a biopharmaceutical company with no products approved for commercial sale and we have not generated any revenue from product sales. We have incurred, and will continue to incur, significant costs relating to the clinical development and commercialization of our lead product candidate, OMS103HP, for use during arthroscopic anterior cruciate ligament, or ACL, reconstruction surgery as well as arthroscopic meniscectomy surgery. We have not yet obtained regulatory approval to market this product candidate for ACL reconstruction surgery, arthroscopic meniscectomy surgery or any other indication in any jurisdiction and we may never be able to obtain approval or, if approvals are obtained, to commercialize this product candidate successfully. If OMS103HP does not receive regulatory approval for ACL reconstruction surgery or arthroscopic meniscectomy surgery, or if it is not successfully commercialized for one or both uses, we may not be able to generate revenue, become profitable, fund the development of our other product candidates or preclinical development programs or continue our operations.

We do not know whether our clinical trials for OMS103HP will be completed on schedule or result in regulatory approval or in a marketable product. If approved for commercialization, we do not anticipate that OMS103HP will reach the market until 2010 at the earliest.

Our success is also dependent on the success of our additional PharmacoSurgery product candidates, OMS302 and OMS201, and we cannot be certain that either will advance through clinical testing, receive regulatory approval or be successfully commercialized.

In addition to OMS103HP, our success will depend on the successful commercialization of one or both of two additional PharmacoSurgery product candidates, OMS302 and OMS201. We have begun preparation of an Investigational New Drug Application, or IND, to be submitted to the U.S. Food and Drug Administration, or the FDA, to begin a clinical study of OMS302 evaluating the safety and efficacy of OMS302 in patients undergoing cataract surgery. In addition, we are currently conducting a Phase 1 clinical trial evaluating the safety and systemic absorption of OMS201 when used during ureteroscopy for removal of ureteral or renal stones. We have incurred and will continue to incur significant costs relating to the clinical development and commercialization of these PharmacoSurgery product candidates. We have not obtained regulatory approval to market these product candidates for any indication in any jurisdiction and we may never be able to obtain approval or, if approvals are obtained, to commercialize these product candidates successfully. If OMS302 and OMS201 do not receive

regulatory approval, or if they are not successfully commercialized, we may not be able to generate revenue, become profitable, fund the development of our other product candidates or our preclinical programs or continue our operations.

We do not know whether our planned and current clinical trials for OMS302 and OMS201 will be completed on schedule, if at all. In addition, we do not know whether any of our clinical trials will be successful or result in approval of either product for marketing.

We have a history of operating losses and we may not achieve or maintain profitability.

We have not been profitable and have generated substantial operating losses since we were incorporated in June 1994. We had net losses of approximately $18.4 million for the nine months ended September 30, 2007, and $22.8 million, $7.4 million and $4.6 million for the years ended December 31, 2006, 2005 and 2004, respectively. As of September 30, 2007, we had an accumulated deficit of approximately $68.8 million. We expect to incur additional losses for at least the next several years and cannot be certain that we will ever achieve profitability. As a result, our business is subject to all of the risks inherent in the development of a new business enterprise, such as the risks that we may be unable to obtain additional capital needed to support the preclinical and clinical expenses of development and commercialization of our product candidates, to develop a market for our potential products, to successfully transition from a company with a research and development focus to a company capable of commercializing our product candidates and to attract and retain qualified management as well as technical and scientific staff.

We are subject to extensive government regulation, including the requirement of approval before our products may be manufactured or marketed.

Both before and after approval of our product candidates, we, our product candidates, and our suppliers and contract manufacturers are subject to extensive regulation by governmental authorities in the United States and other countries, covering, among other things, testing, manufacturing, quality control, labeling, advertising, promotion, distribution, and import and export. Failure to comply with applicable requirements could result in, among other things, one or more of the following actions: warning letters; fines and other monetary penalties; unanticipated expenditures; delays in approval or refusal to approve a product candidate; product recall or seizure; interruption of manufacturing or clinical trials; operating restrictions; injunctions; and criminal prosecution. We or the FDA may suspend or terminate human clinical trials at any time on various grounds, including a finding that the patients are being exposed to an unacceptable health risk.

Our product candidates cannot be marketed in the United States without FDA approval. The FDA has not approved any of our product candidates for sale in the United States. All of our product candidates are in development, and will have to be approved by the FDA before they can be marketed in the United States. Obtaining FDA approval requires substantial time, effort, and financial resources, and may be subject to both expected and unforeseen delays, and there can be no assurance that any approval will be granted on a timely basis, if at all.

The FDA may decide that our data are insufficient for approval of our product candidates and require additional preclinical, clinical or other studies. As we develop our product candidates, we periodically discuss with the FDA clinical, regulatory and manufacturing matters, and our views may, at times, differ from those of the FDA. For example, the FDA has questioned whether our studies evaluating OMS103HP in patients undergoing ACL reconstruction surgery are adequately designed to evaluate efficacy. If these studies fail to demonstrate efficacy, we will be required to provide additional information, including possibly the results of additional clinical trials. Also, the FDA regulates those of our product candidates consisting of two or more active ingredients as combination drugs under its Combination Drug

Policy. The Combination Drug Policy requires that we demonstrate that each active ingredient in a drug product contributes to the product's effectiveness. The FDA has questioned the means by which we intend to demonstrate such contribution and whether available data and information demonstrate contribution for each active ingredient in OMS103HP. If we are unable to resolve these questions, we may be required to provide additional information, which may include the results of additional preclinical studies or clinical trials.

If we are required to conduct additional clinical trials or other testing of our product candidates beyond those that we currently contemplate for regulatory approval, if we are unable to successfully complete our clinical trials or other testing, or if the results of these and other trials or tests fail to demonstrate efficacy or raise safety concerns, we may be delayed in obtaining marketing approval for our product candidates, or may never be able to obtain marketing approval.

Even if regulatory approval of a product candidate is obtained, such approval may be subject to significant limitations on the indicated uses for which that product may be marketed, conditions of use, and/or significant post approval obligations, including additional clinical trials. These regulatory requirements may, among other things, limit the size of the market for the product. Even after approval, discovery of previously unknown problems with a product, manufacturer, or facility, such as previously undiscovered side effects, may result in restrictions on any product, manufacturer, or facility, including, among other things, a possible withdrawal of approval of the product.

If our clinical trials are delayed, we may be unable to develop our product candidates on a timely basis, which may increase our development costs and could delay the potential commercialization of our products and the subsequent receipt of revenue from sales, if any.

We cannot predict whether we will encounter problems with any of our completed, ongoing or planned clinical trials that will cause regulatory agencies, institutional review boards or us to delay our clinical trials or suspend or delay the analysis of the data from those trials. Clinical trials can be delayed for a variety of reasons, including:

- discussions with the FDA or comparable foreign authorities regarding the scope or design of our clinical trials;
- delays or the inability to obtain required approvals from institutional review boards or other governing entities at clinical sites selected for participation in our clinical trials;
- delays in enrolling patients into clinical trials;
- lower than anticipated retention rates of patients in clinical trials;
- the need to repeat or conduct additional clinical trials as a result of problems such as inconclusive or negative results, poorly executed testing or unacceptable design;
- an insufficient supply of product candidate materials or other materials necessary to conduct our clinical trials;
- the need to qualify new suppliers of product candidate materials for FDA and foreign regulatory approval;
- an unfavorable FDA inspection or review of a clinical trial site or records of any clinical investigation;
- the occurrence of drug-related side effects or adverse events experienced by participants in our clinical trials; or
- the placement of a clinical hold on a trial.

In addition, a clinical trial may be suspended or terminated by us, the FDA or other regulatory authorities due to a number of factors, including:

- failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols;
- inspection of the clinical trial operations or trial sites by the FDA or other regulatory authorities resulting in the imposition of a clinical hold;
- unforeseen safety issues or any determination that a trial presents unacceptable health risks; or
- lack of adequate funding to continue the clinical trial, including the incurrence of unforeseen costs due to enrollment delays, requirements to conduct additional trials and studies and increased expenses associated with the services of our contract research organizations, or CROs, and other third parties.

Changes in regulatory requirements and guidance may occur and we may need to amend clinical trial protocols to reflect these changes. Amendments may require us to resubmit our clinical trial protocols to institutional review boards for reexamination, which may impact the costs, timing or successful completion of a clinical trial. If the results of our clinical trials are not available when we expect or if we encounter any delay in the analysis of data from our clinical trials, we may be unable to file for regulatory approval or conduct additional clinical trials on the schedule we currently anticipate. Any delays in completing our clinical trials may increase our development costs, would slow down our product development and approval process, would delay our receipt of product revenue and would make it difficult to raise additional capital. Many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of a product candidate. In addition, significant clinical trial delays also could allow our competitors to bring products to market before we do and impair our ability to commercialize our future products and may harm our business.

If we fail to obtain additional financing, we may be unable to complete the development and commercialization of OMS103HP and our other product candidates, or continue our other preclinical development programs.

Our operations have consumed substantial amounts of cash since inception. We expect to continue to spend substantial amounts to:

- complete the Phase 3 clinical trials of OMS103HP for use in arthroscopic ACL reconstruction surgery;
- conduct and complete the Phase 3 clinical trials of OMS103HP for use in arthroscopic meniscectomy surgery;
- initiate, conduct and complete clinical trials of OMS302 for use during lens replacement surgery;
- conduct and complete the clinical trials of OMS201 for use in endoscopic surgery of the urological tract;
- continue our research and development;
- initiate and conduct clinical trials for other product candidates; and
- launch and commercialize any product candidates for which we receive regulatory approval.

Our clinical trials for OMS103HP may be delayed for many of the reasons discussed in these “Risk Factors,” which would increase the development expenses of OMS103HP and may

require us to raise additional capital to complete the clinical development and commercialization of OMS103HP and to decrease spending on our other clinical and preclinical development programs. We cannot be certain that additional funding will be available on acceptable terms, if at all. To the extent that we raise additional funds by issuing equity securities, our shareholders may experience significant dilution. Any debt financing, if available, may require us to pledge our assets as collateral or involve restrictive covenants, such as limitations on our ability to incur additional indebtedness, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could negatively impact our ability to conduct our business. If we are unable to raise additional capital when required or on acceptable terms, we may have to significantly delay, scale back or discontinue the development or commercialization of one or more of our product candidates or one or more of our other research and development initiatives. We also could be required to seek collaborators for one or more of our current or future product candidates at an earlier stage than otherwise would be desirable or on terms that are less favorable than otherwise might be available; or relinquish or license on unfavorable terms our rights to technologies or product candidates that we otherwise would seek to develop or commercialize ourselves. Any of these events could significantly harm our business and prospects and could cause our stock price to decline.

Our lead product candidate OMS103HP or future product candidates may never achieve market acceptance even if we obtain regulatory approvals.

Even if we receive regulatory approvals for the commercial sale of our lead product candidate OMS103HP or future product candidates, the commercial success of these product candidates will depend on, among other things, their acceptance by physicians, patients, third-party payors and other members of the medical community. If our product candidates fail to gain market acceptance, we may be unable to earn sufficient revenue to continue our business. Market acceptance of, and demand for, any product candidate that we may develop and commercialize will depend on many factors, including:

- our ability to provide acceptable evidence of safety and efficacy;
- availability, relative cost and relative efficacy of alternative and competing treatments;
- the effectiveness of our marketing and distribution strategy to, among others, hospitals, surgery centers, physicians and/or pharmacists;
- prevalence of the surgical procedure or condition for which the product is approved;
- acceptance by physicians of each product as a safe and effective treatment;
- perceived advantages over alternative treatments;
- relative convenience and ease of administration;
- the availability of adequate reimbursement by third parties;
- the prevalence and severity of adverse side effects;
- publicity concerning our products or competing products and treatments; and
- our ability to obtain sufficient third-party insurance coverage.

The number of operations in which our PharmacoSurgery products, if approved, would be used may be significantly less than the total number of operations performed according to the market data obtained from industry sources. If our lead product candidate OMS103HP or future product candidates do not become widely accepted by physicians, patients, third-party payors and other members of the medical community, it is unlikely that we will ever become profitable, and if we are unable to increase market penetration of OMS103HP or our other product candidates, our growth will be significantly harmed.

We rely on third parties to conduct our preclinical research and clinical trials. If these third parties do not perform as contractually required or otherwise expected, we may not be able to obtain regulatory approval for or commercialize our product candidates.

We rely on third parties, such as CROs and research institutions, to conduct a portion of our preclinical research. We also rely on third parties, such as medical institutions, clinical investigators and CROs, to assist us in conducting our clinical trials. Nonetheless, we are responsible for confirming that our preclinical research is conducted in accordance with applicable regulations, and that our clinical trials are conducted in accordance with applicable regulations, the relevant protocol and within the context of approvals by an institutional review board. Our reliance on these third parties does not relieve us of responsibility for ensuring compliance with FDA regulations and standards for conducting, monitoring, recording and reporting the results of preclinical research and clinical trials to assure that data and reported results are credible and accurate and that the trial participants are adequately protected. If these third parties do not successfully carry out their contractual duties or regulatory obligations or meet expected deadlines, if the third parties need to be replaced or if the quality or accuracy of the data they obtain is compromised due to their failure to adhere to our clinical protocols or regulatory requirements or for other reasons, our preclinical and clinical development processes may be extended, delayed, suspended or terminated, and we may not be able to obtain regulatory approval for our product candidates.

If we are unable to establish sales and marketing capabilities or enter into agreements with third parties to market and sell our product candidates, we may be unable to generate product revenue.

We do not have a sales and marketing organization and have no experience in the sales, marketing and distribution of biopharmaceutical products. Developing an internal sales force is expensive and time-consuming and could delay any product launch. If we enter into arrangements with third parties to perform sales, marketing and distribution services, our product revenues are likely to be lower than if we market and sell any approved product candidates that we develop ourselves. Factors that may inhibit our efforts to commercialize our approved product candidates without collaboration partners include:

- our inability to recruit and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to or persuade adequate numbers of hospitals, surgery centers, physicians and/or pharmacists to purchase, use or prescribe our approved product candidates;
- the lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

If we are unsuccessful in building a sales and marketing infrastructure or unable to partner with one or more third parties to perform sales and marketing services for our product candidates, we will have difficulty commercializing our product candidates, which would adversely affect our business and financial condition.

We have no ability to manufacture clinical or commercial supplies of our product candidates and currently intend to rely solely on third parties to manufacture clinical and commercial supplies of all of our product candidates.

We currently do not intend to manufacture our product candidates for our clinical trials or on a commercial scale and intend to rely on third parties to do so. OMS103HP is currently manufactured in a freeze-dried, or lyophilized, form by Catalent Pharma Solutions, Inc. in its Albuquerque, New Mexico facility. We have not entered into a binding agreement with Catalent for the commercial supply of lyophilized OMS103HP, and cannot be certain that we will be able to do so on commercially reasonable terms. Qualification of any other facility to manufacture lyophilized OMS103HP would require transfer of manufacturing methods, the production of an additional registration batch of lyophilized OMS103HP and the generation of additional stability data, which could delay the availability of commercial supplies of lyophilized OMS103HP.

We have also formulated OMS103HP as a liquid solution and have entered into an agreement with Hospira Worldwide, Inc. for the commercial supply of liquid OMS103HP. We do not believe that the inactive ingredients in liquid OMS103HP, which are included in the FDA's Inactive Ingredient Guide due to being present in drug products previously approved for parenteral use, impact its safety or effectiveness. The FDA will require us to provide comparative information and complete a stability study and may require us to conduct additional studies, which we expect would be nonclinical and/or pharmacokinetic studies, to demonstrate that liquid OMS103HP is as safe and effective as lyophilized OMS103HP. Delays or unexpected results in these studies could delay the commercial availability of liquid OMS103HP. Any significant delays in the manufacture of clinical or commercial supplies could materially harm our business and prospects.

If the contract manufacturers that we rely on experience difficulties with manufacturing our product candidates or fail FDA inspections, our clinical trials, regulatory submissions and ability to commercialize our product candidates and generate revenue may be significantly delayed.

Contract manufacturers that we select to manufacture our product candidates for clinical testing or for commercial use may encounter difficulties with the small- and large-scale formulation and manufacturing processes required for such manufacture. These difficulties could result in delays in clinical trials, regulatory submissions, or commercialization of our product candidates. Once a product candidate is approved and being marketed, these difficulties could also result in the later recall or withdrawal of the product from the market or failure to have adequate supplies to meet market demand. Even if we are able to establish additional or replacement manufacturers, identifying these sources and entering into definitive supply agreements and obtaining regulatory approvals may require a substantial amount of time and cost and such supply arrangements may not be available on commercially reasonable terms, if at all.

In addition, we and our contract manufacturers must comply with current good manufacturing practice, or cGMP, requirements strictly enforced by the FDA through its facilities inspection program. These requirements include quality control, quality assurance and the maintenance of records and documentation. We or our contract manufacturers may be unable to comply with cGMP requirements or with other FDA, state, local and foreign regulatory requirements. We have little control over our contract manufacturers' compliance with these regulations and standards or with their quality control and quality assurance procedures. Large-scale manufacturing processes have been developed only for lyophilized OMS103HP. For the liquid formulation of OMS103HP and our other product candidates, development of large-scale manufacturing processes will require validation studies, which the FDA must review and approve. Failure to comply with these requirements by our contract manufacturers could result in the issuance of untitled letters and/or warning letters from

authorities, as well as sanctions being imposed on us, including fines and civil penalties, suspension of production, suspension or delay in product approval, product seizure or recall or withdrawal of product approval. If the safety of any product candidate supplied by contract manufacturers is compromised due to their failure to adhere to applicable laws or for other reasons, we may not be able to obtain or maintain regulatory approval for or successfully commercialize one or more of our product candidates, which would harm our business and prospects significantly.

If one or more of our contract manufacturers were to encounter any of these difficulties or otherwise fail to comply with its contractual obligations, our ability to provide product candidates to patients in our clinical trials or on a commercial scale would be jeopardized. Any delay or interruption in the supply of clinical trial supplies could delay the completion of our clinical trials, increase the costs associated with maintaining our clinical trial programs and, depending on the period of delay, require us to commence new trials at significant additional expense or terminate the trials completely. If we need to change to other commercial manufacturers, the FDA and comparable foreign regulators must first approve these manufacturers' facilities and processes, which would require new testing and compliance inspections, and the new manufacturers would have to be educated in or independently develop the processes necessary for the production of our product candidates.

Ingredients necessary to manufacture our PharmacoSurgery product candidates may not be available on commercially reasonable terms, if at all, which may delay the development and commercialization of our product candidates.

We must purchase from third-party suppliers the ingredients necessary for our contract manufacturers to produce our PharmacoSurgery product candidates for our clinical trials and, if approved, for commercial distribution. Suppliers may not sell these ingredients to us at the time we need them or on commercially reasonable terms, if at all. Although we intend to enter into agreements with third-party suppliers that will guarantee the availability and timely delivery of ingredients for our PharmacoSurgery product candidates, we may be unable to secure any such agreements or guarantees and even if we were able to secure such agreements or guarantees, our suppliers may be unable or choose not to provide us the ingredients in a timely manner or in the minimum guaranteed quantities. If we are unable to obtain and then supply these ingredients to our contract manufacturer for our clinical trials, potential regulatory approval of our product candidates would be delayed, significantly impacting our ability to develop our product candidates, which would materially affect our ability to generate revenue from the sale of our product candidates.

We may need licenses for active ingredients from third parties so that we can develop and commercialize some products from some of our current preclinical programs, which could increase our development costs and delay our ability to commercialize products.

Should we decide to use active ingredients in any of our product candidates that are proprietary to one or more third parties, we would need to obtain licenses to those active ingredients from those third parties. For example, we may elect to use proprietary active ingredients in some product candidates that we develop from our PharmacoSurgery platform, Chondroprotective program or some of our CNS programs. If we are unable to access rights to these active ingredients, we may need to develop alternate product candidates from these programs by either accessing or developing alternate active ingredients, resulting in increased development costs and delays in commercialization of these product candidates. If we are unable to access rights to the desired active ingredients on commercially reasonable terms or develop suitable alternate active ingredients, we may not be able to commercialize product candidates from these programs.

Our ability to pursue the development and commercialization of product candidates from our MASP-2 program depends on the continuation of licenses from third parties.

Our MASP-2 program is based in part on intellectual property rights that we licensed on a worldwide exclusive basis from the University of Leicester and from the UK Medical Research Council, or MRC. The continued maintenance of these agreements requires us to undertake development activities if and when a clinical candidate has been selected and, if regulatory approval for marketing is obtained, to pay royalties to the University of Leicester and MRC upon commercialization of a MASP-2 product candidate. Our ability to continue development and commercialization of product candidates from our MASP-2 program depends on our maintaining these exclusive licenses, which cannot be assured.

Our ability to pursue the development and commercialization of product candidates from our MASP-2 program could be jeopardized by third-party patent rights.

Our MASP-2 program is based in part on the results of research conducted by collaborators at MRC, the University of Leicester and Aarhus Universitet, and on intellectual property rights that we licensed on a worldwide exclusive basis from the University of Leicester and from MRC stemming from that collaborative research and from subsequent research performed by the University of Leicester and by MRC. Researchers at Aarhus Universitet have obtained a U.S. Patent that claims antibodies that bind MASP-2, and have filed other patents and patent applications related to MASP-2. While we do not hold any direct license from Aarhus Universitet or its researchers, our license from MRC includes MRC's joint ownership interest in this U.S. Patent claiming antibodies that bind MASP-2, which joint ownership interest arises from an MRC employee having been added as a named inventor in this patent by the U.S. Patent and Trademark Office, or USPTO. We also believe that we hold lawful rights to other patents and patent applications related to MASP-2 filed by researchers at Aarhus Universitet by virtue of our licenses with MRC and the University of Leicester. Our ability to commercialize any anti-MASP-2 antibody product candidate depends on the exclusive licenses we hold from MRC and the University of Leicester to at least joint ownership interest in the patents and patent applications filed by researchers at Aarhus Universitet. We do not know and cannot be certain that researchers at Aarhus Universitet or parties associated with them will not contest our licensed rights to these patents and patent applications filed by researchers at Aarhus Universitet, or that researchers at Aarhus Universitet or parties associated with them will not seek through legal action to block the commercialization of any antibody product candidate from our MASP-2 program. Perfecting, asserting or defending our rights to this intellectual property may be costly and time-consuming and, if unsuccessful, may limit our ability to pursue the development and commercialization of product candidates from our MASP-2 program.

Our ability to pursue the development and commercialization of product candidates from our MASP-2 program depends on third-party antibody developers and manufacturers.

Any product candidates from our MASP-2 program would be antibodies and we do not have the internal capability to sequence, hybridize or clone antibodies or to produce antibodies for use in clinical trials or on a commercial scale. We do not have agreements in place with antibody developers or manufacturers and cannot be certain that such agreements could be entered into on commercially reasonable terms, if at all. There are only a limited number of antibody manufacturers. If we are unable to obtain clinical supplies of MASP-2 antibody product candidates, clinical trials or the development of any such product candidate could be substantially delayed until we can find and qualify a manufacturer, which may increase our development costs, slow down our product development and approval process, delay receipt of product revenue and make it difficult to raise additional capital.

Our preclinical programs may not produce product candidates that are suitable for clinical trials or that can be successfully commercialized.

Any product candidates from our preclinical programs, including our MASP-2, Chondroprotective, PDE10, GPCR and other CNS programs, must successfully complete preclinical testing, which may include demonstrating efficacy and the lack of toxicity in established animal models, before entering clinical trials. Many pharmaceutical and biological product candidates do not successfully complete preclinical testing and, even if preclinical testing is successfully completed, may fail in clinical trials. We cannot be certain that any of our preclinical product development programs will generate product candidates that are suitable for clinical testing, nor can we be certain that any product candidates from our preclinical programs that do advance into clinical trials will successfully demonstrate safety and efficacy in clinical trials.

Because we have a number of development programs and are considering a variety of product candidates, we may expend our limited resources to pursue a particular candidate or candidates and fail to capitalize on candidates or indications that may be more profitable or for which there is a greater likelihood of success.

Because we have limited resources, we must focus on preclinical development programs and product candidates that we believe are the most promising. As a result, we may forego or delay pursuit of opportunities with other product candidates or other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Further, if we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, license or other royalty arrangements in cases in which it would have been advantageous for us to retain sole development and commercialization rights.

It is difficult and costly to protect our intellectual property and our proprietary technologies, and we may not be able to ensure their protection.

Our commercial success will depend in part on obtaining and maintaining patent protection and trade secret protection of the use, formulation and structure of our product candidates, and the methods used to manufacture them, as well as successfully defending these patents against potential third-party challenges. Our ability to protect our product candidates from unauthorized making, using, selling, offering to sell or importing by third parties is dependent upon the extent to which we have rights under valid and enforceable patents that cover these activities.

The patent positions of pharmaceutical, biotechnology and other life sciences companies can be highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. No consistent policy regarding the breadth of claims allowed in biotechnology patents has emerged to date in the United States, and tests used for determining the patentability of patent claims in all technologies are in flux. The pharmaceutical, biotechnology and other life sciences patent situation outside the United States is even more uncertain. Changes in either the patent laws or in interpretations of patent laws in the United States and other countries may diminish the value of our intellectual property. Further, the determination that a patent application or patent claim meets all of the requirements for patentability is a subjective determination based on the application of law and jurisprudence. For example, in the United States, a determination of patentability by the USPTO or validity by a court or other trier of fact requires a determination that the claimed invention has utility and is both novel and non-obvious to those of ordinary skill in the art in view of prior known publications and public information, and that the patent specification supporting the claim adequately describes the claimed invention, discloses the best mode known to the inventors for practicing the invention, and discloses the invention in a manner

that enables one of ordinary skill in the art to make and use the invention. The ultimate determination by the USPTO or by a court of other trier of fact in the United States, or corresponding foreign national patent offices or courts, on whether a claim meets all requirements of patentability cannot be assured. Although we have conducted searches for third-party publications, patents and other information that may impact the patentability of claims in our various patent applications and patents, we cannot be certain that all relevant information has been identified. Accordingly, we cannot predict the breadth of claims that may be allowed or enforced in our patents or patent applications, our licensed patents or patent applications or in third-party patents.

Our issued PharmacoSurgery patents have terms that will expire December 12, 2014 and, if our pending PharmacoSurgery patent applications issue as patents, October 20, 2019 for OMS103HP, July 30, 2023 for OMS302 and March 17, 2026 for OMS201, not taking into account any extensions due to potential adjustment of patent terms resulting from USPTO delays. We cannot assure you that any of these patent applications will issue as patents or of the scope of any claims that may issue from these pending and future patent applications, or the outcome of any proceedings by any potential third parties that could challenge the patentability, validity or enforceability of our patents and patent applications in the United States or foreign jurisdictions, which could limit patent protection for our product candidates and materially harm our business.

The degree of future protection for our proprietary rights is uncertain, because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage. For example:

- we might not have been the first to make the inventions covered by any of our patents, if issued, or our pending patent applications;
- we might not have been the first to file patent applications for these inventions;
- others may independently develop similar or alternative technologies or products or duplicate any of our technologies or products;
- it is possible that none of our pending patent applications will result in issued patents or, if issued, these patents may not be sufficient to protect our technology or provide us with a basis for commercially viable products and may not provide us with any competitive advantages;
- if our pending applications issue as patents, they may be challenged by third parties as not infringed, invalid or unenforceable under U.S. or foreign laws;
- if issued, the patents under which we hold rights may not be valid or enforceable; or
- we may develop additional proprietary technologies or products that are not patentable and which are unlikely to be adequately protected through trade secrets if, for example, a competitor were to independently develop duplicative, similar or alternative technologies or products.

In addition, to the extent we are unable to obtain and maintain patent protection for one of our product candidates or in the event such patent protection expires, it may no longer be cost-effective to extend our portfolio by pursuing additional development of a product candidate for follow-on indications.

We also may rely on trade secrets to protect our technologies or products, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors, outside scientific collaborators and other advisors may unintentionally or willfully disclose our information to competitors. Enforcing a claim that a third-party entity illegally obtained and is using any of our trade secrets is expensive and time-consuming, and the outcome is unpredictable. In addition, courts outside the United States are

sometimes less willing to protect trade secrets. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how.

We may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights.

If we choose to go to court to stop someone else from using our inventions, that individual or company has the right to ask the court to rule that the underlying patents are invalid or should not be enforced against that third party. These lawsuits are expensive and would consume time and other resources even if we were successful in stopping the infringement of these patents. There is also the risk that, even if the validity of these patents is upheld, the court will refuse to stop the other party on the ground that such other party's activities do not infringe the patents.

Further, a third party may claim that we or our contract manufacturers are using inventions covered by the third party's patent rights and may go to court to stop us from engaging in the alleged infringing activity, including making, using or selling our product candidates. These lawsuits are costly and could affect our results of operations and divert the attention of managerial and technical personnel. There is a risk that a court would decide that we or our contract manufacturers are infringing the third party's patents and would order us or our partners to stop the activities covered by the patents. In addition, there is a risk that a court will order us or our contract manufacturers to pay the other party damages for having violated the other party's patents. We have indemnified our contract manufacturers against certain patent infringement claims and thus may be responsible for any of their costs associated with such claims and actions. The pharmaceutical, biotechnology and other life sciences industry has produced a proliferation of patents, and it is not always clear to industry participants, including us, which patents cover various types of products or methods of use. The coverage of patents is subject to interpretation by the courts and the interpretation is not always uniform. If we were sued for patent infringement, we would need to demonstrate that our products or methods of use either do not infringe the patent claims of the relevant patent or that the patent claims are invalid, and we may not be able to do this. Proving invalidity, in particular, is difficult since it requires clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents.

Although we have conducted searches of third-party patents with respect to our OMS103HP, OMS302, OMS201, MASP-2, Chondroprotective, PDE10, GPCR and other CNS programs, these searches may not have identified all third-party patents relevant to these product candidates. Consequently, we cannot assure you that third-party patents containing claims covering our product candidates, programs, technologies or methods do not exist, have not been filed, or could not be filed or issued.

Because some patent applications in the United States may be maintained in secrecy until the patents are issued, because patent applications in the United States and many foreign jurisdictions are typically not published until eighteen months after filing, and because publications in the scientific literature often lag behind actual discoveries, we cannot be certain that others have not filed patent applications for technology covered by our patents, our licensors' patents, our pending applications or our licensors' pending applications, or that we or our licensors were the first to invent the technology. Our competitors may have filed, and may in the future file, patent applications covering technologies similar to ours. Any such patent application may have priority over our or our licensors' patent applications and could further require us to obtain rights to issued patents covering such technologies. If another party has filed a U.S. patent application on inventions similar to ours, we may have to participate in an interference proceeding declared by the USPTO to determine priority of invention in the United States. The costs of these proceedings could be substantial, and it is possible that such efforts would be unsuccessful, resulting in a loss of our U.S. patent position with respect to such inventions.

Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise the capital necessary to continue our operations.

We use hazardous materials in our business and must comply with environmental laws and regulations, which can be expensive.

Our research operations produce hazardous waste products, which include chemicals and radioactive and biological materials. We are subject to a variety of federal, state and local regulations relating to the use, handling, storage and disposal of these materials. Although we believe that our safety procedures for handling and disposing of these materials comply with applicable legal regulations, the risk of accidental contamination or injury from these materials cannot be eliminated. We generally contract with third parties for the disposal of such substances and store our low-level radioactive waste at our facilities until the materials are no longer considered radioactive. We may be required to incur further costs to comply with current or future environmental and safety regulations. In addition, in the event of accidental contamination or injury from these materials, we could be held liable for any damages that result and any such liability could exceed our resources.

The loss of members of our management team could substantially disrupt our business operations.

Our success depends to a significant degree on the continued individual and collective contributions of our management team. The members of our management team are at-will employees, and we do not maintain any key-person life insurance policies except for on the life of Gregory Demopulos, M.D., our president, chief executive officer, chief medical officer and chairman of the board of directors. We have agreed to enter into a new employment agreement with Dr. Demopulos by May 1, 2009. If we do not enter into a new agreement by that date because of our actions or omissions, we could be in material breach of his current employment agreement, which may entitle Dr. Demopulos to severance benefits described below in “Management — Executive Compensation — Potential Payment upon Termination or Change in Control.” Losing the services of any key member of our management team, whether from death or disability, retirement, competing offers or other causes, could delay execution of our business strategy, cause us to lose a strategic partner, or otherwise materially affect our operations.

We rely on highly skilled personnel and, if we are unable to retain or motivate key personnel or hire qualified personnel, we may not be able to maintain our operations or grow effectively.

Our performance is largely dependent on the talents and efforts of highly skilled individuals. Our future success depends on our continuing ability to identify, hire, develop, motivate and retain highly skilled personnel for all areas of our organization. In this regard, in anticipation of increased development and commercialization activities, we plan to increase the total number of our full-time employees from 62 as of December 31, 2007 to approximately 70 to 80 by the end of 2008. If we are unable to hire and train a sufficient number of qualified employees for any reason, we may not be able to implement our current initiatives or grow effectively. We have in the past maintained a rigorous, highly selective and time-consuming hiring process. We believe that our approach to hiring has significantly contributed to our success to date. If we do not succeed in attracting qualified personnel and retaining and motivating existing personnel, our existing operations may suffer and we may be unable to grow effectively.

To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems and continue to recruit and train additional qualified personnel. Due to our limited financial resources, we may not be able to effectively

manage the expansion of our operations or recruit and train additional qualified personnel. The physical expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

We will incur increased costs and demands on management as a result of complying with the laws and regulations affecting public companies, which could affect our operating results.

As a public company we will incur significant legal, accounting and other expenses that we did not incur as a private company, including costs associated with public company reporting requirements. We also have incurred and will continue to incur costs associated with recently adopted corporate governance requirements, including requirements under the Sarbanes-Oxley Act, as well as new rules implemented by the SEC and the NASDAQ Stock Market. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. We also expect that these new rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage than used to be available. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as our executive officers.

Our management has identified material weaknesses in our internal controls that, if not properly remediated, could result in material misstatements in our financial statements and the inability of our management to conclude that our internal controls are effective as required by the Sarbanes-Oxley Act of 2002 for the second annual report following our initial public offering, either of which could cause investors to lose confidence in our reported financial information and have a negative effect on the trading price of our stock.

We are currently not required to comply with Section 404 of the Sarbanes-Oxley Act of 2002, and are therefore not required to make an assessment of the effectiveness of our internal controls over financial reporting. Further, our independent registered public accounting firm has not been engaged to express, nor has it expressed, an opinion on the effectiveness of our internal controls over financial reporting. However, in connection with our fiscal 2006 and 2005 financial statement audits, we identified material weaknesses in our internal controls as defined by the American Institute of Certified Public Accountants. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses that we have identified relate to our periodic financial statement close process and inadequate segregation of duties in both the accounting and information systems areas. We are taking remediation measures to improve the effectiveness of our internal controls. Specifically, we:

- have hired a chief financial officer and an assistant controller and continue to strengthen our internal staffing and technical expertise in financial and Securities Exchange Commission, or SEC, accounting and reporting;
- are further segregating duties within our accounting and finance department;
- have hired an information technology manager and are revising our policies and procedures regarding accounting software-user access rights and software upgrade management; and
- are evaluating whether to upgrade our accounting software systems.

We plan to continue to assess our internal controls and procedures and intend to take further action as necessary or appropriate to address any other matters that we identify, including to effect compliance with Section 404 of the Sarbanes-Oxley Act of 2002 when we are required to make an assessment of our internal controls under Section 404. However, the existence of a material weakness is an indication that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis, and the process of designing and implementing effective internal controls and procedures is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments, and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. We cannot be certain that the measures taken to date or to be taken in the future will fully remediate the material weaknesses or that we will implement and maintain adequate controls over our financial processes and reporting in the future. In addition, we cannot assure you that additional material weaknesses or significant deficiencies in our internal controls will not be discovered in the future.

The standards required for a Section 404 analysis under the Sarbanes-Oxley Act of 2002 are significantly more stringent than those for a similar analysis for non-public companies. These more stringent standards require that our audit committee be advised and regularly updated on management's review of internal controls. Our management may not be able to effectively and timely implement controls and procedures that adequately respond to the increased regulatory compliance and reporting requirements that will be applicable to us as a public company. If we are not able to timely remedy the material weaknesses identified in connection with our fiscal 2006 and 2005 audits, or if we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, management may not be able to assess whether our internal controls over financial reporting are effective, which may subject us to adverse regulatory consequences and could result in a negative reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. In addition, if we fail to develop and maintain effective controls and procedures, we may be unable to provide the required financial information in a timely and reliable manner or otherwise comply with the standards applicable to us as a public company. Any failure by us to provide the required financial information in a timely manner could materially and adversely impact our financial condition and the market value of our securities.

Risks Related to Our Industry

Our competitors may develop products that are less expensive, safer or more effective, or which may otherwise diminish or eliminate the commercial success of any potential products that we may commercialize.

If our competitors market products that are less expensive, safer or more effective than our future products developed from our product candidates, that reach the market before our product candidates, or that otherwise negatively affect the market, we may not achieve commercial success. For example, we are developing PDE10 inhibitors to identify a product candidate for use in the treatment of schizophrenia. Other pharmaceutical companies, many with significantly greater resources than we have, are also developing PDE10 inhibitors for the treatment of schizophrenia and these companies may be further along in development. The failure of a PDE10 inhibitor product candidate from any of our competitors to demonstrate safety or efficacy in clinical trials may negatively reflect on the ability of our PDE10 inhibitor product candidates under development to demonstrate safety and efficacy. Further, the failure of any future products developed from our product candidates to effectively compete with products marketed by our competitors would impair our ability to generate revenue, which would have a material adverse effect on our future business, financial condition and results of operations.

We expect to compete with other biopharmaceutical and biotechnology companies, and our competitors may:

- develop and market products that are less expensive or more effective than any future products developed from our product candidates;
- commercialize competing products before we can launch any products developed from our product candidates;
- operate larger research and development programs, possess commercial-scale manufacturing operations or have substantially greater financial resources than we do;
- initiate or withstand substantial price competition more successfully than we can;
- have greater success in recruiting skilled technical and scientific workers from the limited pool of available talent;
- more effectively negotiate third-party licenses and strategic relationships; and
- take advantage of acquisition or other opportunities more readily than we can.

We expect to compete for market share against large pharmaceutical and biotechnology companies, smaller companies that are collaborating with larger pharmaceutical companies, new companies, academic institutions, government agencies and other public and private research organizations. In addition, the pharmaceutical and biotechnology industry is characterized by rapid technological change. Because our research approach integrates many technologies, it may be difficult for us to remain current with rapid changes in each technology. If we fail to stay at the forefront of technological change, we may be unable to compete effectively. Our competitors may render our technologies obsolete by advances in existing technological approaches or the development of new or different approaches, potentially eliminating the advantages in our product discovery process that we believe we derive from our research approach and proprietary technologies and programs. In addition, physicians may continue with their respective current treatment practices, including the use of current preoperative and postoperative treatments, rather than adopt our PharmacoSurgery product candidates.

Our product candidates could be subject to restrictions or withdrawal from the market and we may be subject to penalties if we fail to comply with regulatory requirements, or if we experience unanticipated problems with our product candidates, if and when any of them are approved.

Any product candidate for which we obtain marketing approval, together with the manufacturing processes, post-approval clinical data, and advertising and promotional activities for such product candidate, will be subject to continued regulation by the FDA and other regulatory agencies. Even if regulatory approval of a product candidate is granted, the approval may be subject to limitations on the indicated uses for which the product candidate may be marketed or to the conditions of approval, or contain requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the product candidate. Later discovery of previously unknown problems with our product candidates or their manufacture, or failure to comply with regulatory requirements, may result in:

- restrictions on such product candidates or manufacturing processes;
- withdrawal of the product candidates from the market;
- voluntary or mandatory recalls;
- fines;
- suspension of regulatory approvals;
- product seizures; or
- injunctions or the imposition of civil or criminal penalties.

If we are slow to adapt, or unable to adapt, to changes in existing regulatory requirements or adoption of new regulatory requirements or policies, we may lose marketing approval for our product candidates when and if any of them are approved.

Failure to obtain regulatory approval in foreign jurisdictions would prevent us from marketing our products internationally.

We intend to have our product candidates marketed outside the United States. In order to market our products in the European Union and many other non-U.S. jurisdictions, we must obtain separate regulatory approvals and comply with numerous and varying regulatory requirements. We may be unable to file for regulatory approvals and may not receive necessary approvals to commercialize our products in any market. The approval procedure varies among countries and can involve additional testing and data review. The time required to obtain foreign regulatory approval may differ from that required to obtain FDA approval. The foreign regulatory approval process may include all of the risks associated with obtaining FDA approval discussed in these "Risk Factors." We may not obtain foreign regulatory approvals on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory agencies in other countries, and approval by one foreign regulatory authority does not ensure approval by regulatory agencies in other foreign countries or by the FDA. The failure to obtain these approvals could harm our business.

If we are unable to obtain adequate reimbursement from governments or third-party payors for any products that we may develop or if we are unable to obtain acceptable prices for those products, they may not be purchased or used and, as a result, our revenue and prospects for profitability could suffer.

Our future revenue and profit will depend heavily upon the availability of adequate reimbursement for the use of our approved product candidates from governmental and other third-party payors, both in the United States and in other countries. Even if we are successful in bringing one or more product candidates to market, these products may not be considered cost-effective, and the amount reimbursed for any product candidates may be insufficient to allow us to sell our product candidates profitably. Reimbursement by a third-party payor may depend on a number of factors, including the third-party payor's determination that use of a product is:

- a covered benefit under its health plan;
- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- neither experimental nor investigational.

Obtaining reimbursement approval for a product from each government or third-party payor is a time-consuming and costly process that will require the build-out of a sufficient staff and could require us to provide supporting scientific, clinical and cost-effectiveness data for the use of our products to each payor. Because none of our product candidates have been approved for marketing, we can provide you no assurances at this time regarding their cost-effectiveness and the amount, if any, or method of reimbursement. There may be significant delays in obtaining reimbursement coverage for newly approved product candidates and we may not be able to provide data sufficient to gain acceptance with respect to reimbursement. Even when a payor determines that a product is eligible for reimbursement, coverage may be more limited than the purposes for which the product candidate is approved by the FDA or foreign regulatory agencies. Increasingly, third-party payors who reimburse healthcare costs, such as government and private payors, are requiring that companies provide them with predetermined discounts from list prices, and are challenging the prices charged for medical products. Moreover, eligibility for coverage does not mean that any product candidate will be

reimbursed at a rate that allows us to make a profit in all cases, or at a rate that covers our costs, including research, development, manufacturing, sale and distribution. In non-U.S. jurisdictions, we must obtain separate reimbursement approvals and comply with related foreign legal and regulatory requirements. In some countries, including those in the European Union, our product candidates may be subject to government price controls. Pricing negotiations with governmental authorities can take a considerable amount of time after the receipt of marketing approval for a product candidate. If the reimbursement we are able to obtain for any product candidate we develop is inadequate in light of our development and other costs or is significantly delayed, our business could be materially harmed.

Product liability claims may damage our reputation and, if insurance proves inadequate, these claims may harm our business.

We may be exposed to the risk of product liability claims that is inherent in the biopharmaceutical industry. A product liability claim may damage our reputation by raising questions about our product candidate's safety and efficacy and could limit our ability to sell one or more product candidates, if approved, by preventing or interfering with commercialization of our product candidates. In addition, product liability insurance for the biopharmaceutical industry is generally expensive to the extent it is available at all. There can be no assurance that we will be able to obtain and maintain such insurance on acceptable terms or that we will be able to secure increased coverage if the commercialization of our product candidates progresses, or that future claims against us will be covered by our product liability insurance. Although we currently have product liability insurance coverage for our clinical trials, our insurance coverage may not reimburse us or may be insufficient to reimburse us for any or all expenses or losses we may suffer. A successful claim against us with respect to uninsured liabilities or in excess of insurance coverage could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to the Offering

An active, liquid and orderly trading market for our common stock may not develop.

Prior to this offering, there has been no public market for shares of our common stock. We and the representative of the underwriters will determine the initial public offering price of our common stock through negotiation. This price will not necessarily reflect the price at which investors in the market will be willing to buy and sell our shares following this offering. In addition, the trading price of our common stock following this offering is likely to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors include:

- results from our clinical trial programs, including our ongoing Phase 3 clinical trials for OMS103HP, our planned Phase 1/Phase 2 clinical trial for OMS302, and our ongoing Phase 1 clinical trial for OMS201;
- FDA or international regulatory actions, including failure to receive regulatory approval for any of our product candidates;
- failure of any of our product candidates, if approved, to achieve commercial success;
- quarterly variations in our results of operations or those of our competitors;
- our ability to develop and market new and enhanced product candidates on a timely basis;
- announcements by us or our competitors of acquisitions, regulatory approvals, clinical milestones, new products, significant contracts, commercial relationships or capital commitments;
- third-party coverage and reimbursement policies;

- additions or departures of key personnel;
- commencement of, or our involvement in, litigation;
- changes in governmental regulations or in the status of our regulatory approvals;
- changes in earnings estimates or recommendations by securities analysts;
- any major change in our board or management;
- general economic conditions and slow or negative growth of our markets; and
- political instability, natural disasters, war and/or events of terrorism.

From time to time, we estimate the timing of the accomplishment of various scientific, clinical, regulatory and other product development goals or milestones. These milestones may include the commencement or completion of scientific studies and clinical trials and the submission of regulatory filings. Also, from time to time, we expect that we will publicly announce the anticipated timing of some of these milestones. All of these milestones are based on a variety of assumptions. The actual timing of these milestones can vary dramatically compared to our estimates, in some cases for reasons beyond our control. If we do not meet these milestones as publicly announced, our stock price may decline and the commercialization of our product and product candidates may be delayed.

In addition, the stock market has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of publicly traded companies. Broad market and industry factors may seriously affect the market price of companies' stock, including ours, regardless of actual operating performance. These fluctuations may be even more pronounced in the trading market for our stock shortly following this offering. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

Purchasers in this offering will experience immediate and substantial dilution in the book value of their investment.

The initial public offering price of our common stock is substantially higher than the net tangible book value per share of our common stock immediately after this offering. Therefore, if you purchase our common stock in this offering, you will incur an immediate dilution of $ in net tangible book value per share from the price you paid, based on an assumed initial public offering price of $ per share (the mid-point of the range set forth on the cover page of this prospectus). In addition, investors who purchase shares in this offering will contribute approximately % of the total amount of equity capital raised through the date of this offering, but will only own approximately % of the outstanding share capital and approximately % of the voting rights. The exercise of outstanding options and warrants will result in further dilution. For a further description of the dilution that you will experience immediately after this offering, see "Dilution."

Future sales of shares by existing shareholders could cause our stock price to decline.

If our existing shareholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market after the lock-up and other legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock could decline. Based on shares outstanding as of December 31, 2007, upon completion of this offering, we will have outstanding a total of shares of common stock, assuming no exercise of the underwriters' over-allotment option. Of these shares, only the shares of common stock sold in this offering by us will be freely tradable, without restriction, in the public market. The representative of the underwriters may, in its sole discretion, release our officers, directors and

other current shareholders from these contractual lock-up agreements prior to the expiration of these agreements.

We expect that the lock-up agreements pertaining to this offering will expire 180 days from the date of this prospectus, although those lock-up agreements may be extended for up to an additional 34 days under certain circumstances. After the lock-up agreements expire, up to an additional shares of common stock issuable upon conversion of outstanding shares of our convertible preferred stock will be eligible for sale in the public market, of which shares of common stock are held by directors, executive officers and other affiliates and will be subject to volume limitations under Rule 144 under the Securities Act and various vesting agreements. In addition, shares of common stock that are either subject to outstanding options or reserved for future issuance under our employee benefit plans will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, the lock-up agreements and Rules 144 and 701 under the Securities Act. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

If securities or industry analysts do not publish research reports or publish unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who covers us downgrades our stock, our stock price would likely decline. If one or more of these analysts ceases to cover us or fails to publish regular reports on us, interest in the purchase of our stock could decrease, which could cause our stock price or trading volume to decline.

Anti-takeover provisions in our charter documents and under Washington law could make an acquisition of us, which may be beneficial to our shareholders, more difficult and prevent attempts by our shareholders to replace or remove our current management.

Provisions in our articles of incorporation and bylaws and under Washington law may delay or prevent an acquisition of us or a change in our management. These provisions include a classified board of directors, a prohibition on shareholder actions by less than unanimous written consent, restrictions on the ability of shareholders to fill board vacancies and the ability of our board of directors to issue preferred stock without shareholder approval. In addition, because we are incorporated in Washington, we are governed by the provisions of Chapter 23B.19 of the Washington Business Corporation Act, which, among other things, restricts the ability of shareholders owning ten percent or more of our outstanding voting stock from merging or combining with us. Although we believe these provisions collectively provide for an opportunity to receive higher bids by requiring potential acquirors to negotiate with our board of directors, they would apply even if an offer may be considered beneficial by some shareholders. In addition, these provisions may frustrate or prevent any attempts by our shareholders to replace or remove our current management by making it more difficult for shareholders to replace members of our board of directors, which is responsible for appointing the members of our management.

We have broad discretion in the use of the net proceeds from this offering and may not use the net proceeds effectively.

We will have broad discretion in the application of the net proceeds from this offering and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our common stock. Our failure to apply these funds effectively could have a material adverse effect on our business, delay the development of our product candidates and cause the price of our common stock to decline.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including statements regarding our future results of operations and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in “Risk Factors.” In light of these risks, uncertainties and assumptions, the forward-looking events and trends discussed in this prospectus may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

Forward-looking statements in the prospectus include statements about:

- our ability to complete the Phase 3 clinical trials of OMS103HP in patients undergoing ACL reconstruction surgery by the end of 2008 and our ability to submit a related NDA to the FDA during the first half of 2009;
- our ability to complete the first Phase 3 clinical trial, and begin the second Phase 3 clinical trial, of OMS103HP in patients undergoing arthroscopic meniscectomy surgery in the second half of 2008;
- our ability to market OMS103HP by 2010;
- our ability to initiate a Phase 1/Phase 2 clinical trial of OMS302 in patients undergoing cataract surgery during the first half of 2008;
- our ability to complete the Phase 1 clinical trial of OMS201 in patients undergoing ureteroscopic removal or ureteral or renal stones in the first half of 2008;
- our ability to achieve the expected near-term milestones in our pipeline of preclinical development programs and the size of target markets;
- our expectations regarding the growth in the number of arthroscopic, cataract and uroendoscopic operations, the rates at which each of our PharmacoSurgery product candidates will be reimbursed to the surgical facility for its utilization and to the surgeon for its use, the size of the markets for our PharmacoSurgery product candidates, in particular, the market opportunity for OMS103HP, and the rate and degree of adoption and market penetration of our PharmacoSurgery product candidates;
- our ability to obtain commercial supplies of our Pharmaco Surgery product candidates, our competition and, if approved, our ability to successfully commercialize our PharmacoSurgery product candidates with a limited, hospital-based marketing and sales force;
- our expectations regarding the clinical benefits of our PharmacoSurgery product candidates;

- the extent of protection that our patents provide and our pending patent applications may provide, if patents issue from such applications, to our technologies and programs;

- our estimate regarding how long our existing cash, cash equivalents and short-term investments, along with the net proceeds from this offering, will be sufficient to fund our anticipated operating expenses and capital expenditures, the factors impacting our future capital expenditures and our expected number of full-time employees by the end of 2008; and

- our estimates regarding the use of the net proceeds from this offering and our future net losses, revenues, expenses and net operating loss carryforwards and research and development tax credit carryforwards.

You should read this prospectus and the registration statement of which this prospectus is a part completely and with the understanding that our actual future results may be materially different from what we expect. Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements represent our estimates and assumptions only as of the date of this prospectus and, except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this prospectus. The forward-looking statements contained in this prospectus are excluded from the safe harbor protection provided by the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act of 1933, as amended.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately $ from our sale of shares of common stock in this offering, or approximately $ if the underwriters exercise their over-allotment option in full, based upon an assumed initial public offering price of $ per share (the mid-point of the range set forth on the cover page of this prospectus), after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the net proceeds to us from this offering by $, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

We anticipate that the net proceeds from this offering, together with our existing cash, cash equivalents and short-term investments, will allow us to complete our Phase 3 clinical trials and to submit the related NDA(s) for our lead PharmacoSurgery product candidate, OMS103HP. We currently expect to use the net proceeds from this offering as follows:

- approximately $ to fund the completion of our Phase 3 clinical trials and our submission of the related NDA(s) to the FDA for our lead PharmacoSurgery product candidate, OMS103HP;
- approximately $ to fund the launch and commercialization of OMS103HP;
- approximately $ to fund the clinical development of our other PharmacoSurgery product candidates, OMS302 and OMS201; and
- the remainder to continue to fund our pipeline of preclinical product development programs focused on inflammation and CNS disorders, and to fund working capital, capital expenditures, potential acquisitions of products or technologies and general corporate purposes.

The expected uses of the net proceeds from this offering represents our current intentions based on our present plans and business conditions. As of the date of this prospectus, we cannot specify with certainty all of the particular uses for the net proceeds to be received from this offering. The amounts and timing of our actual expenditures will depend on numerous factors including the progress in, and costs of, our clinical trials and other preclinical development programs. Accordingly, our management will have broad discretion in the application of the net proceeds, and investors will be relying on the judgement of management regarding the application of the net proceeds from the offering. We may find it necessary or advisable to use the net proceeds for other purposes. Pending such uses set forth above, we plan to invest the net proceeds in highly liquid, investment grade securities.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock and we do not currently intend to pay any cash dividends on our common stock in the foreseeable future. We expect to retain all available funds and future earnings, if any, to fund the development and growth of our business. Any future determination to pay dividends, if any, on our common stock will be at the discretion of our board of directors and will depend on, among other factors, our results of operations, financial condition, capital requirements and contractual restrictions.

CAPITALIZATION

The following table sets forth our cash, cash equivalents and short-term investments and our capitalization as of September 30, 2007, as follows:

- on an actual basis;
- on a pro forma basis reflecting (a) the automatic conversion of all outstanding shares of our convertible preferred stock into 22,327,407 shares of our common stock upon the closing of this offering and (b) the automatic conversion of all outstanding warrants to purchase convertible preferred stock into warrants to purchase 534,642 shares of our common stock upon the closing of this offering, resulting in the reclassification of $1.7 million from preferred stock warrant liability to additional paid-in capital, and (c) the repayment of $239,000 in related-party notes receivable; and
- on a pro forma as adjusted basis to give effect (a) to the issuance and sale by us of shares of common stock in this offering and the receipt of the net proceeds from our sale of these shares at an assumed initial public offering price of $ per share (the mid-point of the range set forth on the cover page of this prospectus), after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us and (b) to the issuance of shares of common stock pursuant to the cashless net exercise of warrants that will automatically terminate upon the closing of this offering based on the assumed initial public offering price.

You should read this table together with the sections of this prospectus entitled “Selected Consolidated Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	As of September 30, 2007		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands, except share and per share data)		
Cash, cash equivalents and short-term investments	$ 27,171	$ 27,410	$
Total debt	$ 1,270	$ 1,270	
Preferred stock warrant liability	1,674	—	
Convertible preferred stock, par value $0.01 per share; Authorized shares—26,314,511; issued and outstanding shares—22,327,407 at September 30, 2007; no shares issued and outstanding, pro forma or pro forma as adjusted	89,168	—	
Shareholders’ deficit:			
Common stock, par value $0.01: Authorized shares—40,000,000; issued and outstanding shares—5,399,890 at September 30, 2007; 27,727,297 shares issued and outstanding pro forma; shares issued and outstanding, pro forma as adjusted	53	277	
Additional paid-in capital	2,698	93,316	
Accumulated other comprehensive income	34	34	
Deferred stock-based compensation	(16)	(16)	
Notes receivable from related party	(239)	—	
Deficit accumulated during the development stage	(68,776)	(68,776)	
Total shareholders’ equity (deficit)	(66,246)	24,835	
Total capitalization	$ 25,866	$ 26,105	$

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) each of cash, cash equivalents and short-term investments, additional paid-in capital, total shareholders' equity (deficit) and total capitalization by $, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The outstanding share information set forth in the table above excludes the following shares:

- 5,257,413 shares of common stock issuable upon the exercise of options outstanding at September 30, 2007, at a weighted-average exercise price of $0.56 per share;
- 843,233 shares of common stock issuable upon exercise of options granted from October 1, 2007 to January 9, 2008, at a weighted-average exercise price of $1.25 per share;
- 512,029 shares of common stock issuable upon exercise of warrants outstanding at September 30, 2007, which will automatically terminate upon the closing of this offering if not exercised, at a weighted-average exercise price of $5.15 per share;
- 22,613 shares of common stock issuable upon exercise of warrants outstanding at September 30, 2007, which will not automatically terminate upon the closing of this offering, at a weighted-average exercise price of $4.66 per share; and
- shares of common stock available for future issuance under our 2008 Equity Incentive Plan.

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock immediately after this offering.

Our pro forma net tangible book value as of September 30, 2007 was $24.4 million, or $0.88 per share of common stock. Our pro forma net tangible book value per share represents the amount of our total tangible assets reduced by the amount of our total liabilities and divided by the total number of shares of our common stock outstanding as of September 30, 2007, after giving effect (a) to the automatic conversion of all outstanding shares of our convertible preferred stock into common stock upon the closing of this offering and (b) to the automatic conversion of all outstanding warrants to purchase convertible preferred stock into warrants to purchase common stock upon the closing of this offering.

After giving effect (a) to our issuance and sale in this offering of shares of common stock at an assumed initial public offering price of $ per share (the midpoint of the range set forth on the cover page of this prospectus), after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, and (b) to the issuance of shares of common stock pursuant to the cashless net exercise of warrants that will automatically terminate upon the closing of this offering based on the assumed initial public offering price, our pro forma net tangible book value as of September 30, 2007 would have been approximately $, or $ per share of common stock. This represents an immediate increase in pro forma net tangible book value of $ per share to our existing shareholders and an immediate dilution of $ per share to investors purchasing shares in this offering. The following table illustrates this per share dilution:

Assumed initial public offering price per share		$
Historical net tangible book value per common share at September 30, 2007	$ (12.30)	
Pro forma increase in net tangible book value per common share attributable to conversion of all outstanding convertible preferred stock	13.18	
Pro forma net tangible book value per share as of September 30, 2007	0.88	
Pro forma increase in net tangible book value per share attributable to investors participating in this offering		
Pro forma net tangible book value per share after this offering		
Dilution in pro forma net tangible book value per share to investors purchasing shares in this offering		$

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) our pro forma net tangible book value per share after this offering by $ and the dilution in pro forma net tangible book value per share to investors purchasing shares in this offering by $, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise their over-allotment option in full, at an assumed initial public offering price of $ per share, the pro forma net tangible book value per share after this offering would be approximately $ per share, and the dilution in pro forma net tangible book value per share to investors purchasing shares in this offering would be approximately $ per share.

The following table sets forth on an as adjusted basis, as of September 30, 2007, the number of shares of common stock purchased or to be purchased from us, the total consideration paid or to be paid and the average price per share paid or to be paid by existing holders of common stock and by the new investors purchasing shares in this offering, before deducting estimated underwriting discounts and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing shareholders	27,727,297	%	$ 89,907,000	%	$ 3.24
New investors					
Total		%	$	%	$

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) total consideration paid by new investors by $, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise their over-allotment option in full, our existing shareholders would own % and our new investors would own % of the total number of shares of our common stock outstanding after this offering.

The discussion and tables above are based on the number of shares of common stock outstanding at September 30, 2007. The discussion and tables above exclude the following shares:

- 5,257,413 shares of common stock issuable upon the exercise of options outstanding at September 30, 2007, at a weighted-average exercise price of $0.56 per share;
- 843,233 shares of common stock issuable upon exercise of options granted from October 1, 2007 to January 9, 2008, at a weighted-average exercise price of $1.25 per share;
- 512,029 shares of common stock issuable upon exercise of warrants outstanding at September 30, 2007, which will automatically terminate upon the closing of this offering if not exercised, at a weighted-average exercise price of $5.15 per share;
- 22,613 shares of common stock issuable upon exercise of warrants outstanding at September 30, 2007, which will not automatically terminate upon the closing of this offering, at a weighted-average exercise price of $4.66 per share; and
- shares of common stock available for future issuance under our 2008 Equity Incentive Plan.

To the extent outstanding options or warrants are exercised, new investors will experience further dilution.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the accompanying notes included elsewhere in this prospectus. The consolidated statements of operations data for the years ended December 31, 2006, 2005 and 2004 and the consolidated balance sheet data as of December 31, 2006 and 2005 are derived from our audited consolidated financial statements included elsewhere in this prospectus. The consolidated statements of operations data for the years ended December 31, 2003 and 2002 and the consolidated balance sheet data as of December 31, 2004, 2003 and 2002 are derived from our consolidated financial statements not included in this prospectus. The consolidated statements of operations data for the nine months ended September 30, 2007 and the nine months ended September 30, 2006, and for the period from June 16, 1994 (inception) to September 30, 2007 and the consolidated balance sheet data as of September 30, 2007 are derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements included in this prospectus and include, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the financial information in those statements. Our historical results are not necessarily indicative of the results to be expected in any future period, and the results for the nine months ended September 30, 2007 are not necessarily indicative of the results to be expected for the full year ending December 31, 2007. We acquired nura on August 11, 2006, and the results of nura are included in the consolidated financial statements from that date.

	Nine Months Ended September 30,		Years Ended December 31,					Period from June 16, 1994 (inception) to September 30, 2007
	2007	2006	2006	2005	2004	2003	2002	
	(in thousands, except share and per share data)							
Consolidated Statements of Operations Data:								
Grant revenue	$ 650	$ 200	$ 200	$ —	$ —	$ —	$ —	$ 950
Operating expenses:								
Research and development	11,173	6,230	9,637	5,803	2,670	2,146	1,915	39,635
Acquired in-process research and development	—	10,891	10,891	—	—	—	—	10,891
General and administrative	8,619	1,893	3,625	1,904	2,079	2,021	1,506	22,859
Total operating expenses	19,792	19,014	24,153	7,707	4,749	4,167	3,421	73,385
Loss from operations	(19,142)	(18,814)	(23,953)	(7,707)	(4,749)	(4,167)	(3,421)	(72,435)
Investment income	1,173	722	1,088	333	171	109	270	4,093
Other income (expense)	(355)	108	179	8	—	—	—	(168)
Interest expense	(123)	(38)	(91)	—	—	(1)	(1)	(266)
Net loss	$ (18,447)	$ (18,022)	$ (22,777)	$ (7,366)	$ (4,578)	$ (4,059)	$ (3,152)	$ (68,776)
Denominator for basic and diluted net loss per common share	4,184,919	3,653,537	3,694,388	3,468,886	3,416,197	3,349,148	3,287,923	
Basic and diluted net loss per common share	$ (4.41)	$ (4.93)	$ (6.17)	$ (2.12)	$ (1.34)	$ (1.21)	$ (0.96)	

	As of September 30, 2007	As of December 31,				
		2006	2005	2004	2003	2002
			(in thousands)			
Consolidated Balance Sheet Data:						
Cash, cash equivalents and short-term investments	$ 27,171	$ 35,885	$ 12,372	$ 14,008	$ 1,238	$ 4,937
Working capital	21,793	32,277	10,672	13,664	680	4,378
Total assets	28,959	38,432	13,109	14,600	1,826	5,532
Total debt	1,270	2,015	—	—	3	21
Preferred stock warrant liability	1,674	1,037	483	—	—	—
Convertible preferred stock	89,168	85,742	40,888	35,203	16,842	16,921
Deficit accumulated in the development stage	(68,776)	(50,329)	(27,553)	(20,187)	(15,609)	(11,549)
Total shareholders' deficit	(66,246)	(53,363)	(29,743)	(21,114)	(15,702)	(12,015)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our audited annual and unaudited interim consolidated financial statements and the related notes that appear elsewhere in this prospectus. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. Actual results may differ materially from those discussed in these forward-looking statements due to a number of factors, including those set forth in the section entitled "Risk Factors" and elsewhere in this prospectus.

Overview

Background

We are a clinical-stage biopharmaceutical company committed to discovering, developing and commercializing products focused on inflammation and disorders of the central nervous system. Our most clinically advanced product candidates are derived from our proprietary PharmacoSurgery™ platform designed to improve clinical outcomes of patients undergoing arthroscopic, ophthalmological, urological and other surgical and medical procedures. Our PharmacoSurgery platform is based on low-dose combinations of therapeutic agents delivered directly to the surgical site throughout the duration of the procedure to preemptively inhibit inflammation and other problems caused by surgical trauma and to provide clinical benefits both during and after surgery. We currently have three ongoing PharmacoSurgery clinical development programs, the most advanced of which is in Phase 3 clinical trials, and we expect to initiate a fourth clinical program in the first half of 2008. In addition to our PharmacoSurgery platform, we have leveraged our expertise in inflammation and the central nervous system, or CNS, to build a deep and diverse pipeline of preclinical programs targeting large markets. For each of our product candidates and programs, we have retained all manufacturing, marketing and distribution rights.

OMS103HP, our lead PharmacoSurgery product candidate, is in two Phase 3 clinical programs. The first program is evaluating OMS103HP's safety and ability to improve postoperative joint function and reduce pain following arthroscopic anterior cruciate ligament, or ACL, reconstruction surgery. The second program is evaluating OMS103HP's safety and ability to reduce pain and improve postoperative joint function following arthroscopic meniscectomy surgery. We expect to complete the Phase 3 clinical program for ACL reconstruction surgery by the end of 2008 and intend to submit, during the first half of 2009, a New Drug Application, or NDA, to the U.S. Food and Drug Administration, or FDA, under the Section 505(b)(2) NDA process. We believe that OMS103HP will, if approved, be the first commercially available drug product for the improvement of function following arthroscopic surgery. We expect to complete our first Phase 3 clinical trial, and begin our second Phase 3 clinical trial, in patients undergoing meniscectomy surgery in the second half of 2008.

Our other current PharmacoSurgery product candidates are OMS302, being developed for use during ophthalmological procedures, including cataract and other lens replacement surgery, and OMS201, being developed for use during urological surgery, including uroendoscopic procedures. We expect to begin a Phase 1/Phase 2 clinical trial of OMS302 in patients undergoing cataract surgery during the first half of 2008, and are currently conducting a Phase 1 clinical trial of OMS201 in patients undergoing ureteroscopic removal of ureteral or renal stones. We own and exclusively control a U.S. and international portfolio of issued patents and pending patent applications that we believe protects our PharmacoSurgery platform.

In addition to our PharmacoSurgery platform, we have a deep and diverse pipeline of preclinical product development programs targeting large market opportunities in

inflammation and CNS covered by a broad intellectual property portfolio. In our mannan-associated serine protease-2, or MASP-2, program, we are developing proprietary MASP-2 antibody therapies to treat disorders caused by complement-activated inflammation. In our cartilage protective, or Chondroprotective, program, we are developing proprietary combinations of inhibitors of cartilage breakdown and promoters of cartilage synthesis to treat cartilage disorders, such as osteoarthritis and rheumatoid arthritis. Our CNS pipeline includes our Phosphodiesterase 10, or PDE10, program, our G protein-coupled receptors, or GPCR, program and our other CNS programs. In our PDE10 program, we are optimizing proprietary compounds to treat schizophrenia. In our GPCR program, we have discovered what we believe to be previously unknown links between specific molecular targets in the brain and a series of CNS disorders, and are developing compounds to treat several of these disorders. In our other CNS programs, we have discovered what we believe to be additional unknown links between specific molecular targets and CNS disorders, and are developing compounds to treat several of these disorders.

We have incurred significant losses since our inception. As of September 30, 2007, our accumulated deficit was $68.8 million and total shareholders' deficit was $66.2 million. We recognized net losses of $18.4 million, $22.8 million, $7.4 million and $4.6 million for the nine months ended September 30, 2007 and the years ended December 31, 2006, 2005 and 2004, respectively. These losses have resulted principally from expenses incurred in connection with research and development activities, consisting primarily of preclinical studies, manufacturing services, and clinical trials associated with our current product candidates. We expect our net losses to increase as we continue to advance our clinical trials, expand our research and development efforts, and add personnel as well as laboratory and office space for our anticipated growth. We plan to increase the total number of our full-time employees from 62 as of December 31, 2007 to approximately 70 to 80 by the end of 2008.

Revenue

We have recognized $950,000 of revenue from inception through September 30, 2007, consisting of grant funding from third parties. Other than grant funding, we do not expect to receive any revenue from our product candidates until we receive regulatory approval and commercialize the products or until we potentially enter into collaborative agreements with third parties for the development and commercialization of our product candidates. We continue to pursue government and private grant funding for our product candidates and research programs. If our development efforts for any of our product candidates result in clinical success and regulatory approval or collaboration agreements with third parties, we could generate revenue from those product candidates.

Research and Development Expenses

The majority of our operating expenses to date have been for research and development activities. Research and development expenses consist of costs associated with research activities, as well as costs associated with our product development efforts, which include clinical trials and third party manufacturing services. Internal research and development costs are recognized as incurred. Third-party research and development costs are expensed at the earlier of when the contracted work has been performed or as upfront and milestone payments are made. Research and development expenses include:

- employee and consultant-related expenses, which include salaries and benefits;
- external research and development expenses incurred pursuant to agreements with third-party manufacturing organizations, contract research organizations and clinical trial sites;

- facilities, depreciation and other allocated expenses, which include direct and allocated expenses for rent and maintenance of facilities and depreciation of leasehold improvements and equipment; and
- third-party supplier expenses including laboratory and other supplies.

At any time, we have many ongoing research and development projects. Our internal resources, employees and infrastructure are not directly tied to any individual research project and are typically deployed across multiple projects. Through our clinical development programs, we are advancing our product candidates in parallel for multiple therapeutic indications and, through our preclinical development programs, we are seeking to develop potential product candidates for additional disease indications. Due to the number of ongoing projects and our ability to utilize resources across several projects, we do not record or maintain information regarding the costs incurred for our research and development programs on a program-specific basis. In addition, we believe that allocating costs on the basis of time incurred by our employees does not reflect the actual costs of a project.

Our research and development expenses can be divided into research and preclinical development activities and clinical development and regulatory activities. The following table illustrates our expenses associated with these activities:

	Nine Months Ended September 30,		Years Ended December 31,		
	2007	2006	2006	2005	2004
			(in thousands)		
Research and preclinical development	$ 5,106	$ 2,678	$ 4,514	$ 2,560	$ 1,400
Clinical development and regulatory	6,067	3,552	5,123	3,243	1,270
Total	$ 11,173	$ 6,230	$ 9,637	$ 5,803	$ 2,670

Research and preclinical development costs consist of our research activities, preclinical studies, and related personnel costs, laboratory supplies and indirect costs such as rent, utilities and depreciation. Clinical development and regulatory costs consist of clinical trials, manufacturing services, and related personnel costs and indirect costs such as rent, utilities and depreciation.

At this time, due to the inherently unpredictable nature of preclinical and clinical development processes and given the early stage of our preclinical product development programs, we are unable to estimate with any certainty the costs we will incur in the continued development of our product candidates for potential commercialization. Clinical development timelines, the probability of success and development costs can differ materially from expectations. While we are currently focused on advancing each of our product development programs, our future research and development expenses will depend on the clinical success of each product candidate, as well as ongoing assessments of each product candidate's commercial potential. In addition, we cannot forecast with any degree of certainty which product candidates may be subject to future collaborations, when such arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and capital requirements.

We expect our research and development expenses to increase in the future as we continue the advancement of our clinical trials and preclinical product development programs. The lengthy process of completing clinical trials and seeking regulatory approval for our product candidates requires expenditure of substantial resources. Any failure or delay in completing clinical trials, or in obtaining regulatory approvals, could cause a delay in generating product revenue and cause our research and development expense to increase and, in turn, have a material adverse effect on our operations. We do not expect any of our current product candidates to be commercially available before 2010, if at all.

General and Administrative Expenses

General and administrative expenses consist principally of salaries and related costs for personnel in executive, legal, finance, accounting, information technology and human resource functions. Other general and administrative expenses include facility costs not otherwise included in research and development expenses, patent costs and professional fees for legal, consulting and audit services.

Investment Income

Investment income consists of interest earned on our cash, cash equivalents, and short-term investments.

Other Income (Expense)

Other income (expense) consists primarily of rental income received under subleases for use of a portion of our vivarium and laboratory facility and changes in the fair value of our preferred stock warrant liability.

Income Taxes

As of December 31, 2006, we had federal net operating loss carryforwards and research and development tax credit carryforwards of approximately $35.7 million and $1.2 million, respectively. Our net operating loss and research and development tax credit carryforwards will expire between 2009 and 2025 unless utilized prior to such dates. Our ability to utilize our net operating loss and tax credit carryforwards may be limited in the event a change in ownership, as defined in Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, has occurred or may occur in the future. In each period since our inception, we have recorded a 100% valuation allowance for the full amount of our deferred tax asset, as the realization of the deferred tax asset is uncertain. As a result, we have not recorded any federal tax benefit in our statement of operations.

Critical Accounting Policies and Significant Judgments and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities at the date of the financial statements, as well as reported revenue and expenses during the reporting periods. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances. An accounting policy is considered critical if it is important to a company's financial condition and results of operations, and if it requires the exercise of significant judgment and the use of estimates on the part of management in its application. Although we believe that our judgments and estimates are appropriate, actual results may differ from our estimates.

We believe the following to be our critical accounting policies because they are both important to the portrayal of our financial condition and results of operations and they require critical management judgment and estimates about matters that are uncertain:

- revenue recognition;
- research and development expenses, primarily clinical trial expenses;
- stock-based compensation; and
- preferred stock warrant liability.

If actual results or events differ materially from those contemplated by us in making these estimates, our reported financial condition and results of operations for future periods could be materially affected.

Revenue Recognition

Our revenue since inception relates to grant funding from third parties. We recognize grant funding as revenue when the related qualified research and development expenses are incurred up to the limit of the approved funding amounts.

Revenue arrangements are accounted for in accordance with the provisions of Securities and Exchange Commission Staff Accounting Bulletin, or SAB, No. 104, *Revenue Recognition,* and Emerging Issues Task Force, or EITF, No. 00-21, *Revenue Arrangements with Multiple Deliverables*. A variety of factors are considered in determining the appropriate method of revenue recognition under these arrangements, such as whether the various elements can be considered separate units of accounting, whether there is objective and reliable evidence of fair value for these elements and whether there is a separate earnings process associated with a particular element of an agreement.

Research and Development

Research and development expenses are comprised primarily of employee and consultant-related expenses, which include salaries and benefits; external research and development expenses incurred pursuant to agreements with third-party manufacturing organizations, contract research organizations and clinical trial sites; facilities, depreciation and other allocated expenses, which include direct and allocated expenses for rent and maintenance of facilities and depreciation of leasehold improvements and equipment; and third-party supplier expenses including laboratory and other supplies. Clinical trial expenses for investigational sites require certain estimates. We estimate these costs based on a cost per patient which varies depending on the site of the clinical trial. As actual costs become known to us, we adjust our accrual; these changes in estimates may result in understated or overstated expenses at a given point in time. To date, our estimates have not differed significantly from actual costs. Internal research and development expenses are expensed as incurred. Third-party research and development expenses are expensed at the earlier of when the contracted work has been performed or as upfront and milestone payments are made.

Stock-Based Compensation

Prior to January 1, 2006, we adopted the disclosure-only provisions of Statement of Financial Accounting Standards, or SFAS, No. 123, *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure*, and applied Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* , and related interpretations in accounting for stock options. Accordingly, through December 31, 2005, employee stock-based compensation expense was recognized based on the intrinsic value of the option at the date of grant.

Effective January 1, 2006, we adopted the fair value recognition provisions of SFAS No. 123(revised), or SFAS 123R, *Share-Based Payment*, under the prospective method, which requires that the measurement and recognition of compensation expense for all future share-based payments made to employees and directors be based on estimated fair values. We are using the straight-line method to allocate compensation cost to reporting periods over each optionee's requisite service period (generally the vesting period). We estimate the fair value of our share-based awards to employees and directors using the Black-Scholes option-valuation model. The Black-Scholes model requires the input of subjective assumptions, including the

expected stock price volatility, the calculation of expected term, and the fair value of the underlying common stock on the date of grant, among other inputs.

The following table summarizes our assumptions as of:

	Nine Months Ended September 30,		Years Ended December 31,		
	2007	2006	2006	2005	2004
Expected volatility	60%	60%	60%	0%	0%
Expected term (in years)	6.08	5.00-6.08	5.00-6.08	5.00	5.00
Risk-free interest rate	4.42% - 4.78%	4.63% - 5.04%	4.57% - 5.04%	4.58%	4.00%
Expected dividend yield	0%	0%	0%	0%	0%

Expected Volatility. The expected volatility rate used to value stock option grants made during the nine months ended September 30, 2007, the nine months ended September 30, 2006 and year ended December 31, 2006 is based on historical volatilities of a peer group of similar pharmaceutical and biotechnology companies whose share prices are publicly available. The peer group includes companies in the industry in similar stages of development as are we. Stock options granted during the years ended December 31, 2005 and 2004, were valued utilizing the minimum value method whereby the expected volatility is not a factor.

Expected Term. We elected to utilize the “simplified” method for “plain vanilla” options as provided for in SAB No. 107 to value stock option grants made during the nine months ended September 30, 2007, the nine months ended September 30, 2006 and the year ended December 31, 2006. Under this approach, the weighted-average expected life is presumed to be the average of the vesting term and the contractual term of the option. For stock options granted during the years ended December 31, 2005 and 2004, we estimated the expected term of stock options based on the expected term of options granted by a peer group of similar companies.

Risk-free Interest Rate. The risk-free interest rate assumption was based on zero coupon U.S. Treasury instruments whose term was consistent with the expected term of our stock option grants.

Expected Dividend Yield. We used an expected dividend yield of zero because we have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future.

SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from estimates. We estimate forfeitures based on our historical experience; separate groups of employees that have similar historical forfeiture behavior are considered separately for expense recognition. Prior to the adoption of SFAS 123R, we accounted for forfeitures as they occurred.

Common Stock Fair Value. Due to the absence of an active market for our common stock, the fair value of our common stock for purposes of determining the exercise price for stock option grants was determined by our board of directors in good faith based on a number of objective and subjective factors including the factors described below:

- the prices of our convertible preferred stock sold to outside investors in arms-length transactions, and the rights, preferences and privileges of our convertible preferred stock relative to those of our common stock;
- our results of operations, financial position, and the status of our research and product development efforts;
- our stage of development and business strategy;
- the composition of and changes to our management team;

- the market value of a comparison group of publicly traded pharmaceutical and biotechnology companies that are in a similar stage of development to us;
- the lack of liquidity of our common stock as a private company; and
- the likelihood of achieving a liquidity event for the shares of our common stock underlying stock options, such as an initial public offering, or IPO, given prevailing market conditions.

For purposes of estimating the fair value of our common stock for stock option grants under SFAS 123R, we reassessed the estimated fair value of our common stock for the year ended December 31, 2006 and for the quarterly periods ended March 31, 2007, June 30, 2007, and September 30, 2007 by performing valuation analyses as of each of these dates. There are significant judgments and estimates inherent in the determination of reassessed fair values. Based on the valuations, the stock options we granted in 2006 and 2007 had an exercise price less than the estimated fair value of the common stock at the date of grant. We used these fair value estimates derived from the valuations to determine the SFAS 123R stock compensation expense recorded in our financial statements.

The valuations were prepared using a methodology that first estimated the fair value of the company as a whole, or enterprise value, and then allocated a portion of the enterprise value to our common stock. This approach is consistent with the methods outlined in the *AICPA Practice Aid Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. The valuation methodology utilized in the 2006 reassessment of fair value relied primarily on the “market approach” to estimate enterprise value giving consideration to the total financing amount received by us, the implied enterprise value of the company based on the convertible preferred stock transactions and market-based industry initial public offering valuations. The “income approach” was considered as a secondary concurring approach and involved projecting future cash flows and discounting them to present value. Our enterprise value was allocated to our different classes of equity using the option pricing method. The option pricing method involves making certain other assumptions regarding the anticipated timing of a potential liquidity event and the expected volatility of our equity securities.

The valuation methodology utilized in the 2007 quarterly reassessments of fair value also relied primarily on the “market approach” to estimate enterprise value and then allocated the enterprise value to our different classes of equity using the probability-weighted expected return, or PWER, method whereby the value of our common stock was estimated based on an analysis of future values for the equity assuming various future outcomes including liquidity events. Our estimated share value is based on the probability-weighted present value of expected investment returns, considering each of the possible future outcomes available to us. In our situation, the future outcomes included three alternatives: (1) we complete an IPO at the high end of the range for recent IPO transactions for comparable companies, (2) we complete an IPO at the low end of the range for recent IPO transactions for comparable companies, and (3) we have an event in which no liquidity accrues for common shareholders. For the first two alternatives, collectively the “IPO scenario,” the estimated future and present values of our common stock were calculated using assumptions including: the expected pre-money or sale valuations based on the market approach, the expected dates of the future expected IPO or sale, and an appropriate risk-adjusted discount rate. For the scenario where we have an event in which no liquidity accrues for common shareholders, the estimated value of our common stock was calculated using the cumulative liquidation preferences of the outstanding convertible preferred stock. Finally, the present value calculated for our common stock under each scenario was probability-weighted based on our estimate of the relative probability occurrence of each scenario.

Summary of Stock Option Grants. We made the following stock option grants during 2006 and 2007:

Grant Date	Number of Shares Subject to Options Granted	Exercise Price per Share	Estimated Fair Value of Common Stock per Share at Date of Grant	Intrinsic Value per Share at Date of Grant
July 2006	23,000	$ 0.50	$ 0.89	$ 0.39
September 2006	28,000	0.50	0.89	0.39
December 2006	4,274,853	0.50	0.89	0.39
March 2007	308,500	1.00	1.05	0.05
May 2007	350,000	1.00	3.63	2.63
October 2007	275,733	1.25	6.23	4.98

For purposes of determining stock-based compensation expense, the fair market value of stock options granted in 2006 was based on the estimated fair value as of December 31, 2006. Stock options granted in March 2007 and May 2007 were valued based on the estimated fair value determined as of March 31, 2007 and June 30, 2007, respectively. There were no stock options granted during the quarterly period ended September 30, 2007. Stock options granted in October 2007 were valued based on the estimated fair value determined as of September 30, 2007.

The estimated per share fair value of our common stock from December 31, 2006 to March 31, 2007 increased from $0.89 to $1.05. The change in estimated fair value primarily reflects continued advancement in our research and development programs, including additional patient enrollment in our Phase 3 clinical trials evaluating OMS103HP's safety and ability to improve postoperative joint function following ACL reconstruction surgery, or our Phase 3 ACL study.

The estimated per share fair value of our common stock from March 31, 2007 to June 30, 2007 increased from $1.05 to $3.63. The change in estimated fair value reflects the following:

- continued advancement in our development programs, including additional patient enrollment in our Phase 3 ACL study and advancement of additional product candidates through preclinical development;
- expanded activities in preparation for an IPO; and
- an increase in the probability of a liquidity event.

The estimated per share fair value of our common stock from June 30, 2007 to September 30, 2007 increased from $3.63 to $6.23. The change in estimated fair value reflects the following:

- positive efficacy data in a preclinical study evaluating OMS302, our PharmacoSurgery product candidate for use during ophthalmological surgery, and its components in a primate model of lens replacement surgery;
- filing of an IND for OMS201, our PharmacoSurgery product candidate being developed for use during urological surgery;
- continued advancement in our development programs, including additional patient enrollment in our Phase 3 ACL study;
- continued advancement of activities in preparation for an IPO; and
- an increase in the probability of a liquidity event.

Stock Options and Note Receivable from Related Party. In conjunction with the exercise of certain stock options by Gregory A. Demopulos, M.D., our president, chief executive officer, chief medical officer and chairman of the board of directors, we received promissory notes from Dr. Demopulos totaling $239,000. The promissory notes accrue interest at rates ranging from 3% to 6.25% and are secured by pledges of the underlying common stock. Based on the terms of the notes, the notes are treated as stock options and are subject to variable accounting whereby changes in the estimated fair value of the underlying option is reported as an increase or decrease, as applicable, in stock-based compensation expense (credit) until such time that the notes are repaid. Stock-based compensation expense (credit) related to these notes and common stock was $5.0 million for the nine months ended September 30, 2007, and $361,000, $(534,000), and $264,000 for the years ended December 31, 2006, 2005 and 2004, respectively. The notes and accrued interest were repaid in full in December 2007.

Stock-Based Compensation Summary. Stock-based compensation expense includes variable awards, amortization of deferred stock compensation, and awards accounted for under SFAS 123R and have been reported in our consolidated statements of operations as follows:

	Nine Months Ended September 30,		Years Ended December 31,		
	2007	2006	2006	2005	2004
			(in thousands)		
Research and development	$ 245	$ 3	$ 309	$ —	$ —
General and administrative	5,300	283	1,130	(507)	273
Total	$ 5,545	$ 286	$ 1,439	$ (507)	$ 273

A total of up to $1.3 million will be recognized as compensation expense for the unvested 2,735,086 options outstanding as of December 31, 2006. This expense will be recognized over a weighted-average period of 2.7 years. This excludes non-employee options and variable awards.

Preferred Stock Warrant Liability

We adopted the provisions of Financial Accounting Standards Board, or FASB, Staff Position 150-5, *Issuer's Accounting under FASB Statement No. 150 for Freestanding Warrants and Other Similar Instruments on Shares That Are Redeemable*, or FSP 150-5, on July 1, 2005. In accordance with FSP 150-5, we estimated the fair value of all outstanding convertible preferred stock warrants at July 1, 2005 and reclassified this amount from equity to a liability. The warrant obligation is adjusted to fair value at the end of each reporting period. Such fair values were estimated using the Black-Scholes option-pricing model and an estimated term equal to each warrant's contractual life. We will continue to adjust the warrant liability for changes in fair value until the earlier of the exercise of the warrants or the completion of a liquidation event, including the completion of this offering, at which time the liability will be reclassified to shareholders' equity (deficit).

Results of Operations

Effect of nura, inc. Acquisition

Our August 2006 acquisition of nura, inc., or nura, a private biotechnology company, which expanded and diversified our CNS pipeline and strengthened our discovery research capabilities, caused a significant change in our business and results of operations. The acquisition of nura was accounted for as an asset purchase and the results of nura have been included in our results of operations since August 11, 2006. The inclusion of nura for a portion

of 2006 impacts the comparability of our 2007 and 2006 financial information with the financial information for previous periods.

We acquired nura through the issuance of 3.4 million shares of Series E convertible preferred stock and 36,246 shares of common stock, and the assumption of a $2.4 million promissory note, for a total purchase price value of $14.4 million. Since nura was a development-stage company, the acquisition was treated as an asset purchase in accordance with EITF 98-3, *Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business.* Of the aggregate purchase price of $14.4 million, $3.2 million was allocated to the net tangible assets acquired based on the estimated fair values at the acquisition date, $310,000 was allocated to intangible assets and $10.9 million was allocated to in-process research and development as the acquired research projects had not reached technological feasibility and had no alternative use at the acquisition date. We believe that the fair values assigned to the assets acquired and liabilities assumed are based on reasonable assumptions given available facts and circumstances at the acquisition date.

The value of the acquired in-process research and development was determined by estimating the future net cash flows of development programs using a present value risk-adjusted discount rate of 40%. The projected cash flows from the acquired in-process research and development were based on estimates considering the stage of development, the time and resources needed to complete product development and the associated risks, including the inherent difficulties and uncertainties in developing drug compounds such as obtaining FDA and other regulatory approvals. The value of acquired in-process research and development of $10.9 million was recorded as an operating expense in 2006.

Selected nura financial information for the period January 1, 2006 to August 11, 2006, the date of the acquisition, and the year ended December 31, 2005 is as follows:

	Period from January 1, 2006 to August 11, 2006	Year Ended December 31, 2005
	(in thousands)	
Grant revenue	$ 200	$ —
Research and development expenses	2,394	4,612
General and administrative expenses	957	1,517
Net loss	3,219	5,787

Comparison of Nine Months Ended September 30, 2007 to the Nine Months Ended September 30, 2006

Revenue. Revenue was $650,000 for the nine months ended September 30, 2007 compared with $200,000 for the nine months ended September 30, 2006. Revenue in both periods represents grant funding from third parties related primarily to our PDE10 program.

Research and Development Expenses. Research and development expenses were $11.2 million for the nine months ended September 30, 2007 compared with $6.2 million for the nine months ended September 30, 2006. The $5.0 million increase was due primarily to additional personnel, which included 13 staff from our acquisition of nura in August 2006, additional facility and research costs subsequent to the nura acquisition, increased clinical trial and manufacturing service costs associated with our Phase 3 clinical trial program for our lead product candidate, OMS103HP, and increased preclinical research study costs associated with advancing additional product candidates, OMS302 and OMS201, toward IND submissions. We expect research and development expenses to increase in the future due to an increased number of product candidates in preclinical studies and clinical trials, as well as the related expansion of our research and development staff.

Acquired In-Process Research and Development. Acquired in-process research and development of $10.9 million for the nine months ended September 30, 2006 resulted from our acquisition of nura in August 2006.

General and Administrative Expenses. General and administrative expenses were $8.6 million, including $5.3 million in stock-based compensation expense, for the nine months ended September 30, 2007 compared with $1.9 million, including $283,000 in stock-based compensation expense, for the nine months ended September 30, 2006. The $5.3 million in stock-based compensation relates primarily to related-party notes receivable that are treated as variable option awards. An increase in the fair value of our common stock during the period resulted in this expense. Excluding stock-based compensation expense, the increase in general and administrative expenses primarily reflects personnel, consulting, and professional services costs in preparation of an IPO, and higher patent legal costs as we continue to broaden our intellectual property portfolio. We expect our general and administrative expenses to increase in the future as we add additional employees and office space to support our anticipated growth.

Investment Income. Investment income was $1.2 million for the nine months ended September 30, 2007 compared with $722,000 for the nine months ended September 30, 2006. The increase is due to interest earned on higher cash balances resulting from net proceeds of $3.2 million and $34.2 million received from sales of Series E convertible preferred stock for the nine months ended September 30, 2007 and the nine months ended September 30, 2006, respectively.

Interest expense. Interest expense was $123,000 for the nine months ended September 30, 2007 compared with $38,000 for the nine months ended September 30, 2006. In connection with our acquisition of nura in August 2006, we assumed a note payable of $2.4 million. This note bears interest at the lender's prime rate, which was 9.69% at September 30, 2007.

Comparison of Years Ended December 31, 2006 and December 31, 2005

Revenue. We recorded $200,000 of revenue in 2006 and $0 revenue in 2005. Revenue in 2006 represents grant funding from a third party.

Research and Development Expenses. Research and development expenses were $9.6 million in 2006 compared with $5.8 million in 2005. The increase was due primarily to additional personnel, including 13 staff from our acquisition of nura in August 2006, additional facility and research costs subsequent to the nura acquisition, increased clinical trial costs related to our lead product candidate, OMS103HP, and increased research and development studies and manufacturing service costs associated with OMS302 and OMS201.

Acquired In-Process Research and Development. Acquired in-process research and development of $10.9 million in 2006 resulted from our acquisition of nura in August 2006.

General and Administrative Expenses. General and administrative expenses were $3.6 million in 2006 compared with $1.9 million in 2005. The increase was due primarily to higher personnel and consulting costs, and an increase in stock-based compensation expense. Stock-based compensation expense was $1.1 million in 2006 and a credit of $506,000 in 2005. The credit in 2005 was related to a reduction in the fair value of our common stock.

Investment Income. Investment income was $1.1 million in 2006 compared with $333,000 in 2005. The increase is due to a higher average cash balance in 2006 resulting from net proceeds of $34.2 million from the sale of Series E convertible preferred stock during 2006.

Interest expense. Interest expense was $91,000 in 2006 compared with $0 in 2005. In connection with our acquisition of nura in August 2006, we assumed a note payable of $2.4 million. nura's results for periods prior to the acquisition are not included in our results.

Comparison of Years Ended December 31, 2005 and December 31, 2004

Revenue. We recorded $0 of revenue in 2005 or 2004.

Research and Development Expenses. Research and development expenses were $5.8 million in 2005 compared with $2.7 million in 2004. The increase was due primarily to additional personnel, clinical trial costs for additional study sites for the Phase 3 studies of OMS103HP, and for preclinical development activities related to OMS201.

General and Administrative Expenses. General and administrative expenses were $1.9 million in 2005 compared with $2.1 million in 2004. The overall decrease was due to an increase in costs associated with additional personnel during 2005 offset by stock-based compensation which was a credit of $506,000 in 2005 and expense of $273,000 in 2004. The credit in 2005 related to a reduction in the fair value of our common stock during 2005, which caused decreased stock-based compensation expense for certain variable option awards.

Investment Income. Investment income was $333,000 in 2005 compared with $171,000 in 2004. The increase is due to a higher average cash balance in 2005 resulting from net proceeds of $5.3 million and $17.2 million from the sale of Series E convertible preferred stock during 2005 and 2004, respectively.

Liquidity and Capital Resources

Since inception, we have financed our operations primarily through private placements of equity securities. Through September 30, 2007, we received net proceeds of $76.4 million from the sale of shares of our convertible preferred stock as follows:

- in 1994, we issued and sold a total of 875,000 shares of Series A convertible preferred stock for aggregate net proceeds of $868,000;
- in 1998, we issued and sold a total of 2,663,244 shares of Series B convertible preferred stock for aggregate net proceeds of $4.4 million;
- in 2000, we issued and sold a total of 2,825,291 shares of Series C convertible preferred stock for aggregate net proceeds of $7.2 million;
- in 2002, we issued and sold a total of 972,580 shares of Series D convertible preferred stock for aggregate net proceeds of $3.7 million; and
- from 2004 to 2007, we issued and sold a total of 12,655,208 shares of Series E convertible preferred stock for aggregate net proceeds of $60.0 million.

As of September 30, 2007, we had $27.2 million in cash, cash equivalents and short-term investments, consisting of $6.5 million in cash and cash equivalents and $20.7 million in short-term investments. Our cash, cash equivalents and short-term investment balances are held in a variety of interest-bearing instruments, including mortgage-backed securities issued by or fully collateralized by U.S. government or federal agencies, high credit rating corporate borrowers and money market accounts. Cash in excess of immediate requirements is invested in accordance with established guidelines to preserve principal and maintain liquidity.

Net cash used in operating activities of $11.1 million for the nine months ended September 30, 2007 was primarily due to the net loss for the period of $18.4 million, offset in part by $5.5 million of non-cash stock-based compensation expense. Net cash used in operating activities was $10.2 million, $6.6 million, and $4.2 million in 2006, 2005 and 2004, respectively. Net cash used in each of these periods was primarily a result of the net loss for these periods.

Net cash used in investing activities for the nine months ended September 30, 2007 was $8.5 million. Net cash used in investing activities was $579,000 and $13.0 million in the years

ended December 31, 2006 and 2004, respectively, and net cash provided by investing activities was $1.2 million in the year ended December 31, 2005. Investing activities consist primarily of purchases and sales of marketable securities, and property and equipment purchases. Purchases of property and equipment were $477,000 in the nine months ended September 30, 2007, and $166,000, $278,000, $124,000 in the years ended December 31, 2006, 2005 and 2004, respectively.

Net cash provided by financing activities was $2.7 million in the nine months ended September 30, 2007. Net cash provided by financing activities was $33.9 million, $5.4 million and $17.3 million in the years ended December 31, 2006, 2005 and 2004, respectively. Net proceeds from these financing activities were primarily related to the sale of our convertible preferred stock.

In connection with our acquisition of nura in August 2006, we assumed a note payable of $2.4 million. At September 30, 2007, the note payable balance was $1.3 million with an interest rate of 9.69%. We pay $96,000 per month for principal and interest on the note and we expect that the note will be fully repaid in November 2008. The lender under this note has a security interest in all of nura's assets including intellectual property.

In October 2007, we received cash totaling $980,000 from Small Business Innovation Research grants awarded by the National Institute of Health.

We have a funding agreement with The Stanley Medical Research Institute, or SMRI, to develop a proprietary product candidate that inhibits PDE10 for the treatment of schizophrenia. Under the agreement, we may receive grant and equity funding upon achievement of product development milestones through Phase I clinical trials totaling $9.0 million, subject to our mutual agreement with SMRI. As of September 30, 2007, we have received $2.6 million, 50% of which was grant funding and 50% of which was equity funding, under the funding agreement with SMRI. As part of the funding agreement, we are obligated to provide SMRI notice of the filing of a registration statement related to our IPO with the Securities and Exchange Commission. Within 30 days following notice to SMRI, SMRI has the right to provide up to the remaining $6.4 million aggregate grant and equity funding to us in exchange for SMRI's right to purchase shares of our Series E convertible preferred stock at $5.00 per share.

Funding Requirements

We believe that our existing cash, cash equivalents and short-term investments, along with the net proceeds of this offering, will be sufficient to fund our anticipated operating expenses and capital expenditures for at least the next 24 months. We have based this estimate on assumptions that may prove to be wrong and we could use our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with the development and commercialization of our product candidates, and to the extent that we may or may not enter into collaborations with third parties to participate in development and commercialization, we are unable to estimate the amounts of increased capital requirements and operating expenditures associated with our currently anticipated clinical trials.

Our future capital requirements will depend on many factors, including:

- the progress and results of our clinical trials for OMS103HP, OMS302 and OMS201;
- costs related to manufacturing services;
- whether the hiring of a number of new employees to support our continued growth during this period will occur at salary levels consistent with our estimates;
- the scope, rate of progress, results and costs of our preclinical testing, clinical trials and other research and development activities for additional product candidates;

- the terms and timing of payments of any collaborative or licensing agreements that we may establish;
- market acceptance of our approved product candidates;
- the cost, timing and outcomes of the regulatory processes for our product candidates;
- the costs of commercialization activities, including product manufacturing, marketing, sales and distribution;
- the number and characteristics of product candidates that we pursue;
- the cost of establishing clinical and commercial supplies of our product candidates;
- the cost of preparing, filing, prosecuting, defending and enforcing patent claims and other intellectual property rights;
- the extent to which we acquire or invest in businesses, products or technologies, although we currently have no commitments or agreements relating to any of these types of transactions; and
- our degree of success in commercializing OMS103HP and other product candidates.

We do not anticipate generating revenue from the sale of our product candidates for the next few years. In the absence of additional funding, we expect our continuing operating losses to result in increases in our cash used in operations over the next several years. To the extent our capital resources are insufficient to meet our future capital requirements, we will need to finance our future cash needs through public or private equity offerings, debt financings or corporate collaboration and licensing arrangements. We currently do not have any commitments for future external funding. Additional equity or debt financing or corporate collaboration and licensing arrangements may not be available on acceptable terms, if at all. If adequate funds are not available, we may be required to delay, reduce the scope of or eliminate our research and development programs, reduce our planned commercialization efforts or obtain funds through arrangements with collaborators or others that may require us to relinquish rights to certain product candidates that we might otherwise seek to develop or commercialize independently, or enter into corporate collaborations at a later stage of development. In addition, any future equity funding will dilute the ownership of our equity investors.

Contractual Obligations and Commitments

The following table presents a summary of our contractual obligations and commitments as of December 31, 2006.

	Payments Due Within				
	1 Year	2-3 Years	4-5 Years	More Than 5 Years	Total
	(in thousands)				
Operating leases (1)	$ 1,333	$ 1,555	$ 706	$ —	$ 3,594
License maintenance fees	5	10	10	50	75
Notes payable (principal and interest)	1,156	1,060	—	—	2,216
Total	$ 2,494	$ 2,625	$ 716	$ 50	$ 5,885

(1) We are contracted to receive sublease income of $252,000 and $69,000 in 2007 and 2008, respectively. In September 2007, we extended our lease agreements related to 25,000 square feet of laboratory space in Seattle, Washington. The annual lease payments for this space are approximately $1.4 million. The lease expires in September 2011, after which we may extend the term to one year.

Related-Party Transactions

We conduct research using the services of one of our founders. Costs associated with this research are included in research and development. Costs associated with this research totaled $0, $41,000, $41,000, and $41,000 for the nine months ended September 30, 2007 and the years ended December 31, 2006, 2005, and 2004, respectively, and $435,000 for the period from inception (June 16, 1994) through December 31, 2006.

In conjunction with the exercise of certain stock options by Gregory A. Demopulos, M.D., our president, chief executive officer, chief medical officer and chairman of the board of directors, we received promissory notes from Dr. Demopulos totaling $239,000. The promissory notes accrued interest at rates ranging from 3% to 6.25% and were secured by pledges of the underlying common stock. Based on the terms of the notes, the notes were treated as options subject to variable accounting whereby changes in the estimated fair value of the underlying deemed options were reported as increases or decreases, as applicable, in stock-based compensation expense until such time that the notes were repaid. The notes and accrued interest were repaid in full in December 2007.

For a description of additional related-party transactions, see “Certain Relationships and Related-Party Transactions.”

Recent Accounting Pronouncements

We adopted FASB Interpretation No. 48, *Accounting for Uncertainties in Income Taxes — an interpretation of FASB Statement No. 109*, or FIN 48, effective January 1, 2007. FIN 48 requires that we recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. No cumulative adjustment to our accumulated deficit was required upon adoption of FIN 48.

As of January 1, 2007, we had no unrecognized tax benefits, and expected no unrecognized tax benefits in the next 12 months.

We file our income tax return in the United States, which typically provides for a three-year statute of limitations on assessments. However, because of net operating loss carryforwards, substantially all of our tax years remain open to examination by the Internal Revenue Service.

Our policy is to recognize interest and penalties related to the underpayment of income taxes as a component of income tax expense. To date, there have been no interest or penalties charged to us in relation to the underpayment of income taxes.

In September 2006, the SEC issued SAB No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, or SAB 108. SAB 108 provides guidance on the consideration of the effects of prior-year misstatements in quantifying current-year misstatements for the purpose of a materiality assessment. SAB 108 establishes an approach that requires quantification of financial statement errors based on the effects on our balance sheets and statement of operations and the related financial statement disclosures. We adopted SAB 108 in the first quarter of 2007. We have determined that the adoption of SAB 108 had no material effect on our results of operations and financial position.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements,* or SFAS 157. SFAS 157 provides guidance for using fair value to measure assets and liabilities. It also responds to investors’ requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS 157 applies whenever other standards

require, or permit, assets or liabilities to be measured at fair value, and does not expand the use of fair value in any new circumstances. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and we will be required to adopt this effective January 1, 2008. We are currently evaluating the effect that the adoption of SFAS 157 will have on our results of operations and financial position.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115,* or SFAS 159. SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS 159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. Most of the provisions in SFAS 159 are elective; however, the amendment to FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, applies to all entities with available-for-sale and trading securities. SFAS 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. We are currently evaluating the effect that the adoption of SFAS 159 will have on our results of operations and financial position.

In June 2007, the FASB ratified EITF Issue No. 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities*, or EITF 07-3. The scope of EITF 07-3 is limited to nonrefundable advance payments for goods and services to be used or rendered in future research and development activities. EITF 07-3 provides that nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities should be deferred and capitalized. Such amounts should be recognized as an expense as the related goods are delivered or the related services are performed. We intend to adopt EITF Issue 07-3 effective January 1, 2008. The impact of applying this consensus will depend on the terms of future research and development contractual arrangements entered into on or after December 15, 2007.

Off-Balance Sheet Arrangements

Since our inception, we have not engaged in any off-balance sheet arrangements.

Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk is primarily confined to our investment securities and note payable. The primary objective of our investment activities is to preserve our capital to fund operations. We also seek to maximize income from our investments without assuming significant risk. To achieve our objectives, we maintain a portfolio of investments in a variety of securities of high credit quality. As of September 30, 2007, we had cash, cash equivalents and short-term investments of $27.2 million. The securities in our investment portfolio are not leveraged and are classified as available for sale. We currently do not hedge interest rate exposure. Because of the short-term maturities of our investments, we do not believe that an increase in market rates would have a material negative impact on the realized value of our investment portfolio. We actively monitor changes in interest rates. While our investment portfolio includes mortgage-backed securities, we do not hold sub-prime mortgages. Our investments in mortgage-backed securities are issued by, or fully collateralized by, the U.S. government or federal agencies.

Our note payable bears interest at the lender's prime rate. We do not believe that an increase in such rates would have a material negative impact on our interest expense under this note, which is scheduled for repayment in November 2008.

BUSINESS

Overview

We are a clinical-stage biopharmaceutical company committed to discovering, developing and commercializing products focused on inflammation and disorders of the central nervous system. Our most clinically advanced product candidates are derived from our proprietary PharmacoSurgery™ platform designed to improve clinical outcomes of patients undergoing arthroscopic, ophthalmological, urological and other surgical and medical procedures. Our PharmacoSurgery platform is based on low-dose combinations of therapeutic agents delivered directly to the surgical site throughout the duration of the procedure to preemptively inhibit inflammation and other problems caused by surgical trauma and to provide clinical benefits both during and after surgery. We currently have three ongoing PharmacoSurgery clinical development programs, the most advanced of which is in Phase 3 clinical trials, and we expect to initiate a fourth clinical program in the first half of 2008. In addition to our PharmacoSurgery platform, we have leveraged our expertise in inflammation and the central nervous system, or CNS, to build a deep and diverse pipeline of preclinical programs targeting large markets. For each of our product candidates and programs, we have retained all manufacturing, marketing and distribution rights.

OMS103HP, our lead PharmacoSurgery product candidate, is in two Phase 3 clinical programs. The first program is evaluating OMS103HP's safety and ability to improve postoperative joint function and reduce pain following arthroscopic anterior cruciate ligament, or ACL, reconstruction surgery. The second program is evaluating OMS103HP's safety and ability to reduce pain and improve postoperative joint function following arthroscopic meniscectomy surgery. We expect to complete the Phase 3 clinical program for ACL reconstruction surgery by the end of 2008 and intend to submit, during the first half of 2009, a New Drug Application, or NDA, to the U.S. Food and Drug Administration, or FDA, under the Section 505(b)(2) NDA process. We believe that OMS103HP will, if approved, be the first commercially available drug product for the improvement of function following arthroscopic surgery. We expect to complete our first Phase 3 clinical trial, and begin our second Phase 3 clinical trial, in patients undergoing meniscectomy surgery in the second half of 2008. Our other current PharmacoSurgery product candidates are OMS302, being developed for use during ophthalmological procedures, including cataract and other lens replacement surgery, and OMS201, being developed for use during urological surgery, including uroendoscopic procedures. We expect to begin a Phase 1/Phase 2 clinical trial of OMS302 in patients undergoing cataract surgery during the first half of 2008, and are currently conducting a Phase 1 clinical trial of OMS201 in patients undergoing ureteroscopic removal of ureteral or renal stones.

According to market data from SOR Consulting and Thomson Healthcare, approximately a total of: 4.0 million arthroscopic operations, including 2.6 million knee arthroscopy operations; 2.9 million cataract operations; and 4.3 million uroendoscopic operations were performed in the United States in 2006. We expect the number of these operations to grow as the population and demand for minimally invasive procedures increase and endoscopic technologies improve. Based on reports that we commissioned from a reimbursement consulting firm, we anticipate that each of our current PharmacoSurgery product candidates will be favorably reimbursed both to the surgical facility and to the surgeon. As a result, we estimate that there are large markets for each of our PharmacoSurgery product candidates and believe that OMS103HP alone provides a multi-billion dollar market opportunity. We own and exclusively control a U.S. and international portfolio of issued patents and pending patent applications that we believe protects our PharmacoSurgery platform. Our patent portfolio covers all arthroscopic, ophthalmological, urological, cardiovascular and other types of surgical and medical procedures, and includes both method and composition claims broadly directed to combinations of agents drawn from distinct classes of therapeutic agents delivered to the procedural site intra-operatively, regardless of whether the agents are generic or proprietary.

From this intellectual property estate, we are able to develop a series of proprietary follow-on PharmacoSurgery product candidates.

Limitations of Current Treatments

Current standards of care for the management and treatment of surgical trauma are limited in effectiveness. Surgical trauma causes a complex cascade of molecular signaling and biochemical changes, resulting in inflammation, pain, spasm, loss of function and other problems. As a consequence, multiple pharmacologic actions are required to manage the complexity and inherent redundancy of the cascade. Accordingly, we believe that single-agent treatments acting on single targets do not result in optimal therapeutic benefit. Further, current pre-operative treatments are not optimally effective because the administration of standard irrigation solution during the surgical procedure washes out pre-operatively delivered drugs. In addition, current postoperative therapies are not optimally effective because the cascade and resultant inflammation, pain, spasm, loss of function and other problems have already begun and are difficult to reverse and manage after surgical trauma has occurred. Also, drugs that currently are systemically delivered, such as by oral or intravenous administration, to target these problems are frequently associated with adverse side effects.

Advantages of our PharmacoSurgery Platform

In contrast, we generate from our PharmacoSurgery platform proprietary product candidates that are combinations of therapeutic agents designed to act simultaneously at multiple discrete targets to preemptively block the molecular-signaling and biochemical cascade caused by surgical trauma and to provide clinical benefits both during and after surgery. Supplied in pre-dosed, pre-formulated, single-use containers, our PharmacoSurgery product candidates are added to standard surgical irrigation solutions and delivered intra-operatively to the site of tissue trauma throughout the surgical procedure. This results in the delivery of low concentrations of agents with minimal systemic uptake and reduced risk of adverse side effects, and does not require a surgeon to change his or her operating procedure. In addition to ease of use, we believe that the clinical benefits of our product candidates could provide surgeons a competitive marketing advantage and may facilitate third-party payor acceptance, all of which we expect will drive adoption and market penetration. Our current PharmacoSurgery product candidates are specifically comprised of active pharmaceutical ingredients, or APIs, contained in generic drugs already approved by the FDA, with established profiles of safety and pharmacologic activities, and are eligible for submission under the potentially less-costly and time-consuming Section 505(b)(2) NDA process.

Our Preclinical Development Programs

In addition to our PharmacoSurgery platform, we have a deep and diverse pipeline of preclinical product development programs targeting large market opportunities in inflammation and CNS covered by a broad intellectual property portfolio. In our mannan-associated serine protease-2, or MASP-2, program, we are developing proprietary MASP-2 antibody therapies to treat disorders caused by complement-activated inflammation. Our preclinical data suggest that MASP-2 plays a significant role in macular degeneration, ischemia-reperfusion injury associated with myocardial infarction, renal disease and rheumatoid arthritis, and we have generated several fully human, high-affinity, blocking antibodies to MASP-2. In our cartilage protective, or Chondroprotective, program, we are developing proprietary combinations of inhibitors of cartilage breakdown and promoters of cartilage synthesis to treat cartilage disorders, such as osteoarthritis and rheumatoid arthritis.

Our CNS pipeline includes our Phosphodiesterase 10, or PDE10, program, our G protein-coupled receptors, or GPCR, program and our other CNS programs. In our PDE10 program, we are optimizing proprietary compounds to treat schizophrenia. Results from preclinical studies suggest that PDE10 inhibitors may address the limitations of currently used anti-psychotic drugs by avoiding the associated weight gain and improving cognition. Our GPCR program

has been built around our scientific expertise in the field of GPCRs. Members of our scientific team were the first to identify and characterize the full family of all 357 GPCRs common to mice and humans, with the exception of those GPCRs linked to smell, taste and pheromone functions. Using our expertise in GPCRs, our 61 proprietary strains of knock-out mice, our in-house battery of behavioral assays and available libraries of compounds, we have discovered what we believe to be previously unknown links between specific molecular targets in the brain and a series of CNS disorders, have filed corresponding patent applications, and are developing compounds to treat several of these disorders. In our other CNS programs, we have discovered what we believe to be additional unknown links between specific molecular targets and a series of CNS disorders. We have filed patent applications directed to our discoveries broadly claiming any agents that act at these molecular targets for use in the treatment of these CNS disorders. Based on promising preclinical data in animal models, we are developing compounds for several of these disorders.

Our Product Candidates and Preclinical Development Programs

Our clinical product candidates and pipeline of preclinical development programs consist of the following:

Product Candidate/Program	Targeted Procedure/Disease	Development Status	Expected Near-Term Milestone (1)	Worldwide Rights
Inflammation				
OMS103HP — Arthroscopy	Arthroscopic ACL reconstruction	Phase 3	Complete Phase 3 trials by end of 2008	Omeros
OMS103HP — Arthroscopy	Arthroscopic meniscectomy	Phase 3	Complete first/begin second Phase 3 trial in second half of 2008	Omeros
OMS302 — Ophthalmology	Cataract surgery	Initiating Phase 1/ Phase 2	Begin enrollment in first half of 2008	Omeros
OMS201 — Urology	Ureteroscopy	Phase 1	Complete Phase 1 trial in first half of 2008	Omeros
MASP-2	Macular degeneration, ischemia-reperfusion injury, rheumatoid arthritis	Preclinical	Select clinical candidate in 2008	In-licensed(2)
Chondroprotective	Osteoarthritis, rheumatoid arthritis	Preclinical	Select clinical candidate	Omeros
Central Nervous System				
PDE10	Schizophrenia	Preclinical	Select clinical candidate	Omeros
GPCR	Multiple CNS Disorders	Preclinical	Select clinical candidate(s)	Omeros
Other CNS Programs	Multiple CNS Disorders	Preclinical	Select clinical candidate(s)	Omeros

(1) Following selection of a clinical candidate, we must conduct additional studies, including in vivo toxicity studies of the clinical candidate. We must submit the results of these studies, together with manufacturing information and analytical results related to the clinical candidate, to the FDA as part of an IND, which must become effective before we may commence clinical trials. Submission of an IND does not always result in the FDA allowing clinical trials to commence. Depending on the nature of information that we must obtain and include in an IND, it may take from 12 to 24 months from selection of the clinical candidate to IND submission, if it occurs at all. All of these expected near-term milestones are subject to a number of risks, uncertainties and assumptions, including those described in "Risk Factors," and may not occur in the timelines set forth above or at all.

(2) We hold worldwide exclusive licenses to rights in connection with MASP-2, the antibodies targeting MASP-2 and the therapeutic applications for those antibodies from the University of Leicester and from its collaborator, Medical Research Council at Oxford University.

Strategy

Our objective is to become a leading biopharmaceutical company, discovering, developing and successfully commercializing a large portfolio of diverse products. The key elements of our strategy are to:

- *Obtain regulatory approval for our PharmacoSurgery product candidates OMS103HP, OMS302 and OMS201.* We are conducting Phase 3 clinical trials for OMS103HP and we plan to submit an NDA for OMS103HP in the first half of 2009. In addition, we expect to begin a Phase 1/Phase 2 clinical trial for OMS302 in the first half of 2008 and are in a Phase 1 clinical trial for OMS201. Each of these PharmacoSurgery product candidates are specifically comprised of APIs contained in generic, FDA-approved drugs with established safety and pharmacological profiles, and are delivered to the surgical site in low concentrations with minimal systemic uptake and reduced risk of adverse side effects. All of these product candidates are eligible for submission under the potentially less-costly and time-consuming Section 505(b)(2) NDA process.
- *Maximize commercial opportunity for our PharmacoSurgery product candidates OMS103HP, OMS302 and OMS201.* Our PharmacoSurgery product candidates target large surgical markets with significant unmet medical needs. For each of our product candidates, we have retained all manufacturing, marketing and distribution rights. Our product candidates do not require a surgeon to change his or her operating procedure. In addition to ease of use, we believe that the clinical benefits of our product candidates could provide surgeons a competitive marketing advantage and may facilitate third-party payor acceptance, all of which we expect will drive adoption and market penetration. Because accessing the surgeons who perform the procedures targeted by our PharmacoSurgery product candidates requires a limited, hospital-based marketing and sales force, we believe that we are well positioned to successfully commercialize these product candidates independently or through third-party partnerships.
- *Continue to leverage our business model to mitigate risk by combining our multiple late-stage PharmacoSurgery product candidates with our deep and diverse pipeline of preclinical development programs.* Our lead PharmacoSurgery product is in Phase 3 clinical trials for two distinct therapeutic indications, providing two potential paths for commercialization. We are also advancing two additional PharmacoSurgery product candidates into clinical trials, and from our intellectual property estate we are able to develop a series of proprietary follow-on product candidates. Further, all of these current product candidates consist of generic APIs and are eligible for submission under the potentially less-costly and time-consuming Section 505(b)(2) NDA process. We believe that these attributes collectively mitigate the typical risks of late-stage clinical programs. Leveraging our clinical development experience and our expertise in inflammation and the CNS, we have built multiple development programs targeting large markets. By combining our late-stage PharmacoSurgery product candidates with this deep and diverse pipeline of preclinical development programs, we believe that our business model creates multiple opportunities for commercial success.
- *Further expand our broad patent portfolio.* We have made a significant investment in the development of our patent portfolio to protect our technologies and programs, and will continue to do so. We own a total of 21 issued or allowed patents and 28 pending patent applications in the United States, 60 issued or allowed patents and 86 pending patent applications in commercially significant foreign markets, and we also hold worldwide exclusive licenses to two pending United States patent applications, an issued foreign patent and two pending foreign patent applications. Our patent portfolio for our PharmacoSurgery platform is directed to locally delivered compositions and treatment methods using agents selected from broad therapeutic classes such as pain and inflammation inhibitory agents, spasm inhibitory agents, restenosis inhibitory agents, tumor cell adhesion inhibitory agents, mydriatic agents and agents that reduce

intraocular pressure. We intend to continue to maintain an aggressive intellectual property strategy in the United States and other commercially significant markets and plan to seek additional patent protection for our existing programs as they advance, for our new inventions and for new products that we develop or acquire.

- *Manage our business with continued efficiency and discipline.* We have efficiently utilized our capital and human resources to develop and acquire our product candidates and programs, build a modern research facility and vivarium and create a broad intellectual property portfolio. We operate cross-functionally and are led by an experienced management team. We use rigorous project management techniques to assist us in making disciplined strategic program decisions and to limit the risk profile of our product pipeline. In addition, we plan to continue to seek and access external sources of grant funding to support the development of our pipeline programs. We will continue to evaluate opportunities and, as appropriate, acquire technologies that meet our business objectives. We successfully implemented this strategy with our acquisition of nura, inc., a private biotechnology company, in 2006, which expanded and diversified our CNS pipeline and strengthened our discovery research capabilities. In addition, we will also consider strategic partnerships to maximize commercial opportunities for our product candidates.

Inflammation Programs

PharmacoSurgery Platform

OMS103HP — Arthroscopy

Background. OMS103HP, our lead PharmacoSurgery product candidate, is in two Phase 3 clinical programs. The first program is evaluating OMS103HP's safety and ability to improve postoperative joint function and reduce pain following ACL reconstruction surgery. The second program is evaluating OMS103HP's safety and ability to reduce pain and improve postoperative joint function following arthroscopic meniscectomy surgery. We expect to complete the Phase 3 clinical program for ACL reconstruction surgery by the end of 2008 and intend to submit, during the first half of 2009, an NDA to the FDA under the Section 505(b)(2) NDA process. We expect to complete our first Phase 3 clinical trial, and begin our second Phase 3 clinical trial, in patients undergoing meniscectomy surgery in the second half of 2008.

Arthroscopy is a surgical procedure in which a miniature camera lens is inserted into an anatomic joint, such as the knee, through a small incision in the skin. Through similar incisions, surgical instruments are also introduced and manipulated within the joint. During any arthroscopic procedure, an irrigation solution, such as lactated Ringer's solution or saline solution, is flushed through the joint to distend the joint capsule, allowing better visualization with the arthroscope, and to remove debris resulting from the operation.

One of the major challenges facing orthopedic surgeons in performing arthroscopic procedures is adequately controlling the local inflammatory response to surgical trauma, particularly the pain, swelling, and functional loss. The inflammation associated with arthroscopic surgery, or any other procedure resulting in tissue trauma, is a complex reaction to tissue injury with multiple pathways, mechanisms and pro-inflammatory mediators, such as PGE_2, involving three major components:

- alterations in vascular caliber, or vasodilation, that lead to an increase in blood flow;
- structural changes in the microvasculature that permit plasma proteins to leave the circulation, or plasma extravasation; and
- white cell migration from the microcirculation to the site of tissue injury.

The key cellular events involved in these components include the synthesis and release of multiple pro-inflammatory mediators. Consequently, multiple pharmacologic actions are required to manage the complexity and inherent redundancy of the inflammatory cascade.

Added to standard irrigation solutions, OMS103HP is delivered directly to the joint throughout arthroscopy, and is designed to act simultaneously at multiple distinct targets to preemptively block the inflammatory cascade induced by arthroscopic surgery. OMS103HP contains the following three APIs, each of which are known to interact with different, discrete molecular targets that are involved in the acute inflammatory and pain response:

- *Ketoprofen*, a non-steroidal anti-inflammatory drug, or NSAID, is a non-selective inhibitor of the pro-inflammatory mediators COX-1 and COX-2, with potent anti-inflammatory and analgesic actions that result from inhibiting the synthesis of the pro-inflammatory mediator PGE_2, and antagonizing the effects of bradykinin, another inflammatory mediator;
- *Amitriptyline* is a compound with analgesic activity that inhibits the pro-inflammatory actions of histamine and serotonin released locally at the site of tissue trauma; and
- *Oxymetazoline* is a vasoconstrictor and also activates serotonin receptors, located on a group of nerve fibers called primary afferents, that can inhibit the release of pro-inflammatory mediators such as substance P and calcitonin gene-related peptide, or CGRP.

In combination, these APIs inhibit PGE_2 production, decrease inflammation-induced vasodilation and prevent increased vascular permeability, as well as block the release of pro-inflammatory mediators from primary afferent nerve endings, or neurogenic inflammation, at the site of surgical trauma. Using an in vivo joint model of acute inflammation-induced plasma extravasation, preclinical studies showed that the combined activity of all three APIs in OMS103HP produced significant inhibition of plasma extravasation and was more effective than any of the two-API combinations or any single API administered alone, demonstrating that each API contributed to the effect of OMS103HP.

Each of the APIs in OMS103HP are components of generic, FDA-approved drugs that have been marketed in the United States as over-the-counter, or OTC, or prescription drug products for over 15 years and have established and well-characterized safety profiles. Ketoprofen is available as oral OTC and prescription medications, amitriptyline is available as prescription oral and intramuscular medications and oxymetazoline is available as OTC nasal sprays and ophthalmic solutions.

Market Opportunity. According to SOR Consulting, approximately a total of: 4.0 million arthroscopic operations were performed in the United States in 2006, including 2.6 million knee arthroscopy operations. Based on a report that we commissioned from TRG, we believe that OMS103HP will be favorably reimbursed both to the surgical facility for its utilization and to the surgeon for its administration and delivery. We believe that OMS103HP will, if approved, be the first commercially available drug product for the improvement of function following arthroscopic surgery. Also, use of OMS103HP does not require a surgeon to change his or her operating procedure. In addition to ease of use, we believe that the clinical benefits of OMS103HP could provide surgeons a competitive marketing advantage and may facilitate third-party payor acceptance, all of which we expect will drive adoption and market penetration.

Shortcomings of Current Treatments. There is no drug product currently approved to improve postoperative function following arthroscopic surgery. There are numerous pre- and postoperative approaches to reduce postoperative pain and inflammation such as systemically or intra-articularly delivered NSAIDS, opioids, local anesthetics and steroids. Current pre-operative treatments are not optimally effective because the administration of standard irrigation solution during the surgical procedure washes out pre-operatively delivered drugs. Intra-articular injections of local anesthetics at the concentrations routinely used, while reducing intra-and immediate postoperative pain, have minimal effect on the local inflammatory cascade. In addition, current postoperative therapies are not optimally effective because the cascade and resultant inflammation, pain, loss of function and other problems have already begun and are difficult to reverse and manage after surgical trauma has occurred. Also, drugs that currently are

systemically delivered, such as by oral or intravenous administration, to target these problems are frequently associated with adverse side effects. For example, despite the fact that both COX-1 and COX-2 are drivers of acute inflammation, non-selective COX-1/COX-2 inhibitors are infrequently delivered systemically in the perioperative setting due to risk of increased bleeding associated with COX-1 inhibition.

Advantages of OMS103HP. We developed OMS103HP to improve postoperative joint function following arthroscopic surgery by reducing postoperative inflammation and pain. We believe that OMS103HP will provide a number of advantages over current treatments, including:

- If approved, OMS103HP will be the first commercially available drug product for the improvement of function following arthroscopic surgery.
- OMS103HP will provide additional postoperative clinical benefits, including improved range of motion, reduced pain and earlier return to work.
- OMS103HP selectively targets multiple and discrete pro-inflammatory mediators and pathways within the inflammatory and pain cascade.
- By delivering OMS103HP to the joint at the initiation of surgical trauma, the inflammatory and pain cascade will be preemptively inhibited.
- Intra-operative delivery to the joint creates a constant concentration of OMS103HP, bathing and replenishing the joint with drug throughout the duration of the surgical procedure.
- Because OMS103HP is delivered locally to, and acts directly at, the site of tissue injury, it can be delivered in low concentration, and will not be subject to the substantial interpatient variability in pharmacokinetics that is associated with systemic delivery.
- By delivering low-concentration OMS103HP locally and only during the arthroscopic procedure, systemic absorption of the APIs will be minimized or avoided, thereby reducing the risk of adverse side effects.

Development Plan. We are conducting a Phase 3 clinical program evaluating the efficacy and safety of OMS103HP in patients undergoing arthroscopic ACL reconstruction surgery. The Phase 3 program consists of three multi-center trials, two evaluating efficacy and safety and a third evaluating safety only. Two trials, each evaluating efficacy and safety of OMS103HP, are being conducted in patients receiving grafts from cadavers or their own tissue, respectively. The safety trial includes patients receiving either graft type. Efficacy endpoints include assessments of postoperative knee function and range of motion, pain reduction and return to work.

We are conducting a second Phase 3 clinical program to evaluate the efficacy and safety of OMS103HP in patients undergoing arthroscopic meniscectomy surgery. Efficacy endpoints focus on the reduction of postoperative pain and improvement in postoperative joint function. The endpoints of this OMS103HP meniscectomy clinical trial were determined at the outset of the clinical trial. Assuming a successful outcome of this first clinical trial, we plan to conduct a second pivotal trial of similar design. Should the results of the first trial indicate that one or more changes in trial design are appropriate, we intend to modify our trial design accordingly and conduct two pivotal trials in parallel.

By concurrently conducting these two Phase 3 clinical programs for OMS103HP, one in patients undergoing arthroscopic ACL reconstruction surgery with improvement in postoperative joint function as the primary endpoint and the second in patients undergoing arthroscopic meniscectomy surgery with pain reduction as the primary endpoint, we believe that we are reducing the overall risk profile of the OMS103HP clinical program.

Clinical Trial Results. We conducted a double-blind, vehicle-controlled, parallel-group, randomized Phase 1/Phase 2 clinical trial of OMS103HP in a total of 35 patients undergoing arthroscopic cadaveric, or allograft, ACL reconstruction surgery. 34 patients comprised the intent-

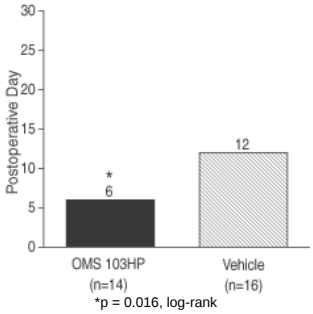
to-treat population, 18 patients in the OMS103HP group and 16 patients in the vehicle group. 30 patients, 14 OMS103HP and 16 vehicle patients, were included in the efficacy evaluable population. The intent-to-treat population consisted of all patients who were randomized into the study, received OMS103HP or vehicle control, and had at least one recovery room evaluation. The OMS103HP and vehicle groups showed no significant differences in demographics, or pre-or intra-operative findings. Patients were adults scheduled to undergo primary ACL reconstruction surgery, using patellar tendon-bone or Achilles tendon allografts, for an ACL tear occurring from two weeks to one year prior to the day of arthroscopic surgery. Patients were followed for 30 postoperative days and instructed to complete a patient diary each day.

Efficacy endpoints included assessments of range of motion, knee function, pain management, quadriceps and hamstring muscle strength, and return to work. Assessments were collected during clinic and rehabilitation visits and in the patient diary. At each clinic visit, a Visual Analog Scale, or VAS, pain score was obtained and passive range of motion measurements were taken. At the end of the 30-day evaluation period, physical and orthopedic examinations were also performed and quadriceps and hamstring strength testing was conducted. At each study rehabilitation visit, knee function and range of motion were assessed.

Patients treated with OMS103HP demonstrated statistically significant: (1) improvement in postoperative knee range of motion, (2) improvement in postoperative knee function, (3) better pain management and (4) earlier return to work.

Clinical Trial Results — Efficacy. Key results in the efficacy evaluable population of the Phase 1/Phase 2 clinical trial are as follows:

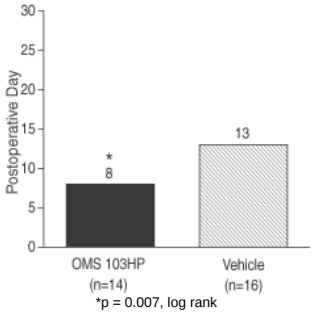
Figure 1: OMS103HP-Treated Patients Required Fewer Median Number of Days to Maximum Passive Flexion 90° without Pain



*p = 0.016, log-rank

Figure 1 depicts the median number of days to maximum passive flexion 90° without pain, which is a knee range of motion test, as measured in the clinic.

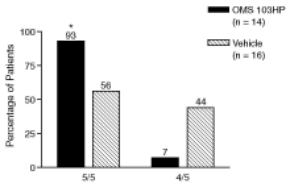
Figure 2: Median Last Day of Continuous Passive Motion Machine Use was Earlier for OMS103HP-Treated Patients



*p = 0.007, log rank

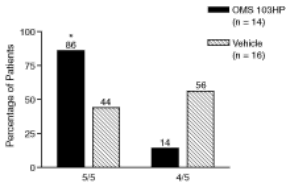
Figure 2 depicts the number of days until the continuous passive motion, or CPM, machine was discontinued. CPM machines are often used postoperatively to move the knee through a range of motion. CPM usage, recorded in the patient diary, was discontinued at the direction of either the surgeon or rehabilitation therapist based on the patient's progress, usually at the time the patient reproducibly attained at least 90° of flexion of the operated knee. CPM machine usage was significantly less for OMS103HP.

Figure 3: OMS103HP-Treated Patients Demonstrated Better Quadriceps Strength Testing at Day 30



*p = 0.040, FET

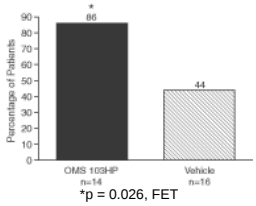
Figure 4: OMS103HP-Treated Patients Demonstrated Better Hamstring Strength Testing at Day 30



*p = 0.026, FET

Figures 3 and 4 depict the strength of the quadriceps and hamstring muscle groups of the operated leg as evaluated by the surgeon at the end of the 30-day evaluation period. Quadricep and hamstring strength testing was evaluated on a scale of 0/5 (no contraction) to 5/5 (normal strength). This was a qualitative clinical evaluation of muscle function and strength. Pre-operative quadriceps and hamstring muscle strength ratings were similar for both patient groups.

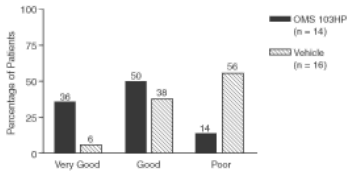
Figure 5: A Greater Percentage of OMS103HP-Treated Patients Demonstrated Successful Recovery of Knee Function as Defined by Knee Function Composite



*p = 0.026, FET

Figure 5 depicts the study's primary endpoint, the Knee Function Composite, or KFC. The KFC is composed of the straight-leg raise, one-leg stance, shuttle press, and two-leg squat. Each test is a direct measure of knee function, and all four are routinely used by orthopedic surgeons and rehabilitation therapists to measure improvement in knee function during the early postoperative period following ACL reconstruction surgery. Success on the KFC requires success on all four of the component tests by the end of the 30-day evaluation period.

Figure 6: A Greater Percentage of OMS103HP-Treated Patients Demonstrated Very Good and Good Ratings on the Knee Function Composite—Straight-Leg Raise

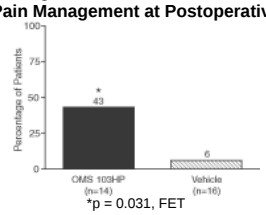


*p = 0.009, Wilcoxon rank sum test

Very Good: Achievement of the KFC by the end of the 30-day evaluation period and achievement of the highest level of straight-leg raise, or SLR, by the 13th day after surgery*Good:* Achievement of the KFC by the end of the 30-day evaluation period without achievement of the highest level of SLR by the 13th day after surgery*Poor:* Failure to achieve the KFC by the end of the 30-day evaluation period

Figure 6 depicts the Knee Function Composite — Straight-Leg Raise, or KFC-SLR, which combines the successful achievement of the KFC with a second key rehabilitation milestone, the ability to perform the highest level of the straight-leg raise by the 13th day after surgery following ACL reconstruction surgery. While the KFC accurately assesses knee function throughout the first 30-day period of postoperative rehabilitation therapy, an evaluation of postoperative function within the first two weeks also is important because early functional return is considered a key driver in successful post-arthroscopy outcomes. Of the four tests comprising the KFC, the straight-leg raise is the most important in the first two weeks following ACL reconstruction because it is used to determine the pace to progress exercises.

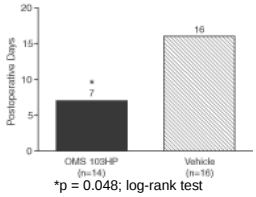
Figure 7: A Greater Percentage of OMS103HP-Treated Patients Achieved Successful Pain Management at Postoperative Week 1



*p = 0.031, FET

Figure 7 depicts the percentage of patients achieving Successful Pain Management, or SPM, which is a composite of pain assessment and narcotic usage based on data from clinic visits and the patient diary. The SPM composite sets two criteria that the patient must meet in order to be considered a responder. During the first postoperative week, at all clinic visits, the VAS pain score must be not greater than 20 mm with the operated knee at rest. A maximum of two narcotic tablets could be self-administered on each day during the first postoperative week. VAS pain scores of 20 mm or less are considered to be indicative of good to excellent pain control not requiring analgesic medication. The SPM allows pain assessments and narcotic use to be evaluated together, and provides a more complete evaluation of pain management than either VAS pain scores or narcotic usage considered individually because a low VAS pain score recorded by a patient taking high doses of opioid pain medications does not reflect the same level of pain management as that same low VAS pain score recorded in the absence of narcotic pain medications.

Figure 8: OMS103HP-Treated Patients Demonstrated a Lower Median Number of Days to Return to Work



*p = 0.048; log-rank test

Figure 8 depicts results related to patients' ability to return to work following ACL reconstruction surgery. Patients were considered to have returned to work if they reported in the patient diary that they had gone to work outside of the home on two consecutive work days excluding weekends and holidays. Return to work was considered to have begun on the first of the two consecutive days. Patients who were unemployed or not working for pay were excluded from the analysis.

Clinical Trial Results — Safety. No adverse events were determined to be related to the delivery of OMS103HP and there was no evidence of OMS103HP having any detrimental effect with respect to healing, either in soft tissue or bone.

Intellectual Property Position. OMS103HP is protected by our PharmacoSurgery patent portfolio. The relevant patents and patent applications in this portfolio cover combinations of agents, generic and/or proprietary to us or others, drawn from therapeutic classes such as pain and inflammation inhibitory agents and vasoconstrictive agents, delivered locally and intra-operatively to the site of medical or surgical procedures, including arthroscopy. We currently own four issued U.S. Patents, two pending U.S. Patent Applications, and 11 issued patents and nine pending patent applications in key foreign markets that cover OMS103HP.

OMS302 — Ophthalmology

Background. OMS302 is our PharmacoSurgery product candidate being developed for use during ophthalmological procedures including cataract and other lens replacement surgery. OMS302 is a proprietary combination of an anti-inflammatory API and an API that causes pupil dilation, or mydriasis, each with well-known safety and pharmacologic profiles. FDA-approved drugs containing each of these APIs have been used in ophthalmological clinical practice for more than 15 years, and both APIs are contained in generic, FDA-approved drugs.

Cataract and other lens replacement surgery involves replacement of the original lens of the eye with an artificial intraocular lens. These procedures are typically performed to replace a lens opacified by a cataract or to correct a refractive error of the lens. Added to standard irrigation solution used in cataract and other lens replacement surgery, OMS302 is being developed for delivery into the anterior chamber of the eye, or intracameral delivery, to induce and maintain mydriasis, to prevent surgically induced pupil constriction, or miosis, and to reduce postoperative pain and irritation. Mydriasis is an essential prerequisite for these procedures and, if not maintained throughout the surgical procedure or if miosis occurs, risk of damaging structures within the eye increases as does the operating time required to perform the procedure.

During lens replacement surgery, a small ultrasonic probe, or a phacoemulsifier, is typically used to help remove the lens. In these procedures, the surgeon first places a small incision at the edge of the cornea and then creates an opening in the membrane, or capsule, surrounding the damaged lens. Through the small corneal incision, the surgeon inserts the phacoemulsifier, breaking the lens into tiny fragments that are suctioned out of the capsule by the phacoemulsifier. After the lens fragments are removed, an artificial intraocular lens is implanted with a small injector that is inserted through the same corneal incision.

Market Opportunity. According to Thomson Healthcare, approximately a total of 2.9 million cataract operations were performed in the United States in 2006. Based on a report that we commissioned from TRG, we believe that OMS302 will be favorably reimbursed both to the surgical facility for its utilization and to the surgeon for its administration and delivery. Also, use of OMS302 does not require a surgeon to change his or her operating procedure. In addition to ease of use, we believe that the clinical benefits of OMS302 could provide surgeons a competitive marketing advantage and may facilitate third-party payor acceptance, all of which we expect will drive adoption and market penetration. We also believe that use of OMS302 will decrease the cost and surgical staff time associated with preoperative patient care as well as streamline workflow and increase patient throughput for both the surgeon and the surgical facility.

Shortcomings of Current Treatments. Anti-inflammatory topical drops containing NSAIDs, such as Acular-LS®, Acular®, Voltaren® and Xibrom®, or steroids are routinely used postoperatively, and less frequently pre-operatively, to prevent or manage the intra- and postoperative pain and inflammation associated with lens replacement surgery. Pre-operatively, these topical drops are not optimally effective because the continuous administration of standard surgical irrigation solution washes out pre-operatively delivered drugs. Postoperatively, these anti-inflammatory topical drops typically cannot be delivered until at least 24 hours following surgery due to practical constraints and safety concerns. Further, surgical trauma results in the generation of prostaglandins, which cause miosis during lens replacement surgery. NSAIDs have an inhibitory effect on prostaglandin synthesis and, if this inhibitory effect is not present during the trauma of lens replacement surgery, the risk of miosis increases.

Cataract and other lens replacement surgery requires that the pupil be dilated for the surgeon to perform the procedure efficiently and safely. Topical mydriatic drops are usually delivered by surgical staff to the patient in a pre-operative holding area. Pre-operative delivery of mydriatic drops requires patient care and monitoring, resulting in increased labor and facility utilization costs. In addition, patients vary in time to pupil dilation in response to topical mydriatic drops, which results in inefficient allocation of facilities and personnel. Also, if mydriasis is not maintained throughout the surgical procedure or if miosis occurs, risk of damaging structures within the eye increases as does the operating time required to perform the procedure. Further, many patients who undergo cataract surgery also take alpha adrenergic antagonists, such as FLOMAX®, to reduce urinary frequency and other signs and symptoms associated with prostate enlargement. These patients often demonstrate a reduced response to topically applied mydriatic drops, causing the pupil to not fully dilate and leaving the iris, or

the pigmented ring in the eye that surrounds the pupil, flaccid. Referred to as intra-operative floppy iris syndrome, this complicates and decreases the safety of cataract surgery, and puts the iris at risk of surgical tear and other damage.

Advantages of OMS302. We developed OMS302 for use during cataract and other lens replacement surgery to induce and maintain mydriasis, to prevent surgical miosis and to reduce postoperative pain and irritation. We believe that OMS302 will provide a number of advantages over current treatments, including:

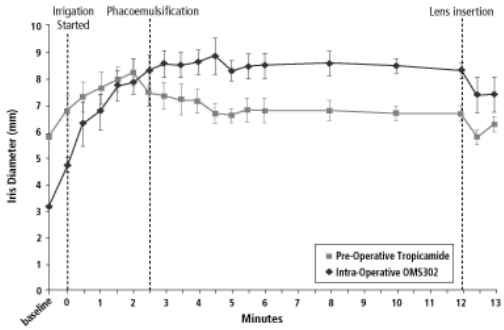
- The anti-inflammatory API in OMS302 inhibits miosis by blocking the synthesis of prostaglandins caused by surgical trauma.
- By delivering OMS302 intra-operatively, inflammation and discomfort will be reduced during the first 24 hours following surgery, the time during which anti-inflammatory topical drops are not commonly administered, as well as after this initial postoperative period.
- Intra-operative delivery of the mydriatic API in OMS302 will maintain pupil dilation throughout the surgical procedure, decreasing the risk of surgical damage to structures within the eye.
- Because the mydriatic API in OMS302 rapidly achieves pupil dilation, OMS302 will eliminate the need for pre-operative delivery of mydriatic drops, reducing the need for pre-operative patient care and monitoring and resulting in savings in labor and facility costs.
- The mydriatic API in OMS302 prevents intra-operative floppy iris syndrome in many patients taking alpha adrenergic antagonists, such as FLOMAX®.
- Because OMS302 is delivered intracamerally in standard irrigation solution at a constant, defined concentration, maintaining a more consistent local tissue exposure during the surgical procedure, it will provide superior efficacy relative to topical drug products containing either API.
- OMS302 is delivered locally to, and acts directly at, the site of tissue injury and, therefore, can be delivered in low concentrations, and will not be subject to the substantial interpatient variability in pharmacokinetics that is associated with systemic delivery.

Development Plan. In the first half of 2008, we plan to submit an IND to the FDA for OMS302, and expect to begin enrolling patients into a Phase 1/Phase 2 clinical trial evaluating the efficacy and safety of OMS302 in patients undergoing cataract surgery. The trial design is expected to compare OMS302 to a control arm consisting of the mydriatic API and a control arm of a standard preoperatively applied topical mydriatic agent. These two control arms are designed to allow us to assess the efficacy and safety of OMS302 relative to the standard topical mydriatic agent. The trial will serve as the basis for a limited set of additional trials intended to demonstrate the contribution to clinical benefit of each API and establish OMS302 as an effective and safe replacement for currently used pre- and/or postoperative drugs.

Preclinical Study Results — Efficacy. We performed preclinical in vivo studies evaluating OMS302, including lens replacement surgery, in primates. In these studies, OMS302 rapidly dilated the pupil, maintained dilation throughout the surgical procedure and reduced postoperative cellular debris, or flare, in the anterior chamber of the eye, a measure of inflammation. Primates administered OMS302 intracamerally achieved sufficient pupil dilation to allow initiation of surgery within approximately 30 seconds of administration. Continuous irrigation with OMS302 led to additionally increased pupil diameter that was maintained throughout the course of the lens replacement surgery. In contrast, the control group treated with standard topical mydriatic drops demonstrated a progressive reduction in pupil diameter

during surgery, which increases the risk of intra-operative injury. Pupil diameter returned to baseline within 24 hours in all primates. The OMS302 treatment group demonstrated less postoperative intracameral flare. Excluding an outlier that had excessive surgical trauma, flare in the treatment group was approximately 50% to 70% lower than in the control group over repeated time measures during the first 48-hour postoperative period.

Figure 1: Effect of Intra-Operative OMS302 Irrigation vs. Preoperative Tropicamide on Primate Mydriasis



p = < 0.05 for t = 0 and all time points from 3:30 to 13:00 minutes, inclusive.

Figure 1 depicts that primates administered OMS302 intracamerally achieved approximately 6-7 mm pupil dilation in approximately 30 seconds of irrigation initiation. Pupil dilation of 5-6 mm is sufficient to begin surgery.

Preclinical Study Results — Safety. We evaluated OMS302 for potential toxicity during lens replacement surgery in primates. In that study, we delivered OMS302 at concentrations ten-fold greater than those expected to be used clinically and measured minimal peak levels of the APIs in OMS302 in circulating blood sampled at multiple time points throughout the postoperative period, illustrating that the local anti-inflammatory and mydriatic effects of OMS302 can be achieved with minimal systemic exposure. In this toxicity study, OMS302 administered at concentrations ten-fold greater than those anticipated to be used clinically demonstrated no local or systemic toxicity.

Intellectual Property. OMS302 is protected by our PharmacoSurgery patent portfolio. The relevant patents and patent applications in this portfolio cover combinations of agents, generic and/or proprietary to us or others, drawn from therapeutic classes such as pain and inflammation inhibitory agents, mydriatic agents and agents that reduce intraocular pressure, delivered locally and intra-operatively to the site of ophthalmological procedures, including cataract and lens replacement surgery. We currently own two pending U.S. Patent Applications and six pending patent applications in key foreign markets that cover OMS302.

OMS201 — Urology

Background. OMS201 is our PharmacoSurgery product candidate being developed for use during urological surgery, including uroendoscopic procedures. OMS201 is a proprietary combination of an anti-inflammatory API and a smooth muscle relaxant API, and is intended for local delivery to the bladder, ureter, urethra, and other urinary tract structures during urological procedures. Both of the APIs in OMS201 are contained in generic, FDA-approved drugs with well-known profiles of safety and pharmacologic activities, and each has been individually prescribed to manage the symptoms of ureteral and renal stones. Each of the APIs

in OMS201 is contained in drugs that have been marketed in the United States for more than 15 years.

Added to standard irrigation solutions in urological surgery, OMS201 is being developed for delivery directly to the surgical site during uroendoscopic procedures, such as bladder endoscopy, or cystoscopy, minimally invasive prostate surgery and ureteroscopy, to inhibit surgically induced inflammation, pain and smooth muscle spasm, or contractility. Uroendoscopic procedures are performed within the urinary tract using a flexible camera device, or endoscope, and cause tissue injury that activates local mediators of pain and inflammation, which results in inflamed tissue, pain, smooth muscle spasm and lower urinary tract symptoms including frequency, urgency and painful urination, and can prolong recovery.

Ureteroscopy, or uroendoscopy of the ureter, is performed for a variety of indications including localizing the source of positive urine culture or cytology results, treating upper urinary tract tumors and obstructions, and removing ureteral and renal stones, particularly in those patients for whom non-surgical procedures are insufficient or unsuitable. Irrigation fluid is used continuously during the procedure. Because ureteroscopic trauma and inflammation can result in constrictive scar tissue, or stricture, and occlusion due to smooth muscle spasm and swelling within the lumen of the ureter, most surgeons routinely place ureteral stents in patients following ureteroscopy to prevent ureteral strictures and occlusion. In addition, during ureteroscopy, surgeons commonly place a ureteral access sheath, or UAS, which helps to protect the lining of the urethra and ureter while facilitating the passage of surgical instruments.

Market Opportunity. According to Thomson Healthcare, approximately a total of 4.3 million uroendoscopic operations were performed in the United States in 2006. Based on a report that we commissioned from TRG, we believe that OMS201 will be favorably reimbursed both to the surgical facility for its utilization and to the surgeon for its administration and delivery. Also, use of OMS201 does not require a surgeon to change his or her operating procedure. In addition to ease of use, we believe that the clinical benefits of OMS201 could provide surgeons a competitive marketing advantage and may facilitate third-party payor acceptance, all of which we expect will drive adoption and market penetration.

Shortcomings of Current Treatments. Standard irrigation solutions currently delivered during uroendoscopic procedures do not address problems resulting from surgically induced inflammation, pain and smooth muscle spasm, or contractility. In addition, routine placement of stents following ureterscopy to prevent ureteral strictures and occlusion adds to procedural costs, and is itself traumatic, increasing postoperative inflammation and ureteral spasm. Further, patients with stents resident within the ureter experience significantly more flank and bladder pain, increased lower urinary tract symptoms and increased narcotic usage.

In addition, during ureteroscopy, the selection of UAS size is based on the diameter and muscle tone of a patient's ureter. The benefits of UAS usage are in large part a direct function of increased UAS circumference; however, there are no routinely used intra-operative treatments to increase ureteral diameter or decrease ureteral muscle tone. Many patients are unable to accommodate a larger-sized UAS, requiring that the surgeon use a smaller-sized UAS or none at all, putting those patients at increased risk for intra- and postoperative problems.

Advantages of OMS201. We developed OMS201 for use during uroendoscopic procedures such as cystoscopy, minimally invasive prostate surgery and ureteroscopy, to

inhibit surgically induced inflammation, pain and smooth muscle spasm. We believe that OMS201 will provide a number of advantages over current treatments, including:

- By delivering OMS201 intra-operatively, it will reduce inflammation, pain, smooth muscle spasm and lower urinary tract symptoms including frequency, urgency and painful urination, and improve patient outcomes.
- OMS201 will save health care costs and increase patient comfort by reducing the incidence of ureteral occlusion and the routine need for ureteral stents.
- By targeting inflammation and smooth muscle spasm, OMS201 will permit surgeons to more frequently place a standard larger-sized UAS, decreasing intra-operative trauma and shortening operative time, thereby saving costs.
- OMS201 is delivered locally to, and acts directly at, the site of tissue injury and, therefore, can be delivered in low concentrations, and will not be subject to the substantial interpatient variability in pharmacokinetics that is associated with systemic delivery.
- By delivering OMS201 locally and only during the uroendoscopic procedure, systemic absorption of the APIs will be minimized or avoided, thereby reducing the risk of adverse side effects.

Development Plan. We are conducting a Phase 1 clinical trial evaluating the safety and systemic absorption of OMS201 added to standard irrigation solution and delivered to patients undergoing UAS-assisted ureteroscopy for removal of ureteral or renal stones. In addition, to assist in designing the Phase 2 clinical protocol, we are evaluating efficacy endpoints of postoperative pain and lower urinary tract symptoms, as well as the size of the UAS that can be used during the procedure.

Preclinical Study Results — Efficacy. Preclinical studies demonstrated the benefits of delivering OMS201 locally in multiple models of urological inflammation and smooth muscle contractility, including inhibition of pro-inflammatory mediators caused by tissue trauma, reduction of ureteral and bladder contractility and improvement of other bladder function parameters. The anti-inflammatory API in OMS201 was shown to inhibit the production of the pro-inflammatory mediator PGE_2 in a porcine model of ureteroscopy and in rat models of bladder trauma. The smooth muscle relaxant API in OMS201 was shown to inhibit bladder tissue contractility induced by a variety of pro-inflammatory mediators and to fully inhibit wave-like contractions, or peristalsis, in porcine ureters. The anti-inflammatory API in OMS201 had no significant effect on porcine ureteral peristalsis while the smooth muscle relaxant API in OMS201 had no significant inhibitory effect on PGE_2 production, thereby demonstrating the distinct pharmacologic activities of the two APIs in urological models.

Preclinical Study Results — Safety. We also evaluated OMS201 for potential toxicity in a large mammal study consisting of both ureteral and bladder irrigation. In this urological toxicity study, OMS201, administered at concentrations ten-fold greater than those anticipated to be used clinically, demonstrated no local or systemic toxicity.

Intellectual Property. OMS201 is protected by our PharmacoSurgery patent portfolio. The relevant patents and patent applications in this portfolio cover combinations of agents, generic and/or proprietary to us or others, drawn from therapeutic classes such as pain and inflammation inhibitory agents and spasm inhibitory agents, delivered locally and intra-operatively to the site of medical or surgical procedures, including uroendoscopy. We currently own three issued U.S. Patents, two pending U.S. Patent Applications, and nine issued patents and 15 pending patent applications in key foreign markets that cover OMS201.

MASP-2 Program

A discovery by researchers at the University of Leicester led to the identification of mannan-binding lectin-associated serine protease-2, or MASP-2, a novel pro-inflammatory protein target in the complement system. We hold worldwide exclusive licenses to rights related to MASP-2, the antibodies targeting MASP-2 and the therapeutic applications for those antibodies from the University of Leicester and from its collaborator, Medical Research Council at Oxford University. MASP-2 is a key protein involved in activation of the complement system, which is an important component of the immune system. The complement system plays a role in the inflammatory response and becomes activated as a result of tissue damage or trauma or microbial pathogen invasion. MASP-2 appears to be unique to, and required for the function of, one of the principal complement activation pathways, known as the lectin pathway. Importantly, inhibition of MASP-2 does not appear to interfere with the antibody-dependent classical complement activation pathway, which is a critical component of the acquired immune response to infection, and its abnormal function is associated with a wide range of autoimmune disorders.

In our MASP-2 program, we are developing MASP-2 antibody therapies to treat disorders caused by complement-activated inflammation. We have completed a series of in vivo studies using proprietary MASP-2 knock-out mice in established models of disease previously linked to activation of the complement system. We evaluated the role of MASP-2 in wet age-related macular degeneration, or wet AMD, using a mouse model of laser-induced choroidal neovascularization, or CNV. CNV refers to the growth of blood vessels into the light-sensing cell layers of the eye and is a pathologic event underlying the severe vision loss associated with wet AMD. In comparison to wild-type control mice, MASP-2 knock-out mice displayed an approximately 30% reduction in CNV, and levels of vascular endothelial growth factor, or VEGF, were significantly increased in the wild-type mice following laser-induced injury but remained at low levels in MASP-2 knock-out mice. Our findings suggest that antibody-blockade of MASP-2 may have a preventive or therapeutic effect in the treatment of wet AMD, and that MASP-2 may play an important role in the induction of intraocular VEGF following complement activation.

Another set of studies evaluated the role of MASP-2 in ischemia-reperfusion injury. Ischemia is the interruption of blood flow to tissue, and reperfusion of the ischemic tissue results in inflammation and oxidative stress leading to tissue damage. Ischemia-reperfusion injury occurs, for example, following myocardial infarction, coronary artery bypass grafting, aortic aneurysm repair, stroke, organ transplantation or gastrointestinal vascular injury. In a mouse model of myocardial ischemia-reperfusion injury, we compared the outcomes of coronary artery occlusion followed by reperfusion in both MASP-2 knock-out mice and wild-type mice. The MASP-2 knock-out mice displayed a statistically significant reduction in myocardial tissue injury versus the wild-type mice, indicating a protective effect from myocardial ischemia-reperfusion damage in the MASP-2 knock-out mice in this model. An additional study in a model of renal ischemia-reperfusion injury also demonstrated a protective effect in MASP-2 knock-out mice. Promising data were also obtained in a mouse model of rheumatoid arthritis. We are continuing to evaluate the role of MASP-2 in other complement-mediated disorders.

MASP-2 is generated by the liver and is then released into the circulation. Adult humans who are genetically deficient in one of the proteins that activate MASP-2 do not appear to be detrimentally affected by the deficiency. Therefore, we believe that it may be possible to deliver anti-MASP-2 antibodies systemically. We have undertaken the development of anti-MASP-2 antibodies and expect to select a clinical product candidate in 2008. Working with an external antibody development company under license for research use, we have generated several fully human anti-MASP-2 antibody fragments, or Fab2s, that show high affinity for

MASP-2. We demonstrated functional blockade of the lectin complement activation pathway in normal human serum by several of these human Fab2s with picomolar potency.

Figure 1: Mouse Retinal Tissue in Laser-Induced Macular Degeneration

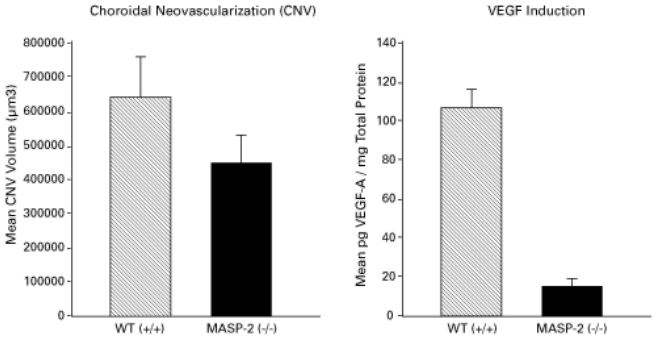


Figure 1 depicts that the MASP-2 knock-out mice displayed an approximately 30% reduction in the area of CNV, a significant pathological component of wet AMD, compared to wild-type control mice seven days following laser-induced damage. Figure 1 also shows that VEGF levels were significantly increased in the wild-type mice three days following laser-induced injury but remained at baseline levels in MASP-2 knock-out mice. Anti-VEGF therapy is a clinically proven treatment for wet AMD, and the absence of any significant VEGF induction indicates that MASP-2 activity is a prerequisite for VEGF induction following laser-induced injury, suggesting that blockade of MASP-2 may inhibit VEGF induction in AMD. The reduction in CNV and VEGF in the MASP-2 knock-out mice compared to wild-type mice suggests that blockade of MASP-2 may have a preventive or therapeutic effect in the treatment of macular degeneration.

Chondroprotective Program

In our Chondroprotective program, we are developing drug therapies to treat cartilage disorders, such as osteoarthritis and rheumatoid arthritis. While cartilage health requires a balance between cartilage breakdown and synthesis, current drugs approved for the treatment of arthritis are focused only on inhibiting breakdown. Our drug therapies in development combine an inhibitor of cartilage breakdown with an agent that promotes cartilage synthesis. We believe that our issued and pending patents broadly cover any drug inhibiting cartilage breakdown, including those drugs already approved, in combination with any promoter of cartilage synthesis to treat cartilage disorders. We are conducting in vitro and in vivo preclinical studies to evaluate API combinations of cartilage breakdown inhibitors and cartilage synthesis promoters.

Figure 1: Effects of IL-1, IL-1Ra and IGF on Col2 Production

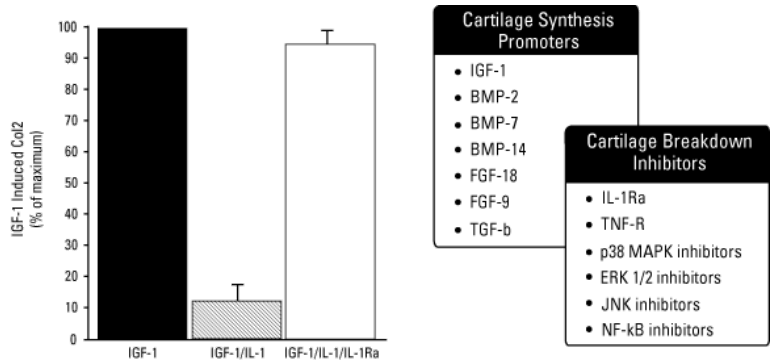


Figure 1 demonstrates that the combination of an anabolic growth factor, IGF-1, and a catabolic inhibitor, IL-1 receptor antagonist, or IL-1Ra, may be more effective than either agent alone at restoring normal matrix homeostasis to an arthritic joint. Treatment of primary bovine chondrocytes with IGF-1 increased the production of type II collagen, or Col2, one of the major components of the cartilage matrix. However, IL-1, an inflammatory cytokine whose expression is elevated in the arthritic joint, completely blocked this anabolic effect of IGF-1. The addition of IL-1Ra restored the ability of IGF-1 to stimulate Col2 production, even in the presence of IL-1. Also shown in Figure 1 are examples of classes of cartilage synthesis promoters and cartilage breakdown inhibitors covered by our issued and pending patents.

Central Nervous System Programs

PDE10 Program

We are developing compounds that inhibit PDE10 for the treatment of schizophrenia. PDE10 is an enzyme that is expressed in areas of the brain strongly linked to schizophrenia and other psychotic disorders and has been recently identified as a target for the development of anti-psychotic therapeutics. In multiple animal models of psychotic behavior, PDE10 inhibitors have been shown to be as effective as current anti-psychotic drugs. In addition, results from preclinical studies suggest that PDE10 inhibitors may address the limitations of currently used anti-psychotic drugs by avoiding the associated weight gain and improving cognition.

We have synthesized a series of chemical classes yielding multiple proprietary compounds that demonstrate promising preclinical results in pharmacokinetic, pharmacodynamic and behavioral studies. We are in late-stage optimization and plan to select a clinical product candidate once the appropriate preclinical profile is achieved. Our preclinical development is supported by funds from The Stanley Medical Research Institute, a non-profit corporation that supports research on the causes and treatment of schizophrenia and bipolar disorder.

Figure 1: Preclinical Efficacy Studies of one of our PDE10 Compounds

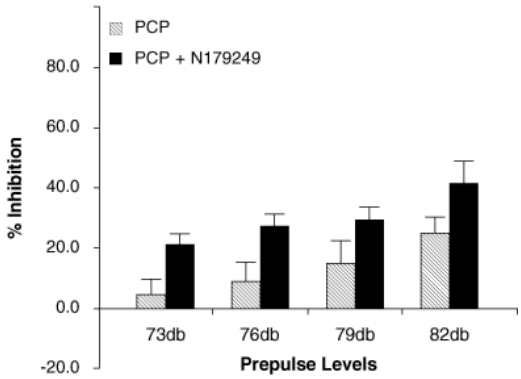


Figure 1 demonstrates that administration of one of our PDE10 inhibitors, N179249, in mice treated with phencyclidine, or PCP, improved the response in the prepulse inhibition test, one of the commonly used assays that assess neuronal gating, a process known to be deficient in schizophrenia patients and to be improved by currently used antipsychotic drugs.

GPCR Program

We have scientific expertise in the field of G protein-coupled receptors, or GPCRs, and members of our scientific team were the first to identify and characterize the full family of all 357 GPCRs common to mice and humans, with the exception of those GPCRs linked to smell, taste and pheromone functions. Located in the brain and in peripheral tissues, GPCRs are involved in numerous physiological processes, including the regulation of the nervous system, metabolism, behavior, reproduction, development and hormonal homeostasis.

We have identified a subset of GPCRs expressed exclusively or preferentially in brain regions involved in the regulation of specific behaviors and, using our patented viral vector, have created 61 strains of knock-out mice over five years, each lacking one of these GPCRs. We have the capability to run a battery of behavioral assays, including 30 tests assessing ten different behaviors, to elucidate the specific role of GPCRs. Using our expertise in GPCRs, these behavioral assays and available libraries of compounds, we have discovered what we believe to be previously unknown links between specific molecular targets in the brain and a series of CNS disorders. We have filed corresponding patent applications and are developing compounds to treat several of these disorders.

Figure 1: Our GPCR Discovery Platform

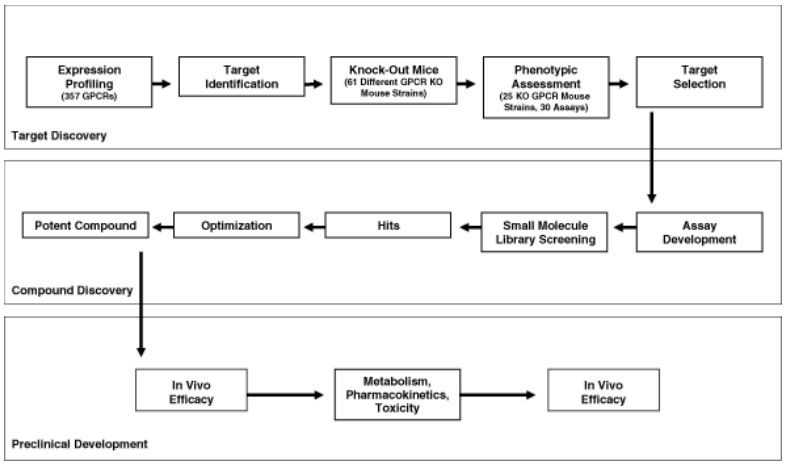


Figure 1 depicts our in-house discovery platform, which involves target discovery, compound discovery and preclinical development. We first identify those GPCRs with favorable profiles and eliminate the corresponding gene in mice. These knock-out mice are then evaluated through a battery of tests to identify GPCRs linked to CNS disorders. GPCRs of interest are subjected to assay development and high-throughput screening with small molecule libraries to identify compounds as potential clinical candidates. Identified compounds are then optimized in order to select clinical candidates.

Our Other CNS Programs

In our other CNS programs, we have discovered what we believe to be previously unknown links between specific molecular targets and a series of CNS disorders. We have filed patent applications directed to our discoveries broadly claiming any agents that act at these molecular targets for use in the treatment of these CNS disorders. Based on promising preclinical data in animal models, we are developing compounds for several of these disorders.

Sales and Marketing

We have retained all marketing and distribution rights to our product candidates and programs, which provides us the opportunity to market and sell any of our product candidates independently, make arrangements with third parties to perform these services for us, or both. For the commercial launch of our lead product candidate, OMS103HP, we intend to build an internal sales and marketing organization to market OMS103HP in North America and rely on third parties to perform these services for us in markets outside of North America. Because OMS103HP, if approved, will be used principally by surgeons in hospital-based and free-standing ambulatory surgery centers, we believe that commercializing OMS103HP will only require a limited sales and marketing force.

We expect that an OMS103HP sales and marketing force is potentially scalable for both of our other PharmacoSurgery product candidates, OMS302 and OMS201. For the sales and marketing of other product candidates, we generally expect to retain marketing and

distribution rights in those for which we believe that it will be possible to access markets through an internal sales and marketing force. If we do not believe that we can cost-effectively access markets for any approved product candidate through an internal sales and marketing force, we expect that we will make arrangements with third parties to perform these services for us.

Manufacturing

We utilize both in-house capabilities and outside contract manufacturers to produce sufficient quantities of product candidates for use in preclinical studies. We have laboratories in-house for analytical method development, bioanalytical testing, formulation, stability testing and small-scale compounding of laboratory supplies of product candidates, which need not be manufactured in compliance with current Good Manufacturing Practices, or cGMPs.

We rely on third-party manufacturers to produce, store and distribute our product candidates for clinical use and currently do not own or operate manufacturing facilities. We require that these manufacturers produce APIs and finished drug products in accordance with cGMP and all other applicable laws and regulations. We anticipate that we will rely on contract manufacturers to develop and manufacture our products for commercial sale. We maintain agreements with potential and existing manufacturers that include confidentiality and intellectual property provisions to protect our proprietary rights related to our product candidates.

We contracted with Catalent Pharma Solutions, Inc. to manufacture three registration batches of OMS103HP in freeze-dried, or lyophilized, form. Ongoing stability programs for these batches will be used to support the planned filing of a New Drug Application, or NDA, for OMS103HP. Sufficient quantities of lyophilized OMS103HP have been manufactured to support the ongoing Phase 3 clinical program through completion. We have received guidance from the FDA that submission of three months of stability data from one registration batch of lyophilized OMS103HP would be sufficient to qualify any other facility for commercial manufacturing purposes.

We have also formulated OMS103HP as a liquid solution to take advantage of the reduced cost of goods for manufacturing a liquid as compared to a lyophilized drug product. We have entered into agreements with Hospira Worldwide, Inc., pursuant to which Hospira has agreed to manufacture a registration batch of liquid OMS103HP at its facility in McPherson, Kansas, and to manufacture and supply commercial supplies of liquid OMS103HP, if approved for marketing. Although we do not believe that the inactive ingredients in liquid OMS103HP, which are included in the FDA's Inactive Ingredient Guide due to being present in drug products previously approved for parenteral use, impact its safety or effectiveness, the FDA will require us to provide comparative information and complete a stability study and may require us to conduct additional studies, which we expect would be non-clinical, to demonstrate that liquid OMS103HP is as safe and effective as lyophilized OMS103HP. The manufacturing facilities of Hospira have been inspected and approved by the FDA for the commercial manufacture of several third-party drug products.

We utilize three suppliers for the three APIs used in OMS103HP. We have not yet signed commercial agreements with these suppliers for the supply of commercial quantities of these APIs, although we intend to do so. Given the large amount of these APIs manufactured annually by these and other suppliers, we anticipate that we will be capable of attaining our commercial API supply needs for OMS103HP.

We have contracted with Althea Technologies, Inc. for the manufacture, release testing, and stability testing of clinical supplies of OMS302 and OMS201. The APIs included in OMS302 and OMS201 are available from commercial suppliers.

We plan to enter into an agreement for the generation of a potential anti-MASP-2 monoclonal antibody product candidate in 2008 and are evaluating proposals from several antibody developers for this purpose. Thereafter we intend to enter into an agreement with a third-party contract manufacturer for the scale-up and production of an anti-MASP-2 monoclonal antibody product candidate for clinical testing and commercial supply.

Competition

The pharmaceutical industry is highly competitive and characterized by a number of established, large pharmaceutical companies, as well as smaller companies like ours. If our competitors market products that are less expensive, safer or more effective than any future products developed from our product candidates, or that reach the market before our approved product candidates, we may not achieve commercial success. We are not aware of any products that directly compete with our PharmacoSurgery product candidates that are approved for intra-operative delivery in irrigation solutions during surgical procedures. If approved, we expect that the primary constraint to market acceptance of our PharmacoSurgery product candidates will be surgeons who continue with their respective current treatment practices and do not adopt the use of these product candidates. Adoption of our PharmacoSurgery product candidates, if approved, may reduce the use of current preoperative and postoperative treatments.

Our preclinical product candidates may face competing products. For example, we are developing PDE10 inhibitors for use in the treatment of schizophrenia. Other pharmaceutical companies, many with significantly greater resources than us, are also developing PDE10 inhibitors for the treatment of schizophrenia and these companies may be further along in development.

We expect to compete with other pharmaceutical and biotechnology companies, and our competitors may:

- develop and market products that are less expensive, more effective or safer than our future products;
- commercialize competing products before we can launch any products developed from our product candidates;
- operate larger research and development programs, possess greater manufacturing capabilities or have substantially greater financial resources than we do;
- initiate or withstand substantial price competition more successfully than we can;
- have greater success in recruiting skilled technical and scientific workers from the limited pool of available talent;
- more effectively negotiate third-party licenses and strategic relationships; and
- take advantage of acquisition or other opportunities more readily than we can.

We expect to compete for market share against large pharmaceutical and biotechnology companies, smaller companies that are collaborating with larger pharmaceutical companies, new companies, academic institutions, government agencies and other public and private research organizations. In addition, the pharmaceutical and biotechnology industry is characterized by rapid technological change. Because our research approach integrates many technologies, it may be difficult for us to remain current with the rapid changes in each technology. If we fail to stay at the forefront of technological change, we may be unable to compete effectively. Our competitors may render our technologies obsolete by advancing their existing technological approaches or developing new or different approaches.

Intellectual Property

We have made a significant investment in the development of a patent portfolio to protect our technologies and programs, and intend to continue to do so. We own a total of 21 issued or allowed patents and 28 pending patent applications in the United States and 60 issued or allowed patents and 86 pending patent applications in commercially significant foreign markets directed to therapeutic compositions and methods related to our PharmacoSurgery platform and preclinical development programs. We also hold worldwide exclusive licenses to four pending U.S. Patent applications, an issued foreign patent and six pending foreign patent applications.

Our patent portfolio for our PharmacoSurgery technology is directed to locally delivered compositions and treatment methods using agents selected from broad therapeutic classes. These patents cover combinations of agents, generic and/or proprietary to us or others, delivered locally and intra-operatively to the site of any medical or surgical procedure. Our patent portfolio includes 14 U.S. and 40 foreign issued or allowed patents, and 12 U.S. and 33 foreign pending patent applications, directed to our PharmacoSurgery product candidates and development programs. Our issued PharmacoSurgery patents have terms that will expire December 12, 2014 and, assuming issuance of currently pending patent applications, October 20, 2019 for OMS103HP, July 30, 2023 for OMS302 and March 17, 2026 for OMS201, which potentially may be extended as a result of adjustment of patent terms resulting from USPTO delays. We will file additional patent applications directed to our specific drug products which, if issued, are expected to provide patent terms ending 2029 or later.

Our initial issued patents in our PharmacoSurgery portfolio are directed to combinations of agents, drawn from therapeutic classes such as pain and inflammation inhibitory agents, spasm inhibitory agents, restenosis inhibitory agents and tumor cell adhesion inhibitory agents. We expanded and further strengthened our initial patent position with a series of patent applications directed to what we believe are the key physiological and technical elements of selected surgical procedures, and to the therapeutic classes that provide opportunities to improve clinical benefit during and after these procedures. Accordingly, our pending PharmacoSurgery patent applications are directed to combinations of agents, drawn from therapeutic classes such as pain and inflammation inhibitory agents, spasm inhibitory agents, vasoconstrictive agents, mydriatic agents and agents that reduce intraocular pressure, that are preferred for use in arthroscopic procedures, ophthalmologic procedures including intraocular procedures, and urologic procedures including ureteroscopy, for OMS103HP, OMS302 and OMS201, respectively, as well as covering the specific combinations of agents included in each of these product candidates.

- *OMS103HP — Arthroscopy.* OMS103HP is protected by our PharmacoSurgery patent portfolio. The relevant patents and patent applications in this portfolio cover combinations of agents, generic and/or proprietary to us or others, drawn from therapeutic classes such as pain and inflammation inhibitory agents and vasoconstrictive agents, delivered locally and intra-operatively to the site of medical or surgical procedures, including arthroscopy. We currently own four issued U.S. Patents, two pending U.S. Patent Applications, and 11 issued patents and nine pending patent applications in key foreign markets that cover OMS103HP.
- *OMS302 — Ophthalmology.* OMS302 is protected by our PharmacoSurgery patent portfolio. The relevant patents and patent applications in this portfolio cover combinations of agents, generic and/or proprietary to us or others, drawn from therapeutic classes such as pain and inflammation inhibitory agents, mydriatic agents and agents that reduce intraocular pressure, delivered locally and intra-operatively to the site of ophthalmological procedures, including cataract and lens replacement surgery. We currently own two

pending U.S. Patent Applications and six pending patent applications in key foreign markets that cover OMS302.

- *OMS201 — Urology.* OMS201 is protected by our PharmacoSurgery patent portfolio. The relevant patents and patent applications in this portfolio cover combinations of agents, generic and/or proprietary to us or others, drawn from therapeutic classes such as pain and inflammation inhibitory agents and spasm inhibitory agents, delivered locally and intra-operatively to the site of medical or surgical procedures, including uroendoscopy. We currently own three issued U.S. Patents, two pending U.S. Patent Applications, and an additional nine issued patents and 15 pending patent applications in key foreign markets that cover OMS201.
- *MASP-2 Program.* We hold worldwide exclusive licenses to rights in connection with MASP-2, the antibodies targeting MASP-2 and the therapeutic applications for those antibodies from the University of Leicester and from its collaborator, Medical Research Council at Oxford University. These licenses include what we believe to be each institution's joint ownership rights in patent applications and patents related to MASP-2 antibodies initially filed by researchers at Aarhus Universitet, Denmark. We currently exclusively control three pending U.S. Patent Applications, one pending International PCT Patent Application and seven pending patent applications in key foreign markets related to our MASP-2 program.
- *Chondroprotective Program.* We are building intellectual property protection around developments in our Chondroprotective program. We currently own one issued U.S. Patent, two pending U.S. Patent Applications, and an additional three issued patents and 19 pending patent applications in key foreign markets directed to our chondroprotective technology. These patent applications include claims that are broadly directed to combinations of one or more agents that inhibit cartilage breakdown, or catabolic inhibitory agents, with one or more agents that promote cartilage growth, or anabolic agents.
- *PDE10 Program.* Medicinal chemistry developments in our PDE10 program have resulted in a pending U.S. and a pending International Patent Cooperation Treaty, or PCT, Patent Application that claim what we believe to be novel chemical structures, as well as claiming the use of a broader set, or genus, of chemical structures as inhibitors of PDE10 for the treatment of schizophrenia and other psychotic disorders.
- *GPCR Program.* We own one issued U.S. Patent, three pending U.S. Patent Applications, one international PCT Patent Application and an additional two issued patents and four pending patent applications in key foreign markets, which are directed to previously unknown links between specific molecular targets in the brain and a series of CNS disorders, and to research tools that are used in our GPCR program.
- *Our Other CNS Programs.* We own and exclusively control three pending U.S. Patent Applications and four pending foreign patent applications that are directed to additional preclinical CNS programs. We intend to file additional patent applications in the United States and key foreign markets directed to what we believe to be previously unknown links between specific molecular targets and a series of CNS disorders, broadly claiming any agents that act at these molecular targets for use in the treatment of these CNS disorders.

All of our employees enter into our standard Employee Proprietary Information and Inventions Agreement, which includes confidentiality provisions and provides us ownership of all inventions and other intellectual property made by our employees that pertain to our business or that relate to our employees' work for us or result from the use of our resources. Our commercial success will depend in part on obtaining and maintaining patent protection and trade secret protection of the use, formulation and structure of our product candidates,

and the methods used to manufacture them, as well as successfully defending these patents against third-party challenges. Our ability to protect our product candidates from unauthorized making, using, selling, offering to sell or importing by third parties is dependent on the extent to which we have rights under valid and enforceable patents that cover these activities.

The patent positions of pharmaceutical, biotechnology and other life sciences companies can be highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. No consistent policy regarding the breadth of claims allowed in biotechnology patents has emerged to date in the United States, and tests used for determining the patentability of patent claims in all technologies are in flux. The pharmaceutical, biotechnology and other life sciences patent situation outside the United States is even more uncertain. Changes in either the patent laws or in interpretations of patent laws in the United States and other countries may diminish the value of our intellectual property. Accordingly, we cannot predict the breadth of claims that may be allowed or enforced in the patents that we own or have licensed or in third-party patents.

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, marketing, and export and import of drug products such as those we are developing. Failure to comply with applicable requirements, both before and after approval, may subject us, our third-party manufacturers, and other partners to administrative and judicial sanctions, such as a delay in approving or refusal to approve pending applications, warning letters, product recalls, product seizures, civil and other monetary penalties, total or partial suspension of production or distribution, injunctions, and/or criminal prosecutions.

In the United States, our products are regulated by the FDA as drugs under the Federal Food, Drug, and Cosmetic Act, or the FDCA, and implementing regulations. Before our drug products may be marketed in the United States, each must be approved by the FDA. Our product candidates are in various stages of testing and none have been approved.

The steps required before a drug product may be approved by the FDA generally include the following:

- preclinical laboratory and animal tests, and formulation studies;
- submission to the FDA of an Investigational New Drug Application, or IND, for human clinical testing, which must become effective before human clinical trials may begin in the United States;
- adequate and well-controlled human clinical trials to establish the efficacy and safety of the product candidate for each indication for which approval is sought;
- submission to the FDA of a New Drug Application, or NDA;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the drug is produced to assess compliance with cGMP; and
- FDA review and approval of an NDA.

Preclinical Tests. Preclinical tests include laboratory evaluations of product chemistry, toxicity, formulation, and stability, as well as animal studies to assess the potential efficacy and safety of the product candidate. The results of the preclinical tests, together with manufacturing information, analytical data, and other available information are submitted to the FDA as part of an IND.

The IND Process. An IND 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 and imposes a clinical hold. In such a case, the IND sponsor and the FDA must resolve any outstanding FDA concerns or questions before clinical trials can proceed. There can be no assurance that submission of an IND will result in FDA authorization to commence clinical trials. Once an IND is in effect, the protocol for each clinical trial to be conducted under the IND must be submitted to the FDA, which may or may not allow the trial to proceed.

Clinical Trials. Clinical trials involve the administration of the investigational drug to human subjects under the supervision of qualified personnel. Clinical trials are conducted under protocols detailing, for example, the parameters to be used in monitoring patient safety, and the efficacy criteria, or end points, to be evaluated. Each trial must be reviewed and approved by an independent Institutional Review Board or Ethics Committee before it can begin. Clinical trials are typically conducted in three defined phases, but the phases may overlap or be combined:

- Phase 1 usually involves the initial administration of the investigational drug product to human subjects 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, with the disease or condition for which the product candidate is being developed, to evaluate dosage tolerance and appropriate dosage, identify possible adverse side effects and safety risks, and preliminarily evaluate the effectiveness of the drug for specific indications.
- Phase 3 trials usually further evaluate effectiveness and test further for safety by administering the drug in its final form in an expanded patient population.

We, our product development partners, or the FDA may suspend clinical trials at any time on various grounds, including a belief that the subjects are being exposed to an unacceptable health risk.

The NDA Process. If the necessary clinical trials are successfully completed, the results of the preclinical trials and the clinical trials, together with other detailed information, including information on the manufacture and composition of the product, are submitted to the FDA in the form of an NDA requesting approval to market the product for one or more indications. Before approving an NDA, the FDA usually will inspect the facility(ies) at which the product is manufactured, and will not approve the product unless it finds that cGMP compliance is satisfactory. If the FDA determines the NDA is not acceptable, the FDA may outline the deficiencies in the NDA and often will request additional information. Notwithstanding the submission of any requested additional testing or information, the FDA ultimately may decide that the application does not satisfy the criteria for approval. After approval, certain changes to the approved product, such as adding new indications, manufacturing changes, or additional labeling claims will require submittal of a new NDA or, in some instances, an NDA supplement, for further FDA review and approval. Post-approval marketing of products in larger patient populations than were studied during development can lead to new findings about the safety or efficacy of the products. This information can lead to a product sponsor's requesting approval for and/or the FDA requiring changes in the labeling of the product or even the withdrawal of the product from the market. 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.

Some of our drug products may be eligible for submission of applications for approval under the Section 505(b)(2) process. Section 505(b)(2) applications may be submitted for drug products that represent a modification, such as a new indication or new dosage form, of a previously approved drug. Section 505(b)(2) applications may rely on the FDA's previous findings for the safety and effectiveness of the previously approved drug as well as

information obtained by the 505(b)(2) applicant to support the modification of the previously approved drug. Preparing Section 505(b)(2) applications may be less-costly and time-consuming than preparing an NDA based entirely on new data and information.

The FDA regulates certain of our candidate products as combination drugs under its Combination Drug Policy because they are comprised of two or more active ingredients. The FDA's Combination Drug Policy requires that we demonstrate that each active ingredient in a drug product contributes to the product's effectiveness.

In addition, we, our suppliers, and our contract manufacturers are required to comply with extensive FDA requirements both before and after approval. For example, we are required to report certain adverse reactions and production problems, if any, to the FDA, and to comply with certain requirements concerning advertising and promotion for our 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 all areas of regulatory compliance, including production and quality control to comply with cGMP. In addition, discovery of problems such as safety problems may result in changes in labeling or restrictions on a product manufacturer or NDA holder, including removal of the product from the market.

Outside of the United States, our ability to market our products will also depend on receiving marketing authorizations from the appropriate regulatory authorities. The foreign regulatory approval process includes similar requirements and many of the risks associated with the FDA approval process described above. The requirements governing marketing authorization and the conduct of clinical trials vary widely from country to country.

Research and Development

We have built a research and development organization that includes expertise in discovery research, preclinical development, product formulation, analytical and medicinal chemistry, manufacturing, clinical development and regulatory and quality assurance. We operate cross-functionally and are led by an experienced research and development management team. We use rigorous project management techniques to assist us in making disciplined strategic research and development program decisions and to limit the risk profile of our product pipeline. We also access relevant market information and key opinion leaders in creating target product profiles and, when appropriate, as we advance our programs to commercialization.

Employees

As of December 31, 2007, we had 62 full-time employees, 50 of whom are in research and development and 12 of whom are in finance, legal, and administration, including four with M.D.s and 18 with Ph.D.s. None of our employees is represented by a labor union and we consider our employee relations to be good.

Facilities

We lease approximately 13,200 square feet for our principal administrative facility under a lease that expires August 31, 2011, and we lease approximately 24,600 square feet for our research and development facility, which includes a modern vivarium, under a lease that expires September 30, 2011. Our two facilities are located in separate buildings in Seattle, Washington. The annual lease payments for these facilities, including common area maintenance and related operating expenses, are approximately $1.8 million.

Legal Proceedings

We are not currently engaged in any material legal proceedings.

MANAGEMENT

Executive Officers, Key Employees and Directors

The following table provides information regarding our current executive officers, key employees and directors:

Name	Age	Position(s)
Executive Officers:		
Gregory A. Demopulos, M.D.	48	President, Chief Executive Officer, Chief Medical Officer and Chairman of the Board of Directors
Marcia S. Kelbon, Esq.	48	Vice President, Patent and General Counsel and Secretary
Richard J. Klein	45	Chief Financial Officer and Treasurer
Key Employees:		
George A. Gaitanaris, M.D., Ph.D.	50	Vice President, Science
Wayne R. Gombotz, Ph.D.	48	Vice President, Pharmaceutical Operations
J. Greg Perkins, Ph.D.	62	Vice President, Regulatory Affairs
Paul C. Strauss, M.D.	63	Vice President, Clinical Development
Clark E. Tedford, Ph.D.	48	Vice President, Research
Directors:		
Ray Aspiri (2)	71	Director
Thomas J. Cable (1)(2)	68	Director
Peter A. Demopulos, M.D., FACC	53	Director
Leroy E. Hood, M.D, Ph.D.	69	Director
David A. Mann (1)	48	Director
Jean-Philippe Tripet	44	Director

(1) Member of our audit committee.

(2) Member of our compensation committee.

(3) Member of our nominating and corporate governance committee.

Gregory A. Demopulos, M.D. is one of our founders and has served as our president, chief executive officer, chief medical officer and chairman of the board of directors since June 1994. Prior to founding Omeros, Dr. Demopulos completed his residency in orthopedic surgery at Stanford University and his fellowship training at Duke University. Dr. Demopulos is a named inventor on 19 issued and allowed U.S. patents and 28 issued and allowed foreign patents. Dr. Demopulos currently serves on the board of directors of Onconome, Inc., a privately held company developing biomarkers for early cancer detection. Dr. Demopulos received his M.D. from the Stanford University School of Medicine and his B.S. from Stanford University.

Marcia S. Kelbon, Esq. has served as our vice president, patent and general counsel since October 2001 and as our secretary since September 2007. Prior to joining us, Ms. Kelbon was a partner with the firm of Christensen O'Connor Johnson & Kindness, PLLC, where she specialized in U.S. and international intellectual property procurement, management, licensing and enforcement issues. Ms. Kelbon received her J.D. and her M.S. in chemical engineering from the University of Washington and her B.S. from The Pennsylvania State University.

Richard J. Klein has served as our chief financial officer since May 2007 and as our treasurer since September 2007. From 2004 to 2007, Mr. Klein provided financial consulting services to life science and technology companies. From 1996 to 2004, Mr. Klein served in various positions at Sonus Pharmaceuticals, Inc., a publicly traded biotechnology company, most recently as senior vice president and chief financial officer. From 1988 to 1995, Mr. Klein

was director of finance at ATL Ultrasound Inc., a publicly traded manufacturer of medical ultrasound equipment that was acquired by Phillips Medical Systems. Mr. Klein received his B.S. in business administration from Washington State University.

George A. Gaitanaris, M.D., Ph.D. has served as our vice president, science since August 2006. From August 2003 to our acquisition of nura, inc. in August 2006, Dr. Gaitanaris served as the chief scientific officer of nura, a company that he co-founded and that developed treatments for central nervous system disorders. From 2000 to 2003, Dr. Gaitanaris served as president and chief scientific officer of Primal, Inc., a biotechnology company that was acquired by nura in 2003. Prior to co-founding Primal, Dr. Gaitanaris served as staff scientist at the National Cancer Institute. Dr. Gaitanaris received his Ph.D. in cellular, molecular and biophysical studies and his M.Ph. and M.A. from Columbia University in New York and his M.D. from the Aristotelian University of Greece.

Wayne R. Gombotz, Ph.D. has served as our vice president, pharmaceutical operations since March 2005. From 2002 to 2005, Dr. Gombotz served as vice president, process science and pharmaceutical development at Corixa Corporation, a company that developed immunotherapeutic products and which was acquired by GlaxoSmithKline plc in July 2005. From 1995 to 2002, Dr. Gombotz served as senior director, analytical chemistry and formulation at Immunex Corporation, a company that developed immunotherapeutic products and was acquired by Amgen, Inc. in July 2002. Dr. Gombotz received his Ph.D. and M.S. in bioengineering from the University of Washington and his B.A. from Colby College.

J. Greg Perkins, Ph.D. has served as our vice president, regulatory affairs since April 2006. From 2004 to 2005, Dr. Perkins served as president of Bioderm Sciences, Inc., a company engaged in the development of wound management, first aid and sports medicine products. From 1994 to 2004, Dr. Perkins served in various positions at Solvay Pharmaceuticals, Inc., a pharmaceutical company, most recently as senior vice president, global scientific affairs and milestone review. Dr. Perkins received his Ph.D. in biochemistry and B.S. from Indiana University and completed a postdoctoral fellowship in neurochemistry at the University of Iowa.

Paul C. Strauss, M.D. has served as our vice president, clinical development since August 2006. From 2003 to 2006, Dr. Strauss served as a consultant in the pharmaceutical industry. From 2000 to 2003, Dr. Strauss served in various positions at Pharmacia Corporation, a pharmaceutical company that was acquired by Pfizer, Inc. in April 2003, most recently as therapeutic area vice president project leader — arthritis, inflammation, pain. Dr. Strauss received his M.D. from the University of Stellenbosch in South Africa and his specialist degree in medical dermatology, internal medicine and dermatopathology from the University of Cape Town.

Clark E. Tedford, Ph.D. has served as our vice president, research since July 2003. From 2002 to 2003, Dr. Tedford served as president and chief executive officer of Solentix, Inc., a company that developed treatments for disorders of the central nervous system and inflammatory diseases. From 1993 to 2003, Dr. Tedford worked for Gliatech Inc., a company that developed biosurgery and pharmaceutical products, most recently as executive vice president, research and development. Prior to Gliatech, Dr. Tedford served in various positions at Schering Plough. Dr. Tedford received his Ph.D. in pharmacology and his B.A. from the University of Iowa and completed his post-doctoral work in the Department of Pharmacology at the Loyola University Medical School.

Ray Aspiri has served on our board of directors since January 1995 and as our treasurer from January 1999 to September 2007. Mr. Aspiri is the chairman of the board of Tempress Technologies, Inc., a research and development company specializing in high-pressure fluid dynamics for the oil and gas industry, which he joined in 1997. From 1980 to 1997, Mr. Aspiri served as the chairman of the board and chief executive officer of Tempress, Inc., a company specializing in products for the truck, marine and sporting goods industries.

Thomas J. Cable has served on our board of directors since January 1995. Mr. Cable is the chairman of the board of the Washington Research Foundation, a technology transfer and early stage venture capital organization affiliated with the University of Washington, which he co-founded in 1980. Mr. Cable also founded Cable & Howse Ventures, a venture capital firm, and Cable, Howse & Ragen, an investment banking firm. Mr. Cable also co-founded Montgomery Securities, an investment banking firm acquired by Bank of America. A former U.S. Navy submarine officer, Mr. Cable received his M.B.A. from the Stanford Graduate School of Business and his B.A. from Harvard University.

Peter A. Demopulos, M.D., FACC has served on our board of directors since January 1995. Dr. Demopulos is a board certified cardiologist and the Medical Director at Seattle Cardiology, a cardiology clinic he joined in 2005. From 1989 to 2005, Dr. Demopulos practiced cardiology at Minor & James Medical PLLC. Dr. Demopulos is also a clinical assistant professor of cardiology at the University of Washington School of Medicine, a position that he has held since 1989, and he participates as an investigator in clinical trials evaluating interventional cardiology devices and drug therapies at Seattle Cardiovascular Research and Swedish Cardiovascular Research. Dr. Demopulos received his M.D. from the Stanford University School of Medicine and his B.S. from Stanford University.

Leroy E. Hood, M.D., Ph.D. has served on our board of directors since March 2001. Dr. Hood is the president of the Institute for Systems Biology, a non-profit research institute dedicated to the study and application of systems biology, which he co-founded in 2000. Previously, Dr. Hood was founder and chairman of the Department of Molecular Biotechnology at the University of Washington School of Medicine. Dr. Hood also co-founded Amgen, Inc., Applied Biosystems, Inc., Darwin Molecular Technologies, Inc., Rosetta Inpharmatics, Inc. and SyStemix, Inc. Dr. Hood is a member of the National Academy of Sciences, the American Philosophical Society, the American Association of Arts and Sciences, the Institute of Medicine and the National Academy of Engineering. Dr. Hood received his Ph.D. and B.S. from the California Institute of Technology and his M.D. from The John Hopkins School of Medicine.

David A. Mann has served on our board of directors since December 2007. From 1999 to 2002, Mr. Mann served as executive vice president and chief financial officer at Immunex Corporation. From 1995 to 1999, he served as vice president and controller at Immunex. Prior to Immunex, Mr. Mann held the position of controller at the Fred Hutchinson Cancer Research Center from 1986 to 1995. Mr. Mann serves on the board of directors of Trubion Pharmaceuticals, Inc., a biotechnology company. He also serves on the Advisory Board of the Western Washington University College of Business and Economics and the Western Washington University Foundation Board. Mr. Mann received an M.B.A. from the University of Washington and a B.A. from Western Washington University. Mr. Mann received his Certified Public Accountant Certification from the State of Washington; however, he is no longer an active CPA.

Jean-Philippe Tripet has served on our board of directors since September 2006. Mr. Tripet served on the board of directors of nura, inc. from September 2003 to August 2006. Mr. Tripet is the chairman and managing partner of Aravis Venture, a venture capital firm that he founded in 2001. Previously, Mr. Tripet served as executive vice president of Lombard Odier & Cie, a commercial bank, where he headed the Lombard Odier Immunology Fund, and as vice president equity research of Union Bank of Switzerland. Mr. Tripet received his degree in business administration from the University of Geneva.

Board of Directors

Our business and affairs are organized under the direction of our board of directors, which currently consists of seven members. The primary responsibilities of our board of directors are to provide oversight, strategic guidance, counseling and direction to our management. Our

board of directors meets on a regular basis and additionally as required. Our board of directors has determined that Mr. Aspiri, Mr. Cable, Dr. Hood, Mr. Mann and Mr. Tripet each meet NASDAQ requirements for independence.

Effective upon the completion of this offering, our articles of incorporation will provide for a classified board of directors consisting of three classes of directors, each serving staggered three-year terms, as follows:

- Class I, which will consist of , and , and whose term will expire at our first annual meeting of shareholders to be held following the completion of this offering;
- Class II, which will consist of , and , and whose term will expire at our second annual meeting of shareholders to be held following the completion of this offering; and
- Class III, which will consist of , and , and whose term will expire at our third annual meeting of shareholders to be held following the completion of this offering.

At each annual shareholders meeting to be held after the initial classification, the successors to directors whose terms then expire will serve until the third annual meeting following their election and until their successors are duly elected and qualified.

The authorized size of our board is currently nine members. The authorized number of directors may be changed only by resolution of the board of directors. Any additional directorships resulting from an increase in the number of directors will be distributed between the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of the board of directors may have the effect of delaying or preventing changes in our control or management.

Peter A. Demopulos, M.D., FACC and Gregory A. Demopulos, M.D. are brothers. There are no other family relationships among any of our directors or executive officers.

Committees of the Board of Directors

Our board of directors has an audit committee, a compensation committee and a nominating and governance committee, each of which has the composition and responsibilities described below as of the completion of this offering.

Audit Committee

The members of our audit committee are Mr. Cable and Mr. Mann. Mr. Mann is the chairman of our audit committee. Our board has determined that each member of our audit committee meets current SEC and NASDAQ requirements for independence. Our board of directors has also determined that Mr. Mann is an “audit committee financial expert” as defined in SEC rules. The audit committee is responsible for, among other things:

- selecting and hiring our independent auditors, and approving the audit and non-audit services to be performed by our independent registered public accounting firm;
- evaluating the qualifications, performance and independence of our independent registered public accounting firm;
- monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters;
- reviewing with our independent registered public accounting firm and management significant issues that arise regarding accounting principles and financial statement

presentation, and matters concerning the scope, adequacy and effectiveness of our financial controls;

- reviewing the adequacy and effectiveness of our internal control policies and procedures;
- establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters;
- reviewing and approving in advance any proposed related-party transactions and monitoring compliance with our code of business conduct and ethics; and
- preparing the audit committee report that the SEC requires in our annual proxy statement.

Compensation Committee

The members of our compensation committee are Ray Aspiri and Thomas J. Cable. Mr. Aspiri is the chairman of our compensation committee. Our board has determined that each member of our compensation committee meets current NASDAQ requirements for independence. The compensation committee is responsible for, among other things:

- evaluating and recommending to our board of directors the compensation and other terms of employment of our executive officers and reviewing and approving corporate performance goals and objectives relevant to such compensation;
- evaluating and recommending to our board of directors the type and amount of compensation to be paid or awarded to board members;
- evaluating and recommending to our board of directors the equity incentive plans, compensation plans and similar programs advisable for us;
- administering our equity incentive plans;
- reviewing and approving the terms of any employment agreements, severance arrangements, change in control protections and any other compensatory arrangements for our executive officers; and
- preparing the compensation committee report that the SEC requires in our annual proxy statement.

Nominating and Governance Committee

The members of our nominating and governance committee are , and . Mr. is the chairman of our nominating and governance committee. Our board has determined that each member of our nominating and governance committee meets current NASDAQ requirements for independence. The nominating and governance committee is responsible for, among other things:

- assisting the board in identifying prospective director nominees and recommending director nominees to our board for each annual meeting of shareholders;
- evaluating nominations by shareholders of candidates for election to our board;
- recommending governance principles to our board;
- overseeing the evaluation of our board of directors and management;
- reviewing shareholder proposals for our annual meetings;
- evaluating proposed changes to our charter documents and board committee charters;
- reviewing and assessing our senior management succession plan; and
- recommending to our board the members for each board committee.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee is an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

Non-Employee Director Compensation

In the past, we have granted option awards to our non-employee directors in consideration for serving on our board of directors. We have not provided cash compensation to any directors for serving on our board of director or committees of our board of directors. We have reimbursed and will continue to reimburse our non-employee directors for their reasonable expenses incurred in attending meetings of our board of directors and committees of our board of directors.

The following table sets forth summary information concerning the type and total compensation paid or accrued for services rendered to us in all capacities to our non-employee directors for the fiscal year ended December 31, 2007.

2007 Director Compensation

Name	Option Awards ($)(1) (2)(3)	Total ($)
Ray Aspiri	—	—
Thomas J. Cable	—	—
Peter A. Demopulos, M.D.	—	—
Leroy E. Hood, M.D, Ph.D.	—	—
David A. Mann	*	*
Jean-Philippe Tripet	—	—

(1) Our directors did not receive any cash compensation during 2007. Amounts shown in this column represent the compensation cost for the year ended December 31, 2007 of option awards granted to each of our non-employee directors as determined in accordance with Statement of Financial Accounting Standards No. 123(revised), or SFAS 123R, using the Black-Scholes option valuation model. The assumptions used to calculate the value of option awards are set forth in Note 10 to our consolidated financial statements included elsewhere in this prospectus. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeiture related to service-based vesting conditions.

(2) During the year ended December 31, 2007, we granted to Mr. Mann an option award to purchase 25,000 shares of our common stock with an exercise price of $1.25 per share that vests over a three-year period in equal annual installments. This option award had a grant date fair value of $ *.

(3) As of December 31, 2007, Mr. Aspiri, Mr. Cable, Dr. Hood and Mr. Mann held option awards to purchase 30,000, 65,000, 50,000 and 25,000 shares of our common stock, respectively. All of these option awards, other than Mr. Mann's option award as further described above in footnote 2, were fully vested and exercisable as of December 31, 2007.

* To be completed by amendment.

Following the completion of this offering, all of our directors will be eligible to participate in our 2008 Equity Incentive Plan. For a more detailed description of these plans, see "Management — Executive Compensation — Employee Benefit Plans."

Executive Compensation

Compensation Discussion and Analysis

The compensation committee of our board of directors is responsible for establishing and implementing our compensation philosophy and programs for executive officers. The objectives of our executive compensation program are to attract and retain individuals with the

skills necessary to help us achieve our business goals, to reward those individuals who help us achieve those goals and to align their interests with those of our shareholders by tying a portion of executive compensation to shareholder value creation. Executive compensation is comprised of the following elements: base salary, annual merit increases, discretionary cash bonuses, stock option awards, severance and change of control benefits, and general benefits that are available to all full-time employees. We do not have any policies for allocating compensation among the elements of our executive compensation program, nor is the level of one element of compensation substantially dependent on the level of any other element of compensation. However, while we must offer base salaries at competitive rates to attract and retain individuals with the skills necessary to achieve our business goals, we believe that stock option awards are more effective than base salaries at aligning the interests of our executive officers with those of our shareholders. Our goal in setting executive compensation is to motivate our executive officers to achieve our business objectives and, as a result, stock option awards are an important component of an executive's overall compensation.

We determine the level for each element of compensation based on the contributions that each executive officer has made and are expected to make to our success, the experience and knowledge of our management and members of our compensation committee, the relative compensation paid to other members of our senior management, general economic factors and executive compensation surveys of, and public disclosures made by, biotechnology and pharmaceutical companies that we believe are comparable to us based on their location, stage of development and resources. Historically, our compensation committee has conducted periodic reviews of executive compensation. Upon completion of this offering, our compensation committee intends to perform at least annually a review of our executive officers' compensation to determine whether it meets the objectives of our executive compensation program and to determine whether each element of our executive compensation program is competitive with comparable pharmaceutical and biotechnology companies.

The compensation of Gregory A. Demopulos, M.D., our president, chief executive officer, chief medical officer and chairman of the board of directors, has been determined by our compensation committee. Dr. Demopulos does not participate in the deliberations of the compensation committee regarding his compensation, although he does participate in negotiations with members of the compensation committee regarding his compensation. The compensation of our other executive officers has been determined by Dr. Demopulos in consultation with our compensation committee, provided that our compensation committee approves all stock option awards granted to executive officers. We have not engaged third-party consultants with respect to executive compensation matters but expect to do so in the future. Upon completion of this offering, our compensation committee will determine and review the compensation of our executive officers with the input and advice of our chief executive officer and other members of management; however, an executive officer will not be present during portions of meetings of the compensation committee at which his or her compensation is discussed and approved. In addition, our compensation committee will have the authority to engage third-party consultants to assist it in determining the elements and levels of our executive compensation program.

Base Salary. We fix the base salaries of our executive officers at levels that we believe enable us to attract and retain individuals with the skills necessary to achieve our business goals and that we believe are competitive with the base salaries paid by comparable pharmaceutical and biotechnology companies.

Effective as of January 1, 2007, we increased Dr. Demopulos' annual base salary by $25,000 to $475,000, an increase of 6%. We increased his base salary to keep it at a level that is competitive with the base salary levels of similar positions paid by comparable pharmaceutical and biotechnology companies. The annual base salaries of Marcia S. Kelbon, our vice

president, patent and general counsel and Richard J. Klein, our chief financial officer and treasurer, are currently $285,000 and $250,000, respectively. We believe that the base salaries of Ms. Kelbon and Mr. Klein are competitive with the base salaries paid by comparable pharmaceutical and biotechnology companies to executive officers with similar positions and experience.

Discretionary Cash Bonuses. We have from time to time paid cash bonuses to reward performance achievements, but we have not implemented any plan or policy for awarding cash bonuses to our executive officers.

In 2007, as recognition of Dr. Demopulos' leadership and the role he has played in our business since our founding in 1994, we approved payments to Dr. Demopulos in the amount of $278,000, which was approximately equal to the amount of Dr. Demopulos' indebtedness to us, and a tax gross-up amount related to these payments of $159,000. Dr. Demopulos incurred this indebtedness to pay the exercise price of option awards with terms of only five years that he exercised between 2002 and 2005. Dr. Demopulos repaid all of his indebtedness to us in December 2007. In December 2007, we also approved a payment to Dr. Demopulos in the amount of $2,000 as a tax gross-up amount related to $3,500 in legal fees he incurred in connection with the negotiation of his employment agreement. We reimbursed Dr. Demopulos for these legal fees in 2007 pursuant to the terms of his prior employment agreement. We did not pay cash bonuses to Ms. Kelbon or to Mr. Klein in 2007.

Option Awards. We grant option awards to our executive officers as a means of aligning their interests with shareholder value creation and to reward long-term performance. In determining the size of grants of option awards to executive officers, our compensation committee considers the current equity ownership position of the executive officer, if any, the option awards granted to other senior managers in comparable positions both within our company and at comparable pharmaceutical and biotechnology companies, and the expected impact that the executive officer will have on meeting our business goals and increasing shareholder value. Our option awards to new employees vest over a four-year period beginning on an employee's start date, with 1/4th of the shares vesting on the one-year anniversary of his or her start date and 1/48th of the total shares subject to the option award vesting each month thereafter. In addition to option awards for new employees, we typically grant additional options after an employee has fully vested in all of his or her previously granted option awards that generally vest ratably over 48 months beginning on or near the last vesting date of any previously granted option awards. We have also granted option awards to one of our executive officers with vesting tied to the achievement of defined business goals.

Because we grant option awards to our executive officers with exercise prices equal to the fair market value of our common stock on the date of grant, our option awards are only valuable to our executive officers if the price of our common stock increases after the date of grant. Our board of directors has historically determined the value of our common stock based on the consideration of several factors applicable to common stock of privately held companies including, among other things, the prices of our convertible preferred stock sold to outside investors, the rights of our convertible preferred stock relative to those of our common stock, our financial position, the status of our research and development efforts, our stage of development and business strategy, the composition of our management team, the market value of similar companies, the lack of liquidity of our common stock and our likelihood of achieving a liquidity event given prevailing market conditions. We do not have any program, plan or obligation that requires us to grant equity compensation on specified dates and, because we have not been a public company, we have not made equity grants in connection with the release or withholding of material non-public information. As a public company, we intend to grant equity awards at the closing public trading price of our common stock on the date of the grant.

To date, a substantial majority of our outstanding option awards have been granted under our Second Amended and Restated 1998 Stock Option Plan and the nura, inc. 2003 Stock Option Plan. Effective upon completion of this offering, we will only grant option awards under our 2008 Equity Incentive Plan. Please see "Management — Executive Compensation — Employee Benefit Plans" for a description of these plans. The 2008 Equity Incentive Plan will afford us greater flexibility in granting to our executive officers and other employees a wide variety of equity and equity-related awards, including option awards, stock appreciation rights, restricted stock awards, restricted stock units and performance units and shares.

Upon joining us in May 2007, we granted Mr. Klein one option award to purchase 250,000 shares of our common stock, or the base award, and another option award to purchase 25,000 shares of our common stock, or the performance award, each with an exercise price of $1.00 per share. The base award vests over a four-year period beginning on his start date with 1/4th of the shares subject to the base award vesting on May 14, 2008 and 1/48th of the shares subject to the base award vesting each month thereafter. The performance award is not eligible to commence vesting unless by May 14, 2008, the one-year anniversary of Mr. Klein's start date, we close a public or private equity financing (1) in which the number of shares of stock sold in the financing represents no more than 20% of the shares of our stock outstanding, on an as-converted basis, as of immediately following the closing of the financing, in each case excluding any shares of stock sold in an initial public offering to underwriters to cover any over-allotments or (2) which meets other parameters associated with such financing determined by our board of directors. If we close a public or private financing that meets either of those targets by May 14, 2008, the performance option will vest on the same schedule as the base award. If we do not meet at least one of those targets by May 14, 2008, the performance award will be automatically cancelled. In determining the size of Mr. Klein's option awards, the compensation committee reviewed option awards granted by comparable pharmaceutical and biotechnology companies to chief financial officers and determined that the size of Mr. Klein's option awards was competitive to the option awards granted by those comparable companies.

In December 2007, our compensation committee granted option awards to Dr. Demopulos, Ms. Kelbon and Mr. Klein to purchase 200,000, 10,000 and 10,000 shares of our common stock, respectively. Each of these grants has an exercise price of $1.25 per share and vests over a four-year period, with 1/4th of the shares vesting on the one-year anniversary of the grant date and 1/48th of the shares subject to the award vesting each month thereafter. We granted these option awards in connection with company-wide grants that we made to all of our employees. The size of the option awards granted to our executive officers were based on their positions and the contributions that each of them has made to our business.

Severance and Change of Control Benefits. We have entered into an employment agreement with Dr. Demopulos that provides him severance benefits if we terminate his employment without cause or if he terminates his employment with us for good reason. In addition, pursuant to the terms of our Second Amended and Restated 1998 Stock Option Plan, all option awards granted under that plan to our executive officers will accelerate as to 50% of the unvested shares upon a change of control and 100% of the unvested shares if the acquirer does not assume or replace an executive officer's option awards or if, within one year of the change of control, an executive officer is terminated without cause or constructively terminated. See "Management — Executive Compensation — Potential Payment upon Termination or Change in Control" below for a more detailed description and quantification of all of these severance benefits.

We believe that the severance and change of control benefits we provide to Dr. Demopulos are competitive with the benefits offered by comparable pharmaceutical and biotechnology companies to chief executive officers and founders with Dr. Demopulos' tenure, experience and performance. In addition, we believe that these benefits help us to retain Dr. Demopulos

because they mitigate some of the risks associated with working at a smaller company like ours versus other less risky and better cash remunerated job alternatives that Dr. Demopulos may have. In addition, because of the significant acquisition activity among pharmaceutical and biotechnology companies of our size, the critical role that executive officers play in the successful closing of an acquisition and the risk that an executive officer's employment will be terminated as part of the acquisition, we believe that the change of control benefits that we provide to our executive officers under our Second Amended and Restated 1998 Stock Option Plan are necessary to attract and retain qualified individuals to serve as executive officers and to provide an incentive to contribute to the successful completion of an acquisition.

General Benefits. Executive officers are eligible to participate in all of our employee benefit plans, such as medical, dental, vision, life and disability insurance and our 401(k) plan, in each case on the same basis as other employees, subject to applicable law. We also provide vacation and other paid holidays to all employees, including our executive officers, which are comparable to those provided at peer companies.

Summary Compensation Table

The following table shows all of the compensation awarded to, earned by, or paid to our principal executive officer, principal financial officer and our other executive officer for the year ended December 31, 2007. The officers listed in the table below are referred to in this prospectus as the "named executive officers."

2007 Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($) (1)	All Other Compensation ($)	Total ($)
Gregory A. Demopulos, M.D. President, Chief Executive Officer, Chief Medical Officer and Chairman of the Board of Directors	2007	474,940	278,011	* (2)	178,755 (3)	*
Marcia S. Kelbon, Esq. Vice President, Patent and General Counsel and Secretary	2007	285,000	—	*	93	*
Richard J. Klein Chief Financial Officer and Treasurer	2007	157,091 (4)	—	*	77	*

(1) Amounts shown do not reflect compensation actually received by the named executive officers. Instead, the dollar amounts shown in this column represent the compensation cost for the year ended December 31, 2007 of option awards granted to each of our named executive officers as determined pursuant to SFAS 123R using the Black-Scholes option valuation model. The assumptions used to calculate the value of option awards are set forth in Note 10 to our consolidated financial statements included elsewhere in this prospectus. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeiture related to service-based vesting conditions.

(2) Represents $ * of compensation cost for the year ended December 31, 2007 of option awards granted and determined pursuant to SFAS 123R using the Black-Scholes option valuation model and $ * of stock compensation under a variable stock compensation arrangement as described in Note 12 to our consolidated financial statements included elsewhere in this prospectus.

(3) Includes (a) $159,457 of tax gross-up payments related to bonuses we paid to Dr. Demopulos during 2007 and (b) $17,161 in perquisites and other personal benefits, which included payments for medical malpractice insurance, parking expenses, legal fees, medical practice fees and travel expenses.

(4) Mr. Klein's employment with us began in May 2007. His current annual base salary is $250,000.

* To be completed by amendment.

Grant of Plan-Based Awards Table

The following table shows certain information regarding grants of plan-based awards to the named executive officers during the year ended December 31, 2007. All option awards

shown in the table below were granted pursuant to our Second Amended and Restated 1998 Stock Option Plan.

2007 Grant of Plan-Based Awards

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Share)	Grant Date Fair Value of Stock and Option Awards ($)
Gregory A. Demopulos, M.D.	12/30/07	200,000	1.25	*
Marcia S. Kelbon, Esq.	12/30/07	10,000	1.25	*
Richard J. Klein	5/14/07	250,000	1.00	742,675
Richard J. Klein	5/14/07	25,000	1.00	74,268
Richard J. Klein	12/30/07	10,000	1.25	*

* To be completed by amendment.

Executive Employment Agreements

Gregory A. Demopulos, M.D. We have entered into an employment agreement with Dr. Demopulos dated as of December 30, 2007. Pursuant to the terms of his employment agreement, Dr. Demopulos is an at-will employee and is entitled to receive an annual base salary of $475,000, which our compensation committee will review at least annually. We may not reduce Dr. Demopulos' annual base salary without his consent, except for a reduction that is consistent with an across-the-board reduction in base compensation payable to other employees with the title of director or higher. In addition, pursuant to the terms of the agreement, in December 2007 we approved a payment to Dr. Demopulos of $159,000 as a tax gross-up amount related to $278,000 in payments that we made to him that he used to repay indebtedness to us. He incurred this indebtedness to pay the exercise price of option awards with terms of only five years. See "Management — Executive Compensation — Outstanding Equity Awards at Fiscal Year-End" below for a description of the outstanding equity awards held by Dr. Demopulos.

Dr. Demopulos is entitled to participate in any bonus and incentive plans or programs that we may establish from time to time for our employees and is eligible to participate in any employee benefit and fringe plans that we make available to our employees with the title of director or higher, such as participation in our 401(k) plan, life insurance and company-paid health insurance. We have also agreed to allow Dr. Demopulos to maintain his status as a board-eligible orthopedic and hand and microvascular surgeon, which includes his performance of surgical procedures on a limited basis, and have agreed to pay related malpractice insurance and professional fees, which were $9,200 in 2007.

The employment agreement prohibits Dr. Demopulos from competing with us, directly or indirectly, or soliciting our employees to terminate their employment with us or to work with one of our competitors during his employment and for a period of up to two years following termination of his employment. In addition, the employment agreement prohibits him from soliciting or attempting to influence any of our customers or clients to purchase products from our competitors rather than our products.

We have agreed to enter into a new employment agreement with Dr. Demopulos by May 1, 2009. If we do not enter into a new agreement by that date because of our actions or omissions, we could be in material breach of his current employment agreement, which may entitle Dr. Demopulos to termination benefits. For a description of the termination provisions

of Dr. Demopulos' employment agreement, see "Management — Executive Compensation — Potential Payment upon Termination or Change in Control" below.

Marcia S. Kelbon, Esq. We have not entered into an employment agreement with Ms. Kelbon, and she is an at-will employee. Pursuant to the terms of her employment offer letter, Ms. Kelbon received an initial annual base salary of $188,300, was granted one option award to purchase 210,000 shares of our common stock with an exercise price of $0.265 per share and is eligible to participate in our employee benefit plans. This option award vested over a four-year period beginning on October 1, 2001. As of December 31, 2007, Ms. Kelbon's annual base salary was $285,000. See "Management — Executive Compensation — Outstanding Equity Awards at Fiscal Year-End" below for a description of the outstanding equity awards held by Ms. Kelbon.

Richard J. Klein. We have not entered into an employment agreement with Mr. Klein, and he is an at-will employee. Pursuant to the terms of his employment offer letter, Mr. Klein receives an annual base salary of $250,000, is eligible to participate in our employee benefit plans and was granted one option award to purchase 250,000 shares of our common stock, or the base award, and another option award to purchase 25,000 shares of our common stock, or the performance award, each with an exercise price of $1.00 per share. The base award vests over a four-year period beginning May 14, 2007 as follows: 1/4th of the shares subject to the base award vest on May 14, 2008 and 1/48th of the shares subject to the base award vest each month thereafter. The performance award is not eligible to commence vesting unless by May 14, 2008, the one-year anniversary of Mr. Klein's start date, we close a public or private equity financing (1) in which the number of shares of stock sold in the financing represents no more than 20% of the shares of our stock outstanding, on an as-converted basis, as of the date immediately following the closing of the financing, in each case excluding any shares of stock sold in an initial public offering to underwriters to cover any over-allotments or (2) which meets other parameters associated with such financing determined by our board of directors. If we close a public or private financing that meets either of those targets by May 14, 2008, the performance option will vest on the same schedule as the base award. If we do not meet at least one of those targets by May 14, 2008, the performance award will be automatically cancelled.

Pursuant to the terms of both of these option awards, Mr. Klein has the right to exercise these option awards for shares that he is not vested in, provided that if Mr. Klein's employment with us terminates for any reason prior to him vesting into any of shares that he exercised, we have the right, but not the obligation, to repurchase at the original purchase price any shares that Mr. Klein exercised and that he is not vested in as of the date of his termination. In addition, if Mr. Klein exercises the performance award and by May 14, 2008 we have not met either of the targets necessary for the performance award to begin vesting, we will have the right, but not the obligation, to repurchase, at the original purchase price, any shares he purchased pursuant to the exercise of the performance award. As of December 31, 2007, Mr. Klein had exercised a portion of the base award by purchasing 150,000 shares of our common stock at a purchase price of $150,000. See "Management — Executive Compensation — Outstanding Equity Awards at Fiscal Year-End" below for a description of the outstanding equity awards held by Mr. Klein.

Potential Payments upon Termination or Change in Control

We have entered into an employment agreement with Dr. Demopulos that requires us to make payments to him upon termination of his employment in the circumstances described below. In addition, under the terms of our Second Amended and Restated 1998 Stock Option Plan, all of our named executive officers are entitled to acceleration of vesting of their option awards upon our change in control. These arrangements are discussed below.

Employment Agreement with Gregory A. Demopulos, M.D.

The compensation due to Dr. Demopulos pursuant to his employment agreement in the event of the termination of his employment with us varies depending upon the nature of the termination.

Termination Without Cause or for Good Reason. Dr. Demopulos' employment agreement provides that if we terminate him without "cause," as defined below, or if he terminates his employment with us for "good reason," as defined below, then until the earlier of (1) two years from the date of his termination and (2) his start date with a new employer that pays him an annual base salary at least equal to the annual base salary we paid to him prior to his termination (provided that if he terminates his employment for good reason because of a reduction in his annual base salary, then the annual base salary that will be measured will be the annual base salary we paid him prior to such reduction), we will be obligated to pay him on our regularly scheduled payroll dates on an annualized basis:

- the annual base salary he was receiving as of his termination, provided that if he terminates his employment for good reason because of a reduction in his annual base salary, then the annual base salary we will be obligated to pay him will be his annual base salary in effect prior to such reduction; plus
- the greater of (1) the average annual bonus he received in the preceding two calendar years and (2) any bonus he would have been entitled to in the year of his termination as determined by our board of directors in good faith.

In addition, if we terminate Dr. Demopulos without cause or if he terminates his employment with us for good reason, all of his unvested option awards will immediately vest and become exercisable until the maximum term of the respective option awards and all unvested restricted shares he holds will immediately vest. Dr. Demopulos and his eligible dependents may also continue to participate in all health plans we provide to our employees on the same terms as our employees, unless his new employer provides comparable coverage.

"Cause" is defined under Dr. Demopulos' employment agreement to mean:

- his willful misconduct or gross negligence in performance of his duties, including his refusal to comply in any material respect with the legal directives of our board of directors so long as such directives are not inconsistent with his position and duties, and such refusal to comply is not remedied within ten working days after written notice from the board of directors;
- dishonest or fraudulent conduct that materially discredits us, a deliberate attempt to do an injury to us, or conduct that materially discredits us or is materially detrimental to the reputation of us, including conviction of a felony; or
- his material breach, if incurable, of any element of his confidential information and invention assignment agreement with us, including without limitation, his theft or other misappropriation of our proprietary information.

Dr. Demopulos may terminate his employment for "good reason" if he terminates his employment with us within 120 days of the occurrence of any of the following events:

- any material diminution in his authority, duties or responsibilities;
- any material diminution in his base salary;
- we relocate his principal work location to a place that is more than 50 miles from our current location; or

- we materially breach his employment agreement, which may include, for example, our failure to enter into a new employment agreement by May 1, 2009 because of our actions or omissions.

If any of the above events have occurred as a result of our action, we will have 30 days from notice of such event from Dr. Demopulos to remedy the situation, in which case Dr. Demopulos will not be entitled to terminate his employment for good reason related to the event.

If Dr. Demopulos had been terminated without cause or if he had terminated his employment with good reason on December 31, 2007, Dr. Demopulos would have been entitled to receive an annual base salary of $475,000 and an annual bonus amount of $235,700, payable on a bi-monthly basis over a period of up to two years from the date of termination. In addition, option awards with a value of $ would automatically vest upon his termination, which is the difference between the exercise price of the option awards held by Dr. Demopulos and the assumed initial public offering price of $ (the mid-point of the range set forth on the cover page of this prospectus), multiplied by the number of shares that would have vested on December 31, 2007 as the result of his termination. Dr. Demopulos and his eligible dependents would also be entitled to participate in the health plans we provide to our employees for a period of up to two years from the date of his termination at a cost to us of approximately $10,500.

Termination for Cause, Voluntary Termination, Death or Disability. If we terminate Dr. Demopulos for cause, if other than for good reason he voluntarily terminates his employment or if his employment is terminated as a result of his death or "disability," as defined below, Dr. Demopulos will be entitled to receive payments for all earned but unpaid salary bonuses and vacation time, but he will not be entitled to any severance benefits.

"Disability" is defined under his employment agreement as his inability to perform his duties as the result of his incapacity due to physical or mental illness, and such inability, which continues for at least 120 consecutive calendar days or 150 calendar days during any consecutive twelve-month period, if shorter, after its commencement, is determined to be total and permanent by a physician selected by us and our insurers and acceptable to Dr. Demopulos.

Second Amended and Restated 1998 Stock Option Plan

Pursuant to our Second Amended and Restated 1998 Stock Option Plan, or 1998 Stock Plan, in the event of a "change in control," as defined below, the vesting of option awards issued pursuant to the 1998 Stock Plan, including those held by Dr. Demopulos, Ms. Kelbon, and Mr. Klein, will be accelerated to the extent of 50% of the remaining unvested shares. If there is no assumption or substitution of outstanding option awards by the successor corporation in the change in control, the option awards will become fully vested and exercisable immediately prior to the change in control. In addition, pursuant to the terms of the 1998 Stock Plan, if within 12 months following a change in control Dr. Demopulos, Ms. Kelbon or Mr. Klein is terminated without "cause" or as a result of a "constructive termination," as such terms are defined below, any outstanding option awards held by him or her that we issued pursuant to the 1998 Stock Plan will become fully vested and exercisable.

The following terms have the following definitions under the 1998 Stock Plan:

- a "change in control" means proposed sale of all or substantially all of the assets of us, or the merger of us with or into another corporation, or other change in control;
- a termination for "cause" means a termination of an employee for any of the following reasons: (1) his or her willful failure to substantially perform his or her duties and responsibilities to us or a deliberate violation of a company policy; (2) his or her commission of any act of fraud, embezzlement, dishonesty or any other willful

misconduct that has caused or is reasonably expected to result in material injury to us; (3) unauthorized use or disclosure by him or her of any proprietary information or trade secrets of ours or any other party to whom he or she owes an obligation of nondisclosure as a result of his or her relationship with us; or (4) his or her willful breach of any of his or her obligations under any written agreement or covenant with us; and

- a "constructive termination" means the occurrence of any of the following events: (1) there is a material adverse change in an employee's position causing such position to be of materially reduced stature or responsibility; (2) a reduction of more than 30% of an employee's base compensation unless in connection with similar decreases of other similarly situated employees; or (3) an employee's refusal to comply with our request to relocate to a facility or location more than 50 miles from our current location; provided that in order for an employee to be constructively terminated, he or she must voluntarily terminate his or her employment within 30 days of the applicable material change or reduction.

The following table summarizes the benefits that Dr. Demopulos, Ms. Kelbon and Mr. Klein would have been entitled to receive pursuant to the terms of the 1998 Stock Plan had a change in control occurred on December 31, 2007. The amounts below represent the difference between the exercise price of the option awards issued under the 1998 Stock Plan and held by these employees and the assumed initial public offering price of $ (the mid-point of the range set forth on the cover page of this prospectus), multiplied by the number of shares that would have vested on December 31, 2007 upon the occurrence of each of the events identified in the table below.

Name	Successor in Change in Control Assumes or Replaces Option Awards ($)	Successor in Change in Control does not Assume or Replace Option Awards ($)	Employee is Terminated Without Cause or Constructively Terminated within Twelve Months of Change in Control ($)
Gregory A. Demopulos, M.D.			
Marcia S. Kelbon, Esq.			
Richard J. Klein			

Employee Benefit Plans

Second Amended and Restated 1998 Stock Option Plan

Our board of directors adopted our 1998 Stock Plan in February 1998 and our shareholders approved it in February 1998. Our 1998 Stock Plan provides for the grant of incentive stock options, within the meaning of Section 422 of the Internal Revenue Code of 1986, or the Code, to our employees, and for the grant of nonstatutory stock options to our employees, directors and consultants.

Share Reserve. We have reserved a total of 8,311,516 shares of our common stock for issuance pursuant to our 1998 Stock Plan. As of December 31, 2007, option awards to purchase 5,843,306 shares of common stock were outstanding, 221,529 shares were available for future grant under this plan and 2,246,681 shares had been issued upon the exercise of option awards granted pursuant to this plan. We will not grant any additional option awards under our 1998 Stock Plan following this offering and will instead grant options under our 2008 Equity Incentive Plan. However, the 1998 Stock Plan will continue to govern the terms and conditions of the outstanding awards previously granted thereunder.

Administration. Our board of directors or a committee appointed by our board of directors administers our 1998 Stock Plan. Our compensation committee will be responsible for administering all of our equity compensation plans upon the completion of this offering. Under our 1998 Stock Plan, the plan administrator has the power to determine the terms of the awards, including the employees and consultants who will receive awards, the exercise price

of each award, the number of shares subject to each award, the vesting schedule and exercisability of each award and the form of consideration payable upon exercise.

Stock Options. The exercise price of incentive stock options must be at least equal to the fair market value of our common stock on the date of grant, and their terms may not exceed ten years. The exercise price of nonstatutory stock options may be determined by the plan administrator provided that, if the grantee is our chief executive officer or one of our four most highly compensated executive officers other than our chief executive officer, the per share price may be no less than 100% of the fair market value. With respect to incentive stock options granted to any participant who owns 10% or more of the voting power of all classes of our outstanding stock as of the grant date, the term must not exceed five years and the exercise price must equal at least 110% of the fair market value on the grant date.

Effect of Termination of Service. Upon termination of a participant's service with us or with a subsidiary of ours, he or she may exercise his or her option award for the period of time stated in the option agreement, to the extent his or her option award is vested on the date of termination. In the absence of a stated period in the award agreement, if termination is due to disability, the option award will remain exercisable for up to twelve months following termination or, if termination is due to death or death occurs within 30 days of termination, the option award will remain exercisable for up to 12 months following the date of death. If termination is for cause, the option award will immediately terminate in its entirety. For all other terminations, unless otherwise stated in the award agreement, the option award will remain exercisable for 30 days. An option award may never be exercised after the expiration of its term.

Effect of a Change of Control. Our 1998 Stock Plan provides that, in the event of certain change of control transactions, including our merger with or into another corporation or the sale of all or substantially all of our assets, the vesting of the awards will be accelerated to the extent of 50% of the remaining unvested shares. If there is no assumption or substitution of outstanding awards by the successor corporation, the awards will become fully vested and exercisable immediately prior to the change in control unless otherwise determined by the plan administrator at the time of grant. Our 1998 Stock Plan provides that, for certain officers of the company who are terminated without cause or constructively terminated within the twelve months after a change of control transaction, any outstanding award held by them will become fully vested and exercisable.

Transferability. Unless otherwise determined by the plan administrator, the 1998 Stock Plan generally does not allow for the sale or transfer of awards under the 1998 Stock Plan other than by will or the laws of descent and distribution, and may be exercised only during the lifetime of the participant and only by that participant.

Additional Provisions. Our board of directors has the authority to amend, suspend or terminate the 1998 Stock Plan provided that action does not impair the rights of any participant without the written consent of that participant.

Plan Amendments and Termination. Our 1998 Stock Plan will automatically terminate in February 2008, unless we terminate it sooner. In addition, our board of directors has the authority to amend, suspend or terminate the 1998 Stock Plan provided such action does not impair the rights of any participant. The 1998 Stock Plan will be terminated upon the completion of this offering but will continue to govern the terms and conditions of outstanding awards previously granted thereunder.

nura, inc. 2003 Stock Option Plan

In connection with our acquisition of nura in August 2006, we assumed the nura, inc. 2003 Stock Option Plan, or 2003 Stock Plan, and all of the option awards issued pursuant to the

2003 Stock Plan that were outstanding as of the date of the acquisition. Our 2003 Stock Plan provides for the grant of incentive stock options, within the meaning of Section 422 of the Code, to our employees, and for the grant of nonstatutory stock options to our employees, directors and consultants. The 2003 Stock Plan also allows for the award of stock purchase rights.

Share Reserve. A total of 15,192 shares of our common stock are reserved for issuance pursuant to our 2003 Stock Plan. As of December 31, 2007, options to purchase 6,070 shares of common stock were outstanding. We will not grant any additional awards under our 2003 Stock Plan. However, the 2003 Stock Plan will continue to govern the terms and conditions of the outstanding awards previously granted thereunder.

Administration. Our board of directors or a committee appointed by our board of directors administers our 2003 Stock Plan. Our compensation committee will be responsible for administering all of our equity compensation plans upon the completion of this offering. Under the nura 2003 Stock Plan, the plan administrator has the power to determine the terms of the awards, including the employees and consultants who will receive awards, the exercise price of the award, the number of shares subject to each award, the vesting schedule and exercisability of each award and the form of consideration payable upon exercise.

Stock Options. The exercise price of incentive stock options must be at least equal to the fair market value of our common stock on the date of grant, and their terms may not exceed ten years. The exercise price of nonstatutory stock options may be determined by the plan administrator. With respect to incentive stock options granted to any participant who owns 10% or more of the voting power of all classes of our outstanding stock as of the grant date, the term must not exceed five years and the exercise price must equal at least 110% of the fair market value on the grant date.

Effect of Termination of Service. Upon termination of a participant's service with us or with a subsidiary of ours, he or she may exercise his or her option award for the period of time stated in the option agreement, to the extent his or her option award is vested on the date of termination. In the absence of a stated period in the award agreement, if termination is due to death or disability, the option award will remain exercisable for up to twelve months. For all other terminations, unless otherwise stated in the award agreement, the option award will remain exercisable for three months. An option award may never be exercised after the expiration of its term.

Effect of a Change of Control. Our 2003 Stock Plan provides that in the event of our merger with or into another corporation or our "change in control," the successor corporation will assume or substitute an equivalent award for each outstanding award under the plan. If there is no assumption, substitution or replacement of outstanding awards, such awards will become fully vested and exercisable immediately prior to the merger or change in control, and the administrator will provide notice to the recipient that he or she has the right to exercise such outstanding awards for a period of 15 days from the date of the notice. The awards will terminate upon the expiration of the 15-day period.

Transferability. Unless otherwise determined by the plan administrator, the 2003 Stock Plan generally does not allow for the sale or transfer of awards under the 2003 Stock Plan other than by will or the laws of descent and distribution, and may be exercised only during the lifetime of the participant and only by that participant.

Additional Provisions. Our board of directors has the authority to amend, suspend or terminate the 2003 Stock Plan without the written consent of a participant, provided that the action does not impair the rights of that participant.

Plan Amendments and Termination. Our 2003 Stock Plan will automatically terminate in 2013, unless we terminate it sooner. In addition, our board of directors has the authority to

amend, suspend or terminate the 2003 Stock Plan provided such action does not impair the rights of any participant. We will not grant any additional awards under our 2003 Stock Plan and this plan will be terminated upon the completion of this offering but will continue to govern the terms and conditions of outstanding awards previously granted thereunder.

2008 Equity Incentive Plan

Our board of directors adopted our 2008 Equity Incentive Plan in 2008, and our shareholders approved the 2008 Equity Incentive Plan in 2008. Our 2008 Equity Incentive Plan provides for the grant of incentive stock options, within the meaning of Section 422 of the Code, to our employees and any parent and subsidiary corporations' employees, and for the grant of nonstatutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance units and performance shares to our employees, directors and consultants and our parent and subsidiary corporations' employees and consultants.

Share Reserve. We have reserved a total of shares of our common stock for issuance pursuant to the 2008 Equity Incentive Plan plus (a) the number of shares that we have reserved but not issued under our 1998 Stock Plan upon completion of this offering, which as of December 31, 2007 was 221,529 shares, and (b) any shares returned to the 1998 Stock Plan as a result of termination of options or repurchase of shares issued pursuant to such plans.

In addition, our 2008 Equity Incentive Plan provides for annual increases in the number of shares available for issuance thereunder on the first day of each fiscal year, beginning with our 2008 fiscal year, equal to the lesser of:

- of the outstanding shares of our common stock on the last day of the immediately preceding fiscal year;
- shares; and
- such other amount as our board of directors may determine.

Administration. Our board of directors or a committee of our board administers our 2008 Equity Incentive Plan. Our compensation committee will be responsible for administering all of our equity compensation plans upon the completion of this offering. In the case of option awards intended to qualify as "performance based compensation" within the meaning of Section 162(m) of the Code, the committee will consist of two or more "outside directors" within the meaning of Section 162(m) of the Code. The administrator has the power to determine the terms of the awards, including the exercise price, the number of shares subject to each such award, the exercisability of the awards and the form of consideration payable upon exercise. The administrator also has the authority to institute an exchange program whereby the exercise prices of outstanding awards may be reduced, outstanding awards may be surrendered in exchange for awards with a lower exercise price, or outstanding awards may be transferred to a third party.

Option Awards. The exercise price of option awards granted under our 2008 Equity Incentive Plan must generally at least be equal to the fair market value of our common stock on the date of grant. The term of an incentive stock option may not exceed ten years, except that with respect to any participant who owns more than 10% of the voting power of all classes of our outstanding stock as of the grant date, the term must not exceed five years and the exercise price must equal at least 110% of the fair market value on the grant date. The administrator determines the term of all other option awards.

After termination of an employee, director or consultant, he or she may exercise his or her option award for the period of time stated in the option agreement. Generally, if termination is due to death or disability, the option will remain exercisable for twelve months. In all other

cases, the option will generally remain exercisable for three months. However, an option may not be exercised later than the expiration of its term.

Stock Appreciation Rights. Stock appreciation rights may be granted under our 2008 Equity Incentive Plan. Stock appreciation rights allow the recipient to receive the appreciation in the fair market value of our common stock between the exercise date and the date of grant. The administrator determines the terms of stock appreciation rights, including when such rights become exercisable and whether to pay the increased appreciation in cash or with shares of our common stock, or a combination thereof. Stock appreciation rights expire under the same rules that apply to stock options.

Restricted Stock Awards. Restricted stock may be granted under our 2008 Equity Incentive Plan. Restricted stock awards are shares of our common stock that vest in accordance with terms and conditions established by the administrator. The administrator will determine the number of shares of restricted stock granted to any employee. The administrator may impose whatever conditions to vesting it determines to be appropriate. For example, the administrator may set restrictions based on the achievement of specific performance goals. Shares of restricted stock that do not vest are subject to our right of repurchase or forfeiture.

Restricted Stock Units. Restricted stock units may be granted under our 2008 Equity Incentive Plan. Restricted stock units are awards of restricted stock, performance shares or performance units that are paid out in installments or on a deferred basis. The administrator determines the terms and conditions of restricted stock units including the vesting criteria and the form and timing of payment.

Performance Units and Shares. Performance units and performance shares may be granted under our 2008 Equity Incentive Plan. Performance units and performance shares are awards that will result in a payment to a participant only if performance goals established by the administrator are achieved or the awards otherwise vest. The administrator will establish organizational or individual performance goals in its discretion, which, depending on the extent to which they are met, will determine the number and/or the value of performance units and performance shares to be paid out to participants. Performance units shall have an initial dollar value established by the administrator prior to the grant date. Performance shares shall have an initial value equal to the fair market value of our common stock on the grant date. Payment for performance units and performance shares may be made in cash or in shares of our common stock with equivalent value, or in some combination, as determined by the administrator.

Transferability of Awards. Unless the administrator provides otherwise, our 2008 Equity Incentive Plan does not allow for the transfer of awards and only the recipient of an award may exercise an award during his or her lifetime.

Change in Control Transactions. Our 2008 Equity Incentive Plan provides that in the event of our “change in control,” the successor corporation or its parent or subsidiary will assume or substitute an equivalent award for each outstanding award. If there is no assumption or substitution of outstanding awards, the awards will fully vest, all restrictions shall lapse and become fully exercisable. The administrator will provide notice to the recipient that he or she has the right to exercise the option and stock appreciation right as to all of the shares subject to the award, all restrictions on restricted stock will lapse, and all performance goals or other vesting requirements for performance shares and units will be deemed achieved, and all other terms and conditions met. The option or stock appreciation right will terminate upon the expiration of the period of time the administrator provides in the notice. In the event the service of an outside director is terminated on or following a change in control, other than pursuant to a voluntary resignation, his or her options and stock appreciation rights will fully vest and become immediately exercisable, all restrictions on restricted stock will lapse, and all performance goals or other vesting requirements for performance shares and units will be deemed achieved, and all other terms and conditions met.

Plan Amendments and Termination. Our 2008 Equity Incentive Plan will automatically terminate in 2018, unless we terminate it sooner. In addition, our board of directors has the authority to amend, suspend or terminate the 2008 Equity Incentive Plan provided such action does not impair the rights of any participant.

Individual Option Awards

On December 11, 2001 we granted individual option awards to purchase an aggregate of 148,906 shares of our common stock to two of our founders, including Gregory A. Demopulos, M.D., our president, chief executive officer, chief medical officer and chairman of the board of directors. These option awards were fully vested upon grant and are exercisable until December 11, 2011. As of December 31, 2007, option awards to purchase an aggregate of 58,806 shares of our common stock, with an exercise price of $0.265 per share, were outstanding under these individual option awards.

401(k) Plan

We maintain a 401(k) Plan that is intended to be a tax-qualified retirement plan. The 401(k) Plan covers all of our employees who meet eligibility requirements. Currently, employees may elect to defer up to 75% of their compensation, or the statutorily prescribed limit, if less, to the 401(k) Plan. Under the 401(k) Plan, we may elect to make a discretionary contribution or match a discretionary percentage of employee contributions but we currently do not make any contributions nor have we matched any employee contributions. The 401(k) Plan has a discretionary profit sharing component, which to date we have not implemented, whereby we can make a contribution in an amount to be determined annually by our board of directors. An employee's interests in his or her deferrals are 100% vested when contributed. The 401(k) Plan is intended to qualify under Sections 401(a) and 501(a) of the Code. As such, contributions to the 401(k) Plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) Plan, and all contributions are deductible by us when made.

Outstanding Equity Awards at Fiscal Year-End Table

The following table shows certain information regarding outstanding equity awards held by each of the named executive officers as of December 31, 2007.

2007 Outstanding Equity Awards at Fiscal Year-End

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)	Option Exercise Price ($)	Option Expiration Date	Number of Shares of Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(2)
Gregory A. Demopulos, M.D.	3,025	—	0.265	12/10/11	—	—
	566,666	233,334(3)	0.50	12/11/16	—	—
	850,000	350,000(3)	0.50	12/11/16	—	—
	—	200,000(4)	1.25	12/30/17	—	—
Marcia S. Kelbon, Esq.	205,833	174,167(5)	0.50	12/11/16	—	—
	—	10,000(4)	1.25	12/30/17	—	—
Richard J. Klein	100,000(6) (7)	—	1.00	05/14/17	150,000(6) (7)	
	25,000(6) (8)	—	1.00	05/14/17	—	—
	—	10,000(4)	1.25	12/30/17	—	—

(1) These option awards were granted pursuant to the 1998 Stock Plan, which provides for the automatic vesting of at least a portion of any unvested options upon a change of control transaction as described under the section of this prospectus entitled "Management — Employee Benefit Plans — Second Amended and Restated 1998 Stock Option Plan."

(2) The market value of shares of stock that have not vested has been calculated using the assumed initial public offering price of $ per share (the mid-point of the range set forth on the cover page of this prospectus).

(3) The shares subject to the option award vest on a monthly basis in equal amounts over a four-year period that began on February 28, 2005.

(4) 1/4th of the shares subject to the option award vest on December 30, 2008 and 1/48th of the shares subject to the option award vest each month thereafter

(5) The shares subject to the option award vest on a monthly basis in equal amounts over a four-year period that began on October 1, 2005.

(6) Mr. Klein was not vested in these shares as of December 31, 2007. Pursuant to the terms of the option award, Mr. Klein has the right to purchase unvested shares, provided that if his employment terminates for any reason prior to him vesting into any shares that he exercised, we have the right, but not the obligation, to repurchase at the original purchase price any shares that he exercised and is not vested in as of the date of his termination.

(7) A total of 250,000 shares are subject to this option award. 1/4th of the shares subject to the option vest on May 14, 2008 and 1/48th of the shares vest each month thereafter. As of December 31, 2007, Mr. Klein had purchased 150,000 of these shares, none of which were vested.

(8) 1/4th of the shares subject to the option award vest on May 14, 2008 and 1/48th of the shares vest each month thereafter, provided that if we do not meet the performance targets described in "Management — Executive Compensation — Executive Employment Agreements — Richard J. Klein," this option shall automatically terminate on May 14, 2008.

Option Exercises and Stock Vested Table

The following table shows certain information regarding option exercises by each of the named executive officers during the year ended December 31, 2007.

2007 Option Exercises and Stock Vested

	Option Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (#)(1)
Gregory A. Demopulos, M.D.	20,000	
Marcia S. Kelbon, Esq.	70,000	
Richard J. Klein (2)	—	—

(1) The value realized on exercise has been calculated using the assumed initial public offering price of $ per share (the mid-point of the range set forth on the cover page of this prospectus).

(2) During the year ended December 31, 2007, Mr. Klein purchased 150,000 shares of our common stock pursuant to the exercise of an option award. Because none of these shares were vested as of December 31, 2007, they are not reflected in the table above.

Pension Benefits

None of our named executive officers participates in or has account balances in qualified or non-qualified benefit plans sponsored by us.

Nonqualified Deferred Compensation

None of our named executive officers participates in or has account balances in nonqualified defined contribution plans or other deferred compensation plans maintained by us.

Limitation of Liability and Indemnification

Our articles of incorporation contain provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Washington law. Consequently, our

directors will not be personally liable to us or our shareholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

- acts or omissions that involve intentional misconduct or a knowing violation of law;
- unlawful distributions; or
- any transaction from which the director will personally receive a benefit in money, property or services to which the director is not legally entitled.

Our articles of incorporation and our bylaws provide that we are required to indemnify our directors and officers, in each case to the fullest extent permitted by Washington law. Any repeal of or modification to our articles of incorporation or bylaws may not adversely affect any right or protection of a director or officer for or with respect to any acts or omissions of such director or officer occurring prior to such amendment or repeal. Our bylaws will also provide that we shall advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding, and permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in that capacity regardless of whether we would otherwise be permitted to indemnify him or her under the provisions of Washington law.

We have entered and expect to continue to enter into agreements to indemnify our directors, executive officers and other employees as determined by the board of directors. With certain exceptions, these agreements provide for indemnification for related expenses including, among other things, attorneys' fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. We believe that these charter provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions contained in our articles of incorporation and bylaws may discourage shareholders from bringing a lawsuit against our directors for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other shareholders. Further, a shareholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions. At present, there is no pending litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

The following is a summary of transactions since January 1, 2005 to which we have been a party in which the amount involved exceeded $120,000 and in which any of our executive officers, directors or beneficial holders of more than five percent of our capital stock had or will have a direct or indirect material interest, other than compensation arrangements which are described under the section of this prospectus entitled “Management—Non-Employee Director Compensation” and “Management — Executive Compensation.”

Stock Issuances

Option Award Exercises

Since January 1, 2005, Gregory A. Demopulos, M.D., our president, chief executive officer, chief medical officer and chairman of the board of directors and holder of more than five percent of our capital stock, has purchased 20,000 and 559,917 shares of our common stock at prices of $0.175 and $0.2915 per share, respectively, by exercising option awards granted pursuant to our 1998 Stock Plan, resulting in an aggregate purchase price of $166,716.

Since January 1, 2005, Marcia S. Kelbon, our vice president, patent and general counsel and secretary, has purchased 157,500 shares of our common stock at a price of $0.265 per share by exercising an option award granted pursuant to our 1998 Stock Plan, resulting in an aggregate purchase price of $41,738.

In June 2007, Richard J. Klein, our chief financial officer and treasurer, purchased 150,000 shares of our common stock at a price of $1.00 per share by exercising an option award granted pursuant to our 1998 Stock Plan, resulting in an aggregate purchase price of $150,000. Pursuant to the terms of his option award, Mr. Klein has the right to exercise his option award for shares that he is not vested in. As of December 31, 2007, Mr. Klein had not vested in any shares of common stock that he purchased by exercising his option award. If Mr. Klein’s employment terminates before he fully vests in the shares that he purchased, we will have the right, but not the obligation, to repurchase the unvested shares at a price of $1.00 per share.

Common Stock Warrant Exercises

In December 2007, Thomas J. Cable, Gregory A. Demopulos, M.D., Peter A. Demopulos, M.D., FACC and Aspiri Enterprises, LLC, of which Ray Aspiri is the managing partner and a member, each purchased 17,857 shares of our common stock at a price of $1.75 per share by exercising common stock warrants granted to them in December 1997 in connection with their agreements to guarantee a loan made to us by a third party that we have repaid.

Acquisition of nura, inc.

On August 11, 2006, we issued to the related persons named in the table below the following number of shares of our Series E convertible preferred stock and common stock in connection with our acquisition of nura, inc.

Name	Series E Convertible Preferred Stock (#)(1)	Common Stock (#)
Aravis Venture I, L.P.(2)	559,551	6,925
Entities affiliated with ARCH Venture Partners (3)	839,326	7,741

(1) Of these shares of Series E convertible preferred stock, 83,932, 125,068 and 830 shares are being held in escrow until February 11, 2008 on behalf of Aravis Venture I, L.P., ARCH Venture Fund V, L.P. and ARCH V Entrepreneurs Fund V, L.P., respectively, to secure claims we may bring for indemnification pursuant to the agreement and plan of reorganization with nura.

(2) Jean-Philippe Tripet, a member of our board of directors, is managing partner of Aravis Venture I, L.P. Mr. Tripet holds the title of Director of Aravis General Partner Ltd., which serves as general partner of Aravis Venture I, L.P. Mr. Tripet disclaims beneficial ownership of the shares held by Aravis Venture I, L.P., except to the extent of his proportionate pecuniary interest therein.

(3) Represents (a) 833,787 and 7,690 shares of Series E convertible preferred stock and common stock, respectively, held by ARCH Venture Fund V, L.P. and (b) 5,539 and 51 shares of Series E convertible preferred stock and common stock, respectively, held by ARCH V Entrepreneurs Fund V, L.P. These two associated partnerships together hold more than five percent of our capital stock.

Private Placement of Series E Convertible Preferred Stock

On August 21, 2006, we issued and sold to the related persons named in the table below the following number of shares of our Series E convertible preferred stock at a price of $5.00 per share.

Name	Series E Convertible Preferred Stock (#)	Aggregate Purchase Price ($)
Aravis Venture I, L.P.	400,000	2,000,000
Entities affiliated with ARCH Venture Partners (1)	600,000	3,000,000

(1) Represents 595,984 and 4,016 shares of Series E convertible preferred stock that we issued and sold to ARCH Venture Fund V, L.P. and ARCH V Entrepreneurs Fund V, L.P., respectively.

Agreement and Plan of Reorganization with nura, inc.

In connection with our acquisition of nura on August 11, 2006, we entered into an agreement and plan of reorganization with nura that provides for the issuance of our capital stock in exchange for all of the outstanding capital stock of nura. In connection with this agreement, 15% of the shares of Series E convertible preferred stock that we issued to the former holders of nura capital stock were placed into escrow until February 11, 2008 to secure claims we may bring for indemnification pursuant to the agreement, including 83,932, 125,068 and 830 shares issued to Aravis Venture I, L.P., ARCH Venture Fund V, L.P. and ARCH V Entrepreneurs Fund V, L.P., respectively. These shares of Series E convertible preferred stock will automatically convert into an equivalent number of shares of common stock upon the completion of this offering. In addition, ARCH Venture Corporation, which is affiliated with ARCH Venture Partners, is named as the agent of the former stockholders of nura, inc. under the agreement and plan of reorganization.

Amended and Restated Investors' Rights Agreement

We have entered into an amended and restated investors' rights agreement with the purchasers of our convertible preferred stock and certain holders of our common stock, including entities affiliated with ARCH Venture Partners, Aravis Venture I, L.P., Aspiri Enterprises, LLC, Thomas J. Cable, Gregory A. Demopulos, M.D., Peter A. Demopulos, M.D., FACC and Leroy E. Hood, M.D., Ph.D. The holders of 26,022,263 shares of our common stock, including the shares of common stock issuable upon conversion of all outstanding shares of our convertible preferred stock, are entitled to registration rights with respect to these shares under the Securities Act of 1933, as amended. For a more detailed description of these registration rights, including the limitations on these rights related to this offering, see "Description of Capital Stock — Registration Rights."

Loans

On December 31, 2002, March 13, 2003, December 31, 2003 and December 31, 2005 we made loans to Gregory A. Demopulos, M.D. with principal amounts of $65,000, $28,116, $58,300 and $87,450, respectively, that accrue interest on the principal amounts at annual rates of 4.5%, 4.5%, 3.0% and 6.25%, respectively. Dr. Demopulos used the proceeds from these loans to exercise option awards that had terms of five years. Each of these loans was secured by our common stock held by Dr. Demopulos. On September 30, 2007, an aggregate of $275,069 of principal and accrued interest was outstanding under these loans, of which

$238,866 represented principal and $36,203 represented accrued interest. Dr. Demopulos repaid all of the principal and interest due on these loans in December 2007.

Policies and Procedures for Related-Party Transactions

We intend to adopt a formal policy that our executive officers, directors, and principal shareholders, including their immediate family members, are not permitted to enter into a related-party transaction with us without the approval of our audit committee. Any request for us to enter into a transaction with an executive officer, director, principal shareholder, or any of such persons' immediate family members, in which the amount involved exceeds $120,000, other than transactions involving compensation for services provided to us as an executive officer or director, must be presented to our audit committee for review, consideration and approval. All of our directors and executive officers are required to report to our audit committee any such related-party transaction. In approving or rejecting the proposed related-party transaction, our audit committee shall consider the relevant facts and circumstances available and deemed relevant to the audit committee, including, whether the transaction is fair to us and whether the terms of the transaction would be similar if the transaction did not involve a related party, whether the transaction would impair the independence of a non-employee director, the materiality of the transaction and whether the transaction would present an improper conflict of interest between us and the related party. This policy will become effective upon completion of this offering and is intended to meet NASDAQ listing requirements. All of the transactions described above were entered into prior to the adoption of this policy.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our common stock at December 31, 2007, as adjusted to reflect the sale of common stock offered by us in this offering, for:

- each person who we know beneficially owns more than five percent of our common stock;
- each of our directors;
- each of our named executive officers; and
- all of our directors and executive officers as a group.

We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of common stock that they beneficially own, subject to applicable community property laws.

Applicable percentage ownership is based on 27,975,726 shares of common stock outstanding at December 31, 2007. For purposes of the table below, we have assumed that shares of common stock will be outstanding upon completion of this offering. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed to be outstanding all shares of common stock subject to options, warrants or other convertible securities held by that person that are currently exercisable or exercisable within 60 days of December 31, 2007. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Omeros Corporation, 1420 Fifth Avenue, Suite 2600, Seattle, Washington 98101.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned	
		Before Offering	After Offering
5% Shareholders:			
Entities affiliated with ARCH Venture Partners (1)	1,447,067	5.2%	
Directors and Executive Officers:			
Gregory A. Demopulos, M.D. (2)	4,394,563	14.9%	
Marcia S. Kelbon, Esq. (3)	431,666	1.5%	
Richard J. Klein (4)	275,000	*	
Ray Aspiri (5)	317,857	1.1%	
Thomas J. Cable (6)	194,163	*	
Peter A. Demopulos, M.D., FACC (7)	517,045	1.8%	
Leroy E. Hood, M.D., Ph.D. (8)	106,603	*	
David A. Mann	—	—	
Jean-Philippe Tripet (9)	966,476	3.5%	
All executive officers and directors as a group (9 persons) (10)	7,203,373	24.0%	

* Less than one percent

(1) Represents (a) 1,437,461 shares of common stock held by ARCH Venture Fund V, L.P. and (b) 9,606 shares of common stock held by ARCH V Entrepreneurs Fund, L.P.

(2) Includes 1,503,025 shares of common stock that Dr. Demopulos has the right to acquire from us within 60 days of December 31, 2007 pursuant to the exercise of option awards.

(3) Includes 221,666 shares of common stock that Ms. Kelbon has the right to acquire from us within 60 days of December 31, 2007 pursuant to the exercise of option awards.

(4) Represents (a) 150,000 shares of common stock that Mr. Klein acquired from us pursuant to the exercise of an option award and (b) 125,000 shares of common stock that Mr. Klein has the right to acquire from us within 60 days of December 31, 2007 pursuant to the exercise of option awards. Pursuant to the terms of his option awards, Mr. Klein has the right to exercise his option awards for shares that he is not vested in. As of December 31, 2007, Mr. Klein had not vested in any shares of common stock that he purchased by exercising his option award. If Mr. Klein's employment terminates before he fully vests in the shares that he purchased, we will have the right, but not the obligation, to repurchase the unvested shares at a price of $1.00 per share. See "Management — Executive Compensation — Executive Employment Agreements — Richard J. Klein" for a description of the vesting terms of Mr. Klein's option awards.

(5) Represents (a) 30,000 shares of common stock that Mr. Aspiri has the right to acquire from us within 60 days of December 31, 2007 pursuant to the exercise of option awards and (b) 287,857 shares of common stock held by Aspiri Enterprises LLC. Mr. Aspiri is the managing partner and a member of Aspiri Enterprises LLC.

(6) Includes (a) 65,000 shares of common stock that Mr. Cable has the right to acquire from us within 60 days of December 31, 2007 pursuant to the exercise of option awards and (b) 20,000 shares of common stock held by the Thomas J. Cable Defined Benefit Retirement Plan, of which Mr. Cable is the beneficiary.

(7) Includes 322,188 shares of common stock held by the Demopulos Family Trust, of which Dr. Peter A. Demopulos is the trustee and a beneficiary along with his mother and sister. Dr. Peter A. Demopulos disclaims beneficial ownership of the shares held by the Demopulos Family Trust except to the extent of his pecuniary interest therein.

(8) Includes 50,000 shares of common stock that Dr. Hood has the right to acquire from us within 60 days of December 31, 2007 pursuant to the exercise of option awards.

(9) Represents 966,476 shares of common stock held by Aravis Venture I, L.P. Mr. Tripet holds the title of director of Aravis General Partner Ltd., which serves as general partner of Aravis Venture I, L.P. Mr. Tripet disclaims beneficial ownership of the shares held by Aravis Venture I, L.P., except to the extent of his proportionate pecuniary interest therein.

(10) Includes 1,994,691 shares of common stock that our executive officers and directors have the right to acquire from us within 60 days of December 31, 2007 pursuant to the exercise of option awards.

DESCRIPTION OF CAPITAL STOCK

General

The following is a summary of the rights of our common stock and preferred stock and related provisions of our articles of incorporation and bylaws, as they will be in effect upon completion of this offering. For more detailed information, please see our articles of incorporation and bylaws, which are filed as exhibits to the registration statement of which this prospectus is part.

Immediately following the completion of this offering, our authorized capital stock will consist of shares, each with a par value of $0.01 per share, of which:

- shares will be designated as common stock; and
- shares will be designated as preferred stock.

As of December 31, 2007, assuming the conversion of all outstanding shares of our convertible preferred stock into common stock, we had outstanding 27,975,726 shares of common stock. All of our outstanding shares of convertible preferred stock will automatically convert into common stock upon completion of this offering.

Common Stock

The holders of our common stock are entitled to one vote per share on all matters to be voted on by the shareholders. Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of common stock are entitled to receive ratably such dividends as may be declared by the board of directors out of funds legally available therefor. In the event we liquidate, dissolve or wind up, holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preferences of any outstanding shares of preferred stock. Holders of common stock have no preemptive, conversion or subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are, and all shares of common stock to be outstanding upon completion of this offering will be, fully paid and nonassessable.

Preferred Stock

Our board of directors has the authority, without further action by the shareholders, to issue from time to time the preferred stock in one or more series, to fix the number of shares of any such series and the designation thereof and to fix the rights, preferences, privileges and restrictions granted to or imposed upon such preferred stock, including dividend rights, dividend rates, conversion rights, voting rights, rights and terms of redemption, redemption prices, liquidation preference and sinking fund terms, any or all of which may be greater than or senior to the rights of the common stock. The issuance of preferred stock could adversely affect the voting power of holders of common stock and reduce the likelihood that such holders will receive dividend payments and payments upon liquidation. Such issuance could have the effect of decreasing the market price of the common stock. The issuance of preferred stock or even the ability to issue preferred stock could have the effect of delaying, deterring or preventing a change in control. We have no present plans to issue any shares of preferred stock.

Warrants

As of December 31, 2007, we had warrants outstanding to purchase an aggregate of 409,643 shares of our common stock, assuming the conversion of our convertible preferred stock into common stock, as follows:

- A warrant that we assumed in connection with our acquisition of nura on August 11, 2006 to purchase 22,613 shares of our common stock with an exercise price of $4.66 per share. This warrant will terminate upon the earlier of (a) April 26, 2015 or (b) certain acquisitions of us as described in the warrant.
- Warrants issued on March 29, 2007 to purchase an aggregate of 387,030 shares of our common stock with an exercise price of $6.25 per share. If not exercised, these warrants will terminate on the earlier of (a) completion of this offering, (b) a change of control as defined in the warrants or (c) March 28, 2012.

The Stanley Medical Research Institute

Pursuant to our funding agreement with The Stanley Medical Research Institute, or SMRI, if we meet milestones set forth in the funding agreement, we have agreed to meet with SMRI to discuss whether SMRI will make, and whether we will accept, further equity investments of up to $1.8 million together with grant funding of up to $4.6 million from SMRI, as follows:

- if we meet the defined preclinical development milestone set forth in the funding agreement, SMRI may purchase up to $1.2 million of our common stock and provide us linked grant funding of up to $1.9 million, or the First Tranche; and
- if we meet the defined clinical development milestone set forth in the funding agreement, SMRI may purchase up to an additional $600,000 of our common stock and provide us linked grant funding of up to $2.7 million, or the Second Tranche.

These additional equity investments and grants are subject to our negotiation of mutually agreeable terms, including the price per share of the equity investments, with SMRI.

In addition, within ten days following the filing of the registration statement to which this prospectus is a part, we must provide SMRI notice of such filing. Within 30 days of providing such notice to SMRI, SMRI has the right to provide us the First Tranche and/or the Second Tranche of the equity investments and linked grants as described above, except that SMRI's equity investment will be made through the purchase of shares of our Series E convertible preferred stock at a price of $5.00 per share.

Registration Rights

The holders of an aggregate of 26,022,263 shares of our common stock, or their permitted transferees, are entitled to rights with respect to the registration of these shares under the Securities Act. These rights are provided pursuant to the terms of an amended and restated investors' rights agreement between us and the holders of these shares. Holders of an aggregate of 22,079,911 of these shares, or their permitted transferees, are entitled to demand registration rights, short-form registration rights and piggyback registration rights. Holders of the remaining 3,942,352 shares, or their permitted transferees, are entitled to only piggyback registration rights. All fees, costs and expenses of underwritten registrations will be borne by us and all selling expenses, including underwriting discounts and selling commissions, will be borne by the holders of the shares being registered. The holders of all of these shares are subject to lock-up agreements with us and/or the representative of the underwriters pursuant to which they have agreed not to sell these shares during the period ending at least 180 days after the date of this prospectus, see "Shares Eligible for Future Sale — Lock-Up Agreements."

Demand Registration Rights

We will be required, upon the written request of the holders of at least 30% of our shares of common stock issued upon conversion of our convertible preferred stock, to use our best efforts to register all or a portion of these shares for public resale. The demand registration rights are subject to customary limitations, and we are required to effect only one demand registration pursuant to the amended and restated investors' rights agreement. We are not required to effect a demand registration prior to 180 days after the completion of this offering.

Short-Form Registration Rights

If we are eligible to file a registration statement on Form S-3, we will be required, upon the written request of the holders of at least 20% of these shares of our common stock, to have such shares registered by us at our expense provided that such requested registration has an anticipated aggregate offering price to the public of at least $2.5 million and we have not already effected one short-form registration in the preceding twelve-month period.

Piggyback Registration Rights

If we register any of our securities either for our own account or for the account of other security holders, the holders of these shares are entitled to include their shares in the registration. Subject to certain exceptions, we and the underwriters may limit the number of shares included in the underwritten offering if the underwriters believe that including these shares would adversely affect the offering.

Anti-Takeover Effects of Washington Law and our Articles of Incorporation and Bylaws

Certain provisions of Washington law, our articles of incorporation and our bylaws contain provisions that may delay, defer or discourage another party from acquiring control of us. These provisions, which are summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed, in part, to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquiror outweigh the disadvantages of discouraging a proposal to acquire us because negotiation of these proposals could result in an improvement of their terms.

Undesignated Preferred Stock

As discussed above, our board of directors has the ability to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of us. These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management.

Limits on Ability of Shareholders to act by Written Consent or call a Special Meeting

Washington law limits the ability of shareholders of public companies from acting by written consent by requiring unanimous written consent for a shareholder action to be effective. This limit on the ability of our shareholders to act by less than unanimous written consent may lengthen the amount of time required to take shareholder actions. As a result, a holder controlling a majority of our capital stock who is unable to obtain unanimous written consent from all of our shareholders would not be able to amend our bylaws or remove directors without holding a shareholders meeting.

In addition, our articles of incorporation provide that, unless otherwise required by law, special meetings of the shareholders may be called only by the chairman of the board, the

chief executive officer, the president, or the board of directors acting pursuant to a resolution adopted by a majority of the board members. A shareholder may not call a special meeting, which may delay the ability of our shareholders to force consideration of a proposal or for holders controlling a majority of our capital stock to take any action, including the removal of directors.

Requirements for Advance Notification of Shareholder Nominations and Proposals

Our bylaws establish advance notice procedures with respect to shareholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors. The bylaws do not give the board of directors the power to approve or disapprove shareholder nominations of candidates or proposals regarding business to be conducted at a special or annual meeting of the shareholders. However, our bylaws may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed. These provisions may also discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.

Board Vacancies Filled only by Directors then in Office

Vacancies and newly created seats on our board of directors may only be filled by our board of directors. Only our board of directors may determine the number of directors on our board. The inability of our shareholders to determine the number of directors or to fill vacancies or newly created seats on our board of directors makes it more difficult to change the composition of our board of directors, but these provisions may promote a continuity of existing management.

Directors may be Removed only for Cause

Our directors may be removed only for cause by the affirmative vote of the holders of at least two-thirds of our voting stock.

Board Classification

Our board of directors is divided into three classes. The directors in each class will serve for a three-year term, one class being elected each year by our shareholders. For more information on our classified board, see "Management—Board of Directors." This system of electing and removing directors may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us, because it generally makes it more difficult for shareholders to replace a majority of the directors.

No Cumulative Voting

Our articles of incorporation provide that shareholders are not entitled to cumulate votes in the election of directors.

Amendment of Bylaws

Our articles of incorporation and bylaws provide that shareholders can amend our bylaws only upon the affirmative vote of the holders of at least two-thirds of our voting stock.

Washington Anti-Takeover Statute

Washington law imposes restrictions on some transactions between a corporation and significant shareholders. Chapter 23B.19 of the Washington Business Corporation Act generally

prohibits a target corporation from engaging in specified "significant business transactions" with an "acquiring person." This statute could prohibit or delay the accomplishment of mergers or other takeover or change in control attempts with respect to us and, accordingly, may discourage attempts to acquire us. An acquiring person is defined as a person or group of persons that beneficially owns 10% or more of the voting securities of the target corporation. The target corporation may not engage in significant business transactions for a period of five years after the date of the transaction in which the person became an acquiring person, unless the transaction or acquisition of shares is approved by a majority of the disinterested members of the target corporation's board of directors prior to the time of acquisition. Significant business transactions include, among other things:

- a merger or share exchange with, disposition of assets to, or issuance or redemption of stock to or from, the acquiring person;
- a termination of five percent or more of the employees of the target corporation as a result of the acquiring person's acquisition of 10% or more of the shares; or
- a transaction in which the acquiring person is allowed to receive a disproportionate benefit as a shareholder.

After the five-year period, a significant business transaction may occur, as long as it complies with fair price provisions specified in Chapter 23B.19 or is approved at a meeting of shareholders by a majority of the votes entitled to be counted within each voting group entitled to vote separately on the transaction, not counting the votes of shares as to which the acquiring person has beneficial ownership or voting control. A corporation may not "opt out" of this statute.

Listing

We have applied to have our common stock listed on the NASDAQ Global Market under the symbol "OMER."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is . The transfer agent's address is , and its telephone number is .

SHARES ELIGIBLE FOR FUTURE SALE

Before this offering, there has not been a public market for shares of our common stock. Future sales of substantial amounts of shares of our common stock, including shares issued upon the exercise of outstanding option awards, in the public market after this offering, or the possibility of these sales occurring, could cause the prevailing market price for our common stock to fall or impair our ability to raise equity capital in the future.

Upon the completion of this offering, a total of shares of common stock will be outstanding, assuming (a) that there are no exercises of option awards after December 31, 2007, (b) no exercise of the underwriters' over-allotment option and (c) the issuance of shares of common stock upon the cashless net exercise of warrants that will automatically terminate upon completion of this offering based on the assumed initial public offering price of $ per share (the mid-point of the range set forth on the cover page of this prospectus). Of these shares, all shares of common stock sold in this offering by us will be freely tradable in the public market without restriction or further registration under the Securities Act, unless these shares are held by "affiliates," as that term is defined in Rule 144 under the Securities Act.

The remaining shares of common stock will be "restricted securities," as that term is defined in Rule 144 under the Securities Act. These restricted securities are eligible for public sale only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rules 144 or 701 under the Securities Act, which are summarized below.

Subject to the lock-up agreements described below and the provisions of Rules 144 and 701 under the Securities Act, these restricted securities will be available for sale in the public market as follows:

Date	Number of Shares
On the date of this prospectus	
Between 90 and 180 days after the date of this prospectus	
At various times beginning more than 180 days after the date of this prospectus	

In addition, as of December 31, 2007, a total of 5,908,182 shares of our common stock were subject to outstanding option awards, of which option awards to purchase shares of common stock will be vested and eligible for sale 180 days after the date of this prospectus, and a total of 22,613 shares of our common stock were subject to an outstanding warrant that will be exercisable and eligible for sale 180 days after the date of this prospectus.

Rule 144

In general, under Rule 144 as it will become effective on February 15, 2008, a person deemed to be one of our affiliates for purposes of the Securities Act and who owns shares that were acquired from us or an affiliate of us at least six months prior to the proposed sale is entitled to sell upon the expiration of the lock-up agreements described below, within any three-month period beginning 90 days after the date of this prospectus, a number of shares that does not exceed the greater of:

- one percent of the number of shares of common stock then outstanding, which will equal approximately shares immediately after the offering; and
- the average weekly trading volume of the common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

These sales are also subject to manner of sale provisions, notice requirements and the availability of current public information about us.

Under Rule 144, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior owner other than our affiliates, is entitled to sell such shares without volume limitations, subject only to the availability of current public information about us. A non-affiliated person who has beneficially owned restricted securities within the meaning of Rule 144 for at least one year is entitled to sell those shares without regard to the provisions of Rule 144.

Rule 701

In general, under Rule 701 as currently in effect, any of our employees, consultants or advisors who purchase shares from us in connection with a compensatory stock or option plan or other written agreement in a transaction that was completed in reliance on Rule 701 and complied with the requirements of Rule 701 will be eligible to resell such shares 90 days after the effective date of this offering in reliance on Rule 144, but without compliance with certain restrictions, including the holding period, contained in Rule 144.

Lock-Up Agreements

Each of our officers and directors, and certain of our existing shareholders and holders of options and warrants to purchase shares of our common stock, representing an aggregate of % of our shares prior to the offering, have agreed, subject to certain exceptions, not to offer, sell, contract to sell or otherwise dispose of, or enter into any transaction that is designed to, or could reasonably be expected to, result in the disposition of any shares of our common stock or other securities convertible into or exchangeable or exercisable for shares of our common stock or derivatives of our common stock owned by these persons prior to this offering or common stock issuable upon exercise of options or warrants held by these persons for a period of 180 days after the effective date of the registration statement of which this prospectus is a part without the prior written consent of Deutsche Bank Securities Inc. This consent may be given at any time without public notice. We have entered into a similar agreement with the representative of the underwriters, see “Underwriters.” There are no agreements between the representative and any of our shareholders or affiliates releasing them from these lock-up agreements prior to the expiration of the 180-day period.

The 180-day restricted period described in the preceding paragraph will be extended if:

- during the last 17 days of the 180-day restricted period we issue an earnings release or material news, or a material event relating to us occurs; or
- prior to the expiration of the 180-day restricted period we announce that we will release earnings results during the 16-day period following the last day of the 180-day period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

The lock-up restrictions will not apply to shares of common stock acquired in open-market transactions after the closing of the offering. The lock-up restrictions also will not apply to certain transfers not involving a disposition for value provided that the transferee agrees to be bound by these lock-up restrictions and provided no filing by any person under the Exchange Act is required or will be voluntarily made and no person will be required by law to make or voluntarily make any public announcement of the transfer. In addition, our officers, directors and certain of our existing shareholders that purchase shares of common stock pursuant to the directed share program may transfer their directed shares provided no filing by any person

under the Exchange Act is required or will be voluntarily made and no person will be required by law to make or voluntarily make any public announcement of the transfer.

Registration Statements

We intend to file a registration statement on Form S-8 under the Securities Act covering shares of common stock subject to options outstanding reserved for issuance under our stock plans. We expect to file this registration statement after this offering. However, none of the shares registered on Form S-8 will be eligible for resale until the expiration of the lock-up agreements to which they are subject.

UNDERWRITERS

Subject to the terms and conditions of the underwriting agreement, the underwriters named below, through their representative Deutsche Bank Securities Inc. have severally agreed to purchase from us the following respective number of shares of common stock at a public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus:

Underwriter	Number of Shares
Deutsche Bank Securities Inc.	
Pacific Growth Equities, LLC	
Leerink Swan LLC	
Needham & Company, LLC	
Total	

The underwriting agreement provides that the obligations of the several underwriters to purchase the shares of common stock offered hereby are subject to certain conditions precedent and that the underwriters will purchase all of the shares of common stock offered by this prospectus, other than those covered by the over-allotment option described below, if any of the shares are purchased.

We have been advised by the representative of the underwriters that the underwriters propose to offer the shares of common stock to the public at the public offering price set forth on the cover of this prospectus and to dealers at a price that represents a concession not in excess of $ per share under the public offering price. The underwriters may allow, and these dealers may re-allow, a concession of not more than $ per share to other dealers. After the initial public offering, the representative of the underwriters may change the offering price and other selling terms.

We have granted to the underwriters an option, exercisable not later than 30 days after the date of this prospectus, to purchase up to additional shares of common stock at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus. The underwriters may exercise this option only to cover over-allotments made in connection with the sale of the common stock offered by this prospectus. To the extent that the underwriters exercise this option, each of the underwriters will become obligated, subject to conditions, to purchase approximately the same percentage of these additional shares of common stock as the number of shares of common stock to be purchased by it in the above table bears to the total number of shares of common stock offered by this prospectus. We will be obligated, pursuant to the option, to sell these additional shares of common stock to the underwriters to the extent the option is exercised. If any additional shares of common stock are purchased, the underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

The underwriting discounts and commissions per share are equal to the public offering price per share of common stock less the amount paid by the underwriters to us per share of common stock. The underwriting discounts and commissions are % of the initial public offering price. We have agreed to pay the underwriters the following discounts and commissions, assuming either no exercise or full exercise by the underwriters of the underwriters' over-allotment option:

		Total Fees	
	Fee per share	Without Exercise of Over-Allotment Option	With Full Exercise of Over-Allotment Option
Discounts and commissions paid by us	$	$	$

In addition, we estimate that our share of the total expenses of this offering, excluding underwriting discounts and commissions, will be approximately $.

We have agreed to indemnify the underwriters against some specified types of liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make in respect of any of these liabilities.

Each of our officers and directors, and certain of our existing shareholders and holders of options and warrants to purchase shares of our common stock, representing an aggregate of % of our shares prior to the offering, have agreed, subject to certain exceptions, not to offer, sell, contract to sell or otherwise dispose of, or enter into any transaction that is designed to, or could reasonably be expected to, result in the disposition of any shares of our common stock or other securities convertible into or exchangeable or exercisable for shares of our common stock or derivatives of our common stock owned by these persons prior to this offering or common stock issuable upon exercise of options or warrants held by these persons for a period of 180 days after the effective date of the registration statement of which this prospectus is a part without the prior written consent of Deutsche Bank Securities Inc. This consent may be given at any time without public notice. We have entered into a similar agreement with the representative of the underwriters except that without such consent we may grant options and sell shares pursuant to our 2008 Equity Incentive Plan, sell shares pursuant to the exercise of option awards granted pursuant to our other equity incentive plans, and we may issue a limited amount of shares of our common stock in connection with an acquisition, strategic partnership or joint venture or collaboration. There are no agreements between the representative and any of our shareholders or affiliates releasing them from these lock-up agreements prior to the expiration of the 180-day period.

The 180-day restricted period described in the preceding paragraph will be extended if:

- during the last 17 days of the 180-day restricted period we issue an earnings release or material news, or a material event relating to us occurs; or
- prior to the expiration of the 180-day restricted period we announce that we will release earnings results during the 16-day period following the last day of the 180-day period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

The lock-up restrictions will not apply to shares of common stock acquired in open-market transactions after the closing of the offering. The lock-up restrictions also will not apply to certain transfers not involving a disposition for value provided that the transferee agrees to be bound by these lock-up restrictions and provided no filing by any person under the Exchange Act is required or will be voluntarily made and no person will be required by law to make or voluntarily make any public announcement of the transfer. In addition, our officers, directors and certain of our existing shareholders that purchase shares of common stock pursuant to the directed share program may transfer their directed shares provided no filing by any person under the Exchange Act is required or will be voluntarily made and no person will be required by law to make or voluntarily make any public announcement of the transfer.

Listing

We have applied to list our common stock on the NASDAQ Global Market under the symbol “OMER.”

Stabilization

In connection with this offering, the underwriters may purchase and sell shares of our common stock in the open market. These transactions may include short sales, purchases to cover positions created by short sales and stabilizing transactions.

Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares of common stock from us in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option.

Naked short sales are any sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if underwriters are concerned that there may be downward pressure on the price of the shares in the open market prior to the completion of the offering.

Stabilizing transactions consist of various bids for or purchases of our common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may impose a penalty bid. This occurs when a particular underwriter repays to the other underwriters a portion of the underwriting discount received by it because the representative of the underwriters have repurchased shares sold by or for the account of that underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or slowing a decline in the market price of our common stock. Additionally, these purchases, along with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the NASDAQ Global Market or otherwise and, if commenced, may be discontinued at any time.

In connection with this offering, some underwriters may also engage in passive market making transactions in our common stock on the NASDAQ Global Market. Passive market making consists of displaying bids on the NASDAQ Global Market limited by the prices of independent market makers and effecting purchases limited by those prices in response to order flow. Rule 103 of Regulation M promulgated by the SEC limits the amount of net purchases that each passive market maker may make and the displayed size of each bid. Passive market making may stabilize the market price of our common stock at a level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

The representative of the underwriters has informed us that the underwriters do not intend to make sales to discretionary accounts in excess of five percent of the total number of shares of common stock offered by them.

Directed Share Program

At our request, the underwriters have reserved for sale at the initial public offering price up to shares of our common stock being sold in this offering for our directors, employees, family members of directors and employees and other third parties. The number of shares of our common stock available for the sale to the general public will be reduced to the extent these reserved shares are purchased. Any reserved shares not purchased by these persons will be offered by the underwriters to the general public on the same basis as the other shares in this offering.

Initial Public Offering Price

Prior to this offering, there has been no public market for our common stock. Consequently, the initial public offering price of our common stock will be determined by negotiation among us and the representative of the underwriters. Among the primary factors that will be considered in determining the public offering price are:

- prevailing market conditions;
- our results of operations in recent periods;
- the present stage of our development;
- the market capitalizations and stages of development of other companies that we and the representative of the underwriters believe to be comparable to our business; and
- estimates of our business potential.

There can be no assurance that the initial public offering price of our common stock will correspond to the price at which our common stock will trade in the public market subsequent to this offering or that an active public market for our common stock will develop and continue after this offering.

Other Relationships

From time to time in the ordinary course of their respective business, certain of the underwriters and their affiliates may in the future engage in commercial banking or investment banking transactions with us and our affiliates.

MATERIAL UNITED STATES FEDERAL TAX CONSIDERATIONS FOR NON-UNITED STATES HOLDERS OF COMMON STOCK

This section summarizes certain material U.S. federal income and estate tax considerations relating to the ownership and disposition of our common stock. This summary does not provide a complete analysis of all potential tax considerations. The information provided below is based on provisions of the Code, and U.S. Treasury regulations promulgated thereunder, administrative rulings and judicial decisions currently in effect. These authorities may change at any time, possibly on a retroactive basis, or the Internal Revenue Service, or the IRS, might interpret the existing authorities differently. In either case, the tax considerations of owning or disposing of our common stock could differ from those described below. For purposes of this summary, a "non-United States holder" is any holder other than a citizen or resident of the United States, a corporation organized under the laws of the United States, or any state or the District of Columbia, a trust that is (a) subject to the primary supervision of a U.S. court and the control of one of more U.S. persons or (b) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person or an estate whose income is subject to U.S. federal income tax regardless of source.

If you are an individual, you may, in many cases, be deemed to be a resident of the United States, as opposed to a nonresident alien, by virtue of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year. For these purposes, all the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year are counted. Resident aliens are subject to U.S. federal income tax as if they were U.S. citizens. A resident alien is urged to consult his or her own tax advisor regarding the U.S. federal income tax consequences of the sale, exchange or other disposition of common stock. If a partnership or other flow-through entity is a beneficial owner of common stock, the tax treatment of a partner in the partnership or an owner of the entity will depend upon the status of the partner or other owner and the activities of the partnership or other entity. This summary generally does not address tax considerations that may be relevant to particular investors because of their specific circumstances, or because they are subject to special rules, including if the holder is a U.S. expatriate, "controlled foreign corporation," "passive foreign investment company," corporation that accumulates earnings to avoid U.S. federal income tax financial institution, insurance company, broker, dealer or trader in securities, commodities or currencies, tax-exempt organization, tax-qualified retirement plan, person subject to the alternative minimum tax, or person holding our common stock as part of a hedging or conversion transaction or straddle, or a constructive sale, or other risk reduction strategy. Finally, this summary does not describe the effects of any applicable foreign, state or local tax laws, or, except to the extent discussed below, the effects of any applicable gift or estate tax laws.

INVESTORS CONSIDERING THE PURCHASE OF COMMON STOCK SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF U.S. FEDERAL INCOME AND ESTATE TAX LAWS TO THEIR PARTICULAR SITUATIONS AND THE CONSEQUENCES OF FOREIGN, STATE OR LOCAL LAWS, AND TAX TREATIES.

Dividends

We have not paid, nor do we expect in the future to pay, dividends; however, any dividend paid to a non-United States holder on our common stock will generally be subject to U.S. federal withholding tax at a 30% rate. The withholding tax might not apply, however, or might apply at a reduced rate, under the terms of an applicable income tax treaty between the United States and the non-United States holder's country of residence. A non-United States holder must certify its entitlement to treaty benefits. A non-United States holder can meet this certification requirement by providing a Form W-8BEN or appropriate substitute form to us or

our paying agent prior to the payment of dividends and must be updated periodically. If the holder holds the stock through a financial institution or other agent acting on the holder's behalf, the holder will be required to provide appropriate documentation to the agent. The holder's agent will then be required to provide certification to us or our paying agent, either directly or through other intermediaries. For payments made to a foreign partnership or other flow-through entity, the certification requirements generally apply to the partners or other owners rather than to the partnership or other entity, and the partnership or other entity must provide the partners' or other owners' documentation to us or our paying agent. Special rules, described below, apply if a dividend is effectively connected with a U.S. trade or business conducted by the non-United States holder.

Sale of Common Stock

Non-United States holders will generally not be subject to U.S. federal income tax on any gains realized on the sale, exchange or other disposition of common stock unless:

- the gain is effectively connected with the conduct by the non-United States holder of a U.S. trade or business (in which case the special rules described below apply);
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of the sale, exchange or other disposition of our common stock, and certain other requirements are met;
- the non-United States holder was a citizen or resident of the United States and thus is subject to special rules that apply to expatriates; or
- the rules of the Foreign Investment in Real Property Tax Act, or FIRPTA, treat the gain as effectively connected with a U.S. trade or business.

The FIRPTA rules may apply to a sale, exchange or other disposition of common stock if we are, or were within five years before the transaction, a "U.S. real property holding corporation," or USRPHC. In general, we would be a USRPHC if our U.S. real property interests comprised at least half of our assets. We do not believe that we are a USRPHC or that we will become one in the future, although there can be no assurance that this conclusion is correct or might not change in the future based on changed circumstances.

Dividends or Gain Effectively Connected With a U.S. Trade or Business

If any dividend on common stock, or gain from the sale, exchange or other disposition of common stock, is effectively connected with a U.S. trade or business conducted by a non-United States holder, then the dividend or gain will generally be subject to U.S. federal income tax at the regular graduated rates. If the non-United States holder is eligible for the benefits of a tax treaty between the United States and the holder's country of residence, any "effectively connected" dividend or gain would generally be subject to U.S. federal income tax only if it is also attributable to a permanent establishment or fixed base maintained by the holder in the United States. Payments of dividends that are effectively connected with a U.S. trade or business, and therefore included in the gross income of a non-United States holder, will not be subject to the 30% withholding tax. To claim an exemption from withholding, the holder must certify its qualification, which can be done by filing a Form W-8ECI. If the non-United States holder is a corporation, under certain circumstances that portion of its earnings and profits that is effectively connected with its U.S. trade or business would generally be subject to a "branch profits tax." The branch profits tax rate is generally 30%, although an applicable income tax treaty might provide for a lower rate.

U.S. Federal Estate Tax

The estates of nonresident alien individuals are generally subject to U.S. federal estate tax on property with a U.S. situs. Because we are a U.S. corporation, our common stock will be U.S. situs property and therefore will be included in the taxable estate of a nonresident alien decedent. The U.S. federal estate tax liability of the estate of a nonresident alien may be affected by a tax treaty between the United States and the decedent's country of residence.

Backup Withholding and Information Reporting

The Code and the U.S. Treasury regulations require those who make specified payments to report the payments to the IRS. Among the specified payments are dividends and proceeds paid by brokers to their customers. The required information returns enable the IRS to determine whether the recipient properly included the payments in income. This reporting regime is reinforced by "backup withholding" rules. These rules require the payors to withhold tax from payments subject to information reporting if the recipient fails to cooperate with the reporting regime by failing to provide his taxpayer identification number to the payor, furnishing an incorrect identification number, or repeatedly failing to report interest or dividends on his returns. The backup withholding tax rate is currently 28%. The backup withholding rules generally do not apply to payments to corporations, whether domestic or foreign.

Payments of dividends on common stock to non-United States holders will generally not be subject to backup withholding, and payments of proceeds made to non-United States holders by a broker upon a sale of common stock will not be subject to information reporting or backup withholding, in each case so long as the non-United States holder certifies its nonresident status. The certification procedures to claim treaty benefits described under " — Dividends" will satisfy the certification requirements necessary to avoid the backup withholding tax as well. We must report annually to the IRS any dividends paid to each non-United States holder and the tax withheld, if any, with respect to those dividends. Copies of these reports may be made available to tax authorities in the country where the non-United States holder resides.

Any amounts withheld from a payment to a holder of common stock under the backup withholding rules can be credited against any U.S. federal income tax liability of the holder and may entitle the holder to a refund, provided that the required information is furnished to the IRS.

THE PRECEDING DISCUSSION OF U.S. FEDERAL TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY. IT IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE PARTICULAR U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF OUR COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.

LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for us by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Seattle, Washington. Morrison & Foerster LLP, New York, New York, will act as counsel to the underwriters. A member of Wilson Sonsini Goodrich & Rosati beneficially holds an aggregate of 3,071 shares of our common stock, which represents less than one percent of our outstanding shares of common stock.

EXPERTS

The consolidated financial statements of Omeros Corporation (a development-stage company) at December 31, 2006 and 2005, and for each of the three years in the period ended December 31, 2006 and for the period from June 16, 1994 (inception) through December 31, 2006, appearing in this prospectus and registration statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The financial statements of nura, inc. (a development-stage company) for the period from January 1, 2006 through August 11, 2006, the year ended December 31, 2005, and for the period from August 26, 2003 (inception) to August 11, 2006, appearing in this prospectus and registration statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon (which contains an explanatory paragraph relating to nura, inc.'s ability to continue as a going concern as described in Note 1 to the financial statements) appearing elsewhere herein which, as to the period from August 26, 2003 (inception) through December 31, 2004, are based in part on the report of PricewaterhouseCoopers LLP, independent accountants. The financial statements referred to above are included in reliance upon such reports given on the authority of such firms as experts in accounting and auditing.

The financial statements of nura, inc. (a development-stage company) for the year ended December 31, 2004 and for the period from August 26, 2003 (inception) to December 31, 2004 included in this prospectus and registration statement have been so included in reliance on the report (which contains an explanatory paragraph relating nura, inc.'s ability to continue as a going concern as described in Note 1 to the financial statements) of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules filed therewith. For further information about us and the common stock offered hereby, reference is made to the registration statement and the exhibits and schedules filed therewith. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement. A copy of the registration statement and the exhibits and schedules filed therewith may be inspected without charge at the public reference room maintained by the SEC, located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, and copies of all or any part of the registration statement may be obtained from such offices upon the payment of the fees prescribed by the SEC. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. The SEC also maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the site is www.sec.gov.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Omeros Corporation

We have audited the accompanying consolidated balance sheets of Omeros Corporation (a development stage company) as of December 31, 2006 and 2005, and the related consolidated statements of operations, convertible preferred stock and shareholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2006 and for the period from June 16, 1994 (inception) through December 31, 2006. 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 the standards of the Public Company Accounting Oversight Board (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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Omeros Corporation (a development stage company) at December 31, 2006 and 2005, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2006 and for the period from June 16, 1994 (inception) through December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, on January 1, 2006, the Company changed its method of accounting for stock-based compensation in accordance with guidance provided in Statement of Financial Accounting Standards No. 123 (revised 2004) *Share-Based Payment*, and on July 1, 2005, the Company adopted Financial Accounting Standards Board (FASB) Staff Position 150-5, *Issuer's Accounting under FASB Statement No. 150 for Freestanding Warrants and Other Similar Instruments on Shares That are Redeemable*.

/s/ Ernst & Young LLP
Seattle, Washington
July 20, 2007

OMEROS CORPORATION
(A Development Stage Company)

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

Assets	September 30, 2007 (unaudited)	December 31, 2006	December 31, 2005
Current assets:			
Cash and cash equivalents	$ 6,520	$ 23,400	$ 253
Short-term investments	20,651	12,485	12,119
Receivable associated with funding agreement	—	1,300	—
Prepaid expenses and other current assets	469	135	264
Total current assets	27,640	37,320	12,636
Property and equipment, net	860	577	418
Intangible assets, net	189	267	—
Restricted cash	207	202	—
Other assets	63	66	55
Total assets	$ 28,959	$ 38,432	$13,109

See notes to consolidated financial statements

OMEROS CORPORATION
(A Development Stage Company)

CONSOLIDATED BALANCE SHEETS—(Continued)
(In thousands, except share and per share data)

	September 30, 2007 (unaudited)	December 31, 2006	December 31, 2005	Pro Forma Shareholders' Equity at September 30, 2007 (Unaudited) (Note 1)
Liabilities, convertible preferred stock and shareholders' equity (deficit)				
Current liabilities:				
Accounts payable	$ 914	$ 1,094	$ 680	
Accrued expenses	1,529	607	801	
Preferred stock warrant liability	1,674	1,037	483	—
Deferred revenue	650	1,300	—	
Current portion of notes payable	1,080	1,005	—	
Total current liabilities	5,847	5,043	1,964	
Notes payable, net of current portion	190	1,010	—	
Total liabilities	6,037	6,053	1,964	
Commitments and contingencies				
Convertible preferred stock, par value $0.01 per share; Authorized shares—26,314,511 at September 30, 2007 and December 31, 2006; 14,773,063 at December 31, 2005; issued and outstanding shares—22,327,407, 21,637,025 and 12,081,880 at September 30, 2007 and December 31, 2006 and 2005, respectively (none, proforma); (liquidation preference of $92,079, $88,652 and $40,876 at September 30, 2007 and December 31, 2006 and 2005, respectively)	89,168	85,742	40,888	—
Shareholders' equity (deficit):				
Common stock, par value $0.01:				
Authorized shares — 40,000,000 at September 30, 2007 and December 31, 2006; and 25,000,000 authorized at December 31, 2005; issued and outstanding shares—5,399,890, 4,972,600 and 4,482,638 at September 30, 2007 and December 31, 2006 and 2005, respectively, (27,727,297 shares proforma)	53	50	45	277
Additional paid-in capital	2,698	(2,838)	(1,946)	93,316
Accumulated other comprehensive income	34	26	6	34
Deferred stock-based compensation	(16)	(33)	(56)	(16)
Notes receivable from related party	(239)	(239)	(239)	—
Deficit accumulated during the development stage	(68,776)	(50,329)	(27,553)	(68,776)
Total shareholders' equity (deficit)	(66,246)	(53,363)	(29,743)	$ 24,835
Total liabilities, convertible preferred stock, and shareholders' equity (deficit)	$ 28,959	$ 38,432	$ 13,109	

See notes to consolidated financial statements

OMEROS CORPORATION
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)

	Year Ended December 31,			Period from June 16, 1994 (Inception) through December 31,
	2006	2005	2004	2006
Grant revenue	$ 200	$ —	$ —	$ 300
Operating expenses:				
Research and development	9,637	5,803	2,670	28,462
Acquired in-process research and development	10,891	—	—	10,891
General and administrative	3,625	1,904	2,079	14,240
Total operating expenses	24,153	7,707	4,749	53,593
Loss from operations	(23,953)	(7,707)	(4,749)	(53,293)
Investment income	1,088	333	171	2,920
Other income	179	8	—	187
Interest expense	(91)	—	—	(143)
Net loss	$(22,777)	$(7,366)	$(4,578)	$ (50,329)
Basic and diluted net loss per common share	$ (6.17)	$ (2.12)	$ (1.34)	
Denominator for basic and diluted net loss per common share	3,694,388	3,468,886	3,416,197	
Pro forma basic and diluted net loss per common share (unaudited)	$ (1.10)			
Pro forma shares used to compute pro forma basic and diluted net loss per share (unaudited)	20,843,076			

See notes to consolidated financial statements

OMEROS CORPORATION
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS—(Continued)
(In thousands, except share and per share data)

	Nine Months Ended September 30,		Period from June 16, 1994 (Inception) through September 30, 2007
	2007 (unaudited)	2006 (unaudited)	(unaudited)
Grant revenue	$ 650	$ 200	$ 950
Operating expenses:			
Research and development	11,173	6,230	39,635
Acquired in-process research and development	—	10,891	10,891
General and administrative	8,619	1,893	22,859
Total operating expenses	19,792	19,014	73,385
Loss from operations	(19,142)	(18,814)	(72,435)
Investment income	1,173	722	4,093
Other income (expense)	(355)	108	(168)
Interest expense	(123)	(38)	(266)
Net loss	$(18,447)	$ (18,022)	$ (68,776)
Basic and diluted net loss per common share	$ (4.41)	$ (4.93)	
Denominator for basic and diluted loss per common share	4,184,919	3,653,537	
Pro forma basic and diluted net loss per common share	$ (0.66)		
Pro forma shares used to compute pro forma basic and diluted net loss per share	27,005,598		

See notes to consolidated financial statements

OMEROS CORPORATION
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY (DEFICIT)
(In thousands, except share and per share data)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Deferred Stock-Based Compensation	Notes Receivable from Related Party	Deficit Accumulated During the Development Stage	Total Shareholders' Deficit
	Shares	Amount	Shares	Amount						
Balance at June 16, 1994	—	$ —	—	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Issuance of common stock to founders for $0.01 per share	—	—	3,500,000	35	—	—	—	—	—	35
Issuance of Series A convertible preferred stock for $1.00 per share and $7 in financing costs	875,000	875	—	—	(7)	—	—	—	—	(7)
Net loss from inception to December 31, 1994	—	—	—	—	—	—	—	—	(140)	(140)
Balance at December 31, 1994	875,000	875	3,500,000	35	(7)	—	—	—	(140)	(112)
Net loss and comprehensive loss	—	—	—	—	—	—	—	—	(327)	(327)
Balance at December 31, 1995	875,000	875	3,500,000	35	(7)	—	—	—	(467)	(439)
Net loss and comprehensive loss	—	—	—	—	—	—	—	—	(495)	(495)
Balance at December 31, 1996	875,000	875	3,500,000	35	(7)	—	—	—	(962)	(934)
Net loss and comprehensive loss	—	—	—	—	—	—	—	—	(787)	(787)
Balance at December 31, 1997	875,000	875	3,500,000	35	(7)	—	—	—	(1,749)	(1,721)
Issuance of Series B convertible preferred stock for $1.75 per share and $302 in financing costs	2,663,244	4,661	—	—	(302)	—	—	—	—	(302)
Stock-based compensation	—	—	—	—	6	—	—	—	—	6
Unrealized holding loss on available-for-sale securities for the year ended December 31, 1998	—	—	—	—	—	(22)	—	—	—	(22)
Net loss	—	—	—	—	—	—	—	—	(930)	(930)
Comprehensive loss										(952)
Balance at December 31, 1998	3,538,244	$ 5,536	3,500,000	$ 35	$ (303)	$ (22)	$ —	$ —	$ (2,679)	$ (2,969)
Repurchase of common stock issued to founders	—	—	(371,875)	(4)	(61)	—	—	—	—	(65)
Issuance of common stock upon exercise of stock options for cash at $0.18 per share	—	—	1,200	—	—	—	—	—	—	—
Issuance of common stock for services at $0.18 per share	—	—	17,537	—	3	—	—	—	—	3
Stock-based compensation	—	—	—	—	4	—	—	—	—	4
Unrealized holding gain on available-for-sale securities for the year ended December 31, 1999	—	—	—	—	—	3	—	—	—	3
Net loss	—	—	—	—	—	—	—	—	(1,801)	(1,801)
Comprehensive loss										(1,798)
Balance at December 31, 1999 (carried forward)	3,538,244	5,536	3,146,862	31	(357)	(19)	—	—	(4,480)	(4,825)

See notes to consolidated financial statements

OMEROS CORPORATION
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY (DEFICIT)—(Continued)
(In thousands, except share and per share data)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Deferred Stock-Based Compensation	Notes Receivable from Related Party	Deficit Accumulated During the Development Stage	Total Shareholders' Deficit
	Shares	Amount	Shares	Amount						
Balance at December 31, 1999 (brought forward)	3,538,244	5,536	3,146,862	31	(357)	(19)	—	—	(4,480)	(4,825)
Issuance of Series C convertible preferred stock for $2.65 per share and $262 in financing costs	2,825,291	7,487	—	—	(262)	—	—	—	—	(262)
Issuance of Series C convertible preferred stock warrants for services	—	12	—	—	—	—	—	—	—	—
Issuance of Series C convertible preferred stock upon exercise of warrants for $2.65 purchase	9,433	25	—	—	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options for cash at $0.18 to $0.27 per share	—	—	50,614	1	9	—	—	—	—	10
Issuance of common stock for services at $0.18 per share	—	—	9,264	—	2	—	—	—	—	2
Stock-based compensation	—	—	—	—	8	—	—	—	—	8
Unrealized holding gain on available-for-sale securities for the year ended December 31, 2000	—	—	—	—	—	18	—	—	—	18
Net loss	—	—	—	—	—	—	—	—	(1,363)	(1,363)
Comprehensive loss										(1,345)
Balance at December 31, 2000	6,372,968	13,060	3,206,740	32	(600)	(1)	—	—	(5,843)	(6,412)
Issuance of common stock upon exercise of stock options for cash at $0.18 to $0.27 per share	—	—	48,125	—	9	—	—	—	—	9
Issuance of common stock for services at $0.27 per share	—	—	12,268	—	3	—	—	—	—	3
Stock-based compensation	—	—	—	—	20	—	—	—	—	20
Unrealized holding gain on available-for-sale securities for the year ended December 31, 2001	—	—	—	—	—	33	—	—	—	33
Net loss	—	—	—	—	—	—	—	—	(2,554)	(2,554)
Comprehensive loss										(2,521)
Balance at December 31, 2001 (carried forward)	6,372,968	$ 13,060	3,267,133	$ 32	$ (568)	$ 32	$ —	$ —	$ (8,397)	$ (8,901)

See notes to consolidated financial statements

OMEROS CORPORATION
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY (DEFICIT)—(Continued)
(In thousands, except share and per share data)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Deferred Stock-Based Compensation	Notes Receivable from Related Party	Deficit Accumulated During the Development Stage	Total Shareholders' Deficit
	Shares	Amount	Shares	Amount						
Balance at December 31, 2001 (brought forward)	6,372,968	$ 13,060	3,267,133	$ 32	$ (568)	$ 32	$ —	$ —	$ (8,397)	$ (8,901)
Issuance of Series D convertible preferred stock for $3.97 per share and $124 in financing costs	972,580	3,861	—	—	(124)	—	—	—	—	(124)
Issuance of common stock upon exercise of stock options for cash at $0.19 to $0.27 per share	—	—	423,660	4	84	—	—	—	—	88
Deferred stock-based compensation	—	—	—	—	9	—	(9)	—	—	—
Amortization of deferred stock-based compensation	—	—	—	—	—	—	2	—	—	2
Stock-based compensation	—	—	—	—	121	—	—	(65)	—	56
Unrealized holding gain on available-for-sale securities for the year ended December 31, 2002	—	—	—	—	—	16	—	—	—	16
Net loss	—	—	—	—	—	—	—	—	(3,152)	(3,152)
Comprehensive loss										(3,136)
Balance at December 31, 2002	7,345,548	16,921	3,690,793	36	(478)	48	(7)	(65)	(11,549)	(12,015)
Issuance of Series B convertible preferred stock upon exercise of warrants for $1.75 per share	11,829	21	—	—	—	—	—	—	—	—
Repurchase of Series A convertible preferred stock	(100,000)	(100)	—	—	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options for cash at $0.18 to $0.40 per share	—	—	349,058	4	91	—	—	—	—	95
Amortization of deferred stock-based compensation	—	—	—	—	—	—	4	—	—	4
Stock-based compensation	—	—	—	—	406	—	(9)	(86)	—	311
Unrealized holding loss on available-for-sale securities for the year ended December 31, 2003	—	—	—	—	—	(37)	—	—	—	(37)
Net loss	—	—	—	—	—	—	—	—	(4,060)	(4,060)
Comprehensive loss										(4,097)
Balance at December 31, 2003	7,257,377	16,842	4,039,851	40	19	11	(12)	(151)	(15,609)	(15,702)
Issuance of Series E convertible preferred stock for $5.00 per share and $1,119 in financing costs	3,672,293	18,361	—	—	(1,119)	—	—	—	—	(1,119)
Issuance of common stock upon exercise of stock options for cash at $0.18 to $0.40 per share	—	—	55,687	1	10	—	—	—	—	11
Deferred stock-based compensation	—	—	—	—	77	—	(77)	—	—	—
Stock-based compensation	—	—	—	—	263	—	10	—	—	273
Unrealized holding gain on available-for-sale securities for the year ended December 31, 2004	—	—	—	—	—	1	—	—	—	1
Net loss	—	—	—	—	—	—	—	—	(4,578)	(4,578)
Comprehensive loss										(4,577)
Balance at December 31, 2004 (carried forward)	10,929,670	$ 35,203	4,095,538	$ 41	$ (750)	$ 12	$ (79)	$ (151)	$ (20,187)	$ (21,114)

See notes to consolidated financial statements

OMEROS CORPORATION
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY (DEFICIT)—(Continued)
(In thousands, except share and per share data)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Deferred Stock-Based Compensation	Notes Receivable from Related Party	Deficit Accumulated During the Development Stage	Total Shareholders' Deficit
	Shares	Amount	Shares	Amount						
Balance at December 31, 2004 (brought forward)	10,929,670	$ 35,203	4,095,538	$ 41	$ (750)	$ 12	$ (79)	$ (151)	$ (20,187)	$ (21,114)
Issuance of Series E convertible preferred stock for $5 per share and $278 in financing costs	1,120,215	5,601	—	—	(278)	—	—	—	—	(278)
Issuance of common stock upon exercise of stock options for cash at $0.18 to $0.29 per share	—	—	387,100	4	102	—	—	—	—	106
Issuance of Series C convertible preferred stock upon exercise of warrants for $2.65 per share	31,995	84	—	—	—	—	—	—	—	—
Amortization of deferred stock-based compensation	—	—	—	—	—	—	23	—	—	23
Stock-based compensation	—	—	—	—	(530)	—	—	(88)	—	(618)
Reclassification of preferred stock warrants to liabilities	—	—	—	—	(490)	—	—	—	—	(490)
Unrealized holding loss on available-for-sale securities for the year ended December 31, 2005	—	—	—	—	—	(6)	—	—	—	(6)
Net loss	—	—	—	—	—	—	—	—	(7,366)	(7,366)
Comprehensive loss										(7,372)
Balance at December 31, 2005	12,081,880	40,888	4,482,638	45	(1,946)	6	(56)	(239)	(27,553)	(29,743)
Issuance of Series E convertible preferred stock for $5.00 per share and $1,821 in financing costs	6,156,700	30,784	—	—	(1,821)	—	—	—	—	(1,821)
Issuance of Series E preferred stock warrants to placement agents	—	—	—	—	(607)	—	—	—	—	(607)
Issuance of Series E convertible preferred stock and common stock for the acquisition of nura	3,398,445	14,070	36,246	—	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options for cash at $0.18 to $5.42 per share	—	—	453,716	5	121	—	—	—	—	126
Amortization of deferred stock-based compensation	—	—	—	—	—	—	23	—	—	23
Stock-based compensation	—	—	—	—	1,416	—	—	—	—	1,416
Unrealized holding gain on available-for-sale securities for the year ended December 31, 2006	—	—	—	—	—	20	—	—	—	20
Net loss	—	—	—	—	—	—	—	—	(22,777)	(22,777)
Comprehensive loss										(22,757)
Balance at December 31, 2006 (carried forward)	21,637,025	$ 85,742	4,972,600	$ 50	$ (2,838)	$ 26	$ (33)	$ (239)	$ (50,329)	$ (53,363)

See notes to consolidated financial statements

OMEROS CORPORATION
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY (DEFICIT)—(Continued)
(In thousands, except share and per share data)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Deferred Stock-Based Compensation	Notes Receivable from Related Party	Deficit Accumulated During the Development Stage	Total Shareholders' Deficit
	Shares	Amount	Shares	Amount						
Balance at December 31, 2006 (brought forward)	21,637,025	$ 85,742	4,972,600	$ 50	$ (2,838)	$ 26	$ (33)	$ (239)	$ (50,329)	$ (53,363)
Issuance of Series D convertible preferred stock upon exercise of warrants for $3.97 per share (unaudited)	24,382	96	—	—	—	—	—	—	—	—
Issuance of Series E convertible preferred stock for $5.00 per share and $90 in financing costs (unaudited)	666,000	3,330	—	—	(90)	—	—	—	—	(90)
Issuance of Series E Preferred stock Warrants to placement agents (unaudited)	—	—	—	—	(22)	—	—	—	—	(22)
Issuance of common stock upon exercise of stock options for cash of $0.27 to $1.00 per share (unaudited)	—	—	277,290	3	120	—	—	—	—	123
Issuance of common stock in connection with early-exercise of stock options for cash of $1.00 per share (unaudited)	—	—	150,000	2	148	—	—	—	—	150
Early exercise of common stock subject to repurchase (unaudited)	—	—	—	(2)	(148)	—	—	—	—	(150)
Amortization of deferred stock-based compensation (unaudited)	—	—	—	—	—	—	17	—	—	17
Stock-based compensation (unaudited)	—	—	—	—	5,528	—	—	—	—	5,528
Unrealized holding gain on available-for-sale securities for the nine months ended September 30, 2007 (unaudited)	—	—	—	—	—	8	—	—	—	8
Net loss for the nine months ended September 30, 2007 (unaudited)	—	—	—	—	—	—	—	—	(18,447)	(18,447)
Comprehensive loss(unaudited)										(18,439)
Balance at September 30, 2007 (unaudited)	22,327,407	$ 89,168	5,399,890	$ 53	$ 2,698	$ 34	$ (16)	$ (239)	$ (68,776)	$ (66,246)

See notes to consolidated financial statements

OMEROS CORPORATION
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,			Period from June 16, 1994 (Inception) through December 31,
	2006	2005	2004	2006
Operating activities				
Net loss	$ (22,777)	$ (7,366)	$ (4,578)	$ (50,329)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	232	156	115	742
Stock-based compensation expense (credit)	1,439	(507)	273	1,787
Acquired in-process research and development	10,891	—	—	10,891
Remeasurement of preferred stock warrant values	(117)	(9)	—	(126)
(Gain) loss on sale of investment securities	(145)	76	89	114
Impairment loss on investments	—	76	87	163
Changes in operating assets and liabilities, net of effect from nura acquisition in 2006:				
Prepaid expenses and other current and noncurrent assets	150	(22)	5	(169)
Accounts payable and accrued expenses	155	971	(172)	1,636
Net cash used in operating activities	(10,172)	(6,625)	(4,181)	(35,291)
Investing activities				
Purchases of property and equipment	(166)	(278)	(124)	(1,094)
Purchases of investments	(220,914)	(20,589)	(45,863)	(337,448)
Proceeds from sale and maturities of investments	220,713	22,026	32,979	324,712
Cash paid for acquisition of nura, net of cash acquired of $87	(212)	—	—	(212)
Net cash (used in) provided by investing activities	(579)	1,159	(13,008)	(14,042)
Financing activities				
Proceeds from borrowings under note payable	—	—	—	50
Payments on notes payable	(391)	—	(3)	(441)
Proceeds from issuance of convertible preferred stock, net of issuance costs	28,963	5,407	17,242	67,847
Issuance of Series E convertible preferred stock for $5.00 per share concurrent with acquisition of nura	5,200	—	—	5,200
Proceeds from issuance of common stock and exercise of stock options	126	18	11	242
Repurchase of Series A convertible preferred stock and common stock	—	—	—	(165)
Net cash provided by financing activities	33,898	5,425	17,250	72,733
Net increase (decrease) in cash and cash equivalents	23,147	(41)	61	23,400
Cash and cash equivalents at beginning of period	253	294	233	—
Cash and cash equivalents at end of period	$ 23,400	$ 253	$ 294	$ 23,400
Supplemental cash flow information				
Cash paid for interest	$ 91	$ —	$ —	$ 143
Issuance of common stock in exchange for note receivable from related party	$ —	$ 88	$ —	$ 239
Preferred stock and common stock issued in connection with nura acquisition	$ 14,070	$ —	$ —	$ 14,070

See notes to consolidated financial statements

OMEROS CORPORATION
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)
(In thousands)

	Nine Months Ended September 30,		Period from June 16, 1994 (Inception) through September 30,
	2007 (unaudited)	2006 (unaudited)	2007 (unaudited)
Operating activities			
Net loss	$ (18,447)	$ (18,022)	$ (68,776)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	272	155	1,014
Stock-based compensation expense	5,545	286	7,332
Acquired in-process research and development	—	10,891	10,891
Remeasurement of preferred stock warrant values	615	(108)	489
(Gain) on sale of investment securities	(124)	(33)	(10)
Impairment loss on investments	—	—	163
Changes in operating assets and liabilities, net of effect from nura acquisition in 2006:			
Prepaid expenses and other current and noncurrent assets	964	(159)	795
Accounts payable and accrued expenses	742	160	2,378
Deferred revenue	(650)	—	(650)
Net cash used in operating activities	(11,083)	(6,830)	(46,374)
Investing activities			
Purchases of property and equipment	(477)	(108)	(1,571)
Purchases of investments	(280,478)	(90,072)	(617,926)
Proceeds from sale and maturities of investments	272,444	87,297	597,156
Cash paid for acquisition of nura, including cash transaction costs of $299 and cash acquired of $87	—	(212)	(212)
Net cash used in investing activities	(8,511)	(3,095)	(22,553)
Financing activities			
Proceeds from borrowings under note payable	—	—	50
Payments on notes payable	(745)	(154)	(1,186)
Proceeds from issuance of convertible preferred stock, net of issuance costs	3,336	21,799	71,183
Issuance of Series E convertible preferred stock for $5.00 per share concurrent with acquisition of nura	—	5,200	5,200
Proceeds from issuance of common stock and exercise of stock options	123	37	365
Repurchase of Series A convertible preferred stock and common stock	—	—	(165)
Net cash provided by financing activities	2,714	26,882	75,447
Net (decrease) increase in cash and cash equivalents	(16,880)	16,957	6,520
Cash and cash equivalents at beginning of period	23,400	253	—
Cash and cash equivalents at end of period	$ 6,520	$ 17,210	$ 6,520
Supplemental cash flow information			
Cash paid for interest	$ 123	$ 38	$ 266
Issuance of common stock in exchange for note receivable from related party	$ —	$ —	$ 239
Preferred stock and common stock issued in connection with nura acquisition	$ —	$ 14,070	$14,070

See notes to consolidated financial statements

OMEROS CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Information as of September 30, 2007,
for the nine months ended September 30, 2007 and for
the nine months ended September 30, 2006 is unaudited)

Note 1— Organization and Significant Accounting Policies

Organization

Omeros Corporation (Omeros or the Company) is a biopharmaceutical company committed to discovering, developing and commercializing products focused on inflammation and disorders of the central nervous system. The Company's most clinically advanced product candidates are derived from its proprietary PharmacoSurgery™ platform designed to improve clinical outcomes of patients undergoing arthroscopic, ophthalmological, urological and other surgical and medical procedures. As substantially all efforts of the Company have been devoted to conducting research and development of its products, developing the Company's patent portfolio, and raising equity capital, the Company is considered to be in the development stage.

Basis of Presentation

The consolidated financial statements include the financial position and results of operations of Omeros and nura, inc. (nura), its wholly-owned subsidiary. See Note 5 related to the acquisition of nura.

The acquisition of nura was accounted for as an asset purchase, and the results of nura have been included in the results of the Company since August 11, 2006. The inclusion of nura for a portion of 2006 impacted the comparability of the Company's 2006 financial information with the financial information for 2005 and 2004. While all of the Company's financial statements are labeled as consolidated, the financial statements for any period prior to August 11, 2006 do not include nura.

Financial Instruments and Concentration of Credit Risk

The fair values of cash, cash equivalents, receivable associated with funding agreement, and accounts payable and notes payable, which are recorded at cost, approximate fair value based on the short-term nature of these financial instruments. The fair value of short-term investments is based on quoted market prices. The carrying value of notes receivable from a related party was $239,000 at September 30, 2007 and December 31, 2006 and 2005. Due to the related-party nature of these loans, and their indefinite terms, the Company does not believe that it is practical to estimate their fair value.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, and short-term investments. Cash and cash equivalents are held by financial institutions and are federally insured up to certain limits. At times, the Company's cash and cash equivalents balance exceeds the federally insured limits. To limit the credit risk, the Company invests its excess cash primarily in high quality securities such as money market funds, certificates of deposit, commercial paper and mortgage-backed securities issued by, or fully collateralized by, the U.S. government or federal agencies.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Information as of September 30, 2007,
for the nine months ended September 30, 2007 and for
the nine months ended September 30, 2006 is unaudited)

Note 1— Organization and Significant Accounting Policies—(Continued)

Unaudited Interim Financial Information

The financial statements as of September 30, 2007, for the nine month periods ended September 30, 2007 and the nine months ended September 30, 2006, and for the period from June 16, 1994 (inception) through September 30, 2007 are unaudited. The unaudited financial statements have been prepared on the same basis as the audited financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary to state fairly the financial information therein. The results of operations for the nine months ended September 30, 2007 are not necessarily indicative of the results that may be reported for the year ending December 31, 2007.

Unaudited Pro Forma Shareholders' Equity

In December 2007, the Company's Board of Directors authorized the filing of a registration statement with the Securities and Exchange Commission to sell shares of its common stock to the public in an initial public offering (the IPO). All of the Company's convertible preferred stock outstanding at September 30, 2007 will convert into 22,327,407 shares of common stock upon completion of the IPO, assuming a conversion ratio of one share of common stock for every one share of convertible preferred stock. Unaudited pro forma shareholders' equity assumes the conversion of all preferred stock into 22,327,407 shares of common stock and the conversion of all preferred stock warrants to common stock warrants resulting in the preferred stock warrant liability being reclassified to additional paid-in capital. Certain of these warrants totaling 512,029 shares, must be exercised prior to the IPO, or they will expire. An additional 22,613 warrants will survive the IPO.

Cash and Cash Equivalents, Short-Term Investments, and Restricted Cash

Cash and cash equivalents include highly liquid investments with a maturity of three months or less on the date of purchase.

Short-term investment securities are classified as available-for-sale and are carried at fair value. Unrealized gains and losses are reported as a separate component of shareholders' deficit. Amortization, accretion, interest and dividends, realized gains and losses, and declines in value judged to be other-than-temporary are included in investment income. The cost of securities sold is based on the specific-identification method. Investments in securities with maturities of less than one year, or those for which management intends to use the investments to fund current operations, are included in current assets.

The Company evaluates whether an investment is other-than-temporarily impaired. This evaluation is dependent on the specific facts and circumstances. Factors that are considered in determining whether an other-than-temporary decline in value has occurred include: the market value of the security in relation to its cost basis; the financial condition of the investee; and the intent and ability to retain the investment for a sufficient period of time to allow for recovery in the market value of the investment.

Restricted cash consists of cash equivalents, the use of which is restricted by either contract or agreement. At September 30, 2007 and December 31, 2006, the Company held a

OMEROS CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Information as of September 30, 2007,
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the nine months ended September 30, 2006 is unaudited)

Note 1— Organization and Significant Accounting Policies—(Continued)

money market account in the amount of $207,000 and $202,000, respectively, as collateral securing a letter of credit under the facility operating lease.

Notes Receivable from Related Party

The Company received notes, which were determined to be non-recourse for accounting purposes, from the president, chief executive officer, chief medical officer and chairman of the board directors of the Company in conjunction with the exercise of certain stock options. At September 30, 2007 and December 31, 2006 and 2005, the Company has not recorded any allowance for doubtful accounts based on its assessment of the collectibility of the notes receivable at those dates. Notes receivable are stated at the principal amount. As the notes receivable are related to the purchase of the Company's common stock, the Company records the notes as a deduction from shareholders' deficit.

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful life of the assets, which is generally three to five years. Leasehold improvements are stated at cost and amortized using the straight-line method over the term of the lease or five years, whichever is shorter.

Intangible Assets

In August 2006, the Company acquired certain intangible assets related to the acquisition of nura (see Note 5). The Company assigned a value of $310,000 to assembled and trained workforce with an amortizable life of three years. The accumulated amortization of the assembled workforce was $121,000 at September 30, 2007 and $43,000 at December 31, 2006. The Company expects to record amortization of the assembled workforce of $103,000, $103,000 and $61,000 in 2007, 2008, and 2009, respectively.

Impairment of Long-Lived Assets

The carrying amount of long-lived assets, including property and equipment and intangible assets, that are not considered to have an indefinite useful life are reviewed whenever events or changes in circumstances indicate that the carrying value of an asset many not be recoverable. Recoverability of these assets is measured by comparing the carrying value to future undiscounted cash flows that the asset is expected to generate. If the asset is considered to be impaired, the amount of any impairment will be reflected in the results of operations in the period of impairment. No impairment existed as of September 30, 2007 and December 31, 2006.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Information as of September 30, 2007,
for the nine months ended September 30, 2007 and for
the nine months ended September 30, 2006 is unaudited)

Note 1— Organization and Significant Accounting Policies—(Continued)

Accrued Expenses

Accrued expenses consist of the following:

	September 30, 2007	December 31, 2006	December 31, 2005
	(in thousands)		
Employee compensation	$293	$ 263	$ 151
Clinical trials	619	215	271
Other accruals	617	129	379
Accrued expenses	$ 1,529	$ 607	$ 801

Deferred Rent

The Company recognizes rent expense on a straight-line basis over the noncancelable term of its operating lease and, accordingly, records the difference between cash rent payments and the recognition of rent expense as a deferred rent liability. The Company also records landlord-funded lease incentives, such as reimbursable leasehold improvements, as a deferred rent liability which is amortized as a reduction of rent expense over the noncancelable terms of its operating lease.

Preferred Stock Warrant Liability

Effective July 1, 2005, the Company adopted the provisions of Financial Accounting Standards board (FASB) Staff Position No. 150-5, “Issuer’s Accounting under Statement No. 150 for Freestanding Warrants and Other Similar Instruments on Shares that are Redeemable,” (FSP 150-5) an interpretation of SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity” (SFAS 150). Pursuant to FSP 150-5 and SFAS 150, the freestanding warrants to purchase the Company’s convertible preferred stock are classified as liabilities and are recorded at fair value. Upon adoption of FSP 150-5, the Company reclassified the estimated fair value of its freestanding warrants from equity to a liability. The difference in fair value of the warrants from the date of grant through the date of adoption, was immaterial. At each subsequent reporting period, any change in fair value of the freestanding warrants is recorded as other expense or income.

For the nine months ended September 30, 2007 and the nine months ended September 30, 2006 the Company recorded expense (income) of $615,000 and $(108,000), respectively, and for the years ended December 31, 2006 and 2005, the Company recorded income of $117,000 and $9,000, respectively, to reflect the change in estimated fair value of the freestanding warrants. The cumulative effect upon adoption of FSP 150-5 as of July 1, 2005 was not material.

Revenue

Revenue arrangements are accounted for in accordance with the provisions of Securities and Exchange Commission (SEC) Staff Accounting Bulletin (SAB) No. 104, “Revenue Recognition,” and Emerging Issues Task Force (EITF) No. 00-21, “Revenue Arrangements with Multiple Deliverables.” A variety of factors are considered in determining the appropriate method of revenue recognition under these arrangements, such as whether the various

OMEROS CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Information as of September 30, 2007,
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Note 1— Organization and Significant Accounting Policies—(Continued)

elements can be considered separate units of accounting, whether there is objective and reliable evidence of fair value for these elements and whether there is a separate earnings process associated with a particular element of an agreement.

The Company's revenue since inception relates to grant funding from third parties. The Company recognizes such funds as revenue when the related qualified research and development expenses are incurred up to the limit of the approved funding amounts.

In December 2006, the Company entered into a funding agreement with The Stanley Medical Research Institute (SMRI) to develop a proprietary product candidate for the treatment of schizophrenia. The funding is expected to advance the Company's schizophrenia program though the completion of Phase 1 clinical trials. Under the agreement, the Company may receive grant and equity funding up to $9.0 million upon achievement of research milestones. The Company holds the exclusive rights to the technology. In consideration for SMRI's grant funding, the Company may become obligated to pay SMRI royalties based on net income, as defined, from commercial sales of the schizophrenia product, not to exceed a set multiple of total grant funding received. If the product does not reach commercialization, the Company is not required to repay the grant funds. Upon execution of the agreement in December 2006, the Company recorded $1.3 million as deferred revenue for the amount due from SMRI as the initial funding payment. As of December 31, 2006, SMRI was obligated to pay, and in January 2007 Omeros received, the $1.3 million. The grant revenue is recognized as research is performed.

Research and Development

Research and development costs are comprised primarily of costs for personnel, including salaries and benefits; occupancy; clinical studies performed by third parties; materials and supplies to support the Company's clinical programs; contracted research; manufacturing; related consulting arrangements; and other expenses incurred to sustain the Company's overall research and development programs. Internal research and development costs are expensed as incurred. Third-party research and development costs are expensed at the earlier of when the contracted work has been performed or as upfront and milestone payments are made. Clinical trial expenses require certain estimates. The Company estimates these costs based upon a cost per patient that varies depending on the site of the clinical trial.

In-Process Research and Development

In connection with the acquisition of nura in August 2006, the Company recorded an expense of $10.9 million for acquired in-process research and development. This amount represented the estimated fair value related to incomplete product candidate development projects for which, at the time of the acquisition, technological feasibility had not been established and there was no alternative future use.

Patents

The Company generally applies for patent protection on processes and products. Patent application costs are expensed as incurred as a component of general and administrative expense, as recoverability of such expenditures is uncertain.

OMEROS CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Information as of September 30, 2007,
for the nine months ended September 30, 2007 and for
the nine months ended September 30, 2006 is unaudited)

Note 1— Organization and Significant Accounting Policies—(Continued)

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases. Deferred tax assets and liabilities are measured using enacted tax rates applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

Other Comprehensive Loss

Other comprehensive loss includes certain changes in equity that are excluded from net loss. The Company's only component of other comprehensive loss is unrealized gains (losses) on available-for-sale securities.

Net Loss Per Common Share

Basic net loss per common share is calculated by dividing the net loss by the weighted-average number of common shares outstanding for the period, less weighted-average unvested common shares subject to repurchase and common shares subject to the shareholder note receivable. Diluted net loss per common share is computed by dividing the net loss applicable to common shareholders by the weighted-average number of unrestricted common shares and dilutive common share equivalents outstanding for the period, determined using the treasury-stock method and the as if converted method.

EITF No. 03-6 requires net loss attributable to common shareholders for each period to be allocated to common stock and participating securities to the extent that the securities are required to share in the losses. The Company's Series A through E convertible preferred stock do not have a contractual obligation to share in losses of the Company. As a result, basic net loss per common share is calculated by dividing net loss by the weighted-average shares of common stock outstanding during the period.

OMEROS CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Information as of September 30, 2007,
for the nine months ended September 30, 2007 and for
the nine months ended September 30, 2006 is unaudited)

Note 1— Organization and Significant Accounting Policies—(Continued)

The following table presents the computation of basic and diluted net loss per common share (in thousands, except share and per share data):

	Nine Months Ended September 30,		Year Ended December 31,		
	2007	2006	2006	2005	2004
Historical					
Numerator:					
Net Loss	$ (18,447)	$ (18,022)	$ (22,777)	$ (7,366)	$ (4,578)
Denominator:					
Weighted-average common shares outstanding	5,172,736	4,581,464	4,622,315	4,096,813	4,044,124
Less: Weighted-average unvested common shares subject to repurchase	(59,890)	—	—	—	—
Less: Common shares subject to shareholder note receivable	(927,927)	(927,927)	(927,927)	(627,927)	(627,927)
Denominator for basic and diluted net loss per common share	4,184,919	3,653,537	3,694,388	3,468,886	3,416,197
Basic and diluted net loss per common share	$ (4.41)	$ (4.93)	$ (6.17)	$ (2.12)	$ (1.34)

Historical outstanding dilutive securities not included in diluted loss per common share calculation:

	September 30,		December 31,		
	2007	2006	2006	2005	2004
Convertible preferred stock	22,327,407	20,147,025	21,637,025	12,081,880	10,929,670
Options to purchase common stock	5,257,413	1,113,987	5,073,594	1,246,095	1,463,512
Common stock subject to shareholder note receivable	927,927	927,927	927,927	629,927	629,927
Warrants to purchase common stock and convertible preferred stock	534,642	498,821	550,981	287,288	313,515
Common stock subject to repurchase	150,000	—	—	—	—
Total	29,197,389	22,687,760	28,189,527	14,245,190	13,334,624

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Information as of September 30, 2007,
for the nine months ended September 30, 2007 and for
the nine months ended September 30, 2006 is unaudited)

Note 1— Organization and Significant Accounting Policies—(Continued)

	Nine Months Ended September 30, 2007	Year Ended December 31, 2006
Pro Forma (unaudited)		
Numerator:		
Net Loss	$ (18,447)	$ (22,777)
Plus: other expense (income) attributable to the convertible preferred stock warrants assumed to have been converted to common stock warrants	615	(117)
Pro forma net loss	$ (17,832)	$ (22,894)
Denominator:		
Denominator for basic and diluted net loss per common share	4,184,919	3,694,388
Plus: pro forma adjustments to reflect assumed weighted-average effect of conversion of convertible preferred stock	21,892,752	16,220,761
Plus: common shares subject to shareholder note receivable assumed to be issued upon note repayment	927,927	927,927
Denominator for pro forma basic and diluted net loss per common share	27,005,598	20,843,076
Pro forma basic and diluted net loss per common share	$ (0.66)	$ (1.10)

Unaudited pro forma basic and diluted net loss per common share and shares used in computations of pro forma basic and diluted net loss per common share assume conversion of all shares of convertible preferred stock into common stock, conversion of all convertible preferred stock warrants into common stock warrants, as well as the repayment of the shareholder note receivable as of January 1, 2006 or the date of issuance, if later.

Stock-Based Compensation

Prior to January 1, 2006, the Company had adopted the disclosure-only provisions of SFAS No. 123, Accounting for Stock-Based Compensation (SFAS 123), as amended by SFAS No. 148, Accounting for Stock-Based Compensation—Transition and Disclosure (SFAS 148), and applied Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees (APB 25), and related interpretations in accounting for stock options issued prior to December 31, 2005. Accordingly, through December 31, 2005, employee stock-based compensation expense was recognized based on the intrinsic value of the option at the date of grant.

Effective January 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123R, “Share-Based Payment” (SFAS 123R) under the prospective method which requires the measurement and recognition of compensation expenses for all future share-based payments made to employees and

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Information as of September 30, 2007,
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the nine months ended September 30, 2006 is unaudited)

Note 1— Organization and Significant Accounting Policies—(Continued)

directors be based on estimated fair values. The Company is using the straight-line method to allocate compensation cost to reporting periods over the optionees' requisite service period.

As of September 30, 2007 and December 31, 2006, the expected future amortization expense for deferred share-based compensation is as follows:

Years Ending December 31,	September 30, 2007	December 31, 2006
	(in thousands)	
2007	$ 4	$ 21
2008	12	12
Total	$ 16	$ 33

Stock options granted to non-employees prior to December 31, 2005 continue to be accounted for using the fair value approach in accordance with SFAS 123 and Emerging Issues Task Force Consensus (EITF) Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services" (EITF 96-18). The options to non-employees are subject to periodic reevaluation over their vesting terms.

For purposes of estimating the fair value of its common stock for stock option grants under SFAS 123R, the Company reassessed the estimated fair value of its common stock as of December 31, 2005 and 2006 and for the quarterly periods ended March 31, 2007, June 30, 2007, and September 30, 2007 by performing valuation analyses as of the above dates. As a result, the stock options granted in 2006 and 2007 had an exercise price less than the estimated fair value of the common stock at the date of grant. The Company used these fair value estimates derived from the valuations to determine the SFAS 123R stock compensation expense which is recorded in its financial statements. The valuations were prepared using a methodology that first estimated the fair value of the company as a whole, and then allocated a portion of the enterprise value to common stock. This approach is consistent with the methods outlined in the AICPA Practice Aid Valuation of Privately-Held-Company Equity Securities Issued as Compensation.

Significant Risks and Uncertainties

The Company has incurred significant losses from operations since its inception and expects losses to continue for the foreseeable future. The Company's success depends primarily on the development and regulatory approval of its product candidates. From June 16, 1994 (inception) through September 30, 2007, the Company has incurred cumulative net losses of $68.8 million. To achieve profitable operations, the Company must successfully identify, develop and commercialize its products. Products developed by the Company will require approval of the Food and Drug Administration (FDA) or a foreign regulatory authority prior to commercial sales. The regulatory approval process is expensive, time consuming and uncertain, and any denial or delay of approval could have a material adverse effect on the Company. Even if approved, the Company's products may not achieve market acceptance and certain of our products could face competition. The Company will need to raise additional funds to support its operations, and such funding may not be available to it on acceptable

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Note 1— Organization and Significant Accounting Policies—(Continued)

terms, if at all. The Company's board of directors has approved the filing of a registration statement on Form S-1 with respect to a proposed initial public offering of its common stock. The Company may seek additional sources of financing through collaborations with third parties, or public or private debt or equity financings and may also reduce expenses related to its operations if such funding is unavailable.

Segments

The Company operates in only one segment. Management uses cash flow as the primary measure to manage its business and does not segment its business for internal reporting or decision-making.

Reclassifications

Realized loss on sale of investments in 2005 and 2004 on the statements of cash flows was previously reported as a component of proceeds from sale and maturities of available-for-sale securities. The Company reclassified the investment gains realized to (gain) loss on sale of investment securities for the years 2005 and 2004 to match current presentation. These reclassifications did not materially affect the balance sheets, statements of operations or statements of cash flows, as previously presented.

Recent Accounting Pronouncements

The Company adopted Financial Accounting Standards Board Interpretation No. 48 "Accounting for Uncertainties in Income Taxes—an interpretation of FASB Statement No. 109" (FIN 48) effective January 1, 2007. FIN 48 requires that the Company recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. No cumulative adjustment to the Company's accumulated deficit was required upon adoption of FIN 48.

As of January 1, 2007, the Company had no unrecognized tax benefits, and expected no unrecognized tax benefits in the next 12 months.

The Company files its income tax return in the United States, which typically provides for a three year statute of limitations on assessments. However, because of net operating loss carryforwards, substantially all of the Company's tax years remain open to examination by the Internal Revenue Service.

The Company's policy is to recognize interest and penalties related to the underpayment of income taxes as a component of income tax expense. To date, there have been no interest or penalties charged to the Company in relation to the underpayment of income taxes.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB 108). SAB 108 provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB 108 establishes an approach that requires quantification of financial statement errors based on the effects on each of the Company's balance sheets and statement of operations and the related financial statement

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Note 1— Organization and Significant Accounting Policies—(Continued)

disclosures. SAB 108 was adopted by the Company in the first quarter of 2007. The Company has determined that the adoption of SAB 108 had no material effect on its results of operations and financial position.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS 157). SFAS 157 provides guidance for using fair value to measure assets and liabilities. It also responds to investors' requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value, and does not expand the use of fair value in any new circumstances. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and is required to be adopted by the Company effective January 1, 2008. The Company is currently evaluating the effect, if any, that the adoption of SFAS 157 will have on its results of operations and financial position.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115" (SFAS 159). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS 159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. Most of the provisions in SFAS 159 are elective; however, the amendment to FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities," applies to all entities with available-for-sale and trading securities. SFAS 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. The Company is currently evaluating the effect, if any, that the adoption of SFAS 159 will have on its results of operations and financial position.

In June 2007, the Financial Accounting Standards Board (FASB) ratified EITF Issue No. 07-3 "Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities" (EITF 07-3). The scope of EITF 07-3 is limited to nonrefundable advance payments for goods and services to be used or rendered in future research and development activities. This issue provides that nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities should be deferred and capitalized. Such amounts should be recognized as an expense as the related goods are delivered or the related services are performed. The Company intends to adopt EITF 07-3 effective January 1, 2008. The impact of applying this consensus will depend on the terms of future research and development contractual arrangements entered into on or after December 15, 2007.

Note 2— Investments

Cash, cash equivalents, restricted cash and available-for-sale securities, all of which are carried at fair value, consisted of the following as of September 30, 2007, December 31, 2006 and 2005:

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Note 2— Investments—(Continued)

	September 30, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Cash	$ 1,737	$ —	$ —	$ 1,737
Commercial paper	4,990	—	—	4,990
Mortgage-backed securities	20,617	34		20,651
Total	$ 27,344	$ 34	$ —	$ 27,378
Amounts classified as cash and cash equivalents				$ 6,520
Amounts classified as restricted cash				207
Amounts classified as short-term investments				20,651
Total				$ 27,378

	December 31, 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Cash	$ 8,617	$ —	$ —	$ 8,617
Commercial paper	14,985	—	—	14,985
Mortgage-backed securities	12,459	26	—	12,485
Total	$ 36,061	$ 26	$ —	$ 36,087
Amounts classified as cash and cash equivalents				$ 23,400
Amounts classified as restricted cash				202
Amounts classified as short-term investments				12,485
Total				$ 36,087

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Note 2— Investments—(Continued)

	December 31, 2005			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash	$ 253	$ —	$ —	$ 253
Mortgage-backed Securities	12,113	6	—	12,119
Total	$ 12,366	$ 6	$ —	$ 12,372
Amounts classified as cash and cash equivalents				$ 253
Amounts classified as short-term investments				12,119
Total				$ 12,372

The Company's investment portfolio is made up of cash, commercial paper and mortgage-backed, adjustable-rate securities issued by, or fully collateralized by, the U.S. government or federal agencies. The mortgage-based securities have contractual maturities ranging from nine to 31 years at September 30, 2007 and December 31, 2006. Due to normal annual prepayments of 20% to 25%, the average life of the portfolio is four to five years. The adjustable rate feature further shortens the maturity and interest risk of the portfolio, making it similar to a one-year government agency security. All investments are classified as short-term on the accompanying balance sheet.

The composition of the Company's investment income is as follows:

	Nine Months Ended September 30,		Year Ended December 31,		
	2007	2006	2006	2005	2004
			(in thousands)		
Gross interest income	$ 1,049	$ 689	$ 943	$ 485	$ 339
Impairment loss on investments	—	—	—	(76)	(87)
Gross realized gains on sales of investments	254	129	270	6	8
Gross realized losses on sales of investments	(130)	(96)	(125)	(82)	(89)
Total investment income	$ 1,173	$ 722	$ 1,088	$ 333	$ 171

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Note 3— Property and Equipment

Property and equipment consists of the following:

	September 30, 2007	December 31, 2006	December 31, 2005
	(in thousands)		
Computer equipment	$ 261	$ 229	$ 197
Purchased software	19	16	—
Office equipment and furniture	266	236	221
Leasehold improvements	266	261	255
Laboratory equipment	940	534	255
Total	1,752	1,276	928
Less accumulated depreciation and amortization	(892)	(699)	(510)
Property and equipment, net	$ 860	$ 577	$ 418

The Company's property and equipment have lives that range from three to five years with the exception of the leasehold improvements that are limited to the lesser of the term of the lease or five years. Depreciation expense for the nine months ended September 30, 2007 and for the years ended December 31, 2006 and 2005 was $193,000, $189,000 and $156,000, respectively.

Note 4— Notes Payable

In April 2005, nura entered into a financing agreement under which nura borrowed $3.0 million. Borrowings under the loan bear interest at the holder's prime rate. The Company assumed this note upon its acquisition of nura in August 2006. The Company is not subject to financial and operating convents under the terms of the credit agreement. The lender has security interest in all of nura's assets including the intellectual property. As of December 31, 2006, $2.0 million was outstanding under the promissory note with interest accruing at a rate of 9.69% per year.

Future principal payments related to the promissory note at December 31, 2006 are as follows (in thousands):

Year Ending December 31,	
2007	$ 1,005
2008	1,010
Total future principal payments	$ 2,015

Note 5— Acquisition of nura

Effective August 11, 2006, the Company acquired nura, inc. (nura), a private biotechnology company which expanded and diversified the Company's potential product pipeline and strengthened its discovery capabilities. The Company completed the acquisition of nura through the issuance of 3,398,445 shares of Omeros Series E convertible preferred stock and 36,246 shares of common stock, and the assumption of a $2.4 million promissory note. The

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Note 5— Acquisition of nura—(Continued)

convertible preferred stock issued in conjunction with the acquisition included shares issued to certain nura shareholders in exchange for their $5.2 million investment in Omeros concurrent with the acquisition. nura's primary assets included its research and development team and a proprietary drug discovery platform. The Company assigned a value of $14.1 million to the convertible preferred shares issued to the nura stockholders. This value was based upon the implied value of the Company's preferred shares considering the enterprise value of the Company at the date of the transaction.

The acquisition of nura, a development stage drug discovery company, was accounted for as an acquisition of assets rather than as a business combination in accordance with the criteria outlined in EITF 98-3 "Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business." The results of operations of nura since August 11, 2006 have been included in the Company's financial statements and consist primarily of research and development expenses.

The aggregate purchase price of nura was $14.4 million, consisting of the issuance of 3,398,445 shares of Omeros convertible preferred stock, 36,246 shares of Omeros common stock and $299,000 in direct transaction costs. The purchase price was allocated as follows (in thousands):

Cash	$ 87
Prepaid assets and other current assets	233
Cash investment from existing nura institutional investors	5,200
Equipment	182
Assumed liabilities	(2,535)
Net tangible assets	3,167
Assembled workforce	310
Acquired in-process research and development	10,891
Total fair value of assets acquired, net of liabilities assumed	$ 14,368

Assumed liabilities include notes payable of $2.4 million, accounts payable and accrued expenses of $65,000, and preferred stock warrant liability of $64,000.

The value assigned to assembled workforce is being amortized over three years. The value assigned to acquired in-process research and development represented the fair value of nura's incomplete research and development programs that had not yet reached technological feasibility and had no alternative future use as of the acquisition date.

The value of the acquired in-process research and development was determined by estimating the future net cash flows of development programs using a present value risk adjusted discount rate of 40%. The projected cash flows from the acquired project were based on estimates considering the stage of development, the time and resources needed to complete product development, and associated risks including the inherent difficulties and uncertainties in developing a drug compound, including obtaining FDA and other regulatory

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Note 5— Acquisition of nura—(Continued)

approvals. The value of acquired in-process research and development of $10.9 million was recorded as an operating expense in 2006.

The following unaudited pro forma financial information has been prepared in accordance with Article 11 of Regulation S-X and presents the statement of operations for the year ended December 31, 2006 as if the acquisition of nura had been consummated as of January 1, 2006. The unaudited pro forma financial statements combine the results of operations of Omeros for the year ended December 31, 2006 with the results of operations of nura for the period from January 1, 2006 to August 11, 2006, and reflect pro forma adjustments that are directly attributable to the acquisition, factually supportable and have a continuing impact. The unaudited pro forma statements of operations do not reflect any incremental direct costs or any potential cost savings that may result from the consolidation of the operations of Omeros and nura. Accordingly, the unaudited pro forma financial information is presented for illustrative purposes and is not necessarily indicative of the results of operations of the combined company that would have occurred had the acquisition occurred at the beginning of the period presented, nor is it necessarily indicative of future operating results. The unaudited pro forma information is as follows:

	Omeros	Nura	Pro Forma Adjustments	Pro Forma Combined
	(In thousands, except share and per share data)			
Grant revenue	$ 200	$ 200	$ —	$ 400
Operating expenses:				
Research and development	9,637	2,394	—	12,031
Acquired in-process research and development	10,891	—	(10,891) (1)	—
General and administrative	3,625	957	63(2)	4,645
Total operating expenses	24,153	3,351	(10,828)	16,676
Loss from operations	(23,953)	(3,151)	10,828	(16,276)
Investment income	1,088	8	—	1,096
Other income	179	219	—	398
Interest expense	(91)	(295)	—	(386)
Net loss	$ (22,777)	$ (3,219)	$ 10,828	$ (15,168)
Weighted-average common shares outstanding	3,694,388	—	22,106(3)	3,716,494
Pro forma basic and diluted net loss per common share				$ (4.08)

(1) Represents an adjustment to reverse the $10.9 million non-recurring charge for purchased in-process research and development recorded in the historical financial statements of Omeros that resulted directly from the August 11, 2006 acquisition of nura.

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Note 5— Acquisition of nura—(Continued)

(2) Represents amortization of assembled workforce acquired in the acquisition for the period of $63,000.

(3) Represents weighed average number of shares issued in connection with the acquisition.

Note 6— Commitments and Contingencies

The Company leases laboratory and corporate office space, and rents equipment under operating lease agreements which include certain rent escalation terms. The Company subleases a portion of its leased properties. Future minimum payments related to the leases, which exclude common area maintenance and related operating expenses, at December 31, 2006 are as follows:

Year Ending December 31,	Lease Payments	Sublease Income	Net Lease Payments
		(in thousands)	
2007	$ 1,333	$ 252	$ 1,081
2008	1,117	69	1,048
2009	438	—	438
2010	427	—	427
2011	279	—	279
Total	$ 3,594	$ 321	$ 3,273

Rent expense totaled $1.4 million and $650,000 for the nine months ended September 30, 2007 and the nine months ended September 30, 2006, respectively, and $1.1 million, $607,000 and $540,000 for the years ended December 31, 2006, 2005 and 2004, respectively. Rental income received under noncancelable subleases was $261,000 and $61,000 for the nine months ended September 30, 2007 and the year ended December 31, 2006, respectively. There was no rental income received under noncancelable subleases for the nine months ended September 30, 2006 and the years ended December 31, 2005 and 2004.

The original term for the Company's laboratory space is through September 30, 2008. On September 30, 2007, the Company exercised its option to extend its leases for this laboratory space. The leases were extended through September 30, 2011. Lease rates have not yet been set and will be determined in 2008 based on market rates.

In connection with the funding agreement with SMRI, beginning the first calendar year after commercial sales of a schizophrenia product if and when a product is commercialized, the Company may become obligated to pay royalties based on net income, as defined, not to exceed a set multiple of total grant funding received. The Company has not paid any such royalties through September 30, 2007.

Note 7— Warrants

In 1998, the Company issued a warrant to purchase 11,829 shares of Series B convertible preferred stock at $1.75 per share, which was fully exercised in 2003. The warrant value was determined to be immaterial using the Black-Scholes option-pricing model. In addition, in exchange for securing a loan for operations, the Company issued warrants to directors to acquire 124,999 shares of common stock at an exercise price equal to the Series B convertible

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Note 7— Warrants—(Continued)

preferred stock exercise price of $1.75 per share. The warrants expire in December 2007 and all such warrants are outstanding at December 31, 2006.

In 2000, the Company issued warrants to purchase 49,980 shares of Series C convertible preferred stock at $2.65 per share. The fair value of the warrants to purchase 40,547 shares of Series C convertible preferred stock, $72,000, was determined using the Black-Scholes option-pricing model and was accounted for as a cost of the offering. In September 2005, these warrants were exercised for 31,995 shares and the remaining warrants for 8,552 shares expired. The Company also issued a warrant to purchase 9,433 shares of Series C convertible preferred stock to a consultant. The fair value of this warrant, $12,000, was determined using the Black-Scholes option-pricing model and was expensed in 2000. This warrant was exercised prior to January 1, 2005.

In 2002, the Company issued a warrant to purchase 25,139 shares of Series D convertible preferred stock at $3.97 per share. The fair value of the warrant to purchase the Series D convertible preferred stock is $64,000, determined using the Black-Scholes option-pricing model. The warrant was included as a cost of the offering and would have expired in January 2007. The warrant remained outstanding at December 31, 2006 but was exercised in January 2007.

During 2006 and 2005, in connection with the sale of Series E convertible preferred stock, the Company committed to issue warrants to purchase 241,080 and 14,320 shares, respectively, of Series E convertible preferred stock at $6.25 per share upon the final close of the Series E financing. The value of the 2006 and 2005 warrants to purchase the Series E convertible preferred stock is $606,000 and $45,000, respectively, determined using the Black-Scholes option-pricing model. The warrants are included as a cost of the Series E convertible preferred stock offering and expire in 2012. All of the Series E related warrants are outstanding at December 31, 2006.

In connection with the acquisition of nura, the Company issued warrants to acquire 65 shares of common stock and 22,548 shares of Series E convertible preferred stock warrants with an exercise price of $4.66 per share, for a fair value of $64,000 and expiring in 2015.

The following is a table summarizing our warrants outstanding as of:

	September 30, 2007			December 31, 2006		
	Warrants Outstanding	Fair Value	Weighted-Average Exercise Price	Warrants Outstanding	Fair Value	Weighted-Average Exercise Price
Common stock	125,064	$ —	$ 1.75	125,064	$ —	$ 1.75
Series D	—	—	—	25,139	27	3.97
Series E	409,578	1,674	6.16	400,778	1,010	6.16
Total	534,642	$ 1,674	$ 5.13	550,981	$ 1,037	$ 5.06

The Company adopted the provisions of FASB Staff Position 150-5 “Issuer’s Accounting under FASB Statement No. 150 for Freestanding Warrants and Other Similar Instruments on Shares That Are Redeemable” (FSP 150-5) on July 1, 2005. The difference in fair value of the warrants from the date of grant through the date of adoption was immaterial. In accordance

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Note 7— Warrants—(Continued)

with this guidance, the Company estimated the fair value of all outstanding convertible preferred stock warrants at July 1, 2005 and reclassified this amount from equity to a liability. The warrant obligation is adjusted to fair value at the end of each reporting period. Such fair values were estimated using the Black-Scholes option pricing model, based on the following assumptions:

	September 30, 2007	December 31, 2006	December 31, 2005	July 1, 2005 (Date of Adoption)
Risk-free interest rate	4.36%	4.57%	4.38%	4.58%
Weighted-average expected life (in years)	4.5-5.00	5.00-6.08	1.00-5.00	1.5 -5.00
Expected dividend yield	—	—	—	—
Expected volatility rate	60%	60%	80%	80%

The change in value of the fair value of the warrants totaled $615,000 during the nine months ended September 30, 2007, ($117,000) during the year ended December 31, 2006, and ($9,000) during the year ended December 31, 2005. These changes in the preferred stock warrant liability are included in other income (expense) in the consolidated statement of operations.

Note 8— Convertible Preferred Stock

The Company's Second Amended and Restated Articles of Incorporation authorize the Company to issue shares of Series A through Series E stock, which hereafter are collectively referred to as convertible preferred stock.

A summary of convertible preferred stock follows (amounts in thousands, except share and per share data):

		September 30, 2007			
	Issued Price per Share	Shares Authorized and Designated	Issued and Outstanding Shares	Aggregate Liquidation Preference	Carrying Value
Series A	$ 1.00	775,000	775,000	$ 775	$ 775
Series B	$ 1.75	2,675,073	2,675,073	4,681	4,682
Series C	$ 2.65	2,866,719	2,866,719	7,597	7,608
Series D	$ 3.97	997,719	996,962	3,958	3,957
Series E	$ 5.00	19,000,000	15,013,653	75,068	72,146
Total		26,314,511	22,327,407	$ 92,079	$ 89,168

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Note 8— Convertible Preferred Stock—(Continued)

		December 31, 2006			
	Issued Price per Share	Shares Authorized and Designated	Issued and Outstanding Shares	Aggregate Liquidation Preference	Carrying Value
Series A	$ 1.00	775,000	775,000	$ 775	$ 775
Series B	$ 1.75	2,675,073	2,675,073	4,681	4,682
Series C	$ 2.65	2,866,719	2,866,719	7,597	7,608
Series D	$ 3.97	997,719	972,580	3,861	3,861
Series E *	$ 5.00	19,000,000	14,347,653	71,738	68,816
Total		26,314,511	21,637,025	$ 88,652	$ 85,742

		December 31, 2005			
	Issued Price per Share	Shares Authorized and Designated	Issued and Outstanding Shares	Aggregate Liquidation Preference	Carrying Value
Series A	$ 1.00	875,000	775,000	$ 775	$ 775
Series B	$ 1.75	2,675,073	2,675,073	4,681	4,682
Series C	$ 2.65	2,875,271	2,866,719	7,597	7,608
Series D	$ 3.97	997,719	972,580	3,861	3,861
Series E	$ 5.00	7,350,000	4,792,508	23,962	23,962
Total		14,773,063	12,081,880	$ 40,876	$ 40,888

(*) Shares issued in conjunction with the nura acquisition totaled 3,398,445 at a price of $4.14 per share.

Prior to January 1, 2005, the Company issued 875,000 shares of Series A convertible preferred stock at $1.00 per share for net proceeds of $868,000; 2,663,244 shares of Series B convertible preferred stock at $1.75 per share for net proceeds of $4.4 million; 2,825,291 shares of Series C convertible preferred stock at $2.65 per share for net proceeds of $7.2 million; and 972,580 shares of Series D convertible preferred stock at $3.97 per share for net proceeds of $3.7 million. During 2006 and 2005, the Company issued 7,196,700 and 1,120,215 shares, respectively, of Series E convertible preferred stock for net proceeds of $34.2 million and $5.3 million, respectively. The cumulative cash issuance costs associated with the private placements of convertible preferred stock were approximately $4.0 million.

On February 27, 2007, the Company issued 666,000 shares of Series E convertible preferred stock at $5.00 per share, raising net proceeds of $3.2 million. The Company also committed to issue warrants to purchase 8,800 shares of Series E convertible preferred stock at $6.25 per share upon the final close of the Series E financing.

As discussed in Note 5, effective August 11, 2006, the Company acquired nura and issued 2,358,445 shares of Series E convertible preferred stock and 36,246 shares of common stock. Concurrently, nura stockholders purchased 1,040,000 shares of Series E convertible preferred stock for $5.2 million.

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Note 8— Convertible Preferred Stock—(Continued)

Holders of convertible preferred stock have preferential rights to noncumulative dividends, when and if declared by the Board of Directors, and are entitled to the number of votes equal to the number of shares of common stock into which the convertible preferred stock could be converted. No dividends have been declared or paid as of September 30, 2007.

In the event of liquidation, Series A, B, C, D, and E convertible preferred shareholders have preferential rights to liquidation payments of $1.00, $1.75, $2.65, $3.97, and $5.00 per share, respectively, plus any declared but unpaid dividends.

Each share of Series A, B, C, D, and E convertible preferred stock is convertible, at the option of the holder, into one share of common stock, subject to certain adjustments. Conversion is automatic upon the vote or written consent of the holders of 50% of the convertible preferred shares, or upon the closing of an initial public offering of the Company's common stock from which the aggregate proceeds are not less than $10.0 million.

In addition, the Company has granted registration rights and rights of first offer to the convertible preferred shareholders, and is precluded from carrying out certain actions without the approval of the majority of the convertible preferred shareholders voting as a group.

In the event of a change in control whereby the Company: (a) is involved in any liquidation or winding up of the Company, whether voluntary or not, (b) sells or disposes of all or substantially all of the assets of the Company, or (c) effects any other transaction or series of related transactions in which more than 50% of the voting power of the Company is disposed of, then a "deemed liquidation" event occurs whereby the convertible preferred shareholders are entitled to receive their liquidation preferences described above. This change in control provision and the stock conversion provision described above require the Company to classify the convertible preferred stock outside of shareholders' equity because under those circumstances, the redemption of the convertible preferred stock is outside the control of the Company.

Company Stock Repurchases

Prior to 2004, the Company repurchased 371,875 shares of common stock for $65,000. Upon purchase, these shares were canceled. Shares were repurchased in an amount equal to the exercise price of the shares. During 2004, the Company repurchased 100,000 shares of convertible preferred stock upon resolution of a legal matter that existed prior to 2004. The Company recorded the repurchased shares as a deduction of $100,000 from convertible preferred stock at December 31, 2003, which was equal to the original purchase price of the shares.

Note 9— Common Stock

At September 30, 2007 and December 31, 2006 the Company was authorized to issue 40,000,000 shares of common stock. At September 30, 2007 and December 31, 2006, the Company had 5,399,890 and 4,972,600 shares of common stock outstanding, respectively.

OMEROS CORPORATION
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Information as of September 30, 2007,
for the nine months ended September 30, 2007 and for
the nine months ended September 30, 2006 is unaudited)

Note 9— Common Stock—(Continued)

The Company has reserved shares of common stock for the following purposes as of:

	September 30, 2007	December 31, 2006
Options granted and outstanding under the 1998 stock option plan	5,192,537	5,008,079
Options available for future grant under the 1998 stock option plan	1,012,928	1,624,676
Options granted and outstanding outside of the 1998 stock option plan	58,806	58,806
Options granted and outstanding under the nura 2003 stock option plan	6,070	6,709
Conversion of convertible preferred stock	22,327,407	21,637,025
Convertible preferred stock warrants	409,578	425,917
Common stock warrants	125,064	125,064
Total shares reserved	29,132,390	28,886,276

Note 10— Stock-Based Compensation

Stock Options

Under the Company's Amended and Restated 1998 Stock Option Plan (the Plan), 8,311,516 shares of common stock were reserved for the issuance of incentive and nonqualified stock options to any former, current, or future employees, officers, directors, agents, or consultants, including members of technical advisory boards and any independent contractors of the Company. Options are granted with exercise prices equal to the fair market value of the common stock on the date of the grant, as determined by the Company's Board of Directors. The terms of options may not exceed ten years. Generally, options vest over a four-year period.

Prior to 2005, the Board of Directors approved the grant of 148,906 stock options outside the Plan. These options were granted with exercise prices equal to the fair market value of the common stock on the date of grant, as determined by the Board of Directors.

In connection with the Company's acquisition of nura on August 11, 2006, the Company assumed all of the outstanding options issued under nura's 2003 Stock Plan (the nura Plan). As of December 31, 2006, options to purchase 6,817 shares of the Company's common stock were outstanding under the nura Plan and no shares remained available for future issuance pursuant to the nura Plan. These options were granted with exercise prices equal to the fair market value of nura's common stock on the date of grant, as determined by nura's board of directors. The Company does not intend to issue any additional stock options pursuant to the nura Plan.

The Company accounts for cash received in consideration for the purchase of unvested shares of common stock or the early-exercise of unvested stock options as a current liability, included as a component of accrued liabilities in the Company's balance sheets. As of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Information as of September 30, 2007,
for the nine months ended September 30, 2007 and for
the nine months ended September 30, 2006 is unaudited)

Note 10— Stock-Based Compensation—(Continued)

September 30, 2007, there were 150,000 unvested shares of the Company's common stock outstanding and $150,000, of related recorded liability, which is included in accrued liabilities. As of December 31, 2006 and 2005, there were no unvested shares of the Company's common stock outstanding.

A summary of stock option activity and related information follows:

	Shares Available for Grant	Options Outstanding	Weighted-Average Exercise Price per Share
Balance at January 1, 2004	439,253	1,448,512	$ 0.30
Granted	(81,000)	81,000	0.50
Exercised	—	(55,687)	0.19
Cancelled	10,313	(10,313)	0.40
Balance at December 31, 2004	368,566	1,463,512	0.31
Granted	(169,683)	169,683	0.50
Exercised	—	(387,100)	0.27
Balance at December 31, 2005	198,883	1,246,095	0.35
Authorized increase in Plan shares	5,700,000	—	—
Assumption of outstanding nura stock options	—	15,192	5.42
Granted	(4,325,853)	4,325,853	0.50
Exercised	—	(453,716)	0.28
Cancelled nura stock options	—	(8,184)	5.42
Cancelled	51,646	(51,646)	0.37
Balance at December 31, 2006	1,624,676	5,073,594	0.49
Granted	(658,500)	658,500	1.15
Exercised	—	(427,290)	0.64
Cancelled nura stock options	—	(639)	5.42
Cancelled	46,752	(46,752)	0.53
Balance at September 30, 2007	1,012,928	5,257,413	$ 0.56

The aggregate intrinsic value of options outstanding as of September 30, 2007 and December 31, 2006 was $29.8 million and $2.0 million, respectively. The aggregate intrinsic value of options exercisable as of September 30, 2007 and December 31, 2006 was $18.0 million and $935,000, respectively.

OMEROS CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Information as of September 30, 2007,
for the nine months ended September 30, 2007 and for
the nine months ended September 30, 2006 is unaudited)

Note 10— Stock-Based Compensation—(Continued)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2006:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number of Options	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
$0.18-0.40	449,933	3.56	$ 0.24	448,140	$ 0.24
$0.50	4,540,390	9.86	$ 0.50	1,808,944	$ 0.50
$1.00	76,562	1.71	$ 1.00	76,562	$ 1.00
$5.42	6,709	6.79	$ 5.42	4,862	$ 5.42
$0.18-5.42	5,073,594	9.17	$ 0.49	2,338,508	$ 0.48

A total of up to $1.3 million will be recognized as compensation expense for the unvested 2,735,086 options outstanding as of December 31, 2006. This expense will be recognized over a weighted-average period of 2.7 years. This excludes non-employee options and variable awards.

Prior to January 1, 2006, compensation cost for stock options granted to employees was recognized based on the difference, if any, between the intrinsic market price of common stock on the date of grant and the exercise price. The value of any such options was recorded as a component of shareholders' deficit and is amortized to expense over the vesting period of the applicable option.

Compensation cost for stock options granted to employees and awards modified on or subsequent to January 1, 2006 is based on the grant-date fair value estimated in accordance with SFAS 123R and is recognized over the vesting period of the applicable option on a straight-line basis. The estimated per share weighted-average fair value of stock options granted to employees during 2006 was $0.64.

As stock-based compensation expense recognized under SFAS 123R is based on options ultimately expected to vest, the expense has been reduced for estimated forfeitures. The fair value of each employee option grant during 2006 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Nine Months Ended September 30,		Years Ended December 31,		
	2007	2006	2006	2005	2004
Expected volatility	60%	60%	60%	0%	0%
Expected term (in years)	6.08	5.00-6.08	5.00-6.08	5.00	5.00
Risk-free interest rate	4.42% - 4.78%	4.63% - 5.04%	4.57% - 5.04%	4.58%	4.00%
Expected dividend yield	0%	0%	0%	0%	0%

Expected Volatility. The expected volatility rate used to value stock option grants is based on volatilities of a peer group of similar companies, considering industry and stage of life cycle, whose share prices are publicly available. The peer group was developed based on

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Information as of September 30, 2007,
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Note 10— Stock-Based Compensation—(Continued)

companies in the pharmaceutical and biotechnology industry in a similar stage of development.

Expected Term. The Company elected to utilize the "simplified" method for "plain vanilla" options as provided for in the Securities and Exchange Commission's Staff Accounting Bulletin No. 107 to value stock option grants. Under this approach, the weighted-average expected life is presumed to be the average of the vesting term and the contractual term of the option.

Risk-free Interest Rate. The risk-free interest rate assumption was based on zero coupon U.S. Treasury instruments whose term was consistent with the expected term of our stock option grants.

Expected Dividend Yield. The Company has never declared or paid any cash dividends and does not presently plan to pay cash dividends in the foreseeable future.

The following table summarizes recent stock option grant activity:

Grant Date	Number of Shares Subject to Options Granted	Exercise Price per Share	Estimated Fair Value of Common Stock per Share at Date of Grant	Intrinsic Value per Share at Date of Grant
July 2006	23,000	$ 0.50	$ 0.89	$ 0.39
September 2006	28,000	0.50	0.89	0.39
December 2006	4,274,853	0.50	0.89	0.39
March 2007	308,500	1.00	1.05	0.05
May 2007	350,000	1.00	3.63	2.63
October 2007 (unaudited)	275,733	1.25	6.23	4.98

Stock options granted to non-employees are accounted for using the fair value approach in accordance with SFAS 123 and EITF Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services" (EITF 96-18). The fair value of non-employee option grants are estimated using the Black-Scholes option-pricing model and are re-measured over the vesting term as earned. The estimated fair value is charged to expense over the applicable service period. During 2006 and 2004 there were no options granted to non-employees. During 2005, the Company granted 12,183 options to non-employees to purchase shares of common stock.

In conjunction with the exercise of certain stock options, the Company received non-recourse promissory notes from its president, chief executive officer, chief medical officer and chairman of the board of directors totaling $239,000. The promissory notes accrue interest at rates ranging from 3% to 6.25% and are secured by pledges of the underlying common stock. Since the notes are non-recourse, they are treated as stock options subject to variable accounting whereby changes in the estimated fair value of the underlying deemed option are reported as an increase or decrease, as applicable, in stock-based compensation expense until such time that the notes are repaid. Stock-based compensation expense (credit) relating to variable accounting for these notes was $5.0 million for the nine months ended September 30,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Information as of September 30, 2007,
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Note 10— Stock-Based Compensation—(Continued)

2007, and $361,000, $(534,000), and $264,000 for the years ended December 31, 2006, 2005 and 2004, respectively.

Stock-Based Compensation Summary. Stock-based compensation expense includes variable awards, amortization of deferred stock compensation, and awards accounted for under SFAS 123R and have been reported in the Company's consolidated statements of operations as follows:

	Nine Months Ended September 30,		Years Ended December 31,		
	2007	2006	2006	2005	2004
			(in thousands)		
Research and development	$ 245	$ 3	$ 309	$ —	$ —
General and administrative	5,300	283	1,130	(507)	273
Total	$ 5,545	$ 286	$ 1,439	$ (507)	$ 273

Note 11— Income Taxes

The Company has a history of losses and therefore has made no provision for income taxes. Deferred income taxes reflect the tax effect of net operating loss and tax credit carryforwards and the net temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of deferred tax assets are as follows:

	December 31,	
	2006	2005
	(in thousands)	
Deferred tax assets:		
Net operating loss carryforwards	$ 12,131	$ 9,331
Deferred revenue	442	—
Research and development tax credits	1,194	816
Other	94	95
	13,861	10,242
Less valuation allowance	(13,861)	(10,242)
Net deferred tax assets	$ —	$ —

As of December 31, 2006 and 2005, the Company had net operating loss carryforwards and research and development tax credit carryforwards of approximately $35.7 million and $1.2 million, respectively. Unless previously utilized, our net operating loss and research and development tax credit carryforwards will expire between 2009 and 2025. The difference between the net operating loss carryforwards and the net loss for financial reporting purposes relates primarily to in-process research and development, accrued vacation, depreciation and stock-based compensation. In certain circumstances, due to ownership changes, the net operating loss and tax credit carryforwards may be subject to limitations under the Internal Revenue Code of 1986, as amended (the Code). The Company's ability to utilize its net

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Information as of September 30, 2007,
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Note 11— Income Taxes—(Continued)

operating loss and tax credit carryforwards may be limited in the event that a change in ownership, as defined in Section 382 of the Code has occurred or may occur in the future.

A reconciliation of the Federal statutory tax rate of 34% to the Company's effective income tax rate follows:

	December 31,		
	2006	2005	2004
		(in thousands)	
Statutory tax rate	(34)%	(34)%	(34)%
Permanent difference	19	1	2
Change in valuation allowance	14	36	32
Other	1	(3)	—
Effective tax rate	—	—	—

As of January 1, 2007, the Company had no unrecognized tax benefits, and expected no unrecognized tax benefits in the next 12 months. Because of net operating loss carryforwards, substantially all of the Company's tax years remain open to federal tax examination. The Company files income tax returns in the United States, which typically provides for a three year statute of limitations on assessments.

The Company's policy is to recognize interest and penalties related to the underpayment of income taxes as a component of income tax expense. To date, there have been no interest or penalties charged to the Company in relation to the underpayment of income taxes.

The Company has established a 100% valuation allowance due to the uncertainty of the Company's ability to generate sufficient taxable income to realize the deferred tax assets. The Company's valuation allowance increased $3.7 million, $3.1 million and $1.6 million in 2006, 2005, and 2004, respectively, primarily due to net operating losses incurred during these periods.

Note 12— Related-Party Transactions

The Company conducts research using the services of one of its founders. Costs associated with this research totaled $0, $41,000, $41,000, and $41,000 for the nine months ended September 30, 2007 and the years ended December 31, 2006, 2005, and 2004, respectively, and $435,000 for the period of inception (June 16, 1994) through December 31, 2006.

In conjunction with the exercise of certain stock options by the president, chief executive officer, chief medical officer and chairman of the board of directors of the Company, the Company received recourse notes that were deemed to be non-recourse for accounting purposes, in the amount of $88,000 in 2005 and $151,000 prior to 2003 for a total of $239,000. Through December 31, 2006, no amounts had been repaid under the promissory notes. The loans are secured by pledges of common stock of the Company. The loans bear interest ranging from 3% to 6.25%. Interest income on the loans totaled $9,000 for the nine months ended September 30, 2007 and, $12,000 and $6,000 for the years ended December 31, 2006 and 2005, respectively. Interest receivable of $36,000 at September 30, 2007 and $28,000 and

OMEROS CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Information as of September 30, 2007,
for the nine months ended September 30, 2007 and for
the nine months ended September 30, 2006 is unaudited)

Note 12— Related-Party Transactions—(Continued)

$16,000 at December 31, 2006 and 2005, respectively, is included in other current assets in the accompanying balance sheets. These notes have been determined to be a variable stock compensation arrangement and the difference between the original exercise price of the related stock options and the fair value of the underlying common stock is recorded as stock compensation expense. For the nine months ended September 30, 2007 and the nine months ended September 30, 2006, $5.0 million and $271,00, respectively, for the years ending December 31, 2006, 2005 and 2004, $362,000, $(534,000) and $263,000, respectively, and $5.4 million for the period of inception (June 16, 1994) through September 30, 2007, has been recognized as stock compensation expense (credit). The shares underlying the loans are not considered outstanding for the computation of basic and diluted net loss per common share.

Note 13— 401(k) Retirement Plan

The Company has adopted a 401(k) plan. To date, the Company has not matched employee contributions to the plan. All employees are eligible to participate, provided they meet the requirements of the plan.

Note 14— Subsequent Events (unaudited)

In October 2007, the Company received cash totaling $980,000 from Small Business Innovation Research grants awarded by the National Institute of Health.

In December 2007, the Company received full payment related to the notes receivable totaling $239,000 owed by the president, chief executive officer, chief medical officer and chairman of the board of directors of the Company.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Omeros Corporation

We have audited the accompanying statements of operations and cash flows of nura, inc. (a development stage company) for the period from January 1, 2006 through August 11, 2006, the year ended December 31, 2005, and for the period from August 26, 2003 (inception) through August 11, 2006. 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. The statements of operations and cash flows for the period from August 26, 2003 (inception) through December 31, 2004, were audited by other auditors whose report dated December 2, 2005 expressed an unqualified opinion on those statements. The financial statements for the period August 26, 2003 (inception) through December 31, 2004 include total revenues and net loss of $164,000 and $4,486,000 respectively. Our opinion on the statements of operations and cash flows for the period August 26, 2003 (inception) through August 11, 2006, insofar as it relates to amounts for prior periods through December 31, 2004, is based solely on the report of other auditors.

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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of nura, inc., for the period from January 1, 2006 through August 11, 2006, the year ended December 31, 2005, and for the period from August 26, 2003 (inception) through August 11, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the financial statements, the Company's recurring losses from operations and net capital deficiency raise substantial doubt about its ability to continue as a going concern. The 2006 financial statements do not include any adjustments that resulted from the purchase of the Company by Omeros Corporation on August 11, 2006.

As discussed in Note 1 to the financial statements, on January 1, 2006, the Company changed its method of accounting for stock-based compensation in accordance with guidance provided in Statement of Financial Accounting Standards No. 123 (revised 2004) *Share-Based Payment*, and on January 1, 2006, the Company adopted Financial Accounting Standards Board (FASB) Staff Position 150-5, *Issuer's Accounting under FASB Statement No. 150 for Freestanding Warrants and Other Similar Instruments on Shares That Are Redeemable*.

/s/ Ernst & Young LLP

Seattle, Washington
July 20, 2007

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and
Stockholders of nura, inc.

In our opinion, the accompanying statements of operations and of cash flows present fairly, in all material respects, the results of operations and cash flows of nura, inc. (a development stage enterprise) for the year ended December 31, 2004 and, cumulatively, for the period from August 26, 2003 (date of inception) to December 31, 2004, in conformity with accounting principles generally accepted in the United States of America. 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 of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses and negative cash flows from operations since inception and has a net capital deficiency that raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ PricewaterhouseCoopers LLP

Seattle, Washington
December 2, 2005

NURA, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF OPERATIONS
(In thousands)

	Period from January 1, 2006 through August 11, 2006	Year Ended December 31, 2005	Year Ended December 31, 2004	Period from August 26, 2003 (Inception) through August 11, 2006
Revenue	$ 200	$ —	$ 164	$ 364
Operating expenses:				
Research and development	2,394	4,612	3,040	10,693
General and administrative	957	1,517	1,178	3,858
Total operating expenses	3,351	6,129	4,218	14,551
Loss from operations	(3,151)	(6,129)	(4,054)	(14,187)
Sublease and other income	219	434	335	1,013
Investment income	8	98	57	168
Interest expense	(295)	(190)	—	(486)
Net loss	$ (3,219)	$ (5,787)	$ (3,662)	$ (13,492)

See accompanying notes

NURA, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF CASH FLOWS
(In thousands)

	Period from January 1, 2006 through August 11, 2006	Year Ended December 31, 2005	Year Ended December 31, 2004	Period from August 26, 2003 (Inception) through August 11, 2006
Operating activities				
Net loss	$ (3,219)	$ (5,787)	$ (3,662)	$ (13,492)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	77	115	46	243
Issuance of non-voting common stock in connection with modification of office lease agreement	—	—	—	4
Non-cash interest	92	21	—	113
Change in value of preferred stock warrant liability	(8)	—	—	(8)
Changes in operating assets and liabilities:				
Prepaid expenses and other current and noncurrent assets	(38)	(11)	83	(62)
Accounts payable, accrued expenses and deferred rent	(283)	276	160	294
Net cash used in operating activities	(3,379)	(5,386)	(3,373)	(12,908)
Investing activities				
Purchases of equipment	—	(166)	(385)	(551)
Net cash used in investing activities	—	(166)	(385)	(551)
Financing activities				
Proceeds from borrowings from notes	2,000	3,000	—	5,100
Payments on note payable to bank	(522)	(72)	—	(594)
Restricted cash related to building	(2)	(3)	—	(198)
Proceeds from issuance of Series A convertible preferred stock, net of issuance costs	—	—	5,472	9,234
Proceeds from issuance of common stock and exercise of stock options	3	1	—	4
Net cash provided by financing activities	1,479	2,926	5,472	13,546
Net (decrease) increase in cash and cash equivalents	(1,900)	(2,626)	1,714	87
Cash and cash equivalents at beginning of period	1,987	4,613	2,899	—
Cash and cash equivalents at end of period	$ 87	$ 1,987	$ 4,613	$ 87
Supplemental operating cash flow information				
Cash paid for interest	$ 153	$ 171	$ —	$ 325
Supplemental disclosure of non-cash investing and financing activity				
Issuance of warrants in connection with debt financing	$ 71	$ 73	$ —	$ 144
Conversion of notes payable into Series A convertible preferred stock	$ —	$ —	$ —	$ 100
Issuance of non-voting common stock in connection with acquisition of assets	$ —	$ —	$ —	$ 45

See accompanying notes

NURA, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

Note 1— Organization and Significant Accounting Policies

Organization

nura, inc. (the "Company") is a development-stage drug discovery company. The Company was incorporated in the state of Delaware on August 26, 2003 for the purpose of discovering new therapeutics for central nervous system diseases.

Basis of Presentation

The statements of operations and of cash flows have been prepared in accordance with accounting principles generally accepted in the United States. These statements were prepared for the purpose of complying with Regulation S-X, Rule 3.05 of the Securities and Exchange Commission and are being included in the Form S-1 Registration Statement of Omeros Corporation.

Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern, which contemplates realization of assets and satisfaction of liabilities in the normal course of business. The Company has incurred losses and negative cash flows since inception and has an accumulated deficit of $13.5 million at August 11, 2006. Management's plan include seeking additional capital or sale of the Company. Effective August 11, 2006, the Company was acquired by Omeros Corporation, a biopharmaceutical company.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

All highly liquid investments with a purchased maturity of three months or less are considered to be cash equivalents. Cash and cash equivalents consist of amounts held in money market funds and bank accounts with a commercial bank.

Revenue

To date, the Company has generated no revenues from sales of products. Reported revenues relate to the Small Business Innovation Research (SBIR) grants awarded to the Company by the National Institute of Health. Revenue related to grant agreements is recognized as related research and development expenses are incurred. In addition, the Company recognized revenue of $0.2 million in 2006 related to a technology transfer. The payment was recognized upon receipt of cash and the transfer of intellectual property, data, and other rights licensed as there are no continuing obligations.

Research and Development

Research and development costs are comprised primarily of costs for personnel, including salaries and benefits; occupancy; clinical studies performed by third parties; materials and supplies to support the Company's clinical programs; contracted research; manufacturing; consulting arrangements; and other expenses incurred to sustain the Company's overall research and development programs. Internal research and development costs are expensed

NURA, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS—(Continued)

Note 1— Organization and Significant Accounting Policies—(Continued)

as incurred. Third-party research and development costs are expensed at the earlier of when the contracted work has been performed or as upfront and milestone payments are made.

Impairment of Long-Lived Assets

The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. When such an event occurs, management determines whether there has been an impairment by comparing the anticipated undiscounted future net cash flows of the asset to its carrying value. The impairment charge, if any, is determined based on the excess of an asset's carrying value over its fair value. The Company has not recognized any impairment losses since inception.

Patents

The Company generally applies for patent protection on processes and products. Patent application costs are expensed as incurred, as recoverability of such expenditures is uncertain.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases. Deferred tax assets and liabilities are measured using enacted tax rates applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company has a history of losses and therefore has made no provision for income taxes.

The Company has gross deferred tax assets totaling $4.5 million and $3.4 million at August 11, 2006 and December 31, 2005, respectively, primarily related to net operating loss carryforwards. The Company has a full valuation allowance related to deferred tax assets. The change in valuation allowance was $1.1 million, $1.9 million, and $861,000 for the period from January 1, 2006 to August 11, 2006 and for the years ended December 31, 2005 and 2004, respectively.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. The reclassification increased 2004 research and development expenses by $45,000 and reduced general and administrative expenses by the same amount. The reclassifications did not materially impact the statements of operations or cash flows.

Stock-Based Compensation

On January 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123R, Share-Based Payment ("SFAS 123R"), under the prospective method which requires the measurement and recognition of compensation expenses for all future share-based payments made to employees and directors be based on estimated fair values. The Company had no stock option grants during 2006 and accordingly, no stock compensation expense was recorded during 2006 under the provisions of SFAS 123R.

Through December 31, 2005, the Company had adopted the disclosure-only provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS 123), as amended by SFAS No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure*

Note 1— Organization and Significant Accounting Policies—(Continued)

(SFAS 148), and applied Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25), and related interpretations in accounting for stock options issued prior to December 31, 2005. Accordingly, through December 31, 2005, employee stock-based compensation expense was recognized based on the intrinsic value of the option at the date of grant.

Stock options granted to non-employees are accounted using the fair value approach in accordance with SFAS 123 and Emerging Issues Task Force Consensus (EITF) Issue No. 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services (EITF 96-18). The options to non-employees are subject to periodic reevaluation over their vesting terms.

Free Standing Warrants that are Redeemable

On June 29, 2005, the Financial Accounting Standards Board (FASB) issued Staff Position 150-5, *Issuer's Accounting under FASB Statement No. 150 for Freestanding Warrants and Other Similar Instruments on Shares That Are Redeemable* (FSP 150-5). This Staff Position affirms that freestanding warrants are subject to the requirements in Statement 150, regardless of the timing of the redemption feature or the redemption price and will require the Company to classify the warrants on preferred stock as liabilities and adjust the warrant instruments to fair value at each reporting period. The Company adopted FSP 150-5 on January 1, 2006. Upon adoption of FSP 150-5, the Company reclassified the estimated fair value of its freestanding warrants related to the bank debt (see Note 3) at the time of issuance from equity to a liability. There was no cumulative impact of this change in accounting principle upon adoption as the fair values at the grant date and adoption date were equal and totaled approximately $73,000. At each subsequent reporting period, any change in fair value of the freestanding warrants is recorded as other expense or other income.

During 2006, the Company had outstanding warrants related to the bank debt and debt from the Company's investors (see Note 3). The change in fair value for these warrants totaled $8,000 and is included as other income in the Statement of Operations.

Note 2— Commitments and Contingencies

The Company leases laboratory and corporate office space under operating lease agreements. These lease agreements include renewal and escalation clauses that enable the leases to extend their maturity date as far out as 2013. Future minimum payments related to the leases at August 11, 2006 are as follows:

Year Ending December 31,	Operating Lease	Sublease Income	Net Operating Lease
		(in thousands)	
2006 (for the period from August 11, 2006 until December 31, 2006)	$354	$ 185	$169
2007	915	181	734
2008	698	91	607
2009	20	—	20
2010	8	—	8
Total	$ 1,995	$ 457	$ 1,538

NURA, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS—(Continued)

Note 2— Commitments and Contingencies—(Continued)

Rent expense totaled $755,000, $1,208,000, $1,169,000, and $3,449,000 in the period from January 1, 2006 through August 11, 2006, the years end December 31, 2005 and 2004, and for the period from August 23, 2003 (inception) through August 11, 2006, respectively.

Rental income received under noncancelable subleases was $211,000, $419,000, $334,000 and $989,000 in the period from January 1, 2006 through August 11, 2006, the years ended December 31, 2005 and 2004, and for the period from August 23, 2003 (inception) through August 11, 2006, respectively. A portion of the rental income was received from a sublease with Omeros Corporation, the company that acquired nura on August 11, 2006 (see Note 6). Rental income received from Omeros was $170,000, $279,000, $213,000 and $662,000 in the period from January 1, 2006 through August 11, 2006, the years ended December 31, 2005 and 2004, and for the period from August 23, 2003 (inception) through August 11, 2006, respectively.

Note 3— Long-Term Debt

In April 2005, the Company entered into a financing agreement (“bank debt”) under which the Company borrowed $3.0 million. Borrowings under the loan bear interest at the holder’s prime rate (9.69% during 2005 and 2006). The lender has security interest in all of the Company’s assets including intellectual property. As of December 31, 2005 and August 11, 2006, $3.0 million and $2.4 million was outstanding under the promissory note, respectively. The Company will repay $0.4 million from August 12, 2006 through December 31, 2006, $1 million in 2007 and $1 million in 2008. As consideration for the loan, the Company issued warrants to purchase 175,000 shares of preferred stock of the Company at $0.60 per share. At the date of issuance, the warrants were valued at $73,000 using the Black-Scholes option pricing model. The value of the warrants was recorded as a discount to the loan. On January 1, 2006 the $73,000 originally recorded as equity was reclassified to a liability in conjunction with adoption of FSP 150-5. Accretion of the discount will be recorded as interest expense over the life of the loan. These warrants will expire in 2015.

In March 2006, the Company entered into a note and warrant purchase agreement with several of its existing investors. As part of the agreement, the Company received a loan of $2.0 million which has an interest rate of 8% and is due on the one year anniversary of the initial closing. As consideration for the loan, the Company issued warrants to purchase 666,000 shares of preferred stock of the Company at $0.60 per share. At the date of issuance, the warrants were valued at $71,000 using the Black-Scholes option-pricing model. The value of the warrants was recorded as a liability and as a discount to the loan. Accretion of the discount will be recorded as interest expense over the life of the loan under the effective interest rate method. These warrants will become exercisable with the Company’s next equity financing arrangement.

NURA, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS—(Continued)

Note 4 —Stockholders' Deficit and Stock Options

Changes in Stockholders' Deficit

The following table summarizes the changes in stockholders' deficit for the period from August 23, 2003 (inception) through December 31, 2004 (in thousands, except share data).

	Common Stock		Additional Paid-In Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Deficit
	Number of Shares	Amount			
Issuance of voting common stock for cash at $0.0001 per share	3,114,753	$ —	$ —	$ —	$ —
Issuance of non-voting common stock at $0.05 per share in connection with the acquisition of assets and modification of an office lease agreement	980,000	—	49	—	49
Net loss	—	—	—	(824)	(824)
Balances at December 31, 2003	4,094,753	—	49	(824)	(775)
Net loss	—	—	—	(3,662)	(3,662)
Balances at December 31, 2004	4,094,753	$ —	$ 49	$ (4,486)	$ (4,437)

Stock Options

Under the Company's 2003 Stock Option Plan (the Plan), 2,298,688 shares of common stock were reserved for issuance to employees, directors, and consultants. Options granted under the Plan may be incentive stock options or nonqualified stock options. Stock purchase rights may also be granted under the Plan. Incentive stock options may only be granted to employees. Options are granted with exercise prices equal to the fair market value of the common stock on the date of the grant, as determined by the Company's Board of Directors, unless the recipient owns stock representing more than 10% of the outstanding shares, in which case the price of each share shall be at least 110% of fair market value. The terms of options may not exceed ten years, excepting recipients with a greater than 10% ownership of outstanding shares, in which case the terms shall be five years or less. Generally, options vest 25% per year over a four-year period.

NURA, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS—(Continued)

Note 4 —Stockholders' Deficit and Stock Options—(Continued)

A summary of stock option activity and related information follows:

	Shares Available for Grant	Options Outstanding	Weighted-Average Exercise Price per Share
Balance at January 1, 2004	1,244,211	1,054,477	$ 0.05
Granted	(601,803)	601,803	0.05
Cancelled	81,967	(81,967)	0.05
Balance at December 31, 2004	724,375	1,574,313	0.05
Granted	(219,500)	219,500	0.05
Exercised	—	(10,000)	0.05
Balance at December 31, 2005	504,875	1,783,813	$ 0.05
Exercised	—	(58,825)	0.05
Balance at August 11, 2006	504,875	1,724,988	$ 0.05

The following table summarizes information about stock options outstanding and exercisable at August 11, 2006:

Options Outstanding				Options Exercisable	
Exercise Price	Number of Options	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
$0.05	1,724,988	7.63	$0.05	1,066,181	$0.05

The weighted-average grant date fair value of options granted for the year ended December 31, 2005 and 2004 was $0.01 and $0.02, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes minimum value option-pricing model with the following assumptions:

	Years Ended December 31,	
	2005	2004
Volatility	—	—
Risk-free interest rate	4.58%	3.90%-4.76%
Weighted-average expected life (in years)	5	4
Dividend yield	—	—

The Company had no stock option grants during 2006 and accordingly no stock compensation expense was recognized under the provisions of SFAS 123R.

Note 5— 401(k) Retirement Plan

The Company has established a defined contribution savings plan under Section 401(k) of the Code. This plan covers substantially all employees who meet minimum age requirement and allows participants to defer a portion of their annual compensation on a pre-tax basis. To date, the Company has not matched employee contributions to the plan.

NURA, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS—(Continued)

Note 6— Subsequent Events

Effective August 11, 2006, the Company was acquired by Omeros Corporation, a Seattle-based biopharmaceutical company. The nura stockholders received 3.4 million shares of Omeros Series E convertible preferred stock and 36,000 shares of common stock, and Omeros assumed the $2.4 million bank debt (Refer to Note 3).

The acquisition will be accounted for as a purchase by Omeros, and the results of nura will be included in the consolidated results of Omeros beginning August 11, 2006.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our common stock.

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Until , 2008 (25 days after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as underwriter and with respect to unsold allotments or subscriptions.

Omeros Corporation

Shares

Common Stock

Deutsche Bank Securities

Pacific Growth Equities, LLC

Leerink Swann

Needham & Company, LLC

Prospectus

, 2008

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. *OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.*

The following table sets forth all expenses to be paid by the registrant, other than estimated underwriting discounts and commissions, in connection with this offering. All amounts shown are estimates except for the SEC registration fee, the NASDAQ Global Market listing fee and the FINRA filing fee.

SEC registration fee	$ 4,520
NASDAQ Global Market listing fee	125,000
FINRA filing fee	12,000
Printing and engraving	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees	*
Director and officer insurance	*
Miscellaneous	*
Total	*

* To be completed by amendment.

ITEM 14. *INDEMNIFICATION OF DIRECTORS AND OFFICERS.*

Sections 23B.08.500 through 23B.08.600 of the Washington Business Corporation Act authorize a court to award, or a corporation's board of directors to grant, indemnification to directors and officers on terms sufficiently broad to permit indemnification under various circumstances for liabilities arising under the Securities Act.

As permitted by the Washington Business Corporation Act, the registrant's articles of incorporation and bylaws that will be effective following the offering together provide that the registrant will indemnify any individual made a party to a proceeding because that individual is or was one of the registrant's directors, officers or certain other employees or agents, and will advance or reimburse the reasonable expenses incurred by that individual with respect to such proceeding, without regard to the limitations of Sections 23B.08.510 through 23B.08.550 and 23B.08.560(2) of the Washington Business Corporation Act, or any other limitation that may be enacted in the future to the extent the limitation may be disregarded if authorized by the registrant's articles of incorporation, to the fullest extent and under all circumstances permitted by applicable law. The indemnification rights conferred in the registrant's articles of incorporation and bylaws are not exclusive.

The registrant's policy is to enter into separate indemnification agreements with each of its directors and officers that provide the maximum indemnity allowed to directors and executive officers by the Washington Business Corporation Act and also provides for certain additional procedural protections. The registrant also maintains directors and officers insurance to insure such persons against certain liabilities.

These indemnification provisions and the indemnification agreements entered into between the registrant and its officers and directors may be sufficiently broad to permit indemnification of the registrant's officers and directors for liabilities (including reimbursement of expenses incurred) arising under the Securities Act.

The underwriting agreement filed as Exhibit 1.1 to this registration statement provides for indemnification by the underwriters of the registrant and its officers and directors for certain liabilities arising under the Securities Act and otherwise.

ITEM 15. ***RECENT SALES OF UNREGISTERED SECURITIES.***

Since January 1, 2005, the registrant has issued the following unregistered securities:

1. Since January 1, 2005, the registrant has granted to directors, officers, employees and consultants option awards to purchase 5,997,269 shares of common stock with per share exercise prices ranging from $0.50 to $5.00, and has issued 1,408,437 shares of common stock upon exercise of such option awards for an aggregate purchase price of $560,310.

2. On August 11, 2006, the registrant assumed option awards held by directors, officers, employees and consultants of nura, inc. that after such assumption represented the right to purchase 15,192 shares of the registrant's common stock at an exercise price of $5.42 per share, and since August 11, 2006 the registrant has issued 299 shares of common stock upon exercise of such option awards for an aggregate purchase price of $1,621.

3. Since January 1, 2005, the registrant has sold and issued to accredited investors 8,982,915 shares of Series E preferred stock for an aggregate purchase price of $44,914,575.

4. During September 2005, the registrant sold and issued to accredited investors 41,428 shares of Series C preferred stock pursuant to the exercise of warrants for an aggregate purchase price of $109,784.

5. On August 11, 2006, the registrant issued to accredited investors 36,246 shares of common stock and 2,358,445 shares of Series E preferred stock in exchange for all of the capital stock in nura, inc.

6. On August 11, 2006, the registrant assumed a warrant held by an accredited investor to purchase capital stock of nura, inc. that after such assumption represented the right to purchase 65 and 22,548 shares of the registrant's common stock and Series E preferred stock, respectively, at an exercise price of $4.66 per share.

7. During January 2007, the registrant sold and issued to accredited investors 24,382 shares of Series D preferred stock pursuant to the exercise of warrants for an aggregate purchase price of $96,797.

8. On March 29, 2007, the registrant sold and issued to accredited investors warrants to purchase an aggregate of 387,030 shares of Series E preferred stock at an exercise price of $6.25 per share as consideration for providing the registrant broker services in connection with the registrant's Series E preferred stock financing. Each of these brokers is a registered broker-dealer under the Securities Exchange Act.

9. On October 26, 2007, the registrant issued and sold to accredited investors 657 shares of its common stock for an aggregate purchase price of $3,561.

10. During December 2007, the registrant issued and sold to accredited investors 107,142 shares of common stock pursuant to the exercise of warrants for an aggregate purchase price of $187,499.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering, and the registrant believes that each transaction was exempt from the registration requirements of the Securities Act, with respect to items (1) and (2) above, in reliance on Rule 701 thereunder as transactions by an issuer pursuant to

compensatory benefit plans and contracts relating to compensation and, with respect to items (3) through (10) above, in reliance on Section 4(2) thereof as transactions not involving a public offering. The recipients of securities in such transactions represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the share certificates and instruments issued in such transactions. Recipients of securities in the transactions described in (3) through (10) above represented their status as accredited investors pursuant to Rule 501 of the Securities Act, and all recipients either received adequate information about the registrant or had access, through their relationships with the registrant, to such information.

ITEM 16. ***EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.***

(a) Exhibits. The following exhibits are included herein or incorporated herein by reference:

Exhibit Number	Description
1.1	Form of Underwriting Agreement.
2.1	Agreement and Plan of Reorganization among the registrant, Epsilon Acquisition Corporation, nura, inc. and ARCH Venture Corporation dated August 4, 2006
3.1*	Form of Amended and Restated Articles of Incorporation of the registrant, to be in effect upon the completion of this offering.
3.2*	Form of Amended and Restated Bylaws of the registrant, to be in effect upon the completion of this offering.
4.1*	Form of registrant's common stock certificate.
4.2	Stock Purchase Warrant issued by nura, inc. to Oxford Finance Corporation dated April 26, 2005 (assumed by the registrant on August 11, 2006).
4.3	Amended and Restated Investors' Rights Agreement among the registrant and holders of capital stock dated October 15, 2004.
5.1*	Opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation.
10.1	Form of Indemnification Agreement to be entered into between the registrant and its directors and officers.
10.2	Second Amended and Restated 1998 Stock Option Plan.
10.3	Form of Stock Option Agreement under the Second Amended and Restated 1998 Stock Option Plan (that does not permit early exercise).
10.4	Form of Amendment to Stock Option Agreement under the Second Amended and Restated 1998 Stock Option Plan (to permit early exercise).
10.5	Form of Stock Option Agreement under the Second Amended and Restated 1998 Stock Option Plan (that permits early exercise).
10.6	nura, inc. 2003 Stock Plan.
10.7	Form of Stock Option Agreement under the nura, inc. 2003 Stock Plan.
10.8*	2008 Equity Incentive Plan.
10.9*	Form of Stock Option Award Agreement under the 2008 Equity Incentive Plan.
10.10	Second Amended and Restated Employment Agreement between the registrant and Gregory A. Demopulos, M.D. dated December 30, 2007.
10.11	Non-Plan Stock Option Agreement between the registrant and Gregory A. Demopulos, M.D. dated December 11, 2001.
10.12	Offer Letter between the registrant and Marcia S. Kelbon, Esq. dated August 16, 2001.
10.13	Offer Letter between the registrant and Richard J. Klein dated May 11, 2007.
10.14	Technology Transfer Agreement between the registrant and Gregory A. Demopulos, M.D. dated June 16, 1994.

Exhibit Number	Description
10.15	Technology Transfer Agreement between the registrant and Pamela A. Pierce, M.D., Ph.D. dated June 16, 1994.
10.16	Second Technology Transfer Agreement between the registrant and Gregory A. Demopulos, M.D. dated December 11, 2001.
10.17	Second Technology Transfer Agreement between the registrant and Pamela Pierce, M.D., Ph.D. dated March 22, 2002.
10.18	Technology Transfer Agreement between the registrant and Gregory A. Demopulos, M.D. dated June 16, 1994 (related to tendon splice technology).
10.19	Master Security Agreement between the nura, inc. and Oxford Finance Corporation dated April 26, 2005.
10.20	Guaranty from the registrant to Oxford Finance Corporation dated August 11, 2006.
10.21	U.S. Bank Centre Office Lease Agreement between Bentall City Centre LLC and Scope International, Inc. dated September 28, 1998.
10.22	Assignment and Amendment of Lease among the registrant, City Centre Associates and Navigant Consulting, Inc. dated August 1, 2002.
10.23	Second Amendment to Office Lease Agreement between the registrant and City Centre Associates dated January 4, 2006.
10.24	Lease Agreement between Alexandria Real Estate Equities, Inc. and Primal, Inc. dated April 6, 2000.
10.25	Lease Agreement between Alexandria Real Estate Equities, Inc. and Primal, Inc. dated September 28, 2001.
10.26	Assignment and Assumption and Modification of Lease Documents among Alexandria Real Estate Equities, Inc., Primal, Inc., and nura, inc. dated October 23, 2003.
10.27	Assignment and Assumption and Modification of Lease Documents among Alexandria Real Estate Equities, Inc., nura, inc., and the registrant dated September 26, 2007.
10.28†	Commercial Supply Agreement between the registrant and Hospira Worldwide, Inc. dated October 9, 2007.
10.29†	Exclusive License and Sponsored Research Agreement between the registrant and the University of Leicester dated June 10, 2004.
10.30†	Research and Development Agreement First Amendment between the registrant and the University of Leicester dated October 1, 2005.
10.31†	Exclusive License and Sponsored Research Agreement between the registrant and the Medical Research Council dated October 31, 2005.
10.32†	Amendment dated May 8, 2007 to Exclusive License and Sponsored Research Agreement between the registrant and the Medical Research Council dated October 31, 2005.
10.33†	Funding Agreement between the registrant and The Stanley Medical Research Institute dated December 18, 2006.
10.34†	Services and Materials Agreement between the registrant and Scottish Biomedical Limited dated April 20, 2007.
10.35†	Amendment dated April 30, 2007 of the Services and Materials Agreement between the registrant and Scottish Biomedical Limited dated April 20, 2007.
10.36†	Drug Product Development and Clinical Supply Agreement between the registrant and Althea Technologies, Inc. dated January 20, 2006.
10.37†	Project Plan for Non-GMP and cGPM Fill and Finish of OMS302 between the registrant and Althea Technologies, Inc. dated May 31, 2007.

Exhibit Number	Description
10.38†	Master Services Agreement between nura, inc. and ComGenex, Inc. dated January 27, 2005.
21.1	List of significant subsidiaries of the registrant.
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm.
23.2	Consent of Ernst & Young LLP, independent auditors.
23.3	Consent of PricewaterhouseCoopers LLP, independent accountants.
23.4*	Consent of Wilson Sonsini Goodrich & Rosati, Professional Corporation (included in Exhibit 5.1).
24.1	Power of Attorney (see page II-6 to this Form S-1).

* To be filed by amendment.

† Confidential treatment will be requested for portions of this exhibit. These portions will be omitted from this Registration Statement and will be filed separately with the Securities and Exchange Commission.

(b) Financial Statement Schedules

Financial statement schedules have been omitted because they are inapplicable or not required or because the information is included elsewhere in the registrant's consolidated financial statements and the related notes.

ITEM 17. *UNDERTAKINGS.*

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification by the registrant for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Seattle, State of Washington, on this 9th day of January 2008.

OMEROS CORPORATION

By: /s/ Gregory A. Demopulos, M.D.
Gregory A. Demopulos, M.D.
President, Chief Executive Officer,
Chief Medical Officer and
Chairman of the Board of Directors

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Gregory A. Demopulos, M.D., and Richard J. Klein and each of them, as his or her true and lawful attorney-in-fact and agent with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this registration statement (including post-effective amendments or any abbreviated registration statement and any amendments thereto filed pursuant to Rule 462(b) increasing the number of securities for which registration is sought), and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Gregory A. Demopulos, M.D. Gregory A. Demopulos, M.D.	President, Chief Executive Officer, Chief Medical Officer and Chairman of the Board of Directors (Principal Executive Officer)	January 9, 2008
/s/ Richard J. Klein Richard J. Klein	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	January 9, 2008
/s/ Ray Aspiri Ray Aspiri	Director	January 9, 2008
/s/ Thomas J. Cable Thomas J. Cable	Director	January 9, 2008

Signature	Title	Date
/s/ Peter A. Demopulos, M.D. Peter A. Demopulos, M.D.	Director	January 9, 2008
/s/ Leroy E. Hood, M.D., Ph.D. Leroy E. Hood, M.D., Ph.D.	Director	January 9, 2008
/s/ David A. Mann David A. Mann	Director	January 9, 2008
/s/ Jean-Philippe Tripet Jean-Philippe Tripet	Director	January 9, 2008

EXHIBIT INDEX

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3.2*	Form of Amended and Restated Bylaws of the registrant, to be in effect upon the completion of this offering.
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4.3	Amended and Restated Investors' Rights Agreement among the registrant and holders of capital stock dated October 15, 2004.
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10.1	Form of Indemnification Agreement to be entered into between the registrant and its directors and officers.
10.2	Second Amended and Restated 1998 Stock Option Plan.
10.3	Form of Stock Option Agreement under the Second Amended and Restated 1998 Stock Option Plan (that does not permit early exercise).
10.4	Form of Amendment to Stock Option Agreement under the Second Amended and Restated 1998 Stock Option Plan (to permit early exercise).
10.5	Form of Stock Option Agreement under the Second Amended and Restated 1998 Stock Option Plan (that permits early exercise).
10.6	nura, inc. 2003 Stock Plan.
10.7	Form of Stock Option Agreement under the nura, inc. 2003 Stock Plan.
10.8*	2008 Equity Incentive Plan.
10.9*	Form of Stock Option Award Agreement under the 2008 Equity Incentive Plan.
10.10	Second Amended and Restated Employment Agreement between the registrant and Gregory A. Demopulos, M.D. dated December 30, 2007.
10.11	Non-Plan Stock Option Agreement between the registrant and Gregory A. Demopulos, M.D. dated December 11, 2001.
10.12	Offer Letter between the registrant and Marcia S. Kelbon, Esq. dated August 16, 2001.
10.13	Offer Letter between the registrant and Richard J. Klein dated May 11, 2007.
10.14	Technology Transfer Agreement between the registrant and Gregory A. Demopulos, M.D. dated June 16, 1994.
10.15	Technology Transfer Agreement between the registrant and Pamela Pierce, M.D., Ph.D. dated June 16, 1994.
10.16	Second Technology Transfer Agreement between the registrant and Gregory A. Demopulos, M.D. dated December 11, 2001.
10.17	Second Technology Transfer Agreement between the registrant and Pamela Pierce, M.D., Ph.D. dated March 22, 2002.
10.18	Technology Transfer Agreement between the registrant and Gregory A. Demopulos, M.D. dated June 16, 1994 (related to tendon splice technology).
10.19	Master Security Agreement between the nura, inc. and Oxford Finance Corporation dated April 26, 2005.
10.20	Guaranty from the registrant to Oxford Finance Corporation dated August 11, 2006.
10.21	U.S. Bank Centre Office Lease Agreement between Bentall City Centre LLC and Scope International, Inc. dated September 28, 1998.
10.22	Assignment and Amendment of Lease among the registrant, City Centre Associates and Navigant Consulting, Inc. dated August 1, 2002.

Exhibit Number	Description
10.23	Second Amendment to Office Lease Agreement between the registrant and City Centre Associates dated January 4, 2006.
10.24	Lease Agreement between Alexandria Real Estate Equities, Inc. and Primal, Inc. dated April 6, 2000.
10.25	Lease Agreement between Alexandria Real Estate Equities, Inc. and Primal, Inc. dated September 28, 2001.
10.26	Assignment and Assumption and Modification of Lease Documents among Alexandria Real Estate Equities, Inc., Primal, Inc., and nura, inc. dated October 23, 2003.
10.27	Assignment and Assumption and Modification of Lease Documents among Alexandria Real Estate Equities, Inc., nura, inc., and the registrant dated September 26, 2007.
10.28†	Commercial Supply Agreement between the registrant and Hospira Worldwide, Inc. dated October 9, 2007.
10.29†	Exclusive License and Sponsored Research Agreement between the registrant and the University of Leicester dated June 10, 2004.
10.30†	Research and Development Agreement First Amendment between the registrant and the University of Leicester dated October 1, 2005.
10.31†	Exclusive License and Sponsored Research Agreement between the registrant and the Medical Research Council dated October 31, 2005.
10.32†	Amendment dated May 8, 2007 to Exclusive License and Sponsored Research Agreement between the registrant and the Medical Research Council dated October 31, 2005.
10.33†	Funding Agreement between the registrant and The Stanley Medical Research Institute dated December 18, 2006.
10.34†	Services and Materials Agreement between the registrant and Scottish Biomedical Limited dated April 20, 2007.
10.35†	Amendment dated April 30, 2007 of the Services and Materials Agreement between the registrant and Scottish Biomedical Limited dated April 20, 2007.
10.36†	Drug Product Development and Clinical Supply Agreement between the registrant and Althea Technologies, Inc. dated January 20, 2006.
10.37†	Project Plan for Non-GMP and cGMP Fill and Finish of OMS302 between the registrant and Althea Technologies, Inc. dated May 31, 2007.
10.38†	Master Services Agreement between nura, inc. and ComGenex, Inc. dated January 27, 2005
21.1	List of significant subsidiaries of the registrant.
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm.
23.2	Consent of Ernst & Young LLP, independent auditors.
23.3	Consent of PricewaterhouseCoopers LLP, independent accountants.
23.4*	Consent of Wilson Sonsini Goodrich & Rosati, Professional Corporation (included in Exhibit 5.1).
24.1	Power of Attorney (see page II-6 to this Form S-1).

* To be filed by amendment.

† Confidential treatment will be requested for portions of this exhibit. These portions will be omitted from this Registration Statement and will be filed separately with the Securities and Exchange Commission.

Exhibit 1.1

_____ Shares

OMEROS CORPORATION

Common Stock

($0.01 Par Value)

EQUITY UNDERWRITING AGREEMENT

[ ], 2008

Deutsche Bank Securities Inc.
As Representative of the Several Underwriters

c/o Deutsche Bank Securities Inc.
60 Wall Street, 4th Floor
New York, New York 10005

Ladies and Gentlemen:

Omeros Corporation, a Washington corporation (the "Company"), proposes to sell to the several underwriters (the "Underwriters") named in Schedule I hereto for whom you are acting as Representative (the "Representative") an aggregate of ___shares (the "Firm Shares") of the Company's common stock, $0.01 par value (the "Common Stock"). The respective amounts of the Firm Shares to be so purchased by the several Underwriters are set forth opposite their names in Schedule I hereto. The Company also proposes to sell at the Underwriters' option an aggregate of up to ___additional shares of the Company's Common Stock (the "Option Shares") as set forth below.

As the Representative, you have advised the Company (a) that you are authorized to enter into this Agreement on behalf of the several Underwriters, and (b) that the several Underwriters are willing, acting severally and not jointly, to purchase the numbers of Firm Shares set forth opposite their respective names in Schedule I, plus their pro rata portion of the Option Shares if you elect to exercise the over-allotment option in whole or in part for the accounts of the several Underwriters. The Firm Shares and the Option Shares (to the extent the aforementioned option is exercised) are herein collectively called the "Shares."

Deutsche Bank Securities Inc. ("DBSI") has agreed to reserve up to ___of the Shares to be purchased by it under this Agreement for sale to the Company's directors, officers, employees and business associates and other parties related to the Company (collectively, "Participants"), as set forth in the Prospectus (as defined below) under the heading "Underwriting" (the "Directed Share Program"). The Shares to be sold by DBSI and its affiliates pursuant to the Directed Share Program are referred to hereinafter as the "Directed Shares." Any Directed Shares not orally confirmed for purchase by any Participants by the end of the business day on which this Agreement is executed will be offered to the public by the Underwriters as set forth in the Prospectus.

In consideration of the mutual agreements contained herein and of the interests of the parties in the transactions contemplated hereby, the parties hereto agree as follows:

1. Representations and Warranties of the Company.

The Company represents and warrants to each of the Underwriters as follows:

(a) A registration statement on Form S-1 (File No. 333-___) with respect to the Shares has been prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended (the "Act"), and the rules and regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") thereunder and has been filed with the Commission. Copies of such registration statement, including any amendments thereto, the preliminary prospectuses (meeting the requirements of the Rules and Regulations) contained therein and the exhibits and financial statements, as finally amended and revised, have heretofore been delivered by the Company to you. Such registration statement, together with any registration statement filed by the Company pursuant to Rule 462(b) under the Act, is herein referred to as the "Registration Statement," which shall be deemed to include all information omitted therefrom in reliance upon Rules 430A, 430B or 430C under the Act and contained in the Prospectus referred to below, has become effective under the Act and no post-effective amendment to the Registration Statement has been filed as of the date of this Agreement. "Prospectus" means the form of prospectus first filed with the Commission pursuant to and within the time limits described in Rule 424(b) under the Act. Each preliminary prospectus included in the Registration Statement prior to the time it becomes effective is herein referred to as a "Preliminary Prospectus."

(b) As of the Applicable Time (as defined below) and as of the Closing Date or the Option Closing Date, as the case may be, neither (i) the General Use Free Writing Prospectus(es) (as defined below) issued at or prior to the Applicable Time, the Statutory Prospectus (as defined below) and the information included on Schedule II hereto, all considered together (collectively, the "General Disclosure Package"), nor (ii) any individual Limited Use Free Writing Prospectus (as defined below), when considered together with the General Disclosure Package, included or will include any untrue statement of a material fact or omitted or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading provided, however, that the Company makes no representations or warranties as to information contained in or omitted from any Issuer Free Writing Prospectus, in reliance upon, and in conformity with, written information furnished to the Company by or on behalf of any Underwriter through the Representative, specifically for use therein, it being understood and agreed that the only such information is that described in Section 13 herein. As used in this subsection and elsewhere in this Agreement:

"Applicable Time" means ___[a/p]m (New York time) on the date of this Agreement or such other time as agreed to by the Company and the Representative.

"Statutory Prospectus" as of any time means the Preliminary Prospectus relating to the Shares that is included in the Registration Statement immediately prior to that time.

"Issuer Free Writing Prospectus" means any "issuer free writing prospectus," as defined in Rule 433 under the Act, relating to the Shares in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company's records pursuant to Rule 433(g) under the Act.

"General Use Free Writing Prospectus" means any Issuer Free Writing Prospectus that is identified on Schedule III to this Agreement.

"Limited Use Free Writing Prospectus" means any Issuer Free Writing Prospectus that is not a General Use Free Writing Prospectus.

(c) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Washington, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement, the General Disclosure Package and the Prospectus. The subsidiary of the Company listed in Exhibit A hereto (the "Subsidiary") has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement, the General Disclosure Package and the Prospectus. The Subsidiary is the only subsidiary, direct or indirect, of the Company. The Company and the Subsidiary are duly qualified to transact business in all jurisdictions in which the conduct of their business requires such qualification except where the failure to qualify would not either (i) have, individually or in the aggregate, a material adverse effect on the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company and of the Subsidiary taken as a whole or (ii) prevent the consummation of the transactions contemplated hereby (the occurrence of any such effect or any such prevention described in the foregoing clauses (i) and (ii) being referred to as a "Material Adverse Effect"). The outstanding shares of capital stock of the Subsidiary have been duly authorized and validly issued, are fully paid and non-assessable and are owned by the Company free and clear of all liens, encumbrances and equities and claims; and no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligations into shares of capital stock or ownership interests in the Subsidiary are outstanding.

(d) The outstanding shares of Common Stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; the Shares to be issued and sold by the Company have been duly authorized and when issued and paid for as contemplated herein will be validly issued, fully paid and non-assessable; and except as waived or terminated in writing before the date hereof, there are no preemptive rights of shareholders with respect to any of the Shares or the issue and sale thereof. Neither the filing of the Registration Statement nor the offering or sale of the Shares as contemplated by this Agreement gives rise to any rights, other than those which have been waived or satisfied, for or relating to the registration of any shares of Common Stock.

(e) The information set forth under the caption “Capitalization” in the Registration Statement and the Prospectus (and any similar section or information contained in the General Disclosure Package) is true and correct. All of the Shares conform to the description thereof contained in the Registration Statement, the General Disclosure Package and the Prospectus. The form of certificates for the Shares conforms to the corporate law of the jurisdiction of the Company’s incorporation and to any requirements of the Company’s organizational documents. Subsequent to the respective dates as of which information is given in the Registration Statement, the General Disclosure Package and the Prospectus, except as otherwise specifically stated therein or in this Agreement, the Company has not: (i) issued any securities (other than securities issued in connection with the conversion of the outstanding convertible preferred stock, a stock split, or the grant or exercise of outstanding stock options as set forth in the Registration Statement, the General Disclosure Package and the Prospectus) or incurred any liability or obligation, direct or contingent, for borrowed money; or (ii) declared or paid any dividend or made any other distribution on or in respect to its capital stock. Prior to the time of purchase of the Shares as described herein, all outstanding shares of Series A convertible preferred stock, par value $0.01 per share, Series B convertible preferred stock, par value $0.01 per share, Series C convertible preferred stock, par value $0.01 per share, Series D convertible preferred stock, par value $0.01 per share and Series E convertible preferred stock, par value $0.01 per share, of the Company shall convert into the number of shares of Common Stock, and shall convert in the manner, set forth in the Registration Statement and the Prospectus; [prior to the date hereof the Company has duly effected and completed a [ ]-for-[ ] stock split of the Common Stock [and Preferred Stock] in the manner set forth in the Registration Statement and the Prospectus;] and the Amended and Restated Articles of Incorporation of the Company and the Amended and Restated By-Laws of the Company, each in the form filed as an exhibit to the Registration Statement, have been heretofore duly authorized and approved in accordance with the Washington Business Corporation Act and shall become effective and in full force and effect on or before the time of such purchase.

(f) The Commission has not issued an order preventing or suspending the use of any Preliminary Prospectus, any Issuer Free Writing Prospectus or the Prospectus relating to the proposed offering of the Shares, and no proceeding for that purpose or pursuant to Section 8A of the Act has been instituted or, to the Company’s knowledge, threatened by the Commission. The Registration Statement contains, and the Prospectus and any amendments or supplements thereto will contain, all statements which are required to be stated therein by, and will conform to, the requirements of the Act and the Rules and Regulations. The Registration Statement and any amendment thereto do not contain, and will not contain, any untrue statement of a material fact and do not omit, and will not omit, to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The Prospectus and any amendments and supplements thereto do not contain, and will not contain, any untrue statement of a material fact and do not omit, and will not omit, to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representations or warranties as to information contained in or omitted from the Registration Statement or the Prospectus, or any such amendment or supplement, in reliance upon, and in conformity with, written information furnished to the Company by or on behalf of any Underwriter through the Representative, specifically for use therein, it being understood and agreed that the only such information is that described in Section 13 herein.

(g) Each Issuer Free Writing Prospectus, as of its issue date and at all subsequent times through the completion of the public offer and sale of the Shares, did not, does not and will not include any information that conflicted, conflicts or will conflict with the information contained in the Registration Statement or the Prospectus.

(h) The Company has not, directly or indirectly, distributed and will not distribute any offering material in connection with the offering and sale of the Shares other than any Preliminary Prospectus, the Prospectus and other materials, if any, permitted under the Act and consistent with Section 4(b) below. The Company will file with the Commission all Issuer Free Writing Prospectuses in the time required under Rule 433(d) under the Act. The Company has satisfied or will satisfy the conditions in Rule 433 under the Act to avoid a requirement to file with the Commission any electronic road show.

(i) (i) At the time of the initial filing of the Registration Statement and (ii) as of the date hereof (with such date being used as the determination date for purposes of this subclause (ii)), the Company was not and is not an "ineligible issuer" (as defined in Rule 405 under the Act, without taking into account any determination by the Commission pursuant to Rule 405 under the Act that it is not necessary that the Company be considered an ineligible issuer), including, without limitation, for purposes of Rules 164 and 433 under the Act with respect to the offering of the Shares as contemplated by the Registration Statement.

(j) The consolidated financial statements of the Company and the Subsidiary, together with related notes and schedules as set forth in the Registration Statement, the General Disclosure Package and the Prospectus, present fairly the financial position and the results of operations and cash flows of the Company and the consolidated Subsidiary, at the indicated dates and for the indicated periods. Such financial statements and related schedules have been prepared in accordance with generally accepted principles of accounting ("GAAP"), consistently applied throughout the periods involved, except as disclosed therein, and all adjustments necessary for a fair presentation of results for such periods have been made. The summary and selected consolidated financial data included in the Registration Statement, the General Disclosure Package and the Prospectus present fairly the information shown therein and such data has been compiled on a basis consistent with the financial statements presented therein and the books and records of the Company. The pro forma financial statements and other pro forma financial information included in the Registration Statement, the General Disclosure Package and the Prospectus present fairly the information shown therein, have been prepared in accordance with the Commission's rules and guidelines with respect to pro forma financial statements, have been properly compiled on the pro forma bases described therein, and, in the opinion of the Company, the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions or circumstances referred to therein. The Company and the Subsidiary do not have any material liabilities or obligations, direct or contingent (including any off-balance sheet obligations or any "variable interest entities" within the meaning of Financial Accounting Standards Board Interpretation No. 46), not disclosed in the Registration Statement, the General Disclosure Package and the Prospectus. There are no financial statements (historical or pro forma) that are required to be included in the Registration Statement, the General Disclosure Package or the Prospectus that are not included as required.

(k) Each of Ernst & Young and PricewaterhouseCoopers LLP, who have certified certain of the financial statements filed with the Commission as part of the Registration Statement, the General Disclosure Package and the Prospectus, is an independent registered public accounting firm with respect to the Company and the Subsidiary within the meaning of the Act and the applicable Rules and Regulations and the Public Company Accounting Oversight Board (United States) (the "PCAOB").

(l) Except as disclosed in the Registration Statement, the General Disclosure Package and the Prospectus, neither the Company nor the Subsidiary is aware of (i) any material weakness in its internal control over financial reporting or (ii) change in internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(m) Solely to the extent that the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated by the Commission and The Nasdaq Stock Market, Inc. ("NASDAQ") thereunder (the "Sarbanes-Oxley Act") has been applicable to the Company, there is and has been no failure on the part of the Company to comply in all material respects with any provision of the Sarbanes-Oxley Act. The Company has taken all necessary actions to ensure that it is in compliance with all provisions of the Sarbanes-Oxley Act that are in effect and with which the Company is required to comply.

(n) There is no action, suit, claim or proceeding pending or, to the knowledge of the Company, threatened against the Company or the Subsidiary before any court or administrative agency or otherwise which if determined adversely to the Company or the Subsidiary would have, individually or in the aggregate, a Material Adverse Effect, except as set forth in the Registration Statement, the General Disclosure Package and the Prospectus.

(o) The Company and the Subsidiary have good and marketable title to all of the properties and assets reflected in the consolidated financial statements hereinabove described or described in the Registration Statement, the General Disclosure Package and the Prospectus, subject to no lien, mortgage, pledge, charge or encumbrance of any kind except those reflected in such financial statements or described in the Registration Statement, the General Disclosure Package and the Prospectus and except as would not, individually or in the aggregate, have a Material Adverse Effect. The Company and the Subsidiary occupy their leased properties under valid and binding leases conforming in all material respects to the description thereof set forth in the Registration Statement, the General Disclosure Package and the Prospectus with such exceptions as are not material and do not interfere with the use of such property.

(p) The Company and the Subsidiary have filed all Federal, State, local and foreign tax returns which have been required to be filed and have paid all taxes indicated by such returns and all assessments received by them or any of them to the extent that such taxes have become due and are not being contested in good faith and for which an adequate reserve for accrual has been established in accordance with GAAP. All tax liabilities have been adequately provided for in the financial statements of the Company, and the Company does not know of any actual or proposed additional material tax assessments.

(q) Since the respective dates as of which information is given in the Registration Statement, the General Disclosure Package and the Prospectus, as each may be amended or supplemented, there has not been any material adverse change or any development involving a prospective material adverse change in or affecting the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise), or prospects of the Company and the Subsidiary taken as a whole, whether or not occurring in the ordinary course of business, and there has not been any material transaction entered into or any material transaction that is probable of being entered into by the Company or the Subsidiary, other than transactions in the ordinary course of business and changes and transactions described in the Registration Statement, the General Disclosure Package and the Prospectus, as each may be amended or supplemented. The Company and the Subsidiary have no material contingent obligations which are not disclosed in the Company's financial statements which are included in the Registration Statement, the General Disclosure Package and the Prospectus.

(r) Neither the Company nor the Subsidiary is or with the giving of notice or lapse of time or both, will be, (i) in violation of its articles of incorporation, by-laws, certificate of formation, limited liability agreement, or other organizational documents or (ii) in violation of or in default under any agreement, lease, contract, indenture or other instrument or obligation to which it is a party or by which it, or any of its properties, is bound and, solely with respect to this clause (ii), which violation or default would have a Material Adverse Effect. The execution and delivery of this Agreement and the consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, (x) any indenture, mortgage, deed of trust or other agreement or instrument to which the Company or the Subsidiary is a party or by which the Company or the Subsidiary or any of their respective properties is bound, which violation or default would not, individually or in the aggregate, have a Material Adverse Effect or (y) the articles of incorporation or by-laws of the Company or (z) any law, order, rule or regulation judgment, order, writ or decree applicable to the Company or the Subsidiary of any court or of any government, regulatory body or administrative agency or other governmental body having jurisdiction.

(s) The execution and delivery of, and the performance by the Company of its obligations under, this Agreement has been duly and validly authorized by all necessary corporate action on the part of the Company, and this Agreement has been duly executed and delivered by the Company.

(t) Each approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body necessary in connection with the execution and delivery by the Company of this Agreement and the consummation of the transactions herein contemplated (except such additional steps as may be required by the Commission, the Financial Industry Regulatory Authority (the "FINRA") or such additional steps as may be necessary to qualify the Shares for public offering by the Underwriters under State securities or Blue Sky laws or Canadian provincial securities laws or other non-U.S. laws of those jurisdictions designated by the Representative) has been obtained or made and is in full force and effect.

(u) The Company and the Subsidiary hold all material licenses, certificates and permits from governmental authorities which are necessary to the conduct of their businesses. Except as described in the Registration Statement, the General Disclosure Package and the Prospectus, the Company and the Subsidiary own, have obtained or can acquire on reasonable terms, valid and enforceable licenses for, or other legal rights to use, the inventions, patent applications, patents, patent rights, trademarks (both registered and unregistered), trade names, service marks (both registered and unregistered), service names, copyrights, trade secrets, customer lists, designs, know-how (including trade secrets and other unpatented and unpatentable proprietary or confidential information, systems or procedures) or other intellectual property rights or proprietary rights and information described in the Registration Statement, the General Disclosure Package and the Prospectus as being owned or licensed by the Company, or used in or necessary to carry on their business as presently conducted or specifically proposed to be conducted (collectively, the "Products"), each as described in the Registration Statement, the General Disclosure Package and the Prospectus (collectively, "Intellectual Property"). To the Company's knowledge, all of such patents, registered trademarks, registered copyrights or applications therefor, owned or licensed by the Company have been duly registered in, filed in or issued by the United States Patent and Trademark Office, the United States Copyright Office or the corresponding offices of other jurisdictions and have been maintained and renewed in accordance with all applicable provisions of law and administrative regulations in the United States and all such other jurisdictions, except where the failure to do so, individually or in the aggregate, would not have a Material Adverse Effect. The Company has taken all commercially reasonable steps to establish and preserve its ownership of or rights to all material Intellectual Property. To the Company's knowledge, there are no third parties who have or will be able to assert rights nor have any third parties provided written notice to the Company alleging that such third party may establish rights, to any Intellectual Property related to the Products, except as disclosed in the Registration Statement, the General Disclosure Package or Prospectus. To the Company's knowledge, there is no infringement by third parties of any Intellectual Property that would, individually or in the aggregate, have a Material Adverse Effect (other than with respect to trademarks that would not, individually or in the aggregate, have a Material Adverse Effect). To the Company's knowledge, there is no pending or threatened action, suit or proceeding or written claim by others challenging the Company's rights in or to any Intellectual Property that would, individually or in the aggregate, have a Material Adverse Effect (other than with respect to trademarks that would not, individually or in the aggregate, have a Material Adverse Effect). There is no pending, or to the Company's knowledge, threatened action, suit or proceeding or written claim by others challenging the validity or enforceability of any Intellectual Property except as described in the Registration Statement, the General Disclosure Package and the Prospectus. To the Company's knowledge, the Company has not formerly and presently is not infringing or violating the valid and enforceable Intellectual Property of any other person that would, individually or in the aggregate, have a Material Adverse Effect. There is no pending, or to the Company's knowledge, threatened action, suit or proceeding or written claim by another that the Company infringes or otherwise violates the Intellectual Property of a third party that would, individually or in the aggregate, have a Material Adverse Effect, and the Company is unaware of any facts that could form a reasonable basis for any such action, suit, proceeding or claim that would, individually or in the aggregate, have a Material Adverse Effect. To the Company's knowledge, the manufacture, use, sale, offer for sale or import of any Product described in the Registration Statement or Prospectus by the Company would not infringe any

valid and enforceable claim of any patent of another, except that of a licensor who has granted the Company a license under any such patent. The Company is in compliance with the material terms of all agreements pursuant to which Intellectual Property has been licensed to the Company as such are described in the Registration Statement, the General Disclosure Package or the Prospectus. All such agreements are in full force and effect and there is no notice of default by the Company thereto, and to the Company's knowledge, no notice of default thereunder has been threatened against the Company. To the Company's knowledge, sublicenses granted to others are now in compliance with the material terms of all agreements pursuant to which Intellectual Property has been sublicensed by the Company. To the Company's knowledge, all such agreements are in full force and effect and there is no default by any sublicensee thereto. To the Company's knowledge, there is no patent or patent application containing claims that interfere with the issued or pending claims of any patent owned by or licensed to the Company that relate to its product candidates described in the Registration Statement, the General Disclosure Package and the Prospectus. The Products described in the Registration Statement, the General Disclosure Package or the Prospectus, if any, as developed or under development by the Company, fall within the scope of one or more claims of one or more patents or patent applications owned by or licensed to the Company. Upon the making, selling, offering for sale or importing into the United States of any product covered by one or more claims of a United States patent owned or licensed by the Company, the Company will comply with the marking and notice requirements of 35 U.S.C. § 287(a).

(v) The Company has duly and properly filed or caused to be filed with the U.S. Patent and Trademark Office (the "PTO") and applicable foreign and international patent authorities all patent applications owned by the Company (the "Company Patent Applications"). To the knowledge of the Company, the Company has complied with the PTO's duty of candor, good faith and disclosure for the Company Patent Applications and has made no material misrepresentation in the Company Patent Applications. To the Company's knowledge, except as disclosed in the Registration Statement, the General Disclosure Package and the Prospectus, the Company Patent Applications disclose patentable subject matters, and the Company has not been notified of any inventorship challenges nor has any interference been declared or provoked nor is any material fact known by the Company that would preclude the issuance of patents with respect to the Company Patent Applications or would render such patents invalid or unenforceable, except as would not individually or in the aggregate have a Material Adverse Effect. To the Company's knowledge, except as disclosed in the Registration Statement, the General Disclosure Package and the Prospectus, no third party possesses rights to the Company's Intellectual Property that, if exercised, could enable such party to develop products competitive to those the Company intends to develop as described in each of the Registration Statement, the General Disclosure Package and the Prospectus. To the Company's knowledge, the Company does not lack nor will it be unable to obtain any rights or licenses to use patents that are, or would be, necessary to conduct the business now conducted or that is proposed to be conducted by the Company as described in the Registration Statement, the General Disclosure Package and the Prospectus.

(w) The Company takes security measures adequate to assert trade secret protection in its non-patented trade secret technology.

(x) Neither the Company, nor to the Company's knowledge, any of its affiliates, has taken or may take, directly or indirectly, any action designed to cause or result in, or which has constituted or which might reasonably be expected to constitute, the stabilization or manipulation of the price of the shares of Common Stock to facilitate the sale or resale of the Shares. The Company acknowledges that the Underwriters may engage in passive market making transactions in the Shares on the Nasdaq Global Market in accordance with Regulation M under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(y) Neither the Company nor the Subsidiary is or, after giving effect to the offering and sale of the Shares contemplated hereunder and the application of the net proceeds from such sale as described in the Registration Statement, General Disclosure Package and the Prospectus, will be an "investment company" within the meaning of such term under the Investment Company Act of 1940 as amended (the "1940 Act"), and the rules and regulations of the Commission thereunder.

(z) Each of the Company and the Subsidiary maintains for it, and if applicable, for the Subsidiary, a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(aa) The Company has established and maintains "disclosure controls and procedures" (as defined in Rules 13a-14(c) and 15d-14(c) under the Exchange Act); the Company's "disclosure controls and procedures" are reasonably designed to ensure that all information (both financial and non-financial) required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and regulations of the Exchange Act, and that all such information is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure and to make the certifications of the Chief Executive Officer and Chief Financial Officer of the Company required under the Exchange Act with respect to such reports.

(bb) The statistical, industry-related and market-related data included in the Registration Statement, the General Disclosure Package and the Prospectus are based on or derived from sources which the Company reasonably and in good faith believes are reliable and accurate, and the Company has obtained the written consent to the use of such data from such sources to the extent required.

(cc) The operations of the Company and the Subsidiary are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the "Money Laundering Laws"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or the Subsidiary with respect to the Money Laundering Laws is pending or, to the Company's knowledge, threatened.

(dd) Neither the Company nor, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC"); and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to the Subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(ee) The Company and the Subsidiary carry, or are covered by, insurance in such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties and as is customary for companies engaged in similar businesses. All policies of insurance and fidelity or surety bonds insuring the Company or the Subsidiary or their respective businesses, assets, employees, officers and directors are in full force and effect; the Company and the Subsidiary are in compliance with the terms of such policies and instruments in all material respects; and there are no claims by the Company or the Subsidiary under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause; and neither the Company nor the Subsidiary has been refused any insurance coverage sought or applied for.

(ff) The Company and the Subsidiary is in compliance in all material respects with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA"); no "reportable event" (as defined in ERISA) has occurred with respect to any "pension plan" (as defined in ERISA) for which the Company and the Subsidiary would have any liability; the Company and the Subsidiary has not incurred and does not expect to incur liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan" or (ii) Sections 412 or 4971 of the Internal Revenue Code of 1986, as amended, including the regulations and published interpretations thereunder (the "Code"); and each "pension plan" for which the Company or the Subsidiary would have any liability that is intended to be qualified under Section 401(a) of the Code is so qualified in all material respects and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification.

(gg) To the Company's knowledge, there are no affiliations or associations between (i) any member of the FINRA and (ii) any of the Company's officers, directors or 5% or greater securityholders, except as set forth in the Registration Statement.

(hh) Neither the Company nor the Subsidiary is in violation of any statute, rule, regulation, decision or order of any governmental agency or body or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "environmental laws"), owns or operates any real property contaminated with any substance that is subject to environmental laws, is liable for any off-site disposal or contamination pursuant to any environmental laws, or is subject to any claim relating to any environmental laws, which violation, contamination, liability or claim would, individually or in the aggregate, have a Material Adverse Effect; and the Company is not aware of any pending investigation which might lead to such a claim.

(ii) The Shares have been approved for listing subject to notice of issuance on the Nasdaq Global Market.

(jj) There are no relationships or related-party transactions involving the Company or the Subsidiary or any other person required to be described in the Prospectus which have not been described as required.

(kk) Neither the Company nor the Subsidiary has made any contribution or other payment to any official of, or candidate for, any federal, state or foreign office in violation of any law which violation is required to be disclosed in the Prospectus.

(ll) The Company has not failed to file with the applicable regulatory authorities (including, without limitation, the United States Food and Drug Administration (the "FDA")) or any foreign, federal, state or local governmental or regulatory authority performing functions similar to those performed by the FDA) any required filing, declaration, listing, registration, report or submission; all such filings, declarations, listings, registrations, reports or submissions were in material compliance with applicable laws when filed and, except as referred to or described in the Registration Statement, the General Disclosure Package or the Prospectus or which would not have, individually or in the aggregate, a Material Adverse Effect, no deficiencies have been asserted by any applicable regulatory authority (including, without limitation, the FDA or any foreign, federal, state or local governmental or regulatory authority performing functions similar to those performed by the FDA) with respect to any such filings, declarations, listings, registrations, reports or submissions that remain unresolved. Except as would not, individually or in the aggregate, have a Material Adverse Effect, the Company is in compliance in all material respects with all applicable rules and regulations of the FDA, and all applicable U.S. and foreign laws, statutes, ordinances, rules or regulations.

(mm) To the best of the Company's knowledge, there are no rulemaking or similar proceedings before the FDA which affect or involve the Company or any of the processes or drug candidates that the Company has developed, is developing or proposes to develop or uses or proposes to use which, if the subject of an action unfavorable to the Company, would have a Material Adverse Effect; to the Company's knowledge, all of the manufacturing facilities and operations of the Company and its United States and foreign contract manufacturers are in compliance in all material respects with applicable FDA and comparable regulations, including current Good Manufacturing Practices, with respect to the manufacture of the Company's product candidates.

(nn) The preclinical tests and clinical trials that are described in, or the results of which are referred to in, the Registration Statement, the General Disclosure Package or the Prospectus, and, to the Company's knowledge, such studies and tests conducted by or that the Company intends to rely on in support of regulatory approval by the FDA or foreign regulatory agencies, were and, if still pending, are being conducted in all material respects in accordance with protocols filed with the appropriate regulatory authorities for each such test or trial and in accordance with all applicable statutes, laws, rules and regulations, as the case may be, and with

standard medical and scientific research procedures and all applicable rules, regulations and policies of the FDA, including, to the extent required by applicable law or regulation, the FDA's regulations related to Good Clinical Practices and Good Laboratory Practices, and all applicable foreign regulatory requirements and standards except where such failure to comply would not have a Material Adverse Effect; the description of the results of such tests and trials contained in the Registration Statement, the General Disclosure Package or the Prospectus accurately present summaries in all material respects of the data derived from such tests and trials, and the Company has no knowledge of any other tests or trials the results of which discredit or call into question the preclinical tests or clinical results described or referred to in the Registration Statement, the General Disclosure Package or the Prospectus such that such test or trial would result in a Material Adverse Effect; except as disclosed in the Registration Statement, the General Disclosure Package and the Prospectus, the Company has not received any notices or other correspondence from the FDA or any committee thereof or from any other U.S. or foreign government or drug regulatory agency requiring the termination, suspension or modification of any preclinical tests or clinical trials conducted by, or on behalf of, the Company or in which the Company has participated that are described or referred to in the Registration Statement, the General Disclosure Package or the Prospectus; and the Company has operated and currently is in compliance in all material respects with all applicable rules and regulations of the FDA and comparable foreign drug or medical regulatory agencies outside of the United States except where such failure to comply would not result in a Material Adverse Effect.

(oo) As of the date of the initial filing of the Registration Statement referred to in Section 1(a), there were no outstanding personal loans made, directly or indirectly, by the Company to any director or executive officer of the Company.

(pp) None of the information on (or hyperlinked from) the Company's website at http://www.omeros.com includes or constitutes a "free writing prospectus" as defined in Rule 405 under the Act and the Company does not maintain or support any website other than http://www.omeros.com.

(qq) The Subsidiary is not currently prohibited, directly or indirectly, from paying any dividends to the Company, from making any other distribution on the Subsidiary's capital stock, from repaying to the Company any loans or advances to the Subsidiary from the Company or from transferring any of the Subsidiary's property or assets to the Company.

(rr) Neither the Company nor the Subsidiary nor any director, officer, agent, employee or affiliate of the Company or the Subsidiary is aware of or has taken any action, directly or indirectly, that would result in a violation by such Persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the "FCPA"), including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA and the Company, the Subsidiary and its affiliates have conducted their businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

(ss) Immediately after the issuance and sale of the Shares as contemplated hereby, no shares of preferred stock of the Company shall be issued or outstanding; and the issuance and sale of the Shares as contemplated hereby will not cause any holder of any shares of capital stock, securities convertible into or exchangeable or exercisable for capital stock or options, warrants or other rights to purchase capital stock or any other securities of the Company to have any right to acquire any shares of preferred stock of the Company.

(tt) Except pursuant to this Agreement, the Company has not incurred any liability for any finder's or broker's fee or agent's commission in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby or by the Prospectus.

(uu) No material labor problem or dispute with the employees of the Company or the Subsidiary exist or, to the Company's knowledge, is threatened or imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or the Subsidiary's principal suppliers, contractors or customers, that could have a Material Adverse Effect.

(vv) No consent, approval, authorization or order of, or qualification with, any governmental body or agency, other than those obtained, is required in connection with the offering of the Directed Shares in any jurisdiction where the Directed Shares are being offered.

(ww) The Company has not offered, or caused DBSI or its affiliates to offer, Shares to any person pursuant to the Directed Share Program with the specific intent to unlawfully influence (i) a customer or supplier of the Company to alter the customer's or supplier's level or type of business with the Company, or (ii) a trade journalist or publication to write or publish favorable information about the Company or its products.

2. Purchase, Sale and Delivery of the Firm Shares.

(a) On the basis of the representations, warranties and covenants herein contained, and subject to the conditions herein set forth, the Company agrees to sell to the Underwriters and each Underwriter agrees, severally and not jointly, to purchase, at a price of $_____ per share, the number of Firm Shares set forth opposite the name of each Underwriter in Schedule I hereof, subject to adjustments in accordance with Section 9 hereof.

(b) Payment for the Firm Shares to be sold hereunder is to be made in Federal (same day) funds against delivery of certificates therefor to the Representative for the several accounts of the Underwriters. Such payment and delivery are to be made through the facilities of The Depository Trust Company, New York, New York at 10:00 a.m., New York time, on the third business day after the date of this Agreement or at such other time and date not later than five business days thereafter as you and the Company shall agree upon, such time and date being herein referred to as the "Closing Date." (As used herein, "business day" means a day on which the New York Stock Exchange is open for trading and on which banks in New York are open for business and are not permitted by law or executive order to be closed.)

(c) In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company hereby grants an option to the several Underwriters to purchase the Option Shares at the price per share as set forth in the first paragraph of this Section 2. The option granted hereby may be exercised in whole or in part by giving written notice (i) at any time before the Closing Date and (ii) only once thereafter within 30 days after the date of this Agreement, by you, as Representative of the several Underwriters, to the Company setting forth the number of Option Shares as to which the several Underwriters are exercising the option and the time and date at which such certificates are to be delivered. The time and date at which certificates for Option Shares are to be delivered shall be determined by the Representative but shall not be earlier than three nor later than 10 full business days after the exercise of such option, nor in any event prior to the Closing Date (such time and date being herein referred to as the "Option Closing Date"). If the date of exercise of the option is three or more days before the Closing Date, the notice of exercise shall set the Closing Date as the Option Closing Date. The number of Option Shares to be purchased by each Underwriter shall be in the same proportion to the total number of Option Shares being purchased as the number of Firm Shares being purchased by such Underwriter bears to the total number of Firm Shares, adjusted by you in such manner as to avoid fractional shares. The option with respect to the Option Shares granted hereunder may be exercised only to cover over-allotments in the sale of the Firm Shares by the Underwriters. You, as Representative of the several Underwriters, may cancel such option at any time prior to its expiration by giving written notice of such cancellation to the Company. To the extent, if any, that the option is exercised, payment for the Option Shares shall be made on the Option Closing Date in Federal (same day funds) through the facilities of The Depository Trust Company in New York, New York drawn to the order of the Company.

3. Offering by the Underwriters.

It is understood that the several Underwriters are to make a public offering of the Firm Shares as soon as the Representative deems it advisable to do so. The Firm Shares are to be initially offered to the public at the initial public offering price set forth in the Prospectus. The Representative may from time to time thereafter change the public offering price and other selling terms.

It is further understood that you will act as the Representative for the Underwriters in the offering and sale of the Shares in accordance with a Master Agreement Among Underwriters entered into by you and the several other Underwriters.

4. Covenants of the Company.

The Company covenants and agrees with the several Underwriters that:

(a) The Company will (A) prepare and timely file with the Commission under Rule 424(b) under the Act a Prospectus in a form approved by the Representative containing information previously omitted at the time of effectiveness of the Registration Statement in reliance on Rules 430A, 430B or 430C under the Act, (B) not file any amendment to the Registration Statement or distribute an amendment or supplement to the General Disclosure Package or the Prospectus of which the Representative shall not previously have been advised

and furnished with a copy or to which the Representative shall have reasonably objected in writing or which is not in compliance with the Rules and Regulations and (C) file on a timely basis all reports and any definitive proxy or information statements required to be filed by the Company with the Commission subsequent to the date of the Prospectus and prior to the termination of the offering of the Shares by the Underwriters.

(b) The Company will (A) not make any offer relating to the Shares that would constitute an Issuer Free Writing Prospectus or that would otherwise constitute a "free writing prospectus" (as defined in Rule 405 under the Act) required to be filed by the Company with the Commission under Rule 433 under the Act unless the Representative approves its use in writing prior to first use (each, a "Permitted Free Writing Prospectus"); provided that the prior written consent of the Representative hereto shall be deemed to have been given in respect of the Issuer Free Writing Prospectus(es) included in Schedule III hereto, (B) treat each Permitted Free Writing Prospectus as an Issuer Free Writing Prospectus, (C) comply with the requirements of Rules 164 and 433 under the Act applicable to any Issuer Free Writing Prospectus, including the requirements relating to timely filing with the Commission, legending and record keeping and (D) not take any action that would result in an Underwriter or the Company being required to file with the Commission pursuant to Rule 433(d) under the Act a free writing prospectus prepared by or on behalf of such Underwriter that such Underwriter otherwise would not have been required to file thereunder. The Company will satisfy the conditions in Rule 433 under the Act to avoid a requirement to file with the Commission any electronic road show.

(c) The Company will advise the Representative promptly (A) when the Registration Statement or any post-effective amendment thereto shall have become effective, (B) of receipt of any comments from the Commission, (C) of any request of the Commission for amendment of the Registration Statement or for supplement to the General Disclosure Package or the Prospectus or for any additional information, and (D) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any order preventing or suspending the use of any Preliminary Prospectus, any Issuer Free Writing Prospectus or the Prospectus, or of the institution of any proceedings for that purpose or pursuant to Section 8A of the Act. The Company will use its best efforts to prevent the issuance of any such order and to obtain as soon as possible the lifting thereof, if issued.

(d) The Company will cooperate with the Representative in endeavoring to qualify the Shares for sale under the securities laws of such jurisdictions as the Representative may reasonably have designated in writing and will make such applications, file such documents, and furnish such information as may be reasonably required for that purpose, provided the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction where it is not now so qualified or required to file such a consent. The Company will, from time to time, prepare and file such statements, reports, and other documents, as are or may be required to continue such qualifications in effect for so long a period as the Representative may reasonably request for distribution of the Shares.

(e) The Company will deliver to, or upon the order of, the Representative, from time to time, as many copies of any Preliminary Prospectus as the Representative may reasonably request. The Company will deliver to, or upon the order of, the Representative, from time to time, as many copies of any Issuer Free Writing Prospectus as the Representative may

reasonably request. The Company will deliver to, or upon the order of, the Representative during the period when delivery of a Prospectus (or, in lieu thereof, the notice referred to under Rule 173(a) under the Act) is required under the Act, as many copies of the Prospectus in final form, or as thereafter amended or supplemented, as the Representative may reasonably request. The Company will deliver to the Representative at or before the Closing Date, five signed copies of the Registration Statement and all amendments thereto including all exhibits filed therewith, and will deliver to the Representative such number of copies of the Registration Statement (including such number of copies of the exhibits filed therewith that may reasonably be requested), and of all amendments thereto, as the Representative may reasonably request.

(f) The Company will comply with the Act and the Rules and Regulations, and the Exchange Act, and the rules and regulations of the Commission thereunder, so as to permit the completion of the distribution of the Shares as contemplated in this Agreement and the Prospectus. If during the period in which a prospectus (or, in lieu thereof, the notice referred to under Rule 173(a) under the Act) is required by law to be delivered by an Underwriter or dealer, any event shall occur as a result of which, in the judgment of the Company or in the reasonable opinion of the Underwriters, it becomes necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances existing at the time the Prospectus is delivered to a purchaser, not misleading, or, if it is necessary at any time to amend or supplement the Prospectus to comply with any law, the Company promptly will prepare and file with the Commission an appropriate amendment to the Registration Statement or supplement to the Prospectus so that the Prospectus as so amended or supplemented will not, in the light of the circumstances when it is so delivered, be misleading, or so that the Prospectus will comply with the law.

(g) If the General Disclosure Package is being used to solicit offers to buy the Shares at a time when the Prospectus is not yet available to prospective purchasers and any event shall occur as a result of which, in the judgment of the Company or in the reasonable opinion of the Underwriters, it becomes necessary to amend or supplement the General Disclosure Package in order to make the statements therein, in the light of the circumstances, not misleading, or to make the statements therein not conflict with the information contained in the Registration Statement then on file, or if it is necessary at any time to amend or supplement the General Disclosure Package to comply with any law, the Company promptly will prepare, file with the Commission (if required) and furnish to the Underwriters and any dealers an appropriate amendment or supplement to the General Disclosure Package.

(h) The Company will make generally available to its security holders, as soon as it is practicable to do so, but in any event not later than 15 months after the effective date of the Registration Statement, an earnings statement (which need not be audited) in reasonable detail, covering a period of at least 12 consecutive months beginning after the effective date of the Registration Statement, which earnings statement shall satisfy the requirements of Section 11(a) of the Act and Rule 158 under the Act and will advise you in writing when such statement has been so made available.

(i) Prior to the Closing Date, the Company will furnish to the Underwriters, as soon as they have been prepared by or are available to the Company, a copy of any unaudited interim financial statements of the Company for any period subsequent to the period covered by the most recent financial statements appearing in the Registration Statement, the General Disclosure Package and the Prospectus.

(j) No offering, sale, short sale or other disposition of any shares of Common Stock of the Company or other securities convertible into or exchangeable or exercisable for shares of Common Stock or derivative of Common Stock (or agreement for such) will be made for a period of 180 days after the date of the Prospectus, directly or indirectly, by the Company otherwise than hereunder or with the prior written consent of the Representative, in each case, except for (A) the registration of the Shares and the sales to the Underwriters pursuant to this Agreement, (B) issuances of Common Stock upon the exercise of options or warrants or conversion of preferred stock disclosed as outstanding in the Registration Statement and the Prospectus, (C) the issuance of employee stock options not exercisable during the Lock-Up Period pursuant to stock option plans described in the Registration Statement and the Prospectus, and (D) the issuance of shares of Common Stock or securities convertible into or exchangeable or exercisable for Common Stock or warrants or other rights to purchase Common Stock or any other securities of the Company in connection with any acquisition, strategic partnership, joint venture or collaboration to which the Company is a party, or the acquisition or license of any products or technology by the Company; provided that the number of shares of Common Stock issued or underlying securities convertible, exchangeable or exercisable (including pursuant to warrants or other rights) for Common Stock issued in any case pursuant to clause (D) shall not exceed 500,000 shares and provided further that, prior to the issuance of any such securities pursuant to clause (D), the Company shall cause the recipients of such securities to execute and deliver to you Lock-Up Agreements (as defined below), each substantially in the form of Exhibit A hereto. Notwithstanding the foregoing, if (1) during the last 17 days of the 180-day restricted period, the Company issues an earnings release or material news or a material event relating to the Company occurs; or (2) prior to the expiration of the 180-day restricted period, the Company announces that it will release earnings results during the 16-day period following the last day of the 180-day restricted period, then in each case the restrictions imposed by this Agreement shall continue to apply until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of material news or a material event relating to the Company, as the case may be, unless the Representative waives, in writing, such extension.

(k) The Company will use its best efforts to list the Shares for quotation on the Nasdaq Global Market and maintain the listing of the Shares on the Nasdaq Global Market.

(l) The Company has caused each officer and director and specific shareholders of the Company to furnish to you, on or prior to the date of this agreement, a letter or letters, substantially in the form attached hereto as Exhibit A (the “Lockup Agreement”).

(m) The Company shall apply the net proceeds of its sale of the Shares as set forth in the Registration Statement, General Disclosure Package and the Prospectus and shall file such reports with the Commission with respect to the sale of the Shares and the application of the proceeds therefrom as may be required in accordance with Rule 463 under the Act.

(n) The Company shall not invest, or otherwise use the proceeds received by the Company from its sale of the Shares in such a manner as would require the Company or the Subsidiary to register as an investment company under the 1940 Act.

(o) The Company will maintain a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar for the Common Stock.

(p) The Company will not take, directly or indirectly, any action designed to cause or result in, or that has constituted or might reasonably be expected to constitute, the stabilization or manipulation of the price of any securities of the Company.

(q) The Company will not, during the Lock-Up Period (as defined in the Lockup Agreement), waive, amend or modify any lockup agreement or similar provision in any existing agreement it currently has with any shareholder without the prior written consent of the Representative.

(r) The Company will comply with all applicable securities and other applicable laws, rules and regulations in each jurisdiction in which the Directed Shares are offered in connection with the Directed Share Program.

5. Costs and Expenses.

The Company will pay all costs, expenses and fees (except as otherwise set forth in this Agreement) incident to the performance of the obligations of the Company under this Agreement, including, without limiting the generality of the foregoing, the following: accounting fees of the Company; the fees and disbursements of counsel for the Company; any road show expenses of the Company (it being understood and agreed that the Company shall be responsible for one-half of the charter fees and expenses of any private aircraft hired in connection with the road show); the cost of preparing, printing, filing and delivering to, or as requested by, the Underwriters copies of the Registration Statement, Preliminary Prospectuses, the Issuer Free Writing Prospectuses, the Prospectus, this Agreement, the Listing Application, a Blue Sky survey and any supplements or amendments thereto (including the preparation and printing of the Canadian wrapper, financial statements, exhibits, schedules, consents and certificates of experts); the filing fees of the Commission; the filing fees and expenses (including reasonable legal fees and disbursements) incident to securing any required review by the FINRA of the terms of the sale of the Shares; the listing fee of the NASDAQ; the costs and expenses (including without limitation any damages or other amounts payable in connection with legal or contractual liability) associated with the reforming of any contracts for sale of the Shares made by the Underwriters caused by a breach of the representation in Section 1(b); and the expenses, including the reasonable fees and disbursements of counsel for the Underwriters up to an aggregate of $[ ], incurred in connection with the qualification of the Shares under State securities or Blue Sky laws or the provincial securities laws of Canada. The Company agrees to pay all costs and expenses of the Underwriters, including the fees and disbursements of counsel for the Underwriters, incident to the offer and sale of Directed Shares by the Underwriters to employees and persons having business relationships with the Company and the Subsidiary. The Company shall not, however, be required to pay for any of the Underwriters' expenses (other than those related to qualification under FINRA regulation and State securities or Blue Sky laws or the provincial securities laws of Canada) except that, if this Agreement shall not be consummated because the conditions in Section 6 hereof are not satisfied, or because this Agreement is terminated by the Representative pursuant to Section 11 hereof, or by reason of any failure, refusal or inability on the part of the Company to perform any undertaking or satisfy any condition of this Agreement or to comply with any of the terms hereof on its part to be performed, unless such failure, refusal or inability is due primarily to the default or omission of any Underwriter, the Company shall reimburse the several Underwriters for reasonable and documented out-of-pocket expenses, including reasonable fees and disbursements of counsel, reasonably incurred in connection with investigating, marketing and proposing to market the Shares or in contemplation of performing their obligations hereunder; but the Company shall not in any event be liable to any of the several Underwriters for damages on account of loss of anticipated profits from the sale by them of the Shares.

6. CONDITIONS OF OBLIGATIONS OF THE UNDERWRITERS.

The several obligations of the Underwriters to purchase the Firm Shares on the Closing Date and the Option Shares, if any, on the Option Closing Date are subject to the accuracy, as of the Applicable Time, the Closing Date or the Option Closing Date, as the case may be, of the representations and warranties of the Company contained herein, and to the performance by the Company of its covenants and obligations hereunder and to the following additional conditions:

(a) The Registration Statement and all post-effective amendments thereto shall have become effective and the Prospectus and each Issuer Free Writing Prospectus shall have been filed as required by Rules 424, 430A, 430B, 430C or 433 under the Act, as applicable, within the time period prescribed by, and in compliance with, the Rules and Regulations, and any request of the Commission for additional information (to be included in the Registration Statement or otherwise) shall have been disclosed to the Representative and complied with to their reasonable satisfaction. No stop order suspending the effectiveness of the Registration Statement, as amended from time to time, shall have been issued and no proceedings for that purpose or pursuant to Section 8A under the Act shall have been taken or, to the knowledge of the Company, shall be contemplated or threatened by the Commission and no injunction, restraining order or order of any nature by a Federal or state court of competent jurisdiction shall have been issued as of the Closing Date which would prevent the issuance of the Shares.

(b) The Representative shall have received on the Closing Date or the Option Closing Date, as the case may be, the opinion of Wilson Sonsini Goodrich & Rosati, counsel for the Company, dated the Closing Date or the Option Closing Date, as the case may be, addressed to the Underwriters, and in form and substance satisfactory to Morrison & Foerster LLP, counsel for the Underwriters, substantially in the form set forth on Exhibit B hereto.

(c) The Representative shall have received on the Closing Date or the Option Closing Date, as the case may be, the opinions of (i) Seed IP, special counsel to the Company with respect to patents and proprietary rights and (ii) Christensen O'Connor Johnson Kindness PLLC, special counsel to the Company with respect to patents and proprietary rights, each dated the Closing Date or the Option Closing Date, as the case may be, addressed to the Underwriters, and in form and substance satisfactory to Morrison & Foerster LLP, counsel for the Underwriters, substantially in the form set forth on Exhibit C hereto.

(d) The Representative shall have received on the Closing Date or the Option Closing Date, as the case may be, the opinion of the General Counsel to the Company with respect to patents and proprietary rights, dated the Closing Date or the Option Closing Date, as the case may be, addressed to the Underwriters, and in form and substance satisfactory to Morrison & Foerster LLP, counsel for the Underwriters, substantially in the form set forth on Exhibit D hereto.

(e) The Representative shall have received on the Closing Date or the Option Closing Date, as the case may be, the opinion of Buc & Beardsley, special counsel to the Company with respect to regulatory matters, dated as of the Closing Date or the Option Closing Date, as the case may be, addressed to the Underwriters (and stating that it may be relied upon by counsel to the Underwriters), and in form and substance satisfactory to Morrison & Foerster LLP, counsel for the Underwriters, substantially in the form set forth on Exhibit E hereto.

(f) The Representative shall have received from Morrison & Foerster LLP, counsel for the Underwriters, an opinion dated the Closing Date or the Option Closing Date, as the case may be, in form and substance reasonably satisfactory to the Representative.

(g) You shall have received, on each of the date hereof, the Closing Date and, if applicable, the Option Closing Date, letters dated the date hereof, the Closing Date or the Option Closing Date, as the case may be, each in form and substance satisfactory to you, of Ernst & Young and PricewaterhouseCoopers LLP in form and substance satisfactory to the Representative; and containing such other statements and information as is ordinarily included in accountants' "comfort letters" to Underwriters with respect to the financial statements and certain financial and statistical information contained in the Registration Statement, the General Disclosure Package and the Prospectus.

(h) The Representative shall have received on the Closing Date and, if applicable, the Option Closing Date, as the case may be, a certificate or certificates of the Chief Executive Officer and the Chief Financial Officer of the Company to the effect that, as of the Closing Date or the Option Closing Date, as the case may be, each of them severally represents as follows:

(i) The Registration Statement has become effective under the Act and no stop order suspending the effectiveness of the Registration Statement or no order preventing or suspending the use of any Preliminary Prospectus, any Issuer Free Writing Prospectus or the Prospectus has been issued, and no proceedings for such purpose or pursuant to Section 8A of the Act have been taken or are, to his or her knowledge, contemplated or threatened by the Commission;

(ii) The representations and warranties of the Company contained in Section 1 hereof are true and correct as of the Closing Date or the Option Closing Date, as the case may be;

(iii) All filings required to have been made pursuant to Rules 424, 430A, 430B or 430C under the Act have been made as and when required by such rules;

(iv) He or she has carefully examined the General Disclosure Package and any individual Limited Use Free Writing Prospectus and, in his or her opinion, as of the Applicable Time, the statements contained in the General Disclosure Package and any individual Limited Use Free Writing Prospectus did not contain any untrue statement of a material fact, and such General Disclosure Package and any individual Limited Use Free Writing Prospectus, when considered together with the General Disclosure Package, did not omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(v) He or she has carefully examined the Registration Statement and, in his or her opinion, as of the effective date of the Registration Statement, the Registration Statement and any amendments thereto did not contain any untrue statement of a material fact and did not omit to state a material fact necessary in order to make the statements therein not misleading, and since the effective date of the Registration Statement, no event has occurred which should have been set forth in a supplement to or an amendment of the Prospectus which has not been so set forth in such supplement or amendment;

(vi) He or she has carefully examined the Prospectus and, in his or her opinion, as of its date and the Closing Date or the Option Closing Date, as the case may be, the Prospectus and any amendments and supplements thereto did not contain any untrue statement of a material fact and did not omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(vii) Since the respective dates as of which information is given in the Registration Statement, the General Disclosure Package and Prospectus, there has not been any material adverse change or any development involving a prospective material adverse change in or affecting the business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company and the Subsidiary taken as a whole, whether or not arising in the ordinary course of business.

(i) The Company shall have furnished to the Representative such further certificates and documents confirming the representations and warranties, covenants and conditions contained herein and related matters as the Representative may reasonably have requested.

(j) The Firm Shares and Option Shares, if any, have been approved for quotation upon notice of issuance on the Nasdaq Global Market.

(k) The Lockup Agreements described in Section 4(l) are in full force and effect.

The opinions and certificates mentioned in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in all material respects satisfactory to the Representative and to Morrison & Foerster LLP, counsel for the Underwriters.

If any of the conditions hereinabove provided for in this Section 6 shall not have been fulfilled when and as required by this Agreement to be fulfilled, the obligations of the Underwriters hereunder may be terminated by the Representative by notifying the Company of such termination in writing or by telegram at or prior to the Closing Date or the Option Closing Date, as the case may be.

In such event, the Company and the Underwriters shall not be under any obligation to each other (except to the extent provided in Sections 5 and 8 hereof).

7. CONDITIONS OF THE OBLIGATIONS OF THE COMPANY.

The obligations of the Company to sell and deliver the portion of the Shares required to be delivered as and when specified in this Agreement are subject to the conditions that at the Closing Date or the Option Closing Date, as the case may be, no stop order suspending the effectiveness of the Registration Statement shall have been issued and in effect or proceedings therefor initiated or threatened.

8. INDEMNIFICATION.

(a) The Company agrees:

(1) to indemnify and hold harmless each Underwriter, the directors and officers of each Underwriter and each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act, against any losses, claims, damages or liabilities to which such Underwriter or any such controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, any Issuer Free Writing Prospectus, the Prospectus or any amendment or supplement thereto, (ii) with respect to the Registration Statement or any amendment or supplement thereto, the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or (iii) with respect to any Preliminary Prospectus, any Issuer Free Writing Prospectus, the Prospectus or any amendment or supplement thereto, the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement, or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, any Issuer Free Writing Prospectus, the Prospectus, or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by or through the Representative specifically for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 13 herein ; and

(2) to reimburse each Underwriter, each Underwriters' directors and officers, and each such controlling person upon demand for any legal or other out-of-pocket expenses reasonably incurred by such Underwriter or such controlling person in connection with investigating or defending any such loss, claim, damage or liability, action or proceeding or in responding to a subpoena or governmental inquiry related to the offering of the Shares, whether or not such Underwriter or controlling person is a party to any action or proceeding. In the event that it is finally judicially determined that the Underwriters were not entitled to receive payments for legal and other expenses pursuant to this subparagraph, the Underwriters will promptly return all sums that had been advanced pursuant hereto.

(b) Each Underwriter severally and not jointly will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the Registration Statement, and each person, if any, who controls the Company within the meaning of the Act, against any losses, claims, damages or liabilities to which the Company or any such director, officer, or controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, any Issuer Free Writing Prospectus, the Prospectus or any amendment or supplement thereto, (ii) with respect to the Registration Statement or any amendment or supplement thereto, the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or (iii) with respect to any Preliminary Prospectus, any Issuer Free Writing Prospectus, the Prospectus or any amendment or supplement thereto, the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made ; and will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, or controlling person in connection with investigating or defending any such loss, claim, damage, liability, action or proceeding; provided, however, that each Underwriter will be liable in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission has been made in the Registration Statement, any Preliminary Prospectus, any Issuer Free Writing Prospectus**,** the Prospectus or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by or through the Representative specifically for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 13 herein. This indemnity agreement will be in addition to any liability which such Underwriter may otherwise have.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to this Section 8, such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing. No indemnification provided for in Section 8(a), (b) or (d) shall be available to any party who shall fail to give notice as provided in this Section 8(c) if the party to whom notice was not given was unaware of the proceeding to which such notice would have related and was materially prejudiced by the failure to give such notice, but the failure to give such notice shall not relieve the indemnifying party or parties from any liability which it or they may have to the indemnified party for contribution or otherwise than on account of the provisions of Section 8(a), (b) or (d). In case any such proceeding shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party and shall pay as incurred the fees and disbursements of such counsel related to such proceeding. In

any such proceeding, any indemnified party shall have the right to retain its own counsel at its own expense. Notwithstanding the foregoing, the indemnifying party shall pay as incurred (or within 30 days of presentation) the fees and expenses of the counsel retained by the indemnified party in the event (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel, (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them or (iii) the indemnifying party shall have failed to assume the defense and employ counsel acceptable to the indemnified party within a reasonable period of time after notice of commencement of the action. It is understood and agreed that the indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction be liable for the reasonable fees and expenses of more than one separate firm for all such indemnified parties. Such firm shall be designated in writing by you in the case of parties indemnified pursuant to Section 8(a), (b) or (d) and by the Company in the case of parties indemnified pursuant to Section 8(b). The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. In addition, the indemnifying party will not, without the prior written consent of the indemnified party, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding of which indemnification may be sought hereunder (whether or not any indemnified party is an actual or potential party to such claim, action or proceeding) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action or proceeding.

(d) The Company and each subsidiary of the Company, whether direct or indirect, jointly and severally, agree to indemnify and hold harmless DBSI, it directors, officers, affiliates and each person, if any, who controls DBSI or its affiliates within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) (i) caused by any untrue statement or alleged untrue statement of a material fact contained in any material prepared by or with the consent of the Company for distribution to Participants in connection with the Directed Share Program, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) caused by the failure of any Participant to pay for and accept delivery of Directed Shares that the Participant has agreed to purchase; or (iii) related to, arising out of, or in connection with the Directed Share Program other than losses, claims, damages or liabilities (or expenses relating thereto) that are finally judicially determined to have resulted from the bad faith or gross negligence of DBSI.

(e) To the extent the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under Section 8(a), (b) or (d) above in respect of any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) in such proportion as is appropriate to reflect the

relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions or proceedings in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 8(e) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 8(e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to above in this Section 8(e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (e), (i) no Underwriter shall be required to contribute any amount in excess of the underwriting discounts and commissions applicable to the Shares purchased by such Underwriter, and (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this Section 8(e) to contribute are several in proportion to their respective underwriting obligations and not joint.

(f) In any proceeding relating to the Registration Statement, any Preliminary Prospectus, any Issuer Free Writing Prospectus, the Prospectus or any supplement or amendment thereto, each party against whom contribution may be sought under this Section 8 hereby consents to the jurisdiction of any court having jurisdiction over any other contributing party, agrees that process issuing from such court may be served upon it by any other contributing party and consents to the service of such process and agrees that any other contributing party may join it as an additional defendant in any such proceeding in which such other contributing party is a party.

(g) Any losses, claims, damages, liabilities or expenses for which an indemnified party is entitled to indemnification or contribution under this Section 8 shall be paid by the indemnifying party to the indemnified party as such losses, claims, damages, liabilities or expenses are incurred. The indemnity and contribution agreements contained in this Section 8 and the representations and warranties of the Company set forth in this Agreement shall remain

operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Underwriter, its directors or officers or any person controlling any Underwriter, the Company, its directors or officers or any persons controlling the Company, (ii) acceptance of any Shares and payment therefor hereunder, and (iii) any termination of this Agreement. A successor to any Underwriter, its directors or officers or any person controlling any Underwriter, or to the Company, its directors or officers, or any person controlling the Company, shall be entitled to the benefits of the indemnity, contribution and reimbursement agreements contained in this Section 8.

9. Default by Underwriters.

If on the Closing Date or the Option Closing Date, as the case may be, any Underwriter shall fail to purchase and pay for the portion of the Shares which such Underwriter has agreed to purchase and pay for on such date (otherwise than by reason of any default on the part of the Company), you, as Representative of the Underwriters, shall use your reasonable efforts to procure within 36 hours thereafter one or more of the other Underwriters, or any others, to purchase from the Company such amounts as may be agreed upon and upon the terms set forth herein, the Shares which the defaulting Underwriter or Underwriters failed to purchase. If during such 36 hours you, as such Representative, shall not have procured such other Underwriters, or any others, to purchase the Shares agreed to be purchased by the defaulting Underwriter or Underwriters, then (a) if the aggregate number of shares with respect to which such default shall occur does not exceed 10% of the Shares to be purchased on the Closing Date or the Option Closing date, as the case may be, the other Underwriters shall be obligated, severally, in proportion to the respective numbers of Shares which they are obligated to purchase hereunder, to purchase the Shares which such defaulting Underwriter or Underwriters failed to purchase, or (b) if the aggregate number of shares of Shares with respect to which such default shall occur exceeds 10% of the Shares to be purchased on the Closing Date or the Option Closing Date, as the case may be, the Company or you as the Representative of the Underwriters will have the right, by written notice given within the next 36-hour period to the parties to this Agreement, to terminate this Agreement without liability on the part of the non-defaulting Underwriters or of the Company except to the extent provided in Sections 5 and 8 hereof. In the event of a default by any Underwriter or Underwriters, as set forth in this Section 9, the Closing Date or Option Closing Date, as the case may be, may be postponed for such period, not exceeding seven days, as you, as Representative, may determine in order that the required changes in the Registration Statement, the General Disclosure Package or in the Prospectus or in any other documents or arrangements may be effected. The term “Underwriter” includes any person substituted for a defaulting Underwriter. Any action taken under this Section 9 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

10. Notices.

All communications hereunder shall be in writing and, except as otherwise provided herein, will be mailed, delivered, telecopied or telegraphed and confirmed as follows: if to the Underwriters, to Deutsche Bank Securities Inc., 60 Wall Street, 4th Floor, New York, New York 10005; Attention: Syndicate Manager, with a copy to Deutsche Bank Securities Inc., 60 Wall Street, New York, New York 10005, Attention: General Counsel; if to the Company, to Omeros Corporation, 1420 Fifth Avenue, Suite 2600, Seattle, Washington 98101; Attention: General Counsel, with a copy to Wilson Sonsini Goodrich & Rosati, 701 Fifth Avenue, Suite 5100, Seattle, Washington 98104-7036; Attention: Craig Sherman.

11. TERMINATION.

This Agreement may be terminated by you by notice to the Company (a) at any time prior to the Closing Date or any Option Closing Date (if different from the Closing Date and then only as to Option Shares) if any of the following has occurred: (i) since the respective dates as of which information is given in the Registration Statement, the General Disclosure Package and the Prospectus, any material adverse change or any development involving a prospective material adverse change in or affecting the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company and the Subsidiary taken as a whole, whether or not arising in the ordinary course of business, (ii) any outbreak or escalation of hostilities or declaration of war or national emergency or other national or international calamity or crisis (including, without limitation, an act of terrorism) or change in economic or political conditions if the effect of such outbreak, escalation, declaration, emergency, calamity, crisis or change on the financial markets of the United States would, in your judgment, materially impair the investment quality of the Shares, (iii) suspension of trading in securities generally on the New York Stock Exchange, the American Stock Exchange, the NASDAQ, the Nasdaq Global Market or limitation on prices (other than limitations on hours or numbers of days of trading) for securities on either such Exchange, (iv) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any court or other governmental authority which in your opinion materially and adversely affects or may materially and adversely affect the business or operations of the Company, (v) the declaration of a banking moratorium by United States or New York State authorities, (vi) any downgrading, or placement on any watch list for possible downgrading, in the rating of any of the Company's debt securities by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the Exchange Act), or (vii) the suspension of trading of the Company's common stock by the NASDAQ, the Nasdaq Global Market, the Commission, or any other governmental authority or, (viii) the taking of any action by any governmental body or agency in respect of its monetary or fiscal affairs which in your opinion has a material adverse effect on the securities markets in the United States; or

(b) as provided in Sections 6 and 9 of this Agreement.

12. SUCCESSORS.

This Agreement has been and is made solely for the benefit of the Underwriters and the Company and their respective successors, executors, administrators, heirs and assigns, and the officers, directors and controlling persons referred to herein, and no other person will have any right or obligation hereunder. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign merely because of such purchase.

13. INFORMATION PROVIDED BY UNDERWRITERS.

The Company and the Underwriters acknowledge and agree that the only information furnished or to be furnished by any Underwriter to the Company for inclusion in the Registration Statement, any Preliminary Prospectus, any Issuer Free Writing Prospectus or the Prospectus consists of [the information set forth in the [third, ninth, and tenth through fifteenth] paragraphs under the caption "Underwriting" in the Prospectus [and] [**include any information furnished by the Underwriters for inclusion in any Issuer Free Writing Prospectus**]].

14. MISCELLANEOUS.

The reimbursement, indemnification and contribution agreements contained in this Agreement and the representations, warranties and covenants in this Agreement shall remain in full force and effect regardless of (a) any termination of this Agreement, (b) any investigation made by or on behalf of any Underwriter or controlling person thereof, or by or on behalf of the Company or its directors or officers, and (c) delivery of and payment for the Shares under this Agreement.

The Company acknowledges and agrees that each Underwriter in providing investment banking services to the Company in connection with the offering, including in acting pursuant to the terms of this Agreement, has acted and is acting as an independent contractor and not as a fiduciary and the Company does not intend such Underwriter to act in any capacity other than as an independent contractor, including as a fiduciary or in any other position of higher trust.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

This Agreement shall be governed by, and construed in accordance with, the law of the State of New York, including, without limitation, Section 5-1401 of the New York General Obligations Law.

The Underwriters, on the one hand, and the Company (on its own behalf and, to the extent permitted by law, on behalf of its stockholders), on the other hand, waive any right to trial by jury in any action, claim, suit or proceeding with respect to the your engagement as underwriter or your role in connection herewith.

If the foregoing letter is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicates hereof, whereupon it will become a binding agreement among the Company and the several Underwriters in accordance with its terms.

Very truly yours,

OMEROS CORPORATION

By: _____
Name:
Title:

The foregoing Underwriting Agreement
is hereby confirmed and accepted as
of the date first above written.

DEUTSCHE BANK SECURITIES INC.

As Representative of the several
Underwriters listed on Schedule I

By: Deutsche Bank Securities Inc.

By: _____
Authorized Officer

By: _____
Authorized Officer

SCHEDULE I

SCHEDULE OF UNDERWRITERS

Underwriter	Number of Firm Shares to be Purchased
Deutsche Bank Securities Inc.	
Pacific Growth Equities, LLC	
Leerink Swann LLC	
Needham & Company, LLC	
Total	

SCHEDULE II

Price per share (before deduction of underwriting discounts): $[ ]

Number of Shares (including over-allotment): [ ]

Approximate net proceeds to the Company (not including over-allotment): $[ ]

EXHIBIT A

FORM OF LOCK-UP AGREEMENT

, 2007

Omeros Corporation
1420 Fifth Avenue, Suite 2600
Seattle, Washington 98101

Deutsche Bank Securities Inc.

As Representative of the
Several Underwriters

c/o Deutsche Bank Securities Inc.
60 Wall Street, 4th Floor
New York, New York 10005

Ladies and Gentlemen:

The undersigned understands that Deutsche Bank Securities Inc., as representative (the "Representative") of the several underwriters (the "Underwriters"), proposes to enter into an Underwriting Agreement (the "Underwriting Agreement") with Omeros Corporation, a Washington corporation (the "Company"), providing for the public offering by the Underwriters, including the Representative, of common stock, par value $0.01 (the "Common Stock"), of the Company (the "Public Offering").

To induce the Underwriters that may participate in the Public Offering to continue their efforts in connection with the Public Offering, the undersigned agrees that, without the prior written consent of the Representative, the undersigned will not, directly or indirectly, offer, sell, pledge, contract to sell (including any short sale), grant any option to purchase or otherwise dispose of any shares of Common Stock (including, without limitation, shares of Common Stock of the Company which may be deemed to be beneficially owned by the undersigned on the date hereof in accordance with the rules and regulations of the Securities and Exchange Commission, shares of Common Stock which may be issued upon exercise of a stock option or warrant and any other security convertible into or exchangeable for Common Stock) or enter into any Hedging Transaction (as defined below) relating to the Common Stock (each of the foregoing referred to as a "Disposition") during the period specified in the following paragraph (the "Lock-Up Period"). The foregoing restriction is expressly intended to preclude the undersigned from engaging in any Hedging Transaction or other transaction which is designed to or reasonably expected to lead to or result in a Disposition during the Lock-Up Period even if the securities would be disposed of by someone other than the undersigned. "Hedging Transaction" means any short sale (whether or not against the box) or any purchase, sale or grant of any right (including, without limitation, any put or call option) with respect to any security (other than a broad-based market basket or index) that includes, relates to or derives any significant part of its value from the Common Stock.

The initial Lock-Up Period will commence on the date hereof and continue until, and include, the date that is 180 days after the date of the final prospectus (the "Prospectus") relating to the Public Offering (the "Initial Lock-Up Period"); provided, however, that if (1) during the last 17 days of the Initial Lock-Up Period, (A) the Company releases earnings results or (B) material news or a material event relating to the Company occurs, or (2) prior to the expiration of the Initial Lock-Up Period, the Company announces that it will release earnings results during the 16-day period following the last day of the Initial Lock-Up Period, then in each case the Lock-Up Period will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of material news or a material event relating to the Company, as the case may be, unless the Representative waives, in writing, such extension.

Notwithstanding the foregoing, the undersigned may transfer (a) shares of Common Stock acquired (i) from the Underwriters pursuant to the directed share program described in the Prospectus, subject to the terms of such program or (ii) in open market transactions by the undersigned after the completion of the Public Offering and (b) any or all of the shares of Common Stock or other Company securities if the transfer is (i) to an immediate family member or a trust formed for the benefit of an immediate family member, (ii) by gift, will or intestacy, (iii) if the undersigned is a corporation, partnership or other business entity (A) to another corporation, partnership or other business entity that is a direct or indirect affiliate of the undersigned or (B) as part of a private distribution without consideration by the undersigned to its equity holders on a pro rata basis, (iv) if the undersigned is a trust, to a trustor or beneficiary of the trust, provided, that in the case of a transfer pursuant to clause (a)(i) or clause (b) (x) no filing by any person (donor, donee, transferor or transferee) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), shall be required or shall be voluntarily made in connection with such transfer or distribution (other than a filing on a Form 5, Schedule 13D or Schedule 13G (or 13D-A or 13G-A) made after the expiration of the Lock-Up Period) and (y) each person (donor, donee, transferor or transferee) shall not be required by law (including, without limitation, the disclosure requirements of the Securities Act of 1933, as amended, and the Exchange Act) to make, and shall agree to not voluntarily make, any public announcement of the transfer or disposition; provided, further, that in the case of a transfer pursuant to clause (b), it shall be a condition to the transfer that the transferee execute an agreement stating that the transferee is receiving and holding the securities subject to the provisions of this Lock-Up Agreement. In the case of any transfer or disposition in accordance with this paragraph, the undersigned shall notify Deutsche Bank Securities Inc. at least two business days prior to the proposed transfer or disposition. For purposes of this paragraph, "immediate family" means the spouse, domestic partner, lineal descendants, father, mother, brother or sister of the transferor.

The undersigned agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of shares of Common Stock or securities convertible into or exchangeable or exercisable for Common Stock held by the undersigned except in compliance with the foregoing restrictions.

The undersigned hereby waives any and all notice requirements and rights with respect to registration of securities pursuant to any agreement, understanding or otherwise setting forth the terms of any security of the Company held by the undersigned, including, without limitation, the Amended and Restated Investors' Rights Agreement dated October 15, 2004 among the Company, the undersigned and other holders of the Company's securities, as such may be amended from time to time, and any other registration rights agreement to which the undersigned and the Company may be party; provided that such waiver shall apply only to the proposed Public Offering, and any other action taken by the Company in connection with the proposed Public Offering. The undersigned further agrees that, for the Lock-Up Period, the undersigned will not, without the prior written consent of the Representative, make any demand for, or exercise any right with respect to, the registration of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, or warrants or other rights to purchase Common Stock or any such securities.

In addition, the undersigned hereby waives any and all preemptive rights, participation rights, resale rights, rights of first refusal and similar rights that the undersigned may have in connection with the Public Offering or with any issuance or sale by the Company of any equity or other securities before the Public Offering, except for any such rights as have been heretofore duly exercised.

The undersigned hereby agrees that, to the extent that the terms of this Lock-Up Agreement conflict with or are in any way inconsistent with any registration rights agreement or other transfer restrictions to which the undersigned and the Company may be a party, this Lock-Up Agreement supersedes such registration rights agreement or other transfer restrictions.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Lock-Up Agreement. All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned and any obligations of the undersigned shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

Notwithstanding anything herein to the contrary, if (a) the closing of the Public Offering has not occurred prior to June 30, 2008, (b) the Company withdraws the registration statement related to the Public Offering or (c) the Underwriting Agreement is executed but is terminated prior to payment for and delivery of any shares of Common Stock, this Lock-Up Agreement shall be of no further force or effect.

Signature: _____

Print Name: _____

EXHIBIT B

FORM OF OPINION OF WILSON SONSINI GOODRICH & ROSATI

EXHIBIT C

FORM OF OPINIONS OF SEED IP AND CHRISTENSEN O'CONNER JOHNSON KINDNESS PLLC

EXHIBIT D

FORM OF OPINION OF GENERAL COUNSEL TO THE COMPANY

EXHIBIT E

FORM OF OPINION OF BUC & BEARDSLEY

Exhibit 2.1

Execution Copy

AGREEMENT AND PLAN OF REORGANIZATION

among

OMEROS CORPORATION,

EPSILON ACQUISITION CORPORATION,

NURA, INC.,

and

ARCH VENTURE CORPORATION,

as Stockholders' Agent

dated as of

August 4, 2006

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AGREEMENT AND PLAN OF REORGANIZATION

This **AGREEMENT AND PLAN OF REORGANIZATION** (this "**Agreement**") is made as of August 4, 2006 (the "**Execution Date**") by and among **OMEROS CORPORATION**, a corporation organized under the laws of the State of Washington ("**Parent**"), **EPSILON ACQUISITION CORPORATION**, a corporation organized under the laws of the State of Delaware ("**Merger Sub**"), **NURA, INC**., a corporation organized under the laws of the State of Delaware ("**Company**"), and Arch Venture Corporation, as stockholders' agent ("**Stockholders' Agent**"). As used in this Agreement, certain initial capitalized terms shall have the meanings set forth in **Exhibit A**.

RECITALS

WHEREAS, the boards of directors of Parent, Merger Sub and Company each have determined that the acquisition of Company by Parent through the merger of Merger Sub with and into Company pursuant to the terms and subject to the conditions set forth herein (the "**Merger**") is in the best interests of their respective companies and shareholders and have approved the Merger and the related transactions set forth herein;

WHEREAS, Merger Sub is a wholly owned subsidiary of Parent;

WHEREAS, pursuant to the Merger, each outstanding share of capital stock of Company shall be cancelled;

WHEREAS, the parties hereto intend that the Merger shall qualify as a "reorganization" within the meaning of Section 368(a) of the Code, and that this Agreement shall be, and hereby is, adopted as a "plan of reorganization" for purposes of Section 368(a) of the Code;

WHEREAS, in order to induce Company to enter into this Agreement certain holders of Company's capital stock representing in the aggregate in excess of 50% of the issued and outstanding shares of Company Voting Common Stock and in excess of 50% of the issued and outstanding shares of Company Preferred Stock, simultaneously with the execution of this Agreement, have entered into a voting agreement, substantially in the form of **Exhibit B** attached hereto (the "**Voting Agreement**"); and

NOW, THEREFORE, in consideration of the covenants and representations set forth herein, and for other good and valuable consideration, the adequacy of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1
THE MERGER

1.1 The Merger. Subject to and in accordance with the terms and conditions set forth in this Agreement, at the Effective Time, Merger Sub shall be merged with and into Company, which shall be the surviving corporation (the "**Surviving Corporation**") in the Merger, and the separate existence of Merger Sub shall thereupon cease. The name of the Surviving Corporation shall remain "Nura, Inc." The Merger shall have the effects set forth in the Delaware General Corporation Law ("**Delaware Corporate Law**") as further described in **Section 1.3**.

1.2 Closing; Effective Time. The closing of the transactions contemplated hereby (the "**Closing**") shall take place as soon as practicable, but not later than August 8, 2006; provided, that the Closing shall not occur prior to the satisfaction or waiver of each of the conditions set forth in **Article 6** hereof or at such other time as the parties hereto agree in writing (the date upon which the Closing occurs, the "**Closing Date**"). The Closing shall take place at the offices of Wilson Sonsini Goodrich & Rosati, P.C., 701 Fifth Avenue, Suite 5100, Seattle, Washington, or at such other location as the parties hereto agree. In connection with the Closing, the parties hereto shall cause the Merger to be consummated by filing at the Closing a certificate of merger, substantially in the form to be attached hereto as **Exhibit C** and as acceptable for filing (the "**Certificate of Merger**"), together with any required certificates or other documents, with the Secretary of State of the State of Delaware in accordance with the relevant provisions of Delaware Corporate Law (the time of such filing with the Secretary of State of the State of Delaware is the "**Effective Time**").

1.3 Effect of the Merger. At the Effective Time, the effect of the Merger shall be as provided in this Agreement, the Certificate of Merger and the applicable provisions of Delaware Corporate Law; provided that in the event of any conflict between this Agreement or the Certificate of Merger and Delaware Corporate Law, Delaware Corporate Law shall prevail. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the property, rights, privileges, powers and franchises of Company and Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities and duties of Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation.

1.4 Certificate of Incorporation; Bylaws.

(a) At and from the Effective Time, the certificate of incorporation of the Surviving Corporation shall be amended and restated to be identical to the certificate of incorporation of Merger Sub, as in effect immediately prior to the Effective Time, except that the name of the Surviving Corporation shall be identical to the name of Company in effect immediately prior to the Effective Time, until such certificate of incorporation is thereafter amended as provided by Delaware Corporate Law and such certificate of incorporation.

(b) At and from the Effective Time, the bylaws of the Surviving Corporation shall be amended and restated to be identical to the bylaws of Merger Sub, as in effect immediately prior to the Effective Time, except that the name of the Surviving Corporation as set forth therein shall be identical to the name of Company in effect immediately prior to the Effective Time, until such

bylaws are amended as provided therein, by Delaware Corporate Law and as may be provided in the Surviving Corporation's certificate of incorporation.

(c) At and from the Effective Time, the directors of Merger Sub, as in office immediately prior to the Effective Time, shall be the directors of the Surviving Corporation until their respective successors are duly elected or appointed and qualified. At and from the Effective Time, the officers of Merger Sub, as in office immediately prior to the Effective Time, shall be the officers of the Surviving Corporation until their respective successors are duly elected or appointed and qualified.

(d) Qualification as a Reorganization. The Parties intend that the Merger qualify as a "reorganization" within the meaning of Section 368(a) of the Code, and that this Agreement shall be, and is hereby, adopted as a "plan of reorganization" for purposes of Section 368(a) of the Code.

ARTICLE 2
MERGER CONSIDERATION; EFFECT OF MERGER ON COMPANY CAPITAL STOCK

2.1 Merger Consideration; Exchange of Capital Stock.

(a) By virtue of the Merger and without any action on the part of Parent, Company, Merger Sub or the holders of any of Company's securities, at the Effective Time, and notwithstanding any provision of Company's certificate of incorporation, each and every share of capital stock of Company issued and outstanding immediately prior to the Effective Time (the "**Company Stock**") shall be cancelled and extinguished and automatically converted into the right to receive, subject to the terms and conditions hereof, the merger consideration set forth herein.

(b) The merger consideration shall consist of (i) subject to the escrow holdback provisions set forth in **Section 8.1(g)**, 0.12885103 shares of Parent's Series E Preferred Stock ("**Parent Preferred Stock**") issued to each holder of one share of Company's Series A Preferred Stock ("**Company Preferred Stock**"); (ii) 0.00037569 shares of Parent's Common Stock ("**Parent Common Stock**," together with Parent Preferred Stock, the "**Parent Stock**") issued to each holder of one share of Company Preferred Stock, and (iii) 0.00922672 shares of Parent Common Stock issued to each holder of one share of Company's voting Common Stock ("**Company Voting Common Stock**")(collectively, the "**Merger Consideration**"). The Merger Consideration shall be allocated as set forth in **Schedule 2.1**.

2.2 Assumption of Stock Options; Other Equity Interest; Oxford Indebtedness.

(a) At the Effective Time, by virtue of the Merger and without any action on the part of any holder of options and other awards then outstanding under Company's 2003 Stock Plan (the "**Company Stock Awards**"), each Company Stock Award outstanding immediately prior to the Effective Time shall be assumed by Parent and each Company Stock Award shall become an option to acquire shares of Parent Common Stock, on the same terms and conditions as were applicable under the Company Stock Award immediately prior to the Effective Time, except (i) that such assumed Company Stock Award shall be exercisable for that number of whole shares of Parent

Common Stock equal to the product (rounded down to the nearest whole number of shares of Parent Common Stock) obtained by multiplying the number of shares of Company Voting Common Stock issuable upon the exercise of such Company Stock Award immediately prior to the Effective Time by 0.00922672, and (ii) that the per share exercise price for the shares of Parent Common Stock issuable upon exercise of such Company Stock Awards shall be equal to the quotient (rounded up to the nearest whole cent) obtained by dividing the exercise price per share of the Company Voting Common Stock for which the Company Stock Award was exercisable immediately prior to the Effective Time by 0.00922672. The form and substance of any communications to holders of Common Stock Awards from the Company shall be subject to advance review and approval of Parent, which approval will not be unreasonably withheld.

(b) In furtherance of the foregoing, the Company shall have taken such actions prior to or as of the Effective Time as are reasonable and appropriate to effect the provisions of this **Section 2.2**, including, without limitation, (1) taking such actions as may be required to confirm that Parent's Board of Directors shall, effective as of the Effective Time, become the administrator of the Plan with respect to the assumed Company Stock Awards, and (2) furnishing to holders of Company Stock Awards a description of the treatment of such options in connection with the Merger.

(c) At or prior to Closing, Company shall cause all Equity Interests (other than the Company Stock Awards and the warrant to purchase 175,000 shares of Series A Preferred Stock of the Company issued to Oxford Financing Corporation in connection with the Oxford Loan (the "**Oxford Warrant**")) in or related to Company, including the outstanding Convertible Promissory Notes (defined below) and outstanding Series A Warrants and other rights, if any, exercisable for Company Preferred Stock or Company Common Stock (collectively, "**Other Equity Interests**"), to be exercised or converted, as applicable and in accordance with the terms and conditions on which such Other Equity Interests have been granted by Company (as amended), or if not so exercised or converted, to be terminated and extinguished prior to or upon Closing without Liability or obligation on the part of Surviving Corporation. In furtherance of the foregoing, to the extent applicable, the Company shall use best efforts to cause the outstanding Other Equity Interests (including the Convertible Promissory Notes and/or Series A Warrants) to be amended in a manner reasonably acceptable to Parent to provide that they will automatically convert into equity of Company at or prior to the Merger. Company shall use its best efforts to obtain and deliver to Parent prior to Closing duly executed termination and release agreements or similar written agreements, contingent upon Closing as applicable, with respect to all Other Equity Interests that do not automatically exercise, convert or otherwise terminate upon the Merger by their express terms.

(d) The outstanding indebtedness of Company to Oxford Finance Corporation under the Master Security Agreement dated as of April 26, 2005 shall continue to be an obligation of the Surviving Corporation (the "**Oxford Loan**").

2.3 Merger Sub. At the Effective Time, by virtue of the Merger and without any action on the part of Parent as the holder thereof, each share of the common stock, no par value per share, of Merger Sub outstanding immediately prior to the Effective Time shall be converted into one share of the common stock of the Surviving Corporation. This common stock shall be the only outstanding

capital stock of the Surviving Corporation immediately following the Effective Time, and shall be solely owned by Parent.

2.4 Appraisal Rights. Any shares held by stockholders who elect to demand the appraisal of such stockholders' shares in Company (the "**Dissenting Shares**") shall not be converted into the right to receive Merger Consideration as set forth in **Section 2.1** but shall instead be converted into the right to receive such consideration as may be determined to be due with respect to such Dissenting Shares pursuant to Delaware Corporate Law. Company shall give Parent (a) prompt notice of any written demand for appraisal received by Company pursuant to Delaware Corporate Law, (b) the opportunity to control all negotiations and proceedings with respect to such demands and (c) the opportunity to review and comment on all appraisal rights notices and other communications to the stockholders of Company with respect to appraisal rights. Company agrees that, except with the prior written consent of Parent, or as required under Delaware Corporate Law, it will not voluntarily make any payment with respect to, or settle or offer to settle, any such demand. Each holder of Dissenting Shares (each a "**Dissenting Stockholder**") who, pursuant to the provisions of Delaware Corporate Law, becomes entitled to payment of the fair value of such shares of Company's capital stock shall receive payment therefor (but only after the value thereof shall have been agreed upon or finally determined pursuant to the provisions of Delaware Corporate Law), with interest paid thereon only to the extent required by Delaware Corporate Law. If, after the Effective Time, any Dissenting Shares shall lose their status as Dissenting Shares, Parent shall issue and deliver, upon surrender by the holder of the certificate or certificates representing such shares of Company capital stock as set forth in **Section 2.5**, the consideration, if any, to which such shareholder would otherwise be entitled pursuant to **Section 2.1** with respect to such shares.

2.5 Mechanics of Exchange.

(a) Prior to Closing, Company and Parent shall cause to be mailed to each holder of record (as of the Effective Time) of a certificate or certificates, which immediately prior to the Effective Time shall have represented the outstanding shares of Company Preferred Stock or Company Common Stock (the "**Company Stock Certificates**"), (i) a letter of transmittal in a form to be mutually agreed upon by Parent and Company promptly following the date of this Agreement (the "**Letter of Transmittal**") and (ii) instructions for use in effecting the surrender of the Company Stock Certificates in exchange for the portion of the Merger Consideration payable upon surrender of said Company Stock Certificates. Following the Effective Time, and upon surrender of Company Stock Certificates for cancellation to Parent, together with such Letter of Transmittal, duly completed and validly executed in accordance with the instructions thereto, each holder of Company Stock Certificates shall be entitled to surrender its Company Stock Certificates to Parent for cancellation in exchange for such holder's right to receive, subject to the terms and conditions hereof, the Merger Consideration pursuant to **Section 2.1**. It shall be a condition of any holder's receipt of any Merger Consideration that Company Stock Certificates representing such holder's capital stock be surrendered to Parent, properly endorsed or otherwise in proper form for transfer, or that such holder comply with **Section 2.5(d)**.

(b) Attached hereto as **Schedule 2.5(b)** is a list, addressed to Parent and certified by the Company as true and correct, of the holders of capital stock of the Company (the "**Certified Stockholder List**"). At the Closing, Company shall deliver an update to the Certified Stockholder List, addressed to Parent and certified by the Company as true and correct, reflecting the holders of capital stock of the Company at the time of the Closing (the "**Final Certified Stockholder List**"). After the date hereof, Company shall consult with Parent prior to transferring shares of Company Stock Certificates on the records of Company. Parent shall be entitled to rely upon the Final Certified Stockholder List to establish the identity of those persons entitled to receive Merger Consideration specified in this Agreement, which Final Certified Stockholder List shall be conclusive with respect thereto. In the event of a dispute with respect to ownership of stock represented by any Company Stock Certificates, Parent shall be entitled to deposit any Merger Consideration in respect thereof in escrow with an independent third party and thereafter be relieved with respect to any claims thereto.

(c) Following the Effective Time and upon receipt of any Company Stock Certificate(s) pursuant to this **Section 2.5**, Parent shall deliver or cause to be delivered to such holder presenting such Company Stock Certificate(s) the Merger Consideration as calculated pursuant to **Section 2.1** and **Schedule 2.1**.

(d) In the event that any Company Stock Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder claiming such Company Stock Certificate to be lost, stolen or destroyed, Parent will deliver or cause to be delivered, in accordance with and subject to this **Section 2.5** and the other terms and conditions hereof, in exchange for such lost, stolen or destroyed Company Stock Certificate, the applicable portion of such holder's Merger Consideration for which the capital stock represented by such certificate has been cancelled and exchanged pursuant to **Section 2.1**. When authorizing such payment in exchange therefor, Parent may in its discretion require the owner of such lost, stolen or destroyed Company Stock Certificate to give Parent a bond in such sum as it may reasonably direct as indemnity, or such other form of indemnity, as Parent shall reasonably direct, against any claim that may be made against Parent with respect to Company Stock Certificate alleged to have been lost, stolen or destroyed.

(e) Parent may, at its option, meet its obligations under this **Section 2.5** through a bank, trust company or other third party reasonably selected by Parent to act as exchange agent in connection with the Merger.

(f) Notwithstanding anything in this Agreement to the contrary, neither Parent nor any other party hereto shall be liable to a holder of Company capital stock for any portion of the Merger Consideration delivered to a public official pursuant to applicable escheat laws following the passage of time specified therein.

2.6 No Further Rights in Shares. After the Effective Time, holders of Company Stock Certificates shall cease to have rights with respect to Company capital stock previously represented by such certificates, and their sole rights (other than such rights as they may have as Dissenting Stockholders under the applicable provisions of Delaware Corporate Law) shall be to exchange such certificates for the Merger Consideration, as set forth in **Section 2.1**.

2.7 No Fractional Shares. Notwithstanding any other provision of this Agreement, neither certificates nor scrip for fractional shares of Parent Stock shall be issued in the Merger. In lieu of any fractional shares to which the holder would otherwise be entitled, Parent shall pay cash equal to the fraction of a share that such holder would otherwise be entitled to receive in the Merger multiplied by the fair market value of a share of Parent Common Stock at the time of Closing as determined by Parent's Board of Directors.

2.8 Taking of Necessary Action; Further Action. If, at any time after the Effective Time, any further action is necessary or reasonably desirable to carry out the purposes of this Agreement and to vest the Surviving Corporation with full right to, title to and possession of all assets, property, rights, privileges, powers and franchises of Company, the officers and directors of the Surviving Corporation are fully authorized in the name and on the behalf of Company or the Surviving Corporation or otherwise to take, and shall take, all such lawful and necessary action, so long as such action is not inconsistent with this Agreement.

2.9 Post-Closing Adjustment.

(a) Attached as **Schedule 2.9** is a certificate signed by the Chief Executive Officer of Company attaching a statement setting forth Company's reasonable, good faith estimate of (i) the amount of all current liabilities (calculated in accordance with GAAP) of Company (excluding (i) the current portion of the outstanding principal of and interest on Company's indebtedness under the Oxford Loan, (ii) the lease payments related to the Company's facility at 1124 Columbia Street, Seattle, Washington that accrue after the Closing (but not including any amount arising from rental periods prior to Closing), (iii) the Company Expenses (defined below) and (iv) the Employee Payments (defined below)) outstanding at the Closing (collectively, the "**Current Liabilities**"), (ii) the amount of all Company Expenses and (iii) the amount of any bonuses, severance or back pay paid within six (6) months prior to the Closing and any bonuses, severance or back pay owing or accrued as of the Closing to employees of or consultants to Company, all amounts payable pursuant to the agreements set forth on Section 3.9(a) of the Company Disclosure Schedule and all amounts set forth on Section 3.14(f) of the Company Disclosure Schedule (it being understood that amounts set forth on Section 3.14(f) of the Company Disclosure Schedule that are payable to Mark Benjamin shall be included unless both (a) Mr. Benjamin has entered into the amendment of his employment agreement in the form attached hereto as **Exhibit D** and (b) Mr. Benjamin is hired as an employee of Parent or its subsidiaries within thirty (30) days of the Closing of this Agreement) (collectively, "**Employee Payments**").

(b) As soon as reasonably practicable following the Closing Date, and in any event within ninety calendar days thereafter, Parent shall cause to be prepared and delivered to the Stockholders' Agent a statement (the "**Adjustment Statement**") setting forth the actual (i) Current Liabilities, (ii) Company Expenses, (iii) Employee Payments and (iv) the Adjustment Amount (defined below).

(c) The "**Adjustment Amount**" means the sum of the following amounts (provided, if the sum of such amounts is a negative number, the Adjustment Amount shall equal zero):

(i) the amount by which the actual Current Liabilities as of the Closing exceed the greater of (x) $300,000 and (y) the estimated Current Liabilities shown on **Schedule 2.9**, if any;

(ii) minus, if both the estimated Current Liabilities shown on **Schedule 2.9** and the actual Current Liabilities exceeded $300,000, the amount by which the estimated Current Liabilities shown on **Schedule 2.9** exceed the actual Current Liabilities, if any;

(iii) plus, the amount by which the actual Company Expenses exceed the greater of (x) $50,000 and (y) the estimated Company Expenses shown on **Schedule 2.9**, if any;

(iv) minus, if both the estimated Company Expenses shown on **Schedule 2.9** and the actual Company Expenses exceeded $50,000, the amount by which the estimated Company Expenses shown on **Schedule 2.9** exceed the actual Company Expenses, if any; and

(v) plus, any Employee Payments that were not shown on **Schedule 2.9**.

(d) Following the delivery of the Adjustment Statement to the Stockholders' Agent, Parent shall provide the Stockholders' Agent with access to the records of the Surviving Corporation, as the Stockholders' Agent may reasonably request in a manner not unreasonably disruptive to the Surviving Corporation's business, during normal business hours and solely for the purpose of reviewing the Adjustment Statement and determining the Adjustment Amount in accordance with this Agreement.

(e) If Stockholders' Agent disagrees with the Adjustment Amount, then within 45 calendar days after its receipt of the Adjustment Statement, it shall notify Parent of such disagreement in writing (the "**Notice of Disagreement**"), setting forth in reasonable detail the particulars of such disagreement. To be effective, any such Notice of Disagreement shall include a copy of the Adjustment Statement setting forth Parent's determination of the Adjustment Amount marked to indicate those specific line items that are in dispute (the "**Disputed Line Items**") and shall be accompanied by the Stockholders' Agent's calculation of each of the Disputed Line Items and the Stockholders' Agent's revised Adjustment Statement setting forth its determination of the Adjustment Amount. To the extent the Stockholders' Agent provides a Notice of Disagreement within such 45 calendar day period, all items that are not Disputed Line Items shall be final, binding and conclusive for all purposes hereunder. If the Stockholders' Agent does not provide a Notice of Disagreement within such forty five calendar day period, the Stockholders' Agent shall be deemed to have accepted in full the Adjustment Amount as determined by Parent, which shall be final, binding and conclusive for all purposes hereunder. If any Notice of Disagreement is timely provided and contains the proper information as aforesaid, Parent and the Stockholders' Agent shall use commercially reasonable efforts for a period of 45 calendar days (or such longer period as they may mutually agree) to resolve any Disputed Line Items. During such 45 calendar day period, Parent and the Stockholders' Agent shall have access to the working papers, schedules and calculations of the other used in the preparation of the Adjustment Statement and the Notice of Disagreement and the determination of the Adjustment Amount and Disputed Line Items. If, at the end of such period, they are unable to resolve such Disputed Line Items, an independent accounting firm of recognized

national standing as may be mutually selected by Parent and the Stockholders' Agent (the "**Auditor**"), shall resolve any remaining Disputed Line Items. Within 15 days of the end of such 45 day period set forth above, Parent and the Stockholders' Agent will enter into such reasonable and customary arrangements for the services to be rendered by the Auditor under this **Section 2.9** which the Auditor may reasonably request. The Auditor shall determine as promptly as practicable (and in any event within 30 calendar days from the date that the dispute is submitted to it), whether the Adjustment Statement and the Adjustment Amount were prepared or determined, as applicable, in accordance with the standards set forth in **Section 2.9(a), (b) and (c)** and whether and to what extent (if any) the Adjustment Amount requires adjustment, limiting its review, however, only to the Disputed Line Items so submitted. If the Auditor's resolution of the Disputed Line Items directly impacts other line items which are not Disputed Line Items, such line items shall be appropriately adjusted to reflect the resolution of the Disputed Line Items by the Auditor pursuant to this **Section 2.9(e)**. The Surviving Corporation and the Stockholders' Agent shall each furnish to the Auditor such workpapers and other documents and information relating to the disputed issues as the Auditor may request. The determination of the Auditor shall be final, conclusive and binding on the parties. The date on which the Adjustment Amount is finally determined in accordance with this **Section 2.9(e)** is hereinafter referred as to the "**Determination Date**." The fees and expenses of the Auditor shall be allocated between Parent and Stockholders' Agent in the same proportion that the total dollar amount of the Disputed Line Items submitted to the Auditor that is unsuccessfully disputed by each such party (as finally determined by the Auditor) bears to the total dollar amount of the Disputed Line Items so submitted by each such party.

(f) If the Adjustment Amount is a positive number, then within two Business Days following the Determination Date, the number of shares of Parent Preferred Stock having a value equal to the Adjustment Amount (valuing the Parent Preferred Stock at $5.00 per share) shall be released to Parent from the Escrow Fund (as defined in **Section 8.1(g)** below).

2.10 Withholding Rights. Parent, Company or Merger Sub shall be entitled to deduct and withhold from any amounts otherwise payable pursuant to this Agreement such amounts as are required to be deducted and withheld with respect to the making of such payments under the provisions of any applicable Tax laws. Any such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF COMPANY

Company represents and warrants, as of the date hereof and the Closing, to and for the benefit of Parent (except, with respect to any particular section or subsection of this **Article 3**, to the extent specifically described in the corresponding section or subsection of **Schedule 3** (the "**Company Disclosure Schedule**"), it being understood and agreed that Company will use good faith efforts to provide conspicuous cross-references for each description of an exception that may relate to more than one representation or warranty but that any disclosure set forth in any section of the Company Disclosure Schedule shall constitute disclosure for any other section of the Company

Disclosure Schedule to the extent the relevance of such disclosure to such other section is reasonably apparent from the facts specified in such disclosure):

3.1 Organization, Good Standing, Qualification. Company is a corporation duly organized, validly existing and in good standing under Delaware Corporate Law and has all requisite corporate power and authority to carry on its business. Company is duly qualified to transact business and is in good standing in each jurisdiction in which the failure so to qualify would have a Company Material Adverse Effect.

3.2 Capitalization. The authorized capital of Company as of the date of this Agreement (or such later date indicated below) consists of:

(a) 40,000,000 shares of Preferred Stock, comprised of 20,000,000 shares of Series A Preferred Stock, 15,833,332 of which are issued and outstanding and 18,303,703 of which will be issued and outstanding at the time of the Closing and 20,000,000 shares of Series A-1 Preferred Stock, none of which are issued and outstanding. The rights, privileges and preferences of the Preferred Stock are as stated in Company's Amended and Restated Certificate of Incorporation. All of the outstanding shares of Preferred Stock have been duly authorized, fully paid and are nonassessable and have been issued in compliance with all applicable federal and state securities laws.

(b) 29,000,000 shares of voting Common Stock, 3,183,578 shares of which are issued and outstanding as of the date hereof and 3,183,578 shares of which will be issued and outstanding at the time of the Closing (except for such additional shares as may be issued upon the exercise of Company Stock Awards that are outstanding on the date hereof and reflected in Section 3.2(d)). All of the outstanding shares of voting Common Stock have been duly authorized, fully paid and are nonassessable and have been issued in compliance with all applicable federal and state securities laws.

(c) 1,000,000 shares of Company's non-voting Common Stock ("**Company Non-Voting Common Stock**"), 980,000 shares of which are issued and outstanding and none of which will be issued and outstanding on the date of Closing. All of the outstanding shares of Non-Voting Common Stock have been duly authorized, fully paid and are nonassessable and have been issued in compliance with all applicable federal and state securities laws.

(d) Company has reserved 2,229,863 shares of Common Stock for issuance to officers, directors, employees and consultants of Company pursuant to the Company Stock Plan which has been duly adopted by the Board of Directors and approved by Company's stockholders. Of such reserved shares of Common Stock, no shares have been issued pursuant to restricted stock purchase agreements, options to purchase 1,714,988 shares have been granted and are currently outstanding, and 514,875 shares of Common Stock remain available for issuance to officers, directors, employees and consultants pursuant to the Company Stock Plan. Section 3.2(d) of the Company Disclosure Schedule sets forth a list of all Company Stock Awards outstanding on the date hereof, the number of shares of Company Stock issuable upon exercise thereof and the exercise price

thereof (which in each case is $0.05 per share), the vesting schedule with respect thereto, the name of the holder thereof, the date of grant and the expiration date thereof.

(e) Except (i) as set forth in subsections **3.2(a)** through **(d)**, (ii) for warrants to purchase Series A Preferred Stock set forth on Section 3.2(e) of the Company Disclosure Schedule (the "**Series A Warrants**") and (iii) for the Convertible Promissory Notes set forth on Section 3.2(e) of the Company Disclosure Schedule (the "**Convertible Promissory Notes**"), there are no authorized, issued or outstanding Equity Interests in Company or any authorized, issued or outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal or similar rights) or agreements, orally or in writing, for the purchase or acquisition from Company of any shares of its capital stock. Except (i) as set forth in subsections **3.2(a)** through **(d)**, at the time of the Closing, there will be no authorized, issued or outstanding Equity Interests (other than the Oxford Warrant) in Company or any authorized, issued or outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal or similar rights) or agreements, orally or in writing, for the purchase or acquisition from Company of any shares of its capital stock. Company is not a party or subject to any agreement or understanding, and, to the best of Company's knowledge, except for the Voting Agreement, there is no agreement or understanding between any persons and/or entities, which affects or relates to the voting or giving of written consents with respect to any security of the Company or by a director of Company. The Required Company Vote is the only stockholder approval necessary under Applicable Law for the approval of this Agreement and the Merger. The Required Redemption Vote is the only stockholder approval necessary under Applicable Law for the due authorization and approval of the Charter Amendment (defined below) and to effectuate the Non-Voting Common Stock Redemption. The Company has never adjusted or amended the exercise price of any stock options previously awarded, whether through amendment, cancellation, replacement grant, repricing, or any other means. As a result of the Merger, Parent will be the sole record and beneficial holder of all of the Equity Interests of Company. Prior to the Closing, the Company shall have obtained the Required Redemption Vote and the Required Company Vote.

(f) The Certified Stockholder List reflects all of the outstanding Equity Interests of Company and the name and address of each holder thereof, in each case, as of the date hereof. The Final Certified Stockholder List will reflect all of the outstanding Equity Interests of Company and the name and address of each holder thereof, in each case, as of the Closing.

3.3 Subsidiaries. Company does not currently own or control, directly or indirectly, any interest in any other corporation, association, or other business entity. Company is not a participant in any joint venture, partnership or similar agreement.

3.4 Authorization. All corporate action on the part of Company, its officers, directors and stockholders necessary for the authorization, execution and delivery of the Transaction Agreements to which any of them are contemplated to be a party, and the performance of all obligations of Company hereunder and thereunder, have been taken or will be taken prior to the Closing, and the Transaction Agreements, when executed and delivered by Company and its stockholders, shall constitute valid and legally binding obligations of Company and its stockholders, enforceable against

Company and its stockholders in accordance with their terms except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and other laws of general application affecting enforcement of creditors' rights generally, and as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

3.5 Governmental Consents. No consent, waiver, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any court, administrative agency, commission or federal, state, county or local governmental authority, instrumentality or agency (each, a "**Governmental Authority**") on the part of Company is required in connection with the execution or delivery of this Agreement or the consummation of the transactions contemplated by the Transaction Agreements except for the filing of the Charter Amendment and the Certificate of Merger with the Secretary of State of the State of Delaware.

3.6 Litigation. Except as provided in Section 3.6 of the Company Disclosure Schedule, there is no prior or pending action, suit, proceeding or investigation or, to Company's knowledge, currently threatened against Company, that questions the validity of the Transaction Agreements or the right of Company to enter into them, or to consummate the transactions contemplated hereby or thereby, or that might result, either individually or in the aggregate, in any Company Material Adverse Effect, financially or otherwise, or any change in the current equity ownership of Company, nor is Company aware that there is any basis for the foregoing. The foregoing includes, without limitation, actions, suits, proceedings or investigations initiated at any time from three (3) years prior to the date of the Transaction Agreements to present, or, to the knowledge of Company, threatened, involving the prior employment of any of Company's employees, their use in connection with Company's business of any information or techniques allegedly proprietary to any of their former employers, or their obligations under any agreements with prior employers. Company is not a party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality. There is no action, suit, proceeding or investigation by Company currently pending or which Company intends to initiate.

3.7 Intellectual Property.

(a) Company Business Intellectual Property.

(i) Company Products. Section 3.7(a)(i) of the Company Disclosure Schedule contains a complete and accurate list of all Company Products.

(ii) Registered Intellectual Property. Section 3.7(a)(ii) of the Company Disclosure Schedule contains a complete and accurate list of all Company Registered Intellectual Property, any proceedings or actions before any court, tribunal (including the United States Patent and Trademark Office or equivalent authority anywhere in the world) related to the Company Registered Intellectual Property, and any actions that must be taken within 150 days after the Effective Time for the purposes of obtaining, maintaining, perfecting or preserving or renewing any Company Registered Intellectual Property, including the payment of any registration, maintenance or renewal fees or the filing of any responses to office actions, documents, applications or certificates.

(iii) Intellectual Property Contracts. Section 3.7(a)(iii) of the Company Disclosure Schedule contains a complete and accurate list of all Contracts to which Company is a party (1) with respect to Company-Owned Intellectual Property licensed to any third party, or (2) pursuant to which a third party has licensed any Intellectual Property to Company ("**Intellectual Property Contracts**").

(iv) Intellectual Property Indemnities. Section 3.7(a)(iv) of the Company Disclosure Schedule contains a complete and accurate list of all Contracts whereby Company has agreed to, or assumed, any obligation or duty to indemnify, reimburse, hold harmless, defend or otherwise assume or incur any obligation or liability with respect to the infringement or misappropriation of any rights in Intellectual Property.

(b) Validity. To the Company's actual knowledge (including the knowledge of its patent and legal counsel), each item of Company Registered Intellectual Property is valid and subsisting, all necessary registration, maintenance and renewal fees currently due in connection with such Company Registered Intellectual Property have been made and, to the Company's actual knowledge (including the knowledge of its patent and legal counsel), all necessary documents, recordations and certificates in connection with such Company Registered Intellectual Property have been filed with the relevant patent, copyright, trademark or other authorities in the United States or foreign jurisdictions, as the case may be, for the purposes of prosecuting, perfecting and maintaining such Company Registered Intellectual Property. The Company has not claimed any status in the application for or registration of any rights in Company Registered Intellectual Property, including "small business status," that, to the Company's actual knowledge (including the knowledge of its patent and legal counsel), would not be applicable to Parent. The Company has no knowledge of any information, materials, facts, or circumstances, including any information or fact that would constitute prior art, that would render any of the Company Registered Intellectual Property invalid or unenforceable, or would materially affect any pending application for any Company Registered Intellectual Property and Company has not knowingly misrepresented, or knowingly failed to disclose, any facts or circumstances in any application for any Company Registered Intellectual Property that would constitute fraud or a misrepresentation with respect to such application or that would otherwise affect the validity or enforceability of any Company Registered Intellectual Property. The Company has completed due search and inquiry for the identification of material prior art and information relevant to the patentability of its pending Patent applications and to the validity of its issued Patents included in the Company Registered Intellectual Property, and has cited such prior art and information to each national patent office to the extent required and in conformity with the laws, regulations and requirements of such patent offices.

(c) Ownership.

(i) No Company Business Intellectual Property or Company Product is subject to any proceeding or outstanding decree, order, judgment, or stipulation or Contract restricting in any material manner, the use, transfer, or licensing thereof by Company, or which may materially affect the validity, use or enforceability of such Company Business Intellectual Property or Company Product, and Company is aware of no threatened or impending action or asserted or

unasserted claim that could give rise to any legal action that may materially affect the validity, use or enforceability of such Company Business Intellectual Property or Company Product.

(ii) All Company-Owned Intellectual Property will be fully transferable, alienable or licensable by Surviving Corporation and/or Parent without restriction and without payment of any kind to any person.

(iii) The Company owns, and has good and exclusive title to, each item of Company-Owned Intellectual Property free and clear of any lien or encumbrance (other than the licenses described in Section 3.7(c)(iii) of the Company Disclosure Schedule. Without limiting the foregoing: (i) Company is the exclusive owner of all Trademarks that are used to designate the source or origin of the Company Products; (ii) Company owns exclusively, and has good title to, all copyrighted works that are embodied in any Company Product; and (iii) Company is, to the Company's actual knowledge (including the knowledge of its patent and legal counsel), the exclusive owner of, or has secured appropriate rights from the owner through license or other agreement to, all Patents that are included in the Company Owned Intellectual Property.

(iv) No person other than Company has ownership rights or license rights granted by Company to improvements made by or for Company in any Company Business Intellectual Property.

(v) Within the past year, Company has not (i) transferred ownership of, or granted any exclusive license of or exclusive right to use, or authorized the retention of any exclusive rights to use or joint ownership of, Company Business Intellectual Property, to any other person, or (ii) permitted Company's rights in any Company-Owned Intellectual Property to lapse or enter the public domain, except to the extent such failure would not result in a Company Material Adverse Effect.

(d) Non-Infringement.

(i) To the Company's actual knowledge (including the knowledge of its patent and legal counsel), the operation of the business of Company as such business currently is conducted or is currently contemplated to be conducted, including, without limitation, the design, development, manufacture, use, import, sale licensing or other exploitation of Company Products, does not, and will not, infringe or misappropriate any Intellectual Property of any third party or constitute unfair competition or trade practices under the laws of any jurisdiction. The Company has not received notice from any third party alleging any such infringement, misappropriation, unfair competition or trade practices.

(ii) All Intellectual Property incorporated into or embodied in any Company Product was developed solely by either (1) employees of Company acting within the scope of their employment or (2) by third parties who have exclusively licensed to Company or validly and irrevocably assigned all of their rights, including all Intellectual Property rights therein, to Company. To the extent any such Intellectual Property relates to Company Registered Intellectual Property, to

the maximum extent provided for by, and in accordance with, applicable laws and regulations, Company has recorded each such assignment with the relevant Governmental Authority.

(e) Intellectual Property Contracts.

(i) All Intellectual Property Contracts are in full force and effect.

(ii) The Company is not in material breach of any of the Intellectual Property Contracts, and, to Company's knowledge, no other party to any Intellectual Property Contract has materially failed to perform thereunder.

(iii) The consummation of the transactions contemplated by this Agreement will neither violate nor result in the breach, modification, cancellation, termination or suspension of any Intellectual Property Contract. Following the Effective Time, Parent will be permitted to exercise all of Company's rights under all Intellectual Property Contracts, to the same extent Company would have been able to had the transactions contemplated by this Agreement not occurred and without being required to pay any additional amounts or consideration other than fees, royalties or payments which Company would otherwise be required to pay had such transactions contemplated hereby not occurred.

(iv) Neither this Agreement nor the transactions contemplated by this Agreement, including the assignment to Parent, by operation of law or otherwise, of any contracts or agreements to which Company is a party, will result in (i) any third party being granted rights or access to, or the placement in or release from escrow, of any software source code or other technology, (ii) Parent granting to any third party any right in any Intellectual Property, (iii) Parent being bound by, or subject to, any non-compete or other restriction on the operation or scope of their respective businesses, or (iv) Parent being obligated to pay any royalties or other amounts to any third party in excess of those payable by Company prior to the Closing.

(f) Sufficiency of Intellectual Property Rights. The Company-Owned Intellectual Property, along with the Intellectual Property rights of Company under the Intellectual Property Contracts, constitute all the Company Business Intellectual Property.

(g) Government Rights. No government funding, facilities of a university, college, other educational institution or research center or funding from third parties was used in the development of any Company Business Intellectual Property. To the knowledge of Company, no current or former employee, consultant or independent contractor of Company, who was involved in, or who contributed to, the creation or development of any Company-Owned Intellectual Property, has performed services for the government, university, college, or other educational institution or research center during a period of time during which such employee, consultant or independent contractor was also performing services for Company. The U.S. Food and Drug Administration (the "**FDA**") has not indicated, whether written or oral, nor is Company aware that the FDA intends to suspend, hold or delay Company's clinical trials or approval of its products.

(h) Third-Party Infringement. To the knowledge of Company, no person has infringed or misappropriated, or is infringing or misappropriating, any Company-Owned Intellectual Property, and no person has infringed or misappropriated, or is infringing or misappropriating, any Company Business Intellectual Property in a manner that would result in a Company Material Adverse Effect.

(i) Trade Secret Protection. The Company has taken reasonable steps to protect the rights of Company in Company's confidential information and trade secrets, and any trade secrets or confidential information of third parties provided to Company under an obligation of confidentiality, and, without limiting the foregoing, Company has required each employee and contractor to execute a proprietary information/confidentiality agreement in the form provided to Parent, and all current and former employees and contractors of Company has executed such an agreement, except where the failure to do so would not reasonably be expected have Company Material Adverse Effect.

3.8 Compliance with Other Instruments. Company is not in violation or default (a) of any provisions of its Amended and Restated Certificate of Incorporation or Bylaws, (b) of any instrument, judgment, order, writ or decree to which it is a party or by which it is bound or (c) to its knowledge, of any provision of federal or state statute, rule or regulation applicable to Company. The execution, delivery and performance by Company of this Agreement and any Transaction Agreement to which Company is a party, and the consummation of the transactions contemplated hereby and thereby, will not contravene, conflict with or result in any violation of or default under (with or without notice or lapse of time, or both) or give rise to a right of termination, cancellation, modification or acceleration of any obligation or loss of any benefit, result in the creation or imposition of any lien, pledge, charge, claim, mortgage, liability, security interest, right of first refusal, title retention agreement, third party right or other encumbrance of any sort (each, a "**Lien**") under or materially impair Company's rights or alter the rights or obligations of a third party under (any such event, a "**Conflict**") (i) any provision of Company's Amended and Restated Certificate of Incorporation or Bylaws, (ii) Contract, or (iii) any judgment, injunction, order, decree, statute, law, ordinance, rule or regulation applicable to Company or any of the properties (whether tangible or intangible) or assets of Company. Section 3.8 of the Company Disclosure Schedule sets forth all necessary consents, waivers and approvals of parties to any Contracts as are required thereunder in connection with the Merger, or for any such Contract to remain in full force and effect without limitation, modification or alteration after the Effective Time so as to preserve all rights of, and benefits to, Company under such Contracts from and after the Effective Time. Company has obtained, or will obtain prior to the Closing Date, all necessary consents, waivers and approvals of parties to any Contract as are required thereunder in connection with the Merger or for such Contracts to remain in effect without modification, limitation or alteration after the Closing Date. Following the Closing Date, Company will be permitted to exercise all of its rights under the Contracts without the payment of any additional amounts or consideration other than amounts or consideration which Company would otherwise be required to pay had the transactions contemplated by this Agreement not occurred.

3.9 Agreements; Actions.

(a) There are no agreements, understandings or proposed transactions between Company and any of its officers, directors, affiliates, or any affiliate thereof.

(b) Except for agreements explicitly contemplated by the Transaction Agreements, there are no agreements, understandings, instruments, contracts, leases, licenses or proposed transactions to which Company is a party or by which it is bound that involve (i) obligations (contingent or otherwise) of, or payments to, Company in excess of, $10,000, (ii) the license of any Patent, copyright, trade secret or other proprietary right to or from Company, or (iii) the grant of rights to manufacture, produce, assemble, license, market, or sell any Company Products to any other person or affect Company's exclusive right to develop, manufacture, assemble, distribute, market or sell any Company Products.

(c) Company has not (i) declared or paid any dividends, or authorized or made any distribution upon or with respect to any class or series of its capital stock, (ii) incurred any indebtedness for money borrowed or incurred any other liabilities individually in excess of $10,000 or in excess of $50,000 in the aggregate, other than $2,406,299 in outstanding principal and $291,936 in outstanding interest under the Oxford Loan, (iii) made any loans or advances to any person, other than ordinary advances for travel expenses, or (iv) sold, exchanged or otherwise disposed of any of its assets or rights, other than the sale of its inventory in the Ordinary Course of Business.

(d) For the purposes of subsections **(b)** and **(c)** above, all Indebtedness, Liabilities, instruments, Contracts and proposed transactions involving the same person or entity (including persons or entities Company has reason to believe are affiliated with that person or entity) shall be aggregated for the purposes of meeting the individual minimum dollar amounts of each such subsection.

(e) Company is in material compliance with and has not materially breached, violated or defaulted under, or received notice that it has materially breached, violated or defaulted under, any of the terms or conditions of any Contract, nor is Company aware of any event that would constitute such a material breach, violation or default with or without the lapse of time, giving of notice or any combination thereof. Each Contract is in full force and effect and is not subject to any material default thereunder, nor is any party obligated to Company pursuant thereto subject to any default thereunder.

(f) Except in connection with the Merger or as set forth in Section 3.9(f) of the Company Disclosure Schedule, Company has not engaged in the past three (3) months in any discussion (i) with any representative of any corporation or corporations regarding the merger of Company with or into any such corporation or corporations, (ii) with any representative of any corporation, partnership, association or other business entity or any individual regarding the sale, conveyance or disposition of all or substantially all of the assets of Company or a transaction or series of related transactions in which more than fifty percent (50%) of the voting power of Company would be disposed of, or (iii) regarding any other form of liquidation, dissolution or winding up of Company.

3.10 Disclosure. Company has fully provided Parent with all the information that Parent has requested for deciding whether to enter into this Agreement and consummate the Merger. To Company's knowledge, no representation or warranty of Company contained in this Agreement and the exhibits attached hereto or in any certificate furnished or to be furnished to Parent at the Closing contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made.

3.11 No Conflict of Interest. Company is not indebted, directly or indirectly, to any of its officers or directors or to their respective spouses or children, in any amount whatsoever other than in connection with expenses or advances of expenses incurred in the Ordinary Course of Business or relocation expenses of employees. To Company's knowledge, none of Company's officers or directors, or any members of their immediate families, are, directly or indirectly, indebted to Company (other than in connection with purchases of Company's stock) or have any direct or indirect ownership interest in any firm or corporation with which Company is affiliated or with which Company has a business relationship, or any firm or corporation which competes with Company except that officers, directors and/or stockholders of Company may own stock in (but not exceeding two percent of the outstanding capital stock of) any publicly traded companies that may compete with Company. To Company's knowledge, none of Company's officers or directors or any members of their immediate families are, directly or indirectly, interested in any material contract with Company. Company is not a guarantor or indemnitor of any indebtedness of any other person, firm or corporation.

3.12 Title to Property and Assets. Company owns its property and assets free and clear of all mortgages, liens, loans and encumbrances, except such encumbrances and liens which arise in the Ordinary Course of Business and do not materially impair Company's ownership or use of such property or assets. With respect to the property and assets it leases, Company is in compliance with such leases and, to its knowledge, holds a valid leasehold interest free of any liens, claims or encumbrances.

3.13 Financial Statements. Company has delivered to Parent its unaudited financial statements (including balance sheet, income statement and statement of cash flows) as of and for the six-month and twelve-month periods ended June 30, 2006 and December 31, 2005, respectively, and its audited financial statements (including balance sheet, income statement and statement of cash flows) as of and for the fiscal year ended December 31, 2004 (collectively, the "**Company Financial Statements**"). The Company Financial Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the periods indicated, except that the unaudited Company Financial Statements do not contain any footnotes including those that are required by GAAP and except for normal year-end adjustments which are consistent in nature with adjustments made in prior years. The Company Financial Statements fairly present the financial condition and operating results of Company as of the dates, and for the periods, indicated therein, subject to normal year-end audit adjustments. Except as set forth in the Company Financial Statements, Company has no material liabilities, contingent or otherwise, other than (i) liabilities incurred in the Ordinary Course of Business subsequent to June 30, 2006 and (ii) obligations under contracts and

commitments incurred in the Ordinary Course of Business and not required under GAAP to be reflected in the Company Financial Statements, which, in both cases, individually or in the aggregate are not material to the financial condition or operating results of Company. Company is not a guarantor of any indebtedness of any other person, firm or corporation. Company maintains and will continue to maintain a standard system of accounting established and administered in accordance with GAAP.

3.14 Changes. Since June 30, 2006 there has not been:

(a) any change in the assets, liabilities, financial condition or operating results of Company from that reflected in the Company Financial Statements, except changes in the Ordinary Course of Business that have not had a Company Material Adverse Effect;

(b) any damage, destruction or loss, whether or not covered by insurance, that has had a Company Material Adverse Effect;

(c) any waiver or compromise by Company of a valuable right or of a material debt owed to it;

(d) any satisfaction or discharge of any lien, claim or encumbrance or payment of any obligation by Company, except in the Ordinary Course of Business and that has not had a Company Material Adverse Effect;

(e) any execution, termination, material change to a material contract, lease, license or agreement by which Company or any of its assets is bound or subject;

(f) any material change in any compensation arrangement or agreement with any employee, officer, director or shareholder;

(g) any sale, assignment or transfer of any material assets or properties, Patents, Trademarks, copyrights, trade secrets or other intangible assets;

(h) any resignation or termination of employment of any officer or key employee of Company or, to Company's knowledge, of any impending resignation or termination of employment of any such officer or key employee;

(i) receipt of notice that there has been a loss of, or material order cancellation by, any major customer of Company;

(j) any mortgage, pledge, transfer of a security interest in, or lien, created by Company, with respect to any of its material properties or assets, except liens for Taxes not yet due or payable;

(k) any loans or guarantees made by Company to or for the benefit of its employees, officers or directors, or any members of their immediate families, other than travel advances and other advances made in the Ordinary Course of Business;

(l) any declaration, setting aside or payment or other distribution in respect to any of Company's capital stock, or any direct or indirect redemption, purchase, or other acquisition of any of such stock by Company;

(m) to Company's knowledge, any other event or condition of any character that might result in a Company Material Adverse Effect; or

(n) any arrangement or commitment by Company to do any of the things described in this **Section 3.14**.

3.15 Company Employee Matters and Benefit Plans.

(a) Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below:

(i) "**COBRA**" shall mean the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended and as codified in Section 4980B of the Code and Section 601 et. seq. of ERISA;

(ii) "**Code**" shall mean the Internal Revenue Code of 1986, as amended;

(iii) "**Company Employee**" shall mean any current or former or retired employee, consultant or director of the Company or any Company ERISA Affiliate;

(iv) "**Company Employee Agreement**" shall mean each management, employment, severance, consulting, relocation, repatriation, expatriation, visa, work permit or other agreement, contract or understanding between the Company or any Company ERISA Affiliate and any Employee;

(v) "**Company Employee Plan**" shall mean any plan, program, policy, practice, contract, agreement or other arrangement providing for compensation, severance, termination pay, deferred compensation, performance awards, stock or stock-related awards, fringe benefits or other employee benefits or remuneration of any kind, whether written or unwritten or otherwise, funded or unfunded, including without limitation, each "employee benefit plan," within the meaning of Section 3(3) of ERISA which is or has been maintained, contributed to, or required to be contributed to, by the Company or any Company ERISA Affiliate for the benefit of any Employee, or with respect to which the Company or any Company ERISA Affiliate has or may have any liability or obligation;

(vi) "**Company ERISA Affiliate**" shall mean each Subsidiary of the Company and any other person or entity under common control with the Company or any of its

Subsidiaries within the meaning of Section 414(b), (c), (m) or (o) of the Code and the regulations issued thereunder;

(vii) "**ERISA**" shall mean the Employee Retirement Income Security Act of 1974, as amended;

(viii) "**IRS**" shall mean the Internal Revenue Service;

(ix) "**Multiemployer Plan**" shall mean any "Pension Plan" which is a "multiemployer plan," as defined in Section 3(37) of ERISA; and

(x) "**Pension Plan**" shall mean each Company Employee Plan which is an "employee pension benefit plan," within the meaning of Section 3(2) of ERISA.

(b) Schedule. **Schedule 3.15(b)** contains an accurate and complete list of each Company Employee Plan and each Company Employee Agreement (other than the Company Stock Plan). Neither the Company nor any ERISA Affiliate has any plan or commitment to establish any new Company Employee Plan or Company Employee Agreement, to modify any Company Employee Plan or Company Employee Agreement (except to the extent required by law or to conform any such Company Employee Plan or Company Employee Agreement to the requirements of any applicable law, in each case as previously disclosed to Parent in writing, or as required by this Agreement), or to adopt or enter into any Company Employee Plan or Company Employee Agreement.

(c) Documents. The Company has provided to Parent correct and complete copies of: (i) all documents embodying each Company Employee Plan and each Company Employee Agreement including (without limitation) all amendments thereto and all related trust documents; (ii) the most recent summary plan description together with the summary(ies) of material modifications thereto, if any, required under ERISA with respect to each Company Employee Plan; (iii) the three (3) most recent annual reports (Form Series 5500 and all schedules and financial statements attached thereto), if any, required under ERISA or the Code in connection with each Company Employee Plan; (iv) all IRS determination, opinion, notification and advisory letters; and (v) the three (3) most recent plan years discrimination tests for each Company Employee Plan.

(d) Employee Plan Compliance. The Company and its Company ERISA Affiliates have performed in all material respects all obligations required to be performed by them under, are not in default or violation of, and have no knowledge of any default or violation by any other party to each Company Employee Plan, and each Company Employee Plan has been established and maintained in all material respects in accordance with its terms and in compliance with all applicable laws, statutes, orders, rules and regulations, including but not limited to ERISA or the Code. No "prohibited transaction," within the meaning of Section 4975 of the Code or Sections 406 and 407 of ERISA, and not otherwise exempt under Section 408 of ERISA, has occurred with respect to any Company Employee Plan. No Company Employee Plan is being audited or investigated by any government agency or is subject to any pending or, to the knowledge of the Company, threatened claim or suit.

(e) No Pension or Welfare Plans. Neither the Company nor any Company ERISA Affiliate has ever maintained, established, sponsored, participated in, or contributed to, any (i) Pension Plan which is subject to Title IV of ERISA or Section 412 of the Code, (ii) Multiemployer Plan, (iii) "multiple employer plan" as defined in ERISA or the Code, or (iv) a "funded welfare plan" within the meaning of Section 419 of the Code. No Company Employee Plan provides health benefits that are not fully insured through an insurance contract.

(f) No Post-Employment Obligations. No Company Employee Plan provides, or reflects or represents any liability to provide post-termination or retiree welfare benefits to any person for any reason, except as may be required by COBRA or other applicable statute, and neither the Company nor any Company ERISA Affiliate has ever represented, promised or contracted (whether in oral or written form) to any Company Employee (either individually or to Company Employees as a group) or any other person that such Company Employee(s) or other person would be provided with post-termination or retiree welfare benefits, except to the extent required by statute.

(g) Effect of Transaction.

(i) The execution of this Agreement and the consummation of the transactions contemplated hereby will not (either alone or upon the occurrence of any additional or subsequent events) constitute an event under any Company Employee Plan, Company Employee Agreement, trust or loan that will or may result in any payment (whether of severance pay or otherwise), acceleration, forgiveness of indebtedness, vesting, distribution, increase in benefits or obligation to fund benefits with respect to any Company Employee.

(ii) No payment or benefit which will or may be made by the Company or its Company ERISA Affiliates with respect to any Company Employee or any other "disqualified individual" (as defined in Code Section 280G and the regulations thereunder) will be characterized as a "parachute payment," within the meaning of Section 280G(b)(2) of the Code. There is no contract, agreement, plan or arrangement to which the Company or any Company ERISA Affiliates is a party or by which it is bound to compensate any Company Employee for excise taxes paid pursuant to Section 4999 of the Code.

(h) Section 409A. **Schedule 3.15(h)** lists each "nonqualified deferred compensation plan" (as such term is defined in Section 409A(d)(1) of the Code) sponsored or maintained by the Company and each Company ERISA Affiliate. Each such nonqualified deferred compensation plan has been operated since January 1, 2005 in good faith compliance with Section 409A of the Code and any IRS guidance issued with respect thereto. No such nonqualified deferred compensation plan has been "materially modified" (within the meaning of IRS Notice 2005-1) at any time after October 3, 2004.

3.16 Tax Returns, Payments and Elections. Company has timely filed all Tax Returns as required by law. These Tax Returns are true and correct in all material respects. Company has paid all Taxes and other assessments due. The provision for Taxes of Company as shown in the Company Financial Statements is adequate for Taxes due or accrued as of the date thereof. Company has not made any elections pursuant to the Code (other than elections that relate solely to

methods of accounting, depreciation or amortization) that would have a material effect on Company, its financial condition, its business as presently conducted or proposed to be conducted or any of its properties or material assets. Company has never had any material Tax deficiency proposed or assessed against it and has not executed any waiver of any statute of limitations on the assessment or collection of any tax or governmental charge. None of Company's Tax Returns has ever been audited by governmental authorities. Since June 30, 2006, Company has not incurred any Taxes other than in the Ordinary Course of Business and Company has made adequate provisions on its books of account for all Taxes for such period. Company has paid or withheld from each payment made to each of its employees, consultants or third parties, the amount of all Taxes (including, but not limited to, federal income Taxes, Federal Insurance Contribution Act Taxes and Federal Unemployment Tax Act Taxes) required to be paid or withheld therefrom, and has paid the same to the proper Tax receiving officers or authorized depositories. Company has not engaged in a "reportable transaction," as set forth in Treas. Reg. § 1.6011-4(b), or any transaction that is the same as or substantially similar to one of the types of transactions that the Internal Revenue Service has determined to be a tax avoidance transaction and identified by notice, regulation, or other form of published guidance as a "listed transaction," as set forth in Treas. Reg. § 1.6011-4(b)(2).

3.17 Insurance. Company has in full force and effect fire and casualty insurance policies, with extended coverage, sufficient in amount (subject to reasonable deductibles) to allow it to replace any of its properties that might be damaged or destroyed.

3.18 Labor Agreements and Actions. Company is not bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union, and no labor union has requested or, to the knowledge of Company, has sought to represent any of the employees, representatives or agents of Company. There is no strike or other labor dispute involving Company pending, or to the knowledge of Company threatened, which could have a Company Material Adverse Effect, nor is Company aware of any labor organization activity involving its employees. Company is not aware that any officer or key employee, or that any group of key employees, intends to terminate their employment with Company, nor does Company have a present intention to terminate the employment of any of the foregoing. The employment of each officer and employee of Company is terminable at the will of Company. To its knowledge, Company has complied in all material respects with all applicable state and federal equal employment opportunity laws and with other laws related to employment.

3.19 Permits. Company has all franchises, permits, licenses and any similar authority necessary for the conduct of its business, the lack of which could have a Company Material Adverse Effect. Company is not in default in any material respect under any of such franchises, permits, licenses or other similar authority.

3.20 Corporate Documents. The Amended and Restated Certificate of Incorporation and Bylaws of Company are in the form provided to Parent. The copy of the minute books of Company provided to Parent contains minutes of all meetings of directors and stockholders and all actions by written consent without a meeting by the directors and stockholders since the date of incorporation

and reflects all actions by the directors (and any committee of directors) and stockholders with respect to all transactions referred to in such minutes accurately in all material respects.

3.21 Real Property Holding Company. Company is not currently, and has not been during the prior five years, a United States real property holding corporation within the meaning of Section 897 of the Code and Company has filed with the Internal Revenue Service all statements, if any, with its United States income tax returns which are required under Section 1.897-2(h) of the Treasury Regulations.

3.22 Brokers. Company has no contract, arrangement or understanding with any broker, finder or similar agent with respect to the transactions contemplated by this Agreement.

3.23 Proprietary Information and Inventions Assignment Agreement. Company, its officers, consultants and each of its employees with access to Company's confidential information have entered into Company's standard form of Confidentiality Agreement, Consulting Agreement (with incorporated confidentiality clause), and/or Proprietary Information and Inventions Assignment Agreement, in substantially the form made available to Parent.

3.24 Predecessor Corporations. There are no prior, pending or, to the Company's knowledge, threatened claims asserted against Company or, to the Company's knowledge, Company's officers, directors or stockholders (solely in their capacity as stockholders) that have not been waived, released or otherwise extinguished, from or in connection with (a) any Entity which was a predecessor-in-interest to Company, or (b) the stockholders, employees, consultants, contractors or business relationships of any such Entity.

3.25 Restrictions on Business Activities. There is no agreement (noncompete or otherwise), commitment, judgment, injunction, order or decree to which Company is a party or otherwise binding upon Company, which has or may reasonably be expected to have the effect of materially prohibiting or impairing any business practice of Company, any acquisition of property (tangible or intangible) by Company, the conduct of business by Company or otherwise limiting the freedom of Company or its affiliates to engage in any line of business or to compete with any Person. Without limiting the generality of the foregoing, Company has not entered into any agreement under which Company is restricted from selling, licensing or otherwise distributing any of its technology or products to, or providing services to, customers or potential customers or any class of customers, in any geographic area, during any period of time or in any segment of the market.

3.26 Environmental Matters.

(a) No notice, notification, demand, request for information, citation, summons or order has been received, no complaint has been filed, no penalty has been assessed, and no investigation, action, claim, suit, proceeding or review (or any basis therefor) is pending or, to the knowledge of Company, is threatened by any Governmental Authority or other Person relating to Company and relating to or arising out of any Environmental Law.

(b) Company is and has been in material compliance with all Environmental Laws and all Environmental Permits.

(c) There are no material liabilities or obligations of Company of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise arising under or relating to any Environmental Law or any Hazardous Substance and there is no condition, situation or set of circumstances that could reasonably be expected to result in or be the basis for any such liability or obligation.

3.27 Restricted Securities. Company understands that the shares of Parent capital stock to be issued in the Merger have not been, and will not be, registered under the Securities Act of 1933, as amended (the "**Securities Act**"), by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent of Company's stockholders. Company understands that the shares of Parent capital stock are "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to these laws, Company's stockholders must hold the shares of Parent capital stock indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available. Company acknowledges that Parent has no obligation to register or qualify the shares of Parent capital stock for resale except for those individuals party to, and to the extent provided in, Parent's Investors' Rights Agreement. Company further acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the shares of Parent capital stock, and on requirements relating to Company which are outside of Company's control, and which Company is under no obligation and may not be able to satisfy.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

Parent and Merger Sub jointly and severally represent and warrant to Company as follows, as of the date hereof and the Closing, (except, with respect to any particular section or subsection of this **Article 4**, to the extent specifically described in the corresponding section or subsection of **Schedule 4** (the "**Parent Disclosure Schedule**"), it being understood and agreed that Parent will use good faith efforts to provide conspicuous cross-references for each description of an exception that may relate to more than one representation or warranty but that any disclosure set forth in any section of the Parent Disclosure Schedule shall constitute disclosure for any other section of the Parent Disclosure Schedule to the extent the relevance of such disclosure to such other section is reasonably apparent from the facts specified in such disclosure):

4.1 Organization, Good Standing, Qualification.

Parent is a corporation duly organized and validly existing under the corporate law of the State of Washington and has all requisite corporate power and authority to carry on its business. Merger Sub is a corporation duly organized, validly existing and in good standing under Delaware Corporate Law and has all requisite corporate power and authority to carry on its business. Parent

and Merger Sub are duly qualified to transact business and is in good standing in each jurisdiction in which the failure so to qualify would have a Parent Material Adverse Effect.

4.2 Authorized Capital of Parent. The authorized capital of Parent consists as of the date of the Agreement of:

(a) 26,314,511 shares of Preferred Stock, (i) 775,000 shares of Series A Preferred Stock, all of which are issued and outstanding, (ii) 2,675,073 shares of Series B Preferred Stock, all of which are issued and outstanding, (iii) 2,866,719 shares of Series C Preferred Stock, all of which are issued and outstanding, (iv) 997,719 shares of Series D Preferred Stock, 972,580 of which are issued and outstanding, and (v) 19,000,000 shares of Series E Preferred Stock, 9,347,208 of which are issued and outstanding. The rights, privileges and preferences of the Parent's Preferred Stock are as stated in Parent's Amended and Restated Articles of Incorporation. All of the outstanding shares of Parent's Preferred Stock have been duly authorized, fully paid and are nonassessable and have been issued in compliance with all applicable federal and state securities laws.

(b) 40,000,000 shares of Common Stock, 4,636,138 shares of which are issued and outstanding. All of the outstanding shares of Common Stock have been duly authorized, fully paid and are nonassessable and have been issued in compliance with all applicable federal and state securities laws.

(c) Parent has reserved 8,311,516 shares of Common Stock for issuance to officers, directors, employees and consultants of Company pursuant to the Parent Stock Option Plan which has been duly adopted by the Board of Directors and approved by Parent's shareholders. Of such reserved shares of Common Stock, 1,376,344 shares have been issued pursuant to restricted stock purchase agreements, options to purchase 6,932,672 shares have been granted and are currently outstanding, and 1,378,844 shares of Parent Common Stock remain available for issuance to officers, directors, employees and consultants pursuant to the Parent Stock Option Plan.

(d) Except for outstanding options issued pursuant to the Parent Stock Option Plan, options to purchase 148,906 shares of Common Stock issued pursuant to Parent Stock Option Agreements outside the Parent Stock Option Plan, warrants to purchase 25,139 shares of Series D Preferred Stock and a warrant to purchase 124,999 shares of Common Stock, there are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal or similar rights) or agreements, orally or in writing, for the purchase or acquisition from Parent of any shares of its capital stock. Parent is not a party or subject to any agreement or understanding, and, to the best of Parent's knowledge, there is no agreement or understanding between any persons and/or entities, which affects or relates to the voting or giving of written consents with respect to any security or by a director of Parent.

4.3 Subsidiaries.

(a) Other than Merger Sub, Parent does not currently own or control, directly or indirectly, any interest in any other corporation, association or other business entity. The Merger Sub does not currently own or control, directly or indirectly, any interest in any other corporation,

association, or other business entity. Neither Parent nor Merger Sub is a participant in any joint venture, partnership or similar agreement.

(b) The authorized capital of Merger Sub consists as of the date of this Agreement of 1,000 shares of Common Stock, all of which are issued and outstanding. All of the outstanding shares of Common Stock have been duly authorized, fully paid and are nonassessable and have been issued in compliance with all applicable federal and state securities laws.

4.4 Authorization. All corporate action on the part of each of Parent and Merger Sub, its officers, directors and shareholders necessary for the authorization, execution and delivery of the Transaction Agreements to which Parent and Merger Sub are contemplated to be a party, and the performance of all obligations of Parent and Merger Sub hereunder and thereunder have been taken or will be taken prior to the Closing, and the Transaction Agreements, when executed and delivered by Parent and Merger Sub, shall constitute valid and legally binding obligations of each of Parent and Merger Sub, enforceable against Parent and Merger Sub in accordance with their terms except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and other laws of general application affecting enforcement of creditors' rights generally, and as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

4.5 Valid Issuance of Securities. Parent Stock that is being issued in accordance with the terms hereof for the consideration set forth herein will be duly and validly issued, fully paid and nonassessable and free of restrictions on transfer other than restrictions on transfer under the Transaction Agreements and applicable state and federal securities laws and, assuming that each stockholder of the Company that is receiving shares of Parent Stock in the Merger is an "accredited investor" within the meaning of Regulation D, Rule 501(a), promulgated by the Securities and Exchange Commission under the Securities Act, shall have been issued in compliance with all applicable federal and state securities laws.

4.6 Governmental Consents. No consent, waiver, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any Governmental Authority on the part of Parent or Merger Sub is required in connection with the execution or delivery of this Agreement or the consummation of the transactions contemplated by the Transaction Agreements except for the filing of the Certificate of Merger with the Secretary of State of the State of Delaware.

4.7 Litigation. Except as provided in Section 4.7 of the Parent Disclosure Schedule, there is no prior or pending action, suit, proceeding or investigation or, to Parent or Merger Sub's knowledge, currently threatened against Parent, Merger Sub or any of its subsidiaries that questions the validity of the Transaction Agreements or the right of Parent or Merger Sub to enter into them, or to consummate the transactions contemplated hereby or thereby, or that might result, either individually or in the aggregate, in any Parent Material Adverse Effect, financially or otherwise, or any change in the current equity ownership of Parent or Merger Sub, nor is Parent or Merger Sub aware that there is any basis for the foregoing. The foregoing includes, without limitation, actions, suits, proceedings or investigations initiated at any time from three (3) years prior to the date of the Transaction Agreements to present or, to the knowledge of Parent or Merger Sub, threatened,

involving the prior employment of any of Parent or Merger Sub's employees, their use in connection with Parent or Merger Sub's business of any information or techniques allegedly proprietary to any of their former employers, or their obligations under any agreements with prior employers. Neither Parent, Merger Sub, nor any of its subsidiaries is a party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality. There is no action, suit, proceeding or investigation by Parent, Merger Sub, or any of its subsidiaries currently pending or which Parent, Merger Sub or any of its subsidiaries intends to initiate.

4.8 Intellectual Property. Section 4.8 of Parent Disclosure Schedule lists all material intellectual property Parent owns or has an interest in, specifying in each case whether such intellectual property is owned or controlled by or for, licensed to, or otherwise held by or for the benefit of Parent, filed in the name of or applied for by Parent and used in connection with Parent's business. To the best of Parent's knowledge, after due search and inquiry, Parent owns or possesses sufficient title and ownership to all Patents, Trademarks, service marks, tradenames, copyrights, trade secrets, licenses, information and proprietary rights and processes necessary for its business as now conducted. To the best of Parent's knowledge, Parent's business as now conducted does not conflict with, or infringe, the rights of others and Parent is not aware of any third-party rights that might reasonably be expected to lead such third-party to assert a claim against Parent. There are no outstanding options, licenses, or agreements of any kind relating to the foregoing, nor is Parent bound by or a party to any options, licenses or agreements of any kind with respect to the patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, proprietary rights and processes of any other person or entity. Parent has not received any communications alleging (whether expressly or implied) that Parent has violated or, by conducting its business, would violate any of the patents, trademarks, service marks, tradenames, copyrights, trade secrets or other proprietary rights or processes of any other person or entity. Parent is not aware that any of its employees is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with the use of such employee's best efforts to promote the interest of Parent or that would conflict with Parent's business. Neither the execution or delivery of the Transaction Agreements, nor the carrying on of Parent's business by the employees of Parent, nor the conduct of Parent's business as proposed, will, to Parent's knowledge, conflict with or result in a breach of the terms, conditions, or provisions of, or constitute a default under, any contract, covenant or instrument under which any such employee is now obligated. Parent does not believe it is or will be necessary to use any inventions of any of its employees (or persons it currently intends to hire) made prior to their employment by Parent. The FDA has not indicated, whether written or oral, nor is Parent aware that the FDA intends to suspend, hold or delay Parent's clinical trials or approval of its products. To the knowledge of Parent, there is no person or entity violating, infringing or misappropriating any intellectual property right of Parent.

4.9 Compliance with Other Instruments. Neither Parent nor Merger Sub is in violation or default (a) of any provisions of the Amended and Restated Articles of Incorporation or Bylaws of Parent or any provisions of the Articles of Incorporation or Bylaws of Merger Sub, (b) of any instrument, judgment, order, writ or decree to which it is a party or by which it is bound, or (c) to its knowledge, of any provision of federal or state statute, rule or regulation applicable to Parent or

Merger Sub. The execution, delivery and performance by Parent and Merger Sub of this Agreement and any of the Transaction Agreements to which Parent or Merger Sub is a party, and the consummation of the transactions contemplated hereby or thereby, will not contravene, conflict with or result in any such violation of or default under (with or without notice or lapse of time, or both) or give rise to a right of termination, cancellation, modification or acceleration of any obligation or loss of any benefit, result in the creation or imposition of any Lien under or materially impair Parent's or Merger Sub's rights or alter the rights or obligations of a third party under (i) any provision of Parent's Amended and Restated Articles of Incorporation, Merger Sub's Certificate of Incorporation or either Parent's or Merger Sub's Bylaws, (ii) any Contract, or (iii) any judgment, injunction, order, decree, statute, law, ordinance, rule or regulation applicable to Parent or Merger Sub or any of the properties (whether tangible or intangible) or assets of Parent or Merger Sub. Section 4.9 of the Parent Disclosure Schedule sets forth all necessary consents, waivers and approvals of parties to any Contracts as are required thereunder in connection with the Merger, or for any such Contract to remain in full force and effect without limitation, modification or alteration after the Effective Time so as to preserve all rights of, and benefits to, Parent and Merger Sub under such Contracts from and after the Effective Time. Parent and Merger Sub have obtained, or will obtain prior to the Closing Date, all necessary consents, waivers and approvals of parties to any Contract as are required thereunder in connection with the Merger or for such Contracts to remain in effect without modification, limitation or alteration after the Closing Date. Following the Closing Date, Parent and Merger Sub will be permitted to exercise all of its rights under the Contracts without the payment of any additional amounts or consideration other than amounts or consideration which Parent and Merger Sub would otherwise be required to pay had the transactions contemplated by this Agreement not occurred.

4.10 Agreements; Actions.

(a) There are no agreements, understandings or proposed transactions between Parent or Merger Sub and any of their respective officers, directors, affiliates, or any affiliate thereof.

(b) Except for agreements explicitly contemplated by the Transaction Agreements, there are no agreements, understandings, instruments, contracts, leases, licenses or proposed transactions to which Parent or Merger Sub is a party or by which it is bound that involve (i) obligations (contingent or otherwise) of, or payments to, Parent or Merger Sub in excess of, $50,000, (ii) the license of any Patent, copyright, trade secret or other proprietary right to or from Parent or Merger Sub, or (iii) the grant of rights to manufacture, produce, assemble, license, market, or sell its products to any other person or affect Parent or Merger Sub's exclusive right to develop, manufacture, assemble, distribute, market or sell its products.

(c) Neither Parent nor Merger Sub has (i) declared or paid any dividends, or authorized or made any distribution upon or with respect to any class or series of its capital stock, (ii) incurred any indebtedness for money borrowed or incurred any other liabilities individually in excess of $50,000 or in excess of $200,000 in the aggregate, (iii) made any loans or advances to any person, other than ordinary advances for travel expenses, or (iv) sold, exchanged or otherwise

disposed of any of its assets or rights, other than the sale of its inventory in the Ordinary Course of Business.

(d) For the purposes of subsections **(b)** and **(c)** above, all Indebtedness, Liabilities, instruments, Contracts and proposed transactions involving the same person or entity (including persons or entities Parent and Merger Sub have reason to believe are affiliated with that person or entity) shall be aggregated for the purposes of meeting the individual minimum dollar amounts of each such subsection.

(e) Parent and Merger Sub are in material compliance with and have not materially breached, violated or defaulted under, or received notice that it has materially breached, violated or defaulted under, any of the terms or conditions of any Contract, nor are Parent or Merger Sub aware of any event that would constitute such a material breach, violation or default with or without the lapse of time, giving of notice or any combination thereof. Each Contract is in full force and effect and is not subject to any material default thereunder, nor is any party obligated to Parent or Merger Sub pursuant thereto subject to any default thereunder.

(f) Except in connection with the Merger, neither Parent nor Merger Sub has engaged in the past three (3) months in any discussion (i) with any representative of any corporation or corporations regarding the merger of Parent or Merger Sub with or into any such corporation or corporations, (ii) with any representative of any corporation, partnership, association or other business entity or any individual regarding the sale, conveyance or disposition of all or substantially all of the assets of Parent or Merger Sub or a transaction or series of related transactions in which more than fifty percent (50%) of the voting power of Parent or Merger Sub, respectively, would be disposed of, or (iii) regarding any other form of liquidation, dissolution or winding up of Parent or Merger Sub.

4.11 Disclosure. Parent and Merger Sub have fully provided Company with all the information that Company has requested for deciding whether to enter into this Agreement and consummate the Merger. To Parent's and Merger Sub's knowledge, no representation or warranty of Parent or Merger Sub contained in this Agreement and the exhibits attached hereto or in any certificate furnished or to be furnished to Company at the Closing contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made.

4.12 No Conflict of Interest. Neither Parent nor Merger Sub is indebted, directly or indirectly, to any of its respective officers or directors or to their respective spouses or children, in any amount whatsoever other than in connection with expenses or advances of expenses incurred in the Ordinary Course of Business or relocation expenses of employees. To Parent and Merger Sub's knowledge, none of Parent or Merger Sub's officers or directors, or any members of their immediate families, are, directly or indirectly, indebted to Parent or Merger Sub (other than in connection with purchases of Parent or Merger Sub's stock) or have any direct or indirect ownership interest in any firm or corporation with which Parent or Merger Sub is affiliated or with which Parent or Merger Sub has a business relationship, or any firm or corporation which competes with Parent or Merger Sub except that officers, directors and/or shareholders of Parent or Merger Sub may own stock in

(but not exceeding two percent of the outstanding capital stock of) any publicly traded companies that may compete with Parent or Merger Sub. To Parent and Merger Sub's knowledge, none of Parent or Merger Sub's officers or directors or any members of their immediate families are, directly or indirectly, interested in any material contract with Parent or Merger Sub. Parent or Merger Sub is not a guarantor or indemnitor of any indebtedness of any other person, firm or corporation.

4.13 Rights of Registration and Voting Rights. Except as contemplated in the Investors' Rights Agreement, Parent has not granted or agreed to grant any registration rights, including piggyback rights, to any person or entity. To Parent's knowledge, no shareholder of Parent has entered into any agreements with respect to the voting of capital shares of Parent.

4.14 Title to Property and Assets. Parent owns its property and assets free and clear of all mortgages, liens, loans and encumbrances, except such encumbrances and liens which arise in the Ordinary Course of Business and do not materially impair Parent's ownership or use of such property or assets. With respect to the property and assets it leases, Parent is in compliance with such leases and, to its knowledge, holds a valid leasehold interest free of any liens, claims or encumbrances.

4.15 Financial Statements. Parent has delivered to Company its unaudited financial statements (including a balance sheet and an income statement) as of and for the six-month and twelve-month periods ended June 30, 2006 and December 31, 2005, respectively, and its audited financial statements (including a balance sheet and an income statement) as of and for the fiscal year ended December 31, 2004 (collectively, the "**Parent Financial Statements**"). The Parent Financial Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the periods indicated, except that the unaudited Parent Financial Statements may not contain any footnotes required by GAAP and except for normal year-end adjustments which are consistent in nature with adjustments made in prior years. Parent Financial Statements fairly present the financial condition and operating results of Parent or Merger Sub as of the dates, and for the periods, indicated therein, subject to normal year-end audit adjustments. Except as set forth in Parent Financial Statements, Parent or Merger Sub has no material liabilities, contingent or otherwise, other than (i) liabilities incurred in the Ordinary Course of Business subsequent to June 30, 2006 and (ii) obligations under contracts and commitments incurred in the Ordinary Course of Business and not required under GAAP to be reflected in Parent Financial Statements, which, in both cases, individually or in the aggregate are not material to the financial condition or operating results of Parent. Parent is not a guarantor of any indebtedness of any other person, firm or corporation. Parent maintains and will continue to maintain a standard system of accounting established and administered in accordance with GAAP.

4.16 Changes. Since June 30, 2006, there has not been:

(a) any change in the assets, liabilities, financial condition or operating results of Parent or Merger Sub, from that reflected in the Parent Financial Statements, except changes in the Ordinary Course of Business that have not had a Parent Material Adverse Effect;

(b) any damage, destruction or loss, whether or not covered by insurance that has had a Parent Material Adverse Effect;

(c) any waiver or compromise by Parent or Merger Sub of a valuable right or of a material debt owed to it;

(d) any satisfaction or discharge of any lien, claim, or encumbrance or payment of any obligation by Company, except in the Ordinary Course of Business and that has not had a Parent Material Adverse Effect;

(e) any execution, termination, material change to a material contract, lease, license or agreement by which Parent or Merger Sub or any of their assets is bound or subject;

(f) any material change in any compensation arrangement or agreement with any employee, officer, director or shareholder;

(g) any sale, assignment or transfer of any material assets or properties, Patents, Trademarks, copyrights, trade secrets or other intangible assets;

(h) any resignation or termination of employment of any officer or key employee of Parent or Merger Sub or, to Parent's knowledge, of any impending resignation or termination of employment of any such officer or key employee;

(i) receipt of notice that there has been a loss of, or material order cancellation by, any major customer of Company;

(j) any mortgage, pledge, transfer of a security interest in, or lien, created by Parent or Merger Sub, with respect to any of its material properties or assets, except liens for Taxes not yet due or payable;

(k) any loans or guarantees made by Parent or Merger Sub to or for the benefit of its employees, officers or directors, or any members of their immediate families, other than travel advances and other advances made in the Ordinary Course of Business;

(l) any declaration, setting aside or payment or other distribution in respect to any of Parent's or Merger Sub's capital stock, or any direct or indirect redemption, purchase, or other acquisition of any of such stock by Parent or Merger Sub;

(m) to Parent's or Merger Sub's knowledge, any other event or condition of any character that might result in a Parent Material Adverse Effect; or

(n) any arrangement or commitment by Parent or Merger Sub to do any of the things described in this **Section 4.16**.

4.17 Parent Employee Matters and Benefit Plans.

(a) Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below:

(i) "Multiemployer Plan" shall mean any "Pension Plan" which is a "multiemployer plan," as defined in Section 3(37) of ERISA; and

(ii) "Parent Employee" shall mean any current or former or retired employee, consultant or director of Parent or any Parent ERISA Affiliate;

(iii) "Parent Employee Agreement" shall mean each management, employment, severance, consulting, relocation, repatriation, expatriation, visa, work permit or other agreement, contract or understanding between Parent or any Parent ERISA Affiliate and any Parent Employee;

(iv) "Parent Employee Plan" shall mean any plan, program, policy, practice, contract, agreement or other arrangement providing for compensation, severance, termination pay, deferred compensation, performance awards, stock or stock-related awards, fringe benefits or other employee benefits or remuneration of any kind, whether written or unwritten or otherwise, funded or unfunded, including without limitation, each "employee benefit plan," within the meaning of Section 3(3) of ERISA which is or has been maintained, contributed to, or required to be contributed to, by the Parent or any Parent ERISA Affiliate for the benefit of any Parent Employee, or with respect to which Parent or any Parent ERISA Affiliate has or may have any liability or obligation;

(v) "Parent ERISA Affiliate" shall mean each subsidiary of Parent and any other person or entity under common control with Parent or any of its Subsidiaries within the meaning of Section 414(b), (c), (m) or (o) of the Code and the regulations issued thereunder;

(vi) "Pension Plan" shall mean each Parent Employee Plan which is an "employee pension benefit plan," within the meaning of Section 3(2) of ERISA.

(b) Schedule. **Schedule 4.17(b)** contains an accurate and complete list of each Parent Employee Plan and each Parent Employee Agreement.

(c) Employee Plan Compliance. Parent and its Parent ERISA Affiliates have performed in all material respects all obligations required to be performed by them under, are not in default or violation of, and have no knowledge of any default or violation by any other party to each Parent Employee Plan, and each Parent Employee Plan has been established and maintained in all material respects in accordance with its terms and in compliance with all applicable laws, statutes, orders, rules and regulations, including but not limited to ERISA or the Code. No "prohibited transaction," within the meaning of Section 4975 of the Code or Sections 406 and 407 of ERISA, and not otherwise exempt under Section 408 of ERISA, has occurred with respect to any Parent

Employee Plan. No Parent Employee Plan is being audited or investigated by any government agency or is subject to any pending or, to the knowledge of Parent, threatened claim or suit.

(d) No Pension or Welfare Plans. Neither Parent nor any Parent ERISA Affiliate has ever maintained, established, sponsored, participated in, or contributed to, any (i) Pension Plan which is subject to Title IV of ERISA or Section 412 of the Code, (ii) Multiemployer Plan, (iii) "multiple employer plan" as defined in ERISA or the Code, or (iv) a "funded welfare plan" within the meaning of Section 419 of the Code. No Parent Employee Plan provides health benefits that are not fully insured through an insurance contract.

(e) No Post-Employment Obligations. No Parent Employee Plan provides, or reflects or represents any liability to provide post-termination or retiree welfare benefits to any person for any reason, except as may be required by COBRA or other applicable statute, and neither Parent nor any Parent ERISA Affiliate has ever represented, promised or contracted (whether in oral or written form) to any Parent Employee (either individually or to Parent Employees as a group) or any other person that such Parent Employee(s) or other person would be provided with post-termination or retiree welfare benefits, except to the extent required by statute.

4.18 Tax Returns, Payments and Elections. Each of Parent and Merger Sub has timely filed all Tax Returns as required by law. These Tax Returns are true and correct in all material respects. Each of Parent and Merger Sub has paid all Taxes and other assessments due. The provision for Taxes of Parent as shown in the Parent Financial Statements is adequate for Taxes due or accrued as of the date thereof. Parent has not made any elections pursuant to the Code (other than elections that relate solely to methods of accounting, depreciation or amortization) that would have a material effect on Parent, its financial condition, its business as presently conducted or proposed to be conducted or any of its properties or material assets. Parent has never had any material Tax deficiency proposed or assessed against it and has not executed any waiver of any statute of limitations on the assessment or collection of any tax or governmental charge. None of Parent's Tax Returns has ever been audited by governmental authorities. Since June 30, 2006, Parent has not incurred any Taxes other than in the Ordinary Course of Business and Parent has made adequate provisions on its books of account for all Taxes for such period. Parent has paid or withheld from each payment made to each of its employees, consultants or third parties, the amount of all Taxes (including, but not limited to, federal income Taxes, Federal Insurance Contribution Act Taxes and Federal Unemployment Tax Act Taxes) required to be paid or withheld therefrom, and has paid the same to the proper Tax receiving officers or authorized depositories. Parent has not engaged in a "reportable transaction," as set forth in Treas. Reg. § 1.6011-4(b), or any transaction that is the same as or substantially similar to one of the types of transactions that the Internal Revenue Service has determined to be a tax avoidance transaction and identified by notice, regulation, or other form of published guidance as a "listed transaction," as set forth in Treas. Reg. § 1.6011-4(b)(2).

4.19 Insurance. Parent has in full force and effect fire and casualty insurance policies, with extended coverage, sufficient in amount (subject to reasonable deductibles) to allow it to replace any of its properties that might be damaged or destroyed. Parent has in full force and effect term life insurance, payable to Parent, on the life of Gregory A. Demopulos, M.D., in the amount of

$4,900,000. Parent has in full force and effect product liability insurance in the amount of $5,000,000.

4.20 Labor Agreements and Actions. Neither Parent nor Merger Sub is bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union, and no labor union has requested or, to the knowledge of Parent nor Merger Sub, has sought to represent any of the employees, representatives or agents of Parent or Merger Sub. There is no strike or other labor dispute involving Parent or Merger Sub pending, or to the knowledge of Parent or Merger Sub threatened, which could have a Parent Material Adverse Effect, nor is Parent or Merger Sub aware of any labor organization activity involving its employees. Neither Parent nor Merger Sub is aware that any officer or key employee, or that any group of key employees, intends to terminate their employment with Parent or Merger Sub, nor do Parent or Merger Sub have a present intention to terminate the employment of any of the foregoing. The employment of each officer and employee of Parent or Merger Sub is terminable at the will of each of Parent or Merger Sub, respectively. To its knowledge, each of Parent and Merger Sub has complied in all material respects with all applicable state and federal equal employment opportunity laws and with other laws related to employment.

4.21 Permits. Parent, Merger Sub and each of its subsidiaries has all franchises, permits, licenses and any similar authority necessary for the conduct of its business, the lack of which could have a Parent Material Adverse Effect. Neither Parent nor Merger Sub is in default in any material respect under any of such franchises, permits, licenses or other similar authority.

4.22 Corporate Documents. The Amended and Restated Articles of Incorporation and Bylaws of Parent, and the Certificate of Incorporation and Bylaws of Merger Sub, are in the form made available to Company. The copy of the minute books of Parent and Merger Sub made available to Company contains minutes of all meetings of directors and shareholders and all actions by written consent without a meeting by the directors and shareholders since the date of incorporation and reflects all actions by the directors (and any committee of directors) and shareholders with respect to all transactions referred to in such minutes accurately in all material respects.

4.23 Brokers. Neither Parent nor Merger Sub has a contract, arrangement or understanding with any broker, finder or similar agent with respect to the transactions contemplated by this Agreement.

4.24 Proprietary Information and Inventions Assignment Agreement. Parent, Merger Sub, and its respective officers, consultants and each of its employees with access to Parent and Merger Sub's confidential information have entered into Parent and Merger Sub's standard form of Confidentiality Agreement, Consulting Agreement (with incorporated confidentiality clause), and/or Proprietary Information and Inventions Assignment Agreement, in substantially the form made available to Company.

4.25 Restrictions on Business Activities. There is no agreement (noncompete or otherwise), commitment, judgment, injunction, order or decree to which Parent is a party or otherwise binding upon Parent, which has or may reasonably be expected to have the effect of materially prohibiting or impairing any business practice of Parent, any acquisition of property (tangible or intangible) by Parent, the conduct of business by Parent or otherwise limiting the freedom of Parent or its affiliates to engage in any line of business or to compete with any Person. Without limiting the generality of the foregoing, Parent has not entered into any agreement under which Parent is restricted from selling, licensing or otherwise distributing any of its technology or products to, or providing services to, customers or potential customers or any class of customers, in any geographic area, during any period of time or in any segment of the market.

4.26 Environmental Matters.

(a) No notice, notification, demand, request for information, citation, summons or order has been received, no complaint has been filed, no penalty has been assessed, and no investigation, action, claim, suit, proceeding or review (or any basis therefor) is pending or, to the knowledge of Parent, is threatened by any Governmental Authority or other Person relating to Parent and relating to or arising out of any Environmental Law.

(b) Parent is and has been in material compliance with all Environmental Laws and all Environmental Permits.

(c) There are no material liabilities or obligations of Parent of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise arising under or relating to any Environmental Law or any Hazardous Substance and there is no condition, situation or set of circumstances that could reasonably be expected to result in or be the basis for any such liability or obligation.

ARTICLE 5
ADDITIONAL AGREEMENTS

5.1 Company's Conduct of the Business Prior to Closing.

From the Execution Date until the earlier of the Effective Time or the termination of this Agreement pursuant to **Article 7,** except as set forth on the Company Disclosure Schedule, Company shall:

(i) Except as necessary to comply with its covenants and obligations hereunder or as Parent shall otherwise agree in writing, conduct its business in the Ordinary Course of Business, including but not limited to maintaining all contracts, Patents, Patent applications and permits in full force and effect;

(ii) Use commercially reasonable efforts to collect all of its Accounts Receivable in the Ordinary Course of Business;

(iii) Maintain insurance coverage consistent with past practice;

(iv) Use all commercially reasonable efforts to (i) preserve intact its assets, associated interests, and business and employees and (ii) otherwise maintain good relationships with employees, sales representatives, licensors, licensees, suppliers, contractors (other than members of Company's scientific advisory board and similar consultants except for Linda Buck), distributors, customers, and others having relations with Company, in each case substantially in the manner as it has prior to the Execution Date; and

(v) Notify Parent of all employee resignations, terminations, threatened resignations or impending resignations or terminations.

5.2 Interim Operations. From the Execution Date until the earlier of Effective Time or the termination of this Agreement pursuant to **Article 7**, except as set forth in Schedule 5.2 or as otherwise required herein, Company shall not, and shall cause its officers, directors, employees, consultants and advisors to not (in each case without the written consent of Parent):

(a) Take any action that would constitute a breach of its representations and warranties;

(b) Take any action that would prevent it from performing or cause it not to perform its covenants or closing conditions hereunder;

(c) Enter into, become bound by, or permit any of the assets owned or used by it to become bound by, any material Contract, or amend, modify or terminate, or waive or exercise any material right or remedy or grant, transfer, license or assign any material right or material claims under, any material Contract (including any Intellectual Property Contract);

(d) Acquire, lease or license any right or other asset from any other Person or sell encumber, convey, assign, or otherwise dispose, encumber, pledge, grant or transfer, or lease or license or sublicense to any Person, or amend or modify, any material right or asset of Company or interest therein (including with respect to Intellectual Property) or waive or relinquish any material right or enter into any action that could materially change the value of Company without the prior consent of Parent;

(e) Declare, accrue, set aside or pay any dividend or make any other distribution in respect of any shares of capital stock, or repurchase, redeem or otherwise reacquire any shares of capital stock or other securities or distribute cash outside of the Ordinary Course of Business;

(f) Use the proceeds of any bridge loans from its stockholders for any purpose other than for working capital for routine operating purposes (which may include Employee Payments included in the Adjustment Statement);

(g) Sell, issue, grant or authorize the sale, issuance or grant of: (A) any capital stock or other security; (B) any option, call, warrant or right to acquire any capital stock or other security;

(C) any instrument convertible into or exchangeable for any capital stock or other security; or (D) reserve for issuance any additional grants, and or shares under any stock option or equity plan;

(h) Amend or permit the adoption of any amendment to its Certificate of Incorporation or Bylaws or effect or become a party to any merger, consolidation, share exchange, business combination, amalgamation, recapitalization, reclassification of shares, stock split, reverse stock split, division or subdivision of shares, consolidation of shares or similar transaction or otherwise acquire or agree to acquire any assets other than non-material assets or enter into any material partnership arrangements, joint development agreements or strategic alliances;

(i) Lend money to any Person, or incur or guarantee any indebtedness or issue or sell any debt securities or options, warrants, calls or other rights to acquire any debt securities of Company;

(j) Hire, fire or terminate any employee or consultant or promote the employment status or title changes of senior employees;

(k) Except with respect to Employee Payments included in the Adjustment Statement, grant any severance or termination pay (cash, equity or otherwise) to any officer or employee, except pursuant to written agreements outstanding, or policies existing, on the date hereof and as previously disclosed in writing to Parent, or adopt any new severance plan, or amend or modify or alter in any respect any severance plan, agreement or arrangement existing on the date hereof;

(l) Except with respect to Employee Payments included in the Adjustment Statement, adopt or amend any employee benefit plan, policy or arrangement, or employee stock purchase or stock option plan, or enter into any employment contract or collective bargaining agreement (other than offer letters and letter agreements entered into, in the ordinary course of business and consistent with past practice, with newly hired employees who are terminable "at will" and who are not officers of the Company), pay any special bonus or special remuneration (cash, equity or otherwise) to any director or employee, or increase the salaries or wage rates or fringe benefits (cash, equity or otherwise) (including rights to severance or indemnification) of its directors, officers, employees or consultants, except pursuant to agreements outstanding on the date hereof that have been previously been disclosed in writing to Parent;

(m) Waive any stock repurchase rights, accelerate, amend or change the period of exercisability of options or restricted stock, or reprice options granted under any employee, consultant, director or other stock plans or authorize cash payments in exchange for any options granted under any of such plans;

(n) Make any Tax election or adopt or change any accounting methods, principles or practices;

(o) Commence or settle any litigation; or

(p) Agree or commit to take any of the actions described in this **Section 5.2**.

For the avoidance of doubt, Parent's consent to any of the foregoing shall not be deemed to affect Company's representations and warranties, covenants, or Parent's closing conditions hereunder or whether a Company Material Adverse Effect has occurred.

5.3 Acquisition Proposals. From the Execution Date until the earlier of the Effective Time or the termination of this Agreement pursuant to **Article 7**, Company agrees that neither it nor any of its officers and directors shall, and that it shall direct and cause its employees, agents and representatives (including any investment banker, attorney or accountant retained by it) to not, directly or indirectly, initiate or solicit or take any action designed to encourage or facilitate (including by way of furnishing information) any inquiries or the making of any proposal or offer with respect to (a) a sale of, or issuance of stock of Company (except for the conversion or exercise of previously issued Equity Interests set forth on Company Disclosure Schedule), (b) a merger, reorganization, share exchange, consolidation, business combination, recapitalization, liquidation, dissolution, or similar transaction involving Company, or (c) any purchase or sale (or exclusive license, or non-exclusive license outside the Ordinary Course of Business) of all or any significant portion of Company's business or assets (any such proposal or offer being hereinafter referred to as an "**Acquisition Proposal**"). Company further agrees that neither it nor any of its officers and directors shall, and that it shall direct and cause its employees, agents and representatives (including any investment banker, attorney or accountant retained by it) to not, directly or indirectly, have any discussion with or provide any Confidential Information or data to any Person (other than Parent and its Affiliates) relating to an Acquisition Proposal (other than to respond to any inquiry proposal or offer by indicating that Company is not interested in an Acquisition Proposal and without providing further information), or engage in any negotiations concerning an Acquisition Proposal. Company agrees that it will immediately cease and cause to be terminated any existing activities, discussions or negotiations with any party (other than Parent and its Affiliates) conducted heretofore with respect to any Acquisition Proposal and will not waive any rights under any confidentiality agreements entered into with any such party. If Company receives any written proposal from a third party concerning an Acquisition Proposal, Company shall promptly (in any event within two (2) business days of receiving such proposal) provide such proposal to Parent and inform Parent in writing and in reasonable detail regarding any related matters pertaining to such Acquisition Proposal, including any subsequent oral or written communications and the identity of such third party. If Company receives any proposal not in writing from a third party concerning an Acquisition Proposal, Company shall promptly (in any event within two (2) business days of receiving such proposal) provide a reasonably detailed written summary of such proposal including all of its terms and conditions to Parent and inform Parent in writing and in reasonable detail regarding any related matters pertaining to such Acquisition Proposal, including any subsequent oral or written communications and the identity of such third party. Company agrees that it will take the necessary steps to promptly inform the Persons referred to in the first sentence of this **Section 5.3** of their obligations under this **Section 5.3**. Subject to applicable law, or as necessary to consummate the Merger and the transactions contemplated hereby, Company shall not disclose to any Person the fact that it has entered into this Agreement.

5.4 Certain Notifications. From the Execution Date until the earlier of the Effective Time or the termination of this Agreement pursuant to **Article 7**, Company shall promptly notify Parent in writing regarding any:

(a) action taken by Company with respect to its business not in the Ordinary Course of Business;

(b) any action taken by Company or circumstance or event that could reasonably be expected to have a Company Material Adverse Effect;

(c) fact, circumstance or event, or action by Company (i) which, if known on the date of this Agreement, would have been required to be disclosed in or pursuant to this Agreement or (ii) the existence, occurrence, or taking of which would result in any of the representations and warranties of Company contained in this Agreement not being true and correct in all material respects when made or at Closing;

(d) material breach of any covenant or obligation of Company hereunder; or

(e) circumstance or event that results in, or could reasonably be expected to result in, the failure of Company to timely satisfy any of the closing conditions in **Article 6** of this Agreement, to the extent Company has knowledge of any of the foregoing.

Any disclosure provided pursuant to this **Section 5.4** will not serve to amend information provided in Company Disclosure Schedule to include such events.

5.5 Access to Information. From the Execution Date until the earlier of the Effective Time and the termination of this Agreement pursuant to **Article 7**, Company shall (a) provide Parent and its representatives with prompt and reasonable access during regular business hours upon reasonable advance notice, and in a manner so as not to interfere with the normal business operations of Company, to all premises, properties, key personnel, Persons having business relationships with Company (including suppliers, licensors, licensees, customers and distributors, to the extent permitted by such third parties), books and records (including Tax records); (b) furnish Parent with any regularly prepared financial, operating and other data and information related to Company's business (including copies thereof), as Parent may reasonably request; and (c) otherwise cooperate and assist, to the extent reasonably requested by Parent, with Parent's investigation of Company and its business. No information or knowledge obtained in any investigation pursuant to this **Section 5.5** or otherwise shall affect or be deemed to modify any representation or warranty contained herein or the conditions to the obligations of the parties to consummate the Merger in **Article 6**.

5.6 All Commercially Reasonable Efforts. From the Execution Date until the earlier of the Effective Time or termination of this Agreement pursuant to **Article 7**, each of Company, on the one hand, and Parent and Merger Sub, on the other, shall use all commercially reasonable efforts to cause to be fulfilled and satisfied all of the other party's conditions to Closing set forth in **Article 6**.

5.7 Consents. From the Execution Date until the earlier of the Effective Time or the termination of this Agreement pursuant to **Article 7**, Company shall use all commercially reasonable efforts to obtain all Consents necessary to consummate the Merger on the terms and conditions hereof with respect to Company and Company's business (including any Consents pertaining to Contracts of Company or Governmental Approvals held by or required to be obtained by Company), and Parent shall use all commercially reasonable efforts to obtain any Consents and make and deliver all filings and notices to consummate the transaction on the terms and conditions hereof that apply to Parent. Parent shall not be required to, as a condition to Company's obtaining any Consent (a) agree to any material changes in, or the imposition of any material condition to the transfer in connection with the Merger of, any Contract, Governmental Approval or other asset or liability of Company, (b) dispose of or make any changes to its business or (c) expend any funds or incur any Liability. Prior to seeking any consent, waiver or approval with respect to any Contract, Company will consult with Parent to determine whether such consent, waiver or approval should be obtained and, if Parent determines that it does not want Company seeking any consent, waiver or approval, and Parent waives Company's non-compliance with this **Section 5.7** with respect to the failure to obtain such consent, waiver or approval, Company shall not seek to obtain such consent, waiver or approval.

5.8 Further Assurances. From the Execution Date until the earlier of the Effective Time or the termination of this Agreement pursuant to **Article 7**, the parties hereto shall execute such documents and other papers and take such further actions as may be reasonably requested by Company, on the one hand, and Parent, on the other hand, to facilitate the Closing as set forth herein.

5.9 Confidentiality.

(a) The provisions of this **Section 5.9** shall be effective from the Execution Date until the earlier of (x) the Effective Time or (y) in the event of termination of this Agreement pursuant to **Article 7**, five years from the Execution Date. Without the prior written consent of Company, in the case of Parent and Merger Sub, and Parent, in the case of Company, (1) Company shall not disclose or use any Confidential Information of Parent or Merger Sub (including the Term Sheet, dated July 3, 2006, between Parent and Company and all discussions relating thereto, as well as this Agreement and all discussions relating thereto), and (2) Parent and Merger Sub shall not disclose or use the Confidential Information of Company (including the Term Sheet, dated July 3, 2006, between Parent and Company and all discussions relating thereto, as well as this Agreement and all discussions relating thereto), in each case except as reasonably required in connection with this Agreement and the Merger. Each of Company, on the one hand, and Parent, on the other hand, shall use no less than reasonable care in protecting any such Confidential Information received. Information shall not be deemed Confidential Information under this **Section 5.9(a)** if it: (i) is or becomes publicly known through no wrongful act or omission of the receiving party; (ii) was rightfully known by the receiving party before receipt from the disclosing party; (iii) becomes rightfully known to the receiving party without confidential or proprietary restriction from a source other than the disclosing party that does not owe a duty of confidentiality (directly or indirectly) to the disclosing party with respect to such Confidential Information; or (iv) that is established by the receiving party using contemporaneous written documentation to have been independently

developed by the receiving party without the use of or reference to the Confidential Information of the disclosing party.

(b) Notwithstanding subsection **(a)** above, in the event a party believes in good faith that it is required to disclose the Confidential Information of another party (in such event, such party is a "**Nondisclosing Party**," and the party required to disclose is the "**Disclosing Party**") pursuant to Applicable Law or an Order, and otherwise would be prohibited from doing so under this **Section 5.9**, the Disclosing Party shall: (i) promptly notify the Nondisclosing Party of the existence, terms and circumstances surrounding such requirement; (ii) consult with the Nondisclosing Party on the advisability of taking legally available steps to resist or narrow such request; and (iii) if disclosure of such Confidential Information is required, furnish only that portion of the Confidential Information which the Disclosing Party is legally compelled to disclose and advise the Nondisclosing Party reasonably in advance of such disclosure (to the extent permitted by applicable law) so that the Nondisclosing Party may seek an appropriate protective order or other reliable assurance that confidential treatment will be accorded such Confidential Information. The Disclosing Party shall not oppose actions by the Nondisclosing Party to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded such Confidential Information.

(c) Notwithstanding anything to the contrary herein, Parent, Merger Sub and Company shall be entitled to seek equitable relief to protect their interest in any of their Confidential Information, including injunctive relief.

(d) In the event of termination of this Agreement pursuant to **Article 7**, upon written request therefor by a party hereto which has provided Confidential Information to the party receiving such Confidential Information, the nondisclosing party shall return to the disclosing party within ten (10) days of such request by commercially reasonable, secure delivery means reasonably requested by the disclosing party all Confidential Information of the Disclosing Party, without retaining any copies thereof (except that a copy of all Confidential Information may be retained (i) by counsel for the nondisclosing party, and (ii) by the nondisclosing party as deemed reasonably necessary by the nondisclosing party in connection with any dispute hereto, in which case, any such retained information shall remain subject to this **Section 5.9** and shall be used or disclosed only as reasonable necessary in connection with such dispute).

5.10 Public Announcements. From the Execution Date until the Closing, Company and Parent shall cooperate in good faith to jointly prepare all press releases and public announcements pertaining to this Agreement or the Merger (including any initial respective press releases of Company and Parent), and neither Company nor its Affiliates, nor Parent nor its Affiliates, shall issue or otherwise make any public announcement or communication pertaining to this Agreement or the Merger without the prior consent of Parent (in the case of Company and its Affiliates) or Company (in the case of Parent and its Affiliates), except as required by Legal Requirements. Neither party shall unreasonably withhold approval from the other with respect to any such press release or public announcement. If prior to the Effective Time any party determines, with the advice of counsel, that it is required by any Legal Requirement to make this Agreement, the other

Transaction Agreements or any terms hereof or thereof public or otherwise issue a press release or make a similar public disclosure with respect thereto, it shall, at a reasonable time before making any public disclosure, consult with the other party regarding such disclosure, seek such confidential treatment for such terms or portions of this Agreement or the other Transaction Agreements as may be reasonably requested by the other party and disclose only such information as is legally compelled to be disclosed. For the avoidance of doubt, the restrictions set forth in this section shall not apply to communications by any party to customers, potential customers or other third parties of Company's business in connection with performance of this Agreement and the Transaction Agreements and which are not generally made to the public.

5.11 Company Employees. At or prior to Closing, Company shall (i) terminate all employment contracts between Company and its officers and employees, (ii) terminate the employment of all Company employees, consultants and scientific advisory board members other than the individuals set forth on Schedule 5.11, (iii) shall enter into severance agreements (in a form reasonably acceptable to Parent) with any terminated employee who receives any severance, bonus, payment of insurance or other benefits, including as provided in Sections 3.9(a) and 3.14(f) of the Company Disclosure Schedule or as otherwise set forth on Schedule 2.9 (without duplication) and (iv) with respect to all other terminated employees of the Company, shall use commercially reasonable efforts to enter into severance agreements with such terminated employees in a form reasonably acceptable to Parent. The Surviving Corporation, at its sole discretion, may extend employment offers to Company officers or employees. Prior to Closing, Company shall use all commercially reasonable efforts to cooperate with Parent's reasonable requests for information and cooperation pertaining to employee, employee benefit matters and the employment by the Surviving Corporation of Company employees.

5.12 Stockholder Approval of Merger and Charter Amendment; Redemption.

(a) Promptly after the date hereof, Company will take all action necessary in accordance with Delaware Corporate Law and its Amended and Restated Certificate of Incorporation and Bylaws to solicit the written consent of the holders of the capital stock of Company for the purpose of obtaining the Required Redemption Vote for the approval and adoption of the Charter Amendment. The board of directors of Company shall recommend that the holders of capital stock of Company approve and adopt the Charter Amendment. Following the due authorization and approval of the Charter Amendment and prior to the Closing, Company shall file the Charter Amendment with the Secretary of State for the State of Delaware and consummate the Non-Voting Common Stock Redemption.

(b) Promptly after the date hereof, Company will (i) take all action necessary in accordance with Delaware Corporate Law and its Amended and Restated Certificate of Incorporation and Bylaws to solicit the written consent of the holders of the capital stock of Company for the purpose of obtaining the Required Company Vote for the approval and adoption of this Agreement and the Merger, and (ii) otherwise use its best efforts to secure at least the Required Company Vote or in excess thereof. The board of directors of Company shall recommend that the holders of capital stock of Company approve and adopt this Agreement and approve and adopt the

Merger. Company shall in no way challenge the validity or enforceability of any provisions of the Voting Agreement.

(c) Company shall prior to Closing provide appraisal rights notices in connection with the Merger in accordance with Delaware Corporate Law, and shall otherwise comply with **Section 2.4**, the Amended and Restated Certificate of Incorporation and bylaws of Company and Delaware Corporate Law with respect to appraisal rights. Company shall promptly inform Parent of any claims for appraisal rights or similar communications received by Company prior to Closing.

5.13 Director and Officer Indemnification. If the Surviving Corporation amends its Certificate of Incorporation or Bylaws following Closing in a manner that materially adversely affects any rights to indemnification provided to Company's prior officers and directors thereunder, the Surviving Corporation shall indemnify such prior officers and directors to the same extent as would have been required pursuant to Company's Certificate of Incorporation, Bylaws and any director and officer indemnification agreements (to the extent copies of which have been delivered to Parent) as in effect immediately prior to Closing without giving effect to any such amendment; provided that this sentence shall apply only with respect to acts or omissions occurring prior to Closing. Any indemnification of officers and directors following Closing with respect to acts or omissions occurring after Closing shall be governed by the Certificate of Incorporation and Bylaws of the Surviving Corporation as then in effect. The parties acknowledge and agree that neither this **Section 5.13** nor any other provision hereof shall be deemed to impose any indemnification or similar obligation on Parent or to require Parent to contribute any funds to Company or to otherwise fund the indemnification obligations of Company. Immediate prior to the Closing, Company may obtain (and Parent shall pay for) directors' and officers' runoff program liability insurance coverage for a period of three years following the Closing for the benefit of the prior officers and directors of Company with respect to their acts and omissions as directors and officers of Company occurring prior to the Closing; provided, however, that the cost of such liability insurance shall not exceed $36,000.

5.14 Right of Existing Investors to Designate for Election One Member of Parent's Board of Directors. Immediately following the Investment, the Existing Investors by majority vote, shall have the right to designate for election one member to the board of directors of Parent, to be drawn from the Existing Investors' employees or as may otherwise be agreed with the other members of the board of directors of Parent, which initial designee shall be Jean-Philippe Tripet; provided, that such right shall terminate upon the first to occur of (i) such time as the Existing Investors no longer hold at least fifty percent (50%) of the capital stock issued to them in connection with the Merger and the Investment, (ii) the Company's initial public offering or (iii) a change of control of Parent.

5.15 Section 280G. Company shall promptly, submit to the stockholders of Company for approval (in a manner satisfactory to Parent), by such number of stockholders of Company as is required by the terms of Section 280G(b)(5)(B) of the Code, any payments and/or benefits that may separately or in the aggregate, constitute "parachute payments" pursuant to Section 280G of the Code ("**Section 280G Payments**") (which determination shall be made by Company and shall be subject to review and approval by Parent), such that such payments and benefits shall not be deemed

to be Section 280G Payments, and prior to the Effective Time Company shall deliver to Parent evidence satisfactory to Parent that (A) a vote of the stockholders of Company was solicited in conformance with Section 280G and the regulations promulgated thereunder and the requisite stockholder approval was obtained with respect to any payments and/or benefits that were subject to the stockholder vote (the "**280G Stockholder Approval**"), or (B) that the 280G Stockholder Approval was not obtained and as a consequence, that such payments and/or benefits shall not be made or provided to the extent they would cause any amounts to constitute Section 280G Payments, pursuant to the waivers of those payments and/or benefits, which were executed by the affected individuals prior to the stockholder vote.

5.16 Termination of Plans. Effective as of the day immediately preceding the Closing Date, Company and its Company ERISA Affiliates, as applicable, shall each terminate any and all group severance, separation or salary continuation plans, programs or arrangements and any and all plans intended to include a Code Section 401(k) arrangement (unless Parent provides written notice to Company that such 401(k) plans shall not be terminated) (collectively, the "**Terminating Company Employee Plans**"). Unless Parent provides such written notice to Company, no later than five business days prior to the Closing Date, Company shall provide Parent with evidence that such Terminating Company Employee Plan(s) have been terminated (effective as of the day immediately preceding the Closing Date) pursuant to resolutions of Company's Board of Directors. The form and substance of such resolutions shall be subject to review and approval of Parent. Company also shall take such other actions in furtherance of terminating such Company Employee Plan(s) as Parent may reasonably require.

5.17 Tax Treatment. None of the Parties shall take any position on any federal, state or local income or franchise tax return, or take any other tax reporting position, that is inconsistent with the treatment of the Merger as a "reorganization" within the meaning of Section 368(a) of the Code.

5.18 Information Statement. Promptly following the execution of this Agreement the parties shall jointly prepare (in a form to be mutually agreed upon by Parent and Company promptly following the date of this Agreement) and cause to be delivered to the stockholders of the Company an information statement soliciting stockholder approval of the Redemption, the Merger Agreement and the Merger (the "**Information Statement**"). Each of the parties shall use commercially reasonable efforts to ensure that the Information Statement will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading.

ARTICLE 6
CONDITIONS TO THE MERGER

6.1 Conditions to Parent's and Merger Sub's Obligations to Close. The obligations of Parent and Merger Sub to consummate and effect the Merger shall be subject to the satisfaction at or prior to the Effective Time of each of the following conditions, any of which may be waived (in whole or in part), in writing, by Parent and Merger Sub:

(a) Accuracy of Representations and Warranties. The representations and warranties of Company set forth in this Agreement and qualified as to materiality shall be true and accurate, and those not so qualified shall be true and accurate in all material respects, at and as of the Closing with the same force and effect as if made at Closing (other than such representations and warranties as are made as of another date, which, if qualified as to materiality, shall be true and accurate as of such date, and, if not so qualified, shall be true and accurate in all material respects as of such date).

(b) Performance of Covenants. Each and all of the covenants and agreements of Company to be performed or complied with prior to or on the Closing Date shall have been performed or complied with in all material respects by Company.

(c) No Company Material Adverse Effect. From the date of this Agreement to Closing, there shall not have been any Company Material Adverse Effect, and Company shall have no knowledge of any such change which is threatened. For avoidance of doubt, a Company Material Adverse Effect shall be deemed to have occurred if there is a lack of sufficient personnel, as determined by Parent, remaining upon the Closing, that are employed by Company and/or Parent, to permit the continued advancement of Company's technologies without delay; provided, however, that nothing in this **Section 6.1(c)** shall require Company to have any level of cash resources at the time of Closing.

(d) Company Certificate. Company shall have delivered to Parent a certificate executed on behalf of Company by its chief executive officer (i) certifying the matters set forth in **Sections 6.1(a)-(c)**, (ii) certifying that the board of directors and stockholders of Company have approved this Agreement, the Merger and the other Transaction Agreements and that such approvals have not been superseded and (iii) certifying that the attached (A) copy of the duly executed written consent of the board of directors or the minutes of a meeting of the board of directors with respect to such board approval is true and correct and that such approval has not been superseded and (B) copy of duly executed written consent of the stockholders or the minutes of the meeting of the shareholders with respect to the Required Company Vote and the Required Redemption Vote is true and correct and that such approval has not been superseded.

(e) Cash Equity Investment. As a condition to, and simultaneous with Closing, the Existing Investors and/or new investors acceptable to Parent that are interested in participating shall have invested at least $5,000,000 but no more than $6,000,000 (the "**Investment**") in the aggregate in Parent's Series E Preferred Stock. The Existing Investors and/or new investors participating in the Investment shall have become parties to and agreed to be bound by the terms of the each of the (i) Parent's Series E Preferred Stock Purchase Agreement and addendums thereto, attached as **Exhibit E**, and (ii) Parent's Series E Investors' Rights Agreement, attached as **Exhibit F** (the "**Investors' Rights Agreement**").

(f) No Pending Litigation; Laws. There shall not be pending or threatened any Order or Proceeding against Company and there shall not be pending any Order or Proceeding against any party hereto brought by any Governmental Authority which seeks to materially restrain, materially modify or invalidate the transactions contemplated by this Agreement. No Governmental Authority shall have issued, promulgated, enforced or enacted any Legal Requirement or Order that is then in

effect or pending and has, or would have, the effect of making the Merger or other material transactions contemplated by this Agreement illegal or otherwise prohibiting consummation of the Merger or such other material transactions, or would materially modify or restrain the Merger or such material transactions, or would otherwise materially adversely affect the right or ability of the Surviving Corporation to operate Company's business, or for Parent to own or control the Surviving Corporation.

(g) Consents/Notices and Related Matters. Company shall have received copies of the executed third party Consents and such other items, and taken such other actions, that are listed on **Schedule 6.1(g)** to this Agreement and such consents (and other items and actions, as applicable) shall be reasonably acceptable to Parent in form and substance.

(h) Section 280G Payments. With respect to any payments or benefits that Parent determines may constitute a Section 280G Payment, the shareholders of the Company shall have approved, pursuant to the method provided for in the regulations promulgated under Section 280G of the Code, any such Section 280G Payments or shall have disapproved such payments and/or benefits, and, as a consequence, no Section 280G Payments shall be paid or provided for in any manner and Parent and its subsidiaries shall not have any liabilities with respect to any Section 280G Payments.

(i) Termination of Terminating Company Employee Plans. The Company shall have provided Parent with evidence, reasonably satisfactory to Parent, as to the termination of the Company Employee Plans referred to in **Section 5.16**.

(j) Required Company Vote; Required Redemption Vote; Other Corporate Approvals. Company shall have obtained the Required Company Vote and the approval of the board of directors of Company for the approval of this Agreement and the Merger, and such approvals shall not have been superseded and shall be fully effective at Closing. Company shall have obtained the Required Redemption Vote and the approval of the board of directors of Company for the approval of the Charter Amendment, and such approvals shall not have been superseded and shall be fully effective at Closing.

(k) Dissenting Stockholders. After notice duly given in accordance with the Delaware Corporate Law and Company's Amended and Restated Certificate of Incorporation and bylaws, holders of no more than 5% of Company's capital stock (on an as-converted basis) shall have exercised or given notice of their intent to exercise appraisal rights under Delaware Corporate Law with respect to approval of this Agreement.

(l) Lien Releases. There shall be no liens on any of the assets of Company except for Permitted Encumbrances and as set forth on **Schedule 6.1(k)**, and Company shall have provided to Parent for filing terminations on Form UCC-3 for the liens set forth on those items of such schedule in form and substance reasonably acceptable to Parent. Company shall have terminated the liens described in any other items listed on **Schedule 6.1(k)** prior to Closing and shall have provided evidence of such termination to Parent in form and substance reasonably acceptable to Parent.

(m) Governmental Consents. There shall have been obtained at or prior to the Closing Date such permits or authorizations, and there shall have been taken all such other actions by any Governmental Authority or other regulatory authority having jurisdiction over the parties and the actions herein proposed to be taken, as may be legally required to consummate the Merger.

(n) Investors' Rights Agreement. Each Person entitled to receive Parent Stock pursuant to **Section 2.1** shall have executed and delivered to Parent the Investors' Rights Agreement, substantially in the form attached hereto as **Exhibit F**.

(o) Employment. George A. Gaitanaris, M.D., Ph.D. shall have accepted employment with the Parent.

(p) Indemnification Agreements. At Closing, each officer and director of Company who is a party to an indemnification agreement with Company will amend such indemnification agreement to (i) provide for terms substantially similar to those contained in the indemnification agreements entered into between Parent and its officers and directors and (ii) provide that such agreement will not release any stockholder (or any Affiliate thereof) from its indemnity obligations under this Agreement or the Transaction Agreements or provide any right of contribution or advancement of expenses from Parent with respect to any loss claimed by Parent against such stockholder (or any affiliate thereof) pursuant to this Agreement or the Transaction Agreements.

(q) Due Diligence. Parent shall have completed the financial, business, technical and legal due diligence of Company to the satisfaction of Parent, including, without limitation, (i) review of all intellectual property legal opinions provided to Company by counsel (to be provided to Parent upon the Execution Date for review prior to the Closing), and (ii) discussions between Parent and the Stanley Medical Research Institute concerning the Stanley Medical Research Institute's award of grant funding to and/or equity investment in Parent after the Closing.

(r) Company Deliverables at Closing. Prior to or at Closing, Company shall deliver to Parent, in form and substance reasonably acceptable to Parent, the following items:

(i) A duly executed opinion of Summit Law Group, in a form to be mutually agreed upon by Parent and Company promptly following the date of this Agreement, which shall contain customary opinions given by the target's counsel in acquisitions of this type;

(ii) To the extent requested by Parent in advance, the signed written resignations of the officers and directors of Company in office immediately prior to the Effective Time, effective contingent upon the consummation of the Merger;

(iii) A certificate from the Secretary of State of the State of Delaware as to Company's good standing, dated at a date which is as close as reasonably practicable in advance of the Closing Date, but in no event more than five (5) days prior to the Closing Date;

(iv) The Certificate of Merger duly executed by Company, including the duly executed related officers certificate;

(v) Signature cards for the bank accounts of Company that Parent may use to transfer authority of those accounts to designees of Parent's choosing;

(vi) A properly executed notice in a form reasonably acceptable to Parent for purposes of satisfying Parent's obligations under Section 897 and 1445 of the Code, together with written authorization for Parent to deliver such notice to the Internal Revenue Service on behalf of Company after the Closing; and

(vii) Such other items as may be specifically provided for herein.

(s) Parent shall have received a written resignation from each of the officers and directors of Company, effective as of the Effective Time.

(t) Charter Amendment and Non-Voting Common Stock Redemption. The amendment to Company's Amended and Restated Certificate of Incorporation, substantially in the form attached hereto as **Exhibit G** (the "**Charter Amendment**") shall have been approved and filed with the Secretary of State of the State of Delaware and the Company shall have consummated the Non-Voting Common Stock Redemption.

6.2 Conditions to Company's Obligation to Close. The obligations of Company to consummate and effect the Merger shall be subject to the satisfaction at or prior to the Effective Time of each of the following conditions, any of which may be waived (in whole or in part), in writing, by Company:

(a) Accuracy of Representations and Warranties. The representations and warranties of Parent and Merger Sub set forth in this Agreement and qualified as to materiality shall be true and accurate, and those not so qualified shall be true and accurate in all material respects, at and as of the Closing, with the same force and effect as if made at Closing (other than such representations and warranties as are made as of another date, which, if qualified as to materiality, shall be true and accurate as of such date, and, if not so qualified, shall be true and accurate in all material respects as of such date).

(b) Performance of Covenants. Each and all of the covenants and agreements of Parent and Merger Sub herein to be performed or complied with prior to or on the Closing Date shall have been performed or complied with in all material respects by Parent and Merger Sub, respectively.

(c) Parent Certificate. Parent shall have delivered to Company a certificate executed on behalf of Parent by an officer of Parent (i) certifying the matters set forth in **Section 6.2(a)-(b)**, (ii) certifying that the board of directors and shareholders of Merger Sub have approved this Agreement and the other Transaction Agreements and that such approvals have not been superseded, (iii) certifying that the attached (A) copy of the duly executed written consent of the board of directors or the minutes of a meeting of the board of directors of Merger Sub with respect to such board approval is true and correct and has not been superseded and (B) copy of duly executed written consent of the stockholders of Merger Sub with respect to such shareholder approval is true

and correct and has not been superseded, and (iv) certifying that the board of directors of Parent has approved this Agreement and the other Transaction Agreements, and that the attached copy of the duly executed written consent of the board of directors of Parent or the minutes of a meeting of the board of directors of Parent with respect to such board approval is true and correct and has not been superseded.

(d) No Pending Litigation; Laws. There shall not be pending or threatened any Order or Proceeding against any party hereto brought by any Governmental Authority which seeks to materially restrain, materially modify or invalidate the transactions contemplated by this Agreement. No Governmental Authority shall have issued, promulgated, enforced or enacted any Legal Requirement or Order that is then in effect or pending and has, or would have, the effect of making the Merger or other material transactions contemplated by this Agreement illegal or otherwise prohibiting consummation of the Merger or such other material transactions, would materially modify or restrain the Merger or such material transactions, or otherwise materially adversely affects the right or ability of the Surviving Corporation to operate Company's business, or for Parent to own or control the Surviving Corporation.

(e) Parent Deliverables at Closing. Prior to or at Closing, Parent shall deliver to Company, in form and substance reasonably acceptable to Company, the following items:

(i) A duly executed opinion of Wilson Sonsini Goodrich & Rosati, PC, in a form to be mutually agreed upon by Parent and Company promptly following the date of this Agreement, which shall contain customary opinions given by the acquiror's counsel in acquisitions of this type; and

(ii) Such other items as may be specifically provided for herein.

(f) Governmental Consents. There shall have been obtained at or prior to the Closing Date such material permits or authorizations, and there shall have been taken all such other material actions by any Governmental Authority or other regulatory authority having jurisdiction over the parties and the actions herein proposed to be taken, as may be legally required to consummate the Merger.

ARTICLE 7
TERMINATION

7.1 Termination. This Agreement may be terminated prior to Closing as follows:

(a) Agreement. By mutual written agreement of Company and Parent;

(b) Parent's Breach. At the election of Company, by giving written notice to Parent if Parent or Merger Sub has (i) breached any representation or warranty herein qualified as to materiality, (ii) breached any representation or warranty herein not qualified as to materiality in any material respect, or (iii) breached any covenant or agreement contained in this Agreement in any material respect; provided, however, Company shall have no termination right hereunder unless the

breach of such representation, warranty, covenant or agreement shall not have been cured by Parent or Merger Sub (unless such breach is incapable of cure) within fifteen (15) days after Parent and Merger Sub shall have received notice from Company that Company intends to exercise its right to terminate under this **Section 7.1(b)**;

(c) Company's Breach. At the election of Parent, by giving written notice to Company, if Company has (i) breached any representation or warranty herein qualified as to materiality, (ii) breached any representation or warranty herein not qualified as to materiality in any material respect, or (iii) breached any covenant or agreement contained in this Agreement in any material respect; provided, however, Parent shall have no termination right hereunder unless the breach of such representation, warranty, covenant or agreement shall not have been cured by Company (unless such breach is incapable of cure) within fifteen (15) days after Company shall have received notice from Parent that Parent intends to exercise its right to terminate under this **Section 7.1(c)**;

(d) Orders. At the election of Company or Parent, upon written notice to the other party, if any court of competent jurisdiction or other Governmental Authority shall have issued an Order enjoining or otherwise prohibiting the transactions contemplated under this Agreement and such Order shall have become final and nonappealable;

(e) Deadline. At the election of either Company or Parent, upon written notice to the other party, if the Closing has not occurred on or before August 8, 2006, provided that the party seeking to terminate pursuant to this section has performed all of its obligations hereunder in all material respects and diligently cooperated as required to fulfill all applicable conditions to Closing;

(f) Breaching Party. The right to terminate this Agreement under this **Section 7.1** shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the transactions contemplated herein to occur or of the transactions being delayed; and

(g) Required Company Vote. By Parent, if the Required Company Vote or the Required Redemption Vote shall not have been obtained by reason of the failure to obtain the required consents or votes upon a vote taken by written consent or at a meeting of stockholders, duly convened therefor or at any adjournment thereof.

7.2 Effect of Termination. In the event of termination of this Agreement in accordance with **Section 7.1** hereof, this Agreement shall thereafter become void and have no effect, and except that nothing herein will relieve any party of Liability for any willful breach of this Agreement or for any Liability related to fraud or intentional misrepresentation.

ARTICLE 8
INDEMNIFICATION

8.1 Survival of Representations, Warranties and Covenants.

(a) All representations and warranties of Company in this Agreement or any other Transaction Agreement (i) shall survive the Closing, any investigation at any time made and the consummation of the Merger and (ii) shall terminate and expire at the end of eighteen (18) months following Closing (the period between Closing and the end of such eighteen (18) months following the Closing, the "**Survival Period**") provided that the representations and warranties set forth in **Section 3.2** and any claims resulting from fraud or intentional misrepresentation shall survive for the applicable statute of limitations. Any claims as to which written notice identifying such claim and the basis thereof with reasonable specificity shall have been delivered pursuant to the applicable provisions of this Agreement on or prior to such date shall survive until such claims are resolved. All representations and warranties of Parent and Merger Sub in this Agreement or any other Transaction Agreement (i) shall survive the Closing, any investigation at any time made and the consummation of the Merger and (ii) shall terminate and expire at the end of eighteen (18) months following Closing; provided that any claims resulting from fraud or intentional misrepresentation shall survive for the applicable statute of limitations.

(b) If and to the extent Parent has, as a result of its own investigation, actual and specific knowledge as of the Closing of the breach or failure to be true of any representation or warranty of Company set forth in Article III of this Agreement (a "**Known Company Breach**") and as a direct result of such Known Company Breach Parent could terminate this Agreement pursuant to subclauses (i) or (ii) of Section 7.1(c), then following the Closing none of Parent, Surviving Corporation or any of their affiliates shall be entitled to indemnification pursuant to Section 8 in respect of Losses that were foreseeable by Parent at the time of Closing to the extent such Losses arose directly out of such Known Company Breach; provided, however, that this sentence will not apply to the extent the Company also has, as of the Closing, actual and specific knowledge of such breach or failure to be true of such representation and warranty. The Indemnifying Parties shall bear the burden of proving such actual and specific knowledge on the part of Parent and whether Losses were foreseeable by Parent. If and to the extent Company has, as a result of its own investigation, actual and specific knowledge as of the Closing of the breach or failure to be true of any representation or warranty of Parent or Merger Sub set forth in Article IV of this Agreement (a "**Known Parent Breach**") and as a direct result of such Known Parent Breach Company could terminate this Agreement pursuant to subclauses (i) or (ii) of Section 7.1(b), then following the Closing none of the Company, the Stockholders Agent (whether on behalf of itself or any other Person) or any of their Affiliates will be entitled to bring a claim, action, suit, proceeding or investigation in connection with this Agreement in respect of Losses that were foreseeable by Company at the time of Closing to the extent such Losses arose directly out of such Known Parent Breach; provided, however, that this sentence will not apply to the extent Parent also has, as of the Closing, actual and specific knowledge of such breach or failure to be true of such representation and warranty. Parent shall bear the burden of proving such actual and specific knowledge on the part of Company and whether Losses were foreseeable by Company. Except as provided in this Section 8.1(b), the representations and warranties contained in this Agreement (and any right to indemnification for breach thereof or other right to indemnification hereunder) shall not be affected by any investigation, verification or examination by any party hereto or by any representative or employee of any such party or by any such party's knowledge or the knowledge of any such

representative or employee of any facts with respect to the accuracy or inaccuracy of any such representation or warranty.

(c) Covenants. The covenants and agreements of the parties shall survive the Closing and any investigation at any time made and the consummation of the Merger until fully performed, unless limited by their terms or purposes.

(d) Effect of Expiration. On expiration or termination of the representations, warranties and covenants described in subsection **(a)** and **(c)** above shall be of no further force or effect, and no claims for indemnification may be brought, except with respect to any claim for indemnification hereunder as to which written notice identifying such claim and the basis thereof with reasonable specificity shall have been delivered pursuant to the applicable provisions of this Agreement on or prior to such expiration or termination.

(e) Indemnity. The holders of Company Preferred Stock as of immediately prior to the Merger (the "**Indemnifying Parties**") shall severally (on a pro rata basis) indemnify and hold harmless Parent, the Surviving Corporation and their Affiliates, shareholders, partners, members, officers, directors, employees, agents, representatives, successors and permitted assigns (collectively, the "**Indemnified Parties**") against any and all Losses, whether or not arising out of third party claims, if such aggregate Losses exceed $50,000, that any such Indemnified Party may suffer, sustain or become subject to, as a result of, in connection with, or by virtue of:

(i) any breach of, or failure to be true of, any representation or warranty of Company under this Agreement, or in the certificate furnished by Company pursuant to this Agreement;

(ii) any nonfulfillment or breach of any covenant or agreement by Company under this Agreement, which nonfulfillment or breach occurred at or prior to the Closing (regardless of when discovered by Parent);

(iii) any Losses in respect of appraisal rights exercised by Company's stockholders net of any amounts of the Merger Consideration which would have been paid to such stockholders if they had not exercised their appraisal rights; and

(iv) any payment or consideration arising under any consents, waivers or approvals of any party under any agreement as are reasonably required in connection with and to the extent directly due under this Agreement or for any such agreement to remain in full force and effect following the Closing (subsections **(i)** through **(iv)** shall be collectively referred to herein as the "**Indemnification Obligations**").

(f) The liability of the Indemnifying Parties for the Indemnification Obligations, shall, except in the case of fraud or willful misrepresentation or willful breach of a covenant, be limited to the Escrow Fund (as defined in **Section 8.1(g)** below). The liability of the Indemnifying Parties for the Indemnification Obligations arising out of a breach or failure to be true of the representations or warranties set forth in Sections 3.1, 3.3, 3.5, 3.7, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14,

3.15, 3.16, 3.17, 3.18, 3.19, 3.21, 3.22, 3.23, 3.25, 3.26 and 3.27, shall be limited (except in the case of fraud or willful misrepresentation or willful breach of a covenant) to the portion of the Escrow Fund equal to ten percent (10%) of the shares of Parent Preferred Stock that were otherwise issuable to the Indemnifying Parties under this Agreement but that were placed into the Escrow Fund. With respect to any claim made against the Escrow Fund, each Indemnifying Parties' liability shall be joint and several (it being understood that Parent may seek indemnification from the Escrow Fund for Losses arising out of claims of fraud, willful misrepresentation or willful breach of a covenant against the Company or its Affiliates). With respect to any claim made for fraud or willful misrepresentation or willful breach of a covenant that is not made against the Escrow Fund, the liability of each Indemnifying Party shall be several and not joint. In the case of Indemnification Obligations attributable to (i) breach of the representations and warranties set forth in **Section 3.2** or (ii) fraud or willful misrepresentation or willful breach of a covenant, the maximum liability of each Indemnifying Party shall be limited to the shares of Parent Preferred Stock issued to each such stockholder as consideration under this Agreement.

(g) At the Closing, fifteen percent (15%) of the shares of Parent Preferred Stock otherwise issuable to the Indemnifying Parties under this Agreement (the "**Escrow Fund**") shall be placed in escrow by Parent during the Survival Period as security for the Indemnification Obligations of the Indemnifying Parties. On the date that the last remaining shares of Parent Preferred Stock held in the Escrow Fund are distributed from the Escrow Fund (such date, the "**Final Distribution Date**"), Parent shall distribute the Additional Escrow Amount (defined below) to the Indemnifying Parties based on their pro rata ownership. For purposes of this Agreement, "**Additional Escrow Amount**" shall mean the net amount of cash that Parent receives from the cash exercise of the Company Option Awards assumed by Parent pursuant to Section 2(a) during the period following the Closing until the Final Distribution Date.

(h) The right to indemnification under this **Article 8** or any other remedy based upon the representations, warranties, covenants and obligations hereunder shall not be affected by any investigation conducted with respect to, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with any such representation, warranty, covenant or obligation.

8.2 Exclusive Remedy; Limitation on Remedy.

(a) Except for (i) any action based upon allegations of fraud or willful misrepresentation in connection with this Agreement or any certificate delivered hereunder or willful breach or breach of the representations and warranties set forth in **Section 3.2** and (ii) any equitable relief expressly provided for in this Agreement, from and after the Closing the sole remedy of any Person against the Company and its Affiliates with respect to any and all claims arising under this Agreement or in connection with the transactions contemplated hereby shall be pursuant to this **Article 8**. Parent and Merger Sub hereby waive, from and after the Closing, to the fullest extent permitted by law, any and all other rights, claims and causes of action they may have against

Company and its Affiliates under this Agreement and in connection with the transactions contemplated hereby.

(b) Except (i) for any action based upon allegations of fraud or willful misrepresentation in connection with this Agreement, (ii) for any equitable relief expressly provided for in this Agreement, or (iii) as may arise out of the breach or failure to be true of any representation or warranty of Parent or Merger Sub (to the extent resulting in Losses in excess of $50,000) under this Agreement or any nonfulfillment or breach of any covenant or agreement by Parent or Merger Sub under this Agreement (to the extent resulting in Losses in excess of $50,000), no Person will be permitted to seek any remedy against Parent with respect to any claims arising under this Agreement or in connection with the transactions contemplated hereby and, to the fullest extent permitted by law, any and all other rights, claims and causes of action that any Person may have against Parent and Merger Sub and their Affiliates under this Agreement and in connection with the transactions contemplated hereby are hereby waived. Except in the case of fraud or willful misrepresentation or willful breach of a covenant, in no event will Parent's or Merger Sub's liability under this Agreement to any Person arising out of the breach or failure to be true of any representation or warranty of Parent or Merger Sub under this Agreement or any nonfulfillment or breach of any covenant or agreement by Parent or Merger Sub under this Agreement exceed (individually or in the aggregate) the value, determined on the date of the Closing, of ten percent (10%) of the shares of Parent Preferred Stock issuable under this Agreement. No Person will be permitted (or have the right) to raise or bring any claim, action, suit, proceeding or investigation under the Transaction Agreements against Parent or Merger Sub other than the Stockholders' Agent. In the case of liabilities attributable to fraud or willful misrepresentation or willful breach of a covenant, the maximum liability of Parent shall be limited to the value, determined on the date of the Closing, of the shares of Parent Preferred Stock issuable by Parent at Closing pursuant to this Agreement.

8.3 Distributions from Escrow Fund.

(a) The Escrow Fund shall be held until the date that is eighteen (18) months following the Closing Date (the "**Escrow Period**"), other than any amounts with respect to which Parent or the Surviving Corporation has delivered to the Stockholders' Agent a notice of Losses under this **Article 8** (a "**Claim Notice**") and for amounts returned to Parent for the Adjustment Amount pursuant to **Article 2**, in either case, prior to the expiration of the applicable Survival Period.

(b) If the Stockholders' Agent consents to or does not object to a Claim Notice within 30 days of delivery thereof, Parent may withdraw from the Escrow Fund and cancel shares of Parent Preferred Stock having a value (based on a value of the Parent Preferred Stock of $5.00 per share) equal to the aggregate amount of Losses set forth in the Claim Notice. If the Stockholders' Agent objects to the Claim Notice, the parties shall resolve the dispute as set forth in **Section 8.5**.

(c) Promptly following the expiration of the Escrow Period, all shares remaining in the Escrow Fund shall be distributed to the Indemnifying Parties based on their pro rata ownership;

provided, that if prior to the expiration of the Escrow Period, the Stockholders' Agent has received one or more Claim Notices not yet resolved, then an amount up to the aggregate amount of the aggregate Losses claimed in all such outstanding Claim Notices shall continue to be held in the Escrow Fund to cover Indemnification Obligations until final resolution of all claims set forth in any such Claim Notices.

8.4 Stockholders' Agent.

(a) By voting to approve the Merger or accepting any Merger Consideration, the holders of Company Stock appoint the Stockholders' Agent who shall initially be Arch Venture Corporation as an agent for and on behalf of such Stockholder to give and receive notices and communications, to agree to, negotiate, enter into settlements and compromises of, and demand arbitration and comply with orders of courts and awards of arbitrators with respect to, such claims, and to take all actions necessary or appropriate in the judgment of the Stockholders' Agent for the accomplishment of the foregoing or otherwise in connection with this Agreement. The identity of the agent may be changed by the holders of a majority in interest of the Company Stock as of the Closing Date upon not less than ten (10) days' prior written notice to Parent and the Stockholders' Agent. No bond shall be required of the Stockholders' Agent, and the Stockholders' Agent shall receive no compensation for his services. Notices or communications to or from the Stockholders' Agent shall constitute notice to or from each of the holders of Company Stock.

(b) The Stockholders' Agent shall not be liable for any act done or omitted hereunder as Stockholders' Agent while acting in good faith, and any act done or omitted pursuant to the advice of counsel shall be conclusive evidence of such good faith. The stockholders of Company entitled to receive Merger Consideration pursuant to **Section 2.1** shall jointly and severally indemnify the Stockholders' Agent and hold the Stockholders' Agent harmless from any loss, Liability or expense incurred without gross negligence or bad faith on the part of the Stockholders' Agent and arising out of or in connection with the acceptance or administration of his duties hereunder.

(c) The Stockholders' Agent shall have reasonable access to information about Company, and the Surviving Corporation and Parent and the reasonable assistance of Company's, the Surviving Corporation's and Parent's respective officers for purposes of performing his duties and exercising his rights hereunder. The Stockholders' Agent shall treat confidentially and not disclose any nonpublic information from or about Company, the Surviving Corporation or Parent.

(d) A decision, act, consent, waiver or instruction of the Stockholders' Agent shall constitute a decision of Company stockholders, including the Indemnifying Parties shall be final, binding and conclusive upon each Company stockholder, including the Indemnifying Party and Parent may rely upon any decision, act, consent or instruction of the Stockholders' Agent as being the decision, act, consent or instruction of each and every such Company Indemnifying Party. Parent, Company and the Surviving Corporation are hereby relieved of any Liability to any person for any acts done by them in accordance with such decision, act, consent, waiver or instruction of the Stockholders' Agent.

(e) Arch Venture Corporation hereby agrees to act as Stockholders' Agent pursuant to the terms hereof.

8.5 Resolution of Conflicts.

(a) The Stockholders' Agent may object to any claims made in any Claim Notice by delivering to Parent a written notice of such objection setting forth in reasonable detail the basis for such objection (an "**Objection Notice**"), within 30 days of delivery to the Stockholders' Agent of the Claim Notice containing the claim(s) to which the objection relates. The parties shall attempt in good faith to agree upon the rights of the respective parties with respect to any claims that are the subject of an Objection Notice. If the parties should so agree, a memorandum setting forth such agreement shall be prepared and signed by the Stockholders' Agent and Parent (a "**Settlement Memorandum**"). A Settlement Memorandum shall conclusively resolve any dispute regarding a claim to which it relates. Parent shall be entitled to rely on any such memorandum and deduct shares of Parent Preferred Stock from the Escrow Fund in accordance with the terms thereof. If an Objection Notice relating to a Claim Notice is not timely delivered to Parent, then the contents of such Claim Notice shall be conclusively established.

(b) If no such agreement can be reached after good faith negotiation and prior to thirty days after delivery of an Objection Notice, either party may demand arbitration of the matter unless the amount of the Loss that is at issue is the subject of a pending litigation with a third party, in which event arbitration shall not be commenced until such amount is ascertained or both parties agree to arbitration, and in either such event the matter shall be settled by arbitration conducted by one arbitrator mutually agreeable to the parties. If, within thirty days after submission of any dispute to arbitration, the parties cannot mutually agree on one arbitrator, then, within fifteen days after the end of such thirty day period, the parties shall each select one arbitrator. The two arbitrators so selected shall select a third arbitrator. If either party fails to select an arbitrator during this fifteen day period, then the parties agree that the arbitration will be conducted by one arbitrator selected by the party which has selected an arbitrator.

(c) Any such arbitration shall be held in King County, Washington under the rules then in effect of the American Arbitration Association. The arbitrator(s) shall determine how all expenses relating to the arbitration shall be paid, including the respective expenses of each party, the fees of each arbitrator and the administrative fee of the American Arbitration Association. The arbitrator or arbitrators, as the case may be, shall set a limited time period and establish procedures designed to reduce the cost and time for discovery while allowing the parties an opportunity, adequate in the sole judgment of the arbitrator or majority of the three arbitrators, as the case may be, to discover relevant information from the opposing parties about the subject matter of the dispute. The arbitrator, or a majority of the three arbitrators, as the case may be, shall rule upon motions to compel or limit discovery and shall have the authority to impose sanctions, including attorneys' fees and costs, to the same extent as a competent court of law or equity, should the arbitrators or a majority of the three arbitrators, as the case may be, determine that discovery was sought without substantial justification or that discovery was refused or objected to without substantial justification. The decision of the arbitrator or a majority of the three arbitrators, as the

case may be, as to the validity and amount of any claim in such Claim Notice shall be final, binding, and conclusive upon the parties to this Agreement and the holders of Company's capital stock and any Indemnifying Party. Such decision shall be written and shall be supported by written findings of fact and conclusions which shall set forth the award, judgment, decree or order awarded by the arbitrator(s), and Parent shall be entitled to rely on, and make deductions from the Escrow Fund in accordance with, the terms of such award, judgment, decree or order, as applicable. Within thirty days of a decision of the arbitrator(s) requiring payment by one party to another, such party shall make the payment to such other party, including any distributions out of the Escrow Fund, as applicable.

(d) Judgment upon any award rendered by the arbitrator(s) may be entered in any court having jurisdiction. The foregoing arbitration provision shall apply to any dispute among the parties under this **Article 8**, whether relating to claims on the Escrow Fund or to the other indemnification obligations set forth in this Agreement.

8.6 Third Party Claims. Any Indemnified Party making a claim for indemnification under this **Article 8** shall notify the Stockholders' Agent of the claim in writing promptly after receiving written notice of any Proceeding against it by a third party, describing the claim, the amount thereof (if known and quantifiable) and the basis thereof; provided, that the failure to notify the Stockholders' Agent shall not relieve the Indemnifying Parties of their obligations hereunder unless and to the extent the Indemnifying Parties shall be actually and materially prejudiced by such failure to so notify. The Stockholders' Agent shall be entitled to assume the defense of such Proceeding giving rise to an Indemnified Party's claim by appointing a counsel of its own choosing reasonably acceptable to the Indemnified Party to be the lead counsel in connection with such defense; provided, that the Indemnified Party shall be entitled to participate, at its own expense, in the defense of such claim and to employ counsel of its choice for such purpose;

(a) the Indemnified Party shall cooperate in good faith with the Stockholder Agent and its counsel in the defense or compromise of any claims;

(b) the Indemnified Party (and not the Stockholder Agent) shall be entitled to assume control of such defense and the Indemnified Party shall be able to deduct its fees and expenses of counsel retained by it from the Escrow Fund if (i) the claim for indemnification relates to or arises in connection with any criminal proceeding, action, indictment, allegation or investigation; (ii) the claim seeks an injunction or equitable relief against the Indemnified Party; (iii) a conflict of interest exists between the positions of Stockholders' Agent and/or the Indemnifying Parties on the one hand and the Indemnified Party on the other hand in conducting the defense of such claim; (iv) an adverse outcome of the claim could reasonably be expected to have a material adverse affect on the Indemnified Party or its business; or (v) the Stockholder Agent failed or is failing to vigorously prosecute or defend such claim; and

(c) if the Stockholder Agent shall control the defense of any such claim, the Stockholder Agent shall obtain the prior written consent of the Indemnified Party before entering into any settlement of a Proceeding if, (i) pursuant to or as a result of such settlement, injunctive or other equitable relief will be imposed against the Indemnified Party or its Affiliates, (ii) such

settlement provides any relief other than monetary damages that are paid in full by the Indemnifying Parties or (iii) the settlement does not involve full and unconditional release of Indemnified Parties from liability for such claim.

8.7 Adjustments to Purchase Price. All indemnification payments under this **Article 8** and shall be deemed adjustments to the Merger Consideration.

ARTICLE 9
GENERAL PROVISIONS

9.1 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by commercial delivery service, or mailed by registered or certified mail (return receipt requested; provided that in the case of delivery by registered or certified mail, such notices shall be deemed given three (3) days after they are so mailed) or sent via facsimile (with confirmation of receipt) to the parties at the following address (or at such other address for a party as shall be specified by like notice) (notice to the Stockholders' Agent shall be deemed to be notice to all Company stockholders, including the Indemnifying Parties for all purposes):

(a) if to Parent, Merger Sub or, following Closing, the Surviving Corporation, to:

Omeros Corporation
1420 Fifth Avenue
Suite 2600
Seattle, WA 98101
Phone: (206) 676-5000
Fax: (206) 264-7856
Attention: Chief Executive Officer, with a copy to General Counsel

with an additional copy to:

Wilson Sonsini Goodrich & Rosati P.C.
701 Fifth Avenue, Suite 5100
Seattle, WA 98104
Attention: Craig Sherman
Facsimile No.: (206) 883-2699
Telephone No.: (206) 883-2500

(b) if, prior to the Closing, to Company, to:

nura, Inc.
1124 Columbia Street
Seattle, WA 98104
Attn: Chief Executive Officer
Facsimile No.: (206) 344-2101
Telephone No.: (206) 344-2100

with a copy to:

Summit Law Group, PLLC
315 Fifth Avenue S., Suite 1000
Seattle, WA 98104
Attention: Mark F. Worthington
Facsimile No.: (206) 676-7001
Telephone No.: (206) 676-7000

(c) if to Stockholders' Agent, to:

Arch Venture Corporation
8725 West Higgins Road
Suite 290
Chicago IL, 60631
Attention: Mark McDonnell

9.2 Interpretation and Construction of Transaction Agreements.

(a) Unless the context shall otherwise require, any pronoun herein or in another Transaction Agreement shall include the corresponding masculine, feminine, and neuter forms, and words using the singular or plural number also shall include the plural or singular number, respectively. The words "include," "includes" and "including" herein or in another Transaction Agreement shall be deemed to be followed by the phrase "without limitation" and the word "or" shall include the meaning "either or both." All references herein or in another Transaction Agreement to sections, exhibits, and schedules shall be deemed to be references to sections of, and exhibits and schedules to, the agreement in which such references are made unless the context shall otherwise require. The table of contents and the headings of the sections herein and in the other Transaction Agreements are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement or such other Transaction Agreement, as the case may be. Unless the context shall otherwise require, any reference herein or in another Transaction Agreement to any agreement or other instrument or statute or regulation is to such agreement, instrument, statute or regulation as amended and supplemented from time to time (and, in the case of a statute or regulation, to any successor provision). The words "hereof," "herein," "hereto" and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(b) The parties acknowledge that each party has participated in the drafting of this Agreement and the other Transaction Agreements, and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in the construction or interpretation of this Agreement or any of the other Transaction Agreements.

(c) Any reference in a Transaction Agreement to a "**day**" or a number of "**days**" (without the explicit qualification of "business") shall be interpreted as a reference to a calendar day or number of calendar days. If any action or notice is to be taken or given on or by a particular

calendar day, and such calendar day is not a Business Day, then such action or notice shall be deferred until, or may be taken or given on, the next Business Day.

(d) The phrases “the date of this Agreement”, “the date hereof”, and terms of similar import, unless the context otherwise requires, shall be deemed to refer to the Execution Date.

9.3 Specific Performance. Each party agrees that irreparable harm, for which there may be no adequate remedy at law and for which the ascertainment of Damages would be difficult, would occur in the event any of the provisions of this Agreement were not performed in accordance with its specific terms or were otherwise breached. Each party accordingly agrees that the other parties shall be entitled to specifically enforce this Agreement and to obtain an injunction or injunctions to prevent breaches of the provisions of this Agreement or any other Transaction Agreement and to enforce specifically the terms and provisions hereof or thereof, in each instance without being required to post bond or other security and in addition to, and without having to prove the adequacy of, other remedies at law.

9.4 Counterparts; Facsimile Delivery. This Agreement may be executed in one or more counterparts and delivered by facsimile, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

9.5 Entire Agreement. This Agreement, the other Transaction Agreements, and the documents and instruments and other agreements specifically referred to herein or delivered pursuant hereto, including the exhibits and the schedules hereto and thereto, (a) constitute the entire agreement among the parties with respect to the subject matter hereof and (b) supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, including the Term Sheet, dated July 3, 2006 between Parent and Company.

9.6 Amendment; Waiver; Requirement of Writing. This Agreement and each of the other Transaction Agreements cannot be amended or changed nor any performance, term, or condition waived in whole or in part except by a writing signed by the party against whom enforcement of the amendment, change or waiver is sought. Any term or condition of this Agreement and each of the other Transaction Agreements may be waived at any time by the party hereto entitled to the benefit thereof, and any such term or condition may be modified at any time by an agreement in writing executed by each of the parties hereto entitled to the benefit thereof. No delay or failure on the part of any party in exercising any rights hereunder, and no partial or single exercise thereof, will constitute a waiver of such rights or of any other rights hereunder.

9.7 Expenses. Each of the parties hereto shall pay, without right of reimbursement from the other party, all the costs incurred by it incident to the preparation, execution, and delivery of this Agreement or the performance of its obligations hereunder, whether or not the transactions contemplated by this Agreement shall be consummated.

9.8 No Third-Party Beneficiaries. Except with respect to the right to receive the consideration to be provided at the time of Closing pursuant to **Section 2.1(b)**, and with respect to director and officer indemnification pursuant to **Section 5.13** nothing in this Agreement or the other Transaction Agreements will be construed as giving any person, other than the parties and their successors and permitted assigns, any right, remedy, or claim under or in respect of this Agreement or the other Transaction Agreements or any provision hereof or thereof. Each of the Existing Investors that participate in the Investment will have the right to rely upon the representations and warranties made by Parent and Merger Sub in Article IV of this Agreement in connection with their purchase of Series E Preferred Stock of Omeros pursuant to the Investment.

9.9 Disclaimer of Agency. Except for any provisions herein or in the Transaction Agreements expressly authorizing one party to act for another, neither this Agreement nor any Transaction Agreement shall constitute any party as a legal representative or agent of the other party, nor shall a party have the right or authority to assume, create, or incur any Liability of any kind, expressed or implied, against or in the name or on behalf of the other party or any of its Affiliates.

9.10 Relationship of the Parties. Nothing contained in this Agreement or the Transaction Agreements is intended to, or shall be deemed to, create a partnership or joint venture relationship among the parties hereto or thereto or any of their Affiliates for any purpose, including tax purposes.

9.11 Assignment. This Agreement and the other Transaction Agreements and the rights and obligations of each party hereunder or thereunder shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and permitted assigns; provided that no party hereto shall assign this Agreement or another Transaction Agreement (except that Parent and Merger Sub may assign this Agreement and the other Transaction Agreements without the consent of Company to Affiliates of Parent; provided that Parent and Merger Sub shall not be so released from their obligations hereunder without the consent of Company).

9.12 Severability. In the event that any provision of this Agreement, or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect, and the application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable provision.

9.13 Remedies Cumulative. Except as otherwise provided herein (including pursuant to **Section 8.2**), any and all remedies herein expressly conferred upon a party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity, upon such party, and the exercise by a party of any one remedy will not preclude the exercise of any other remedy.

9.14 Governing Law. This Agreement and the other Transaction Agreements (other than the Voting Agreement) will be construed and interpreted in accordance with and governed by the law of the State of Washington without regard to the choice- of-law provisions thereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed on its behalf by it or by an officer or representative thereunto duly authorized, all as of the date first written above.

PARENT
OMEROS CORPORATION

By: _____
Name: _____
Title: _____

EPSILON ACQUISITION CORPORATION

By: _____
Name: _____
Title: _____

COMPANY
NURA, INC.

By: _____
Name: Patrick Gray
Title: Chief Executive Officer

STOCKHOLDERS' AGENT

_____
Arch Venture Corporation

EXHIBIT A
DEFINED TERMS

"**280G Stockholder Approval**" shall have the meaning set forth in **Section 5.15**.

"**Accounts Receivable**" shall mean all accounts receivable, notes receivable and other receivables of Company.

"**Acquisition Proposal**" shall have the meaning set forth in **Section 5.3(c)**.

"**Adjustment Amount**" shall have the meaning set forth in **Section 2.9(c)**.

"**Adjustment Statement**" shall have the meaning set forth in **Section 2.9(b)**.

"**Auditor**" shall have the meaning set forth in **Section 2.9(e)**.

"**Affiliate**" shall mean, with respect to a Person, (i) any member of the immediate family (including spouse, brother, sister, descendant, ancestor or in-law) of such Person, (ii) any officer, director or stockholder of such Person, (iii) any corporation, partnership, trust or other Entity in which any such Person or any such family member of such Person has a five percent (5%) or greater interest or is a director, officer, partner or trustee or (iv) any Person that controls, or is controlled by, or is under common control with, such Person.

"**Agreement**" shall have the meaning set forth in the preamble hereto.

"**Applicable Law**" means, with respect to any Person, any federal, state, local or foreign law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Person, as amended unless expressly specified otherwise.

"**Business Day**" shall mean any day other than (i) a Saturday or a Sunday or (ii) a day on which banking and savings and loan institutions are authorized or required by law to be closed in the United States.

"**Certificate of Merger**" shall have the meaning set forth in **Section 1.2**.

"**Certified Stockholder List**" shall have the meaning set forth in **Section 2.5(b)**.

"**Claim Notice**" shall have the meaning set forth in **Section 8.3(a)**.

"**Closing**" shall have the meaning set forth in **Section 1.2**.

"**Closing Date**" shall have the meaning set forth in **Section 1.2**.

"**Charter Amendment**" shall have the meaning set forth in **Section 6.1(t)**.

"**Code**" shall have the meaning set forth in **Section 3.15(a)(ii)**.

"**Company**" shall have the meaning set forth in the preamble hereto.

"**Company Business Intellectual Property**" means any and all Intellectual Property used in or necessary to conduct the business of Company, in the manner currently conducted and as it is currently contemplated to be conducted, including, without limitation, the design, development, manufacture, use, import, sale licensing or other exploitation of Company Products.

"**Company Disclosure Schedule**" shall have the meaning set forth in the introductory paragraph to **Article 3**.

"**Company Expenses**" means the amount of fees and expenses which are payable, directly or indirectly, by the Company as of the date of Closing that have been or are expected to be incurred on or prior to the date of Closing (a) on behalf of Company or (b) by Company on behalf of the holders of Equity Interests in Company, in each case, in connection with the preparation, negotiation and execution of this Agreement and the consummation of the transactions contemplated hereby, including the Merger including (i) the fees and disbursements of special outside counsel to Company, any Company stockholders and/or Stockholders' Agent (in any such case, to the extent incurred by Company on their behalf), (ii) the fees and expenses of any accountants or other agents, advisors, consultants and experts employed by Company, any Company stockholders and/or Stockholders' Agent (in any such case, to the extent incurred by Company on their behalf), including all legal, financial advisory, consulting or other similar fees and expenses, and (iii) all other out-of-pocket expenses of Company, any Company stockholder and/or Stockholders' Agent (in any such case, to the extent incurred by Company on their behalf).

"**Company Financial Statements**" shall have the meaning set forth in **Section 3.13**.

"**Company Material Adverse Effect**" shall mean an event, circumstance, fact or condition which has had or which could reasonably be expected to have a material adverse effect on (i) Company's business, condition, assets, Liabilities, operations, financial performance, or prospects for continuing the operation of its business as historically conducted, as conducted at Closing and as proposed to be conducted, (ii) the ability of Company to enter into this Agreement or the other Transaction Agreements to which it is a party, to consummate the Merger, or to perform its obligations hereunder or under such other Transaction Agreements or (iii) the ability of the Surviving Corporation to conduct business following the Merger in substantially the same manner as conducted by Company prior to the Merger.

"**Company Non-Voting Common Stock**" shall have the meaning set forth in **Section 3.2(c)**.

"**Company-Owned Intellectual Property**" means any Intellectual Property that is owned by, or exclusively licensed to, Company.

"**Company Preferred Stock**" shall have the meaning set forth in **Section 2.1(b)**.

"**Company Products**" means all products or service offerings of Company that have been marketed, sold, or distributed, or that Company intends to market, sell, or distribute after further research and/or development of such products and receipt of any necessary regulatory approvals, including any products or service offerings under development, and including any such products or services that form the basis, in whole or in part, of any revenue or business projection publicly disclosed by Company, or provided by Company in connection with the negotiation of this Agreement.

"**Company Registered Intellectual Property**" means all of the Registered Intellectual Property owned by, or filed in the name of, Company.

"**Company Stock**" shall have the meaning set forth in **Section 2.1(a)**.

"**Company Stock Awards**" shall have the meaning set forth in **Section 2.2(a)**.

"**Company Stock Certificates**" shall have the meaning set forth in **Section 2.5(a)**.

"**Company Stock Plan**" shall mean the Nura, Inc. 2003 Stock Option Plan.

"**Company Voting Common Stock**" shall have the meaning set forth in **Section 2.1(b)**.

"**Confidential Information**" shall mean all trade secrets and other confidential or proprietary information of a Person that such Person desires remain secret or confidential, including information derived from reports, investigations, research, work in progress, codes, marketing and sales programs, financial projections, cost summaries, pricing formulas, contract analyses, financial information, projections, confidential filings with any state or federal agency, and all other confidential concepts, methods of doing business, ideas, materials or information prepared or performed for, by or on behalf of such Person by its employees, officers, directors, agents, representatives, or consultants.

"**Conflict**" shall have the meaning set forth in **Section 3.8**.

"**Consent**" shall mean any (i) approval, authorization, certificate, concession, consent, declaration, grant, exemption, license, permit, variance, vote or waiver, (ii) registration or filing or (iii) report or notice, including all renewals, amendments and extensions of any of the foregoing and any similar matters.

"**Contract**" shall mean any binding mortgage, indenture, lease, contract, covenant, promise, understanding, arrangement, instrument, commitment, permit, concession, franchise or license to or undertaking of any nature or other agreement (whether written or oral and whether express or implied), that is currently in effect, and including any binding amendment, modification, side letter, supplement or other agreement or change with respect to the foregoing that is currently in effect, whether written or oral.

"**Convertible Promissory Notes**" shall have the meaning set forth in **Section 3.2(e)**.

"**Current Liabilities**" shall have the meaning set forth in **Section 2.9(a)**.

"**day**" shall have the meaning set forth in **Section 9.2(c)**.

"**Delaware Corporate Law**" shall have the meaning set forth in **Section 1.1**.

"**Determination Date**" shall have the meaning set forth in **Section 2.9(e)**.

"**Disclosing Party**" shall have the meaning set forth in **Section 5.9(b)**.

"**Disputed Line Items**" shall have the meaning set forth in **Section 2.9(e)**.

"**Dissenting Shares**" shall have the meaning set forth in **Section 2.4**.

"**Dissenting Stockholder**" shall have the meaning set forth in **Section 2.4**.

"**Domain Names**" shall have the meaning set forth in the "**Intellectual Property**" definition in this **Exhibit A**.

"**Effective Time**" shall have the meaning set forth in **Section 1.2**.

"**Employee Payments**" shall have the meaning set forth in **Section 2.9(a)**.

"**Entity**" shall mean any corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust company (including any limited liability company or joint stock company) or other legal entity.

"**Environmental Laws**" means any Applicable Laws or any agreement with any Governmental Authority or other third party, relating to (i) pollution, contamination, noise, odor, wetlands, waste or restoration or protection of the environment or natural resources or the effect of the environment on employee health and safety or (ii) the handling, use, presence, disposal, release or threatened release of any Hazardous Substance.

"**Environmental Permits**" means all permits, licenses, franchises, certificates, approvals and other similar authorizations of Governmental Authority relating to or required by Environmental Laws and affecting, or relating to, the business of Company as currently conducted.

"**Equity Interest**" means (i) the capital stock of or other equity or ownership interest in an Entity (including partnership interests and limited liability company membership interests and similar interests and any similar or equivalent rights) and any document evidencing any of the foregoing, (ii) any securities, shares or rights convertible into or exercisable for, and any preemptive, subscription, acquisition or other outstanding right, option, warrant, conversion right, exercise right, stock appreciation right, redemption right, repurchase right, phantom security, or

Contract of any nature related to the capital stock or other interest described in clause (i) above and (iii) any beneficial interest related to the capital stock or other interest described in clause (i) above.

"**Escrow Fund**" shall have the meaning set forth in **Section 8.1(g)**.

"**Escrow Period**" shall have the meaning set forth in **Section 8.3(a)**.

"**Execution Date**" shall have the meaning set forth in the preamble hereto.

"**Existing Investors**" shall mean Aravis Venture I L.P., ARCH Venture Fund V, L.P. and Novartis Forschungsstiftung, and their respective affiliates.

"**FDA**" shall have the meaning set forth in **Section 3.7(g)**.

"**Final Certified Stockholder List**" shall have the meaning set forth in **Section 2.5(b)**.

"**GAAP**" shall mean U.S. generally accepted accounting principles in effect on the date on which they are to be applied pursuant to this Agreement, applied consistently throughout the relevant periods.

"**Governmental Approval**" shall mean any: (i) permit, license, certificate, concession, approval, consent, ratification, permission, clearance, confirmation, exemption, waiver, franchise, certification, designation, rating, registration, variance, qualification, accreditation or authorization issued, granted, give, required by or otherwise made available by or under the authority of any Governmental Authority pursuant to any Legal Requirement; or (ii) pending application or request for any of the foregoing in (i) above.

"**Governmental Authority**" shall have the meaning set forth in **Section 3.5**.

"**Hazardous Substance**" means any substance listed, defined, designated or classified as hazardous, toxic or radioactive under any applicable Environmental Law, including petroleum and any derivative or by-products thereof.

"**Indebtedness**" means, with respect to any Person, at a particular time, without duplication, (i) any obligations of such Person under any indebtedness for borrowed money, (ii) any indebtedness of such Person evidenced by any note, bond, debenture or other debt security, (iii) any written commitment by which such Person assures a creditor against loss (including contingent reimbursement obligations with respect to letters of credit), (iv) any indebtedness of such Person pursuant to a guarantee to a creditor of another Person, (v) any borrowing of money secured by a Lien on such Person's assets, (vi) any current obligation for interest, premiums, penalties, fees, make-whole payments, expenses, indemnities, breakage costs and bank overdrafts with respect to items described in clauses (i) through (v) above, including any prepayment penalties or fees payable in connection with the repayment of the outstanding indebtedness Oxford Finance Corporation and (viii) all obligations of such Person for the deferred and unpaid purchase price of property or

services (other than trade payables and accrued expenses incurred in the Ordinary Course of Business).

"**Indemnification Obligations**" shall have the meaning set forth in **Section 8.1(e)(iv)**.

"**Indemnified Parties**" shall have the meaning set forth in **Section 8.1(e)**.

"**Indemnifying Parties**" shall have the meaning set forth in **Section 8.1(e)**.

"**Intellectual Property**" means any or all of the following and all worldwide common law and statutory rights in, arising out of, or associated therewith: (i) United States and foreign patents and utility models and applications therefor and all reissues, divisions, re-examinations, renewals, extensions, provisionals, continuations and continuations-in-part thereof ("**Patents**"); (ii) inventions (whether patentable or not), improvements, trade secrets, proprietary information, know how, and any rights in technology, invention disclosures, technical data and customer lists, and all documentation relating to any of the foregoing; (iii) copyrights, copyrights registrations and applications therefor, and all other rights corresponding thereto throughout the world; (iv) domain names, uniform resource locators ("**URLs**"), other names and locators associated with the Internet, and applications or registrations therefor ("**Domain Names**"); (v) industrial designs and any registrations and applications therefor; (vi) trade names, logos, common law trademarks and service marks, trademark and service mark registrations, related goodwill and applications therefor throughout the world ("**Trademarks**"); (vii) all rights in databases and data collections; (viii) all moral and economic rights of authors and inventors, however denominated; and (ix) any similar or equivalent rights to any of the foregoing (as applicable).

"**Intellectual Property Contracts**" shall have the meaning set forth in **Section 3.7(a)(iii)**.

"**Investment**" shall have the meaning set forth in **Section 6.1(e)**.

"**Investors' Rights Agreement**" shall have the meaning set forth in **Section 6.1(e)**.

"**Legal Requirement**" shall mean any federal, state, local, municipal, foreign or other law, statute, legislation, constitution, ordinance, code, Order, edict, decree, proclamation, treaty, convention, rule, regulation, permit, ruling, directive, requirement (licensing or otherwise), specification, determination, decision, opinion or interpretation that is or has been issued, enacted, adopted, passed, approved, promulgated, made, implemented or otherwise put into effect by or under the authority of any governmental authority.

"**Liability**" shall mean any debt, obligation, duty or liability of any nature (including any unknown, undisclosed, unmatured, unaccrued, unasserted, contingent, indirect, conditional, implied, vicarious, derivative, joint, several or secondary liability, debt, obligation, or duty), regardless of whether such debt, obligation, duty, or liability would be required to be disclosed on a balance sheet prepared in accordance with GAAP and regardless of whether such debt, obligation, duty or liability is immediately due and payable.

"**Lien**" shall have the meaning set forth in **Section 3.8**.

"**Loss**" or "**Losses**" shall mean and include any loss, Liability, damage, injury, decline in value, claim, action, causes of action, demand, settlement, judgment, award, fine, penalty, Tax, fee (including any legal fee, accounting fee, expert fee or advisory fee), charge, cost (including any cost of investigation, interest, penalties, reasonable attorney's fees, consultant and experts fees) or expense of any nature and any amounts paid in settlement or deferral of any of the foregoing.

"**Merger**" shall have the meaning set forth in the recitals hereto.

"**Merger Consideration**" shall have the meaning set forth in **Section 2.1(b)**.

"**Merger Sub**" shall have the meaning set forth in the preamble hereto.

"**Nondisclosing Party**" shall have the meaning set forth in **Section 5.9(b)**.

"**Non-Voting Common Stock Redemption**" shall have the meaning set forth in the Charter Amendment.

"**Notice of Disagreement**" shall have the meaning set forth in **Section 2.9(e)**.

"**Objection Notice**" shall have the meaning set forth in **Section 8.5(a)**.

"**Order**" shall mean any temporary, preliminary or permanent order, judgment, injunction, edict, decree, ruling, pronouncement, determination, decision, opinion, verdict, sentence, stipulation, subpoena, writ, award or similar action that is or has been issued, made, entered, rendered or otherwise put into effect by or under the authority of any court, administrative agency or other Governmental Authority or any arbitrator or arbitration panel.

"**Ordinary Course of Business**" shall describe any action taken by a party if (i) such action is consistent with such party's past practices and is taken in the ordinary course of such party's normal day-to-day operations and (ii) such action is not required to be authorized by such party's stockholders, board of directors or any committee thereof and does not require any other separate or special authorization of any nature.

"**Other Equity Interests**" shall have the meaning set forth in **Section 2.2(c)**.

"**Oxford Loan**" shall have the meaning set forth in **Section 2.2(d)**.

"**Parent**" shall have the meaning set forth in the preamble hereto.

"**Parent Common Stock**" shall have the meaning set forth in **Section 2.1(b)**.

"**Parent Disclosure Schedule**" shall have the meaning set forth in the introductory paragraph to **Article 4**.

"**Parent Financial Statements**" shall have the meaning set forth in **Section 4.15**.

"**Parent Material Adverse Effect**" shall mean an event, circumstance, fact or condition which has had or which could reasonably be expected to have a material adverse effect on (i) Parent's business, condition, assets, Liabilities, operations, financial performance, or prospects for continuing the operation of its business as historically conducted, as conducted at Closing and as proposed to be conducted, (ii) the ability of Parent to enter into this Agreement or the other Transaction Agreements to which it is a party, to consummate the Merger, or to perform its obligations hereunder or under such other Transaction Agreements.

"**Parent Preferred Stock**" shall have the meaning set forth in **Section 2.1(b)**.

"**Parent Stock**" shall have the meaning set forth in **Section 2.1(b)**.

"**Parent Stock Option Agreement**" shall mean the agreements pursuant to Parent Stock Option Plan.

"**Parent Stock Option Plan**" shall mean the Omeros Corporation 1998 Stock Option Plan.

"**Patents**" shall have the meaning set forth in the "Intellectual Property" definition in this **Exhibit A**.

"**Permitted Encumbrances**" shall mean (a) encumbrances for taxes, assessments and other governmental charges not yet due and payable, (b) encumbrances for taxes, assessments and other governmental charges that are being contested in good faith by appropriate Proceedings promptly instituted and diligently conducted and for which reasonable reserves have been established, (c) statutory, mechanics', laborers' and material men's liens arising in the Ordinary Course of Business for sums not yet due.

"**Person**" shall mean any individual, Entity or Government Authority.

"**Proceeding**" shall mean any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), prosecution, contest, hearing, inquiry, inquest, audit, examination or investigation that is, has been or may in the future be commenced, brought, conducted or heard at law or in equity or before any Governmental Authority.

"**Registered Intellectual Property**" means all United States, international and foreign: (i) Patents, including applications therefor; (ii) registered Trademarks, applications to register Trademarks, including intent-to-use applications, or other registrations or applications related to Trademarks; (iii) copyrights registrations and applications to register copyrights; (iv) domain name negotiations; and (v) any other Intellectual Property that is the subject of an application, certificate, filing, registration or other document issued by, filed with, or recorded by, any private, state, government or other public or quasi-public legal authority at any time.

"**Required Company Vote**" shall mean the affirmative vote of the holders of (i) not less than a majority of the outstanding shares of Company Non-Voting Common Stock, (ii) not less than a majority of the outstanding shares of Company Non-Voting Common Stock held by the disinterested holders of the Company Non-Voting Common Stock, (iii) not less than ninety-five percent (95%) of the outstanding shares of Company Voting Common Stock and (iv) not less than ninety-five percent (95%) of the outstanding shares of Company Preferred Stock.

"**Required Redemption Vote**" shall mean the affirmative vote of the holders of (i) not less than a majority of the outstanding shares of Company Non-Voting Common Stock, (ii) not less than a majority of the outstanding shares of Company Non-Voting Common Stock held by the disinterested holders of the Company Non-Voting Common Stock, (iii) not less than a majority of the outstanding shares of Company Voting Common Stock and (iv) not less than a majority of the outstanding shares of Company Preferred Stock.

"**Section 280G Payments**" shall have the meaning set forth in **Section 5.15**.

"**Securities Act**" shall have the meaning set forth in **Section 3.27**.

"**Series A Warrants**" shall have the meaning set forth in **Section 3.2(e)**.

"**Settlement Memorandum**" shall have the meaning set forth in **Section 8.5(a)**.

"**Stockholders' Agent**" shall have the meaning set forth in the preamble hereto.

"**Survival Period**" shall have the meaning set forth in **Section 8.1(a)**.

"**Surviving Corporation**" shall have the meaning set forth in **Section 1.1**.

"**Tax**" (and, with correlative meaning, "**Taxes**" and "**Taxable**") shall mean (i) any and all U.S. federal, state, local and non-U.S. taxes, assessments and other governmental charges, duties, impositions and liabilities, including taxes based upon or measured by gross receipts, income, profits, sales, use and occupation, and value added, ad valorem, transfer, franchise, withholding, payroll, recapture, employment, excise and property taxes, together with all interest, penalties and additions imposed with respect to such amounts, (ii) any liability for the payment of any amounts of the type described in clause (i) of this definition as a result of being a member of an affiliated, consolidated, combined or unitary group for any period, and (iii) any liability for the payment of any amounts of the type described in clauses (i) or (ii) of this definition as a result of any express or implied obligation to indemnify any other person or as a result of any obligations under any agreements or arrangements with any other person with respect to such amounts and including any liability for taxes of a predecessor or transferor entity.

"**Tax Return**" shall mean any required federal, state, local and foreign return, estimate, information statement or report relating to any and all Taxes.

"**Terminating Company Employee Plans**" shall have the meaning set forth in **Section 5.16**.

"**Trademarks**" shall have the meaning set forth in the "**Intellectual Property**" definition in this **Exhibit A**.

"**Transaction Agreements**" shall mean this Agreement, the Certificate of Merger, Charter Amendment and the Voting Agreement.

"**URLs**" shall have the meaning set forth in the "**Intellectual Property**" definition in this **Exhibit A**.

"**Voting Agreement**" shall have the meaning set forth in the recitals hereto.

Schedule 2.1

Allocation of Merger Consideration

Schedule 2.5(b)

Certified Stockholder List

Schedule 2.9(a)

Estimated Liability Adjustment

Schedule 3

Company Disclosure Schedule

Schedule 4

Parent Disclosure Schedule

Schedule 5.2

Interim Operations

Schedule 5.11

Retained Company Employees

Schedule 6.1(g)

Consents/Notices and Related Matters

Schedule 6.1(k)

Lien Releases

Exhibit 4.2

PREFERRED STOCK WARRANT

NEITHER THIS WARRANT NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER SAID ACT OR WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL FOR THE HOLDER, SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT OR RECEIPT OF A NO-ACTION LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION

WARRANT TO PURCHASE 175,000 SHARES OF SERIES A PREFERRED STOCK

Dated: April 26, 2005

THIS CERTIFIES THAT, for value received, Oxford Finance Corporation, ("Holder") is entitled to subscribe for and purchase One Hundred Seventy-Five Thousand (175,000) shares of the fully paid and nonassessable Series A Preferred Stock (the "Shares" or the "Preferred Stock") of Nura, Inc., a Delaware corporation (the "Company"), at the Warrant Price (as hereinafter defined), subject to the provisions and upon the terms and conditions hereinafter set forth. As used herein, the term "Series A Preferred Stock" shall mean the Company's presently authorized Series A Preferred Stock, and any stock into which such Series A Preferred Stock may hereafter be exchanged.

1. Warrant Price. The Warrant Price shall initially be 60/100 dollars ($.60) per share, subject to adjustment as provided in Section 7 below.

2. Conditions to Exercise. The purchase right represented by this Warrant may be exercised at any time, or from time to time, in whole or in part during the term commencing on the date hereof and ending on:

(a) the later of (i) 5.00 P.M. Eastern Standard Time on the tenth annual anniversary of this Warrant Agreement or (ii) three (3) years after the closing of the Company's initial public offering of its Common Stock ("IPO") effected pursuant to a Registration Statement on Form S-1 (or its successor) filed under the Securities Act of 1933, as amended (the "Act"); or

(b) the earlier termination of this Warrant pursuant to Section 3(e).

In the event that, although the Company shall have given notice of a transaction pursuant to subparagraph (b) hereof, the transaction does not close within 60 days of the day specified by the Company, unless otherwise elected by the Holder any exercise of the Warrant subsequent to the giving of such notice shall be rescinded and the Warrant shall again be exercisable until terminated in accordance with this Paragraph 2.

3. Method of Exercise; Payment; Issuance of Shares; Issuance of New Warrant.

(a) Cash Exercise. Subject to Section 2 hereof, the purchase right represented by this Warrant may be exercised by the Holder hereof, in whole or in part, by the surrender of this Warrant (with a duly executed Notice of Exercise in the form attached hereto) at the principal office of the Company (as set forth in Section 18 below) and by payment to the Company, by check, of an amount equal to the then applicable Warrant Price per share multiplied by the number of shares then being purchased. In the event of any exercise of the rights represented by this Warrant, certificates for the shares of stock so purchased shall be in the name of, and delivered to, the Holder hereof, or as such Holder may direct (subject to the terms of transfer contained herein and upon payment by such Holder hereof of any applicable transfer taxes). Such delivery shall be made within 10 days after exercise of the Warrant and at the Company's expense and, unless this Warrant has been fully exercised or expired, a new Warrant having terms and conditions substantially identical to this Warrant and representing the portion of the Shares, if any, with respect to which this Warrant shall not have been exercised, shall also be issued to the Holder hereof within 10 days after exercise of the Warrant.

(b) Net Issue Exercise. In lieu of exercising this Warrant pursuant to Section 3(a), Holder may elect to receive shares equal to the value of this Warrant (or of any portion thereof remaining unexercised) by surrender of this Warrant at the principal office of the Company together with notice of such election, in which event the Company shall issue to Holder the number of shares of the Company's Series A Preferred Stock computed using the following formula:

$$X = \frac{Y\,(A-B)}{A}$$

Where X = the number of shares of Series A Preferred Stock to be issued to Holder.

Y = the number of shares of Series A Preferred Stock purchasable under this Warrant (at the date of such calculation).

A = the Fair Market Value of one share of the Company's Series A Preferred Stock (at the date of such calculation).

B = Warrant Exercise Price (as adjusted to the date of such calculation).

(c) Fair-Market Value. For purposes of this Section 3, Fair Market Value of one share of the Company's Series A Preferred Stock shall mean:

(i) If the Common Stock is traded on Nasdaq or Over-The-Counter or on an exchange, the per share Fair Market Value for the Series A Preferred Stock will be the average of the closing bid and asked prices of the Common Stock quoted in the Over-The-Counter Market Summary or the closing price quoted on any exchange on which the Common Stock is listed, whichever is applicable, as published in the Western Edition of The Wall Street Journal for the ten (10) trading days prior to the date of determination of Fair Market Value multiplied by the number of shares of Common Stock into which each share of Series A Preferred Stock is then convertible; or

(ii) In the event of an exercise in connection with a merger, acquisition or other consolidation in which the Company is not the surviving entity, the per share Fair Market Value for the Series A Preferred Stock shall be the value to be received per share of Series Preferred Stock by all Holders of the Series A Preferred Stock in such transaction as determined by the Board of Directors; or

(iii) In any other instance, the per share Fair Market Value for the Series A Preferred Stock shall be as determined in good faith by the Company's Board of Directors unless Holder elects to have such fair market value determined by an independent appraiser experienced in performing valuations of similar securities for drug discovery companies similarly situated as Company, which election must be made by Holder within ten (10) business days of the date the Company notifies Holder of the fair market value as determined by its Board of Directors. In the event of such an appraisal, the cost thereof shall be borne by the Holder unless such appraisal results in a fair market value in excess of 115% of that determined by the Company's Board of Directors, in which event the Company shall bear the cost of such appraisal.

In the event of 3(c)(ii) or 3(c)(iii), above, the Company's Board of Directors shall prepare a certificate, to be signed by an authorized Officer of the Company, setting forth in reasonable detail the basis for and method of determination of the per share Fair Market Value of the Series Preferred Stock. The Board will also certify to the Holder that this per share Fair Market Value will be applicable to all holders of the Company's Series A Preferred Stock on the Effective Date (as defined below). Such certification must be made to Holder at least thirty (30) business days prior to the proposed effective date of the merger, consolidation, sale, or other triggering event as defined in 3(c)(ii) and 3(c)(iii), the "Effective Date."

(d) Automatic Exercise. To the extent this Warrant is not previously exercised, it shall be automatically exercised in accordance with Sections 3(b) and 3(c) hereof (even if not surrendered) immediately before its expiration.

(e) Treatment of Warrant Upon Acquisition of Company.

(i) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition (as defined below) in which the sole consideration is cash, either (a) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (b) if Holder elects not to exercise the Warrant, this Warrant will expire upon the consummation of such Acquisition. The Company shall provide the Holder with written notice of its request relating to the foregoing (together with such reasonable information as the Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.

(ii) Upon written request of the Company, Holder agrees that, in the event of a stock for stock Acquisition of the Company by a publicly traded acquirer if, on the record date for the Acquisition, the fair market value of the Shares (or other securities issuable upon exercise of this Warrant) is equal to or greater than two (2x) times the Warrant Price, Company may require the Warrant to be deemed automatically exercised and the Holder shall participate in the Acquisition as

a holder of the Shares (or other securities issuable upon exercise of the Warrant) on the same terms as other holders of the same class of securities of the Company.

(iii) Upon the closing of any Acquisition other than those particularly described in subsections (i) or (ii) above, the successor entity shall assume the obligations of the Warrant, and the Warrant shall be exercisable for the same securities, cash, and property as would be payable for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on the record date for the Acquisition and subsequent closing. The Warrant Price and/or number of Shares shall be adjusted accordingly.

(iv) For the purpose of this Warrant, "Acquisition" means any sale, license, or other disposition of all or substantially all of the assets of the Company, or any reorganization, consolidation, or merger of the Company where the holders of the Company's securities before the transaction beneficially own less than 50% of the outstanding voting securities of the surviving entity after the transaction, other than in connection with an initial public offering.

4. Representations and Warranties of Holder and Restrictions on Transfer Imposed by the Securities Act of 1933.

(a) Representations and Warranties by Holder. The Holder represents and warrants to the Company with respect to this purchase as follows:

(i) The Holder has substantial experience in evaluating and investing in private placement transactions of securities of companies similar to the Company so that the Holder is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its interests.

(ii) The Holder is acquiring the Warrant and the Shares of Series A Preferred Stock issuable upon exercise of the Warrant (collectively the "Securities") for investment for its own account and not with a view to, or for resale in connection with, any distribution thereof. The Holder understands that the Securities have not been registered under the Securities Act of 1933, as amended (the "Act") by reason of a specific exemption from the registration provisions of the Act, which depends upon, among other things, the bona fide nature of the investment intent as expressed herein. In this connection, the Holder understands that, in the view of the Securities and Exchange Commission (the "SEC"), the statutory basis for such exemption may be unavailable if this representation was predicated solely upon a present intention to hold the Securities for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Securities or for a period of one year or any other fixed period in the future.

(iii) The Holder acknowledges that the Securities must be held indefinitely unless subsequently registered under the Act or an exemption from such registration is available. The Holder is aware of the provisions of Rule 144 promulgated under the Act ("Rule 144") which permits limited resale of securities purchased in a private placement subject to the satisfaction of certain conditions, including, in case the securities have been held for more than one but less than two years, the existence of a public market for the shares, the availability of certain public

information about the Company, the resale occurring not less than one year after a party has purchased and paid for the security to be sold, the sale being through a "broker's transaction" or in a transaction directly with a "market maker" (as provided by Rule 144(f)) and the number of shares or other securities being sold during any three-month period not exceeding specified limitations.

(iv) The Holder further understands that at the time the Holder wishes to sell the Securities there may be no public market upon which such a sale may be effected, and that even if such a public market exists, the Company may not be satisfying the current public information requirements of Rule 144, and that in such event, the Holder may be precluded from selling the Securities under Rule 144 unless a) a one-year minimum holding period has been satisfied and b) the Holder was not at the time of the sale nor at any time during the three-month period prior to such sale an affiliate of the Company.

(v) The Holder has had an opportunity to discuss the Company's business, management and financial affairs with its management and an opportunity to review the Company's facilities. The Holder understands that such discussions, as well as the written information issued by the Company, were intended to describe the aspects of the Company's business and prospects which it believes to be material but were not necessarily a thorough or exhaustive description.

(b) Legends. Each certificate representing the Securities shall be endorsed with the following legend:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE TRANSFERRED UNLESS COVERED BY AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT, A "NO ACTION" LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION WITH RESPECT TO SUCH TRANSFER, A TRANSFER MEETING THE REQUIREMENTS OF RULE 144 OF THE SECURITIES AND EXCHANGE COMMISSION, OR (IF REASONABLY REQUIRED BY THE COMPANY) AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY SUCH TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

The Company need not enter into its stock register a transfer of Securities unless the conditions specified in the foregoing legend are satisfied. The Company may also instruct its transfer agent not to register the transfer of any of the Shares unless the conditions specified in the foregoing legend are satisfied.

(c) Removal of Legend and Transfer Restrictions. The legend relating to the Act endorsed on a certificate pursuant to paragraph 4(b) of this Warrant and the stop transfer instructions with respect to the Securities represented by such certificate shall be removed and the Company shall issue a certificate without such legend to the Holder of the Securities if (i) the Securities are registered under the Act and a prospectus meeting the requirements of Section 10 of the Act is available or (ii) the Holder provides to the Company an opinion of counsel for the Holder reasonably satisfactory to the Company, or a no-action letter or interpretive opinion of the staff of the SEC reasonably satisfactory to the Company, to the effect that public sale, transfer or assignment of the Securities may be made without registration and without compliance with any restriction such as Rule 144.

5. Condition of Transfer or Exercise of Warrant. It shall be a condition to any transfer or exercise of this Warrant that at the time of such transfer or exercise, the Holder shall provide the Company with a representation in writing that the Holder or transferee is acquiring this Warrant and the shares of Series A Preferred Stock to be issued upon exercise, for investment purposes only and not with a view to any sale or distribution, or will provide the Company with a statement of pertinent facts covering any proposed distribution. As a further condition to any transfer of this Warrant or any or all of the shares of Series A Preferred Stock issuable upon exercise of this Warrant, other than a transfer registered under the Act, the Company must have received a legal opinion, in form and substance satisfactory to the Company and its counsel, reciting the pertinent circumstances surrounding the proposed transfer and stating that such transfer is exempt from the registration and prospectus delivery requirements of the Act. Each certificate evidencing the shares issued upon exercise of the Warrant or upon any transfer of the shares (other than a transfer registered under the Act or any subsequent transfer of shares so registered) shall, at the Company's option, contain a legend in form and substance satisfactory to the Company and its counsel, restricting the transfer of the shares to sales or other dispositions exempt from the requirements of the Act.

As further condition to each transfer, the Holder shall surrender this Warrant to the Company and the transferee shall receive and accept a Warrant, of like tenor and date, executed by the Company.

6. Stock Fully Paid; Reservation of Shares. All Shares which may be issued upon the exercise of the rights represented by this Warrant will, upon issuance, be fully paid and nonassessable, and free from all taxes, liens, and charges with respect to the issue thereof. During the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized, and reserved for issuance upon exercise of the purchase rights evidenced by this Warrant, a sufficient number of shares of its Series A Preferred Stock to provide for the exercise of the rights represented by this Warrant.

7. (a) Adjustment for Certain Events. In the event of changes in the outstanding Series A Preferred Stock by reason of stock dividends, split-ups, recapitalizations, reclassifications, mergers, consolidations, combinations or exchanges of shares, separations, reorganizations, liquidations, or the like, the number and class of shares available under the Warrant in the aggregate and the Warrant Price shall be correspondingly adjusted, as appropriate, by the Board of Directors of the Company. The adjustment shall be such as will give the Holder of this Warrant upon exercise for the same aggregate Warrant Price the total number, class and kind of shares as it would have owned had the Warrant been exercised prior to the event and had it continued to hold such shares until after the event requiring adjustment.

(b) Other Antidilution Protections. Additional antidilution rights applicable to the Series A Preferred Stock purchasable hereunder are as set forth in the Certificate of Incorporation. Such antidilution rights shall not be restated, amended, modified or waived in any manner that is adverse to the Holder hereof and different from other holders of Series A Preferred Stock without the Holder's written consent. The Company shall promptly provide the Holder with any restatement, amendment, modification or waiver of the Certification of Incorporation.

8. Notice of Adjustments. Whenever any Warrant Price shall be adjusted pursuant to Section 7 hereof, the Company shall prepare a certificate signed by its chief financial officer setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the Warrant Price and number of shares issuable upon exercise of the Warrant after giving effect to such adjustment, and shall cause copies of such certificate to be mailed (by certified or registered mail, return receipt required, postage prepaid) within thirty (30) days of such adjustment to the Holder of this Warrant as set forth in Section 19 hereof.

9. "Market Stand-Off" Agreement. Holder hereby agrees that for a period of up to 180 days following the effective date of the first registration statement of the Company covering common stock (or other securities) to be sold on its behalf of the Company in an underwritten public offering, it will not, to the extent requested by the Company and any underwriter, sell or otherwise transfer or dispose of (other than to designees or transferees who agree to be similarly bound) any of the Shares or any other securities of the Company at any time during such period except common stock included in such registration; provided, however, that all officers and directors of the Company who hold securities of the Company or options to acquire securities of the Company and all other persons with registration rights enter into similar agreements.

10. Transferability of Warrant. This Warrant is transferable on the books of the Company at its principal office by the registered Holder hereof upon surrender of this Warrant properly endorsed, subject to compliance with Section 5 and applicable federal and state securities laws. The Company shall issue and deliver to the transferee a new Warrant representing the Warrant so transferred. Upon any partial transfer, the Company will issue and deliver to Holder a new Warrant with respect to the Warrant not so transferred. Holder shall not have any right to transfer any portion of this Warrant to any direct competitor of the Company.

11. Registration Rights. The Company shall use reasonable best efforts to add Holder as a party to that certain Investors' Rights Agreement dated as of October 21, 2003.

12. No Fractional Shares. No fractional share of Series A Preferred Stock will be issued in connection with any exercise hereunder, but in lieu of such fractional share the Company shall make a cash payment therefor upon the basis of the Warrant Price then in effect.

13. Charges, Taxes and Expenses. Issuance of certificates for shares of Series A Preferred Stock upon the exercise of this Warrant shall be made without charge to the Holder for any United States or state of the United States documentary stamp tax or other incidental expense with respect to the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder.

14. No Shareholder Rights Until Exercise. This Warrant does not entitle the Holder hereof to any voting rights or other rights as a shareholder of the Company prior to the exercise hereof.

15. Registry of Warrant. The Company shall maintain a registry showing the name and address of the registered Holder of this Warrant. This Warrant may be surrendered for exchange or

exercise, in accordance with its terms, at such office or agency of the Company, and the Company and Holder shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

16. Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and, in the case of loss, theft, or destruction, of indemnity reasonably satisfactory to it, and, if mutilated, upon surrender and cancellation of this Warrant, the Company will execute and deliver a new Warrant, having terms and conditions substantially identical to this Warrant, in lieu hereof.

17. Miscellaneous.

(a) Issue Date. The provisions of this Warrant shall be construed and shall be given effect in all respect as if it had been issued and delivered by the Company on the date hereof.

(b) Successors. This Warrant shall be binding upon any successors or assigns of the Company.

(c) Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

(d) Headings. The headings used in this Warrant are used for convenience only and are not to be considered in construing or interpreting this Warrant.

(e) Saturdays, Sundays, Holidays. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday or a Sunday or shall be a legal holiday in the Commonwealth of Virginia, then such action may be taken or such right may be exercised on the next succeeding day not a legal holiday.

18. No Impairment. The Company shall not by any action including, without limitation, amending its Sections or certificate of incorporation or by-laws, any reorganization, transfer of assets, consolidation, merger, share exchange dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of the Warrants or impair the ability of the Holder(s) to realize upon the intended economic value hereof, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate to protect the rights of the Holder(s) hereof against impairment. Without limiting the generality of the foregoing, the Company will (a) not increase the par value of any shares of Common Stock issuable upon the exercise of the Warrants above the amount payable therefor upon such exercise, (b) take all such action as may be necessary or appropriate in order that the Company may validly issue fully paid and nonassessable shares of Common Stock upon the exercise of the Warrants, (c) obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof as may be necessary to enable the Company to perform its obligations under the Warrants and (d) not issue any capital stock of any class which is preferred over the Common Stock as to dividends or as to the distribution of assets upon the voluntary or involuntary dissolution, liquidation or winding up of the Company, (e) not

reclassify or convert common stock and (f) not take or permit to be taken any action which would have the effect of shortening the period provided herein for exercise of the Warrants.

19. Addresses. Any notice required or permitted hereunder shall be in writing and shall be mailed by overnight courier, registered or certified mail, return receipt required, and postage pre-paid, or otherwise delivered by hand or by messenger, addressed as set forth below, or at such other address as the Company or the Holder hereof shall have furnished to the other party.

If to the Company:	Nura, Inc. 1124 Columbia Street, Suite 650 Seattle, WA 98104 Attn: Chief Financial Officer
If to the Holder.	Oxford Finance Corporation 133 N. Fairfax Street Alexandria, VA 22314 Attn: Chief Financial Officer

SIGNATURES APPEAR ON NEXT PAGE

IN WITNESS WHEREOF, Nura, Inc., has caused this Warrant to be executed by its officers thereunto duly authorized.

Dated as of April 26, 2005.

NURA, INC.

By: /s/ Jim D. Johnston
Name: Jim D. Johnston
Title: CFO

NOTICE OF EXERCISE

TO: _____
_____
_____

1. The undersigned Warrantholder ("Holder") elects to acquire shares of the Series A Preferred Stock (the "Preferred Stock") of Nura, Inc., (the "Company"), pursuant to the terms of the Stock Purchase Warrant dated April 26, 2005, (the "Warrant").

2. The Holder exercises its rights under the Warrant as set forth below:

( ) The Holder elects to purchase _____ shares of Series A Preferred Stock as provided in Section 3(a), (c) and tenders herewith a check in the amount of $_____ as payment of the purchase price.

( ) The Holder elects to convert the purchase rights into shares of Series A Preferred Stock as provided in Section 3(b), (c) of the Warrant.

3. The Holder surrenders the Warrant with this Notice of Exercise.

4. The Holder represents that it is acquiring the aforesaid shares of Series A Preferred Stock for investment and not with a view to, or for resale in connection with, distribution and that the Holder has no present intention of distributing or reselling the shares.

5. Please issue a certificate representing the shares of the Series A Preferred Stock in the name of the Holder or in such other name as is specified below:

Name: _____
Address: _____
Taxpayer I.D.: _____

Oxford Finance Corporation

By: _____
Name: _____
Title: _____
Date: _____

Exhibit 4.3

OMEROS CORPORATION

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

October 15, 2004

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OMEROS CORPORATION

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

This Amended and Restated Investors' Rights Agreement (this "Agreement") is made as of the 15th day of October, 2004 by and among Omeros Corporation, a Washington corporation (the "Company"), the investors listed on Exhibit A hereto (the "Series E Investors"), H. Raymond Cairncross, Gregory A. Demopulos, M.D., George Kargianis, and Pamela Pierce Palmer, M.D., Ph.D., each of whom is herein referred to as a "Founder," the holders of Series A Preferred Stock of the Company (the "Series A Preferred Stock") listed on Exhibit B hereto (the "Series A Investors"), the holders of Series B Preferred Stock of the Company (the "Series B Preferred Stock") listed on Exhibit C hereto (the "Series B Investors"), the holders of Series C Preferred Stock of the Company (the "Series C Preferred Stock") listed on Exhibit D hereto (the "Series C Investors"), the holders of the Series D Preferred Stock of the Company (the "Series D Preferred Stock") listed on Exhibit E hereto (the "Series D Investors," and together with the Series A Investors, the Series B Investors, the Series C Investors and the Series E Investors, the "Investors"), and the holders of Common Stock of the Company (the "Common Stock") listed on Exhibit F hereto (the "Common Shareholders").

RECITALS

The Company, the Founders, the Common Shareholders and the Investors are parties to the Amended and Restated Investors' Rights Agreement dated as of March 16, 2004, as amended on March 19, 2004 (the "Prior Agreement"). The Company issued and sold to the Series E Investors shares of its Series E Preferred Stock pursuant to the Series E Preferred Stock Purchase Agreement (the "Purchase Agreement") dated March 16, 2004 and Addendum Agreements thereto. A condition to the Series E Investors' obligations under the Purchase Agreement and the Addendum Agreements thereto was that the Company, the Founders, the Common Shareholders and the Investors enter into the Prior Agreement in order to provide the Investors with (i) certain rights to register shares of Common Stock issuable upon conversion of the Preferred Stock held by the Investors, (ii) certain rights to receive or inspect information pertaining to the Company, (iii) a right of first offer with respect to certain issuances by the Company of its securities and (iv) a right of first refusal upon proposed sales of the Company's securities held by the Investors and the Common Shareholders. The Company, the Investors, the Founders and the Common Shareholders each desire to amend and restate the Prior Agreement in its entirety as set forth herein in order to, among other things, provide certain of such rights to additional Investors.

AGREEMENT

The parties hereby agree as follows:

1. **Registration Rights.** The Company and the Investors covenant and agree as follows:

1.1 **Definitions.** For purposes of this Section 1:

(a) The terms "register," "registered," and "registration" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act of 1933, as amended (the "Securities Act"), and the declaration or ordering of effectiveness of such registration statement or document;

(b) The term "Registrable Securities" means (i) the shares of Common Stock issuable or issued upon conversion of the Series A, Series B, Series C, Series D and Series E Preferred Stock, (ii) the shares of Common Stock issued to the Founders (the "Founders' Stock"), *provided*, *however*, that for the purposes of Section 1.2, 1.4 and 1.13 the Founders' Stock shall not be deemed Registrable Securities and the Founders shall not be deemed Holders, and (iii) any other shares of Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares listed in (i) and (ii); *provided*, *however*, that the foregoing definition shall exclude in all cases any Registrable Securities sold by a person in a transaction in which his or her rights under this Agreement are not assigned. Notwithstanding the foregoing, Common Stock or other securities shall only be treated as Registrable Securities if and so long as they have not been (A) sold to or through a broker or dealer or underwriter in a public distribution or a public securities transaction, or (B) sold in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act under Section 4(1) thereof so that all transfer restrictions, and restrictive legends with respect thereto, if any, are removed upon the consummation of such sale;

(c) The number of shares of "Registrable Securities then outstanding" shall be determined by the number of shares of Common Stock outstanding which are, and the number of shares of Common Stock issuable pursuant to then exercisable or convertible securities which are, Registrable Securities;

(d) The term "Holder" means any person owning or having the right to acquire Registrable Securities or any assignee thereof in accordance with Section 1.12 of this Agreement;

(e) The term "Form S-3" means such form under the Securities Act as in effect on the date hereof or any successor form under the Securities Act;

(f) The term "SEC" means the Securities and Exchange Commission; and

(g) The term "Qualified IPO" means a firm commitment underwritten public offering by the Company of shares of its Common Stock pursuant to a registration statement under the Securities Act, which results in aggregate gross proceeds to the Company of at least $10,000,000.

1.2 **Request for Registration.**

(a) If the Company shall receive at any time after the earlier of (i) three (3) years after the Closing (as defined in the Purchase Agreement) or (ii) six (6) months after the effective date of the first registration statement for a public offering of securities of the Company (other than a registration statement relating either to the sale of securities to employees of the Company pursuant to a stock option, stock purchase or similar plan or an SEC Rule 145 transaction), a written request from the Holders of at least thirty percent (30%) of the Registrable Securities then outstanding that the Company file a registration statement under the Securities Act covering the registration of Registrable Securities with an anticipated aggregate gross offering price in excess of $10,000,000, then the Company shall, within ten (10) days of the receipt thereof, give written notice of such request to all Holders and shall, subject to the limitations of subsection 1.2(b), use its best efforts to effect as soon as practicable, and in any event within 60 days of the receipt of such request, the registration under the Securities Act of all Registrable Securities which the Holders request to be registered within twenty (20) days of the mailing of such notice by the Company in accordance with Section 4.3.

(b) If the Holders initiating the registration request hereunder ("Initiating Holders") intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 1.2 and the Company shall include such information in the written notice referred to in subsection 1.2(a). The underwriter will be selected by a majority in interest of the Initiating Holders and shall be reasonably acceptable to the Company. In such event, the right of any Holder to include his Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in subsection 1.5(e)) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting. Notwithstanding any other provision of this Section 1.2, if the underwriter advises the Initiating Holders in writing that marketing factors require a limitation of the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares of Registrable Securities that may be included in the underwriting shall be allocated among all Holders thereof, including the Initiating Holders, in proportion (as nearly as practicable) to the amount of Registrable Securities of the Company owned by each Holder; ***provided***, ***however***, that the number of shares of Registrable Securities to be included in such underwriting shall not be reduced unless all other securities are first entirely excluded from the underwriting.

(c) Notwithstanding the foregoing, if the Company shall furnish to Holders requesting a registration statement pursuant to this Section 1.2 a certificate signed by the President of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its shareholders for such registration statement to be filed and it is therefore essential to defer the filing of such registration statement, the Company shall have the right to defer such filing for a period of not more than 120 days after receipt of the request of the Initiating Holders; ***provided***, ***however***, that the Company may not utilize this right more than once in any twelve-month period.

(d) In addition, the Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to this Section 1.2:

(i) After the Company has effected one (1) registration pursuant to this Section 1.2 and such registration has been declared or ordered effective;

(ii) During the period starting with the date sixty (60) days prior to the Company's good faith estimate of the date of filing of, and ending on a date one hundred eighty (180) days after the effective date of, a registration subject to Section 1.3 hereof; ***provided*** that the Company is actively employing in good faith all reasonable efforts to cause such registration statement to become effective; or

(iii) If the Initiating Holders propose to dispose of shares of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made pursuant to Section 1.4 below.

1.3 **Company Registration.** If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for shareholders other than the Holders) any of its stock under the Securities Act in connection with the public offering of such securities solely for cash (other than a registration relating solely to the sale of securities to participants in a Company stock plan or a transaction covered by Rule 145 under the Securities Act, a registration in which the only stock being registered is Common Stock issuable upon conversion of debt securities which are also being registered, or any registration on any form which does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities), the Company shall, at such time, promptly give each Holder written notice of such registration. Upon the written request of each Holder given within twenty (20) days after mailing of such notice by the Company in accordance with Section 4.3, the Company shall, subject to the provisions of Section 1.8, cause to be registered under the Securities Act all of the Registrable Securities that each such Holder has requested to be registered.

1.4 **Form S-3 Registration.** In case the Company shall receive from any Holder or Holders of not less than twenty percent (20%) of the Registrable Securities then outstanding a written request or requests that the Company effect a registration on Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within 15 days after receipt of such written notice from the Company; ***provided***, ***however***, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this Section 1.4: (i) if Form S-3 is not available for such offering by the Holders; (ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public (net of any underwriters' discounts or commissions) of less than $2,500,000; (iii) if the Company shall furnish to the Holders a certificate signed by the President of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its shareholders for such Form S-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than 120 days after receipt of the request of the Holder or Holders under this Section 1.4; ***provided***, ***however***, that the Company shall not utilize this right more than once in any twelve month period; (iv) if the Company has, within the twelve (12) month period preceding the date of such request, already effected one (1) registration on Form S-3 for the Holders pursuant to this Section 1.4; (v) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance; or (vi) during the period ending one hundred eighty (180) days after the effective date of a registration statement subject to Section 1.3.

(c) Subject to the foregoing, the Company shall file a registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders. Registrations effected pursuant to this Section 1.4 shall not be counted as demands for registration or registrations effected pursuant to Sections 1.2 or 1.3, respectively.

1.5 **Obligations of the Company.** Whenever required under this Section 1 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to one hundred twenty (120) days. The Company shall not be required to file, cause to become effective or maintain the effectiveness of any registration statement that contemplates a distribution of securities on a delayed or continuous basis pursuant to Rule 415 under the Securities Act.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement for up to one hundred twenty (120) days.

(c) Furnish to the Holders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders; *provided* that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances, such obligation to continue for so long as the Company is obligated to maintain the effectiveness of such registration statement.

(g) Cause all such Registrable Securities registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed.

(h) Provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration.

(i) Use its best efforts to furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to this Section 1, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Section 1, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the

underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a letter dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

1.6 **Furnish Information.** It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 1 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Holder's Registrable Securities. The Company shall have no obligation with respect to any registration requested pursuant to Section 1.2 or Section 1.4 of this Agreement if, as a result of the application of the preceding sentence, the number of shares or the anticipated aggregate offering price of the Registrable Securities to be included in the registration does not equal or exceed the number of shares or the anticipated aggregate offering price required to originally trigger the Company's obligation to initiate such registration as specified in subsection 1.2(a) or subsection 1.4(b)(ii), whichever is applicable.

1.7 **Expenses of Registration.**

(a) **Demand Registration.** All expenses other than underwriting discounts and commissions incurred in connection with registrations, filings or qualifications pursuant to Section 1.2, including (without limitation) all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company, and the reasonable fees and disbursements of one counsel for the selling Holders selected by them with the approval of the Company, which approval shall not be unreasonably withheld, shall be borne by the Company; *provided*, *however*, that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 1.2 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all participating Holders shall bear such expenses), unless the Holders of a majority of the Registrable Securities agree to forfeit their right to one demand registration pursuant to Section 1.2; *provided*, *however*, that if at the time of such withdrawal, the Holders have learned of a material adverse change in the condition, business, or prospects of the Company from that known to the Holders at the time of their request and have withdrawn the request with reasonable promptness following disclosure by the Company of such material adverse change, then the Holders shall not be required to pay any of such expenses and shall retain their rights pursuant to Section 1.2.

(b) **Company Registration.** All expenses other than underwriting discounts and commissions incurred in connection with registrations, filings or qualifications of Registrable Securities pursuant to Section 1.3 for each Holder (which right may be assigned as provided in Section 1.12), including (without limitation) all registration, filing, and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company and the reasonable fees and disbursements of one counsel for the selling Holder or Holders selected by

them with the approval of the Company, which approval shall not be unreasonably withheld, shall be borne by the Company.

(c) **Registration on Form S-3.** All expenses incurred in connection with a registration requested pursuant to Section 1.4, including (without limitation) all registration, filing, qualification, printers' and accounting fees and the reasonable fees and disbursements of one counsel for the selling Holder or Holders selected by them with the approval of the Company, which approval shall not be unreasonably withheld, and counsel for the Company, but not including any underwriters' discounts or commissions associated with Registrable Securities, shall be borne by the Company.

1.8 **Underwriting Requirements.** In connection with any offering involving an underwriting of shares of the Company's capital stock, the Company shall not be required under Section 1.3 to include any of the Holders' securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by it (or by other persons entitled to select the underwriters), and then only in such quantity as the underwriters determine in their sole discretion will not jeopardize the success of the offering by the Company. If the total amount of securities, including Registrable Securities, requested by shareholders to be included in such offering exceeds the amount of securities sold other than by the Company that the underwriters determine in their sole discretion is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters determine in their sole discretion will not jeopardize the success of the offering (the securities so included to be apportioned pro rata among the selling shareholders according to the total amount of securities entitled to be included therein owned by each selling shareholder or in such other proportions as shall mutually be agreed to by such selling shareholders), but in no event shall (i) any shares being sold by a shareholder exercising a demand registration right similar to that granted in Section 1.2 be excluded from such offering, (ii) the amount of securities of the selling Holders of Preferred Stock included in the offering be reduced below thirty percent (30%) of the total amount of securities included in such offering, unless such offering is the initial public offering of the Company's securities, in which case (except as provided in (i) above) the selling shareholders may be excluded entirely if the underwriters make the determination described above and no other shareholder's securities are included or (iii) any securities held by a Founder be included if any securities held by any selling Holder are excluded. For purposes of the preceding parenthetical concerning apportionment, for any selling shareholder which is a holder of Registrable Securities and which is a partnership or corporation, the partners, retired partners and shareholders of such holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "selling shareholder," and any pro-rata reduction with respect to such "selling shareholder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "selling shareholder," as defined in this sentence.

1.9 **Delay of Registration.** No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 1.

1.10 **Indemnification.** In the event any Registrable Securities are included in a registration statement under this Section 1:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, officers, directors and shareholders of each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law; and the Company will pay to each such Holder, underwriter or controlling person, as incurred, any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action; *provided*, *however*, that the indemnity agreement contained in this subsection 1.10(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable to any Holder, underwriter, controlling person or other aforementioned person for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, underwriter, controlling person or other aforementioned person.

(b) To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter, any other Holder selling securities in such registration statement and any controlling person of any such underwriter or other Holder, against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for

use in connection with such registration; and each such Holder will pay, as incurred, any legal or other expenses reasonably incurred by any person intended to be indemnified pursuant to this subsection 1.10(b), in connection with investigating or defending any such loss, claim, damage, liability, or action; ***provided***, ***however***, that the indemnity agreement contained in this subsection 1.10(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; ***provided***, that in no event shall any indemnity under this subsection 1.10(b) exceed the net proceeds from the offering received by such Holder, except in the case of willful fraud by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 1.10 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 1.10, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; ***provided***, ***however***, that an indemnified party (together with all other indemnified parties which may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the reasonable fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 1.10, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 1.10.

(d) If the indemnification provided for in this Section 1.10 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage, or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense as well as any other relevant equitable considerations; ***provided*** that in no event shall any contribution by a Holder under this subsection 1.10(d) exceed the net proceeds from the offering received by such Holder, except in the case of willful fraud by such Holder. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) The obligations of the Company and Holders under this Section 1.10 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 1, and otherwise.

1.11 **Reports Under Securities Exchange Act of 1934.** With a view to making available to the Holders the benefits of Rule 144 promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times after ninety (90) days after the effective date of the first registration statement filed by the Company for the offering of its securities to the general public so long as the Company remains subject to the periodic reporting requirements under Sections 13 or 15(d) of the Exchange Act;

(b) take such action, including the voluntary registration of its Common Stock under Section 12 of the Exchange Act, as is necessary to enable the Holders to utilize Form S-3 for the sale of their Registrable Securities, such action to be taken as soon as practicable after the end of the fiscal year in which the first registration statement filed by the Company for the offering of its securities to the general public is declared effective;

(c) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(d) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after ninety (90) days after the effective date of the first registration statement filed by the Company), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form.

1.12 **Assignment of Registration Rights.** The rights to cause the Company to register Registrable Securities pursuant to this Section 1 may be assigned (but only with all related obligations) by a Holder to a transferee or assignee of such securities that (i) is a subsidiary, parent, partner, limited partner, retired partner or shareholder of a Holder; (ii) is a

Holder's family member or trust for the benefit of an individual Holder; or (iii) after such assignment or transfer, holds at least 200,000 shares of such securities, ***provided*** the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; and ***provided***, ***further***, that such assignment shall be effective only if immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Securities Act. For the purposes of determining the number of shares of Registrable Securities held by a transferee or assignee, the holdings of transferees and assignees of a partnership who are partners or retired partners of such partnership (including spouses and ancestors, lineal descendants and siblings of such partners or spouses who acquire Registrable Securities by gift, will or intestate succession) shall be aggregated together and with the partnership; ***provided*** that all assignees and transferees who would not qualify individually for assignment of registration rights shall have a single attorney-in-fact for the purpose of exercising any rights, receiving notices or taking any action under Section 1.

1.13 **Limitations on Subsequent Registration Rights**. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the outstanding Registrable Securities (except as otherwise provided in Section 4.2 hereof), enter into any agreement with any holder or prospective holder of any securities of the Company which would allow such holder or prospective holder (a) to include such securities in any registration filed under Section 1.2 hereof, unless under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of his securities will not reduce the amount of the Registrable Securities of the Holders which is included or (b) to make a demand for registration of such securities.

1.14 **"Market Stand-Off" Agreement**. Each Holder, Founder, Investor and Common Shareholder (collectively, the "Shareholders") hereby agrees that, during the period of duration (up to, but not exceeding, 180 days) specified by the Company and an underwriter of Common Stock or other securities of the Company, following the effective date of a registration statement of the Company filed under the Securities Act, it shall not, to the extent requested by the Company and such underwriter, directly or indirectly sell, offer to sell, contract to sell (including, without limitation, any short sale), grant any option to purchase or otherwise transfer or dispose of (other than to donees who agree to be similarly bound) any securities of the Company held by it at any time during such period except Common Stock included in such registration; ***provided***, ***however***, that:

(a) such agreement shall be applicable only to the first such registration statement of the Company which covers Common Stock (or other securities) to be sold on its behalf to the public in an underwritten offering; and

(b) all officers and directors of the Company, all one-percent or greater securityholders, and all other persons with registration rights (whether or not pursuant to this Agreement) enter into similar agreements.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Registrable Securities of each Shareholder (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period, and each Shareholder agrees that, if so requested, such Shareholder will execute an agreement in the form provided by the underwriter containing terms which are essentially consistent with the provisions of this Section 1.14.

Notwithstanding the foregoing, the obligations described in this Section 1.14 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms which may be promulgated in the future, or a registration relating solely to an SEC Rule 145 transaction on Form S-4 or similar forms which may be promulgated in the future.

1.15 **Termination of Registration Rights.** No Holder shall be entitled to exercise any right provided for in this Section 1 after the earlier of (i) five (5) years following the consummation of a Qualified IPO, or (ii) such time as Rule 144 or another similar exemption under the Securities Act is available for the sale of all of such Holder's shares during a consecutive three (3)-month period without registration.

2. **Covenants of the Company.**

2.1 **Delivery of Financial Statements.** The Company shall deliver to each Holder of at least 200,000 shares of Registrable Securities (other than a Holder reasonably deemed by the Company to be a competitor of the Company):

(a) as soon as practicable, but in any event within ninety (90) days after the end of each fiscal year of the Company, an income statement for such fiscal year, a balance sheet of the Company and statement of shareholder's equity as of the end of such year, and a statement of cash flows for such year, such year-end financial reports to be in reasonable detail, prepared in accordance with generally accepted accounting principles ("GAAP"), and audited and certified by an independent public accounting firm of nationally recognized standing selected by the Company;

(b) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, an unaudited profit or loss statement, a statement of cash flows for such fiscal quarter and an unaudited balance sheet as of the end of such fiscal quarter; and

(d) as soon as practicable, but in any event thirty (30) days prior to the end of each fiscal year, a budget and business plan for the next fiscal year, prepared on a quarterly basis, and, as soon as prepared, any other budgets or revised budgets prepared by the Company.

2.2 **Inspection.** The Company shall permit each Holder of at least 200,000 shares of Registrable Securities (except for a Holder reasonably deemed by the Company to be a

competitor of the Company), at such Holder's expense, to visit and inspect the Company's properties, to examine its books of account and records and to discuss the Company's affairs, finances and accounts with its officers, all at such reasonable times as may be requested by the Investor; ***provided***, ***however***, that the Company shall not be obligated pursuant to this Section 2.2 to provide access to any information which it reasonably considers to be a trade secret or similar confidential information.

2.3 **Right of First Offer.** Subject to the terms and conditions specified in this Section 2.3, the Company hereby grants to each Major Investor (as hereinafter defined) a right of first offer with respect to future sales by the Company of its Shares (as hereinafter defined). For purposes of this Section 2.3, a "Major Investor" shall mean any person who holds at least 200,000 shares of Series B, Series C, Series D and/or Series E Preferred Stock (or Common Stock issued upon conversion of such shares of Series B, Series C, Series D and/or Series E Preferred Stock), as adjusted for stock dividends, stock splits, reclassifications and the like. For purposes of this Section 2.3, Major Investor includes any general partners and affiliates of a Major Investor. A Major Investor that chooses to exercise the right of first offer may designate as purchasers under such right itself or its partners or affiliates in such proportions as it deems appropriate.

Each time the Company proposes to offer any shares of, or securities convertible into or exercisable for any shares of, any class of its capital stock (for purposes of this Section 2.3, the "Shares"), the Company shall first make an offering of such Shares to each Major Investor in accordance with the following provisions:

(a) The Company shall deliver a notice by certified mail ("Notice") to the Major Investors stating (i) its bona fide intention to offer such Shares, (ii) the number of such Shares to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such Shares.

(b) Within 15 calendar days after delivery of the Notice, the Major Investor may elect to purchase or obtain, at the price and on the terms specified in the Notice, up to that portion of such Shares which equals the proportion that the number of shares of Common Stock issued and held, or issuable upon conversion and exercise of all convertible or exercisable securities then held, by such Major Investor bears to the total number of shares of Common Stock then outstanding (assuming full conversion and exercise of all convertible securities, warrants or options). The Company shall promptly, in writing, inform each Major Investor that purchases all the shares available to it (each, a "Fully-Exercising Investor") of any other Major Investor's failure to do likewise. During the ten (10)-day period commencing after receipt of such information, each Fully-Exercising Investor shall be entitled to obtain that portion of the Shares for which Major Investors were entitled to subscribe but which were not subscribed for by the Major Investors that is equal to the proportion that the number of shares of Common Stock issued and held, or issuable upon conversion and exercise of all convertible or exercisable securities then held, by such Fully-Exercising Investor bears to the total number of shares of Common Stock then outstanding (assuming full conversion and exercise of all convertible or exercisable securities, warrants or options).

(c) The Company may, during the 45-day period following the expiration of the period provided in subsection 2.3(b) hereof, offer the remaining unsubscribed portion of the Shares to any person or persons at a price not less than, and upon terms no more favorable to the offeree than those specified in the Notice. If the Company does not enter into an agreement for the sale of the Shares within such period, or if such agreement is not consummated within 60 days of the execution thereof, the right provided hereunder shall be deemed to be revived and such Shares shall not be offered unless first reoffered to the Major Investors in accordance herewith.

(d) The right of first offer in this paragraph 2.3 shall not be applicable (i) to the issuance or sale of shares of Common Stock (or options therefor) to employees, officers, consultants and directors, vendors or others with whom the Company conducts business pursuant to a stock option plan or restricted stock plan approved by the Board of Directors for the primary purpose of soliciting or retaining their services, (ii) to or after consummation of a Qualified IPO, (iii) to the issuance of securities pursuant to the conversion or exercise of convertible or exercisable securities, (iv) to the issuance of securities in connection with a bona fide business acquisition of or by the Company, whether by merger, consolidation, sale of assets, sale or exchange of stock or otherwise, or similar transaction, the terms of which are approved by the Board of Directors of the Company, (v) to the issuance of securities to financial institutions or lessors in connection with commercial credit arrangements, equipment financings, or similar transactions, or that are for other than primarily equity financing purposes, (vi) to the issuance or sale of the Series E Preferred Stock or warrants to purchase the Series E Preferred Stock, (vii) to the issuance of securities that, with unanimous approval of the Board of Directors of the Company, are not offered to any existing shareholder of the Company, or (viii) to the issuance of securities in connection with a transaction approved by the Board of Directors of the Company to an entity as a component of a business relationship with such entity also involving material manufacturing, marketing, distribution, product development and/or technology licensing arrangements. In addition to the foregoing, the right of first offer in this paragraph 2.3 shall not be applicable with respect to any Investor and any subsequent securities issuance, if (i) at the time of such subsequent securities issuance, the Investor is not an "accredited investor," as that term is then defined in Rule 501(a) under the Securities Act, and (ii) such subsequent securities issuance is otherwise being offered only to accredited investors.

2.4 **Termination of Covenants.**

(a) The covenants set forth in Sections 2.1 through Section 2.3 shall terminate as to each Holder and be of no further force or effect (i) immediately prior to the closing of a Qualified IPO, or (ii) when the Company shall sell, convey, or otherwise dispose of or encumber all or substantially all of its property or business or merge into or consolidate with any other corporation (other than a wholly-owned subsidiary corporation) or effect any other transaction or series of related transactions in which more than fifty percent (50%) of the voting power of the Company is disposed of, *provided* that this subsection (ii) shall not apply to a merger effected exclusively for the purpose of changing the domicile of the Corporation.

(b) The covenants set forth in Sections 2.1 and 2.2 shall terminate as to each Holder and be of no further force or effect when the Company first becomes subject to

the periodic reporting requirements of Sections 13 or 15(d) of the Exchange Act, if this occurs earlier than the events described in Section 2.4(a).

3. **Restrictions on Transfer**.

3.1 **Notice of Sales; Right of First Refusal.**

(a) Should any Shareholder propose to accept one or more bona fide offers (collectively, a "Purchase Offer") from any person(s) or entity(ies) to purchase any shares of the Company's capital stock or portions thereof held by such Shareholder (for purposes of this Section 3, the "Shares") (other than as set forth in Section 3.4 hereof), such Shareholder shall promptly deliver a notice (the "Notice") to the Company stating the terms and conditions of such Purchase Offer including, without limitation, the number of shares of the Company's capital stock to be sold or transferred, the nature of such sale or transfer, the consideration to be paid, and the name and address of each prospective purchaser or transferee. The Company shall then have the right, exercisable by notice to the selling Shareholder within thirty (30) days after receipt of the Notice (the "Initial Company Refusal Period"), to exercise a first right to purchase all or a portion of such Shares (the "Initial Company Right of First Refusal") on the same terms and conditions as described in the Notice.

(b) If the Company does not exercise the Initial Company Right of First Refusal in full and the sale of the Shares by such Shareholder has been approved by a two-thirds majority of the Board of Directors of the Company pursuant to Section 3.3 hereof, then promptly after the expiration of the Initial Company Refusal Period, the Company shall send a written notice, which notice shall include the Notice from the selling Shareholder (together the "Second Notice"), to each Investor stating that the Company has chosen not to exercise, in full or in part, the Initial Company Right of First Refusal. The Company shall then have the right, exercisable by notice to the selling Shareholder within thirty (30) days after the date of the Second Notice (the "Subsequent Company Refusal Period"), to exercise a first right to purchase all or a portion of such Shares (the "Subsequent Company Right of First Refusal") on the same terms and conditions as described in the Notice. Each Investor shall have the secondary right, subject to the Subsequent Company Right of First Refusal, exercisable by notice to the selling Shareholder and to the Company within twenty (20) days after the Second Notice (the "Refusal Period"), to exercise a right to purchase such Shares not purchased by the Company (the "Right of First Refusal") on the same terms and conditions as described in the Notice and on a pro rata basis, based upon the number of shares of Common Stock issued and held, or issuable upon conversion and exercise of all convertible or exercisable securities then held, by such Investor relative to the aggregate number of shares of Common Stock issued and held, or issuable upon conversion and exercise of all convertible or exercisable securities then held, by all Investors; *provided* that if fewer than all Investors elect to participate, the Shares that would otherwise be allocated to non-participating Investors shall be allocated to each participating Investor in a manner such that each participating Investor is entitled to purchase at least such Investor's pro rata portion of such unallocated or such different number of Shares as the participating Investors shall mutually agree. Upon expiration of the Subsequent Company Refusal Period, the Company will provide notice to all Investors as to whether or not the Subsequent Company Right of First

Refusal has been exercised by the Company, and to the extent that it has not, as to whether or not the Right of First Refusal has been exercised by one or more of the Investors.

3.2 **Failure to Exercise.** The failure by the Company or an Investor to exercise the rights under Section 3.1 or Section 3.3 to purchase any portion of Shares in a sale of Shares made by a Shareholder shall not affect the Company's or such Investor's rights to purchase any portion of Shares in subsequent sales of Shares by any Shareholder.

3.3 **No Transfers without Board Approval.** Except for transfers to the Company pursuant to Section 3.1 and except as permitted pursuant to Section 3.4, no Shareholder may transfer any shares of capital stock of the Company (including without limitation to Investors pursuant to Section 3.1(b)) without first obtaining the written consent to such transfer from a two-thirds majority of the Company's Board of Directors, such two-thirds majority in its good faith judgment, having determined that such transfer would not be detrimental to the interests of the Company and its shareholders. In addition, as a condition precedent to any such transfer, the transferee must agree in writing to be bound by the terms of this Section 3.3 as if such transferee were a Shareholder under this Section 3.3, and to be bound by all other provisions of this Agreement applicable to the transferor.

3.4 **Permitted Transactions.** The provisions of Section 3.1 and Section 3.3 of this Agreement shall not pertain or apply to:

(a) any pledge of the Company's capital stock made by a Shareholder pursuant to a bona fide loan transaction which creates a mere security interest;

(b) any bona fide gift;

(c) any transfer to a Shareholder's ancestors, descendants or spouse or to a trust for their benefit;

(d) any sale or transfer of shares of Common Stock among the Shareholders;

(e) any sale or transfer by a Shareholder of up to 5% of the total number of shares of Common Stock held by such Shareholder on the date of this Agreement in any twelve-month period; *provided* that the pledgee, transferee or donee (collectively, the "Permitted Transferees") shall furnish the other Shareholders with a written agreement to be bound by and comply with all provisions of this Agreement applicable to the Shareholders; or

(f) any transfer by a Shareholder that is a partnership to a partner of such partnership or a retired partner of such partnership who retires after the date hereof, or to the estate of any such partner or retired partner or the transfer by gift, will or intestate succession of any partner to his or her spouse or to the siblings, lineal descendants or ancestors of such partner or his or her spouse.

3.5 **Prohibited Transfers.** Any attempt by a Shareholder to transfer shares of the Company in violation of Section 3 hereof shall be void, and the Company agrees it will not effect such a transfer nor will it treat any alleged transferee as the holder of such shares without the written consent of the holders of a two-thirds majority of the Shareholders, voting as a single class on a fully diluted, as-converted basis, and the written consent of a two-thirds majority of the Board of Directors of the Company.

3.6 **Legended Certificates.** Each certificate representing shares of the Series A, Series B, Series C, Series D and Series E Preferred Stock and Common Stock now owned by the Shareholders or issued to any Permitted Transferee pursuant to Section 3.4 shall bear the following legend:

"THE SALE, PLEDGE, HYPOTHECATION OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF A CERTAIN RESTRICTIONS AGREEMENT BY AND BETWEEN THE SHAREHOLDER, THE CORPORATION AND CERTAIN HOLDERS OF COMMON AND PREFERRED STOCK OF THE CORPORATION. COPIES OF SUCH AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE CORPORATION."

The foregoing legend shall be removed upon termination of this Agreement in accordance with the provisions of Section 3.7.

3.7 **Termination.** The obligations and restrictions contained in this Section 3 shall terminate upon the earliest to occur of any one of the following events (and shall not apply to any transfer by a Shareholder in connection with any such event):

(a) the liquidation, dissolution or indefinite cessation of the business operations of the Company;

(b) the execution by the Company of a general assignment for the benefit of creditors or the appointment of a receiver or trustee to take possession of the property and assets of the Company;

(c) the consummation of a Qualified IPO; or

(d) the sale, conveyance, disposal, or encumbrance of all or substantially all of the Company's property or business or the Company's merger into or consolidation with any other corporation (other than a wholly-owned subsidiary corporation) or if the Company effects any other transaction or series of related transactions in which more than fifty percent (50%) of the voting power of the Company is disposed of; *provided* that this Section 3.7(d) shall not apply to a merger effected exclusively for the purpose of changing the domicile of the Company.

4. **Miscellaneous.**

4.1 **Successors and Assigns.** Except as otherwise provided in this Agreement, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective permitted successors and assigns of the parties (including transferees of any of the Preferred Stock or any Common Stock issued upon conversion thereof). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

4.2 **Amendments and Waivers.** Any term of this Agreement may be amended or waived only with the written consent of the Company and the holders of a majority of the Registrable Securities then outstanding, not including the Founders' Stock; *provided* that if such amendment has the effect of affecting the Founders' Stock (i) in a manner different than securities issued to the Investors and (ii) in a manner adverse to the interests of the holders of the Founders' Stock, then such amendment shall require the consent of the holder or holders of a majority of the Founders' Stock. Notwithstanding the foregoing, subsequent Purchasers (as defined under the Purchase Agreement) of the Company's Series E Preferred Stock under the Purchase Agreement or any Addendum Agreement thereto will be added as a party to this Agreement as an Investor without having to obtain the consents set forth above and shall be bound by and entitled to the terms, benefits and conditions herein by the execution and delivery of a signature page to this Agreement. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any Registrable Securities then outstanding, each future holder of all such Registrable Securities, and the Company.

4.3 **Notices.** Unless otherwise provided, any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon delivery, when delivered personally or by overnight courier or sent by telegram or fax with electronic confirmation received, or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party's address or fax number as set forth on the signature page or Exhibits hereto or as subsequently modified by written notice.

4.4 **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision shall be excluded from this Agreement, (b) the balance of this Agreement shall be interpreted as if such provision were so excluded and (c) the balance of this Agreement shall be enforceable in accordance with its terms.

4.5 **Governing Law.** This Agreement and all acts and transactions pursuant hereto shall be governed, construed and interpreted in accordance with the laws of the State of Washington, without giving effect to principles of conflicts of laws.

4.6 **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

4.7 **Titles and Subtitles.** The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

4.8 **Aggregation of Stock.** All shares of the Preferred Stock held or acquired by affiliated entities or persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

4.9 **Entire Agreement.** This Agreement (including the Exhibits hereto, if any) constitutes the entire understanding among the parties with regard to the subjects hereof and thereof.

4.10 **Telecopy Execution and Delivery**. A facsimile, telecopy or other reproduction of this Agreement may be executed by one or more parties hereto, and an executed copy of this Agreement may be delivered by one or more parties hereto by facsimile or similar electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes. At the request of any party hereto, all parties hereto agree to execute an original of this Agreement as well as any facsimile, telecopy or other reproduction hereof.

4.11 **Arbitration**. The parties agree to attempt in good faith to negotiate a settlement of any and all controversies, claims, or disputes arising out of, relating to, or resulting from this Agreement. If, after such good faith negotiation, the parties are not able to reach a settlement, any and all of such controversies, claims, or disputes arising out of, relating to, or resulting from this Agreement shall be subject to binding arbitration. Such arbitration shall take place in Seattle, Washington and will be administered by the American Arbitration Association ("AAA") in accordance with its Rules for the Resolution of Commercial Disputes. The parties agree that the arbitrator shall have the power to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication and motions to dismiss and demurrers, prior to any arbitration hearing. The parties also agree that the arbitrator shall have the power to award any remedies, including attorneys' fees and costs, available under applicable law, provided that the prevailing party in any arbitration shall be entitled to its reasonable attorneys fees and costs. The decision of the arbitrator shall be in writing.

Arbitration shall be the sole, exclusive and final remedy for any dispute under this Agreement and the decision of the arbitrator may be entered by a party in any court or forum, state or federal, being of competent jurisdiction. Accordingly, no party will be permitted to pursue court action regarding this Agreement except as expressly permitted in the preceding sentence. Notwithstanding the foregoing, each party retains the right to seek injunctive relief to prevent a breach, threatened breach or continuing breach of this Agreement that would cause irreparable injury to such party.

4.12 **Termination and Supersession**. This Agreement replaces and supersedes the Prior Agreement, and the Prior Agreement is hereby terminated.

[*Signature Page Follows*]

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

COMPANY:

OMEROS CORPORATION

By: /s/ Gregory A. Demopulos
Gregory A. Demopulos, M.D.
Chairman of the Board, President and
Chief Executive Officer

Address: 1420 Fifth Ave., Suite 2600 Seattle, WA 98101

Fax: (206) 264-7856

SIGNATURE PAGE TO OMEROS CORPORATION'S
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

SERIES E INVESTOR:

_____
(Investor)

By: _____
Name: _____
(print)
Title: _____
(if applicable)
Address:

Fax:

SIGNATURE PAGE TO OMEROS CORPORATION'S
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

FOUNDERS:

H. Raymond Cairncross

Address:

Fax:

/s/ Gregory A. Demopulos
Gregory A. Demopulos, M.D.

Address:

Fax:

George Kargianis

Address:

Fax:

Pamela Pierce Palmer, M.D., Ph.D.

Address:

Fax:

SIGNATURE PAGE TO OMEROS CORPORATION'S
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

SERIES A INVESTOR:

_____
(Investor)

By: _____
Name: _____
(print)
Title: _____

Address:

Fax:

SIGNATURE PAGE TO OMEROS CORPORATION'S
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

SERIES B INVESTOR:

_____
(Investor)

By: _____
Name: _____
(print)
Title: _____

Address:

Fax:

SIGNATURE PAGE TO OMEROS CORPORATION'S
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

SERIES C INVESTOR:

_____
(Investor)

By: _____
Name: _____
(print)
Title: _____

Address:

Fax:

SIGNATURE PAGE TO OMEROS CORPORATION'S
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

SERIES D INVESTOR:

_____

(Investor)

By: _____

Name: _____

(print)

Title: _____

Address:

Fax:

SIGNATURE PAGE TO OMEROS CORPORATION'S
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

COMMON SHAREHOLDER:

/s/ Gregory A. Demopulos
(Common Shareholder)

By: _____

Name: _____
(print)

Title: _____

Address:

Fax:

SIGNATURE PAGE TO OMEROS CORPORATION'S
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

Exhibit A

SERIES E INVESTORS

Marie Stanislaw and Steve Abel

Charles L. Anderson

Dean E. and Lynda M. Anderson JTWROS

Richard W. Anderson

Charles C. Andonian

Andonian Family GST Trust

Martin Andrews

Robert M. Arnold

William and Sylvia Bailey

David H. and Jean Barber

Larry L. Barokas

Alan Bartelheimer

Robert and Alice Bender

Thad Berger

William Blum

Stephen K. Boone

BPEF 2 Omeros Partners, LP

Harold D. Brown

Frederick S. & Jane H. Buckner

Christine Buecker IRA Charles Schwab & Co., Inc. Cust.

John Burgess

Mark Callaghan

Cheve Famille LLC

Chicago Private Investments, Inc.

Ching Defined Benefit Pension Plan

Ching Revocable Trust

Jeff & Janee Christianson

Delores Christianson

Ivan Christianson

CIBC Trust Company (Bahamas) Limited as Trustee of T-2100

Alan and Margaret Cornell

Dale E. Cowles

Bennett and Shirley LaFollette Cozadd

R. Michael Creighton

Critchfield Investment Partners, L.P.

Brian Crynes

Robert Curley

Jann Curley

Michael and Martha Davidson

Harold L. and Pride E. Davies

Patrick Day

M.R. de Carvalho

Delaware Charter Guarantee & Trust Co., Trustee FBO, Jeff Esfeld/Roth IRA

Dennis Shay Co. Profit Sharing Trust

Moss Adams LLP DEF BEN PEN PL #95 U/A DTD 1/31/89, Edward C. Drosdick, TTEE

Richard R. and Marilyn B. Dunn

Richard M. Elkus

Steven and Pauline Elliott

Kevin Elliott

Ruth and John Fay

Robert Feldman

First Washington PSP, DTD 7/1/84 FBO Philip F. Frank Jr., Philip F. Frank Jr. Trustee

Drew & Kristin Fletcher

Barbara R. and Robert M. Frayn, Jr.

Frederick Goldberg Family, LLC

Stuart Fuchs IRA

Gary and Della Furukawa

Michael Gano

Eduardo Garcia & Jane Hoerig

Gretchen Garth

Bill and Lindy Gaylord

Gregory and Susan George

Jonathan R. Goldner

Dian Goldberg

Frederick Goldberg

Stanley and Carolyn Graves

Grosvenor Special Ventures IV, LP

Frank B. & Joan Hall

Scott & Kerry Hall

Bradley Harris
Tom and Jo Ann R. Hornsten
Arthur and Janet Stanton Hurd
Peter Indelicato
Walter R. Ingram
Sam and Naomi Israel
Donald M. Jasper
Donald and Beverly Jefferson
Scott and Susan Jennings
JLB Investment Company
Kanter Family Foundation (IL Corp.)
Gloria Katz Revocable Trust
Bruce Keithly IRA Charles Schwab & Co., Inc. Cust.
David Kenyon
Edward B. Kibble
Donald E. Kline
Robert Kollack
Koppes Family Revocable Trust, Alan W. Koppes Trustee
Dennis J. Kvidera
Kvidera Living Trust
Henry Liebman
Rex Lund
Louis Lundquist
Kathy Lusher

Chai Mann
Pamela B McCabe
Patrick and Michele McCarthy
Karen McDonald
Susan Melodia
Lawrence Meurk
Joanne K. Meyers
Randee Sue Meyers
Michael C. Mossman
MST Partners
Douglas Norberg
Novel BioVentures LLC
Richard J. and Vonda M. Olson
B. Delores O'Neil
Thomas Orvald
James Osgood
Donald F. Padelford
Christohper G Pallis
Chris N Pallis
Christopher G. Pallis IRA
Vasillios N. Pallis
Patricia L. Pedegana
Donald & Laura Peterson Petersen, JTWROS
Donald E. Petersen

Brent P. Pistorese and Linda D. Pistorese Revocable Living Trust
Hasso Plattner
Kathleen Popham
Prentice Family Partnership
Prime Time Partners, L.P.
Prime Time Partners
Herbert Pruzan
Harry Pryde
Paul A. Raidna
Peter and Debra Rettman
George Reynolds
Bradley G. Rich
Ring Revocable Trust, Lawrence W. Ring, Trustee
R.E. Rohde
Dan Rome
John C. Rosling
Donn Rowe
John and Linda Schukar
George E.S. Seligman
Steven L. Sherman
Sherwood Associates, LLC
Lorraine Smith
Linda Barker Spear
John M. Spicer

Robert H and Rita A. Splan
Greg and Vicky Stamolis
Chris W. Strand IRA Rollover UTA Charles Schwab & Co. Inc.
Joseph P. & D. Dyann Strecker
Stuart Sulman
Scott Sulman
Summit Capital Partners, L.P.
Michael J Swindling
Janet Taggares
Tenwall Investment Co.
Brad Thompson
Richard Toll
Wells Fargo Bank IRA C/F Richard W. Tschetter
Gregory P. Vernon
Trevor Vernon
Jerome K. Walsh
Stephen J. Warner
Washington Research Foundation
Gary Waterman
Bruce E. Watterson
Michael Weaver
Jon D. Wheeler
Brad Williamson
Charlotte Witter

Malcolm G. Witter IRA/Bear Stearns Custodian
Olivia Witter

Exhibit B

SERIES A INVESTORS

Gary R. and Mitzi M. Aspiri

Aspiri Enterprises LLC

Jon A. and Julie P. Barwick

Thomas W. and Ann M. Barwick

David and Virginia Broudy

Thomas J. Cable Defined Benefit Retirement Plan

Larry W. and Mary K. Crocker, JTWROS

Peter A. Demopulos, M.D.

Milton and Nancy English

Barbara R. and Robert M. Frayn, Jr.

Steven and Anne Gillis, JTWROS

E. Cary Halpin D.D.S., P.S.
Profit Sharing Plan

Chauncey F. Lufkin

Chauncey F. Lufkin, as trustee for
Wende Lufkin

Chauncey F. Lufkin, as trustee for
Lisa L. Collins

Chauncey F. Lufkin, as trustee for
Chauncey F. Lufkin, Jr.

Chauncey F. Lufkin, as trustee for
Andrew Lufkin

Chris G. and Vasiliki L. Pallis

Harry Pryde

Wayne E. Quinton
William J. Rex
T2G Limited Partnership

Exhibit C

SERIES B INVESTORS

Charles L. Anderson

Travis S. Ashby

Aspiri Enterprises LLC

Milton A. Barrett, Jr. and Jane S. Barrett

Andrew J. Berndt

Bost & Co. FBO Leonard A. Yerkes

John M. Brenneman

Susan E. Brock-Utne

Thomas F. and Joyce S. Broderick

Thomas J. Cable

City National Bank
TTEE FBO DWT/James

City National Bank Bank Trustee
DWT FBO Bruce Lamka

Dale E. Cowles

Critchfield Investment Partners, L.P.

Thomas E. Doelger

George T. Drugas, M.D. & Heidi J. Drugas

Peter W. Eising

Ruth G. Fleischmann

Francis D. Galey

Gretchen Garth

William H. Gates, Jr.

Jerry L. and Mary E. Gatewood

Jonathan R. Goldner

Joshua Starbuck Goldner

Marcia M. Goldner

Steven Goldner
As custodian for Julia Starbuck Goldner

Steven Craig Goldner

Dan M. and Wendy Ershig Guy III

Frank B. and Joan B. Hall

Scott and Kerry Hall

Patrick M. and Melinda G. Hannigan

Tom and JoAnn Hornsten

Donn and Abigail Hutchins

Barbara Olivia Jackson

Blayne Johnson

David Kenyon

Edward R. Kibble

Scott Land

Captain Thomas Latsoudis

Chauncey F. Lufkin

Rex Lund

Pamela B. McCabe

Craig McCallum

Daniel J. McHugh

Patricia A. Milbank

Patrick R. Milbank

MST Partners — Leonard H. Shapiro

Dallas L. Otter

Carol F. Padelford

Chris G. and Vasiliki L. Pallis

Panos Brothers Capital, LLC

Patricia L. Pedegana

Piper Jaffray, Inc. as custodian for the benefit of (FBO)
John Hopkins

Arlen I. Prentice

David Prentice

Quarry Capital Corporation

Paul A. Raidna

Robert J. and Terri L. Rusch, Jr.

John B. Scates

Craig E. Sherman

A.G. Edwards & Sons, Inc. Custodian for Daniel A. Sherman, M.D.,
FBO Daniel A. Sherman M.D. Profit Sharing Plan

Vicki L. Sheron

Christopher F. Smith

Gary B. and Marilyn R. Smith

Beth Starbuck

Craig W. and Valerie A. Stewart

STF III, L.P.

Joseph P. Strecker and D. Dyann Strecker

Paul and Mary Elizabeth Stritmatter

A.L. and Lucy J. Sytman

T2G Limited Partnership

David R. Toll

Trans Cosmos USA, Inc.

TTEE Robert W. Bethke Living Trust U/A DTD August 22, 1986

VLG Investments 1998

Wayne C. Wager

Christian Wedell

Malcolm G. Witter

Robert L. and Valerie R. Yurina

Exhibit D

SERIES C INVESTORS

Douglas D. Adkins

Alchemy Partners, LLC

Charles L. Anderson

Richard W. Anderson

Travis Ashby

Aspiri Enterprises LLC

Milton A. Barrett, Jr. and Jane S. Barrett

Roger C. Berger, Marital Trust

Andrew J. Berndt

John Brenneman

Deborah Brunton

Frederick S. and Jane H. Buckner

Thomas J. Cable

Ivan and Delores Christianson

Jeff and Janee Christianson

CIBC World Markets as custodian for
Dr. Lynn Staheli IRA

Reed Corry

Dale L. Cowles

Critchfield Investment Partners, L.P.

CSK-4 Investment Fund

Dean Witter Reynolds custodian for
Marianne LoGerfo IRA Standard

Delphic Navigation Company Limited

Thomas E. Doelger

Chris T. Economou

Ershig Family Ltd. Partnership

Ruth G. Fleischmann

Drew and Kristin Fletcher

Edward D. Fugo, Jr.

John Gerondis

James Giammatteo

Gary Glant

Jonathan Goldner

Marcia Goldner

Steven Goldner as custodian for
Joshua Goldner

Steven Goldner as custodian for
Julia Goldner

Thomas Green

Dan M. and Wendy Ershig Guy III

H&L Investment Company

Frank B. and Joan B. Hall

Scott and Kerry Hall

Charles K. Hanson

Leroy E. Hood, M.D., Ph.D.

Tom and JoAnn Hornsten

Grady Hughes

Donn and Abigail Hutchins

Bost & Co. FBO
Leonard A. Yerkes III

Itochu Finance Corporation

Barbara Olivia Jackson

Jerome M. Johnson

Makoto Kaneshiro

William T. Karr

John Keister

David Kenyon

Sanjeev Khanna

Edward B. Kibble

Pamela L. Kirkpatrick

Donald E. Kline

Larry Kopp

Bruce Lamka and Susan Duffy

The Lawrence Trust as dated Aug. 3, 1989,
as amended June 6, 1997 and Sept. 16, 1998

Michael Ludwig

Luna Capital LLC I

Pamela and Robert McCabe

Daniel J. McHugh

Marion Colby McNamara

Joanne K. Meyers

Mission Management and Trust FBO
Lawrence Ring IRA Account 7467

Robert H. Monroe

MST Partners — Leonard H. Shapiro

Richard J. and Vonda Olson

Gary Oppenheim

PAC Partnership

Carol F. Padelford

Donald F. Padelford

Chris Pallis

Patricia L. Pedegana

Donald E. Petersen and Laura J. Peterson, JTWROS

David Pienkowski

Brent and Linda Pistorese

Prentice Family Partnership

George A. and Sara A. Reynolds

John B. Scates

Scott E. Scribner

Martin Selig

Steven L. and Judith F. Sherman

Vicki L. Sheron

Geoffrey B. Shilling

John M. Spicer

Robert H. Splan
Survivors Trust Dated 7/31/93

Craig W. Stewart

Craig W. and Valerie A. Stewart

Harry G. Stewart

STF III, L.P.
Joseph P. Strecker IRA 8566-1600
Joseph P. and D. Dyann Strecker
D. Dyann Strecker IRA 8566-1258
Steve and Lori Sweningson
Michael Swindling
Tranceka, LLC
Trans Cosmos USA, Inc.
Geoffrey P. and Judith K. Vernon
Joseph R. Vitulli
Bruce E. Watterson
Malcolm G. Witter

Exhibit E

SERIES D INVESTORS

Douglas D. Adkins

Richard W. Anderson

Aspiri Enterprises LLC

Thomas W. Barwick

Catherine K. Boshaw

Frederick S. and Jane H. Buckner

Richard and Sallie Burhans

Mark Callaghan

Nicole Chitnis

Jeff and Janee Christianson

Ivan and Delores Christianson

Reed Corry

Mary E. Drobka

Georgette Essad

Gretchen Fava

Drew and Kristin Fletcher

Robert M. Frayne, Jr. and Barbara R. Frayne

Francis D. Galey

Gary Glant

Eunice Kensinger Goldner

Eunice Kensinger Goldner as custodian for
Julia Starbuck Goldner under the UGMA

Marcia M. Goldner

Jonathan R. Goldner

Richard D. Goldner

Steven C. Goldner

Eunice Kensinger Goldner as custodian for
Joshua Starbuck Goldner under the UGMA

Dan M. and Wendy Ershig Guy, III

H&L Investment Company

David E. Hartman

John M. Hopkins

Tom R. Hornsten

Grady M. Hughes

Barbara Olivia Jackson

City National Bank Trustee FBO DWT/Thomas James

Donald M. Jasper

Donald S. and Beverly J. Jefferson JTWROS

Jerome M. Johnson

John Keister

Russell C. Keithly

Edward B. Kibble

Larry S. Kopp

Duane and Suzanne Koxlien

Bruce Lamka and Susan Duffy

Joanne K. Meyers

Michele K. McCarthy Revocable Trust
Michele McCarthy Trustee

Karen McDonald

Michael C. Mossman

MST Partners

Richard J. and Vonda M. Olson

Donald F. Padelford

Chris Pallis

Donald E. Petersen and Laura J. Peterson, JTWROS

David Pienkowski

Brent P. Piesterese and Linda D. Piesterese Revocable Living Trust

Arthur C. III and Kathleen Popham

Prentice Family Partnership

Paul A. Raidna

George A. and Sara A. Reynolds

Bradley G. Rich

John C. Rosling

George E.S. Seligman

Robert H. Splan Survivors Trust

Steven L. Sherman

Staheli, Inc., Profit Sharing Trustees: Lynn and Lana Staheli

Beth Starbuck

Joseph P. and D. Dyann Strecker

Summit Capital Partners, L.P.

Michael J. Swindling

Janet Taggares

Tranceka, LLC

J. Joseph Veranth Rollover IRA

Gregory P. Vernon

Trevor Vernon

Joseph R. Vitulli

Malcolm G. Witter

Robert L. and Valerie R. Yurina

Exhibit F

COMMON SHAREHOLDERS

Aspiri Enterprises LLC

Scott T. Bell*

John Brenneman

Thomas F. Broderick

H. Raymond Cairncross

H. Raymond Cairncross as Custodian for Caitlin D. Cairncross*

H. Raymond Cairncross as Custodian for Christian H. Cairncross*

Terrence I. Danysh

Gregory A. Demopulos, M.D.

William W. Ericson*

Demopulos Family Trust

Janet Garrow*

Joshua Gebhardt*

Gail E. Gillenwater*

John W. Hempelmann*

Jeffrey Herz*

George Kargianis*

Marcia S. Kelbon*

Craig T. Kobayashi*

Donald E. Marcy

James W. McGinity*

Allison and Todd McIntyre*

John McKay*

Mark Mooney*

Eoin O'Leary*

George Pallis*

Themio Pallis*

Pamela A. Pierce-Palmer, M.D., Ph.D.

J. Thomas Richardson*

Dawson Taylor*

David R. Toll

Tranceka, LLC

Daniel C. Vaughn*

Rachel A. Weiss*

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* Shall not be deemed a Common Shareholder pursuant to this Agreement until such time as such person or entity shall have executed a counterpart signature page to this Agreement.

Exhibit 10.1

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this "Agreement") is made as of _____, ___ by and between Omeros Corporation, a Washington corporation (the "Company"), and _____ ("Indemnitee"), for good and valuable consideration as set forth below.

RECITALS

A. Indemnitee is an officer or director of the Company and in such capacity is performing valuable services for the Company.

B. The Company recognizes the importance, and increasing difficulty, of obtaining adequate liability insurance coverage for its directors, officers, employees, agents and fiduciaries.

C. The Company further recognizes that, at the same time as the availability and coverage of such insurance has become more limited, litigation against corporate directors, officers, employees, agents and fiduciaries has continued to increase.

D. As of the date hereof, the Company has provisions for indemnification of its directors and officers in Article 12 of its Articles of Incorporation (the "Articles of Incorporation") and Section 10 of its Bylaws (the "Bylaws"), which provide for indemnification of the Company's directors and officers to the fullest extent permitted by the Washington Business Corporation Act (the "Statute").

E. The Bylaws and the Statute specifically provide that they are not exclusive, and thereby contemplate that contracts may be entered into between the Company and the members of its Board of Directors and its officers with respect to indemnification of such directors and officers.

F. The Bylaws provide that the Company may maintain, at its expense, insurance to protect itself and any of its directors and officers against liability asserted against such persons incurred in such capacity whether or not the Company has the power to indemnify such persons against the same liability under Section 23B.08.510 or .520 of the Statute (as defined below) or a successor statute.

G. In order to induce Indemnitee to continue to serve as an officer and/or director, as the case may be, of the Company, the Company has agreed to enter into this Agreement with Indemnitee.

AGREEMENT

In consideration of the recitals above, the mutual covenants and agreements herein contained, and Indemnitee's continued service as an officer and/or director, as the case may be, of the Company after the date hereof, the parties to this Agreement agree as follows:

1. Indemnity of Indemnitee

(a) Scope. The Company agrees to hold harmless and indemnify Indemnitee to the full extent permitted by law, without regard to the limitations in RCW 23B.08.510 through 23B.08.550 and 23B.08.560(2) and notwithstanding that such indemnification is not specifically authorized by this Agreement, the Company's Articles of Incorporation, the Bylaws, the Statute or otherwise.

(b) Changes to Indemnification Right. In the event of any change, after the date of this Agreement, in any applicable law, statute or rule regarding the right of a Washington corporation to indemnify a member of its board of directors or an officer, such changes, to the extent that they would expand Indemnitee's rights hereunder, shall be within the purview of Indemnitee's rights and the Company's obligations hereunder, and, to the extent that they would narrow Indemnitee's rights hereunder, shall be excluded from this Agreement; provided, however, that any change that is required by applicable laws, statutes or rules to be applied to this Agreement shall be so applied regardless of whether the effect of such change is to narrow Indemnitee's rights hereunder.

(c) Nonexclusivity. The indemnification provided by this Agreement shall not be deemed exclusive of any rights to which Indemnitee may be entitled under the Company's Articles of Incorporation, the Bylaws, any agreement, any vote of shareholders or disinterested directors, the Statute, or otherwise, whether as to action in Indemnitee's official capacity or otherwise.

(d) Additional Indemnity. If Indemnitee was or is made a party, or is threatened to be made a party, to or is otherwise involved (including, without limitation, as a witness) in any Proceeding (as defined below), the Company shall hold harmless and indemnify Indemnitee from and against any and all losses, claims, damages, costs, liabilities, expenses (including attorneys' fees), judgments, fines, ERISA excise taxes or penalties, amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) actually and reasonably incurred by Indemnitee in connection with such Proceeding (collectively, "Damages") if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe Indemnitee's conduct was unlawful.

(e) Definition of Proceeding. For purposes of this Agreement, "Proceeding" shall mean any actual, pending or threatened or completed action, suit, claim, investigation, hearing, proceeding or alternative dispute resolution mechanism, whether civil, criminal, administrative or investigative and whether formal or informal, in which Indemnitee is, was or becomes involved by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company or that, being or having been such a director, officer, employee or agent, Indemnitee is or was serving at the request of the Company as a director, officer, partner, employee, trustee or agent of another corporation or of a partnership, joint venture, trust or other enterprise (collectively a "Related Company"), including service with respect to an employee benefit plan, whether the basis of such proceeding is alleged action (or inaction) by Indemnitee in an official capacity as a director, officer, employee, partner, trustee or agent or in any other capacity while serving as a director, officer,

employee, partner, trustee or agent; provided, however, that, except with respect to an action to enforce the provisions of this Agreement, Proceeding shall not include any action, suit, claim or proceeding instituted by or at the direction of Indemnitee unless such action, suit, claim or proceeding is or was authorized by the Company's Board of Directors.

(f) Determination of Entitlement. In the event that a determination of Indemnitee's entitlement to indemnification is required pursuant to Section 23B.08.550 of the Statute or any successor thereto or pursuant to other applicable law, the appropriate decision-maker shall make such determination; provided, however, that Indemnitee shall initially be presumed in all cases to be entitled to indemnification, unless the Company shall deliver to Indemnitee written notice of a determination that Indemnitee is not entitled to indemnification within twenty (20) days of the Company's receipt of Indemnitee's initial written request for indemnification.

(g) Survival. The indemnification provided under this Agreement shall apply to any and all Proceedings, notwithstanding that Indemnitee has ceased to be a director, officer, employee, trustee or agent of the Company or a Related Company.

2. Expense Advances

(a) Generally. The right to indemnification of Damages conferred by Section 1 shall include the right to have the Company pay Indemnitee's expenses in any Proceeding as such expenses are incurred and in advance of such Proceeding's final disposition (such right is referred to hereinafter as an "Expense Advance"). Any Expense Advance to be made under this Agreement shall be paid by the Company to Indemnitee within twenty (20) days following delivery of a written request therefor by Indemnitee to the Company.

(b) Conditions to Expense Advance. The Company's obligation to provide an Expense Advance is subject to the following conditions:

(i) Undertaking. If the Proceeding arose in connection with Indemnitee's service as a director and/or officer of the Company (and not in any other capacity in which Indemnitee rendered service, including service to any Related Company), then Indemnitee or his or her representative shall have executed and delivered to the Company an undertaking, which need not be secured and shall be accepted without reference to Indemnitee's financial ability to make repayment, by or on behalf of Indemnitee to repay all Expense Advances if and to the extent that it shall ultimately be determined by a final, unappealable decision rendered by a court having jurisdiction over the parties and the question that Indemnitee is not entitled to be indemnified for such Expense Advance under this Agreement or otherwise. No interest shall be charged on any obligation to reimburse the Company for an Expense Advance.

(ii) Cooperation. Indemnitee shall give the Company such information and cooperation as it may reasonably request and as shall be within Indemnitee's power.

(iii) Affirmation. Indemnitee shall furnish, upon request by the Company and if required under applicable law, a written affirmation of Indemnitee's good faith belief that any applicable standards of conduct have been met by Indemnitee.

3. Procedures for Enforcement

(a) Enforcement. In the event that a claim for indemnity, an Expense Advance or otherwise is made hereunder and is not paid in full within sixty (60) days (twenty (20) days for an Expense Advance) after written notice of such claim is delivered to the Company, Indemnitee may, but need not, at any time thereafter bring suit against the Company to recover the unpaid amount of the claim (an "Enforcement Action").

(b) Presumptions in Enforcement Action. In any Enforcement Action the following presumptions (and limitation on presumptions) shall apply:

(i) The Company shall conclusively be presumed to have entered into this Agreement and assumed the obligations imposed on it hereunder in order to induce Indemnitee to serve or continue to serve as an officer and/or director of the Company;

(ii) Neither (A) the failure of the Company (including the Company's Board of Directors, independent or special legal counsel or the Company's shareholders) to have made a determination prior to the commencement of the Enforcement Action that indemnification of Indemnitee is proper in the circumstances nor (B) an actual determination by the Company, its Board of Directors, independent or special legal counsel or shareholders that Indemnitee is not entitled to indemnification shall be a defense to the Enforcement Action or create a presumption that Indemnitee is not entitled to indemnification hereunder; and

(iii) If Indemnitee is or was serving as a director, officer, employee, trustee or agent of a corporation of which a majority of the shares entitled to vote in the election of its directors is held by the Company or in an executive or management capacity in a partnership, joint venture, trust or other enterprise of which the Company or a wholly owned subsidiary of the Company is a general partner or has a majority ownership, then such corporation, partnership, joint venture, trust or enterprise shall conclusively be deemed a Related Company and Indemnitee shall conclusively be deemed to be serving such Related Company at the request of the Company.

(c) Attorneys' Fees and Expenses for Enforcement Action. In the event Indemnitee is required to bring an Enforcement Action, the Company shall indemnify and hold harmless Indemnitee against all of Indemnitee's fees and expenses in bringing and pursuing the Enforcement Action (including attorneys' fees at any stage, including on appeal); provided, however, that the Company shall not be required to provide such indemnity for such attorneys' fees or expenses if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such Enforcement Action was not made in good faith or was frivolous.

4. Limitations on Indemnity; Mutual Acknowledgment

(a) Limitation on Indemnity. No indemnity pursuant to this Agreement shall be provided by the Company:

(i) On account of any suit in which a final, unappealable judgment is rendered against Indemnitee for an accounting of profits made from the purchase or sale by

Indemnitee of securities of the Company in violation of the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto;

(ii) For Damages that have been paid directly to Indemnitee by an insurance carrier under a policy of officers' and directors' liability insurance maintained by the Company;

(iii) On account of Indemnitee's conduct which is finally adjudged to have been intentional misconduct, a knowing violation of law or the RCW 23B.08.310 or any successor provision of the Statute, or a transaction from which Indemnitee derived benefit in money, property or services to which Indemnitee is not legally entitled; or

(vi) If a final decision by a court having jurisdiction in the matter shall determine that such indemnification is not lawful.

(b) Mutual Acknowledgment. The Company and Indemnitee acknowledge that, in certain instances, federal law or public policy may override applicable state law and prohibit the Company from indemnifying Indemnitee under this Agreement or otherwise. For example, the Company and Indemnitee acknowledge that the Securities and Exchange Commission (the "SEC") has taken the position that indemnification is not permissible for liabilities arising under certain federal securities laws, and federal legislation prohibits indemnification for certain ERISA violations. Furthermore, Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the SEC to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

5. Notification and Defense of Claim

(a) Notification. Promptly after receipt by Indemnitee of notice of the commencement (including a threatened assertion or commencement) of any Proceeding, Indemnitee will, if a claim in respect thereof is to be made against the Company under this Agreement, notify the Company of the commencement thereof; but the omission so to notify the Company will not relieve the Company from any liability which it may have to Indemnitee under this Agreement unless and only to the extent that such omission can be shown to have prejudiced the Company's ability to defend the Proceeding.

(b) Defense of Claim. With respect to any such Proceeding as to which Indemnitee notifies the Company of the commencement thereof:

(i) The Company may participate therein at its own expense;

(ii) The Company, jointly with any other indemnifying party similarly notified, may assume the defense thereof, with counsel satisfactory to Indemnitee. After notice from the Company to Indemnitee of its election so to assume the defense thereof, the Company shall not be liable to Indemnitee under this Agreement for any legal or other expenses (other than reasonable costs of investigation) subsequently incurred by Indemnitee in connection with the defense thereof unless (A) the employment of counsel by Indemnitee has been authorized by the Company, (B)

Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of the defense of such action, or (C) the Company shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel shall be at the expense of the Company. The Company shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of the Company or as to which Indemnitee shall have made the conclusion provided for in (B) above;

(iii) The Company shall not be liable to indemnify Indemnitee under this Agreement for any amounts paid in settlement of any Proceeding effected without its written consent;

(iv) The Company shall not settle any action or claim in any manner which would impose any penalty or limitation on Indemnitee without Indemnitee's written consent; and

(v) Neither the Company nor Indemnitee will unreasonably withhold its, his or her consent to any proposed settlement.

(c) Notice to Insurers. If, at the time of the receipt of a notice of a claim pursuant to Section 5(a) hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

6. Severability. Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company's inability, pursuant to court order, to perform its obligations under this Agreement shall not constitute a breach of this Agreement. The provisions of this Agreement shall be severable, as provided in this Section 6. If this Agreement or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify Indemnitee to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated, and the balance of this Agreement not so invalidated shall be enforceable in accordance with its terms.

7. No Employment Rights. Nothing contained in this Agreement is intended to create in Indemnitee any right to continued employment.

8. Officer and Director Liability Insurance. The Company shall, from time to time, make the good faith determination whether or not it is practicable for the Company to obtain and maintain a policy or policies of insurance with reputable insurance companies providing the officers and directors of the Company with coverage for losses from wrongful acts, or to ensure the Company's performance of its indemnification obligations under this Agreement. Among other considerations, the Company will weigh the costs of obtaining such insurance coverage against the protection afforded by such coverage. In all policies of director and officer liability insurance, Indemnitee shall be named as an insured in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if Indemnitee

is a director; or of the Company's officers, if Indemnitee is not a director of the Company but is an officer. Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain such insurance if the Company determines in good faith that such insurance is not reasonably available, if the premium costs for such insurance are disproportionate to the amount of coverage provided, if the coverage provided by such insurance is limited by exclusions so as to provide an insufficient benefit, or if Indemnitee is covered by similar insurance maintained by a parent or subsidiary of the Company.

9. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the expenses, judgments, fines or penalties actually or reasonably incurred in the investigation, defense, appeal or settlement of any civil or criminal action, suit or proceeding, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such expenses, judgments, fines or penalties to which Indemnitee is entitled.

10. Miscellaneous

(a) Governing Law. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Washington, without giving effect to principles of conflict of law.

(b) Entire Agreement, Enforcement of Rights. This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(c) Construction. This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(d) Notices. Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by telegram or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party's address as set forth below or as subsequently modified by written notice.

(e) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(f) Successors and Assigns. This Agreement shall be binding upon Indemnitee and upon the Company, its successors and assigns, and shall inure to the benefit of Indemnitee, Indemnitee's heirs, personal representatives and assigns and to the benefit of the Company, its

successors and assigns. The Company shall require any successor to the Company (whether direct or indirect by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

(g) Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company to effectively bring suit to enforce such rights.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first above written.

OMEROS CORPORATION

By: _____
[Name]
[Title]

Address:

AGREED TO AND ACCEPTED:

[Name]

_____
(Signature)

Address:

Exhibit 10.2

OMEROS MEDICAL SYSTEMS, INC.

SECOND AMENDED AND RESTATED 1998 STOCK OPTION PLAN

1. Purposes of the Plan. The purposes of this Amended and Restated 1998 Stock Option Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees and Consultants of the Company and its Subsidiaries and to promote the success of the Company's business. Options granted under the Plan may be incentive stock options (as defined under Section 422 of the Code) or non-statutory stock options, as determined by the Administrator at the time of grant of an option and subject to the applicable provisions of Section 422 of the Code, as amended, and the regulations promulgated thereunder.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of its Committees appointed pursuant to Section 4 of the Plan.

(b) "Board" means the Board of Directors of the Company.

(c) "Cause" for termination of an Optionee's Continuous Status will exist if the Optionee is terminated for any of the following reasons: (i) Optionee's willful failure substantially to perform his or her duties and responsibilities to the Company or deliberate violation of a Company policy; (ii) Optionee's commission of any act of fraud, embezzlement, dishonesty or any other willful misconduct that has caused or is reasonably expected to result in material injury to the Company; (iii) unauthorized use or disclosure by Optionee of any proprietary information or trade secrets of the Company or any other party to whom the Optionee owes an obligation of nondisclosure as a result of his or her relationship with the Company; or (iv) Optionee's willful breach of any of his or her obligations under any written agreement or covenant with the Company. The determination as to whether an Optionee is being terminated for Cause shall be made in good faith by the Company and shall be final and binding on the Optionee. The foregoing definition does not in any way limit the Company's ability to terminate an Optionee's employment or consulting relationship at any time as provided in Section 5(d) below, and the term "Company" will be interpreted to include any Subsidiary, Parent, Affiliate or successor thereto, if appropriate.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Committee" means the Committee appointed by the Board of Directors in accordance with Section 4(a) of the Plan.

(f) "Common Stock" means the Common Stock of the Company.

(g) "Company" means Omeros Medical Systems, Inc., a Washington corporation.

(h) "Consultant" means any person, including an advisor, who is engaged by the Company or any Parent or Subsidiary to render services and is compensated for such services, and any director of the Company whether compensated for such services or not, provided that if and in the event the Company registers any class of any equity security pursuant to the Exchange Act, the term Consultant shall thereafter not include directors who are not compensated for their services or are paid only a director's fee by the Company.

(i) "Constructive Termination" shall be deemed to occur if (A)(1) there is a material adverse change in Employee's position causing such position to be of materially reduced stature or responsibility, (2) a reduction of more than thirty percent (30%) of Employee's base compensation unless in connection with similar decreases of other similarly situated employees of the Company or (3) Employee's refusal to comply with the Company's request to relocate to a facility or location more than fifty (50) miles from the Company's current location and (B) within the thirty (30) day period immediately following such material change or reduction Employee elects to terminate his or her employment voluntarily.

(j) "Continuous Status as an Employee or Consultant" means the absence of any interruption or termination of service as an Employee or Consultant. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of: (i) sick leave; (ii) military leave; (iii) any other leave of absence approved by the Administrator, provided that such leave is for a period of not more than ninety (90) days, unless re-employment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to Company policy adopted from time to time; or (iv) in the case of transfers between locations of the Company or between the Company, its Subsidiaries or their respective successors. For purposes of this Plan, a change in status from an Employee to a Consultant or from a Consultant to an Employee will not constitute an interruption of Continuous Status as an Employee or Consultant.

(k) "Employee" means any person, including officers and directors, employed by the Company or any Parent or Subsidiary of the Company, with the status of employment determined based upon such minimum number of hours or periods worked as shall be determined by the Administrator in its discretion, subject to any requirements of the Code. The payment of a director's fee by the Company to a director shall not be sufficient to constitute "employment" of such director by the Company.

(l) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(m) "Fair Market Value" means, as of any date, the fair market value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system including without limitation the National Market of the National Association of Securities Dealers, Inc. Automated Quotation System ("Nasdaq"), its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported), as quoted on such system or exchange, or the exchange with the greatest volume of trading in Common Stock for the last market trading day prior to the time of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is quoted on the Nasdaq (but not on the National Market thereof) or regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock for the last market trading day prior to the time of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Administrator.

(n) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code, as designated in the applicable option agreement.

(o) "Listed Security" means any security of the Company that is listed or approved for listing on a national securities exchange or designated or approved for designation as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc.

(p) "Named Executive" means any individual who, on the last day of the Company's fiscal year, is the chief executive officer of the Company (or is acting in such capacity) or among the four most highly compensated officers of the Company (other than the chief executive officer). Such officer status shall be determined pursuant to the executive compensation disclosure rules under the Exchange Act.

(q) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option, as designated in the applicable option agreement.

(r) "Option" means a stock option granted pursuant to the Plan.

(s) "Optioned Stock" means the Common Stock subject to an Option.

(t) "Optionee" means an Employee or Consultant who receives an Option.

(u) "Parent" means a "parent corporation", whether now or hereafter existing, as defined in Section 424(e) of the Code, or any successor provision.

(v) "Plan" means this Amended and Restated 1998 Stock Option Plan .

(w) "Reporting Person" means an officer, director, or greater than ten percent (10%) shareholder of the Company within the meaning of Rule 16a-2 under the Exchange Act, who is required to file reports pursuant to Rule 16a-3 under the Exchange Act.

(x) "Rule 16b-3" means Rule 16b-3 promulgated under the Exchange Act, as the same may be amended from time to time, or any successor provision.

(y) "Share" means a share of the Common Stock, as adjusted in accordance with Section 11 of the Plan.

(z) "Stock Exchange" means any stock exchange or consolidated stock price reporting system on which prices for the Common Stock are quoted at any given time.

(aa) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code, or any successor provision.

3. Stock Subject to the Plan. Subject to the provisions of Section 11 of the Plan, the maximum aggregate number of shares that may be optioned and sold under the Plan is 2,611,516 shares of Common Stock. The shares may be authorized, but unissued, or reacquired Common Stock. If an Option should expire or become unexercisable for any reason without having been exercised in full, the unpurchased Shares that were subject thereto shall, unless the Plan shall have been terminated, become available for future grant under the Plan. In addition, any shares of Common Stock which are retained by the Company upon exercise of an Option in order to satisfy the exercise price for such Option or any withholding taxes due with respect to such exercise shall be treated as not issued and shall continue to be available under the Plan.

4. Administration of the Plan

(a) Initial Plan Procedure. Prior to the date, if any, upon which the Company becomes subject to the Exchange Act, the Plan shall be administered by the Board or a committee appointed by the Board.

(b) Plan Procedure After the Date, if any, Upon Which the Company Becomes Subject to the Exchange Act.

(i) Multiple Administrative Bodies. If permitted by Rule 16b-3, the Plan may be administered by different bodies with respect to directors, non-director officers and Employees or Consultants who are not Reporting Persons.

(ii) Administration With Respect to Reporting Persons. With respect to grants of Options to Employees who are Reporting Persons, the Plan shall be administered by (A) the Board if the Board may administer the Plan in compliance with Rule 16b-3 with respect to a plan intended to qualify thereunder as a discretionary plan, or (B) a committee designated by the Board to administer the Plan, which committee shall be constituted in such a manner as to permit the Plan to comply with Rule 16b-3 with respect to a plan intended to qualify thereunder as a discretionary plan. Once appointed, such committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies, however caused, and remove all members of the committee and thereafter directly administer the Plan, all to the extent permitted by Rule 16b-3 with respect to a plan intended to qualify thereunder as a discretionary plan. No person serving as a member of an Administrator that has authority with respect to grants to Reporting Persons shall be eligible to receive any grant under the Plan which would cause such member to cease to be "disinterested" within the meaning of Rule 16b-3.

(iii) Administration With Respect to Consultants and Other Employees. With respect to grants of Options to Employees or Consultants who are not Reporting Persons,

the Plan shall be administered by (A) the Board or (B) a committee designated by the Board, which committee shall be constituted in such a manner as to satisfy the legal requirements relating to the administration of incentive stock option plans, if any, of state corporate and securities laws, of the Code and of any applicable Stock Exchange (the "Applicable Laws"). Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies, however caused, and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by the Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan and in the case of a Committee, the specific duties delegated by the Board to such Committee, and subject to the approval of any relevant authorities, including the approval, if required, of any Stock Exchange, the Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(m) of the Plan;

(ii) to select the Consultants and Employees to whom Options may from time to time be granted hereunder;

(iii) to determine whether and to what extent Options are granted hereunder;

(iv) to determine the number of shares of Common Stock to be covered by each such option granted hereunder;

(v) to approve forms of agreement for use under the Plan;

(vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any option granted hereunder;

(vii) to determine whether and under what circumstances an Option may be settled in cash under Section 9(d) instead of Common Stock;

(viii) to reduce the exercise price of any Option to the then current Fair Market Value if the Fair Market Value of the Common Stock covered by such Option shall have declined since the date the Option was granted;

(ix) to construe and interpret the terms of the Plan and awards granted pursuant to the Plan;

(x) to permit the early exercise of any Option in exchange for restricted stock subject to a Company right of repurchase; and

(xi) in order to fulfill the purposes of the Plan and without amending the Plan, to modify grants of Options to participants who are foreign nationals or employed

outside of the United States in order to recognize differences in local law, tax policies or customs.

(c) Effect of Administrator's Decision. All decisions, determinations and interpretations of the Administrator shall be final and binding on all Optionees.

5. Eligibility

(a) Nonstatutory Stock Options may be granted to Employees and Consultants. Incentive Stock Options may be granted only to Employees. An Employee or Consultant who has been granted an Option may, if he or she is otherwise eligible, be granted additional Options.

(b) Each Option shall be designated in the written option agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designations, to the extent that the aggregate Fair Market Value of the Shares with respect to which Options designated as Incentive Stock Options are exercisable for the first time by any Optionee during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds $100,000, such excess Options shall be treated as Nonstatutory Stock Options.

(c) For purposes of Section 5(b), Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares subject to an Incentive Stock Option shall be determined as of the date of the grant of such Option.

(d) The Plan shall not confer upon any Optionee any right with respect to continuation of employment or consulting relationship with the Company, nor shall it interfere in any way with such Optionee's right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without Cause.

6. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the shareholders of the Company as described in Section 18 of the Plan. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 14 of the Plan.

7. Term of Option. The term of each Option shall be the term stated in the Option Agreement; provided, however, that the term shall be no more than ten (10) years from the date of grant thereof or such shorter term as may be provided in the Option Agreement. However, in the case of an Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

8. Option Exercise Price and Consideration

(a) The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be such price as is determined by the Board, but shall be subject to the following:

(i) In the case of an Incentive Stock Option that is:

(A) granted to an Employee who, at the time of the grant of such Incentive Stock Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant.

(B) granted to any Employee, the per Share exercise price shall be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option, the per Share exercise price shall be such price as determined by the Administrator provided that if such eligible person is, at the time of the grant of such Option, a Named Executive of the Company, the per Share exercise price shall be no less than 100% of the Fair Market Value on the date of grant if such Option is intended to qualify as performance-based compensation under Section 162(m) of the Code.

(iii) Notwithstanding the foregoing, Options may be granted with a per Share exercise price other than as required above pursuant to a merger or other corporate transaction.

(b) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant) and may consist entirely of (i) cash, (ii) check, (iii) promissory note, (iv) other Shares that (x) in the case of Shares acquired upon exercise of an Option, have been owned by the Optionee for more than six months on the date of surrender or such other period as may be required to avoid a charge to the Company's earnings, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option shall be exercised, (v) authorization for the Company to retain from the total number of Shares as to which the Option is exercised that number of Shares having a Fair Market Value on the date of exercise equal to the exercise price for the total number of Shares as to which the Option is exercised, (vi) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price and any applicable income or employment taxes, (vii) delivery of an irrevocable subscription agreement for the Shares that irrevocably obligates the option holder to take and pay for the Shares not more than twelve months after the date of delivery of the subscription agreement, (viii) any combination of the foregoing methods of payment, or (ix) such other consideration and method of payment for the issuance of Shares to the extent permitted under Applicable Laws. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

9. Exercise of Option

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator, including performance criteria with respect to the Company and/or the Optionee, and as shall be permissible under the terms of the Plan.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and the Company has received full payment for the Shares with respect to which the Option is exercised. Full payment may, as authorized by the Board, consist of any consideration and method of payment allowable under Section 8(b) of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, not withstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly upon exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 11 of the Plan.

Exercise of an Option in any manner shall result in a decrease in the number of Shares that thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Employment or Consulting Relationship. Except as otherwise set forth in this Section 9(b), the Administrator shall establish and set forth in the applicable Option Agreement the terms and conditions upon which an Option shall remain exercisable, if at all, following termination of an Optionee's Continuous Status, which provisions may be waived or modified by the Administrator at any time in the Administrator's sole discretion. To the extent that the Optionee is not entitled to exercise an Option at the date of his or her termination of Continuous Status, or if the Optionee (or other person entitled to exercise the Option) does not exercise the Option to the extent so entitled within the time specified in the Option Agreement or below (as applicable), the Option shall terminate and the Optioned Stock underlying the unexercised portion of the Option shall revert to the Plan. In no event may any Option be exercised after the expiration of the Option term as set forth in the Option Agreement (and subject to Section 7).

The following provisions (1) shall apply to the extent an Option Agreement does not specify the terms and conditions upon which an Option shall terminate upon termination of an Optionee's Continuous Status, and (2) establish the minimum post-termination exercise periods that may be set forth in an Option Agreement:

(i) Termination other than Upon Disability or Death or for Cause. In the event of termination of an Optionee's Continuous Status, such Optionee may exercise an Option for 30 days following such termination to the extent the Optionee was entitled to exercise

it at the date of such termination. No termination shall be deemed to occur and this Section 9(b)(i) shall not apply if (i) the Optionee is a Consultant who becomes an Employee, or (ii) the Optionee is an Employee who becomes a Consultant.

(ii) Disability of Optionee. In the event of termination of an Optionee's Continuous Status as a result of his or her disability within the meaning of Section 22(e)(3) of the Code, such Optionee may exercise an Option at any time within twelve months following such termination to the extent the Optionee was entitled to exercise it at the date of such termination.

(iii) Death of Optionee. In the event of the death of an Optionee during the period of Continuous Status since the date of grant of the Option, or within thirty days following termination of Optionee's Continuous Status, the Option may be exercised by Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance at any time within twelve months following the date of death, but only to the extent of the right to exercise that had accrued at the date of death or, if earlier, the date the Optionee's Continuous Status terminated.

(iv) Termination for Cause. In the event of termination of an Optionee's Continuous Status for Cause, any Option (including any exercisable portion thereof) held by such Optionee shall immediately terminate in its entirety upon first notification to the Optionee of termination of the Optionee's Continuous Status. If an Optionee's employment or consulting relationship with the Company is suspended pending an investigation of whether the Optionee shall be terminated for Cause, all the Optionee's rights under any Option likewise shall be suspended during the investigation period and the Optionee shall have no right to exercise any Option. This Section 9(b)(iv) shall apply with equal effect to vested Shares acquired upon exercise of an Option granted prior to the date, if any, upon which the Common Stock becomes a Listed Security to a person other than an officer, Director or Consultant, in that the Company shall have the right to repurchase such Shares from the Optionee upon the following terms: (A) the repurchase is made within 90 days of termination of the Optionee's Continuous Status for Cause at the Fair Market Value of the Shares as of the date of termination, (B) consideration for the repurchase consists of cash or cancellation of purchase money indebtedness, and (C) the repurchase right terminates upon the effective date of the Company's initial public offering of its Common Stock. With respect to vested Shares issued upon exercise of an Option granted to any officer, Director or Consultant, the Company's right to repurchase such Shares upon termination of the Optionee's Continuous Status for Cause shall be made at the Optionee's original cost for the Shares and shall be effected pursuant to such terms and conditions, and at such time, as the Administrator shall determine. Nothing in this Section 9(b)(iv) shall in any way limit the Company's right to purchase unvested Shares issued upon exercise of an Option as set forth in the applicable Option Agreement.

(c) Rule 16b-3. Options granted to Reporting Persons shall comply with Rule 16b-3 and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption for Plan transactions.

(d) Buyout Provisions. The Administrator may at any time offer to buy out for a payment in cash or Shares, an Option previously granted, based on such terms and

conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

10. Stock Withholding to Satisfy Withholding Tax Obligations.

(a) As a condition of the exercise of an Option granted under the Plan, the Optionee (or in the case of the Optionee's death, the person exercising the Option) shall make such arrangements as the Administrator may require for the satisfaction of any applicable federal, state, local or foreign withholding tax obligations that may arise in connection with the exercise of the Option and the issuance of Shares. The Company shall not be required to issue any Shares under the Plan until such obligations are satisfied. If the Administrator allows the withholding or surrender of Shares to satisfy an Optionee's tax withholding obligations under this Section 10 (whether pursuant to Section 10(c), (d) or (e), or otherwise), the Administrator shall not allow Shares to be withheld in an amount that exceeds the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes.

(b) In the case of an Employee and in the absence of any other arrangement, the Employee shall be deemed to have directed the Company to withhold or collect from his or her compensation an amount sufficient to satisfy such tax obligations from the next payroll payment otherwise payable after the date of an exercise of the Option.

(c) This Section 10(c) shall apply only after the date, if any, upon which the Common Stock becomes a Listed Security. In the case of Optionee other than an Employee (or in the case of an Employee where the next payroll payment is not sufficient to satisfy such tax obligations, with respect to any remaining tax obligations), in the absence of any other arrangement and to the extent permitted under the Applicable Laws, the Optionee shall be deemed to have elected to have the Company withhold from the Shares to be issued upon exercise of the Option that number of Shares having a Fair Market Value determined as of the applicable Tax Date (as defined below) equal to the amount required to be withheld. For purposes of this Section 10, the Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined under the Applicable Laws (the "Tax Date").

(d) If permitted by the Administrator, in its discretion, an Optionee may satisfy his or her tax withholding obligations upon exercise of an Option by surrendering to the Company Shares that have a Fair Market Value determined as of the applicable Tax Date equal to the amount required to be withheld. In the case of shares previously acquired from the Company that are surrendered under this Section 10(d), such Shares must have been owned by the Optionee for more than six (6) months on the date of surrender (or such other period of time as is required for the Company to avoid adverse accounting charges).

(e) Any election or deemed election by an Optionee to have Shares withheld to satisfy tax withholding obligations under Section 10(c) or (d) above shall be irrevocable as to the particular Shares as to which the election is made and shall be subject to the consent or disapproval of the Administrator. Any election by an Optionee under Section 11(d) above must be made on or prior to the applicable Tax Date.

(f) In the event an election to have Shares withheld is made by an Optionee and the Tax Date is deferred under Section 83 of the Code because no election is filed under Section 83(b) of the Code, the Optionee shall receive the full number of Shares with respect to which the Option is exercised but such Optionee shall be unconditionally obligated to tender back to the Company the proper number of Shares on the Tax Date.

11. Adjustments Upon Changes in Capitalization; Corporate Transactions

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each outstanding Option, and the number of shares of Common Stock that have been authorized for issuance under the Plan but as to which no Options have yet been granted or that have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per share of Common Stock covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination, recapitalization or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Option will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Administrator. The Administrator may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date fixed by the Administrator and give each Optionee the right to exercise his or her Option as to all of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable.

(c) Acquisition, Merger or Change in Control

(i) In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, or other change in control (a "Change in Control"), the exercisability of each outstanding Option shall automatically be accelerated completely so that one hundred percent (100%) of the number of shares of Common Stock covered by such Option shall be fully vested upon the consummation of the Change in Control; provided, however, that each outstanding Option shall automatically be accelerated by only fifty percent (50%) of the number of shares of Common Stock covered by such Option that are unvested at the consummation of the Change in Control if and to the extent: (A) such Option is either to be assumed by the successor corporation at the consummation of the Change of Control or be replaced with a comparable option to purchase shares of the capital stock of the successor corporation at the consummation of the Change in

Control, or (B) such Option is to be replaced by a comparable cash incentive program of the successor corporation based on the value of the Option at the time of the consummation of the Change in Control, or (C) the acceleration of such Option is subject to other limitations imposed by the Administrator at the time of grant.

(ii) With respect to executive officers, as designated by the Administrator, the exercisability of each outstanding Option held by such executive officer shall be accelerated completely so that one hundred percent (100%) of the number of shares of Common Stock covered by such Option are fully vested if the termination of such executive officer is without Cause or a Constructive Termination within twelve (12) months after the consummation of a Change in Control.

(iii) The Administrator shall have the authority, in the Administrator's sole discretion, to provide for the automatic acceleration of any outstanding Option upon the occurrence of a Change in Control.

12. Non-Transferability of Options. Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised or purchased during the lifetime of the Optionee, only by the Optionee.

13. Time of Granting Options. The date of grant of an Option shall, for all purposes, be the date on which the Administrator makes the determination granting such Option, or such other date as is determined by the Board. Notice of the determination shall be given to each Employee or Consultant to whom an Option is so granted within a reasonable time after the date of such grant.

14. Amendment and Termination of the Plan

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or discontinue the Plan, but no amendment, alteration, suspension or discontinuation shall be made that would impair the rights of any Optionee under any grant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply with Rule 16b-3 or with Section 422 of the Code (or any other applicable law or regulation, including the requirements of any Stock Exchange), the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required.

(b) Effect of Amendment or Termination. No amendment or termination of the Plan shall adversely affect Options already granted, unless mutually agreed otherwise between the Optionee and the Board, which agreement must be in writing and signed by the Optionee and the Company.

15. Conditions Upon Issuance of Shares. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any Stock Exchange.

As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by law.

16. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

17. Agreements. Options shall be evidenced by written agreements in such form as the Administrator shall approve from time to time.

18. Shareholder Approval. Continuance of the Plan shall be subject to approval by the shareholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such shareholder approval shall be obtained in the degree and manner required under applicable state and federal law and the rules of any Stock Exchange upon which the Common Stock is listed. All Options issued under the Plan shall become void in the event such approval is not obtained.

19. Information to Optionees. To the extent required by Applicable Laws, the Company shall provide financial statements at least annually to each Optionee during the period such Optionee has one or more Options outstanding. The Company shall not be required to provide such information if the issuance of Options under the Plan is limited to key employees whose duties in connection with the Company assure their access to equivalent information.

20. Awards Granted to California Residents. Prior to the date, if any, upon which the Common Stock becomes a Listed Security, Options granted under the Plan to persons resident in California shall be subject to the provisions set forth in Attachment A hereto. To the extent the provisions of the Plan conflict with the provisions set forth on Attachment A, the provisions in Attachment A shall govern the terms of such Options.

Attachment A
Provisions Applicable to Option Recipients
Resident in California

Until such time as any security of the Company becomes a Listed Security and if required by applicable laws, the following additional terms shall apply to Options, and Shares issued upon exercise of such Options, granted under the Amended and Restated 1998 Stock Option Plan (the "Plan") to persons resident in California as of the grant date of any such Option (each such person, a "California Recipient"):

1. In the case of an Option, whether an Incentive Stock Option or a Nonqualified Stock Option, that is granted to a California Recipient who, at the time of the grant of such Option, owns stock representing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value on the grant date.

2. In the case of a Nonqualified Stock Option that is granted to any other California Recipient, the per Share exercise price shall be no less than 85% of the Fair Market Value per Share on the grant date.

3. With respect to an Option issued to any California Recipient who is not an Officer, Director or Consultant, such Option shall become exercisable, or any repurchase option in favor of the Company shall lapse, at the rate of at least 20% per year over five years from the grant date.

4. The following rules shall apply to an Option issued to any California Recipient or to stock issued to a California Recipient upon exercise of an Option, in the event of termination of the California Recipient's employment or services with the Company:

(a) If such termination was for reasons other than death or disability, the California Recipient shall have at least 30 days after the date of such termination (but in no event later than the expiration of the term of such Option established by the Plan Administrator as of the grant date) to exercise such Option.

(b) If such termination was on account of the death or disability of the California Recipient, the holder of the Option may, but only within six months from the date of such termination (but in no event later than the expiration date of the term of such Option established by the Plan Administrator as of the grant date), exercise the Option to the extent the California Recipient was otherwise entitled to exercise it at the date of such termination. To the extent that the California Recipient was not entitled to exercise the Option at the date of termination, or if the holder does not exercise such Option to the extent so entitled within six months from the date of termination, the Option shall terminate and the Common Stock underlying the unexercised portion of the Option shall revert to the Plan.

(c) Section 9(b)(iv) of the Plan shall apply with equal effect to vested Shares acquired upon exercise of an Option granted prior to the date, if any, upon which the Common Stock becomes a Listed Security to a person other than an Officer, Director or Consultant, in that

the Company shall have the right to repurchase such Shares from the Optionee upon the following terms: (A) the repurchase is made within 90 days of termination of the Optionee's Continuous Status for Cause at the Fair Market Value of the Shares as of the date of termination, (B) consideration for the repurchase consists of cash or cancellation of purchase money indebtedness, and (C) the repurchase right terminates upon the effective date of the Company's initial public offering of its Common Stock. With respect to vested Shares issued upon exercise of an Option granted to any Officer, Director or Consultant, the Company's right to repurchase such Shares upon termination of the Optionee's Continuous Status for Cause shall be made at the Participant's original cost for the Shares and shall be effected pursuant to such terms and conditions, and at such time, as the Administrator shall determine. Nothing in this Section 9(b)(iv) shall in any way limit the Company's right to purchase unvested Shares issued upon exercise of an Option as set forth in the applicable Option Agreement.

5. The Company shall provide financial statements at least annually to each California Recipient during the period such person has one or more Options outstanding, and in the case of an individual who acquired Shares pursuant to the Plan, during the period such individual owns such Shares. The Company shall not be required to provide such information if the issuance of awards under the Plan is limited to key employees whose duties in connection with the Company assure their access to equivalent information.

6. Unless defined below or otherwise in this Attachment, Capitalized terms shall have the meanings set forth in the Plan. For purposes of this Attachment, "Officer" means a person who is an officer of the Company within the meaning of Section 16(a) of the Exchange Act and the rules and regulations promulgated thereunder.

Exhibit 10.3

OMEROS CORPORATION

SECOND AMENDED AND RESTATED 1998 STOCK OPTION PLAN

NOTICE OF STOCK OPTION GRANT

«Optionee» (“Optionee”)
«OptioneeAddress1»
«OptioneeAddress2»

You have been granted an option to purchase Common Stock of Omeros Corporation (the “Company”) as follows:

Date of Grant (Later of Board Approval Date or Commencement of Employment/Consulting):	«GrantDate»
Vesting Commencement Date:	«VestingCommenceDate»
Exercise Price per Share:	$«ExercisePrice»
Total Number of Shares Granted:	«NoOfShares»
Type of Option:	«Type»
Term/Expiration Date:	«ExpirDate»
Vesting Schedule:	This Option may be exercised, in whole or in part, in accordance with the following vesting schedule: «Vesting»
Termination Period:	Option may be exercised for ninety (90) days after termination of employment or consulting relationship except as set out in Sections 6 and 7 of the Stock Option Agreement (but in no event later than the Expiration Date).

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one document.

OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE OPTION HEREOF IS EARNED ONLY BY CONTINUING EMPLOYMENT OR CONSULTANCY AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER). OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS AGREEMENT OR IN THE COMPANY'S STOCK OPTION PLAN SHALL CONFER UPON OPTIONEE ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT OR CONSULTANCY BY THE COMPANY, NOR SHALL IT INTERFERE IN ANY WAY WITH OPTIONEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE OPTIONEE'S EMPLOYMENT OR CONSULTANCY AT ANY TIME, WITH OR WITHOUT CAUSE.

This option is granted under and governed by the terms and conditions of the Second Amended and Restated 1998 Stock Option Plan (the "Plan") and the Stock Option Agreement, both of which are attached and incorporated in their entireties into this document. By your signature, you acknowledge receipt of a copy of the Plan and the Stock Option Agreement, and represent that you are familiar with the terms and provisions thereof, and hereby accept this Option subject to all of the terms and provisions thereof. You further acknowledge that you have reviewed the Plan, the Stock Option Agreement and this Option in their entirety, have had an opportunity to obtain the advice of counsel prior to executing this Option and fully understand all provisions of this Option. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Administrator (as defined in the Plan) upon any questions arising under the Plan, the Stock Option Agreement or this Option.

«Optionee»:

_____
Signature

_____
Print Name

Omeros Corporation

By: _____
Gregory A. Demopulos, M.D.
Chief Executive Officer

OMEROS CORPORATION

SECOND AMENDED AND RESTATED 1998 STOCK OPTION PLAN

STOCK OPTION AGREEMENT

1. Grant of Option. Omeros Corporation, a Washington corporation (the "Company"), hereby grants to Optionee, an option (the "Option") to purchase a total number of shares of Common Stock (the "Shares") set forth in the Notice of Stock Option Grant, at the exercise price per share set forth in the Notice of Stock Option Grant (the "Exercise Price") subject to the terms, definitions and provisions of the Omeros Corporation Second Amended and Restated 1998 Stock Option Plan (the "Plan") adopted by the Company, which is incorporated herein by reference. Unless otherwise defined herein, capitalized terms used herein shall have the same meaning as set forth in the Notice of Stock Option Grant or Plan.

If designated an Incentive Stock Option, this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code.

2. Exercise of Option. This Option shall be exercisable during its Term in accordance with the Vesting Schedule set out in the Notice of Stock Option Grant and with the provisions of Section 9 of the Plan as follows:

(a) Right to Exercise

(i) This Option may not be exercised for a fraction of a share.

(ii) In the event of Optionee's death, disability or other termination of employment, the exercisability of the Option is governed by Sections 5, 6 and 7 below, subject to the limitation contained in Section 2(a)(i).

(iii) In no event may this Option be exercised after the date of expiration of the term of this Option as set forth in the Notice of Stock Option Grant.

(b) Method of Exercise. This Option shall be exercisable by execution and delivery of the Exercise Notice and Restricted Stock Purchase Agreement attached hereto as Exhibit A (the "Exercise Agreement") or of any other form of written notice approved for such purpose by the Company which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements as to the holder's investment intent with respect to such shares of Common Stock as may be required by the Company pursuant to the provisions of the Plan. Such written notice shall be signed by Optionee and shall be delivered in person or by certified mail to the Secretary of the Company. The written notice shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt by the Company of such written notice accompanied by the Exercise Price.

No Shares will be issued pursuant to the exercise of an Option unless such issuance and such exercise shall comply with all relevant provisions of applicable law and the requirements of any stock exchange upon which the Shares may then be listed. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Optionee on the date on which the Option is exercised with respect to such Shares.

3. Method of Payment. Payment of the Exercise Price shall be by any of the following, or a combination thereof, at the election of Optionee:

(a) cash;

(b) check;

(c) surrender of other shares of Common Stock of the Company which (i) in the case of Shares acquired pursuant to the exercise of a Company option, have been owned by Optionee for more than six (6) months on the date of surrender, and (ii) have a fair market value on the date of surrender equal to the Exercise Price of the Shares as to which the Option is being exercised; or

(d) if there is a public market for the Shares and they are registered under the Securities Act of 1933, as amended (the "Securities Act"), delivery of a properly executed exercise notice together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the exercise price.

4. Restrictions on Exercise. This Option may not be exercised until such time as the Plan has been approved by the shareholders of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 207 of Title 12 of the Code of Federal Regulations as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require Optionee to make any representation and warranty to the Company as may be required by any applicable law or regulation.

5. Termination of Relationship. In the event of termination of Optionee's Continuous Status as an Employee or Consultant, Optionee may, to the extent otherwise so entitled at the date of such termination (the "Termination Date"), exercise this Option during the Termination Period set forth in the Notice of Stock Option Grant. To the extent that Optionee was not entitled to exercise this Option at such Termination Date, or if Optionee does not exercise this Option within the Termination Period, the Option shall terminate.

6. Disability of Optionee

(a) Notwithstanding the provisions of Section 5 above, in the event of termination of Optionee's Continuous Status as an Employee or Consultant as a result of his or her total and permanent disability (as defined in Section 22(e)(3) of the Code), Optionee may, but only within twelve (12) months from the Termination Date (but in no event later than the

Expiration Date set forth in the Notice of Stock Option Grant and in Section 9 below), exercise this Option to the extent Optionee was entitled to exercise it as of such Termination Date. To the extent that Optionee was not entitled to exercise the Option as of the Termination Date, or if Optionee does not exercise the Option (to the extent so entitled) within the time specified in this Section 6(a), the Option shall terminate.

(b) Notwithstanding the provisions of Section 5 above, in the event of termination of Optionee's Continuous Status as an Employee or Consultant as a result of any disability not constituting a total and permanent disability (as set forth in Section 22(e)(3) of the Code), Optionee may, but only within six (6) months from the Termination Date (but in no event later than the Expiration Date set forth in the Notice of Stock Option Grant and in Section 9 below), exercise this Option to the extent Optionee was entitled to exercise it as of such Termination Date; provided, however, that if this is an Incentive Stock Option and Optionee fails to exercise this Incentive Stock Option within three (3) months from the Termination Date, this Option will cease to qualify as an Incentive Stock Option (as defined in Section 422 of the Code) and Optionee will be treated for federal income tax purposes as having received ordinary income at the time of such exercise in an amount generally measured by the difference between the Exercise Price for the Shares and the fair market value of the Shares on the date of exercise. To the extent that Optionee was not entitled to exercise the Option at the Termination Date, or if Optionee does not exercise the Option to the extent so entitled within the time specified in this Section 6(b), the Option shall terminate.

7. Death of Optionee. In the event of the death of Optionee (a) during the Term of this Option and while an Employee or Consultant of the Company and having been in Continuous Status as an Employee or Consultant since the date of grant of the Option, or (b) within thirty (30) days after Optionee's Termination Date, the Option may be exercised at any time within six (6) months following the date of death (but in no event later than the Expiration Date set forth in the Notice of Stock Option Grant and in Section 9 below), by Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the Termination Date.

8. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by him or her. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of Optionee.

9. Term of Option. This Option may be exercised only within the Term set forth in the Notice of Stock Option Grant, subject to the limitations set forth in Section 7 of the Plan.

10. Tax Consequences. Set forth below is a brief summary as of the date of this Option of certain of the federal tax consequences of exercise of this Option and disposition of the Shares under the laws in effect as of the Date of Grant. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO

CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) Exercise of Incentive Stock Option. If this Option qualifies as an Incentive Stock Option, there will be no regular federal income tax liability upon the exercise of the Option, although the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price will be treated as an adjustment to the alternative minimum tax for federal tax purposes and may subject Optionee to the alternative minimum tax in the year of exercise.

(b) Exercise of Nonstatutory Stock Option. If this Option does not qualify as an Incentive Stock Option, there may be a regular federal income tax liability upon the exercise of the Option. Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price. If Optionee is an employee, the Company will be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise.

(c) Disposition of Shares. In the case of a Nonstatutory Stock Option, if the Shares are held for at least one (1) year, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal income tax purposes. In the case of an Incentive Stock Option, if Shares transferred pursuant to the Option are held for at least one (1) year after exercise and are disposed of at least two (2) years after the Date of Grant, any gain realized on disposition of the Shares will also be treated as long-term capital gain for federal income tax purposes. If Shares purchased under an Incentive Stock Option are disposed of within such one (1) year period or within two (2) years after the Date of Grant, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the difference between the Exercise Price and the lesser of (i) the fair market value of the Shares on the date of exercise, or (ii) the sale price of the Shares.

(d) Notice of Disqualifying Disposition of Incentive Stock Option Shares. If the Option granted to Optionee herein is an Incentive Stock Option, and if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to such Incentive Stock Option on or before the later of (i) the date two (2) years after the Date of Grant, or (ii) the date one (1) year after the date of exercise, Optionee shall immediately notify the Company in writing of such disposition. Optionee acknowledges and agrees that he or she may be subject to income tax withholding by the Company on the compensation income recognized by Optionee from the early disposition by payment in cash or out of the current earnings paid to Optionee.

11. Withholding Tax Obligations. Optionee understands that, upon exercising a Nonstatutory Stock Option, he or she will recognize income for tax purposes in an amount equal to the excess of the then fair market value of the Shares over the Exercise Price. However, the timing of this income recognition may be deferred for up to six (6) months if Optionee is subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). If Optionee is an employee, the Company will be required to withhold from Optionee's

compensation, or collect from Optionee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income. Additionally, Optionee may at some point be required to satisfy tax withholding obligations with respect to the disqualifying disposition of an Incentive Stock Option. Optionee shall satisfy his or her tax withholding obligation arising upon the exercise of this Option by one or some combination of the following methods: (a) by cash payment, (b) out of Optionee's current compensation, (c) if permitted by the Administrator, in its discretion, by surrendering to the Company Shares which (i) in the case of Shares previously acquired from the Company, have been owned by Optionee for more than six (6) months on the date of surrender, and (ii) have a fair market value on the date of surrender equal to or greater than Optionee's marginal tax rate times the ordinary income recognized, or (d) by electing to have the Company withhold from the Shares to be issued upon exercise of the Option that number of Shares having a fair market value equal to the amount required to be withheld. For this purpose, the fair market value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined (the "Tax Date").

If Optionee is subject to Section 16 of the Exchange Act (an "Insider"), any surrender of previously owned Shares to satisfy tax withholding obligations arising upon exercise of this Option must comply with the applicable provisions of Rule 16b-3 promulgated under the Exchange Act ("Rule 16b-3").

All elections by Optionee to have Shares withheld to satisfy tax withholding obligations shall be made in writing in a form acceptable to the Administrator and shall be subject to the following restrictions:

(a) the election must be made on or prior to the applicable Tax Date;

(b) once made, the election shall be irrevocable as to the particular Shares of the Option as to which the election is made; and

(c) all elections shall be subject to the consent or disapproval of the Administrator.

12. Market Standoff Agreement. In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, Optionee hereby agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any Shares (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed one hundred eighty (180) days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the public offering.

13. Miscellaneous

(a) Governing Law. This Stock Option Agreement, together with the related Notice of Stock Option Grant (collectively this "Agreement"), and all acts and transactions

pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Washington, without giving effect to principles of conflicts of law.

(b) Entire Agreement; Enforcement of Rights. This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(c) Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(d) Construction. This Agreement has been reviewed by each of the parties hereto and is the result of negotiations between each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(e) Notices. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by telegram or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party's address as set forth below or as subsequently modified by written notice.

(f) Successors and Assigns. The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The rights and obligations of Optionee under this Agreement may only be assigned with the prior written consent of the Company.

(g) Arbitration. The parties agree to attempt in good faith to negotiate a settlement of any and all controversies, claims, or disputes arising out of, relating to, or resulting from this Agreement. If, after such good faith negotiation, the parties are not able to reach a settlement, any and all of such controversies, claims, or disputes arising out of, relating to, or resulting from this Agreement shall be subject to binding arbitration. Such arbitration shall take place in Seattle, Washington and will be administered by the American Arbitration Association ("AAA") in accordance with its Rules for the Resolution of Commercial Disputes. The parties agree that the arbitrator shall have the power to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication and motions to dismiss and demurrers, prior to any arbitration hearing. The parties also agree that the arbitrator shall have the power to award any remedies, including attorneys' fees and costs, available under

applicable law, provided that the prevailing party in any arbitration shall be entitled to its reasonable attorneys fees and costs. The decision of the arbitrator shall be in writing. Arbitration shall be the sole, exclusive and final remedy for any dispute under this Agreement and the decision of the arbitrator may be entered by a party in any court or forum, state or federal, being of competent jurisdiction. Accordingly, no party will be permitted to pursue court action regarding this Agreement except as expressly permitted in the preceding sentence. Notwithstanding the foregoing, each party retains the right to seek injunctive relief to prevent a breach, threatened breach or continuing breach of this Agreement that would cause irreparable injury to such party.

Exhibit A

OMEROS CORPORATION

SECOND AMENDED AND RESTATED 1998 STOCK OPTION PLAN

EXERCISE NOTICE AND RESTRICTED STOCK PURCHASE AGREEMENT

This Agreement ("Agreement") is made as of ___, by and between Omeros Corporation, a Washington corporation (the "Company"), and Optionee (also referred to as "Purchaser"). To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the Second Amended and Restated 1998 Stock Option Plan.

1. Exercise of Option. Subject to the terms and conditions hereof, Purchaser hereby elects to exercise his or her option to purchase ___ shares of the Common Stock (the "Shares") of the Company under and pursuant to the Company's Second Amended and Restated 1998 Stock Option Plan (the "Plan") and the Stock Option Agreement dated ___ (the "Option Agreement"). The purchase price for the Shares shall be $___ per Share for a total purchase price of $___. The term "Shares" refers to the purchased Shares and all securities received in replacement of the Shares or as stock dividends or splits, all securities received in replacement of the Shares in a recapitalization, merger, reorganization, exchange or the like, and all new, substituted or additional securities or other properties to which Purchaser is entitled by reason of Purchaser's ownership of the Shares.

2. Time and Place of Exercise. The purchase and sale of the Shares under this Agreement shall occur at the principal office of the Company simultaneously with the execution of this Agreement in accordance with the provisions of Section 2(b) of the Option Agreement. On such date, the Purchaser will deliver payment of the purchase price therefor by (a) check made payable to the Company, (b) cancellation of indebtedness of the Company to Purchaser, (c) delivery of shares of the Common Stock of the Company in accordance with Section 3 of the Option Agreement, or (d) by a combination of the foregoing.

3. Limitations on Transfer. In addition to any other limitation on transfer created by applicable securities laws, Purchaser shall not assign, encumber or dispose of any interest in the Shares except in compliance with the provisions below and applicable securities laws.

(a) Right of First Refusal. Before any Shares held by Purchaser or any transferee of Purchaser (either being sometimes referred to herein as the "Holder") may be sold or otherwise transferred (including transfer by gift or operation of law), the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in this Section 3(a) (the "Right of First Refusal").

(i) Notice of Proposed Transfer. The Holder of the Shares shall deliver to the Company a written notice (the "Notice") stating: (A) the Holder's bona fide intention to sell or otherwise transfer such Shares; (B) the name of each proposed purchaser or

other transferee ("Proposed Transferee"); (C) the number of Shares to be transferred to each Proposed Transferee; and (D) the terms and conditions of each proposed sale or transfer. The Holder shall offer the Shares at the same price (the "Offered Price") and upon the same terms (or terms as similar as reasonably possible) to the Company or its assignee(s).

(ii) Exercise of Right of First Refusal. At any time within thirty (30) days after receipt of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all, but not less than all, of the Shares proposed to be transferred to any one or more of the Proposed Transferees, at the purchase price determined in accordance with subsection (iii) below.

(iii) Purchase Price. The purchase price ("Purchase Price") for the Shares purchased by the Company or its assignee(s) under this Section 3(a) shall be the Offered Price. If the Offered Price includes consideration other than cash, the cash equivalent value of the non-cash consideration shall be determined by the Board of Directors of the Company in good faith.

(iv) Payment. Payment of the Purchase Price shall be made, at the option of the Company or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness of the Holder to the Company (or, in the case of repurchase by an assignee, to the assignee), or by any combination thereof within thirty (30) days after receipt of the Notice or in the manner and at the times set forth in the Notice.

(v) Holder's Right to Transfer. If all of the Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section 3(a), then the Holder may sell or otherwise transfer such Shares to that Proposed Transferee at the Offered Price or at a higher price, provided that such sale or other transfer is consummated within sixty (60) days after the date of the Notice and provided further that any such sale or other transfer is effected in accordance with any applicable securities laws and the Proposed Transferee agrees in writing that the provisions of this Section 3 shall continue to apply to the Shares in the hands of such Proposed Transferee. If the Shares described in the Notice are not transferred to the Proposed Transferee within such period, or if the Holder proposes to change the price or other terms to make them more favorable to the Proposed Transferee, a new Notice shall be given to the Company, and the Company and/or its assignees shall again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

(vi) Exception for Certain Family Transfers. Anything to the contrary contained in this Section 3(a) notwithstanding, the transfer of any or all of the Shares during Purchaser's lifetime or on Purchaser's death by will or intestacy to Purchaser's Immediate Family or a trust for the benefit of the Optionee's Immediate Family shall be exempt from the provisions of this Section 3(a). "Immediate Family" as used herein shall mean spouse, lineal descendant or antecedent, father, mother, brother or sister. In such case, the transferee or other recipient shall receive and hold the Shares so transferred subject to the provisions of this Section, and there shall be no further transfer of such Shares except in accordance with the terms of this Section 3.

(b) Involuntary Transfer.

(i) Company's Right to Purchase upon Involuntary Transfer. In the event, at any time after the date of this Agreement, of any transfer by operation of law or other involuntary transfer (including death or divorce, but excluding a transfer to Immediate Family as set forth in Section 3(a)(vi) above) of all or a portion of the Shares by the record holder thereof, the Company shall have an option to purchase all of the Shares transferred at the greater of the purchase price paid by Purchaser pursuant to this Agreement or the fair market value of the Shares on the date of transfer. Upon such a transfer, the person acquiring the Shares shall promptly notify the Secretary of the Company of such transfer. The right to purchase such Shares shall be provided to the Company for a period of thirty (30) days following receipt by the Company of written notice by the person acquiring the Shares.

(ii) Price for Involuntary Transfer. With respect to any stock to be transferred pursuant to Section 3(b)(i), the price per Share shall be a price set by the Board of Directors of the Company that will reflect the current value of the stock in terms of present earnings and future prospects of the Company. The Company shall notify Purchaser or his or her executor of the price so determined within thirty (30) days after receipt by it of written notice of the transfer or proposed transfer of Shares. However, if the Purchaser does not agree with the valuation as determined by the Board of Directors of the Company, the Purchaser shall be entitled to have the valuation determined by an independent appraiser to be mutually agreed upon by the Company and the Purchaser and whose fees shall be borne equally by the Company and the Purchaser.

(c) Assignment. The right of the Company to purchase any part of the Shares may be assigned in whole or in part to any shareholder or shareholders of the Company or other persons or organizations; provided, however, that an assignee, other than a corporation that is the parent or a one hundred percent (100%) owned subsidiary of the Company, must pay the Company, upon assignment of such right, cash equal to the difference between the original purchase price and fair market value, if the original purchase price is less than the fair market value of the Shares subject to the assignment.

(d) Restrictions Binding on Transferees. All transferees of Shares or any interest therein will receive and hold such Shares or interest subject to the provisions of this Agreement. Any sale or transfer of the Company's Shares shall be void unless the provisions of this Agreement are satisfied.

(e) Termination of Rights. The right of first refusal granted the Company by Section 3(a) above and the option to repurchase the Shares in the event of an involuntary transfer granted the Company by Section 3(b) above shall terminate upon the first sale of Common Stock of the Company to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act. Upon termination of the right of first refusal described in Section 3(a) above, a new certificate or certificates representing the Shares not repurchased shall be issued, on request, without the legend referred to in Section 6(a)(ii) herein and delivered to Purchaser.

4. Investment and Taxation Representations. In connection with the purchase of the Shares, Purchaser represents to the Company the following:

(a) Purchaser is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Shares. Purchaser is purchasing the Shares for investment for his or her own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act.

(b) Purchaser understands that the Shares have not been registered under the Securities Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Purchaser's investment intent as expressed herein.

(c) Purchaser understands that the Shares are "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to these laws, Purchaser must hold the Shares indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available. Purchaser acknowledges that the Company has no obligation to register or qualify the Shares for resale. Purchaser further acknowledges that if an exemption from registration or qualification is available, it may by conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Shares, and requirements relating to the Company which are outside of Purchaser's control, and which the Company is under no obligation and may not be able to satisfy.

(d) Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser's purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company for any tax advice.

5. Restrictive Legends and Stop-Transfer Orders

(a) Legends. The certificate or certificates representing the Shares shall bear the following legends (as well as any legends required by applicable state and federal corporate and securities laws):

(i) THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISPOSITION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.

(ii) THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE SHAREHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

(b) Stop-Transfer Notices. Purchaser agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

6. No Employment Rights. Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a parent or subsidiary of the Company, to terminate Purchaser's employment, for any reason, with or without cause.

7. Market Stand-off Agreement. In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, Purchaser agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any Shares (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed one hundred eighty (180) days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the public offering.

8. Miscellaneous

(a) Governing Law. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Washington, without giving effect to principles of conflicts of law.

(b) Entire Agreement; Enforcement of Rights. This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(c) Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith.

In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(d) Construction. This Agreement has been reviewed by each of the parties hereto and is the result of negotiations between each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(e) Notices. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by telegram or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party's address as set forth below or as subsequently modified by written notice.

(f) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(g) Successors and Assigns. The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The rights and obligations of Purchaser under this Agreement may only be assigned with the prior written consent of the Company.

(h) Arbitration. The parties agree to attempt in good faith to negotiate a settlement of any and all controversies, claims, or disputes arising out of, relating to, or resulting from this Agreement. If, after such good faith negotiation, the parties are not able to reach a settlement, any and all of such controversies, claims, or disputes arising out of, relating to, or resulting from this Agreement shall be subject to binding arbitration. Such arbitration shall take place in Seattle, Washington and will be administered by the American Arbitration Association ("AAA") in accordance with its Rules for the Resolution of Commercial Disputes. The parties agree that the arbitrator shall have the power to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication and motions to dismiss and demurrers, prior to any arbitration hearing. The parties also agree that the arbitrator shall have the power to award any remedies, including attorneys' fees and costs, available under applicable law, provided that the prevailing party in any arbitration shall be entitled to its reasonable attorneys fees and costs. The decision of the arbitrator shall be in writing. Arbitration shall be the sole, exclusive and final remedy for any dispute under this Agreement and the decision of the arbitrator may be entered by a party in any court or forum, state or federal, being of competent jurisdiction. Accordingly, no party will be permitted to pursue court action regarding this Agreement except as expressly permitted in the preceding sentence. Notwithstanding the foregoing, each party retains the right to seek injunctive relief to prevent a breach, threatened breach or continuing breach of this Agreement that would cause irreparable injury to such party.

[Signature Page Follows]

The parties have executed this Exercise Notice and Restricted Stock Purchase Agreement as of the date first set forth above.

COMPANY:

OMEROS CORPORATION

By: _____
(Signature)

Name: _____
(Print)

Title: _____

Address: _____

_____

PURCHASER:

_____
(Signature)

_____
(Printed Name)

Address: _____

_____

I, _____, spouse of _____, have read and hereby approve the foregoing Agreement. In consideration of the Company's granting my spouse the right to purchase the Shares as set forth in the Agreement, I hereby agree to be irrevocably bound by the Agreement and further agree that any community property or other such interest shall hereby by similarly bound by the Agreement. I hereby appoint my spouse as my attorney-in-fact with respect to any amendment or exercise of any rights under the Agreement.

_____
Spouse of _____

RECEIPT

The undersigned hereby acknowledges receipt of Certificate No. ___ representing ___ shares of Common Stock of Omeros Corporation (the "Company").

Dated: _____

_____
(Signature)

_____
(Printed Name)

RECEIPT

Omeros Corporation (the "Company") hereby acknowledges receipt of (check as applicable):

_____ A check in the amount of $_____

_____ The cancellation of indebtedness in the amount of $ _____

_____ Certificate No. _____ representing _____ shares of the Company's Common Stock with a fair market value of $_____

given by _____ as consideration for Certificate No. _____ representing _____ shares of Common Stock of the Company.

Dated: _____

Omeros Corporation

By: _____
(Signature)

Name: _____
(Printed Name)

Title: _____

Exhibit 10.4

OMEROS CORPORATION

AMENDMENT TO STOCK OPTION AGREEMENT

This Amendment (this "Amendment") is made as of and amends the Stock Option Agreement with a grant date of <<GRANT DATE>> (the "Agreement") by and between <<OPTIONEE>> (the "Optionee") and Omeros Corporation, a Washington corporation (the "Company").

WHEREAS, on <<GRANT DATE>> the Company granted Optionee a stock option (the "Option") pursuant to the Company's Amended and Restated 1998 Stock Option Plan (the "Plan");

WHEREAS, the Company and the Optionee desire to amend the Agreement related to the Option to provide Optionee the right, but not the obligation, to early exercise the Option for unvested shares;

NOW, THEREFORE, the Optionee and the Company agree that the Agreement shall be amended as follows:

1. Amendment. The introductory paragraph of Section 2 of the Agreement which before this Amendment read:

"This Option shall be exercisable during its Term in accordance with the Vesting Schedule set out in the Notice of Stock Option Grant and with the provisions of Section 9 of the Plan as follows:"

is amended and restated in its entirety to read as follows:

"This Option shall be exercisable during its Term in accordance with the Vesting Schedule set out in the Notice of Stock Option Grant and with the provisions of Section 9 of the Plan or, alternatively, at the election of the Optionee, this Option may be exercised in whole or in part at any time as to Shares that have not yet vested in accordance with the provisions of Section 9 of the Plan, each as follows:"

2. Method of Exercise. In addition to the right to exercise the Option by execution and delivery of the Exercise Notice and Restricted Stock Purchase Agreement attached as Exhibit A to the Agreement together with the fulfillment of the other requirements described in Section 2(b) of the Agreement, at Optionee's election, Optionee shall have the right to exercise the Option by execution and delivery of the Exercise Notice and Restricted Stock Purchase Agreement attached as Exhibit I to this Amendment together with the fulfillment of the other requirements described in Section 2(b) of the Agreement.

3. Full Force and Effect. To the extent not expressly amended hereby, the Agreement remains otherwise unchanged and in full force and effect.

IN WITNESS WHEREOF, this Amendment has been entered into as of the date first set forth above.

OMEROS CORPORATION	**OPTIONEE**
By: _____	_____
Gregory A. Demopulos, M.D. Chief Executive Officer	<<OPTIONEE>>

Exhibit I

OMEROS CORPORATION

SECOND AMENDED AND RESTATED 1998 STOCK OPTION PLAN

EXERCISE NOTICE AND RESTRICTED STOCK PURCHASE AGREEMENT

This Agreement ("Agreement") is made as of _____, by and between Omeros Corporation, a Washington corporation (the "Company"), and _____ ("Optionee") (also referred to as "Purchaser"). To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the Second Amended and Restated 1998 Stock Option Plan.

1. Exercise of Option. Subject to the terms and conditions hereof, Purchaser hereby elects to exercise his or her option to purchase _____ shares of the Common Stock (the "Shares") of the Company under and pursuant to the Company's Second Amended and Restated 1998 Stock Option Plan (the "Plan") and the Stock Option Agreement dated _____ (the "Option Agreement"). The purchase price for the Shares shall be $_____ per Share for a total purchase price of $_____. Of these Shares, Purchaser has elected to purchase _____ of those Shares which have become vested as of the date hereof under the Vesting Schedule set forth in the Notice of Stock Option Grant (the "Vested Shares") and _____ Shares which have not yet vested under such Vesting Schedule (the "Unvested Shares"). The term "Shares" refers to the purchased Shares and all securities received in replacement of the Shares or as stock dividends or splits, all securities received in replacement of the Shares in a recapitalization, merger, reorganization, exchange or the like, and all new, substituted or additional securities or other properties to which Purchaser is entitled by reason of Purchaser's ownership of the Shares.

If Purchaser is purchasing Unvested Shares, Purchaser and not the Company is solely responsible for filing an 83(b) Election with the Internal Revenue Service (as further described in Section 8 below), and Purchaser acknowledges and agrees that neither the Company, its employees nor its agents shall have any liability to Purchaser if Purchaser fails to timely or otherwise properly file an 83(b) Election with the Internal Revenue Service.

2. Time and Place of Exercise. The purchase and sale of the Shares under this Agreement shall occur at the principal office of the Company simultaneously with the execution of this Agreement in accordance with the provisions of Section 2(b) of the Option Agreement. On such date, the Purchaser will deliver payment of the purchase price therefor by (a) check made payable to the Company, (b) cancellation of indebtedness of the Company to Purchaser, (c) delivery of shares of the Common Stock of the Company in accordance with Section 3 of the Option Agreement, or (d) by a combination of the foregoing.

3. Limitations on Transfer. In addition to any other limitation on transfer created by applicable securities laws, Purchaser shall not assign, encumber or dispose of any interest in the Shares while the Shares are subject to the Company's Repurchase Option (as defined below),

except as provided below. After any Shares have been released from such Repurchase Option, Purchaser shall not assign, encumber or dispose of any interest in such Shares except in compliance with the provisions below and applicable securities laws.

(a) Repurchase Option.

(i) In the event of the voluntary or involuntary termination of Purchaser's employment or consulting relationship with the Company for any reason (including death or disability), with or without cause, the Company shall upon the date of such termination (the "Termination Date") have an irrevocable, exclusive option (the "Repurchase Option") for a period of 90 days from such date to repurchase all or any portion of the Shares held by Purchaser as of the Termination Date which have not yet been released from the Company's Repurchase Option at the original purchase price per Share specified in Section 1 (adjusted for any stock splits, stock dividends and the like). The Company has the right, but not the obligation, to exercise the Repurchase Option.

(ii) Unless the Company notifies Purchaser in writing within 90 days from the date of termination of Purchaser's employment or consulting relationship that it does not intend to exercise its Repurchase Option with respect to some or all of the Shares, the Repurchase Option shall be deemed automatically exercised by the Company as of the 90th day following such termination, provided that the Company may notify Purchaser that it is exercising its Repurchase Option as of a date prior to such 90th day. Unless Purchaser is otherwise notified by the Company pursuant to the preceding sentence that the Company does not intend to exercise its Repurchase Option as to some or all of the Shares to which it applies at the time of termination, execution of this Agreement by Purchaser constitutes written notice to Purchaser of the Company's intention to exercise its Repurchase Option with respect to all Shares to which such Repurchase Option applies. The Company, at its choice, may satisfy its payment obligation to Purchaser with respect to exercise of the Repurchase Option by either (A) delivering a check to Purchaser in the amount of the purchase price for the Shares being repurchased, or (B) in the event Purchaser is indebted to the Company, canceling an amount of such indebtedness equal to the purchase price for the Shares being repurchased, or (C) by a combination of (A) and (B) so that the combined payment and cancellation of indebtedness equals such purchase price. In the event of any deemed automatic exercise of the Repurchase Option pursuant to this Section 3(a)(ii) in which Purchaser is indebted to the Company, such indebtedness equal to the purchase price of the Shares being repurchased shall be deemed automatically canceled as of the 90th day following termination of Purchaser's employment or consulting relationship unless the Company otherwise satisfies its payment obligations. As a result of any repurchase of Shares pursuant to this Section 3(a), the Company shall become the legal and beneficial owner of the Shares being repurchased and shall have all rights and interest therein or related thereto, and the Company shall have the right to transfer to its own name the number of Shares being repurchased by the Company, without further action by Purchaser.

(iii) One hundred percent (100%) of the Unvested Shares shall initially be subject to the Repurchase Option. The Unvested Shares shall be released from the Repurchase Option in accordance with the Vesting Schedule set forth in the Notice of Stock Option Grant

until all Shares are released from the Repurchase Option. Fractional shares shall be rounded to the nearest whole share.

(b) Right of First Refusal. Before any Shares held by Purchaser or any transferee of Purchaser (either being sometimes referred to herein as the "Holder") may be sold or otherwise transferred (including transfer by gift or operation of law), the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in this Section 3(b) (the "Right of First Refusal").

(i) Notice of Proposed Transfer. The Holder of the Shares shall deliver to the Company a written notice (the "Notice") stating: (A) the Holder's bona fide intention to sell or otherwise transfer such Shares; (B) the name of each proposed purchaser or other transferee ("Proposed Transferee"); (C) the number of Shares to be transferred to each Proposed Transferee; and (D) the terms and conditions of each proposed sale or transfer. The Holder shall offer the Shares at the same price (the "Offered Price") and upon the same terms (or terms as similar as reasonably possible) to the Company or its assignee(s).

(ii) Exercise of Right of First Refusal. At any time within thirty (30) days after receipt of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all, but not less than all, of the Shares proposed to be transferred to any one or more of the Proposed Transferees, at the purchase price determined in accordance with subsection (iii) below.

(iii) Purchase Price. The purchase price ("Purchase Price") for the Shares purchased by the Company or its assignee(s) under this Section 3(b) shall be the Offered Price. If the Offered Price includes consideration other than cash, the cash equivalent value of the non-cash consideration shall be determined by the Board of Directors of the Company in good faith.

(iv) Payment. Payment of the Purchase Price shall be made, at the option of the Company or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness of the Holder to the Company (or, in the case of repurchase by an assignee, to the assignee), or by any combination thereof within thirty (30) days after receipt of the Notice or in the manner and at the times set forth in the Notice.

(v) Holder's Right to Transfer. If all of the Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section 3(b), then the Holder may sell or otherwise transfer such Shares to that Proposed Transferee at the Offered Price or at a higher price, provided that such sale or other transfer is consummated within sixty (60) days after the date of the Notice and provided further that any such sale or other transfer is effected in accordance with any applicable securities laws and the Proposed Transferee agrees in writing that the provisions of this Section 3 shall continue to apply to the Shares in the hands of such Proposed Transferee. If the Shares described in the Notice are not transferred to the Proposed Transferee within such period, or if the Holder proposes to change the price or other terms to make them more favorable to the Proposed Transferee, a new Notice shall be given to the Company, and the Company

and/or its assignees shall again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

(vi) Exception for Certain Family Transfers. Anything to the contrary contained in this Section 3(b) notwithstanding, the transfer of any or all of the Shares during Purchaser's lifetime or on Purchaser's death by will or intestacy to Purchaser's Immediate Family or a trust for the benefit of the Optionee's Immediate Family shall be exempt from the provisions of this Section 3(b). "Immediate Family" as used herein shall mean spouse, lineal descendant or antecedent, father, mother, brother or sister. In such case, the transferee or other recipient shall receive and hold the Shares so transferred subject to the provisions of this Section, and there shall be no further transfer of such Shares except in accordance with the terms of this Section 3.

(c) Involuntary Transfer.

(i) Company's Right to Purchase upon Involuntary Transfer. In the event, at any time after the date of this Agreement, of any transfer by operation of law or other involuntary transfer (including death or divorce, but excluding a transfer to Immediate Family as set forth in Section 3(b)(vi) above) of all or a portion of the Shares by the record holder thereof, the Company shall have an option to purchase all of the Shares transferred at the greater of the purchase price paid by Purchaser pursuant to this Agreement or the fair market value of the Shares on the date of transfer, subject to Section 3(e). Upon such a transfer, the person acquiring the Shares shall promptly notify the Secretary of the Company of such transfer. The right to purchase such Shares shall be provided to the Company for a period of thirty (30) days following receipt by the Company of written notice by the person acquiring the Shares.

(ii) Price for Involuntary Transfer. With respect to any stock to be transferred pursuant to Section 3(c)(i), the price per Share shall be a price set by the Board of Directors of the Company that will reflect the current value of the stock in terms of present earnings and future prospects of the Company. The Company shall notify Purchaser or his or her executor of the price so determined within thirty (30) days after receipt by it of written notice of the transfer or proposed transfer of Shares. However, if the Purchaser does not agree with the valuation as determined by the Board of Directors of the Company, the Purchaser shall be entitled to have the valuation determined by an independent appraiser to be mutually agreed upon by the Company and the Purchaser and whose fees shall be borne equally by the Company and the Purchaser.

(d) Assignment. The right of the Company to purchase any part of the Shares may be assigned in whole or in part to any shareholder or shareholders of the Company or other persons or organizations; provided, however, that an assignee, other than a corporation that is the parent or a one hundred percent (100%) owned subsidiary of the Company, must pay the Company, upon assignment of such right, cash equal to the difference between the original purchase price and fair market value, if the original purchase price is less than the fair market value of the Shares subject to the assignment.

(e) Restrictions Binding on Transferees. All transferees of Shares or any interest therein will receive and hold such Shares or interest subject to the provisions of this Agreement, including, insofar as applicable, the Repurchase Option. In the event of any purchase by the Company hereunder where the Shares or interest are held by a transferee, the transferee shall be obligated, if requested by the Company, to transfer the Shares or interest to the Purchaser for consideration equal to the amount to be paid by the Company hereunder. In the event the Repurchase Option is deemed exercised by the Company pursuant to Section 3(a)(ii) hereof, the Company may deem any transferee to have transferred the Shares or interest to Purchaser prior to their purchase by the Company, and payment of the purchase price by the Company to such transferee shall be deemed to satisfy Purchaser's obligation to pay such transferee for such Shares or interest, and also to satisfy the Company's obligation to pay Purchaser for such Shares or interest. Any sale or transfer of the Company's Shares shall be void unless the provisions of this Agreement are satisfied.

(f) Termination of Rights. The right of first refusal granted the Company by Section 3(b) above and the option to repurchase the Shares in the event of an involuntary transfer granted the Company by Section 3(c) above shall terminate upon the first sale of Common Stock of the Company to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act. Upon termination of the right of first refusal described in Section 3(b) above, a new certificate or certificates representing the Shares not repurchased shall be issued, on request, without the legend referred to in Section 6(a)(ii) herein and delivered to Purchaser.

4. Escrow of Unvested Shares. For purposes of facilitating the enforcement of the provisions of Section 3 above, Purchaser agrees, immediately upon receipt of the certificate(s) for the Shares subject to the Company's Repurchase Option to deliver such certificate(s), together with an Assignment Separate from Certificate in the form attached to this Agreement as Attachment A executed by Purchaser and by Purchaser's spouse (if required for transfer), in blank, to the Secretary of the Company, or the Secretary's designee, to hold such certificate(s) and Assignment Separate from Certificate in escrow and to take all such actions and to effectuate all such transfers and/or releases as are in accordance with the terms of this Agreement. Purchaser hereby acknowledges that the Secretary of the Company, or the Secretary's designee, is so appointed as the escrow holder with the foregoing authorities as a material inducement to make this Agreement and that said appointment is coupled with an interest and is accordingly irrevocable. Purchaser agrees that said escrow holder shall not be liable to any party hereof (or to any other party). The escrow holder may rely upon any letter, notice or other document executed by any signature purported to be genuine and may resign at any time. Purchaser agrees that if the Secretary of the Company, or the Secretary's designee, resigns as escrow holder for any or no reason, the Board of Directors of the Company shall have the power to appoint a successor to serve as escrow holder pursuant to the terms of this Agreement.

5. Investment and Taxation Representations. In connection with the purchase of the Shares, Purchaser represents to the Company the following:

(a) Purchaser is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Shares. Purchaser is purchasing the Shares for investment for his or her own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act.

(b) Purchaser understands that the Shares have not been registered under the Securities Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Purchaser's investment intent as expressed herein.

(c) Purchaser understands that the Shares are "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to these laws, Purchaser must hold the Shares indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available. Purchaser acknowledges that the Company has no obligation to register or qualify the Shares for resale. Purchaser further acknowledges that if an exemption from registration or qualification is available, it may by conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Shares, and requirements relating to the Company which are outside of Purchaser's control, and which the Company is under no obligation and may not be able to satisfy.

(d) Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser's purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company for any tax advice.

(e) If Purchaser is purchasing Unvested Shares, Purchaser agrees that Purchaser and not the Company is solely responsible for filing an 83(b) Election with the Internal Revenue Service (as further described in Section 8 below), and Purchaser acknowledges and agrees that neither the Company, its employees nor its agents shall have any liability to Purchaser if Purchaser fails to timely or otherwise properly file an 83(b) Election with the Internal Revenue Service.

6. Restrictive Legends and Stop-Transfer Orders

(a) Legends. The certificate or certificates representing the Shares shall bear the following legends (as well as any legends required by applicable state and federal corporate and securities laws):

(i) THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISPOSITION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.

(ii) THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE SHAREHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

(b) Stop-Transfer Notices. Purchaser agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

7. No Employment Rights. Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a parent or subsidiary of the Company, to terminate Purchaser's employment, for any reason, with or without cause.

8. Section 83(b) Election. Purchaser understands that Section 83(a) of the Internal Revenue Code of 1986, as amended (the "Code"), taxes as ordinary income for a Nonstatutory Stock Option and as alternative minimum taxable income for an Incentive Stock Option the difference between the amount paid for the Shares and the fair market value of the Shares as of the date any restrictions on the Shares lapse. In this context, "restriction" means the right of the Company to buy back the Shares pursuant to the Repurchase Option set forth in Section 3(a) of this Agreement. Purchaser understands that Purchaser may elect to be taxed at the time the Shares are purchased, rather than when and as the Repurchase Option expires, by filing an election under Section 83(b) (an "83(b) Election") of the Code with the Internal Revenue Service within 30 days from the date of purchase. The IRS makes no exceptions to this filing deadline. Even if the Fair Market Value of the Shares at the time of the execution of this Agreement equals the amount paid for the Shares, the election must be made to avoid income and alternative minimum tax treatment under Section 83(a) in the future. Purchaser understands that failure to file such an election in a timely manner may result in adverse tax consequences

for Purchaser. Purchaser further understands that an additional copy of such election form should be filed with his or her federal income tax return for the calendar year in which the date of this Agreement falls. Purchaser acknowledges that the foregoing is only a summary of the effect of United States federal income taxation with respect to purchase of the Shares hereunder, and does not purport to be complete. Purchaser further acknowledges that the Company has directed Purchaser to seek independent advice regarding the applicable provisions of the Code, the income tax laws of any municipality, state or foreign country in which Purchaser may reside, and the tax consequences of Purchaser's death.

Purchaser agrees that he or she will execute and deliver to the Company with this executed Agreement a copy of the Acknowledgment and Statement of Decision Regarding Section 83(b) Election (the "Acknowledgment") attached hereto as Attachment B. Purchaser further agrees that he or she will execute and submit with the Acknowledgment a copy of the 83(b) Election attached hereto as Attachment C (for tax purposes in connection with the early exercise of an option) if Purchaser has indicated in the Acknowledgment his or her decision to make such an election.

Purchaser agrees that Purchaser and not the Company is solely responsible for filing an 83(b) election with the Internal Revenue Service, and Purchaser acknowledges and agrees that neither the Company, its employees nor its agents shall have any liability to Purchaser if Purchaser fails to timely or otherwise properly file an 83(b) Election with the Internal Revenue Service.

9. Market Stand-off Agreement. In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, Purchaser agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any Shares (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed one hundred eighty (180) days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the public offering.

10. Miscellaneous

(a) Governing Law. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Washington, without giving effect to principles of conflicts of law.

(b) Entire Agreement; Enforcement of Rights. This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in

writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(c) Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(d) Construction. This Agreement has been reviewed by each of the parties hereto and is the result of negotiations between each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(e) Notices. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by telegram or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party's address as set forth below or as subsequently modified by written notice.

(f) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(g) Successors and Assigns. The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The rights and obligations of Purchaser under this Agreement may only be assigned with the prior written consent of the Company.

(h) Arbitration. The parties agree to attempt in good faith to negotiate a settlement of any and all controversies, claims, or disputes arising out of, relating to, or resulting from this Agreement. If, after such good faith negotiation, the parties are not able to reach a settlement, any and all of such controversies, claims, or disputes arising out of, relating to, or resulting from this Agreement shall be subject to binding arbitration. Such arbitration shall take place in Seattle, Washington and will be administered by the American Arbitration Association ("AAA") in accordance with its Rules for the Resolution of Commercial Disputes. The parties agree that the arbitrator shall have the power to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication and motions to dismiss and demurrers, prior to any arbitration hearing. The parties also agree that the arbitrator shall have the power to award any remedies, including attorneys' fees and costs, available under applicable law, provided that the prevailing party in any arbitration shall be entitled to its reasonable attorneys fees and costs. The decision of the arbitrator shall be in writing. Arbitration shall be the sole, exclusive and final remedy for any dispute under this Agreement and the decision of the arbitrator may be entered by a party in any court or forum, state or

federal, being of competent jurisdiction. Accordingly, no party will be permitted to pursue court action regarding this Agreement except as expressly permitted in the preceding sentence. Notwithstanding the foregoing, each party retains the right to seek injunctive relief to prevent a breach, threatened breach or continuing breach of this Agreement that would cause irreparable injury to such party.

[Signature Page Follows]

The parties have executed this Exercise Notice and Restricted Stock Purchase Agreement as of the date first set forth above.

COMPANY:

OMEROS CORPORATION

By: _____
(Signature)

Name: _____
(Print)

Title: _____

Address: _____

_____

PURCHASER:

_____
(Signature)

_____
(Printed Name)

Address: _____

_____

I, _____, spouse of _____, have read and hereby approve the foregoing Agreement. In consideration of the Company's granting my spouse the right to purchase the Shares as set forth in the Agreement, I hereby agree to be irrevocably bound by the Agreement and further agree that any community property or other such interest shall hereby by similarly bound by the Agreement. I hereby appoint my spouse as my attorney-in-fact with respect to any amendment or exercise of any rights under the Agreement.

_____
Spouse of _____

ATTACHMENT A

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED and pursuant to that certain Exercise Notice and Restricted Stock Purchase Agreement between the undersigned ("Purchaser") and Omeros Corporation (the "Company") dated _____, _____ (the "Agreement"), Purchaser hereby sells, assigns and transfers unto the Company _____ (_____) shares of the Common Stock of the Company, standing in Purchaser's name on the books of the Company represented by Certificate No. _____, and hereby irrevocably appoints _____ to transfer said stock on the books of the Company with full power of substitution in the premises. THIS ASSIGNMENT MAY ONLY BE USED AS AUTHORIZED BY THE AGREEMENT AND THE ATTACHMENTS THERETO.

Dated: _____

Signature:

_____

Optionee

_____

Spouse of Optionee (if applicable)

Instruction: Please do not fill in any blanks other than the signature line. The purpose of this assignment is to enable the Company to exercise its Repurchase Option set forth in the Agreement without requiring additional signatures on the part of Purchaser.

ATTACHMENT B

ACKNOWLEDGMENT AND STATEMENT OF DECISION REGARDING SECTION 83(b) ELECTION

The undersigned (which term includes the undersigned's spouse), a purchaser of _____ shares of Common Stock of Omeros Corporation, a Washington corporation (the "Company") by exercise of an option (the "Option") granted pursuant to the Company's Second Amended and Restated 1998 Stock Plan (the "Plan"), hereby states as follows:

1. The undersigned acknowledges receipt of a copy of the Plan relating to the offering of such shares. The undersigned has carefully reviewed the Plan and the option agreement pursuant to which the Option was granted.

2. The undersigned either [check and complete as applicable]:

(a) _____ has consulted, and has been fully advised by, the undersigned's own tax advisor, _____, whose business address is _____, regarding the federal, state and local tax consequences of purchasing shares under the Plan, and particularly regarding the advisability of making elections pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code") and pursuant to the corresponding provisions, if any, of applicable state law; or

(b) _____ has knowingly chosen not to consult such a tax advisor.

3. The undersigned hereby states that the undersigned has decided [check as applicable]:

(a) _____ to make an election pursuant to Section 83(b) of the Code, and is submitting to the Company, together with the undersigned's executed Exercise Notice and Restricted Stock Purchase Agreement, an executed copy of form entitled "Election Under Section 83(b) of the Internal Revenue Code of 1986", *provided that the undersigned is solely responsible for filing such election with the Internal Revenue Service*; or

(b) _____ not to make an election pursuant to Section 83(b) of the Code.

4. Neither the Company nor any subsidiary or representative of the Company has made any warranty or representation to the undersigned with respect to the tax consequences of the undersigned's purchase of shares under the Plan or of the making or failure to make an election pursuant to Section 83(b) of the Code or the corresponding provisions, if any, of applicable state law.

Date: _____ _____

«Optionee»

Date: _____ _____

Spouse of «Optionee»

ATTACHMENT C

ELECTION UNDER SECTION 83(b)
OF THE INTERNAL REVENUE CODE OF 1986

The undersigned taxpayer hereby elects, pursuant to Section 83(b) of the Internal Revenue Code, to include in taxpayer's gross income or alternative minimum taxable income, as applicable, for the current taxable year, the amount of any income that may be taxable to taxpayer in connection with taxpayer's receipt of the property described below:

1. The name, address, taxpayer identification number and taxable year of the undersigned are as follows:

NAME OF TAXPAYER: _____

NAME OF SPOUSE: _____

ADDRESS: _____

_____

IDENTIFICATION NO. OF TAXPAYER: _____

IDENTIFICATION NO. OF SPOUSE: _____

TAXABLE YEAR: _____

2. The property with respect to which the election is made is described as follows:

_____shares of the Common Stock (the "Shares"), $0.01 par value, of Omeros Corporation, a Washington corporation (the "Company").

3. The date on which the property was transferred is: _____

4. The property is subject to the following restrictions:

Repurchase option at cost in favor of the Company upon termination of taxpayer's employment or consulting relationship.

5. The fair market value at the time of transfer, determined without regard to any restriction other than a restriction which by its terms will never lapse, of such property is: $_____

6. The amount (if any) paid for such property: $_____

The undersigned has submitted a copy of this statement to the person for whom the services were performed in connection with the undersigned's receipt of the above-described property. The transferee of such property is the person performing the services in connection with the transfer of said property.

The undersigned understands that the foregoing election may not be revoked except with the consent of the Commissioner.

Dated: _____ _____
Signature of Taxpayer

Dated: _____ _____
Signature of Spouse

RECEIPT

The undersigned hereby acknowledges receipt of Certificate No. _____ representing _____ shares of Common Stock of Omeros Corporation (the "Company").

Dated: _____

_____

(Signature)

_____

(Printed Name)

RECEIPT

Omeros Corporation (the "Company") hereby acknowledges receipt of (check as applicable):

_____ A check in the amount of $_____

_____ The cancellation of indebtedness in the amount of $_____

_____ Certificate No._____ representing _____ shares of the Company's Common Stock with a fair market value of $_____

given by _____ as consideration for Certificate No. _____ representing _____shares of Common Stock of the Company.

Dated: _____

Omeros Corporation

By: _____
(Signature)

Name: _____
(Printed Name)

Title: _____

Exhibit 10.5

OMEROS CORPORATION

SECOND AMENDED AND RESTATED 1998 STOCK OPTION PLAN

NOTICE OF STOCK OPTION GRANT

«Optionee» (“Optionee”)
«OptioneeAddress1»
«OptioneeAddress2»

You have been granted an option to purchase Common Stock of Omeros Corporation (the “Company”) as follows:

Date of Grant (Later of Board Approval Date or Commencement of Employment/Consulting):	«GrantDate»
Vesting Commencement Date:	«VestingCommenceDate»
Exercise Price per Share:	$«ExercisePrice»
Total Number of Shares Granted:	«NoOfShares»
Type of Option:	«Type»
Term/Expiration Date:	«ExpirDate»
Vesting Schedule:	This Option will vest in accordance with the following vesting schedule: «Vesting»
Exercisability:	This Option may be exercised, in whole or in part, at any time prior to its expiration for vested and unvested Shares. The Company has the right, but not the obligation, to repurchase unvested Shares upon termination of employment or consulting relationship.
Termination Period:	Option may be exercised for ninety (90) days after termination of employment or consulting relationship except as set out in Sections 6 and 7 of the Stock Option Agreement (but in no event later than the Expiration Date).

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one document.

OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE OPTION HEREOF IS EARNED ONLY BY CONTINUING EMPLOYMENT OR CONSULTANCY AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER). OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS AGREEMENT OR IN THE COMPANY'S STOCK OPTION PLAN SHALL CONFER UPON OPTIONEE ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT OR CONSULTANCY BY THE COMPANY, NOR SHALL IT INTERFERE IN ANY WAY WITH OPTIONEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE OPTIONEE'S EMPLOYMENT OR CONSULTANCY AT ANY TIME, WITH OR WITHOUT CAUSE.

This option is granted under and governed by the terms and conditions of the Second Amended and Restated 1998 Stock Option Plan (the "Plan") and the Stock Option Agreement, both of which are attached and incorporated in their entireties into this document. By your signature, you acknowledge receipt of a copy of the Plan and the Stock Option Agreement, and represent that you are familiar with the terms and provisions thereof, and hereby accept this Option subject to all of the terms and provisions thereof. You further acknowledge that you have reviewed the Plan, the Stock Option Agreement and this Option in their entirety, have had an opportunity to obtain the advice of counsel prior to executing this Option and fully understand all provisions of this Option. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Administrator (as defined in the Plan) upon any questions arising under the Plan, the Stock Option Agreement or this Option.

«Optionee»:

_____
Signature

_____
Print Name

Omeros Corporation

By: _____
Gregory A. Demopulos, M.D.
Chief Executive Officer

OMEROS CORPORATION

SECOND AMENDED AND RESTATED 1998 STOCK OPTION PLAN

STOCK OPTION AGREEMENT

1. Grant of Option. Omeros Corporation, a Washington corporation (the "Company"), hereby grants to Optionee, an option (the "Option") to purchase a total number of shares of Common Stock (the "Shares") set forth in the Notice of Stock Option Grant, at the exercise price per share set forth in the Notice of Stock Option Grant (the "Exercise Price") subject to the terms, definitions and provisions of the Omeros Corporation Second Amended and Restated 1998 Stock Option Plan (the "Plan") adopted by the Company, which is incorporated herein by reference. Unless otherwise defined herein, capitalized terms used herein shall have the same meaning as set forth in the Notice of Stock Option Grant or Plan.

If designated an Incentive Stock Option, this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code only to the extent so designated in the Notice of Stock Option Grant, and to the extent it is not so designated or to the extent the Option does not qualify as an Incentive Stock Option, it is intended to be a Nonstatutory Stock Option.

Notwithstanding the above, if designated as an Incentive Stock Option, in the event that the Shares subject to this Option (and all other Incentive Stock Options granted to Optionee by the Company or any Parent or Subsidiary, including under other plans of the Company) that first become exercisable in any calendar year have an aggregate fair market value (determined for each Share as of the date of grant of the option covering such Share) in excess of $100,000, the Shares in excess of $100,000 shall be treated as subject to a Nonstatutory Stock Option, in accordance with Section 5(b) of the Plan.

2. Exercise of Option. This Option shall be exercisable during its Term in accordance with the terms set out in the Notice of Stock Option Grant and with the provisions of Section 9 of the Plan as follows:

(a) Right to Exercise

(i) This Option may not be exercised for a fraction of a share.

(ii) In the event of Optionee's death, disability or other termination of employment, the exercisability of the Option is governed by Sections 5, 6 and 7 below, subject to the limitation contained in Section 2(a)(i).

(iii) In no event may this Option be exercised after the date of expiration of the term of this Option as set forth in the Notice of Stock Option Grant.

(b) Method of Exercise. This Option shall be exercisable by execution and delivery of the Exercise Notice and Restricted Stock Purchase Agreement attached hereto as

Exhibit A (the "Exercise Agreement") or of any other form of written notice approved in writing for such purpose by the Company (a "Written Exercise Notice") which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements as to the holder's investment intent with respect to such shares of Common Stock as may be required by the Company pursuant to the provisions of the Plan. Such Exercise Agreement or Written Exercise Notice shall be signed by Optionee and shall be delivered in person or by certified mail to the Secretary of the Company. The Exercise Agreement or Written Exercise Notice shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt by the Company of such Exercise Agreement or Written Exercise Notice accompanied by the Exercise Price.

No Shares will be issued pursuant to the exercise of an Option unless such issuance and such exercise shall comply with all relevant provisions of applicable law and the requirements of any stock exchange upon which the Shares may then be listed. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Optionee on the date on which the Option is exercised with respect to such Shares.

3. Method of Payment. Payment of the Exercise Price shall be by any of the following, or a combination thereof, at the election of Optionee:

(a) cash;

(b) check;

(c) surrender of other shares of Common Stock of the Company which (i) in the case of Shares acquired pursuant to the exercise of a Company option, have been owned by Optionee for more than six (6) months on the date of surrender, and (ii) have a fair market value on the date of surrender equal to the Exercise Price of the Shares as to which the Option is being exercised; or

(d) if there is a public market for the Shares and they are registered under the Securities Act of 1933, as amended (the "Securities Act"), delivery of a properly executed exercise notice together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the exercise price.

4. Restrictions on Exercise. This Option may not be exercised until such time as the Plan has been approved by the shareholders of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 207 of Title 12 of the Code of Federal Regulations as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require Optionee to make any representation and warranty to the Company as may be required by any applicable law or regulation.

5. Termination of Relationship. In the event of termination of Optionee's Continuous Status as an Employee or Consultant, Optionee may, to the extent otherwise so

entitled at the date of such termination (the "Termination Date"), exercise this Option during the Termination Period set forth in the Notice of Stock Option Grant (but only to the extent then vested). To the extent that Optionee was not entitled to exercise this Option at such Termination Date, or if Optionee does not exercise this Option within the Termination Period, the Option shall terminate.

6. Disability of Optionee

(a) Notwithstanding the provisions of Section 5 above, in the event of termination of Optionee's Continuous Status as an Employee or Consultant as a result of his or her total and permanent disability (as defined in Section 22(e)(3) of the Code), Optionee may, but only within twelve (12) months from the Termination Date (but in no event later than the Expiration Date set forth in the Notice of Stock Option Grant and in Section 9 below), exercise this Option to the extent Optionee was entitled to exercise it as of such Termination Date (but only to the extent then vested). To the extent that Optionee was not entitled to exercise the Option as of the Termination Date, or if Optionee does not exercise the Option (to the extent so entitled) within the time specified in this Section 6(a), the Option shall terminate.

(b) Notwithstanding the provisions of Section 5 above, in the event of termination of Optionee's Continuous Status as an Employee or Consultant as a result of any disability not constituting a total and permanent disability (as set forth in Section 22(e)(3) of the Code), Optionee may, but only within six (6) months from the Termination Date (but in no event later than the Expiration Date set forth in the Notice of Stock Option Grant and in Section 9 below), exercise this Option to the extent Optionee was entitled to exercise it as of such Termination Date (but only to the extent then vested); provided, however, that if this is an Incentive Stock Option and Optionee fails to exercise this Incentive Stock Option within three (3) months from the Termination Date, this Option will cease to qualify as an Incentive Stock Option (as defined in Section 422 of the Code) and Optionee will be treated for federal income tax purposes as having received ordinary income at the time of such exercise in an amount generally measured by the difference between the Exercise Price for the Shares and the fair market value of the Shares on the date of exercise. To the extent that Optionee was not entitled to exercise the Option at the Termination Date, or if Optionee does not exercise the Option to the extent so entitled within the time specified in this Section 6(b), the Option shall terminate.

7. Death of Optionee. In the event of the death of Optionee (a) during the Term of this Option and while an Employee or Consultant of the Company and having been in Continuous Status as an Employee or Consultant since the date of grant of the Option, or (b) within thirty (30) days after Optionee's Termination Date, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the Expiration Date set forth in the Notice of Stock Option Grant and in Section 9 below), by Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the Termination Date (and only to the extent then vested).

8. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised

during the lifetime of Optionee only by him or her. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of Optionee.

9. Term of Option. This Option may be exercised only within the Term set forth in the Notice of Stock Option Grant, subject to the limitations set forth in Section 7 of the Plan.

10. Tax Consequences. Set forth below is a brief summary as of the date of this Option of certain of the federal tax consequences of exercise of this Option and disposition of the Shares under the laws in effect as of the Date of Grant. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. THIS SUMMARY DOES NOT ADDRESS THE TAX LAWS AND REGULATIONS APPLICABLE TO EXERCISING AN OPTION BEFORE IT IS VESTED, WHICH ARE SUMMARIZED IN EXHIBIT A ATTACHED HERETO. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) Exercise of Incentive Stock Option. If this Option qualifies as an Incentive Stock Option, there will be no regular federal income tax liability upon the exercise of the Option, although the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price will be treated as an adjustment to the alternative minimum tax for federal tax purposes and may subject Optionee to the alternative minimum tax in the year of exercise.

(b) Exercise of Nonstatutory Stock Option. If this Option does not qualify as an Incentive Stock Option, there may be a regular federal income tax liability upon the exercise of the Option. Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price. If Optionee is an employee, the Company will be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise.

(c) Disposition of Shares. In the case of a Nonstatutory Stock Option, if the Shares are held for at least one (1) year, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal income tax purposes. In the case of an Incentive Stock Option, if Shares transferred pursuant to the Option are held for at least one (1) year after exercise and are disposed of at least two (2) years after the Date of Grant, any gain realized on disposition of the Shares will also be treated as long-term capital gain for federal income tax purposes. If Shares purchased under an Incentive Stock Option are disposed of within such one (1) year period or within two (2) years after the Date of Grant, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the difference between the Exercise Price and the lesser of (i) the fair market value of the Shares on the date of exercise, or (ii) the sale price of the Shares.

(d) Notice of Disqualifying Disposition of Incentive Stock Option Shares. If the Option granted to Optionee herein is an Incentive Stock Option, and if Optionee sells or

otherwise disposes of any of the Shares acquired pursuant to such Incentive Stock Option on or before the later of (i) the date two (2) years after the Date of Grant, or (ii) the date one (1) year after the date of exercise, Optionee shall immediately notify the Company in writing of such disposition. Optionee acknowledges and agrees that he or she may be subject to income tax withholding by the Company on the compensation income recognized by Optionee from the early disposition by payment in cash or out of the current earnings paid to Optionee.

11. Withholding Tax Obligations. Optionee understands that, upon exercising a Nonstatutory Stock Option, he or she will recognize income for tax purposes in an amount equal to the excess of the then fair market value of the Shares over the Exercise Price. However, the timing of this income recognition may be deferred for up to six (6) months if Optionee is subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). If Optionee is an employee, the Company will be required to withhold from Optionee's compensation, or collect from Optionee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income. Additionally, Optionee may at some point be required to satisfy tax withholding obligations with respect to the disqualifying disposition of an Incentive Stock Option. Optionee shall satisfy his or her tax withholding obligation arising upon the exercise of this Option by one or some combination of the following methods: (a) by cash payment, (b) out of Optionee's current compensation, (c) if permitted by the Administrator, in its discretion, by surrendering to the Company Shares which (i) in the case of Shares previously acquired from the Company, have been owned by Optionee for more than six (6) months on the date of surrender, and (ii) have a fair market value on the date of surrender equal to or greater than Optionee's marginal tax rate times the ordinary income recognized, or (d) by electing to have the Company withhold from the Shares to be issued upon exercise of the Option that number of Shares having a fair market value equal to the amount required to be withheld. For this purpose, the fair market value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined (the "Tax Date").

If Optionee is subject to Section 16 of the Exchange Act (an "Insider"), any surrender of previously owned Shares to satisfy tax withholding obligations arising upon exercise of this Option must comply with the applicable provisions of Rule 16b-3 promulgated under the Exchange Act ("Rule 16b-3").

All elections by Optionee to have Shares withheld to satisfy tax withholding obligations shall be made in writing in a form acceptable to the Administrator and shall be subject to the following restrictions:

(a) the election must be made on or prior to the applicable Tax Date;

(b) once made, the election shall be irrevocable as to the particular Shares of the Option as to which the election is made; and

(c) all elections shall be subject to the consent or disapproval of the Administrator.

12. Market Standoff Agreement. In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, Optionee hereby agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any Shares (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed one hundred eighty (180) days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the public offering.

13. Miscellaneous

(a) Governing Law. This Stock Option Agreement, together with the related Notice of Stock Option Grant (collectively this "Agreement"), and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Washington, without giving effect to principles of conflicts of law.

(b) Entire Agreement; Enforcement of Rights. This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(c) Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(d) Construction. This Agreement has been reviewed by each of the parties hereto and is the result of negotiations between each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(e) Notices. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by telegram or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party's address as set forth below or as subsequently modified by written notice.

(f) Successors and Assigns. The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The rights

and obligations of Optionee under this Agreement may only be assigned with the prior written consent of the Company.

(g) Arbitration. The parties agree to attempt in good faith to negotiate a settlement of any and all controversies, claims, or disputes arising out of, relating to, or resulting from this Agreement. If, after such good faith negotiation, the parties are not able to reach a settlement, any and all of such controversies, claims, or disputes arising out of, relating to, or resulting from this Agreement shall be subject to binding arbitration. Such arbitration shall take place in Seattle, Washington and will be administered by the American Arbitration Association ("AAA") in accordance with its Rules for the Resolution of Commercial Disputes. The parties agree that the arbitrator shall have the power to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication and motions to dismiss and demurrers, prior to any arbitration hearing. The parties also agree that the arbitrator shall have the power to award any remedies, including attorneys' fees and costs, available under applicable law, provided that the prevailing party in any arbitration shall be entitled to its reasonable attorneys fees and costs. The decision of the arbitrator shall be in writing. Arbitration shall be the sole, exclusive and final remedy for any dispute under this Agreement and the decision of the arbitrator may be entered by a party in any court or forum, state or federal, being of competent jurisdiction. Accordingly, no party will be permitted to pursue court action regarding this Agreement except as expressly permitted in the preceding sentence. Notwithstanding the foregoing, each party retains the right to seek injunctive relief to prevent a breach, threatened breach or continuing breach of this Agreement that would cause irreparable injury to such party.

Exhibit A

OMEROS CORPORATION

SECOND AMENDED AND RESTATED 1998 STOCK OPTION PLAN

EXERCISE NOTICE AND RESTRICTED STOCK PURCHASE AGREEMENT

This Agreement ("Agreement") is made as of _____, by and between Omeros Corporation, a Washington corporation (the "Company"), and Optionee (also referred to as "Purchaser"). To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the Second Amended and Restated 1998 Stock Option Plan.

1. Exercise of Option. Subject to the terms and conditions hereof, Purchaser hereby elects to exercise his or her option to purchase _____ shares of the Common Stock (the "Shares") of the Company under and pursuant to the Company's Second Amended and Restated 1998 Stock Option Plan (the "Plan") and the Stock Option Agreement dated _____ (the "Option Agreement"). The purchase price for the Shares shall be $ _____ per Share for a total purchase price of $ _____. Of these Shares, Purchaser has elected to purchase _____ of those Shares which have become vested as of the date hereof under the Vesting Schedule set forth in the Notice of Stock Option Grant (the "Vested Shares") and _____ Shares which have not yet vested under such Vesting Schedule (the "Unvested Shares"). The term "Shares" refers to the purchased Shares and all securities received in replacement of the Shares or as stock dividends or splits, all securities received in replacement of the Shares in a recapitalization, merger, reorganization, exchange or the like, and all new, substituted or additional securities or other properties to which Purchaser is entitled by reason of Purchaser's ownership of the Shares.

If Purchaser is purchasing Unvested Shares, Purchaser and not the Company is solely responsible for filing an 83(b) Election with the Internal Revenue Service (as further described in Section 8 below), and Purchaser acknowledges and agrees that neither the Company, its employees nor its agents shall have any liability to Purchaser if Purchaser fails to timely or otherwise properly file an 83(b) Election with the Internal Revenue Service.

2. Time and Place of Exercise. The purchase and sale of the Shares under this Agreement shall occur at the principal office of the Company simultaneously with the execution of this Agreement in accordance with the provisions of Section 2(b) of the Option Agreement. On such date, the Purchaser will deliver payment of the purchase price therefor by (a) check made payable to the Company, (b) cancellation of indebtedness of the Company to Purchaser, (c) delivery of shares of the Common Stock of the Company in accordance with Section 3 of the Option Agreement, or (d) by a combination of the foregoing.

3. Limitations on Transfer. In addition to any other limitation on transfer created by applicable securities laws, Purchaser shall not assign, encumber or dispose of any interest in the Shares while the Shares are subject to the Company's Repurchase Option (as defined below),

except as provided below. After any Shares have been released from such Repurchase Option, Purchaser shall not assign, encumber or dispose of any interest in such Shares except in compliance with the provisions below and applicable securities laws.

(a) Repurchase Option.

(i) In the event of the voluntary or involuntary termination of Purchaser's employment or consulting relationship with the Company for any reason (including death or disability), with or without cause, the Company shall upon the date of such termination (the "Termination Date") have an irrevocable, exclusive option (the "Repurchase Option") for a period of 90 days from such date to repurchase all or any portion of the Shares held by Purchaser as of the Termination Date which have not yet been released from the Company's Repurchase Option at the original purchase price per Share specified in Section 1 (adjusted for any stock splits, stock dividends and the like). The Company has the right, but not the obligation, to exercise the Repurchase Option.

(ii) Unless the Company notifies Purchaser in writing within 90 days from the date of termination of Purchaser's employment or consulting relationship that it does not intend to exercise its Repurchase Option with respect to some or all of the Shares, the Repurchase Option shall be deemed automatically exercised by the Company as of the 90th day following such termination, provided that the Company may notify Purchaser that it is exercising its Repurchase Option as of a date prior to such 90th day. Unless Purchaser is otherwise notified by the Company pursuant to the preceding sentence that the Company does not intend to exercise its Repurchase Option as to some or all of the Shares to which it applies at the time of termination, execution of this Agreement by Purchaser constitutes written notice to Purchaser of the Company's intention to exercise its Repurchase Option with respect to all Shares to which such Repurchase Option applies. The Company, at its choice, may satisfy its payment obligation to Purchaser with respect to exercise of the Repurchase Option by either (A) delivering a check to Purchaser in the amount of the purchase price for the Shares being repurchased, or (B) in the event Purchaser is indebted to the Company, canceling an amount of such indebtedness equal to the purchase price for the Shares being repurchased, or (C) by a combination of (A) and (B) so that the combined payment and cancellation of indebtedness equals such purchase price. In the event of any deemed automatic exercise of the Repurchase Option pursuant to this Section 3(a)(ii) in which Purchaser is indebted to the Company, such indebtedness equal to the purchase price of the Shares being repurchased shall be deemed automatically canceled as of the 90th day following termination of Purchaser's employment or consulting relationship unless the Company otherwise satisfies its payment obligations. As a result of any repurchase of Shares pursuant to this Section 3(a), the Company shall become the legal and beneficial owner of the Shares being repurchased and shall have all rights and interest therein or related thereto, and the Company shall have the right to transfer to its own name the number of Shares being repurchased by the Company, without further action by Purchaser.

(iii) One hundred percent (100%) of the Unvested Shares shall initially be subject to the Repurchase Option. The Unvested Shares shall be released from the Repurchase Option in accordance with the Vesting Schedule set forth in the Notice of Stock Option Grant

until all Shares are released from the Repurchase Option. Fractional shares shall be rounded to the nearest whole share.

(b) Right of First Refusal. Before any Shares held by Purchaser or any transferee of Purchaser (either being sometimes referred to herein as the "Holder") may be sold or otherwise transferred (including transfer by gift or operation of law), the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in this Section 3(b) (the "Right of First Refusal").

(i) Notice of Proposed Transfer. The Holder of the Shares shall deliver to the Company a written notice (the "Notice") stating: (A) the Holder's bona fide intention to sell or otherwise transfer such Shares; (B) the name of each proposed purchaser or other transferee ("Proposed Transferee"); (C) the number of Shares to be transferred to each Proposed Transferee; and (D) the terms and conditions of each proposed sale or transfer. The Holder shall offer the Shares at the same price (the "Offered Price") and upon the same terms (or terms as similar as reasonably possible) to the Company or its assignee(s).

(ii) Exercise of Right of First Refusal. At any time within thirty (30) days after receipt of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all, but not less than all, of the Shares proposed to be transferred to any one or more of the Proposed Transferees, at the purchase price determined in accordance with subsection (iii) below.

(iii) Purchase Price. The purchase price ("Purchase Price") for the Shares purchased by the Company or its assignee(s) under this Section 3(b) shall be the Offered Price. If the Offered Price includes consideration other than cash, the cash equivalent value of the non-cash consideration shall be determined by the Board of Directors of the Company in good faith.

(iv) Payment. Payment of the Purchase Price shall be made, at the option of the Company or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness of the Holder to the Company (or, in the case of repurchase by an assignee, to the assignee), or by any combination thereof within thirty (30) days after receipt of the Notice or in the manner and at the times set forth in the Notice.

(v) Holder's Right to Transfer. If all of the Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section 3(b), then the Holder may sell or otherwise transfer such Shares to that Proposed Transferee at the Offered Price or at a higher price, provided that such sale or other transfer is consummated within sixty (60) days after the date of the Notice and provided further that any such sale or other transfer is effected in accordance with any applicable securities laws and the Proposed Transferee agrees in writing that the provisions of this Section 3 shall continue to apply to the Shares in the hands of such Proposed Transferee. If the Shares described in the Notice are not transferred to the Proposed Transferee within such period, or if the Holder proposes to change the price or other terms to make them more favorable to the Proposed Transferee, a new Notice shall be given to the Company, and the Company

and/or its assignees shall again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

(vi) Exception for Certain Family Transfers. Anything to the contrary contained in this Section 3(b) notwithstanding, the transfer of any or all of the Shares during Purchaser's lifetime or on Purchaser's death by will or intestacy to Purchaser's Immediate Family or a trust for the benefit of the Optionee's Immediate Family shall be exempt from the provisions of this Section 3(b). "Immediate Family" as used herein shall mean spouse, lineal descendant or antecedent, father, mother, brother or sister. In such case, the transferee or other recipient shall receive and hold the Shares so transferred subject to the provisions of this Section, and there shall be no further transfer of such Shares except in accordance with the terms of this Section 3.

(c) Involuntary Transfer.

(i) Company's Right to Purchase upon Involuntary Transfer. In the event, at any time after the date of this Agreement, of any transfer by operation of law or other involuntary transfer (including death or divorce, but excluding a transfer to Immediate Family as set forth in Section 3(b)(vi) above) of all or a portion of the Shares by the record holder thereof, the Company shall have an option to purchase all of the Shares transferred at the greater of the purchase price paid by Purchaser pursuant to this Agreement or the fair market value of the Shares on the date of transfer, subject to Section 3(e). Upon such a transfer, the person acquiring the Shares shall promptly notify the Secretary of the Company of such transfer. The right to purchase such Shares shall be provided to the Company for a period of thirty (30) days following receipt by the Company of written notice by the person acquiring the Shares.

(ii) Price for Involuntary Transfer. With respect to any stock to be transferred pursuant to Section 3(c)(i), the price per Share shall be a price set by the Board of Directors of the Company that will reflect the current value of the stock in terms of present earnings and future prospects of the Company. The Company shall notify Purchaser or his or her executor of the price so determined within thirty (30) days after receipt by it of written notice of the transfer or proposed transfer of Shares. However, if the Purchaser does not agree with the valuation as determined by the Board of Directors of the Company, the Purchaser shall be entitled to have the valuation determined by an independent appraiser to be mutually agreed upon by the Company and the Purchaser and whose fees shall be borne equally by the Company and the Purchaser.

(d) Assignment. The right of the Company to purchase any part of the Shares may be assigned in whole or in part to any shareholder or shareholders of the Company or other persons or organizations; provided, however, that an assignee, other than a corporation that is the parent or a one hundred percent (100%) owned subsidiary of the Company, must pay the Company, upon assignment of such right, cash equal to the difference between the original purchase price and fair market value, if the original purchase price is less than the fair market value of the Shares subject to the assignment.

(e) Restrictions Binding on Transferees. All transferees of Shares or any interest therein will receive and hold such Shares or interest subject to the provisions of this Agreement, including, insofar as applicable, the Repurchase Option. In the event of any purchase by the Company hereunder where the Shares or interest are held by a transferee, the transferee shall be obligated, if requested by the Company, to transfer the Shares or interest to the Purchaser for consideration equal to the amount to be paid by the Company hereunder. In the event the Repurchase Option is deemed exercised by the Company pursuant to Section 3(a)(ii) hereof, the Company may deem any transferee to have transferred the Shares or interest to Purchaser prior to their purchase by the Company, and payment of the purchase price by the Company to such transferee shall be deemed to satisfy Purchaser's obligation to pay such transferee for such Shares or interest, and also to satisfy the Company's obligation to pay Purchaser for such Shares or interest. Any sale or transfer of the Company's Shares shall be void unless the provisions of this Agreement are satisfied.

(f) Termination of Rights. The right of first refusal granted the Company by Section 3(b) above and the option to repurchase the Shares in the event of an involuntary transfer granted the Company by Section 3(c) above shall terminate upon the first sale of Common Stock of the Company to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act. Upon termination of the right of first refusal described in Section 3(b) above, a new certificate or certificates representing the Shares not repurchased shall be issued, on request, without the legend referred to in Section 6(a)(ii) herein and delivered to Purchaser.

4. Escrow of Unvested Shares. For purposes of facilitating the enforcement of the provisions of Section 3 above, Purchaser agrees, immediately upon receipt of the certificate(s) for the Shares subject to the Company's Repurchase Option to deliver such certificate(s), together with an Assignment Separate from Certificate in the form attached to this Agreement as Attachment A executed by Purchaser and by Purchaser's spouse (if required for transfer), in blank, to the Secretary of the Company, or the Secretary's designee, to hold such certificate(s) and Assignment Separate from Certificate in escrow and to take all such actions and to effectuate all such transfers and/or releases as are in accordance with the terms of this Agreement. Purchaser hereby acknowledges that the Secretary of the Company, or the Secretary's designee, is so appointed as the escrow holder with the foregoing authorities as a material inducement to make this Agreement and that said appointment is coupled with an interest and is accordingly irrevocable. Purchaser agrees that said escrow holder shall not be liable to any party hereof (or to any other party). The escrow holder may rely upon any letter, notice or other document executed by any signature purported to be genuine and may resign at any time. Purchaser agrees that if the Secretary of the Company, or the Secretary's designee, resigns as escrow holder for any or no reason, the Board of Directors of the Company shall have the power to appoint a successor to serve as escrow holder pursuant to the terms of this Agreement.

5. Investment and Taxation Representations. In connection with the purchase of the Shares, Purchaser represents to the Company the following:

(a) Purchaser is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Shares. Purchaser is purchasing the Shares for investment for his or her own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act.

(b) Purchaser understands that the Shares have not been registered under the Securities Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Purchaser's investment intent as expressed herein.

(c) Purchaser understands that the Shares are "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to these laws, Purchaser must hold the Shares indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available. Purchaser acknowledges that the Company has no obligation to register or qualify the Shares for resale. Purchaser further acknowledges that if an exemption from registration or qualification is available, it may by conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Shares, and requirements relating to the Company which are outside of Purchaser's control, and which the Company is under no obligation and may not be able to satisfy.

(d) Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser's purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company for any tax advice.

(e) If Purchaser is purchasing Unvested Shares, Purchaser agrees that Purchaser and not the Company is solely responsible for filing an 83(b) Election with the Internal Revenue Service (as further described in Section 8 below), and Purchaser acknowledges and agrees that neither the Company, its employees nor its agents shall have any liability to Purchaser if Purchaser fails to timely or otherwise properly file an 83(b) Election with the Internal Revenue Service.

6. Restrictive Legends and Stop-Transfer Orders

(a) Legends. The certificate or certificates representing the Shares shall bear the following legends (as well as any legends required by applicable state and federal corporate and securities laws):

(i) THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISPOSITION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.

(ii) THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE SHAREHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

(b) Stop-Transfer Notices. Purchaser agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

7. No Employment Rights. Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a parent or subsidiary of the Company, to terminate Purchaser's employment, for any reason, with or without cause.

8. Section 83(b) Election. Purchaser understands that Section 83(a) of the Internal Revenue Code of 1986, as amended (the "Code"), taxes as ordinary income for a Nonstatutory Stock Option and as alternative minimum taxable income for an Incentive Stock Option the difference between the amount paid for the Shares and the fair market value of the Shares as of the date any restrictions on the Shares lapse. In this context, "restriction" means the right of the Company to buy back the Shares pursuant to the Repurchase Option set forth in Section 3(a) of this Agreement. Purchaser understands that Purchaser may elect to be taxed at the time the Shares are purchased, rather than when and as the Repurchase Option expires, by filing an election under Section 83(b) (an "83(b) Election") of the Code with the Internal Revenue Service within 30 days from the date of purchase. The IRS makes no exceptions to this filing deadline. Even if the Fair Market Value of the Shares at the time of the execution of this Agreement equals the amount paid for the Shares, the election must be made to avoid income and alternative minimum tax treatment under Section 83(a) in the future. Purchaser understands that failure to file such an election in a timely manner may result in adverse tax consequences

for Purchaser. Purchaser further understands that an additional copy of such election form should be filed with his or her federal income tax return for the calendar year in which the date of this Agreement falls. Purchaser acknowledges that the foregoing is only a summary of the effect of United States federal income taxation with respect to purchase of the Shares hereunder, and does not purport to be complete. Purchaser further acknowledges that the Company has directed Purchaser to seek independent advice regarding the applicable provisions of the Code, the income tax laws of any municipality, state or foreign country in which Purchaser may reside, and the tax consequences of Purchaser's death.

Purchaser agrees that he or she will execute and deliver to the Company with this executed Agreement a copy of the Acknowledgment and Statement of Decision Regarding Section 83(b) Election (the "Acknowledgment") attached hereto as Attachment B. Purchaser further agrees that he or she will execute and submit with the Acknowledgment a copy of the 83(b) Election attached hereto as Attachment C (for tax purposes in connection with the early exercise of an option) if Purchaser has indicated in the Acknowledgment his or her decision to make such an election.

Purchaser agrees that Purchaser and not the Company is solely responsible for filing an 83(b) election with the Internal Revenue Service, and Purchaser acknowledges and agrees that neither the Company, its employees nor its agents shall have any liability to Purchaser if Purchaser fails to timely or otherwise properly file an 83(b) Election with the Internal Revenue Service.

9. Market Stand-off Agreement. In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, Purchaser agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any Shares (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed one hundred eighty (180) days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the public offering.

10. Miscellaneous

(a) Governing Law. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Washington, without giving effect to principles of conflicts of law.

(b) Entire Agreement; Enforcement of Rights. This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in

writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(c) Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(d) Construction. This Agreement has been reviewed by each of the parties hereto and is the result of negotiations between each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(e) Notices. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by telegram or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party's address as set forth below or as subsequently modified by written notice.

(f) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(g) Successors and Assigns. The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The rights and obligations of Purchaser under this Agreement may only be assigned with the prior written consent of the Company.

(h) Arbitration. The parties agree to attempt in good faith to negotiate a settlement of any and all controversies, claims, or disputes arising out of, relating to, or resulting from this Agreement. If, after such good faith negotiation, the parties are not able to reach a settlement, any and all of such controversies, claims, or disputes arising out of, relating to, or resulting from this Agreement shall be subject to binding arbitration. Such arbitration shall take place in Seattle, Washington and will be administered by the American Arbitration Association ("AAA") in accordance with its Rules for the Resolution of Commercial Disputes. The parties agree that the arbitrator shall have the power to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication and motions to dismiss and demurrers, prior to any arbitration hearing. The parties also agree that the arbitrator shall have the power to award any remedies, including attorneys' fees and costs, available under applicable law, provided that the prevailing party in any arbitration shall be entitled to its reasonable attorneys fees and costs. The decision of the arbitrator shall be in writing. Arbitration shall be the sole, exclusive and final remedy for any dispute under this Agreement and the decision of the arbitrator may be entered by a party in any court or forum, state or

federal, being of competent jurisdiction. Accordingly, no party will be permitted to pursue court action regarding this Agreement except as expressly permitted in the preceding sentence. Notwithstanding the foregoing, each party retains the right to seek injunctive relief to prevent a breach, threatened breach or continuing breach of this Agreement that would cause irreparable injury to such party.

[Signature Page Follows]

The parties have executed this Exercise Notice and Restricted Stock Purchase Agreement as of the date first set forth above.

COMPANY:

OMEROS CORPORATION

By: _____
(Signature)

Name: _____
(Print)

Title: _____

Address: _____
_____

PURCHASER:

_____
(Signature)

_____
(Printed Name)

Address: _____
_____

I, _____, spouse of _____, have read and hereby approve the foregoing Agreement. In consideration of the Company's granting my spouse the right to purchase the Shares as set forth in the Agreement, I hereby agree to be irrevocably bound by the Agreement and further agree that any community property or other such interest shall hereby by similarly bound by the Agreement. I hereby appoint my spouse as my attorney-in-fact with respect to any amendment or exercise of any rights under the Agreement.

_____
Spouse of _____

ATTACHMENT A

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED and pursuant to that certain Exercise Notice and Restricted Stock Purchase Agreement between the undersigned ("Purchaser") and Omeros Corporation (the "Company") dated _____, _____ (the "Agreement"), Purchaser hereby sells, assigns and transfers unto the Company _____ (_____) shares of the Common Stock of the Company, standing in Purchaser's name on the books of the Company represented by Certificate No. _____, and hereby irrevocably appoints _____ to transfer said stock on the books of the Company with full power of substitution in the premises. THIS ASSIGNMENT MAY ONLY BE USED AS AUTHORIZED BY THE AGREEMENT AND THE ATTACHMENTS THERETO.

Dated: _____

Signature: _____

Optionee

_____

Spouse of Optionee (if applicable)

Instruction: Please do not fill in any blanks other than the signature line. The purpose of this assignment is to enable the Company to exercise its Repurchase Option set forth in the Agreement without requiring additional signatures on the part of Purchaser.

ATTACHMENT B

ACKNOWLEDGMENT AND STATEMENT OF DECISION REGARDING SECTION 83(b) ELECTION

The undersigned (which term includes the undersigned's spouse), a purchaser of _____ shares of Common Stock of Omeros Corporation, a Washington corporation (the "Company") by exercise of an option (the "Option") granted pursuant to the Company's Second Amended and Restated 1998 Stock Plan (the "Plan"), hereby states as follows:

1. The undersigned acknowledges receipt of a copy of the Plan relating to the offering of such shares. The undersigned has carefully reviewed the Plan and the option agreement pursuant to which the Option was granted.

2. The undersigned either [check and complete as applicable]:

(a) _____ has consulted, and has been fully advised by, the undersigned's own tax advisor, _____, whose business address is _____, regarding the federal, state and local tax consequences of purchasing shares under the Plan, and particularly regarding the advisability of making elections pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code") and pursuant to the corresponding provisions, if any, of applicable state law; or

(b) _____ has knowingly chosen not to consult such a tax advisor.

3. The undersigned hereby states that the undersigned has decided [check as applicable]:

(a) _____ to make an election pursuant to Section 83(b) of the Code, and is submitting to the Company, together with the undersigned's executed Exercise Notice and Restricted Stock Purchase Agreement, an executed copy of form entitled "Election Under Section 83(b) of the Internal Revenue Code of 1986", *provided that the undersigned is solely responsible for filing such election with the Internal Revenue Service*; or

(b) _____ not to make an election pursuant to Section 83(b) of the Code.

4. Neither the Company nor any subsidiary or representative of the Company has made any warranty or representation to the undersigned with respect to the tax consequences of the undersigned's purchase of shares under the Plan or of the making or failure to make an election pursuant to Section 83(b) of the Code or the corresponding provisions, if any, of applicable state law.

Date: _____ _____

«Optionee»

Date: _____ _____

Spouse of «Optionee»

ATTACHMENT C

ELECTION UNDER SECTION 83(b)
OF THE INTERNAL REVENUE CODE OF 1986

The undersigned taxpayer hereby elects, pursuant to Section 83(b) of the Internal Revenue Code, to include in taxpayer's gross income or alternative minimum taxable income, as applicable, for the current taxable year, the amount of any income that may be taxable to taxpayer in connection with taxpayer's receipt of the property described below:

1. The name, address, taxpayer identification number and taxable year of the undersigned are as follows:

NAME OF TAXPAYER: _____

NAME OF SPOUSE: _____

ADDRESS: _____

_____

IDENTIFICATION NO. OF TAXPAYER: _____

IDENTIFICATION NO. OF SPOUSE: _____

TAXABLE YEAR: _____

2. The property with respect to which the election is made is described as follows:

_____shares of the Common Stock (the "Shares"), $0.01 par value, of Omeros Corporation, a Washington corporation (the "Company").

3. The date on which the property was transferred is: _____

4. The property is subject to the following restrictions:

Repurchase option at cost in favor of the Company upon termination of taxpayer's employment or consulting relationship.

5. The fair market value at the time of transfer, determined without regard to any restriction other than a restriction which by its terms will never lapse, of such property is: $_____

6. The amount (if any) paid for such property: $_____

The undersigned has submitted a copy of this statement to the person for whom the services were performed in connection with the undersigned's receipt of the above-described property. The transferee of such property is the person performing the services in connection with the transfer of said property.

The undersigned understands that the foregoing election may not be revoked except with the consent of the Commissioner.

Dated: _____

_____
Signature of Taxpayer

Dated: _____

_____
Signature of Spouse

RECEIPT

The undersigned hereby acknowledges receipt of Certificate No. _____ representing _____ shares of Common Stock of Omeros Corporation (the "Company").

Dated: _____

_____
(Signature)

_____
(Printed Name)

RECEIPT

Omeros Corporation (the "Company") hereby acknowledges receipt of (check as applicable):

_____ A check in the amount of $_____

_____ The cancellation of indebtedness in the amount of $_____

_____ Certificate No. _____ representing _____ shares of the Company's Common Stock with a fair market value of $_____

given by _____ as consideration for Certificate No. _____ representing _____ shares of Common Stock of the Company.

Dated: _____

Omeros Corporation

By: _____
(Signature)

Name: _____
(Printed Name)

Title: _____

Exhibit 10.6

nura, inc.

2003 STOCK PLAN

1. Purposes of the Plan. The purposes of this Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees, Directors and Consultants and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant. Stock Purchase Rights may also be granted under the Plan.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of its Committees as shall be administering the Plan in accordance with Section 4 hereof.

(b) "Applicable Laws" means the requirements relating to the administration of stock option plans under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any other country or jurisdiction where Options or Stock Purchase Rights are granted under the Plan.

(c) "Board" means the Board of Directors of the Company.

(d) "Change in Control" means the occurrence of any of the following events:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets; or

(iii) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

(e) "Code" means the Internal Revenue Code of 1986, as amended.

(f) "Committee" means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board in accordance with Section 4 hereof.

(g) "Common Stock" means the Common Stock of the Company.

(h) "Company" means nura, inc., a Delaware corporation.

(i) "Consultant" means any person who is engaged by the Company or any Parent or Subsidiary to render consulting or advisory services to such entity.

(j) "Director" means a member of the Board.

(k) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code.

(l) "Employee" means any person, including officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(m) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(n) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock on the day of determination; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Administrator.

(o) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(p) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(q) "Option" means a stock option granted pursuant to the Plan.

(r) "Option Agreement" means a written or electronic agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(s) "Optioned Stock" means the Common Stock subject to an Option or a Stock Purchase Right.

(t) "Optionee" means the holder of an outstanding Option or Stock Purchase Right granted under the Plan.

(u) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(v) "Plan" means this 2003 Stock Plan.

(w) "Restricted Stock" means Shares issued pursuant to a Stock Purchase Right or Shares of restricted stock issued pursuant to an Option.

(x) "Restricted Stock Purchase Agreement" means a written agreement between the Company and the Optionee evidencing the terms and restrictions applying to Shares purchased under a Stock Purchase Right. The Restricted Stock Purchase Agreement is subject to the terms and conditions of the Plan and the notice of grant.

(y) "Service Provider" means an Employee, Director or Consultant.

(z) "Share" means a share of the Common Stock, as adjusted in accordance with Section 13 below.

(aa) "Stock Purchase Right" means a right to purchase Common Stock pursuant to Section 11 below.

(bb) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan. Subject to the provisions of Section 13 of the Plan, the maximum aggregate number of Shares that may be subject to option and sold under the Plan is 2,298,688 Shares. The Shares may be authorized but unissued, or reacquired Common Stock.

If an Option or Stock Purchase Right expires or becomes unexercisable without having been exercised in full, the unpurchased Shares that were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated). However, Shares that have actually been issued under the Plan, upon exercise of either an Option or Stock Purchase Right, shall not be returned to the Plan and shall not become available for future distribution under the Plan, except that if unvested Shares of Restricted Stock are repurchased by the Company at their original purchase price, such Shares shall become available for future grant under the Plan.

4. Administration of the Plan.

(a) Administrator. The Plan shall be administered by the Board or a Committee appointed by the Board, which Committee shall be constituted to comply with Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan and, in the case of a Committee, the specific duties delegated by the Board to such Committee, and subject to the approval of any relevant authorities, the Administrator shall have the authority in its discretion:

(i) to determine the Fair Market Value;

(ii) to select the Service Providers to whom Options and Stock Purchase Rights may from time to time be granted hereunder;

(iii) to determine the number of Shares to be covered by each such award granted hereunder;

(iv) to approve forms of agreement for use under the Plan;

(v) to determine the terms and conditions of any Option or Stock Purchase Right granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options or Stock Purchase Rights may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option or Stock Purchase Right or the Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(vi) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws;

(vii) to allow Optionees to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Option or Stock Purchase Right that number of Shares having a Fair Market Value equal to the minimum amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by Optionees to have Shares withheld for this purpose shall be made in such form and under such conditions as the Administrator may deem necessary or advisable; and

(viii) to construe and interpret the terms of the Plan and Options granted pursuant to the Plan.

(c) Effect of Administrator's Decision. All decisions, determinations and interpretations of the Administrator shall be final and binding on all Optionees.

5. Eligibility. Nonstatutory Stock Options and Stock Purchase Rights may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.

6. Limitations.

(a) Incentive Stock Option Limit. Each Option shall be designated in the Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds $100,000, such Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

(b) At-Will Employment. Neither the Plan nor any Option or Stock Purchase Right shall confer upon any Optionee any right with respect to continuing the Optionee's relationship as a Service Provider with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate such relationship at any time, with or without cause, and with or without notice.

7. Term of Plan. Subject to stockholder approval in accordance with Section 19, the Plan shall become effective upon its adoption by the Board. Unless sooner terminated under Section 15, it shall continue in effect for a term of ten (10) years from the later of (i) the effective date of the Plan, or (ii) the earlier of the most recent Board or stockholder approval of an increase in the number of Shares reserved for issuance under the Plan.

8. Term of Option. The term of each Option shall be stated in the Option Agreement; provided, however, that the term shall be no more than ten (10) years from the date of grant thereof. In the case of an Incentive Stock Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the date of grant or such shorter term as may be provided in the Option Agreement.

9. Option Exercise Price and Consideration.

(a) Exercise Price. The per share exercise price for the Shares to be issued upon exercise of an Option shall be such price as is determined by the Administrator, but shall be subject to the following:

(i) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(B) granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option, the per Share exercise price shall be determined by the Administrator.

(iii) Notwithstanding the foregoing, Options may be granted with a per Share exercise price other than as required above pursuant to a merger or other corporate transaction.

(b) Forms of Consideration. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant). Such consideration may consist of, without limitation, (1) cash, (2) check, (3) promissory note, (4) other Shares, provided Shares acquired directly from the Company (x) have been owned by the Optionee for more than six months on the date of surrender, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option shall be exercised, (5) consideration received by the Company under a cashless exercise program implemented by the Company in connection with the Plan, or (6) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

10. Exercise of Option.

(a) Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder shall be exercisable according to the terms hereof at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement. An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when the Company receives: (i) written or electronic notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued upon exercise of an Option shall be issued in the name of the Optionee or, if requested by the Optionee, in the name of the Optionee and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Shares, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 13 of the Plan.

Exercise of an Option in any manner shall result in a decrease in the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Relationship as a Service Provider. If an Optionee ceases to be a Service Provider, such Optionee may exercise his or her Option within such period of time as is specified in the Option Agreement to the extent that the Option is vested on the date of termination (but in no event later than the expiration of the term of the Option as set forth in the Option Agreement). In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for three (3) months following the Optionee's termination. If, on the date of termination, the Optionee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified by the Administrator, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(c) Disability of Optionee. If an Optionee ceases to be a Service Provider as a result of the Optionee's Disability, the Optionee may exercise his or her Option within such period of time as is specified in the Option Agreement to the extent the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement). In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for twelve (12) months following the Optionee's termination. If, on the date of termination, the Optionee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(d) Death of Optionee. If an Optionee dies while a Service Provider, the Option may be exercised within such period of time as is specified in the Option Agreement (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement), by the Optionee's designated beneficiary, provided such beneficiary has been designated prior to Optionee's death in a form acceptable to the Administrator. If no such beneficiary has been designated by the Optionee, then such Option may be exercised by the personal representative of the Optionee's estate or by the person(s) to whom the Option is transferred pursuant to the Optionee's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for twelve (12) months following the Optionee's termination. If, at the time of death, the Optionee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option shall immediately revert to the Plan. If the Option is not so exercised within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(e) Leaves of Absence.

(i) Unless the Administrator provides otherwise, vesting of Options granted hereunder shall be suspended during any unpaid leave of absence.

(ii) A Service Provider shall not cease to be an Employee in the case of (A) any leave of absence approved by the Company or (B) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor.

(iii) For purposes of Incentive Stock Options, no such leave may exceed ninety (90) days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then three (3) months following the 91st day of such leave, any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option.

11. Stock Purchase Rights.

(a) Rights to Purchase. Stock Purchase Rights may be issued either alone, in addition to, or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. After the Administrator determines that it will offer Stock Purchase Rights under the Plan, it shall advise the offeree in writing or electronically of the terms, conditions and restrictions related to the offer, including the number of Shares that such person shall be entitled to purchase, the price to be paid, and the time within which such person must accept such offer. The offer shall be accepted by execution of a Restricted Stock Purchase Agreement in the form determined by the Administrator.

(b) Repurchase Option. Unless the Administrator determines otherwise, the Restricted Stock Purchase Agreement shall grant the Company a repurchase option exercisable within 90 days of the voluntary or involuntary termination of the purchaser's service with the Company for any reason (including death or disability). The purchase price for Shares repurchased pursuant to the Restricted Stock Purchase Agreement shall be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to the Company. The repurchase option shall lapse at such rate as the Administrator may determine.

(c) Other Provisions. The Restricted Stock Purchase Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion.

(d) Rights as a Stockholder. Once the Stock Purchase Right is exercised, the purchaser shall have rights equivalent to those of a stockholder and shall be a stockholder when his or her purchase is entered upon the records of the duly authorized transfer agent of the Company. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the Stock Purchase Right is exercised, except as provided in Section 13 of the Plan.

12. Transferability of Options and Stock Purchase Rights. Unless determined otherwise by the Administrator, Options and Stock Purchase Rights may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or the laws of descent and distribution, and may be exercised during the lifetime of the Optionee, only by the Optionee.

13. Adjustments; Dissolution or Liquidation; Merger or Change in Control.

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination,

repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, may (in its sole discretion) adjust the number and class of Shares that may be delivered under the Plan and/or the number, class, and price of Shares covered by each outstanding Option or Stock Purchase Right

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify each Optionee as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an Option or Stock Purchase Right will terminate immediately prior to the consummation of such proposed action.

(c) Merger or Change in Control. In the event of a merger of the Company with or into another corporation, or a Change in Control, each outstanding Option and Stock Purchase Right shall be assumed or an equivalent option substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation in a merger or Change in Control refuses to assume or substitute for the Option or Stock Purchase Right, then the Optionee shall fully vest in and have the right to exercise the Option or Stock Purchase Right as to all of the Optioned Stock, including Shares as to which it would not otherwise be vested or exercisable. If an Option or Stock Purchase Right becomes fully vested and exercisable in lieu of assumption or substitution in the event of a merger or Change in Control, the Administrator shall notify the Optionee in writing or electronically that this Option or Stock Purchase Right shall be fully exercisable for a period of fifteen (15) days from the date of such notice, and the Option or Stock Purchase Right shall terminate upon expiration of such period. For the purposes of this paragraph, the Option or Stock Purchase Right shall be considered assumed if, following the merger or Change in Control, the option or right confers the right to purchase or receive, for each Share of Optioned Stock subject to the Option or Stock Purchase Right immediately prior to the merger or Change in Control, the consideration (whether stock, cash, or other securities or property) received in the merger or Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or Change in Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option or Stock Purchase Right, for each Share of Optioned Stock subject to the Option or Stock Purchase Right, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of common stock in the merger or Change in Control.

14. Time of Granting Options and Stock Purchase Rights. The date of grant of an Option or Stock Purchase Right shall, for all purposes, be the date on which the Administrator makes the determination granting such Option or Stock Purchase Right, or such later date as is determined by the Administrator. Notice of the determination shall be given to each Service Provider to whom an Option or Stock Purchase Right is so granted within a reasonable time after the date of such grant.

15. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan.

(b) Stockholder Approval. The Board shall obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company. Termination of the Plan shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Options granted under the Plan prior to the date of such termination.

16. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares shall comply with Applicable Laws and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Option, the Administrator may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

17. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

18. Reservation of Shares. The Company, during the term of this Plan, shall at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

19. Stockholder Approval. The Plan shall be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted. Such stockholder approval shall be obtained in the degree and manner required under Applicable Laws.

Exhibit 10.7

nura, inc.

2003 STOCK PLAN

STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms defined in the 2003 Stock Plan shall have the same defined meanings in this Stock Option Agreement.

I. NOTICE OF STOCK OPTION GRANT

Name:

Address:

The undersigned Optionee has been granted an Option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Date of Grant	_____
Vesting Commencement Date	_____
Exercise Price per Share	$_____
Total Number of Shares Granted	_____
Total Exercise Price	$_____
Type of Option:	_____ Incentive Stock Option
	_____ Nonstatutory Stock Option
Term/Expiration Date:	_____

Vesting Schedule:

This Option shall be exercisable, in whole or in part, according to the following vesting schedule:

25% of the Shares subject to the Option shall vest on the one (1) year anniversary of the Vesting Commencement Date, and 1/48 of the Option shall vest each month thereafter, subject to Optionee continuing to be a Service Provider on such dates.

Termination Period:

This Option shall be exercisable for three (3) months after Optionee ceases to be a Service Provider. Upon Optionee's death or Disability, this Option may be exercised for one (1) year after Optionee ceases to be a Service Provider. In no event may Optionee exercise this Option after the Term/Expiration Date as provided above.

II. AGREEMENT

1. Grant of Option. The Plan Administrator of the Company hereby grants to the Optionee named in the Notice of Grant (the "Optionee"), an option (the "Option") to purchase the number of Shares set forth in the Notice of Grant, at the exercise price per Share set forth in the Notice of Grant (the "Exercise Price"), and subject to the terms and conditions of the Plan, which is incorporated herein by reference. Subject to Section 15(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Option Agreement, the terms and conditions of the Plan shall prevail.

If designated in the Notice of Grant as an Incentive Stock Option ("ISO"), this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Nevertheless, to the extent that it exceeds the $100,000 rule of Code Section 422(d), this Option shall be treated as a Nonstatutory Stock Option ("NSO").

2. Exercise of Option.

(a) Right to Exercise. This Option shall be exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Grant and with the applicable provisions of the Plan and this Option Agreement.

(b) Method of Exercise. This Option shall be exercisable by delivery of an exercise notice in the form attached as Exhibit A (the "Exercise Notice") which shall state the election to exercise the Option, the number of Shares with respect to which the Option is being exercised, and such other representations and agreements as may be required by the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price.

No Shares shall be issued pursuant to the exercise of an Option unless such issuance and such exercise complies with Applicable Laws. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to the Optionee on the date on which the Option is exercised with respect to such Shares.

3. Optionee's Representations. In the event the Shares have not been registered under the Securities Act of 1933, as amended, at the time this Option is exercised, the Optionee shall, if required by the Company, concurrently with the exercise of all or any portion of this Option, deliver to the Company his or her Investment Representation Statement in the form attached hereto as Exhibit B.

4. Lock-Up Period. Optionee hereby agrees that Optionee shall not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Common Stock (or other securities) of the Company or enter into any swap, hedging or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Common Stock (or other securities) of the Company held by Optionee (other than those included in the registration) for a period specified by the representative of the underwriters of Common Stock (or other securities) of the Company not to exceed one hundred eighty (180) days following the effective date of any registration statement of the Company filed under the Securities Act.

Optionee agrees to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriter which are consistent with the foregoing or which are necessary to give further effect thereto. In addition, if requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, Optionee shall provide, within ten (10) days of such request, such information as may be required by the Company or such representative in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. The obligations described in this Section shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said one hundred eighty (180) day period. Optionee agrees that any transferee of the Option or shares acquired pursuant to the Option shall be bound by this Section.

5. Method of Payment. Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee:

(a) cash or check;

(b) consideration received by the Company under a formal cashless exercise program adopted by the Company in connection with the Plan; or

(c) surrender of other Shares which, (i) in the case of Shares acquired from the Company, either directly or indirectly, have been owned by the Optionee for more than six (6) months on the date of surrender, and (ii) have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Exercised Shares.

6. Restrictions on Exercise. This Option may not be exercised until such time as the Plan has been approved by the stockholders of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any Applicable Law.

7. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the

lifetime of Optionee only by Optionee. The terms of the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

8. Term of Option. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option.

9. Tax Obligations.

(a) Withholding Taxes. Optionee agrees to make appropriate arrangements with the Company (or the Parent or Subsidiary employing or retaining Optionee) for the satisfaction of all Federal, state, local and foreign income and employment tax withholding requirements applicable to the Option exercise. Optionee acknowledges and agrees that the Company may refuse to honor the exercise and refuse to deliver Shares if such withholding amounts are not delivered at the time of exercise.

(b) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Optionee herein is an ISO, and if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (1) the date two years after the Date of Grant, or (2) the date one year after the date of exercise, the Optionee shall immediately notify the Company in writing of such disposition. Optionee agrees that Optionee may be subject to income tax withholding by the Company on the compensation income recognized by the Optionee.

10. Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee. This agreement is governed by the internal substantive laws but not the choice of law rules of Washington**.**

11. No Guarantee of Continued Service. OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER). OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH OPTIONEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE OPTIONEE'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

Optionee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Optionee has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

OPTIONEE

Signature

Print Name

Residence Address

nura, inc.

By

Title

EXHIBIT A

2003 STOCK PLAN

EXERCISE NOTICE

nura, inc.
1124 Columbia Street, Suite 650
Seattle, Washington 98104
Attention: Mr. Patrick Gray

1. Exercise of Option. Effective as of today, _____, _____, the undersigned ("Optionee") hereby elects to exercise Optionee's option to purchase _____shares of the Common Stock (the "Shares") of nura, inc. (the "Company") under and pursuant to the 2003 Stock Plan (the "Plan") and the Stock Option Agreement dated _____, _____ (the "Option Agreement").

2. Delivery of Payment. Purchaser herewith delivers to the Company the full purchase price of the Shares, as set forth in the Option Agreement, and any and all withholding taxes due in connection with the exercise of the Option.

3. Representations of Optionee. Optionee acknowledges that Optionee has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.

4. Rights as Stockholder. Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Shares shall be issued to the Optionee as soon as practicable after the Option is exercised in accordance with the Option Agreement. No adjustment shall be made for a dividend or other right for which the record date is prior to the date of issuance except as provided in Section 13 of the Plan.

5. Company's Right of First Refusal Before any Shares held by Optionee or any transferee (either being sometimes referred to herein as the "Holder") may be sold or otherwise transferred (including transfer by gift or operation of law), the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in this Section (the "Right of First Refusal").

(a) Notice of Proposed Transfer. The Holder of the Shares shall deliver to the Company a written notice (the "Notice") stating: (i) the Holder's bona fide intention to sell or otherwise transfer such Shares; (ii) the name of each proposed purchaser or other transferee ("Proposed Transferee"); (iii) the number of Shares to be transferred to each Proposed Transferee; and (iv) the bona fide cash price or other consideration for which the Holder

proposes to transfer the Shares (the "Offered Price"), and the Holder shall offer the Shares at the Offered Price to the Company or its assignee(s).

(b) Exercise of Right of First Refusal. At any time within thirty (30) days after receipt of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all, but not less than all, of the Shares proposed to be transferred to any one or more of the Proposed Transferees, at the purchase price determined in accordance with subsection (c) below.

(c) Purchase Price. The purchase price ("Purchase Price") for the Shares purchased by the Company or its assignee(s) under this Section shall be the Offered Price. If the Offered Price includes consideration other than cash, the cash equivalent value of the non-cash consideration shall be determined by the Board of Directors of the Company in good faith.

(d) Payment. Payment of the Purchase Price shall be made, at the option of the Company or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness of the Holder to the Company (or, in the case of repurchase by an assignee, to the assignee), or by any combination thereof within thirty (30) days after receipt of the Notice or in the manner and at the times set forth in the Notice.

(e) Holder's Right to Transfer. If all of the Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section, then the Holder may sell or otherwise transfer such Shares to that Proposed Transferee at the Offered Price or at a higher price, provided that such sale or other transfer is consummated within 120 days after the date of the Notice, that any such sale or other transfer is effected in accordance with any applicable securities laws and that the Proposed Transferee agrees in writing that the provisions of this Section shall continue to apply to the Shares in the hands of such Proposed Transferee. If the Shares described in the Notice are not transferred to the Proposed Transferee within such period, a new Notice shall be given to the Company, and the Company and/or its assignees shall again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

(f) Exception for Certain Family Transfers. Anything to the contrary contained in this Section notwithstanding, the transfer of any or all of the Shares during the Optionee's lifetime or on the Optionee's death by will or intestacy to the Optionee's immediate family or a trust for the benefit of the Optionee's immediate family shall be exempt from the provisions of this Section. "Immediate Family" as used herein shall mean spouse, lineal descendant or antecedent, father, mother, brother or sister. In such case, the transferee or other recipient shall receive and hold the Shares so transferred subject to the provisions of this Section, and there shall be no further transfer of such Shares except in accordance with the terms of this Section.

(g) Termination of Right of First Refusal. The Right of First Refusal shall terminate as to any Shares upon the earlier of (i) the first sale of Common Stock of the Company to the general public, or (ii) a Change in Control in which the successor corporation has equity securities that are publicly traded.

6. Tax Consultation. Optionee understands that Optionee may suffer adverse tax consequences as a result of Optionee's purchase or disposition of the Shares. Optionee represents that Optionee has consulted with any tax consultants Optionee deems advisable in connection with the purchase or disposition of the Shares and that Optionee is not relying on the Company for any tax advice.

7. Restrictive Legends and Stop-Transfer Orders.

(a) Legends. Optionee understands and agrees that the Company shall cause the legends set forth below or legends substantially equivalent thereto, to be placed upon any certificate(s) evidencing ownership of the Shares together with any other legends that may be required by the Company or by state or federal securities laws:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT OR, IN THE OPINION OF COMPANY COUNSEL SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE THEREWITH.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND A RIGHT OF FIRST REFUSAL HELD BY THE ISSUER OR ITS ASSIGNEE(S) AS SET FORTH IN THE EXERCISE NOTICE BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH TRANSFER RESTRICTIONS AND RIGHT OF FIRST REFUSAL ARE BINDING ON TRANSFEREES OF THESE SHARES.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER FOR A PERIOD NOT TO EXCEED 180 DAYS FOLLOWING THE EFFECTIVE DATE OF THE UNDERWRITTEN PUBLIC OFFERING OF THE COMPANY'S SECURITIES AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF BY THE HOLDER WITHOUT THE CONSENT OF THE COMPANY OR THE MANAGING UNDERWRITER.

(b) Stop-Transfer Notices. Optionee agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Exercise Notice or (ii) to treat as owner of such Shares or to accord the right to

vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

8. Successors and Assigns. The Company may assign any of its rights under this Exercise Notice to single or multiple assignees, and this Exercise Notice shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Exercise Notice shall be binding upon Optionee and his or her heirs, executors, administrators, successors and assigns.

9. Interpretation. Any dispute regarding the interpretation of this Exercise Notice shall be submitted by Optionee or by the Company forthwith to the Administrator which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Administrator shall be final and binding on all parties.

10. Governing Law; Severability. This Exercise Notice is governed by the internal substantive laws but not the choice of law rules, of Washington**.** In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Option Agreement will continue in full force and effect.

11. Entire Agreement. The Plan and Option Agreement are incorporated herein by reference. This Exercise Notice, the Plan, the Option Agreement and the Investment Representation Statement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee.

Submitted by:	Accepted by:
OPTIONEE	nura, inc.
_____	_____
Signature	By
_____	_____
Print Name	Title
Address:	Address:
_____	_____
_____	
	_____
	Date Received

EXHIBIT B

INVESTMENT REPRESENTATION STATEMENT

OPTIONEE:

COMPANY: nura, inc.

SECURITY: COMMON STOCK

AMOUNT:

DATE:

In connection with the purchase of the above-listed Securities, the undersigned Optionee represents to the Company the following:

(a) Optionee is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Securities. Optionee is acquiring these Securities for investment for Optionee's own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act").

(b) Optionee acknowledges and understands that the Securities constitute "restricted securities" under the Securities Act and have not been registered under the Securities Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Optionee's investment intent as expressed herein. In this connection, Optionee understands that, in the view of the Securities and Exchange Commission, the statutory basis for such exemption may be unavailable if Optionee's representation was predicated solely upon a present intention to hold these Securities for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Securities, or for a period of one year or any other fixed period in the future. Optionee further understands that the Securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Optionee further acknowledges and understands that the Company is under no obligation to register the Securities. Optionee understands that the certificate evidencing the Securities will be imprinted with any legend required under applicable state securities laws.

(c) Optionee is familiar with the provisions of Rule 701 and Rule 144, each promulgated under the Securities Act, which, in substance, permit limited public resale of "restricted securities" acquired, directly or indirectly from the issuer thereof, in a non-public offering subject to the satisfaction of certain conditions. Rule 701 provides that if the issuer qualifies under Rule 701 at the time of the grant of the Option to the Optionee, the exercise will be exempt from registration under the Securities Act. In the event the Company becomes subject to the

reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, ninety (90) days thereafter (or such longer period as any market stand-off agreement may require) the Securities exempt under Rule 701 may be resold, subject to the satisfaction of certain of the conditions specified by Rule 144, including: (1) the resale being made through a broker in an unsolicited "broker's transaction" or in transactions directly with a market maker (as said term is defined under the Securities Exchange Act of 1934); and, in the case of an affiliate, (2) the availability of certain public information about the Company, (3) the amount of Securities being sold during any three month period not exceeding the limitations specified in Rule 144(e), and (4) the timely filing of a Form 144, if applicable.

In the event that the Company does not qualify under Rule 701 at the time of grant of the Option, then the Securities may be resold in certain limited circumstances subject to the provisions of Rule 144, which requires the resale to occur not less than one year after the later of the date the Securities were sold by the Company or the date the Securities were sold by an affiliate of the Company, within the meaning of Rule 144; and, in the case of acquisition of the Securities by an affiliate, or by a non-affiliate who subsequently holds the Securities less than two years, the satisfaction of the conditions set forth in sections (1), (2), (3) and (4) of the paragraph immediately above.

(d) Optionee further understands that in the event all of the applicable requirements of Rule 701 or 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rules 144 and 701 are not exclusive, the Staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rules 144 or 701 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk. Optionee understands that no assurances can be given that any such other registration exemption will be available in such event.

Signature of Optionee:

_____

Date: _____ , _____

EXHIBIT 10.10

OMEROS CORPORATION

SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Second Amended and Restated Employment Agreement (the "Agreement") is dated as of December 30, 2007 (the "Effective Date") by and between Dr. Gregory A. Demopulos ("Employee") and Omeros Corporation, a Washington corporation (the "Company"), and amends and restates in its entirety the Employment Agreement between Employee and the Company dated as of December 11, 2001, as amended and restated on June 15, 2005, and the Amended and Restated Employment Agreement between Employee and the Company dated as of December 12, 2006.

1. Term of Agreement.

(a) Subject to the provisions of Section 3, this Agreement shall commence on the date hereof and shall continue until terminated by either party. The period of the Employee's employment hereunder is hereinafter referred to as the "Employment Period." The Company's obligations under Sections 4(c), 5, 10 and 11(i) shall survive the termination of this Agreement, as will the Employee's obligations under Section 9.

(b) On or before May 1, 2009, Employee and the Company shall execute a new employment agreement acceptable to Employee, and on customary market terms consistent with those for chief executive officers of similarly situated companies, relating to the terms and conditions of Employee's future employment by the Company (including, without limitation, severance protection and the award of stock or stock options).

2. Duties.

(a) Position. Employee shall be employed as President and Chief Executive Officer of the Company. Employee will report to the Company's Board of Directors (the "Board"), and all other employees of the Company will report, directly or indirectly, to Employee.

(b) Obligations to the Company. Employee agrees to the best of his ability and experience that he will at all times loyally and conscientiously perform all of the duties and obligations required of him. During the Employment Period, Employee will devote all of his business time and attention to the business of the Company, will not render commercial or professional services of any nature to any person or organization, whether or not for compensation, without the prior written consent of the Board, and will not directly or indirectly engage or participate in any business that is competitive in any manner with the business of the Company; *provided*, that, notwithstanding the foregoing, Employee may:

(i) devote such time to clinical practice and related activities as he reasonably deems necessary to maintain his status as a board-eligible orthopedic and hand and microvascular surgeon, and Employee will be entitled to all of the benefits and profits arising therefrom or incident thereto; and

(ii) serve on the boards or other governing bodies of, or otherwise participate in the activities of, charitable and other not-for-profit or community organizations, and in connection therewith accept and retain honoraria, speaking fees and the like; and

(iii) invest (whether or not passively) and otherwise be involved in (through the provision of services or otherwise) one or more ventures, however organized or owned, that have as a business objective the development and/or commercial exploitation of an electronic system of reporting medical test results, so long as such involvement does not require his participation in the daily operations of such venture or ventures or materially interfere with the performance of his duties to the Company; and

(iv) with the consent of the Board (which consent shall not be unreasonably withheld), serve on the boards or other governing bodies of businesses or organizations not described in (ii) or (iii) above.

The ownership by Employee of not more than 1% of the outstanding equity securities of a corporation whose stock is listed on a national stock exchange or the Nasdaq National Market shall in no event be treated as directly or indirectly engaging or participating in a competitive business. (For the avoidance of doubt, the immediately preceding sentence shall not be construed as limiting in any way Employee's investment or involvement as described in clause (iii) above.) To the extent consistent with the foregoing, Employee will also comply with and be bound by the Company's operating policies, procedures and practices from time to time in effect during the Employment Period.

3. At-Will Employment. The Company and Employee acknowledge that Employee's employment is and shall continue to be at-will, as defined under applicable law, and that Employee's employment with the Company may be terminated by either party at any time for any or no reason. If Employee's employment terminates for any reason, Employee shall not be entitled to any benefits other than as provided in this Agreement or applicable law.

4. Compensation. For the duties and services to be performed by Employee hereunder, the Company shall pay Employee, and Employee agrees to accept, the following:

(a) Salary and Bonus.

(i) Base Salary. Effective as of January 1, 2007, Employee shall receive base salary at an annual rate of $475,000 or such higher annual rate as the Board or its Compensation Committee may approve ("Base Salary"), payable in accordance with the Company's payroll practices for executive employees but not less frequently than semi-monthly. The Compensation Committee shall review Employee's Base Salary not less frequently than annually, beginning the earlier of January 1, 2008 or the period for annual reviews for all employees of the Company, and may increase it but, except for a reduction consistent with an across-the-board reduction in the base compensation payable to other executive employees, may not decrease it, without the consent of Employee. In addition, Employee's total cash compensation from Base Salary and bonuses (disregarding the bonus described in the first sentence of Section 4(a)(ii) below)

may never be less, for any fiscal year of the Company, than the highest total cash compensation from base salary and bonuses (excluding sales commissions) paid or payable for such year to any other executive employee of the Company. For purposes of this Agreement, an "executive employee" is any employee with the title "director" or more senior.

(ii) Bonuses. On or before December 31, 2007, the Company will pay to Employee a bonus of $167,147.45 (less applicable withholding taxes) as a one-time bonus. In addition, for each fiscal year of the Company beginning on or after January 1, 2008, Employee shall be entitled to participate in all bonus and incentive plans or programs, if any, of the Company, in each case at a level and on terms commensurate with his position, it being understood that a reduction in base salary may be a prerequisite for Employee to participate in any bonus or incentive plan or program, so long as other executives of the Company who participate in such bonus or incentive plan or program are also subject to a proportional or greater reduction in base salary.

(b) Additional Benefits. Employee will be eligible to participate in the Company's employee benefit and fringe benefit plans and programs of general application and in any other employee benefit and fringe benefit plans and programs of the Company that are made available to other executive employees of the Company, including without limitation those plans covering medical/dental, disability and life insurance, in accordance with the rules established for individual participation in any such plan or program and under applicable law and, in each case, on terms that are not less favorable to Employee than the terms applicable to other executive employees of the Company. Employee will be eligible for not less than four weeks of vacation per year and for sick leave in accordance with the Company's policies in effect during the Employment Term, and will receive such other benefits as the Company generally provides to its other employees of comparable position and experience. In addition to and not in lieu of the foregoing, the Company shall bear the costs incurred by Employee in maintaining his status as a board-eligible orthopedic and hand and microvascular surgeon, including, without limitation, payment of Employee's malpractice insurance and professional fees.

(c) Reimbursement of Expenses; Insurance. Subject to substantiation in accordance with Company policies, Employee shall be promptly reimbursed by the Company for all reasonable expenses that he incurs in the course of his employment hereunder. During the Employment Period and thereafter, Employee shall be indemnified by the Company to the fullest extent permitted by law against all liability with respect to acts or omissions by Employee during the course of his employment with the Company (including for this purpose any service on the Board), and the Company shall maintain in force adequate insurance covering such acts or omissions.

5. Termination of Employment and Severance Benefits.

(a) Termination of Employment. Employee's employment, and with it the Employment Period, shall terminate upon the first to occur of the following:

(i) The Company's termination of Employee's employment for Cause (as defined in Section 7(a) below) ("Termination for Cause");

(ii) The Company's termination of Employee's employment for Disability (as defined in Section 7(d) below) ("Disability Termination");

(iii) The Company's termination of Employee's employment other than a Termination for Cause or a Disability Termination ("Termination Without Cause").

(iv) The termination by Employee of his employment for Good Reason (as defined in Section 7(b) below) or any other termination by Employee that is treated as a Constructive Termination under Section 7(b) below ("Constructive Termination").

(v) The termination by Employee of his employment other than for Good Reason ("Voluntary Termination").

(vi) Termination of Employee's employment by reason of death.

The effective date of Employee's termination (the "Date of Termination") shall be (A) in the case of a termination under clause (vi) above, the date of death, and (B) in every other case, the date on which the Company (in the case of termination described in clauses (i), (ii) or (iii) above) or Employee (in the case of clauses (iv) and (v) above) gives the other party notice of termination or, if a later date is specified in such notice, such later date.

(b) Severance Benefits. Employee shall be entitled to receive severance benefits upon termination of employment only as set forth in this Section 5(b):

(i) Voluntary Termination. If Employee's employment terminates by Voluntary Termination, then Employee shall not be entitled to receive payment of any severance benefits. Employee will be entitled to prompt payment of all Base Salary, bonuses (including, without limitation, the full amount of any milestone or incentive payments achieved by Employee at or prior to the Date of Termination) and vacation earned but not yet paid as of the Date of Termination, and Employee's benefits will be continued under the Company's then existing benefit plans and programs in accordance with such plans and programs in effect on the Date of Termination and in accordance with applicable law.

(ii) Involuntary Termination. If Employee's employment is terminated by the Company in a Termination Without Cause or by Employee in a Constructive Termination, Employee will be entitled to receive all amounts he would have received in the event of a Voluntary Termination plus the following severance benefits ("Severance Benefits"):

(x) until the earlier of (I) the last day of the two year period beginning on the Date of Termination and (II) Employee's start date with a new employer that pays Employee base salary equal to or in excess of his Base Salary in effect immediately prior to the Date of Termination (or, in the event of any purported decrease in Base Salary prior to the Date of Termination, which purported decrease was a stated cause for Constructive Termination by Employee, base salary equal to or in excess of his Base Salary in effect immediately prior to such purported decrease) (the "Severance Period"), salary continuation at an annual rate equal to the sum

of (a) the rate of Base Salary in effect immediately prior to the Date of Termination (or, in the event of any purported decrease in Base Salary prior to the Date of Termination, which purported decrease was a stated cause for Constructive Termination by Employee, at the rate in effect immediately prior to such purported decrease), plus (b) the greater of (i) if any portion of Employee's remuneration during the two-year period preceding the calendar year in which the Date of Termination falls was paid or payable as a bonus, the annual average of the aggregate of such bonus amounts, or (ii) for the calendar year in which the Date of Termination falls, any bonus to which Employee would have been entitled for such year if his employment had not been terminated, as determined by the Board in good faith. Such salary continuation payments shall be paid on the same periodic basis as payments of base salary are paid to executive employees of the Company, but not less frequently than semi-monthly. The severance payments described in this clause (x) shall not be subject to offset for other earnings.

(y) during the Severance Period, continued participation by Employee and his eligible dependents in all medical, dental, optical and mental health benefit plans or programs of the Company, in each case as in effect immediately prior to the Date of Termination (or, in the event of any purported decrease in coverage occurring prior to the Date of Termination, as in effect immediately prior to such purported decrease) and in each case on terms not less favorable to Employee and his eligible dependents than the terms applicable to active executive employees of the Company and their eligible dependents, unless comparable coverage is provided by Employee's new employer.

(z) full and immediate vesting and accelerated exercisability of all stock options held by Employee immediately prior to the Date of Termination and full and immediate vesting of all shares of stock of the Company previously acquired by Employee or purchasable under any such stock option; provided, that Employee shall have until the maximum term of the option to exercise any stock option that had not been exercised prior to the Date of Termination.

(iii) Termination for Cause. If Employee's employment is terminated by the Company in a Termination for Cause, then Employee shall not be entitled to receive payment of any severance benefits. Employee will be entitled to prompt payment of all Base Salary, bonuses and vacation earned but not yet paid as of the Date of Termination, and Employee's benefits will be continued under the Company's then existing benefit plans and programs in accordance with such plans and programs in effect on the Date of Termination and in accordance with applicable law.

(iv) Termination by Reason of Death or Disability. In the event that Employee's employment with the Company terminates as a result of Employee's death or a Disability Termination, Employee (or Employee's estate or personal representative) will be entitled to prompt payment of all Base Salary, bonuses and vacation earned but not yet paid as of the Date of Termination and any other benefits payable under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of death or Disability and in accordance with applicable law.

6. Section 409A.

(a) Notwithstanding anything to the contrary in this Agreement, if Employee is a "specified employee" within the meaning of Section 409A of the Code and the final regulations and any other guidance promulgated thereunder ("Section 409A") at the time of his termination, and the Deferred Compensation Separation Benefits will not and could not under any circumstances, regardless of when such termination occurs, be paid in full by the later of (i) March 15 of the year following Employee's termination, or (ii) fifteenth day of the third month of the Company's fiscal year following Employee's termination, then only that portion of the Deferred Compensation Separation Benefits which do not exceed the Section 409A Limit (as defined below) will be made within the first six (6) months following Employee's termination of employment in accordance with the payment schedule applicable to each such payment or benefit. For these purposes, each severance payment and benefit is hereby designated as a separate payment and will not collectively be treated as a single payment. Any portion of the Deferred Compensation Separation Benefits in excess of the Section 409A Limit shall accrue and, to the extent such portion of the Deferred Compensation Separation Benefits would otherwise have been payable within the first six (6) months following Employee's termination of employment, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of Employee's termination of employment. All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit.

(b) This provision is intended to comply with the requirements of Section 409A so that none of the Severance Benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. The Company and Employee agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Employee under Section 409A.

7. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Cause. For purposes of this Agreement, "Cause" for Employee's termination will exist at any time after the happening of one or more of the following events:

(i) Employee's willful misconduct or gross negligence in performance of his or her duties hereunder, including Employee's refusal to comply in any material respect with the legal directives of the Board so long as such directives are not inconsistent with Employee's position and duties, and such refusal to comply is not remedied within 10 working days after written notice from the Board, which written notice shall state that failure to remedy such conduct may result in Termination for Cause;

(ii) Dishonest or fraudulent conduct that materially discredits the Company, a deliberate attempt to do an injury to the Company, or conduct that materially discredits the Company or is materially detrimental to the reputation of the Company, including conviction of a felony; or

(iii) Employee's material breach, if incurable, of any element of the Company's Confidential Information and Invention Assignment Agreement, including without limitation, Employee's theft or other misappropriation of the Company's proprietary information.

(b) Constructive Termination. For purposes of this Agreement, "Constructive Termination" means Employee's termination of his employment within 120 days following the occurrence of Good Reason. For purposes of this Agreement, "Good Reason" means any of the following: (i) any material diminution in Employee's authority, duties or responsibilities; (ii) any material diminution in Base Salary; (iii) any material change in the geographic location at which Employee must perform services (in other words, the relocation of Employee to a principal work location that is more than 50 miles from the Company's location on the Effective Date); and (iv) any other action or inaction that constitutes a material breach by the Company of this Agreement.

Provided, however, that before Employee may terminate his employment in a Constructive Termination, (A) Employee must provide the Company with written notice within 90 days of the event that Employee believes constitutes "Good Reason" specifically identifying the acts or omissions constituting the grounds for Good Reason and (B) the Company must have an opportunity within 30 days following delivery of such notice to cure the Good Reason condition.

(c) Deferred Compensation Separation Benefits. For purposes of this Agreement, "Deferred Compensation Separation Benefits" shall mean the Severance Benefits payable to Employee, if any, pursuant to this Agreement, together with any other severance payments or separation benefits which may be considered deferred compensation under Section 409A.

(d) Disability. For purposes of this Agreement, "Disability" shall mean that Employee has been unable to perform his or her duties hereunder as the result of his or her incapacity due to physical or mental illness, and such inability, which continues for at least 120 consecutive calendar days or 150 calendar days during any consecutive twelve-month period, if shorter, after its commencement, is determined to be total and permanent by a physician selected by the Company and its insurers and acceptable to Employee or to Employee's legal representative (with such agreement on acceptability not to be unreasonably withheld).

(e) Section 409A Limit. For purposes of this Agreement, "Section 409A Limit" shall mean the lesser of two (2) times: (i) Employee's annualized compensation based upon the annual rate of pay paid to Employee during the Company's taxable year preceding the Company's taxable year of Employee's termination of employment as determined under Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which Employee's employment is terminated.

8. Confidentiality Agreement. Employee shall sign, or has signed, a Confidential Information and Invention Assignment Agreement (the "Confidentiality Agreement") substantially in the form attached hereto as Exhibit A. Employee hereby represents and warrants to the Company that he or she has complied with all obligations under the Confidentiality Agreement and agrees to continue to abide by the terms of the Confidentiality Agreement and further agrees that the

provisions of the Confidentiality Agreement shall survive any termination of this Agreement or of Employee's employment relationship with the Company.

9. Noncompetition Covenant. Employee hereby agrees that he or she shall not, during the Employment Period and until the later of (i) the end of the Severance Period, if any, and (ii) one year after the Date of Termination, do any of the following without the prior written consent of the Board:

(a) Compete. Carry on any business or activity (whether directly or indirectly, as a partner, stockholder, principal, agent, director, affiliate, employee or consultant) which is directly competitive with the business conducted by the Company (as conducted now or during the term of Employee's employment), nor engage in any other activities that conflict with Employee's obligations to the Company. The parties acknowledge and agree that Employee shall not be deemed to have breached his undertakings under this Section 9 by reason of engaging, whether during the Employment Period or thereafter, in any or any combination of the activities described as permitted activities under Section 2(b), including, for the avoidance of doubt but without limitation, Section 2(b)(iii).

(b) Solicit Business. Solicit or influence or attempt to influence any client or customer, either directly or indirectly, to direct his or its purchase of the Company's products and/or services to any person, firm, corporation, institution or other entity in competition with the business of the Company.

(c) Solicit Personnel. During the term of this Agreement and until the later of (i) the end of the Severance Period and (ii) one year after the Date of Termination, solicit or influence or attempt to influence any person employed by the Company to terminate or otherwise cease his employment with the Company or become an employee of any competitor of the Company. This Section 9(c) is to be read in conjunction with Section 6 of the Confidential Information and Invention Assignment Agreement executed by Employee.

10. Successors. This Agreement shall be binding on the Company and its successors and assigns. Without limiting the foregoing, the Company shall require any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets to assume the Company's obligations under this Agreement and to agree expressly to perform the Company's obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. The terms of this Agreement and all of Employee's rights hereunder shall inure to the benefit of, and be enforceable by, Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

11. Miscellaneous Provisions.

(a) No Duty to Mitigate. Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner).

(b) Amendments and Waivers. Any term of this Agreement may be amended or waived only with the written consent of the parties.

(c) Sole Agreement. This Agreement, including Exhibit A hereto, constitutes the sole agreement of the parties and supersedes all oral negotiations and prior writings with respect to the subject matter hereof. In particular, this Agreement shall supersede any terms contained in stock option agreements provided to Employee or in any exhibits to this Agreement, in each case that are contrary to the terms hereof; *provided*, for the avoidance of doubt, that subject to the last sentence of Section 4(b), nothing in this Agreement shall be construed as adversely affecting Employee's rights under any stock option granted to him prior to the Effective Date.

(d) Notices. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon receipt, when delivered personally or by a nationally-recognized delivery service (such as Federal Express or UPS), or 48 hours after being deposited in the U.S. mail as certified or registered mail with postage prepaid, if such notice is addressed to the party to be notified at such party's address as set forth in the signature blocks below or as subsequently modified by written notice.

(e) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Washington, without giving effect to the principles of conflict of laws.

(f) Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(g) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

(h) Arbitration. Any dispute or claim arising out of or in connection with this Agreement will be finally settled by binding arbitration in Seattle, Washington in accordance with the rules of the American Arbitration Association by one arbitrator appointed in accordance with said rules. The arbitrator shall apply Washington law, without reference to rules of conflicts of law or rules of statutory arbitration, to the resolution of any dispute. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Notwithstanding the

foregoing, the parties may apply to any court of competent jurisdiction for preliminary or interim equitable relief, or to compel arbitration in accordance with this paragraph, without breach of this arbitration provision. This Section 11(h) shall not apply to the Confidentiality Agreement.

(i) Legal Fees. The Company shall reimburse Employee for his legal fees incurred in negotiating this Agreement. In addition, the Company shall pay all legal and other reasonable fees and expenses that Employee may incur in connection with any action by Employee to obtain any severance, coverage, reimbursement, remuneration or other payment or benefit asserted by Employee in good faith to be owing to him under the Agreement, if Employee substantially prevails with respect to any material claim brought in the arbitration.

(j) Advice of Counsel. EACH PARTY TO THIS AGREEMENT ACKNOWLEDGES THAT, IN EXECUTING THIS AGREEMENT, SUCH PARTY HAS HAD THE OPPORTUNITY TO SEEK THE ADVICE OF INDEPENDENT LEGAL COUNSEL, AND HAS READ AND UNDERSTOOD ALL OF THE TERMS AND PROVISIONS OF THIS AGREEMENT. THIS AGREEMENT SHALL NOT BE CONSTRUED AGAINST ANY PARTY BY REASON OF THE DRAFTING OR PREPARATION HEREOF.

(signature page follows)

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

OMEROS CORPORATION

By: /s/ Marcia S. Kelbon
Title: VP, Patent & General Counsel

Address: 1420 Fifth Avenue, Suite 2600
Seattle, WA 98101

GREGORY A. DEMOPULOS

Signature: /s/ Gregory A. Demopulos, M.D.

[SIGNATURE PAGE TO EMPLOYMENT AGREEMENT]

EXHIBIT A

CONFIDENTIAL INFORMATION AND INVENTION ASSIGNMENT AGREEMENT

OMEROS MEDICAL SYSTEMS, INC.

EMPLOYEE PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

In consideration for my becoming employed, or my employment being continued, by Omeros Medical Systems, Inc. or its subsidiaries, affiliates, or successors (collectively, the "Company"), and for any cash, equity or other compensation for my services, I hereby agree as follows:

1. **Overall Duties**. During my term of employment with the Company, I will perform for the Company such duties as may be designated by the Company from time to time. I will devote my best efforts to the interests of the Company and will not engage in other employment or in any activities detrimental to the best interests of the Company without the prior written consent of the Company.

2. **Company Intellectual Property**.

2.1 **Definitions**. As used in this Agreement, the term "Intellectual Property" means discoveries, developments, concepts, designs, ideas, know-how, improvements, inventions, trade secrets and/or original works of authorship, and trademarks, whether or not patentable, copyrightable or otherwise legally protectable. This includes, but is not limited to, any new product, apparatus, article of manufacture, biological material, method, procedure, process, technique, system, compound, formulation, composition of matter, design or configuration of any kind, or any improvement thereon. As used in this Agreement, the term "Company Intellectual Property" means all Intellectual Property that I may solely or jointly create, conceive, develop or reduce to practice during the term of my employment with the Company which (i) pertains to any current or planned line of business activity of the Company, (ii) was aided by the use of time, material or facilities of the Company, whether or not during working hours or (iii) relates to any of my work carried out for the Company, whether or not during normal working hours. Company Intellectual Property shall not be interpreted to include, and any assignment of inventions required by this Agreement does not apply to, any invention or other proprietary right of mine which I have disclosed to the Board of Directors of Omeros and which has been disclaimed thereby as being unrelated to and not in conflict with the present future business or research of Omeros.

2.2 **Duty to Disclose and Company Ownership**. I agree to promptly disclose all Company Intellectual Property to the Company, for no additional compensation. All Company Intellectual Property shall be the sole property of the Company and its assigns to the maximum extent permitted by law (and to the fullest extent permitted by law shall be deemed "works made for hire"), and the Company and its successors and assigns shall be the sole owner of all patents, copyrights, trademarks, trade secrets and other rights in connection therewith.

2.3 **Assignment**. I hereby assign and transfer to the Company, for no additional compensation, any right and title to and interest in Company Intellectual Property that I may have or acquire, including any copyrights and Registrations and renewals therefore, any inventions, any United States, International and foreign patent applications filed on such inventions, the right to apply for all such patent applications in my name or in the name of the Company, such Company Intellectual Property to be held and enjoyed by the Company as entirely as the same would have been held and enjoyed by me had this assignment and transfer not been made.

2.4 **Assistance**. I agree to provide all required or requested assistance to the Company to permit the Company, at its expense but at no additional compensation to me, in obtaining and enforcing the full benefits, enjoyment, rights and title throughout the world in Company Intellectual Property, including but not limited to the review and execution of assignments confirming ownership by the

Company, declarations, powers of attorney, and other documents, and assistance or cooperation in legal proceedings. I hereby irrevocably designate the Company and its duly authorized officers and agents as my agent and attorney-in fact, to execute and file on my behalf any such applications and to do all other lawful acts to further the prosecution and issuance of patents, copyright and mask work registrations related to such Inventions. This power of attorney shall not be affected by my subsequent incapacity.

2.5 **Notice Required by Revised Code of Washington 49.44.140**. **Any assignment of inventions required by this Agreement does not apply to an invention for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely on the employee's own time, unless (a) the invention relates (i) directly to the business of the Company or (ii) to the Company's actual or demonstrably anticipated research or development or (b) the invention results from any work performed by the employee for the Company.**

2.6 I attach hereto as Exhibit A a complete list of all inventions or other Intellectual Property, if any, made by me prior to my employment with the Company that are relevant to any aspect of the Company's current and planned business, and I represent and warrant that such list is complete. If no such list is attached to this Agreement, I represent that I have no such inventions or other Intellectual Property at the time of signing this Agreement. If in the course of my employment with the Company, I use or incorporate into a product or process offered or under development by the Company an invention or other Intellectual Property not included in the Company Intellectual Property in which I have an interest, the Company is hereby granted a nonexclusive, fully paid-up, royalty-free, perpetual worldwide license of my interest to use and sublicense such invention or other Intellectual Property without restriction of any kind.

3. **Confidentiality Obligation.**

3.1 **Definition**. As used in this Agreement, the term "Proprietary Information" means information or material not generally known or available outside the Company, or information or material entrusted to the Company by third parties, that I may obtain or create before or during the term of my employment, or obtain through the Company's resources or personnel after my employment. This includes, but is not limited to, Company Intellectual Property, other inventions, confidential knowledge, copyrights, product ideas, techniques, processes, formulas, object codes, biological materials, mask works and/or any other information of any type relating to documentation, laboratory notebooks, data, schematics, algorithms, flow charts, mechanisms, research, manufacture, improvements, assembly, installation, marketing, forecasts, sales, pricing, customers, customer lists, customer data, investor names and lists, the duties, qualifications, performance levels and compensation of other employees, and/or cost or other financial data concerning any of the foregoing or the Company and its operations. Proprietary Information may be contained in material such as drawings, samples, procedures, specifications, reports, studies, customer or supplier lists, budgets, cost or price lists, compilations or computer programs, or may be in the nature of unwritten knowledge or know-how.

3.2 **Duty to Protect Proprietary Information**. I understand and agree that all Proprietary Information is the sole property of the Company and its assigns. I hereby assign to the Company any rights I may acquire in such Proprietary Information. During and after my employment, I will hold in confidence and not directly or indirectly disclose or use any Proprietary Information, except as authorized by the Company as necessary for carrying out my duties for the Company. I agree not to make copies of such Proprietary Information except as authorized by the Company. Upon termination of my employment, or upon earlier request of the Company, I will return or deliver to

the Company all tangible or electronic forms or copies of such Proprietary Information in my possession or control. These obligations with respect to Proprietary Information shall not apply to information that I can conclusively establish with written documentation: (i) was widely known to the public at the time I obtained the Proprietary Information or later becomes widely known to the public through no direct or indirect action on my part; (ii) was known to me prior to my employment or pre-employment relationship or association with Company; or (iii) that I later receive from a third party having the lawful right to disclose the same.

4. **Ownership of Physical Property**. All documents, apparatus, equipment and other physical property in any form, whether or not pertaining to Proprietary Information, furnished to me by the Company or produced by me or others in connection with my employment shall be and remain the sole property of the Company, and will be returned to the Company upon request or upon termination of my employment, even if not requested.

5. **Non-solicitation of Employees, Consultants and Other Parties**. During the term of my employment with the Company, and for a period of one (1) year following the termination of my employment with the Company for any reason, I shall not directly or indirectly solicit, induce, recruit or encourage any of the Company's employees or consultants to terminate their relationship with the Company, or attempt any of the foregoing, either for myself or any other person or entity. For a period of one (1) year following termination of my employment with the Company for any reason, I shall not solicit any licensor, customer, or licensee of the Company, that are known to me, with respect to any business, products or services that are competitive to the products or services offered by the Company or under development as of the date of termination of my relationship with the Company.

6. **Noncompetition**. During the term of my employment with the Company and for one (1) year following the termination of my employment or relationship with the Company for any reason, I will not, without the Company's prior written consent, directly or indirectly work on any products or services that are competitive with products or services (a) being commercially developed or exploited by the Company during my employment or (b) on which I worked or about which I learned Proprietary Information during my employment with the Company.

7. **No Conflicts**. I represent that my performance of all the terms of this Agreement as an employee of the Company does not and will not breach any agreement to keep in confidence proprietary information, knowledge or data acquired by me in confidence or in trust prior to my becoming an employee of the Company, and I will not disclose to the Company, or induce the Company to use, any confidential or proprietary information or material belonging to any previous employer or others. I am not a party to and agree not to enter into any written or oral agreement that conflicts or interferes with the provisions of this Agreement. I will not bring to my employment with the Company any materials or documents obtained from or belonging to a former employer except those documents listed in Exhibit A, which I have the unrestricted right to use and disclose without breach of any agreement or other obligation.

8. **At-Will Relationship**. I understand and acknowledge that my employment with the Company is and shall continue to be at-will, as defined under applicable law, meaning that either I or the Company may terminate the relationship at any time for any reason or no reason, without further obligation or liability on the part of the Company.

9. **Miscellaneous**. This Agreement inures to the benefit of successors and assigns of the Company and is binding upon my heirs and legal representatives. My obligations under Sections 2 and 3 of this Agreement shall endure and subsist beyond the term of my employment, and my obligations under

Sections 5 and 6 of this Agreement shall continue beyond the term of this Agreement for the periods noted in those sections.
I acknowledge that violation of this Agreement by me may cause irreparable injury to the Company, and I agree that the Company will be entitled to seek extraordinary relief in court, including, but not limited to, temporary restraining orders, preliminary injunctions and permanent injunctions without the necessity of posting a bond or other security and without prejudice to any other rights and remedies that the Company may have for a breach of this Agreement.

This Agreement supersedes any oral, written or other communications or agreements concerning the subject matter of this Agreement, and may be amended or waived only by a written instrument that I and a duly authorized officer of the Company have signed. This Agreement shall be governed by the laws of the State of Washington applicable to contracts entered into and performed entirely within the State of Washington, without giving effect to principles of conflict of laws. If any provision of this Agreement is held to be unenforceable under applicable law, then such provision shall be excluded from this Agreement only to the extent unenforceable, and the remainder of such provision and of this Agreement shall be enforceable in accordance with its terms.

10. **Acknowledgment**. I certify and acknowledge that I have carefully read all of the provisions of this Agreement and that I understand and will fully and faithfully comply with such provisions. I acknowledge that the Company's counsel represents the interest of the Company, and have received a recommendation to obtain independent legal counsel to review this Agreement in advance and counsel me of my rights and obligations thereunder.

OMEROS MEDICAL SYSTEMS, INC.		**Gregory A. Demopulos, M.D.**	
By:	/s/ Marcia S. Kelbon	/s/ Gregory A. Demopulos, M.D.	
Title:	VP, Patent & General Counsel	Dated: 12/11/01	
Dated:	12/11/01		

Exhibit A

Omeros Medical Systems, Inc.

1. The following is a complete list of all inventions or other Intellectual Property relevant to the subject matter of my employment by the Company that have been made or conceived or first reduced to practice by me, alone or jointly with others or which were known to me prior to my employment by the Company. I represent that such list is complete.

Those inventions and intellectual property listed and described in Technology Transfer Agreements executed by me and effective June 16, 1994 and December 11, 2001.

2. ☑ I am not bringing any materials and documents of a former employer to the Company.

o I propose to bring to the Company the following non-proprietary materials or documents of a former employer. I certify that I have the unrestricted right to use and disclose these without breach of any confidence, agreement or other obligation.

By: /s/ Gregory A. Demopulos, M.D.
Gregory A. Demopulos, M.D.
[Please Print Employee Name]

Exhibit 10.11

OMEROS MEDICAL SYSTEMS, INC.

NOTICE OF STOCK OPTION GRANT

Gregory Demopulos, M.D.
6530 83rd Place SE
Mercer Island, Washington 98040

You have been granted an option to purchase Common Stock of Omeros Medical Systems, Inc. (the "Company") as follows:

Board Approval Date:	December 11, 2001
Date of Grant (Later of Board Approval Date or Commencement of Employment/Consulting):	December 11, 2001
Exercise Price per Share:	$0.265
Total Number of Shares Granted:	93,125
Total Exercise Price:	$24,678.13
Type of Option:	Nonstatutory Stock Option
Expiration Date:	December 10, 2011
Vesting Commencement Date:	December 11, 2001
Vesting/Exercise Schedule:	This Option may be exercised, in whole or in part, at any time after the Date of Grant. The Shares underlying this Option shall be fully vested on the Vesting Commencement Date.

Termination Period:	This Option may be exercised for 90 days after termination of employment or consulting relationship except as set out in Section 5 of the Stock Option Agreement (but in no event later than the Expiration Date); *provided*, that if Optionee's employment relationship is terminated by the Company in a "Termination Without Cause" or by Optionee in a "Constructive Termination" (as both of such terms are defined in the Employment Agreement dated December 11, 2001 between Company and Optionee) this Option may be exercised until the Expiration Date. Optionee is responsible for keeping track of the Expiration Date. The Company will not provide further notice of such period.
Transferability:	This Option may not be transferred.

By your signature and the signature of the Company's representative below, you and the Company agree that this option is granted under and governed by the terms and conditions of the Stock Option Agreement which is attached and made a part of this document.

All capitalized terms in this Notice shall have the meaning ascribed to them in this Notice or, if not otherwise defined herein, in the attached Stock Option Agreement.

In addition, you agree and acknowledge that nothing in this Notice or the attached documents confers upon you any right to continue your employment or consulting relationship with the Company for any period of time, nor does it interfere in any way with your right or the Company's right to terminate that relationship at any time, for any reason, with or without cause.

OMEROS MEDICAL SYSTEMS, INC.

By: _____

Name: _____

Title: _____

_____

Gregory Demopulos, M.D.

OMEROS MEDICAL SYSTEMS, INC.

STOCK OPTION AGREEMENT

1. **Grant of Option.** Omeros Medical Systems, Inc., a Washington corporation (the "Company"), hereby grants to Gregory Demopulos, M.D. ("Optionee"), an option (the "Option") to purchase the total number of shares of Common Stock (the "Shares") set forth in the Notice of Stock Option Grant (the "Notice"), at the exercise price per Share set forth in the Notice (the "Exercise Price") subject to the terms, definitions and provisions of this Agreement. All capitalized terms in this Agreement shall have the meaning ascribed to them in the attached Appendix.

2. **Designation of Option.** This Option is intended to be a Nonstatutory Stock Option.

3. **Exercise of Option.** This Option shall be exercisable during its term in accordance with the Vesting/Exercise Schedule set out in the Notice and with the provisions of Section 10 of this Agreement as follows:

(a) **Right to Exercise.**

(i) This Option may not be exercised for a fraction of a share.

(ii) In the event of Optionee's death, disability or other termination of employment, the exercisability of the Option is governed by Sections 5 and 6 below, subject to the limitations contained in this Section 3.

(iii) In no event may this Option be exercised after the Expiration Date of the Option as set forth in the Notice.

(b) **Method of Exercise.**

(i) This Option shall be exercisable by execution and delivery of the Exercise Notice and Restricted Stock Purchase Agreement attached hereto as Exhibit A, or any other form of written notice approved for such purpose by the Company which shall state Optionee's election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements as to the holder's investment intent with respect to such Shares as may be required by the Company pursuant to the provisions of this Agreement. Such written notice shall be signed by Optionee and shall be delivered to the Company by such means as are determined by the Company in its discretion to constitute adequate delivery. The written notice shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt by the Company of such written notice accompanied by the Exercise Price.

(ii) As a condition to the exercise of this Option and as further set forth in Section 10 of this Agreement, Optionee agrees to make adequate provision for federal,

state or other tax withholding obligations, if any, which arise upon the vesting or exercise of the Option, or disposition of Shares, whether by withholding, direct payment to the Company, or otherwise.

(iii) The Company is not obligated, and will have no liability for failure, to issue or deliver any Shares upon exercise of the Option unless such issuance or delivery would comply with the Applicable Laws, with such compliance determined by the Company in consultation with its legal counsel. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 221 of Title 12 of the Code of Federal Regulations as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require Optionee to make any representation and warranty to the Company as may be required by the Applicable Laws. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Optionee on the date on which the Option is exercised with respect to such Shares.

4. **Method of Payment.** Payment of the Exercise Price shall be by any of the following, or a combination of the following, at the election of Optionee:

(a) cash, check or promissory note bearing a commercial rate of interest at the date of exercise (either in the form attached as Exhibit B to this agreement or any other form approved by the Company);

(b) prior to the date, if any, upon which the Common Stock becomes a Listed Security, by surrender of other shares of Common Stock of the Company that have an aggregate Fair Market Value on the date of surrender equal to the Exercise Price of the Shares as to which the Option is being exercised. In the case of shares acquired directly or indirectly from the Company, such shares must have been owned by Optionee for more than six (6) months on the date of surrender (or such other period of time as is necessary to avoid the Company's incurring adverse accounting charges); or

(c) following the date, if any, upon which the Common Stock is a Listed Security, delivery of a properly executed exercise notice together with irrevocable instructions to a broker approved by the Company to deliver promptly to the Company the amount of sale or loan proceeds required to pay the exercise price.

5. **Termination of Relationship.** Following the date of termination of Optionee's Continuous Service Status for any reason (the "Termination Date"), Optionee may exercise the Option only as set forth in the Notice and this Section 5. To the extent that Optionee is not entitled to exercise this Option as of the Termination Date, or if Optionee does not exercise this Option within the Termination Period set forth in the Notice or the termination periods set forth below, the Option shall terminate in its entirety. In no event may any Option be exercised after the Expiration Date as set forth in the Notice.

(a) **Termination.** In the event of termination of Optionee's Continuous Service Status other than as a result of Optionee's disability or death, Optionee may, to the

extent otherwise so entitled at the date of such termination, exercise this Option during the Termination Period set forth in the Notice.

(b) **Other Terminations.** In connection with any termination other than a termination covered by Section 5(a), Optionee may exercise the Option only as described below:

(i) **Termination upon Disability of Optionee.** In the event of termination of Optionee's Continuous Service Status as a result of Optionee's disability, Optionee may, but only within twelve (12) months from the Termination Date, exercise this Option to the extent Optionee was entitled to exercise it as of such Termination Date.

(ii) **Death of Optionee.** In the event of the death of Optionee, the Option may be exercised at any time within six (6) months following the date of death by Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent Optionee was entitled to exercise the Option as of the Termination Date.

(c) **Buyout Provisions.** The Company may at any time offer to buy out the Option for a payment in cash or Shares based on such terms and conditions as the Company shall establish and communicate to the Optionee at the time that such offer is made.

6. **Non-Transferability of Option.** This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by him or her. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of Optionee.

7. **Tax Consequences.** Below is a brief summary as of the date of this Option of certain of the federal tax consequences of exercise of this Option and disposition of the Shares under the laws in effect as of the Date of Grant. THIS SUMMARY IS INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

Since this Option does not qualify as an incentive stock option under the Code, there may be a regular federal (and state) income tax liability upon the exercise of the Option. Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price. If Optionee is an Employee, the Company will be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise. If Shares issued upon exercise of a Nonstatutory Stock Option are held for at least one year, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal income tax purposes.

8. **Lock-Up Agreement.** In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, Optionee hereby agrees not to sell, make any

short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company however and whenever acquired (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the public offering.

9. **Effect of Agreement**. Optionee represents that he or she is familiar with the terms and provisions of this Agreement (and has had an opportunity to consult counsel regarding the Option terms), and hereby accepts this Option and agrees to be bound by its contractual terms as set forth herein. Optionee hereby agrees to accept as binding, conclusive and final all decisions and interpretations of the Company regarding any questions relating to the Option.

10. **Taxes**.

(a) As a condition of the exercise of this Option, the Optionee (or in the case of the Optionee's death, the person exercising the Option) shall make such arrangements as the Company may require for the satisfaction of any applicable federal, state, local or foreign withholding tax obligations that may arise in connection with the exercise of the Option and the issuance of Shares. The Company shall not be required to issue any Shares under this Agreement until such obligations are satisfied. If the Company allows the withholding or surrender of Shares to satisfy an Optionee's tax withholding obligations under this Section 10 (whether pursuant to Section 10(c), (d) or (e), or otherwise), the Company shall not allow Shares to be withheld in an amount that exceeds the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes.

(b) In the case of an Employee and in the absence of any other arrangement, the Employee shall be deemed to have directed the Company to withhold or collect from his or her compensation an amount sufficient to satisfy such tax obligations from the next payroll payment otherwise payable after the date of an exercise of the Option.

(c) This Section 10(c) shall apply only after the date, if any, upon which the Common Stock becomes a Listed Security. In the case of an Optionee other than an Employee (or in the case of an Employee where the next payroll payment is not sufficient to satisfy such tax obligations, with respect to any remaining tax obligations), in the absence of any other arrangement and to the extent permitted under the Applicable Laws, the Optionee shall be deemed to have elected to have the Company withhold from the Shares to be issued upon exercise of the Option that number of Shares having a Fair Market Value determined as of the applicable Tax Date (as defined below) equal to the amount required to be withheld. For purposes of this Section 10, the Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined under the Applicable Laws (the "Tax Date").

(d) If permitted in writing by the Company, in its sole discretion, Optionee may satisfy his or her tax withholding obligations upon exercise of an Option by surrendering to the Company Shares that have a Fair Market Value determined as of the applicable Tax Date

equal to the amount required to be withheld. In the case of shares previously acquired from the Company that are surrendered under this Section 10(d), such Shares must have been owned by the Optionee for more than six (6) months on the date of surrender (or such other period of time as is required for the Company to avoid adverse accounting charges).

(e) Any election or deemed election by an Optionee to have Shares withheld to satisfy tax withholding obligations under Section 10(c) or (d) above shall be irrevocable as to the particular Shares as to which the election is made and shall be subject to the consent or disapproval of the Company. Any election by an Optionee under Section 10(d) above must be made on or prior to the applicable Tax Date.

(f) In the event an election to have Shares withheld is made by an Optionee and the Tax Date is deferred under Section 83 of the Code because no election is filed under Section 83(b) of the Code, the Optionee shall receive the full number of Shares with respect to which the Option is exercised but such Optionee shall be unconditionally obligated to tender back to the Company the proper number of Shares on the Tax Date.

11. **Adjustments Upon Changes in Capitalization, Merger or Certain Other Transactions**.

(a) **Changes in Capitalization.** Subject to any required action by the shareholders of the Company, the number of Shares of Common Stock covered by the Option, as well as the price per Share of Common Stock covered by the Option, shall be proportionately adjusted for any increase or decrease in the number of issued Shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination, recapitalization or reclassification of the Common Stock, or any other increase or decrease in the number of issued Shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Company, and its determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares of Common Stock subject to an Option.

(b) **Dissolution or Liquidation.** In the event of the dissolution or liquidation of the Company, the Option will terminate immediately prior to the consummation of such action, unless otherwise determined by the Company, in it sole discretion.

(c) **Corporate Transaction.** In the event of a Corporate Transaction, each outstanding Option shall be assumed or an equivalent option or right shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation (the "Successor Corporation"), unless the Successor Corporation does not agree to assume the award or to substitute an equivalent option or right, in which case such Option shall terminate upon the consummation of the transaction.

For purposes of this Section 11(c), an Option shall be considered assumed, without limitation, if, at the time of issuance of the stock or other consideration upon a Corporate Transaction each holder of an Option would be entitled to receive upon exercise of the award the same number and kind of shares of stock or the same amount of property, cash or securities as such holder would have been entitled to receive upon the occurrence of the transaction if the holder had been, immediately prior to such transaction, the holder of the number of Shares of Common Stock covered by the award at such time (after giving effect to any adjustments in the number of Shares covered by the Option as provided for in this Section 11); provided that if such consideration received in the transaction is not solely common stock of the Successor Corporation, the Company may, with the consent of the Successor Corporation, provide for the consideration to be received upon exercise of the award to be solely common stock of the Successor Corporation equal to the Fair Market Value of the per Share consideration received by holders of Common Stock in the transaction.

(d) **Certain Distributions.** In the event of any distribution to the Company's shareholders of securities of any other entity or other assets (other than dividends payable in cash or stock of the Company) without receipt of consideration by the Company, the Company may, in its sole discretion, appropriately adjust the price per Share of Common Stock covered by each outstanding Option to reflect the effect of such distribution.

12. **Amendment of Option.** In addition to any changes or adjustments that may be made pursuant to Section 11 above, the Company's Board of Directors shall have the authority to make the following determinations with respect to, and amendments to, the Option without the consent of Optionee: (a) waiver of any restriction applicable to the Option or the Optioned Stock; (b) settlement in cash of the Option; (c) reduction in the exercise price of the Option to the Fair Market Value of the Company's Common Stock as of the date of such reduction in price; and (d) any other amendment or adjustment that does not materially and adversely affect Optionee's rights hereunder.

13. **Miscellaneous.**

(a) **Governing Law.** This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Washington, without giving effect to principles of conflicts of law.

(b) **Entire Agreement; Enforcement of Rights.** This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(c) **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of

the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(d) **Construction.** This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(e) **Notices.** Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by telegram or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party's address as set forth below or as subsequently modified by written notice.

(f) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(g) **Successors and Assigns.** The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The rights and obligations of Optionee under this Agreement may only be assigned with the prior written consent of the Company.

(h) **Accredited Investor.** The Optionee is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933.

[Signature Page Follows]

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one document.

Gregory Demopulos, M.D.

Dated: _____

OMEROS MEDICAL SYSTEMS, INC.

By: _____

Name: _____

Title: _____

APPENDIX

(a) **"Affiliate"** means an entity other than a Subsidiary (as defined below) which, together with the Company, is under common control of a third person or entity.

(b) **"Applicable Laws"** means the legal requirements relating to the administration of stock option and grants under applicable U.S. state corporate laws, U.S. federal and applicable state securities laws, the Code, any Stock Exchange rules or regulations and the applicable laws of any other country or jurisdiction where the Option is granted under this Agreement, as such laws, rules, regulations and requirements shall be in place from time to time.

(c) **"Board"** means the Board of Directors of the Company.

(d) **"Code"** means the Internal Revenue Code of 1986, as amended.

(e) **"Common Stock"** means the Common Stock of the Company.

(f) **"Consultant"** means any person, including an advisor, who is engaged by the Company or any Parent, Subsidiary or Affiliate to render services and is compensated for such services, and any director of the Company whether compensated for such services or not.

(g) **"Continuous Service Status"** means the absence of any interruption or termination of service as an Employee or Consultant. Continuous Service Status as an Employee or Consultant shall not be considered interrupted in the case of: (i) sick leave; (ii) military leave; (iii) any other leave of absence approved by the Administrator, provided that such leave is for a period of not more than ninety (90) days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to Company policy adopted from time to time; or (iv) in the case of transfers between locations of the Company or between the Company, its Parents, Subsidiaries, Affiliates or their respective successors. A change in status from an Employee to a Consultant or from a Consultant to an Employee will not constitute an interruption of Continuous Service Status.

(h) **"Corporate Transaction"** means a sale of all or substantially all of the Company's assets, or a merger, consolidation or other capital reorganization of the Company with or into another corporation.

(i) **"Director"** means a member of the Board.

(j) **"Employee"** means any person employed by the Company or any Parent, Subsidiary or Affiliate, with the status of employment determined based upon such factors as are deemed appropriate by the Administrator in its discretion, subject to any requirements of the Code or the Applicable Laws. The payment by the Company of a director's fee to a Director shall not be sufficient to constitute "employment" of such Director by the Company.

(k) **"Exchange Act"** means the Securities Exchange Act of 1934, as amended.

(l) **"Fair Market Value"** means, as of any date, the fair market value of the Common Stock, as determined by the Administrator in good faith on such basis as it deems appropriate. Whenever possible, the determination of Fair Market Value shall be based upon the closing price for the Shares as reported in the Wall Street Journal for the applicable date.

(m) "**Listed Security**" means any security of the Company that is listed or approved for listing on a national securities exchange or designated or approved for designation as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc.

(n) **"Nonstatutory Stock Option"** means an Option not intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(o) **"Option"** means a stock option granted pursuant to this Agreement.

(p) **"Optioned Stock"** means the Common Stock subject to an Option.

(q) **"Parent"** means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code, or any successor provision.

(r) **"Share"** means a share of the Common Stock, as adjusted in accordance with Section 11 of this Agreement.

(s) **"Stock Exchange"** means any stock exchange or consolidated stock price reporting system on which prices for the Common Stock are quoted at any given time.

(t) **"Subsidiary"** means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code, or any successor provision.

EXHIBIT A

OMEROS MEDICAL SYSTEMS, INC.

EXERCISE NOTICE AND RESTRICTED STOCK PURCHASE AGREEMENT

This Agreement ("Agreement") is made as of ___, by and between Omeros Medical Systems, Inc., a Washington corporation (the "Company"), and Gregory Demopulos, M.D. ("Purchaser"). To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the Option Agreement (as defined below).

1. **Exercise of Option.** Subject to the terms and conditions hereof, Purchaser hereby elects to exercise his or her option to purchase ___ shares of the Common Stock (the "Shares") of the Company under and pursuant to the Stock Option Agreement dated December 11, 2001 (the "Option Agreement"). The purchase price for the Shares shall be $0.265 per Share for a total purchase price of $___. The term "Shares" refers to the purchased Shares and all securities received in replacement of the Shares or as stock dividends or splits, all securities received in replacement of the Shares in a recapitalization, merger, reorganization, exchange or the like, and all new, substituted or additional securities or other properties to which Purchaser is entitled by reason of Purchaser's ownership of the Shares.

2. **Time and Place of Exercise.** The purchase and sale of the Shares under this Agreement shall occur at the principal office of the Company simultaneously with the execution and delivery of this Agreement in accordance with the provisions of Section 3(b) of the Option Agreement. On such date, the Company will deliver to Purchaser a certificate representing the Shares to be purchased by Purchaser (which shall be issued in Purchaser's name) against payment of the exercise price therefor by Purchaser by (a) check made payable to the Company, (b) cancellation of indebtedness of the Company to Purchaser, (c) delivery of shares of the Common Stock of the Company in accordance with Section 4(b) of the Option Agreement, or (d) delivery of a promissory note in the form attached as Exhibit B to the Option Agreement (or in any form acceptable to the Company), or (e) a combination of the foregoing. If Purchaser delivers a promissory note as partial or full payment of the purchase price, Purchaser will also deliver a Pledge and Security Agreement in the form attached as Exhibit C to the Option Agreement (or in any form acceptable to the Company).

3. **Limitations on Transfer.** In addition to any other limitation on transfer created by applicable securities laws, Purchaser shall not assign, encumber or dispose of any interest in the Shares except in compliance with the provisions below and applicable securities laws.

(a) **Right of First Refusal.** Before any Shares held by Purchaser or any transferee of Purchaser (either being sometimes referred to herein as the "Holder") may be sold or otherwise transferred (including transfer by gift or operation of law), the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in this Section 3(a) (the "Right of First Refusal").

(i) **Notice of Proposed Transfer.** The Holder of the Shares shall deliver to the Company a written notice (the "Notice") stating: (i) the Holder's bona fide intention to sell or otherwise transfer such Shares; (ii) the name of each proposed purchaser or other transferee ("Proposed Transferee"); (iii) the number of Shares to be transferred to each Proposed Transferee; and (iv) the terms and conditions of each proposed sale or transfer. The Holder shall offer the Shares at the same price (the "Offered Price") and upon the same terms (or terms as similar as reasonably possible) to the Company or its assignee(s).

(ii) **Exercise of Right of First Refusal.** At any time within thirty (30) days after receipt of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all, but not less than all, of the Shares proposed to be transferred to any one or more of the Proposed Transferees, at the purchase price determined in accordance with subsection (iii) below.

(iii) **Purchase Price.** The purchase price ("Purchase Price") for the Shares purchased by the Company or its assignee(s) under this Section 3(a) shall be the Offered Price. If the Offered Price includes consideration other than cash, the cash equivalent value of the non-cash consideration shall be determined by the Board of Directors of the Company in good faith.

(iv) **Payment.** Payment of the Purchase Price shall be made, at the option of the Company or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness, or by any combination thereof within 30 days after receipt of the Notice or in the manner and at the times set forth in the Notice.

(v) **Holder's Right to Transfer.** If all of the Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section 3(a), then the Holder may sell or otherwise transfer such Shares to that Proposed Transferee at the Offered Price or at a higher price, provided that such sale or other transfer is consummated within 60 days after the date of the Notice and provided further that any such sale or other transfer is effected in accordance with any applicable securities laws and the Proposed Transferee agrees in writing that the provisions of this Section 3 shall continue to apply to the Shares in the hands of such Proposed Transferee. If the Shares described in the Notice are not transferred to the Proposed Transferee within such period, or if the Holder proposes to change the price or other terms to make them more favorable to the Proposed Transferee, a new Notice shall be given to the Company, and the Company and/or its assignees shall again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

(vi) **Exception for Certain Family Transfers.** Anything to the contrary contained in this Section 3(a) notwithstanding, the transfer of any or all of the Shares during Purchaser's lifetime or on Purchaser's death by will or intestacy to Purchaser's Immediate Family or a trust for the benefit of Purchaser's Immediate Family shall be exempt from the provisions of this Section 3(a). "Immediate Family" as used herein shall mean spouse, lineal descendant or antecedent, father, mother, brother or sister. In such case, the transferee or other recipient shall receive and hold the Shares so transferred subject to the provisions of this

Section, and there shall be no further transfer of such Shares except in accordance with the terms of this Section 3.

(b) **Involuntary Transfer.**

(i) **Company's Right to Purchase upon Involuntary Transfer.** In the event, at any time after the date of this Agreement, of any transfer by operation of law or other involuntary transfer (including death or divorce, but excluding a transfer to Immediate Family as set forth in Section 3(a)(vi) above) of all or a portion of the Shares by the record holder thereof, the Company shall have an option to purchase all of the Shares transferred at the greater of the purchase price paid by Purchaser pursuant to this Agreement or the fair market value of the Shares on the date of transfer. Upon such a transfer, the person acquiring the Shares shall promptly notify the Secretary of the Company of such transfer. The right to purchase such Shares shall be provided to the Company for a period of thirty (30) days following receipt by the Company of written notice by the person acquiring the Shares.

(ii) **Price for Involuntary Transfer.** With respect to any stock to be transferred pursuant to Section 3(b)(i), the price per Share shall be a price set by the Board of Directors of the Company that will reflect the current value of the stock in terms of present earnings and future prospects of the Company. The Company shall notify Purchaser or his or her executor of the price so determined within thirty (30) days after receipt by it of written notice of the transfer or proposed transfer of Shares. However, if the Purchaser does not agree with the valuation as determined by the Board of Directors of the Company, the Purchaser shall be entitled to have the valuation determined by an independent appraiser to be mutually agreed upon by the Company and the Purchaser and whose fees shall be borne equally by the Company and the Purchaser.

(c) **Assignment.** The right of the Company to purchase any part of the Shares may be assigned in whole or in part to any shareholder or shareholders of the Company or other persons or organizations.

(d) **Restrictions Binding on Transferees.** All transferees of Shares or any interest therein will receive and hold such Shares or interest subject to the provisions of this Agreement. Any sale or transfer of the Company's Shares shall be void unless the provisions of this Agreement are satisfied.

(e) **Termination of Rights.** The right of first refusal granted the Company by Section 3(a) above and the option to repurchase the Shares in the event of an involuntary transfer granted the Company by Section 3(b) above shall terminate upon the first sale of Common Stock of the Company to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"). Upon termination of the right of first refusal described in Section 3(b) above, a new certificate or certificates representing the Shares not repurchased shall be issued, on written request, without the legend referred to in Section 6(a)(ii) herein and delivered to Purchaser.

4. **Investment and Taxation Representations.** In connection with the purchase of the Shares, Purchaser represents to the Company the following:

(a) Purchaser is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Shares. Purchaser is purchasing these securities for investment for his or her own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act or under any applicable provision of state law. Purchaser does not have any present intention to transfer the Shares to any person or entity.

(b) Purchaser understands that the Shares have not been registered under the Securities Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Purchaser's investment intent as expressed herein.

(c) Purchaser further acknowledges and understands that the securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Purchaser further acknowledges and understands that the Company is under no obligation to register the securities. Purchaser understands that the certificate(s) evidencing the securities will be imprinted with a legend which prohibits the transfer of the securities unless they are registered or such registration is not required in the opinion of counsel for the Company.

(d) Purchaser is familiar with the provisions of Rules 144 and 701, each promulgated under the Securities Act, which, in substance, permit limited public resale of "restricted securities" acquired, directly or indirectly, from the issuer of the securities (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions. Purchaser understands that the Company provides no assurances as to whether he or she will be able to resell any or all of the Shares pursuant to Rule 144 or Rule 701, which rules require, among other things, that the Company be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, that resales of securities take place only after the holder of the Shares has held the Shares for certain specified time periods, and under certain circumstances, that resales of securities be limited in volume and take place only pursuant to brokered transactions. Notwithstanding this paragraph (d), Purchaser acknowledges and agrees to the restrictions set forth in paragraph (e) below.

(e) Purchaser further understands that in the event all of the applicable requirements of Rule 144 or 701 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rules 144 and 701 are not exclusive, the Staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rule 144 or 701 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk.

(f) Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser's purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company for any tax advice.

(g) Purchaser is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933.

5. **Restrictive Legends and Stop-Transfer Orders.**

(a) **Legends.** The certificate or certificates representing the Shares shall bear the following legends (as well as any legends required by applicable state and federal corporate and securities laws):

(i) THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISTRIBUTION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL FOR THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.

(ii) THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE SHAREHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

(b) **Stop-Transfer Notices.** Purchaser agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) **Refusal to Transfer.** The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

6. **No Employment Rights.** Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a parent or subsidiary of the Company, to

terminate Purchaser's employment or consulting relationship, for any reason, with or without cause.

7. **Lock-Up Agreement**. In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, Purchaser agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company however or whenever acquired (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the public offering.

8. **Miscellaneous**.

(a) **Governing Law.** This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Washington, without giving effect to principles of conflicts of law.

(b) **Entire Agreement; Enforcement of Rights.** This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(c) **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(d) **Construction.** This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(e) **Notices.** Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by telegram or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party's address as set forth below or as subsequently modified by written notice.

(f) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(g) **Successors and Assigns.** The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The rights and obligations of Purchaser under this Agreement may only be assigned with the prior written consent of the Company.

[Signature Page Follows]

The parties have executed this Exercise Notice and Restricted Stock Purchase Agreement as of the date first set forth above.

COMPANY:

OMEROS MEDICAL SYSTEMS, INC.

By: _____
Name: _____
Title: _____

PURCHASER:

Gregory Demopulos, M.D.

_____
(Signature)

Address: _____

I, ___, spouse of Gregory Demopulos, M.D., have read and hereby approve the foregoing Agreement. In consideration of the Company's granting my spouse the right to purchase the Shares as set forth in the Agreement, I hereby agree to be irrevocably bound by the Agreement and further agree that any community property or other such interest shall hereby be similarly bound by the Agreement. I hereby appoint my spouse as my attorney-in-fact with respect to any amendment or exercise of any rights under the Agreement.

_____
Spouse of Gregory Demopulos, M.D.

EXHIBIT B

PROMISSORY NOTE

$___ Seattle, Washington
___, 2003

For value received, the undersigned promises to pay Omeros Medical Systems, Inc., a Washington corporation (the "Company"), at its principal office the principal sum of $___with interest from the date hereof at a rate of ___% **[rate offered by third party commercial lender]** per annum, compounded semiannually, on the unpaid balance of such principal sum. Such principal and interest shall be due and payable on the earlier to occur of Termination for Cause, Voluntary Termination or five years after either Termination Without Cause or Constructive Termination, as such terms are defined in the Employment Agreement dated December 11, 2001 by and between the Company and the undersigned.

Principal and interest are payable in lawful money of the United States of America. **AMOUNTS DUE UNDER THIS NOTE MAY BE PREPAID AT ANY TIME WITHOUT PENALTY.**

Should suit be commenced to collect any sums due under this Note, such sum as the Court may deem reasonable shall be added hereto as attorneys' fees. The makers and endorsers have severally waived presentment for payment, protest notice of protest and notice of nonpayment of this Note.

This Note, which shall be a recourse loan with respect to thirty percent (30%) of the principal amount hereof and with respect to one hundred percent (100%) of the interest thereon, is secured by a pledge of certain shares of Common Stock of the Company and is subject to the terms of a Pledge and Security Agreement between the undersigned and the Company of even date herewith.

Gregory Demopulos, M.D.

Agreed to and accepted:

OMEROS MEDICAL SYSTEMS, INC.

By: _____
Its: _____

EXHIBIT C

PLEDGE AND SECURITY AGREEMENT

This Pledge and Security Agreement (the "Agreement") is entered into this ___ day of ___ 2003 by and between Omeros Medical Systems, Inc., a Washington corporation (the "Company"), and Gregory A. Demopulos, M.D. ("Purchaser").

RECITALS

In connection with Purchaser's exercise of an option to purchase ___ shares of the Company's Common Stock pursuant to a Stock Option Agreement dated December 11, 2001 between Purchaser and the Company (the "Option Agreement"), Purchaser is delivering a promissory note of even date herewith (the "Note") in full or partial payment of the exercise price for such shares. The Company requires that the Note be secured by a pledge of a number of shares of Common Stock of the Company equal to the number of shares of Common Stock purchased pursuant to the exercise of the Option Agreement on the terms set forth below.

AGREEMENT

In consideration of the Company's acceptance of the Note as full or partial payment of the exercise price of the shares purchased pursuant to the exercise of the Option Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. The Note shall become payable as described therein.

2. Purchaser shall deliver to the Secretary of the Company, or his or her designee (hereinafter referred to as the "Pledge Holder"), stock certificate number ___ representing ___ shares of the Company's Common Stock (the "Shares"), together with an Assignment Separate from Certificate in the form attached to this Agreement as Attachment A executed by Purchaser and by Purchaser's spouse (if required for transfer), in blank, for use in transferring all or a portion of the Shares to the Company if, as and when required pursuant to this Agreement. In addition, if Purchaser is married, Purchaser's spouse shall execute the signature page attached to this Agreement.

3. As security for the payment of the Note and any renewal, extension or modification of the Note, Purchaser hereby grants to the Company a security interest in and pledges with and delivers to the Company the Shares (sometimes referred to herein as the "Collateral").

4. In the event that Purchaser prepays all or a portion of the Note, in accordance with the provisions thereof, Purchaser intends, unless written notice to the contrary is delivered to the Pledge Holder, that the Shares represented by the portion of the Note so repaid, including annual interest thereon, shall continue to be so held by the Pledge Holder, to serve as independent collateral for the outstanding portion of the Note for the purpose of

commencing the holding period set forth in Rule 144(d) promulgated under the Securities Act of 1933, as amended (the "Securities Act").

5. In the event of any foreclosure of the security interest created by this Agreement, the Company may sell the Shares at a private sale or may repurchase the Shares itself. The parties agree that, prior to the establishment of a public market for the Shares of the Company, the securities laws affecting sale of the Shares make a public sale of the Shares commercially unreasonable. The parties further agree that the repurchasing of such Shares by the Company, or by any person to whom the Company may have assigned its rights under this Agreement, is commercially reasonable if made at a price determined by the Board of Directors in its discretion, fairly exercised, representing what would be the fair market value of the Shares reduced by any limitation on transferability, whether due to the size of the block of shares or the restrictions of applicable securities laws.

6. In the event of default in payment when due of any indebtedness under the Note, the Company may elect then, or at any time thereafter, to exercise all rights available to a secured party under the Washington Commercial Code including the right to sell the Collateral at a private or public sale or repurchase the Shares as provided above. The proceeds of any sale shall be applied in the following order:

(a) To the extent necessary, proceeds shall be used to pay all reasonable expenses of the Company in enforcing this Agreement and the Note, including, without limitation, reasonable attorney's fees and legal expenses incurred by the Company.

(b) To the extent necessary, proceeds shall be used to satisfy any remaining indebtedness under Purchaser's Note.

(c) Any remaining proceeds shall be delivered to Purchaser.

7. Upon full payment by Purchaser of all amounts due under the Note, Pledge Holder shall deliver to Purchaser all Shares in Pledge Holder's possession belonging to Purchaser, and Pledge Holder shall thereupon be discharged of all further obligations under this Agreement; provided, however, that Pledge Holder shall nevertheless retain the Shares as escrow agent if at the time of full payment by Purchaser said Shares are still subject to a Repurchase Option in favor of the Company.

The parties have executed this Pledge and Security Agreement as of the date first set forth above.

COMPANY:

OMEROS MEDICAL SYSTEMS, INC.

By: _____

Name: _____
(print)

Title: _____

Address: _____

_____

_____

PURCHASER:

Gregory Demopulos, M.D.

_____
(Signature)

_____
(Print Name)

Address: _____

_____

_____

ATTACHMENT A

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED and pursuant to that certain Pledge and Security Agreement between the undersigned ("Purchaser") and Omeros Medical Systems, Inc. (the "Company") dated ___, ___ (the "Agreement"), Purchaser hereby sells, assigns and transfers unto the Company ___(___) shares of the Common Stock of the Company, standing in Purchaser's name on the books of the Company and represented by Certificate No. ___, and does hereby irrevocably constitute and appoint ____ to transfer said stock on the books of the Company with full power of substitution in the premises. THIS ASSIGNMENT MAY ONLY BE USED AS AUTHORIZED BY THE AGREEMENT.

Dated: _____

Signature:

_____

Gregory Demopulos, M.D.

_____

Spouse of Gregory Demopulos, M.D. (if applicable)

Instruction: Please do not fill in any blanks other than the signature line. The purpose of this assignment is to perfect the security interest of the Company pursuant to the Agreement.

Exhibit 10.12

Omeros Medical Systems, Inc.

August 16, 2001

Marcia S. Kelbon
9981 Kingston Farm Road
Kingston, WA 98346

Dear Marcia:

On behalf of Omeros Medical Systems, Inc. (the "Company"), I am pleased to offer you the position of Vice President, Patent and General Counsel, of the Company. Speaking for myself, as well as the other members of the Company's Board of Directors, we are all very impressed with your credentials and we look forward to your future success in this position.

The terms of your new position with the Company are as set forth below:

1. Position.

a. You will become the Vice President, Patent and General Counsel, working out of the Company's headquarters office in Seattle, Washington. As Vice President, Patent and General Counsel, you will have overall responsibility for the management of the Company's patent portfolio, assist the Company in other legal matters and facilitate interactions with legal firms engaged by the Company. You will report to the Company's CEO.

b. You agree to the best of your ability and experience that you will at all times loyally and conscientiously perform all of the duties and obligations required of and from you pursuant to the express and implicit terms hereof, and to the reasonable satisfaction of the Company. During the first four (4) months of your employment, if requested by attorneys at Christensen O'Connor Johnson and Kindness, PLLC (COJK), you may provide consulting services for COJK to assist in the transition of legal services for your previous clients at COJK. During the term of your employment, you agree that you will devote all of your business time and attention (except as previously provided in connection with consulting for COJK) to the business of the Company, the Company will be entitled to all of the benefits and profits arising from or incident to all such work services, consulting and advice, you will not render commercial or professional services of any nature to any person or organization, whether or not for compensation, without the prior written consent of the Company's Board of Directors, and you will not directly or indirectly engage or participate in any business that is competitive in any manner with the business of the Company. Nothing in this letter agreement will prevent you from accepting speaking or presentation engagements in exchange for honoraria or from serving on boards of charitable organizations, or from owning no more than two percent (2%) of the outstanding equity securities of a corporation whose stock is listed on a national stock exchange.

2. Start Date. Subject to fulfillment of any conditions imposed by this letter agreement, you will commence this new position with the Company in October 2001, the specific date to be mutually agreed by you and the Company's CEO.

3. Proof of Right to Work. For purposes of federal immigration law, you will be required to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided to us within three (3) business days of your date of hire, or our employment relationship with you may be terminated.

4. Compensation. You will be paid a monthly salary of $15,691.67 which is equivalent to $188,300 on an annualized basis. Your salary will be payable in two equal payments per month pursuant to the Company's regular payroll policy.

5. Stock Options. In connection with the commencement of your employment, the Company has recommended that the Board of Directors grant you an option (the "Option") to purchase 210,000 shares of the Company's Common Stock ("Shares") with an exercise price equal to the fair market value ($0.265) on the date of the grant. 18.75% of the total number of Shares subject to the Option shall vest on the date nine (9) months (the "Cliff Period") from the vesting commencement date; thereafter, 1/48th of the total number of Shares subject to the Option shall vest on the monthly anniversary of the vesting commencement date, for so long as the optionee remains an employee of or consultant to the Company. If the Company terminates your employment for reasons other than your performance during the Cliff Period, 1/48th of the total number of Shares subject to the Option shall vest for each month of your employment by the Company. Vesting will, of course, depend on your continued employment with the Company. The Option will be an incentive stock option to the maximum extent allowed by the tax code and will be subject to the terms of the Company's Amended and Restated 1998 Stock Option Plan (the "Plan") and the Stock Option Agreement between you and the Company. In the event of an acquisition of the Company, if your employment is terminated without cause by the acquiring entity during the term of the Option, vesting of 100% of the Shares subject to the Option shall automatically be accelerated.

6. Benefits.

a. Insurance Benefits. The Company will provide you with its standard disability insurance coverage.

b. Paid time off. You will be entitled to three weeks paid time off per year, increasing to fours weeks paid time off per year after twelve months of employment, and an additional ten paid holidays per year.

7. Proprietary Information and Inventions Agreement. Your acceptance of this offer and commencement of employment with the Company is contingent upon the execution, and delivery to an officer of the Company, of the Company's Proprietary Information and Inventions Agreement, a copy of which is enclosed for your review and execution (the "Confidentiality Agreement"), prior to or on your Start Date.

8. Confidentiality of Terms. You agree to follow the Company's strict policy that employees must not disclose, either directly or indirectly, any information, including any of the terms of this agreement, regarding salary, bonuses, or stock purchase or option allocations to any person, including other employees of the Company; provided, however, that you may discuss such

terms with members of your immediate family and any legal, tax or accounting specialists who provide you with individual legal, tax or accounting advice.

9. At-Will Employment. Notwithstanding the Company's obligation described in Section 8 above, your employment with the Company will be on an "at will" basis, meaning that either you or the Company may terminate your employment at any time for any reason or no reason, without further obligation or liability.

We are all delighted to be able to extend you this offer, Marcia, and look forward to working with you. To indicate your acceptance of the Company's offer, please sign and date this letter in the space provided below and return it to me, along with a signed and dated copy of the Confidentiality Agreement. This letter, together with the Confidentiality Agreement, set forth the terms of your employment with the Company and supersede any prior representations or agreements, whether written or oral. This letter may not be modified or amended except by a written agreement, signed by the Company and by you.

Very truly yours,

OMEROS MEDICAL SYSTEMS, INC.

/s/ Gregory Demopulos
Gregory A. Demopulos, M.D.
Chairman of the Board and CEO

ACCEPTED AND AGREED:

MARCIA S. KELBON

/s/ Marcia Kelbon
Signature

8/17/01
Date

Enclosure: Proprietary Information and Inventions Agreement

Exhibit 10.13

May 11, 2007

Richard J. Klein
530 NE 79th Street
Seattle, WA 98115

Dear Rick:

On behalf of Omeros Corporation (the "Company"), I am pleased to offer you the position of Chief Financial Officer. Speaking for myself, as well as the other members of the Company's management team, we are pleased that you want to join the Company and we all look forward to your future success with Omeros.

The terms of your new position with the Company are as set forth below:

1. **Position.**

a. You will become Chief Financial Officer within the Company, working out of the Company's headquarters office in Seattle, Washington. As Chief Financial Officer you will have responsibility for all financial matters. You will be required to exercise considerable independent judgment and you will report to the Company's Chief Executive Officer.

b. You agree to the best of your ability and experience that you will at all times loyally and conscientiously perform all of the duties and obligations required of and from you pursuant to the express and implicit terms hereof, and to the reasonable satisfaction of the Company. During the term of your employment, you further agree that you will devote all of your business time and attention to the business of the Company, the Company will be entitled to all of the benefits and profits arising from or incident to all such work services and advice, you will not render commercial or professional services of any nature to any person or organization, whether or not for compensation, without the prior written consent of the Company's Board of Directors, and you will not directly or indirectly engage or participate in any business that is competitive in any manner with the business of the Company. You will be permitted to serve on the board of at least one for-profit corporation, subject to the prior and continued approval of the Company's Board of Directors including, without limitation, the Board's determination on an on-going basis that such

service does not present any business, scientific or legal conflict of interest and does not unduly limit the time and attention that you provide to the Company's business. Nothing in this letter agreement will prevent you from accepting speaking or presentation engagements in exchange for honoraria or from serving on boards of charitable organizations, or from owning no more than one percent (1%) of the outstanding equity securities of a corporation whose stock is listed on a national stock exchange.

2. **Start Date.** Subject to fulfillment of any conditions imposed by this letter agreement, you will commence this new position with the Company on May 14, 2007, unless another date is mutually agreed upon.

3. **Proof of Right to Work.** For purposes of federal immigration law, you will be required to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided to us within three (3) business days of your date of hire, or our employment relationship with you may be terminated.

4. **Compensation.**

a. **Base Salary.** You will be paid a monthly salary of $20,833.33, which is equivalent to $250,000 on an annualized basis. Your salary will be payable in two equal payments per month pursuant to the Company's regular payroll policy.

b. **Salary Review.** Your base salary will be reviewed periodically as part of the Company's normal salary review process.

5. **Stock Options.**

a. **Initial Grant.** In connection with the commencement of your employment, the Company will recommend that the Board of Directors grant you two options to purchase an aggregate of 275,000 shares of the Company's Common Stock ("Shares"), each with an exercise price equal to the fair market value on the date of the grant. The first option (the "First Option") will be to purchase 250,000 Shares (the "Base Shares") and the second option (the "Second Option") will be to purchase 25,000 Shares (the "Performance Shares"). The Base Shares will begin vesting on your start date, with 25% of the Base Shares vesting twelve months after your start date and 1/48th of the Base Shares vesting monthly thereafter. The Performance Shares will not be eligible to commence vesting unless, within twelve months of your start date, the Company closes a public or private financing that meets parameters associated with such financing determined by the Board of Directors on the date of the grant of your options (a "Financing"). Should the Company close a Financing within the first twelve months of your start date, then the Performance Shares will vest on the same schedule as the Base Shares (i.e., 25% vesting twelve months after your start date and 1/48th vesting monthly thereafter). In the absence of a Financing being closed within the first twelve months of your start date, the Performance Shares will not be eligible to vest and the Second Option will be automatically cancelled. Vesting of the Base Shares

and the Performance Shares will, of course, depend on your continued employment with the Company.

Unless requested by you, prior to the date of grant of your options, that all or part of your options be non-qualified stock options, the options will be incentive stock options to the maximum extent allowed by the tax code and, whether non-qualified and/or incentive stock options, will all be subject to the terms of the Company's Amended and Restated 1998 Stock Option Plan ("Option Plan") and the Stock Option Agreements between you and the Company. If you do elect to have a portion of your First Option and/or Second Option treated as a non-qualified stock option, then the Company may divide such option into two options, with one representing the portion of such option intended to be treated as an incentive stock option and the other representing the portion of such option intended to be treated as a non-qualified stock option.

Under the Option Plan, 50% of unvested shares subject to an option automatically vest upon a change of control. In addition, for executive officers of Omeros, of which you will be one, if within one year of the change of control the acquirer constructively terminates an executive officer (e.g., the executive officer terminates his employment following a material adverse change in his position at the acquirer) or terminates an executive officer without cause, then 100% of the unvested shares subject to an option shall automatically vest. Also, if, while you are an employee of the Company, the Company provides the opportunity to any other group of employees to exercise any part of their option grants prior to vesting of such part of their option grants, then the Company will provide a similar opportunity to you, provided that the Company would have the right to repurchase at the original purchase price any unvested portion of your Shares that you exercised should your employment with the Company be terminated but, under no circumstance, would the Company have any obligation to repurchase any of your vested or unvested Shares.

b. **Subsequent Option Grants.** Subject to the discretion of the Company's Board of Directors, you may be eligible to receive additional grants of stock options or purchase rights from time to time in the future, on such terms and subject to such conditions as the Board of Directors shall determine as of the date of any such grant.

6. **Benefits.**

a. **Insurance Benefits.** The Company will provide you with standard insurance benefits and will defray the costs of covering your dependents under its medical and dental insurance program.

b. **Vacation/Sick Leave.** You will be entitled to twenty days paid vacation and ten days paid sick leave per year, pro-rated for the remainder of this calendar year. Vacation and Sick Leave accrue ratably over the year from the date of hire.

c. **Transportation.** Parking will be provided for you in the building that is equal to $295 per month.

7. **Background Check.** You understand that employment will be contingent on completion of a background verification of previous employment and education.

8. **Proprietary Information and Invention Agreement.** Your acceptance of this offer and commencement of employment with the Company is contingent upon the execution, and delivery to an officer of the Company, of the Company's Proprietary Information and Inventions Agreement (the "PIIA"), a copy of which is enclosed for your review and execution prior to your Start Date.

9. **Confidentiality of Terms.** You agree to follow the Company's strict policy that employees must not disclose, either directly or indirectly, any information, including any of the terms of this agreement, regarding salary or stock purchase or option allocations to any person, including other employees of the Company; provided, however, that you may discuss such terms with members of your immediate family and any legal, tax or accounting specialists who provide you with individual legal, tax or accounting advice.

10. **At-Will Employment.** Notwithstanding the Company's obligation described in Section 9 above, your employment with the Company will be on an "at will" basis, meaning that either you or the Company may terminate your employment at any time for any reason or no reason, without further obligation or liability.

This letter, together with the PIIA, sets forth the terms of your employment with the Company and supersedes any prior representations or agreements, whether written or oral. This letter may not be modified or amended except by a written agreement, signed by the Company and by you.

We are all delighted to be able to extend you this offer and look forward to working with you. To indicate your acceptance of the Company's offer, please sign and date this letter in the space provided below and return it to me, along with a signed and dated copy of the PIIA.

Very truly yours,

OMEROS CORPORATION

/s/ Gregory A. Demopulos
Gregory A. Demopulos, M.D.
Chairman of the Board and CEO

ACCEPTED AND AGREED:

RICHARD J. KLEIN
/s/ Richard J. Klein
Signature
5/14/07
Date

Enclosure: Proprietary Information and Inventions Agreement

Exhibit 10.14

TECHNOLOGY TRANSFER AGREEMENT

This Technology Transfer Agreement (this "Agreement") is entered into as of June 16, 1994, by and between Gregory A. Demopulos, M.D. ("Demopulos") and Omeros Medical Systems, Inc., a Washington corporation ("Omeros").

Demopulos, along with Pamela A. Pierce, M.D., Ph.D. ("Pierce"), is the inventor of certain technology relating to the irrigation of various body regions (as further described below, the "Technology"). Demopulos desires to transfer all his right, title and interest in and to the Technology to Omeros for further research, development and commercialization, and Omeros desires to obtain ownership of and other rights in the Technology for such purpose.

For good and valuable consideration, the receipt and sufficiency of such consideration being hereby acknowledged, the parties agree:

1. Definitions. The following definitions apply whenever the specified terms are used in this Agreement or in any attachments to this Agreement:

a. "Confidential Information" means confidential information relating to the Technology, now existing or hereafter arising, including without limitation, research, developments, inventions, technical data, any type of product development, and any and all other processes, formulae, marketing plans or proposals, customer lists or other customer information, financial information, or any observations, data, written material, records or documents. Confidential Information includes any such information whether or not such information was developed, devised or otherwise created in whole or in part by the efforts of Demopulos or Omeros. Confidential Information shall not include a matter of public knowledge, unless such matter become public knowledge as a result of unauthorized disclosure to the general public, or the combination of such matters would amount to Confidential Information. In any dispute over whether information is Confidential Information for purposes of enforcement of this Agreement, it shall be the burden of Demopulos to show that such contested information is neither confidential nor a Trade Secret.

b. "Intellectual Property Rights" mean all intellectual property rights arising under federal, state or common law and relating to the Technology, including without limitation Patent Rights and Know-How.

c. "Know-How" means all information, now existing or hereafter acquired, known to Demopulos and related in any way to the Technology, including without limitation, information directly or indirectly related to any formula, method, procedure, process, composition of matter, design, material, or other subject matter that contributes in whole or in part to the present or future commercial development, exploitation, utilization or understanding of the Technology. Know-How also includes, without limitation, the following: (a) any Confidential Information; (b) any information relating in any way to the Technology that may result from further research sponsored in whole or in part by Omeros; and (c) any information relating to the Technology, whether or not such information was developed, devised or otherwise created in whole or in part by the efforts of Demopulos or Omeros and whether or not it is a matter of public knowledge.

d. "New Invention" means any invention, discovery, concept, idea, information or improvement, whether or not patentable, that is (i) made, developed or conceived in whole or in part while Demopulos is an employee, agent, officer, director, or shareholder of Omeros, and (ii) is derived from the Technology.

e. "Patent Rights" mean the rights of Demopulos to any and all matter claimed in or disclosed by any and all present and future letters patent, pending applications for patents and other legal rights applied for by or granted to Demopulos, alone or with another or others, as inventor or co-inventor in any country with respect to or in connection with the Technology, and any and all divisions, continuations, continuations-in-part, reissues, substitutions, re-examinations, extensions and renewals arising therefrom or issuing thereon. Without limiting the generality of the foregoing, Patent Rights include without limitation, any and all foreign rights related to, derived from, or claiming priority from U.S. Patent Rights.

f. "Technology" means that certain technology developed in whole or in part by Demopulos and related to the irrigation of any body region (including but not limited to surgical wounds, burns, any body cavity, the cardiovascular or urinary system or anatomic joint during arthroscopic surgery) using an irrigation solution providing analgesic and anti-inflammatory effects. Without limiting the generality of the foregoing, the Technology shall include, without limitation, all related advances or improvements, whether or not patentable.

g. "Trade Secrets" mean any and all Confidential Information within the definition of that term as set forth in RCW Chapter 19.108.

2. Transfer of Technology

a. Present Technology. Demopulos hereby irrevocably sells, assigns, conveys and otherwise transfers to Omeros all right, title and interest in and to the Technology, Know-How, Patent Rights, and other Intellectual Property Rights, which right, title, and interest he now possess or may hereafter acquire. Such transfer hereby includes, without limitation, all right, title and interest of Demopulos in and to the Patent Rights, and any and all existing records that contain Know-How. Upon execution of this Agreement, Demopulos shall execute an Assignment of Patent Rights in the form attached hereto as Exhibit A, and shall identify for Omeros any and all existing records that contain Know-How. Demopulos and Omeros jointly shall determine which of such records shall be delivered to Omeros as originals or as copies, and such records shall be identified and categorized in writing no later than thirty (30) days after execution of this Agreement. Demopulos shall then transfer and deliver to Omeros all such records that contain Know-How in a form reasonably understandable by any physician or scientist generally knowledgeable of relevant methods of surgery or other treatment. Upon such transfer and delivery, such records shall be the property of Omeros and shall be under Omeros' exclusive control. Thereafter, on a timely basis, but not less than quarterly, Demopulos shall develop, produce, deliver to Omeros and maintain permanent records, in writing or otherwise, that set forth Know-How in a form reasonably understandable by any physician or scientist generally knowledgeable of relevant surgical methods.

b. Future Developments. Demopulos acknowledges that title to any and all New Inventions shall immediately vest in Omeros. Immediately upon the development of any New

Invention, Demopulos shall disclose such New Invention to Omeros in writing. From time to time, Demopulos shall execute such documents as Omeros may reasonably require to evidence assignment to Omeros of all right, title, and interest in and to such New Inventions.

3. Covenant Not to Disclose. For a period of at least ten (10) years, Demopulos shall not at any time, without the express prior written consent of Omeros, disclose or otherwise make known or available to any person, firm, corporation or other entity, or use for their own account, any Confidential Information. Both Demopulos and Omeros shall utilize reasonable procedures to safeguard Confidential Information, including releasing Confidential Information to employees of Omeros only on a "need-to-know" basis.

4. Consideration. The shares of the common stock of Omeros being issued to Demopulos as of the date of this Agreement shall constitute consideration for the transfer of rights described in Section 2 above, for Demopulos' covenant not to disclose Confidential Information, and for other covenants and promises made by Demopulos hereunder.

5. Specific Performance. Demopulos and Omeros acknowledge that (a) the covenants set forth in Sections 2 and 3 are essential elements of the transactions contemplated in this Agreement, that, but for the agreement of the parties to comply with such covenants, neither Demopulos nor Omeros would have entered into such transactions, and that each party has consulted with counsel and has been advised in all respects concerning the reasonableness of such covenants as to scope and limit of time; (b) the nonbreaching party will not have any adequate remedy at law if the other party violates the terms of Section 2 or 3 or fails to perform any of its other obligations hereunder; and (c) the nonbreaching party shall have the right, in addition to any other rights it may have, to obtain in any court of competent jurisdiction temporary, preliminary and permanent injunctive relief to restrain any breach or threatened breach, or otherwise to specifically enforce, any of such covenants or any other obligations if the breaching party fails to perform any of its obligations under this Agreement.

6. Right to Repurchase Technology. In the event that Omeros either (a) files for liquidation under Chapter 7 of the United States Bankruptcy Act, or (b) undertakes a voluntary dissolution, liquidation and termination (except in connection with a merger, reorganization, consolidation or sale of assets), Demopulos shall have the right, along with co-inventor Pierce, to repurchase the Technology from Omeros for a price equal to the then-current fair market value of the Technology. If the parties are unable to agree upon the fair market value of the Technology within thirty (30) days after the filing or undertaking described above, then such value shall be established by the appraisal of a qualified, mutually acceptable independent appraiser. In the event the parties are unable to agree upon an appraiser within sixty (60) days after the filing or undertaking described above, then Demopulos and Omeros each shall select an independent appraiser, and the two appraisers shall select a third independent appraiser. The three appraisers shall conduct such appraisal proceeding in accordance with the Commercial Arbitration Rules of the American Arbitration Association as then in effect, and the decisions of the appraisers shall be delivered to the parties not later than four months after the commencement of such appraisal proceeding. All such appraisal proceedings shall take place in Seattle, Washington and all results of such proceedings shall be binding on Demopulos and Omeros. All appraisal expenses shall be paid by Demopulos. Demopulos' rights to repurchase the Technology under this Section 6 are subject to the similar rights

of co-inventor Pierce, with whom Omeros executed an agreement substantially similar hereto. In the event that both Demopulos and Pierce desire to exercise their respective rights to repurchase the Technology, those parties shall be responsible for negotiating between themselves their individual rights and obligations with regard to such transfer, and Demopulos and Pierce shall exercise their rights jointly in any transaction involving Omeros.

7. Severability. The invalidity of all or any part of any section of this Agreement shall not render invalid the remainder of this Agreement or the remainder of such section. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable. Demopulos and Omeros agree and stipulate that the covenants set forth in Sections 2, 3 and 6 are fair and reasonably necessary for the protection of their protectable interests. In the event a court of competent jurisdiction should decline to enforce any provision of Sections 2, 3 or 6, Sections 2, 3 or 6 shall be deemed to be modified to the minimum extent which the court shall find enforceable.

8. Miscellaneous.

a. Headings. The headings of the sections and paragraphs of this Agreement are inserted for convenience only, and shall not control or affect the meaning or construction of any provisions hereof.

b. Waiver of Breach. Neither the waiver of any breach of any provision of this Agreement, nor failure to enforce any provision hereof, shall operate or be construed as a waiver of any subsequent breach by either party.

c. Disputes. In any litigation or dispute arising out of this Agreement, the substantially prevailing party will be entitled to recover, in addition to other relief granted, all reasonable costs and attorneys' fees, including such costs and fees on appeal.

d. Rights Cumulative. The provisions of this Agreement shall not be construed as limiting any rights or remedies that either party may otherwise have under applicable law.

e. Governing Law. The rights and obligations under this Agreement shall in all respects be governed by the laws of the State of Washington. This Agreement is intended to supplement and not to supersede the rights of the parties under the Uniform Trade Secrets Act, as adopted by the State of Washington.

f. Integration. This Agreement as herein written constitutes the entire understanding between the parties pertaining to the subject matter contained in it, and supersedes all prior and contemporaneous agreements, representations and understandings of the parties. It is expressly understood and agreed that this Agreement may not be altered, amended, modified or otherwise changed in any respect whatsoever, except by a writing duly executed by the parties.

DATED as of June 16, 1994.

/s/ Gregory A. Demopulos
Gregory A. Demopulos, M.D.

Omeros Medical Systems, Inc.

By /s/ H. Raymond Cairncross
H. Raymond Cairncross, Its V.P.

PATENT RIGHTS ASSIGNMENT

FOR VALUE RECEIVED, I, Gregory A. Demopulos, M.D., hereby sell, assign and transfer unto Omeros Medical Systems, Inc., a Washington corporation ("Omeros") as assignee, and its successors, assigns and legal representatives, the entire right, title and interest, for all countries in and to certain inventions associated with certain technology related to the irrigation of various body regions, as more particularly described in that certain Technology Transfer Agreement between Omeros and me, dated as of June 16, 1994, and all the rights and privileges under any and all letters patent that may be granted therefor.

I request that any and all patents for said inventions be issued to said assignee, its successors, assigns and legal representatives, or to such nominees as it may designate.

I agree that, when requested, I will, without charge to said assignee but at its expense, sign all papers, take all lawful oaths, and do all acts which may be necessary, desirable or reasonably appropriate for securing and maintaining patents for said inventions in any and all countries and for vesting title thereto in said assignee, its successors, assigns and legal representatives or nominees.

I authorize and empower the said assignee, its successors, assigns and legal representatives or nominees, to invoke and claim for any application for patent or other form of protection for said inventions filed by it or them, the benefit of the right of priority provided by the International Convention for the Protection of Industrial Property, as amended, or by any convention which may henceforth be substituted for it, and to invoke and claim such right of priority without further written or oral authorization from us.

I hereby consent that a copy of this assignment shall be deemed a full legal and formal equivalent of any assignment, consent to file or like document which may be required in any country for any purpose and more particularly in proof of the right of the said assignee or nominee to claim the aforesaid benefit of the right of priority provided by the International Convention for the Protection of Industrial Property, as amended, or by any convention which may henceforth be substituted for it.

I covenant with said assignee, its successors, assigns and legal representatives, that the rights and property herein conveyed are free and clear of any encumbrance, and that we have full right to convey the same as herein expressed.

SIGNED AT Seattle, Washington, as of the 16th day of June, 1994.

/s/ Gregory A. Demopulos
Gregory A. Demopulos, M.D.

Witnessed and Accepted:

Omeros Medical Systems, Inc.

by /s/ H. Raymond Cairncross
H. Raymond Cairncross, its V.P.

Exhibit 10.15

TECHNOLOGY TRANSFER AGREEMENT

This Technology Transfer Agreement (this "Agreement") is entered into as of June 16, 1994, by and between Pamela A. Pierce, M.D., Ph.D. ("Pierce") and Omeros Medical Systems, Inc., a Washington corporation ("Omeros").

Pierce, along with Gregory A. Demopulos, M.D. ("Demopulos"), is the inventor of certain technology relating to the irrigation of various body regions (as further described below, the "Technology"). Pierce desires to transfer all her right, title and interest in and to the Technology to Omeros for further research, development and commercialization, and Omeros desires to obtain ownership of and other rights in the Technology for such purpose.

For good and valuable consideration, the receipt and sufficiency of such consideration being hereby acknowledged, the parties agree:

1. Definitions. The following definitions apply whenever the specified terms are used in this Agreement or in any attachments to this Agreement:

a. "Confidential Information" means confidential information relating to the Technology, now existing or hereafter arising, including without limitation, research, developments, inventions, technical data, any type of product development, and any and all other processes, formulae, marketing plans or proposals, customer lists or other customer information, financial information, or any observations, data, written material, records or documents. Confidential Information includes any such information whether or not such information was developed, devised or otherwise created in whole or in part by the efforts of Pierce or Omeros. Confidential Information shall not include a matter of public knowledge, unless such matter become public knowledge as a result of unauthorized disclosure to the general public, or the combination of such matters would amount to Confidential Information. In any dispute over whether information is Confidential Information for purposes of enforcement of this Agreement, it shall be the burden of Pierce to show that such contested information is neither confidential nor a Trade Secret.

b. "Intellectual Property Rights" mean all intellectual property rights arising under federal, state or common law and relating to the Technology, including without limitation Patent Rights and Know-How.

c. "Know-How" means all information, now existing or hereafter acquired, known to Pierce and related in any way to the Technology, including without limitation, information directly or indirectly related to any formula, method, procedure, process, composition of matter, design, material, or other subject matter that contributes in whole or in part to the present or future commercial development, exploitation, utilization or understanding of the Technology. Know-How also includes, without limitation, the following: (a) any Confidential Information; (b) any information relating in any way to the Technology that may result from further research sponsored in whole or in part by Omeros; and (c) any information relating to the Technology, whether or not such information was developed, devised or otherwise created in whole or in part by the efforts of Pierce or Omeros and whether or not it is a matter of public knowledge.

d. "New Invention" means any invention, discovery, concept, idea, information or improvement, whether or not patentable, that is (i) made, developed or conceived in whole or in part while Pierce is an employee, agent, officer or shareholder of Omeros, and (ii) is derived from the Technology.

e. "Patent Rights" mean the rights of Pierce to any and all matter claimed in or disclosed by any and all present and future letters patent, pending applications for patents and other legal rights applied for by or granted to Pierce, alone or with another or others, as inventor or co-inventor in any country with respect to or in connection with the Technology, and any and all divisions, continuations, continuations-in-part, reissues, substitutions, re-examinations, extensions and renewals arising therefrom or issuing thereon. Without limiting the generality of the foregoing, Patent Rights include without limitation, any and all foreign rights related to, derived from, or claiming priority from U.S. Patent Rights.

f. "Technology" means that certain technology developed in whole or in part by Pierce and related to the irrigation of any body region (including but not limited to surgical wounds, burns, any body cavity, the cardiovascular or urinary system or anatomic joint during arthroscopic surgery) using an irrigation solution providing analgesic and anti-inflammatory effects. Without limiting the generality of the foregoing, the Technology shall include, without limitation, all related advances or improvements, whether or not patentable.

g. "Trade Secrets" mean any and all Confidential Information within the definition of that term as set forth in RCW Chapter 19.108.

2. Transfer of Technology

a. Present Technology. Pierce hereby irrevocably sells, assigns, conveys and otherwise transfers to Omeros all right, title and interest in and to the Technology, Know-How, Patent Rights, and other Intellectual Property Rights, which right, title, and interest she now possess or may hereafter acquire. Such transfer hereby includes, without limitation, all right, title and interest of Pierce in and to the Patent Rights, and any and all existing records that contain Know-How. Upon execution of this Agreement, Pierce shall execute an Assignment of Patent Rights in the form attached hereto as Exhibit A, and shall identify for Omeros any and all existing records that contain Know-How. Pierce and Omeros jointly shall determine which of such records shall be delivered to Omeros as originals or as copies, and such records shall be identified and categorized in writing no later than thirty (30) days after execution of this Agreement. Pierce shall then transfer and deliver to Omeros all such records that contain Know-How in a form reasonably understandable by any physician or scientist generally knowledgeable of relevant methods of surgery or other treatment. Upon such transfer and delivery, such records shall be the property of Omeros and shall be under Omeros' exclusive control. Thereafter, on a timely basis, but not less than quarterly, Pierce shall develop, produce, deliver to Omeros and maintain permanent records, in writing or otherwise, that set forth Know-How in a form reasonably understandable by any physician or scientist generally knowledgeable of relevant surgical methods.

b. Future Developments. Pierce acknowledges that title to any and all New Inventions shall immediately vest in Omeros. Immediately upon the development of any New

Invention, Pierce shall disclose such New Invention to Omeros in writing. From time to time, Pierce shall execute such documents as Omeros may reasonably require to evidence assignment to Omeros of all right, title, and interest in and to such New Inventions.

3. Covenant Not to Disclose. For a period of at least ten (10) years, Pierce shall not at any time, without the express prior written consent of Omeros, disclose or otherwise make known or available to any person, firm, corporation or other entity, or use for their own account, any Confidential Information. Both Pierce and Omeros shall utilize reasonable procedures to safeguard Confidential Information, including releasing Confidential Information to employees of Omeros only on a "need-to-know" basis.

4. Consideration. The shares of the common stock of Omeros being issued to Pierce as of the date of this Agreement shall constitute consideration for the transfer of rights described in Section 2 above, for Pierce's covenant not to disclose Confidential Information, and for other covenants and promises made by Pierce hereunder.

5. Specific Performance. Pierce and Omeros acknowledge that (a) the covenants set forth in Sections 2 and 3 are essential elements of the transactions contemplated in this Agreement, that, but for the agreement of the parties to comply with such covenants, neither Pierce nor Omeros would have entered into such transactions, and that each party has consulted with counsel and has been advised in all respects concerning the reasonableness of such covenants as to scope and limit of time; (b) the nonbreaching party will not have any adequate remedy at law if the other party violates the terms of Section 2 or 3 or fails to perform any of its other obligations hereunder; and (c) the nonbreaching party shall have the right, in addition to any other rights it may have, to obtain in any court of competent jurisdiction temporary, preliminary and permanent injunctive relief to restrain any breach or threatened breach, or otherwise to specifically enforce, any of such covenants or any other obligations if the breaching party fails to perform any of its obligations under this Agreement.

6. Right to Repurchase Technology. In the event that Omeros either (a) files for liquidation under Chapter 7 of the United States Bankruptcy Act, or (b) undertakes a voluntary dissolution, liquidation and termination (except in connection with a merger, reorganization, consolidation or sale of assets), Pierce shall have the right, along with co-inventor Demopulos, to repurchase the Technology from Omeros for a price equal to the then-current fair market value of the Technology. If the parties are unable to agree upon the fair market value of the Technology within thirty (30) days after the filing or undertaking described above, then such value shall be established by the appraisal of a qualified, mutually acceptable independent appraiser. In the event the parties are unable to agree upon an appraiser within sixty (60) days after the filing or undertaking described above, then Pierce and Omeros each shall select an independent appraiser, and the two appraisers shall select a third independent appraiser. The three appraisers shall conduct such appraisal proceeding in accordance with the Commercial Arbitration Rules of the American Arbitration Association as then in effect, and the decisions of the appraisers shall be delivered to the parties not later than four months after the commencement of such appraisal proceeding. All such appraisal proceedings shall take place in Seattle, Washington and all results of such proceedings shall be binding on Pierce and Omeros. All appraisal expenses shall be paid by Pierce. Pierce's rights to repurchase the Technology under this Section 6 are subject to the similar rights of co-inventor Demopulos, with whom Omeros executed an agreement substantially similar hereto. In the event

that both Pierce and Demopulos desire to exercise their respective rights to repurchase the Technology, those parties shall be responsible for negotiating between themselves their individual rights and obligations with regard to such transfer, and Pierce and Demopulos shall exercise their rights jointly in any transaction involving Omeros.

7. Severability. The invalidity of all or any part of any section of this Agreement shall not render invalid the remainder of this Agreement or the remainder of such section. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable. Pierce and Omeros agree and stipulate that the covenants set forth in Sections 2, 3 and 6 are fair and reasonably necessary for the protection of their protectable interests. In the event a court of competent jurisdiction should decline to enforce any provision of Sections 2, 3 or 6, Sections 2, 3 or 6 shall be deemed to be modified to the minimum extent which the court shall find enforceable.

8. Miscellaneous.

a. Headings. The headings of the sections and paragraphs of this Agreement are inserted for convenience only, and shall not control or affect the meaning or construction of any provisions hereof.

b. Waiver of Breach. Neither the waiver of any breach of any provision of this Agreement, nor failure to enforce any provision hereof, shall operate or be construed as a waiver of any subsequent breach by either party.

c. Disputes. In any litigation or dispute arising out of this Agreement, the substantially prevailing party will be entitled to recover, in addition to other relief granted, all reasonable costs and attorneys' fees, including such costs and fees on appeal.

d. Rights Cumulative. The provisions of this Agreement shall not be construed as limiting any rights or remedies that either party may otherwise have under applicable law.

e. Governing Law. The rights and obligations under this Agreement shall in all respects be governed by the laws of the State of Washington. This Agreement is intended to supplement and not to supersede the rights of the parties under the Uniform Trade Secrets Act, as adopted by the State of Washington.

f. Integration. This Agreement as herein written constitutes the entire understanding between the parties pertaining to the subject matter contained in it, and supersedes all prior and contemporaneous agreements, representations and understandings of the parties. It is expressly understood and agreed that this Agreement may not be altered, amended, modified or otherwise changed in any respect whatsoever, except by a writing duly executed by the parties.

DATED as of June 16, 1994.

/s/ Pamela A. Pierce
Pamela A. Pierce, M.D., Ph.D.

Omeros Medical Systems, Inc.

By /s/ H. Raymond Cairncross
H. Raymond Cairncross, Its V.P.

PATENT RIGHTS ASSIGNMENT

FOR VALUE RECEIVED, I, Pamela A. Pierce, M.D., Ph.D., hereby sell, assign and transfer unto Omeros Medical Systems, Inc., a Washington corporation ("Omeros") as assignee, and its successors, assigns and legal representatives, the entire right, title and interest, for all countries in and to certain inventions associated with certain technology related to the irrigation of various body regions, as more particularly described in that certain Technology Transfer Agreement between Omeros and me, dated as of June 16, 1994, and all the rights and privileges under any and all letters patent that may be granted therefor.

I request that any and all patents for said inventions be issued to said assignee, its successors, assigns and legal representatives, or to such nominees as it may designate.

I agree that, when requested, I will, without charge to said assignee but at its expense, sign all papers, take all lawful oaths, and do all acts which may be necessary, desirable or reasonably appropriate for securing and maintaining patents for said inventions in any and all countries and for vesting title thereto in said assignee, its successors, assigns and legal representatives or nominees.

I authorize and empower the said assignee, its successors, assigns and legal representatives or nominees, to invoke and claim for any application for patent or other form of protection for said inventions filed by it or them, the benefit of the right of priority provided by the International Convention for the Protection of Industrial Property, as amended, or by any convention which may henceforth be substituted for it, and to invoke and claim such right of priority without further written or oral authorization from us.

I hereby consent that a copy of this assignment shall be deemed a full legal and formal equivalent of any assignment, consent to file or like document which may be required in any country for any purpose and more particularly in proof of the right of the said assignee or nominee to claim the aforesaid benefit of the right of priority provided by the International Convention for the Protection of Industrial Property, as amended, or by any convention which may henceforth be substituted for it.

I covenant with said assignee, its successors, assigns and legal representatives, that the rights and property herein conveyed are free and clear of any encumbrance, and that we have full right to convey the same as herein expressed.

SIGNED AT San Francisco, California, as of the 16th day of June, 1994.

/s/ Pamela A. Pierce
Pamela A. Pierce, M.D., Ph.D.

Witnessed and Accepted:

Omeros Medical Systems, Inc.

by /s/ H. Raymond Cairncross
H. Raymond Cairncross, its V.P.

Exhibit 10.16

SECOND TECHNOLOGY TRANSFER AGREEMENT

This Second Technology Transfer Agreement (this "Agreement") is entered into as of the December 11, 2001, by and between Gregory A. Demopulos, M.D. ("Demopulos") and Omeros Medical Systems, Inc., a Washington corporation ("Omeros").

Demopulos, along with Pamela A. Pierce, M.D., Ph.D. ("Pierce"), is the inventor of certain technology relating to methods, compositions and devices for drug delivery, chondroprotection, inhibition of tumor cell adhesion and invasion, the treatment of urogenital disorders, peripheral nervous system pain inhibition and rotational analgesia (as further described below, the "Technology"). Demopulos desires to transfer all his right, title and interest in and to the Technology to Omeros for further research, development and commercialization, and Omeros desires to obtain ownership of and other rights in the Technology for such purpose.

For good and valuable consideration, the receipt and sufficiency of such consideration being hereby acknowledged, the parties agree:

1. Definitions. The following definitions apply whenever the specified terms are used in this Agreement or in any attachments to this Agreement:

a. "Confidential Information" means confidential information relating to the Technology, now existing or hereafter arising, including without limitation, research, developments, inventions, technical data, any type of product development, and any and all other processes, formulae, marketing plans or proposals, customer lists or other customer information, financial information, or any observations, data, written material, records or documents. Confidential Information includes any such information whether or not such information was developed, devised or otherwise created in whole or in part by the efforts of Demopulos or Omeros. Confidential Information shall not include a matter of public knowledge, unless such matter become public knowledge as a result of unauthorized disclosure to the general public, or the combination of such matters would amount to Confidential Information. In any dispute over whether information is Confidential Information for purposes of enforcement of this Agreement, it shall be the burden of Demopulos to show that such contested information is neither confidential nor a Trade Secret.

b. "Intellectual Property Rights" mean all intellectual property rights arising under federal, state or common law and relating to the Technology, including without limitation Patent Rights and Know-How.

c. "Know-How" means all information, now existing or hereafter acquired, known to Demopulos and related in any way to the Technology, including without limitation, information directly or indirectly related to any formula, method, procedure, process, composition of matter, design, material, or other subject matter that contributes in whole or in part to the present or future commercial development, exploitation, utilization or understanding of the Technology. Know-How also includes, without limitation, the following: (a) any Confidential Information; (b) any information relating in any way to the Technology that may result from further research sponsored in whole or in part by Omeros; and (c) any information relating to the Technology, whether or not such

information was developed, devised or otherwise created in whole or in part by the efforts of Demopulos or Omeros and whether or not it is a matter of public knowledge.

d. "New Invention" means any invention, discovery, concept, idea, information or improvement, whether or not patentable, that is (i) made, developed or conceived in whole or in part while Demopulos is an employee, agent, officer, director, or shareholder of Omeros, and (ii) is derived from the Technology.

e. "Patent Rights" mean the rights of Demopulos to any and all inventions included within the Technology and any matter claimed in or disclosed by any and all present and future letters patent, pending applications for patents and other legal rights applied for in the name of, by or granted to Demopulos, alone or with another or others, as inventor or co-inventor in any country with respect to or in connection with the Technology, and any and all divisions, continuations, continuations-in-part, reissues, substitutions, re-examinations, extensions and renewals arising therefrom or issuing thereon. Without limiting the generality of the foregoing, Patent Rights include without limitation, any and all foreign rights related to, derived from, or claiming priority from U.S. Patent Rights.

f. "Technology" means that certain technology developed in whole or in part by Demopulos and related to compositions, methods and devices for: (a) the delivery of pharmaceuticals, including but not limited to drug delivery agents or compositions that enhance the uptake, retention or effect of anti-inflammatory, analgesic, chondroprotective, anti-spasm, anti-restenotic and/or other pharmacological agents; (b) the protection of cartilage, including but not limited to compositions that are injected, irrigated or otherwise applied to anatomic joints to inhibit cartilage catabolism, promote cartilage anabolism, inhibit inflammation and/or inhibit pain; (c) the inhibition of tumor cell adhesion and invasion during surgical procedures; (d) the treatment or prevention of urogenital disorders including but not limited to agents to inhibit spasm, inflammation, pain and tumor cell adhesion and invasion; (e) rotational analgesia including but not limited to rotational intrathecal analgesia methods, compositions and administration devices; or (f) the inhibition or relief of peripheral nervous system pain. Without limiting the generality of the foregoing, the Technology shall include, without limitation, all related advances or improvements, whether or not patentable.

The Technology shall not include, and any assignment of inventions required by this Agreement does not apply to, any invention of Demopulos for which no equipment, supplies, facility or trade secret information of Omeros was used and which was developed entirely on Demopulos' own time, unless (a) the invention relates (i) directly to the business of Omeros or (ii) to Omeros' actual or demonstrably anticipated research or development or (b) the invention results from any work performed by Demopulos for Omeros. The Technology also shall not include, and any assignment of inventions required by this Agreement does not apply to, any invention of Demopulos which would otherwise be included in the Technology but which Demopulos has disclosed to the Board of Directors of Omeros and which has been disclaimed thereby as being unrelated to and not in conflict with the present or future business or research of Omeros.

g. "Trade Secrets" mean any and all Confidential Information within the definition of that term as set forth in RCW Chapter 19.108.

2. Transfer of Technology.

a. Present Technology. Demopulos hereby irrevocably sells, assigns, conveys and otherwise transfers to Omeros all right, title and interest in and to the Technology, Know-How, Patent Rights, and other Intellectual Property Rights, which right, title, and interest he now possess or may hereafter acquire, and hereby confirms all previous assignments granted to Omeros related to the Technology, Know-How, Patent Rights, and other Intellectual Property Rights. Such transfer hereby includes, without limitation, all right, title and interest of Demopulos in and to the Patent Rights, and any and all existing records that contain Know-How. In keeping with these obligations, Demopulos has executed Assignments of Patent Rights as attached hereto as Exhibits A-H. To the extent not already provided to Omeros, Demopulos shall identify for Omeros any and all existing records that contain Know-How. Demopulos and Omeros jointly shall determine which of such records shall be delivered to Omeros as originals or as copies, and such records shall be identified and categorized in writing no later than thirty (30) days after execution of this Agreement. Demopulos shall then transfer and deliver to Omeros all such records that contain Know-How in a form reasonably understandable by any physician or scientist generally knowledgeable of relevant methods of surgery or other treatment. Upon such transfer and delivery, such records shall be the property of Omeros and shall be under Omeros' exclusive control. Thereafter, on a timely basis, but not less than quarterly, Demopulos shall develop, produce, deliver to Omeros and maintain permanent records, in writing or otherwise, that set forth Know-How in a form reasonably understandable by any physician or scientist generally knowledgeable of relevant surgical methods.

b. Future Developments. Demopulos acknowledges that title to any and all New Inventions shall immediately vest in Omeros. Immediately upon the development of any New Invention, Demopulos shall disclose such New Invention to Omeros in writing. From time to time, Demopulos shall execute such documents as Omeros may reasonably require to evidence assignment to Omeros of all right, title, and interest in and to such New Inventions.

3. Covenant Not to Disclose. For a period of at least ten (10) years, Demopulos shall not at any time, without the express prior written consent of Omeros, disclose or otherwise make known or available to any person, firm, corporation or other entity, or use for their own account, any Confidential Information. Both Demopulos and Omeros shall utilize reasonable procedures to safeguard Confidential Information, including releasing Confidential Information to employees of Omeros only on a "need-to-know" basis.

4. Consideration. The Grant of Options to purchase shares of stock of Omeros issued to Demopulos on December 11, 2001 shall constitute consideration for the transfer of rights described in Section 2 above, for Demopulos's covenant not to disclose Confidential Information, and for other covenants and promises made by Demopulos hereunder.

5. Specific Performance. Demopulos and Omeros acknowledge that (a) the covenants set forth in Sections 2 and 3 are essential elements of the transactions contemplated in this Agreement, that, but for the agreement of the parties to comply with such covenants, neither Demopulos nor Omeros would have entered into such transactions, and that each party has consulted with counsel and has been advised in all respects concerning the reasonableness of such covenants as to scope and limit of time; (b) the nonbreaching party will not have any adequate remedy at law if the other party

violates the terms of Section 2 or 3 or fails to perform any of its other obligations hereunder; and (c) the nonbreaching party shall have the right, in addition to any other rights it may have, to obtain in any court of competent jurisdiction temporary, preliminary and permanent injunctive relief to restrain any breach or threatened breach, or otherwise to specifically enforce, any of such covenants or any other obligations if the breaching party fails to perform any of its obligations under this Agreement.

6. Right to Repurchase Technology. In the event that Omeros either (a) files for liquidation under Chapter 7 of the United States Bankruptcy Act, or (b) undertakes a voluntary dissolution, liquidation and termination (except in connection with a merger, reorganization, consolidation or sale of assets), Demopulos shall have the right, along with co-inventor Pierce, to repurchase the Technology from Omeros for a price equal to the then-current fair market value of the Technology. If the parties are unable to agree upon the fair market value of the Technology within thirty (30) days after the filing or undertaking described above, then such value shall be established by the appraisal of a qualified, mutually acceptable independent appraiser. In the event the parties are unable to agree upon an appraiser within sixty (60) days after the filing or undertaking described above, then Demopulos and Omeros each shall select an independent appraiser, and the two appraisers shall select a third independent appraiser. The three appraisers shall conduct such appraisal proceeding in accordance with the Commercial Arbitration Rules of the American Arbitration Association as then in effect, and the decisions of the appraisers shall be delivered to the parties not later than four months after the commencement of such appraisal proceeding. All such appraisal proceedings shall take place in Seattle, Washington and all results of such proceedings shall be binding on Demopulos and Omeros. All appraisal expenses shall be paid by Demopulos. Demopulos's rights to repurchase the Technology under this Section 6 are subject to the similar rights of co-inventor Pierce, with whom Omeros executed an agreement substantially similar hereto. In the event that both Demopulos and Pierce desire to exercise their respective rights to repurchase the Technology, those parties shall be responsible for negotiating between themselves their individual rights and obligations with regard to such transfer, and Demopulos and Pierce shall exercise their rights jointly in any transaction involving Omeros.

7. Severability. The invalidity of all or any part of any section of this Agreement shall not render invalid the remainder of this Agreement or the remainder of such section. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable. Demopulos and Omeros agree and stipulate that the covenants set forth in Sections 2, 3 and 6 are fair and reasonably necessary for the protection of their protectable interests. In the event a court of competent jurisdiction should decline to enforce any provision of Sections 2, 3 or 6, Sections 2, 3 or 6 shall be deemed to be modified to the minimum extent which the court shall find enforceable.

8. Miscellaneous.

a. Headings. The headings of the sections and paragraphs of this Agreement are inserted for convenience only, and shall not control or affect the meaning or construction of any provisions hereof.

b. Waiver of Breach. Neither the waiver of any breach of any provision of this Agreement, nor failure to enforce any provision hereof, shall operate or be construed as a waiver of any subsequent breach by either party.

c. Disputes. In any litigation or dispute arising out of this Agreement, the substantially prevailing party will be entitled to recover, in addition to other relief granted, all reasonable costs and attorneys' fees, including such costs and fees on appeal.

d. Rights Cumulative. The provisions of this Agreement shall not be construed as limiting any rights or remedies that either party may otherwise have under applicable law.

e. Governing Law. The rights and obligations under this Agreement shall in all respects be governed by the laws of the State of Washington. This Agreement is intended to supplement and not to supersede the rights of the parties under the Uniform Trade Secrets Act, as adopted by the State of Washington.

f. Integration. This Agreement as herein written constitutes the entire understanding between the parties pertaining to the subject matter contained in it, and supersedes all prior and contemporaneous agreements, representations and understandings of the parties. It is expressly understood and agreed that this Agreement may not be altered, amended, modified or otherwise changed in any respect whatsoever, except by a writing duly executed by the parties. This Agreement supplements a previous Technology Transfer Agreement executed by Demopulos and Omeros dated June 16, 1994, and also supplements any rights Omeros has under the law by virtue of any invention(s) included within the Patent Rights or New Invention having been made while Demopulos is an employee and/or officer of Omeros, and nothing in this Agreement shall be interpreted to contravene such previous Technology Transfer Agreement.

Wherefore each party has executed this Agreement on the date set forth below to signify acceptance of all of the above terms and provisions.

OMEROS MEDICAL SYSTEMS, INC.

By: /s/ Marcia S. Kelbon
Marcia S. Kelbon
Vice President, Patent and General Counsel

Date: 12/11/01

GREGORY A. DEMOPULOS, M.D.

By: /s/ Gregory A. Demopulos
(Signature)

Date: 12/11/01

Exhibit 10.17

SECOND TECHNOLOGY TRANSFER AGREEMENT

This Second Technology Transfer Agreement (this "Agreement") is entered into as of the date last executed below, by and between Pamela Pierce Palmer, M.D., Ph.D. ("Palmer") and Omeros Medical Systems, Inc., a Washington corporation ("Omeros").

Palmer, along with Gregory A. Demopulos, M.D. ("Demopulos"), is the inventor of certain technology relating to methods, compositions and devices for drug delivery, chondroprotection, inhibition of tumor cell adhesion and invasion, the treatment of urogenital disorders, peripheral nervous system pain inhibition and rotational analgesia (as further described below, the "Technology"). Palmer desires to transfer all his right, title and interest in and to the Technology to Omeros for further research, development and commercialization, and Omeros desires to obtain ownership of and other rights in the Technology for such purpose.

For good and valuable consideration, the receipt and sufficiency of such consideration being hereby acknowledged, the parties agree:

1. Definitions. The following definitions apply whenever the specified terms are used in this Agreement or in any attachments to this Agreement:

a. "Confidential Information" means confidential information relating to the Technology, now existing or hereafter arising, including without limitation, research, developments, inventions, technical data, any type of product development, and any and all other processes, formulae, marketing plans or proposals, customer lists or other customer information, financial information, or any observations, data, written material, records or documents. Confidential Information includes any such information whether or not such information was developed, devised or otherwise created in whole or in part by the efforts of Palmer or Omeros. Confidential Information shall not include a matter of public knowledge, unless such matter become public knowledge as a result of unauthorized disclosure to the general public, or the combination of such matters would amount to Confidential Information. In any dispute over whether information is Confidential Information for purposes of enforcement of this Agreement, it shall be the burden of Palmer to show that such contested information is neither confidential nor a Trade Secret.

b. "Intellectual Property Rights" mean all intellectual property rights arising under federal, state or common law and relating to the Technology, including without limitation Patent Rights and Know-How.

c. "Know-How" means all information, now existing or hereafter acquired, known to Palmer and related in any way to the Technology, including without limitation, information directly or indirectly related to any formula, method, procedure, process, composition of matter, design, material, or other subject matter that contributes in whole or in part to the present or future commercial development, exploitation, utilization or understanding of the Technology. Know-How also includes, without limitation, the following: (a) any Confidential Information; (b) any information relating in any way to the Technology that may result from further research sponsored in whole or in part by Omeros; and (c) any information relating to the Technology, whether or not such

information was developed, devised or otherwise created in whole or in part by the efforts of Palmer or Omeros and whether or not it is a matter of public knowledge.

d. "New Invention" means any invention, discovery, concept, idea, information or improvement, whether or not patentable, that is (i) made, developed or conceived in whole or in part while Palmer is an employee, agent, officer, director, or shareholder of Omeros, and (ii) is derived from the Technology.

e. "Patent Rights" mean the rights of Palmer to any and all inventions included within the Technology and any matter claimed in or disclosed by any and all present and future letters patent, pending applications for patents and other legal rights applied for in the name of, by or granted to Palmer, alone or with another or others, as inventor or co-inventor in any country with respect to or in connection with the Technology, and any and all divisions, continuations, continuations-in-part, reissues, substitutions, re-examinations, extensions and renewals arising therefrom or issuing thereon. Without limiting the generality of the foregoing, Patent Rights include without limitation, any and all foreign rights related to, derived from, or claiming priority from U.S. Patent Rights.

f. "Technology" means that certain technology developed in whole or in part by Palmer and related to compositions, methods and devices for: (a) the delivery of pharmaceuticals, including but not limited to drug delivery agents or compositions that enhance the uptake, retention or effect of anti-inflammatory, analgesic, chondroprotective, anti-spasm, anti-restenotic and/or other pharmacological agents; (b) the protection of cartilage, including but not limited to compositions that are injected, irrigated or otherwise applied to anatomic joints to inhibit cartilage catabolism, promote cartilage anabolism, inhibit inflammation and/or inhibit pain; (c) the inhibition of tumor cell adhesion and invasion during surgical procedures; (d) the treatment or prevention of urogenital disorders including but not limited to agents to inhibit spasm, inflammation, pain and tumor cell adhesion and invasion; (e) rotational analgesia including but not limited to rotational intrathecal analgesia methods, compositions and administration devices; or (f) the inhibition or relief of peripheral nervous system pain. Without limiting the generality of the foregoing, the Technology shall include, without limitation, all related advances or improvements, whether or not patentable.

g. "Trade Secrets" mean any and all Confidential Information within the definition of that term as set forth in RCW Chapter 19.108.

2. Transfer of Technology

a. Present Technology. Palmer hereby irrevocably sells, assigns, conveys and otherwise transfers to Omeros all right, title and interest in and to the Technology, Know-How, Patent Rights, and other Intellectual Property Rights, which right, title, and interest he now possess or may hereafter acquire, and hereby confirms all previous assignments granted to Omeros related to the Technology, Know-How, Patent Rights, and other Intellectual Property Rights. Such transfer hereby includes, without limitation, all right, title and interest of Palmer in and to the Patent Rights, and any and all existing records that contain Know-How. In keeping with these obligations, Palmer has executed Assignments of Patent Rights as attached hereto as Exhibits A-H. To the extent not already provided to Omeros, Palmer shall identify for Omeros any and all existing records that

contain Know-How. Palmer and Omeros jointly shall determine which of such records shall be delivered to Omeros as originals or as copies, and such records shall be identified and categorized in writing no later than thirty (30) days after execution of this Agreement. Palmer shall then transfer and deliver to Omeros all such records that contain Know-How in a form reasonably understandable by any physician or scientist generally knowledgeable of relevant methods of surgery or other treatment. Upon such transfer and delivery, such records shall be the property of Omeros and shall be under Omeros' exclusive control. Thereafter, on a timely basis, but not less than quarterly, Palmer shall develop, produce, deliver to Omeros and maintain permanent records, in writing or otherwise, that set forth Know-How in a form reasonably understandable by any physician or scientist generally knowledgeable of relevant surgical methods.

b. Future Developments. Palmer acknowledges that title to any and all New Inventions shall immediately vest in Omeros. Immediately upon the development of any New Invention, Palmer shall disclose such New Invention to Omeros in writing. From time to time, Palmer shall execute such documents as Omeros may reasonably require to evidence assignment to Omeros of all right, title, and interest in and to such New Inventions.

3. Covenant Not to Disclose. For a period of at least ten (10) years, Palmer shall not at any time, without the express prior written consent of Omeros, disclose or otherwise make known or available to any person, firm, corporation or other entity, or use for their own account, any Confidential Information. Both Palmer and Omeros shall utilize reasonable procedures to safeguard Confidential Information, including releasing Confidential Information to employees of Omeros only on a "need-to-know" basis.

4. Consideration. The Grant of Options to purchase shares of stock of Omeros issued to Palmer on December 11, 2001 shall constitute consideration for the transfer of rights described in Section 2 above, for Palmer's covenant not to disclose Confidential Information, and for other covenants and promises made by Palmer hereunder.

5. Specific Performance. Palmer and Omeros acknowledge that (a) the covenants set forth in Sections 2 and 3 are essential elements of the transactions contemplated in this Agreement, that, but for the agreement of the parties to comply with such covenants, neither Palmer nor Omeros would have entered into such transactions, and that each party has consulted with counsel and has been advised in all respects concerning the reasonableness of such covenants as to scope and limit of time; (b) the nonbreaching party will not have any adequate remedy at law if the other party violates the terms of Section 2 or 3 or fails to perform any of its other obligations hereunder; and (c) the nonbreaching party shall have the right, in addition to any other rights it may have, to obtain in any court of competent jurisdiction temporary, preliminary and permanent injunctive relief to restrain any breach or threatened breach, or otherwise to specifically enforce, any of such covenants or any other obligations if the breaching party fails to perform any of its obligations under this Agreement.

6. Right to Repurchase Technology. In the event that Omeros either (a) files for liquidation under Chapter 7 of the United States Bankruptcy Act, or (b) undertakes a voluntary dissolution, liquidation and termination (except in connection with a merger, reorganization, consolidation or sale of assets), Palmer shall have the right, along with co-inventor Demopulos, to repurchase the Technology from Omeros for a price equal to the then-current fair market value of the Technology.

If the parties are unable to agree upon the fair market value of the Technology within thirty (30) days after the filing or undertaking described above, then such value shall be established by the appraisal of a qualified, mutually acceptable independent appraiser. In the event the parties are unable to agree upon an appraiser within sixty (60) days after the filing or undertaking described above, then Demopulos and Omeros each shall select an independent appraiser, and the two appraisers shall select a third independent appraiser. The three appraisers shall conduct such appraisal proceeding in accordance with the Commercial Arbitration Rules of the American Arbitration Association as then in effect, and the decisions of the appraisers shall be delivered to the parties not later than four months after the commencement of such appraisal proceeding. All such appraisal proceedings shall take place in Seattle, Washington and all results of such proceedings shall be binding on Palmer and Omeros. All appraisal expenses shall be paid by Palmer. Palmer's rights to repurchase the Technology under this Section 6 are subject to the similar rights of co-inventor Demopulos, with whom Omeros executed an agreement substantially similar hereto. In the event that both Palmer and Demopulos desire to exercise their respective rights to repurchase the Technology, those parties shall be responsible for negotiating between themselves their individual rights and obligations with regard to such transfer, and Palmer and Demopulos shall exercise their rights jointly in any transaction involving Omeros.

7. Severability. The invalidity of all or any part of any section of this Agreement shall not render invalid the remainder of this Agreement or the remainder of such section. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable. Palmer and Omeros agree and stipulate that the covenants set forth in Sections 2, 3 and 6 are fair and reasonably necessary for the protection of their protectable interests. In the event a court of competent jurisdiction should decline to enforce any provision of Sections 2, 3 or 6, Sections 2, 3 or 6 shall be deemed to be modified to the minimum extent which the court shall find enforceable.

8. Miscellaneous.

a. Headings. The headings of the sections and paragraphs of this Agreement are inserted for convenience only, and shall not control or affect the meaning or construction of any provisions hereof.

b. Waiver of Breach. Neither the waiver of any breach of any provision of this Agreement, nor failure to enforce any provision hereof, shall operate or be construed as a waiver of any subsequent breach by either party.

c. Disputes. In any litigation or dispute arising out of this Agreement, the substantially prevailing party will be entitled to recover, in addition to other relief granted, all reasonable costs and attorneys' fees, including such costs and fees on appeal.

d. Rights Cumulative. The provisions of this Agreement shall not be construed as limiting any rights or remedies that either party may otherwise have under applicable law.

e. Governing Law. The rights and obligations under this Agreement shall in all respects be governed by the laws of the State of Washington. This Agreement is intended to

supplement and not to supersede the rights of the parties under the Uniform Trade Secrets Act, as adopted by the State of Washington.

f. Integration. This Agreement as herein written constitutes the entire understanding between the parties pertaining to the subject matter contained in it, and supersedes all prior and contemporaneous agreements, representations and understandings of the parties. It is expressly understood and agreed that this Agreement may not be altered, amended, modified or otherwise changed in any respect whatsoever, except by a writing duly executed by the parties. This Agreement supplements a previous Technology Transfer Agreement executed by Palmer and Omeros dated June 16, 1994, and nothing in this Agreement shall be interpreted to contravene such previous Technology Transfer Agreement.

Wherefore each party has executed this Agreement on the date set forth below to signify acceptance of all of the above terms and provisions.

OMEROS MEDICAL SYSTEMS, INC.

By: /s/ Gregory A. Demopulos
Gregory A. Demopulos, M.D.
Chairman and Chief Executive Officer

Date: 3/12/02

PAMELA PIERCE PALMER, M.D., Ph.D.

By: /s/ Pamela Pierce Palmer
(Signature)

Date: 3/22/02

Exhibit 10.18

TECHNOLOGY TRANSFER AGREEMENT

This Technology Transfer Agreement (this "Agreement") is entered into as of June 16, 1994, by and between Gregory A. Demopulos, M.D. ("Demopulos") and Omeros Medical Systems, Inc., a Washington corporation ("Omeros").

Demopulos, along with Stephen A. Yencho, Ph.D., P.E. ("Yencho"), is the inventor of certain technology relating to the surgical repair of lacerated or ruptured anatomic soft tissues (as further described below, the "Technology"). Demopulos desires to transfer all his right, title and interest in and to the Technology to Omeros for further research, development and commercialization, and Omeros desires to obtain ownership of and other rights in the Technology for such purpose.

For good and valuable consideration, the receipt and sufficiency of such consideration being hereby acknowledged, the parties agree:

1. Definitions. The following definitions apply whenever the specified terms are used in this Agreement or in any attachments to this Agreement:

a. "Confidential Information" means confidential information relating to the Technology, now existing or hereafter arising, including without limitation, research, developments, inventions, technical data, any type of product development, and any and all other processes, formulae, marketing plans or proposals, customer lists or other customer information, financial information, or any observations, data, written material, records or documents. Confidential Information includes any such information whether or not such information was developed, devised or otherwise created in whole or in part by the efforts of Demopulos or Omeros. Confidential Information shall not include a matter of public knowledge, unless such matter become public knowledge as a result of unauthorized disclosure to the general public, or the combination of such matters would amount to Confidential Information. In any dispute over whether information is Confidential Information for purposes of enforcement of this Agreement, it shall be the burden of Demopulos to show that such contested information is neither confidential nor a Trade Secret.

b. "Intellectual Property Rights" mean all intellectual property rights arising under federal, state or common law and relating to the Technology, including without limitation Patent Rights and Know-How.

c. "Know-How" means all information, now existing or hereafter acquired, known to Demopulos and related in any way to the Technology, including without limitation, information directly or indirectly related to any formula, method, procedure, process, composition of matter, design, material, or other subject matter that contributes in whole or in part to the present or future commercial development, exploitation, utilization or understanding of the Technology. Know-How also includes, without limitation, the following: (a) any Confidential Information; (b) any information relating in any way to the Technology that may result from further research sponsored in whole or in part by Omeros; and (c) any information relating to the Technology,

whether or not such information was developed, devised or otherwise created in whole or in part by the efforts of Demopulos or Omeros and whether or not it is a matter of public knowledge.

d. "New Invention" means any invention, discovery, concept, idea, information or improvement, whether or not patentable, that is (i) made, developed or conceived in whole or in part while Demopulos is an employee, agent, officer, director, or shareholder of Omeros, and (ii) is derived from the Technology.

e. "Patent Rights" mean the rights of Demopulos to any and all matter claimed in or disclosed by any and all present and future letters patent, pending applications for patents and other legal rights applied for by or granted to Demopulos, alone or with another or others, as inventor or co-inventor in any country with respect to or in connection with the Technology, and any and all divisions, continuations, continuations-in-part, reissues, substitutions, re-examinations, extensions and renewals arising therefrom or issuing thereon. Without limiting the generality of the foregoing, Patent Rights include without limitation, any and all foreign rights related to, derived from, or claiming priority from U.S. Patent Rights.

f. "Technology" means that certain technology developed in whole or in part by Demopulos and related to the surgical repair of lacerated or ruptured anatomic soft tissues, including but not limited to tendons and/or ligaments, which technology currently includes and is embodied by a surgical device commonly referred to as the "Tendon Splice" along with related application instruments. Without limiting the generality of the foregoing, the Technology shall include, without limitation, all related advances or improvements, whether or not patentable.

g. "Trade Secrets" mean any and all Confidential Information within the definition of that term as set forth in RCW Chapter 19.108.

2. Transfer of Technology.

a. Present Technology. Demopulos hereby irrevocably sells, assigns, conveys and otherwise transfers to Omeros all right, title and interest in and to the Technology, Know-How, Patent Rights, and other Intellectual Property Rights, which right, title, and interest he now possess or may hereafter acquire. Such transfer hereby includes, without limitation, all right, title and interest of Demopulos in and to the Patent Rights, and any and all existing records that contain Know-How. Upon execution of this Agreement, Demopulos shall execute an Assignment of Patent Rights in the form attached hereto as Exhibit A, and shall identify for Omeros any and all existing records that contain Know-How. Demopulos and Omeros jointly shall determine which of such records shall be delivered to Omeros as originals or as copies, and such records shall be identified and categorized in writing no later than thirty (30) days after execution of this Agreement. Demopulos shall then transfer and deliver to Omeros all such records that contain Know-How in a form reasonably understandable by any physician or scientist generally knowledgeable of methods of tendon surgery. Upon such transfer and delivery, such records shall be the property of Omeros and shall be under Omeros' exclusive control. Thereafter, on a timely basis, but not less than quarterly, Demopulos shall develop, produce, deliver to Omeros and maintain permanent records, in writing or otherwise, that set forth Know-How in a form reasonably understandable by any physician or scientist generally knowledgeable of relevant surgical methods.

b. Future Developments. Demopulos acknowledges that title to any and all New Inventions shall immediately vest in Omeros. Immediately upon the development of any New Invention, Demopulos shall disclose such New Invention to Omeros in writing. From time to time, Demopulos shall execute such documents as Omeros may reasonably require to evidence assignment to Omeros of all right, title, and interest in and to such New Inventions.

c. Other Inventions. Pursuant to RCW 49.44.150, Demopulos shall disclose to Omeros all inventions being developed by Demopulos for the purpose of determining whether such inventions are New Inventions or Other Inventions. If Demopulos receives any bona fide offer to transfer all or any portion of any Other Invention, Demopulos immediately shall disclose to Omeros the nature of such Other Invention and the terms of such offer. For a period of at least ten (10) years, Omeros will not at any time, without the express prior written consent of Demopulos, disclose or otherwise make known or available to any person, firm, corporation or other entity, nor shall Omeros use for its own account, any such Other Invention so disclosed by Demopulos.

3. Covenant Not to Disclose. For a period of at least ten (10) years, Demopulos shall not at any time, without the express prior written consent of Omeros, disclose or otherwise make known or available to any person, firm, corporation or other entity, or use for their own account, any Confidential Information. Both Demopulos and Omeros shall utilize reasonable procedures to safeguard Confidential Information, including releasing Confidential Information to employees of Omeros only on a "need-to-know" basis.

4. Consideration. The shares of the common stock of Omeros being issued to Demopulos as of the date of this Agreement shall constitute consideration for the transfer of rights described in Section 2 above, for Demopulos' covenant not to disclose Confidential Information, and for other covenants and promises made by Demopulos hereunder.

5. Specific Performance. Demopulos and Omeros acknowledge that (a) the covenants set forth in Sections 2 and 3 are essential elements of the transactions contemplated in this Agreement, that, but for the agreement of the parties to comply with such covenants, neither Demopulos nor Omeros would have entered into such transactions, and that each party has consulted with counsel and has been advised in all respects concerning the reasonableness of such covenants as to scope and limit of time; (b) the nonbreaching party will not have any adequate remedy at law if the other party violates the terms of Section 2 or 3 or fails to perform any of its other obligations hereunder; and (c) the nonbreaching party shall have the right, in addition to any other rights it may have, to obtain in any court of competent jurisdiction temporary, preliminary and permanent injunctive relief to restrain any breach or threatened breach, or otherwise to specifically enforce, any of such covenants or any other obligations if the breaching party fails to perform any of its obligations under this Agreement.

6. Right to Repurchase Technology. In the event that Omeros either (a) files for liquidation under Chapter 7 of the United States Bankruptcy Act, or (b) undertakes a voluntary dissolution, liquidation and termination (except in connection with a merger, reorganization, consolidation or sale of assets), Demopulos shall have the right, along with co-inventor Yencho, to repurchase the Technology from Omeros for a price equal to the then-current fair market value of the Technology. If the parties are unable to agree upon the fair market value of the Technology within

thirty (30) days after the filing or undertaking described above, then such value shall be established by the appraisal of a qualified, mutually acceptable independent appraiser. In the event the parties are unable to agree upon an appraiser within sixty (60) days after the filing or undertaking described above, then Demopulos and Omeros each shall select an independent appraiser, and the two appraisers shall select a third independent appraiser. The three appraisers shall conduct such appraisal proceeding in accordance with the Commercial Arbitration Rules of the American Arbitration Association as then in effect, and the decisions of the appraisers shall be delivered to the parties not later than four months after the commencement of such appraisal proceeding. All such appraisal proceedings shall take place in Seattle, Washington and all results of such proceedings shall be binding on Demopulos and Omeros. All appraisal expenses shall be paid by Demopulos. Demopulos' rights to repurchase the Technology under this Section 6 are subject to the similar rights of co-inventor Yencho, with whom Omeros executed an agreement substantially similar hereto. In the event that both Demopulos and Yencho desire to exercise their respective rights to repurchase the Technology, those parties shall be responsible for negotiating between themselves their individual rights and obligations with regard to such transfer, and Demopulos and Yencho shall exercise their rights jointly in any transaction involving Omeros.

7. Severability. The invalidity of all or any part of any section of this Agreement shall not render invalid the remainder of this Agreement or the remainder of such section. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable. Demopulos and Omeros agree and stipulate that the covenants set forth in Sections 2, 3 and 6 are fair and reasonably necessary for the protection of their protectable interests. In the event a court of competent jurisdiction should decline to enforce any provision of Sections 2, 3 or 6, Sections 2, 3 or 6 shall be deemed to be modified to the minimum extent which the court shall find enforceable.

8. Miscellaneous.

a. Headings. The headings of the sections and paragraphs of this Agreement are inserted for convenience only, and shall not control or affect the meaning or construction of any provisions hereof.

b. Waiver of Breach. Neither the waiver of any breach of any provision of this Agreement, nor failure to enforce any provision hereof, shall operate or be construed as a waiver of any subsequent breach by either party.

c. Disputes. In any litigation or dispute arising out of this Agreement, the substantially prevailing party will be entitled to recover, in addition to other relief granted, all reasonable costs and attorneys' fees, including such costs and fees on appeal.

d. Rights Cumulative. The provisions of this Agreement shall not be construed as limiting any rights or remedies that either party may otherwise have under applicable law.

e. Governing Law. The rights and obligations under this Agreement shall in all respects be governed by the laws of the State of Washington. This Agreement is intended to

supplement and not to supersede the rights of the parties under the Uniform Trade Secrets Act, as adopted by the State of Washington.

f. Integration. This Agreement as herein written constitutes the entire understanding between the parties pertaining to the subject matter contained in it, and supersedes all prior and contemporaneous agreements, representations and understandings of the parties. It is expressly understood and agreed that this Agreement may not be altered, amended, modified or otherwise changed in any respect whatsoever, except by a writing duly executed by the parties.

DATED as of June 16, 1994.

/s/ *Gregory A. Demopulos*
Gregory A. Demopulos, M.D.

Omeros Medical Systems, Inc.

By /s/ *H. Raymond Cairncross*
H. Raymond Cairncross, Its V.P.

EXHIBIT A

PATENT RIGHTS ASSIGNMENT

FOR VALUE RECEIVED, I, Gregory A. Demopulos, M.D., hereby sell, assign and transfer unto Omeros Medical Systems, Inc., a Washington corporation ("Omeros") as assignee, and its successors, assigns and legal representatives, the entire right, title and interest, for all countries in and to certain inventions associated with certain technology related to the surgical repair of lacerated or ruptured anatomic soft tissues, as more particularly described in that certain Technology Transfer Agreement between Omeros and me, dated as of June 16, 1994, and all the rights and privileges under any and all letters patent that may be granted therefor.

I request that any and all patents for said inventions be issued to said assignee, its successors, assigns and legal representatives, or to such nominees as it may designate.

I agree that, when requested, I will, without charge to said assignee but at its expense, sign all papers, take all lawful oaths, and do all acts which may be necessary, desirable or reasonably appropriate for securing and maintaining patents for said inventions in any and all countries and for vesting title thereto in said assignee, its successors, assigns and legal representatives or nominees.

I authorize and empower the said assignee, its successors, assigns and legal representatives or nominees, to invoke and claim for any application for patent or other form of protection for said inventions filed by it or them, the benefit of the right of priority provided by the International Convention for the Protection of Industrial Property, as amended, or by any convention which may henceforth be substituted for it, and to invoke and claim such right of priority without further written or oral authorization from us.

I hereby consent that a copy of this assignment shall be deemed a full legal and formal equivalent of any assignment, consent to file or like document which may be required in any country for any purpose and more particularly in proof of the right of the said assignee or nominee to claim the aforesaid benefit of the right of priority provided by the International Convention for the Protection of Industrial Property, as amended, or by any convention which may henceforth be substituted for it.

I covenant with said assignee, its successors, assigns and legal representatives, that the rights and property herein conveyed are free and clear of any encumbrance, and that we have full right to convey the same as herein expressed.

SIGNED AT Seattle, Washington, as of the 16th day of June, 1994.

/s/ *Gregory A. Demopulos*
Gregory A. Demopulos, M.D.

Witnessed and Accepted:

Omeros Medical Systems, Inc.

By /s/ *H. Raymond Cairncross*
H. Raymond Cairncross, Its V.P.

MASTER SECURITY AGREEMENT
No. 5081087
Dated as of April 26, 2005 **("Agreement")**

THIS AGREEMENT is between **Oxford Finance Corporation** (together with its successors and assigns, if any, "**Secured Party**") and **Nura, Inc.** ("**Debtor**"). Secured Party has an office at 133 N. Fairfax Street, Alexandria, VA 22314. Debtor is a corporation organized and existing under the laws of the state of Delaware. Debtor's mailing address and chief place of business is 1124 Columbia Street, Suite 650, Seattle, Washington, 98104.

1. CREATION OF SECURITY INTEREST.

Debtor grants to Secured Party, its successors and assigns, a security interest in and against the Collateral (as that term is defined herein). This security interest is given to secure the payment and performance of all debts, obligations and liabilities of any kind whatsoever of Debtor to Secured Party, now existing or arising in the future, including but not limited to the payment and performance of certain Promissory Notes from time to time executed by Debtor (collectively "**Notes**" and each a "**Note**"), and any renewals, extensions and modifications of such debts, obligations and liabilities (such Notes, debts, obligations and liabilities are called the "**Indebtedness**"). Unless otherwise provided by applicable law, notwithstanding anything to the contrary contained in this Agreement, to the extent that Secured Party asserts a purchase money security interest in any items of Collateral (the "**PMSI Collateral**"): (i) the PMSI Collateral shall secure only that portion of the Indebtedness which has been advanced by Secured Party to enable Debtor to purchase, or acquire rights in or the use of such PMSI Collateral (the "**PMSI Indebtedness**"), and (ii) no other Collateral shall secure the PMSI Indebtedness.

2. REPRESENTATIONS, WARRANTIES AND COVENANTS OF DEBTOR.

Debtor represents, warrants and covenants as of the date of this Agreement and as of the date of each Note (as appropriate) that:

(a) Due Organization. Debtor's exact legal name is as set forth in the preamble of this Agreement and Debtor is, duly organized, existing and in good standing under the laws of the State set forth in the preamble of this Agreement, has its chief executive offices at the location specified in the preamble, and is, and will remain duly qualified and licensed in every jurisdiction wherever necessary to carry on its business and operations;

(b) Power and Capacity to Enter Into and Perform Obligations. Debtor has adequate power and capacity to enter into, and to perform its obligations under this Agreement, each Note and any other documents evidencing, or given in connection with, any of the Indebtedness (all of the foregoing are called the "**Debt Documents**");

(c) Due Authorization. This Agreement and the other Debt Documents have been duly authorized, executed and delivered by Debtor and constitute legal, valid and binding agreements enforceable in accordance with their terms, except to the extent that the enforcement of remedies may be limited under applicable bankruptcy and insolvency laws;

(d) Approvals and Consents. No approval, consent or withholding of objections is required from any governmental authority or instrumentality with respect to the entry into, or performance by Debtor of any of the Debt Documents, except any already obtained;

(e) No Violations or Defaults. The entry into, and performance by, Debtor of the Debt Documents will not (i) violate any of the organizational documents of Debtor or any judgment, order, law or regulation applicable to Debtor, or (ii) result in any breach of or constitute a default under any contract to which Debtor is a party, or result in the creation of any lien, claim or encumbrance on any of Debtor's property (except for liens in favor of Secured Party) pursuant to any indenture, mortgage, deed of trust, bank loan, credit agreement, or other agreement or instrument to which Debtor is a party;

(f) Litigation. There are no suits or proceedings pending in court or before any commission, board or other administrative agency against or affecting Debtor which could, in the aggregate, have a material adverse effect on Debtor, its business or operations, or its ability to perform its obligations under the Debt Documents, nor does Debtor have reason to believe that any such suits or proceedings are threatened;

(g) Solvency. The fair salable value of Debtor's assets (including goodwill minus disposition costs) exceeds the fair value of its liabilities; the Debtor is not left with unreasonably small capital after the transactions in this Agreement or any Notes and Debtor is able to pay its debts (including trade debts) as they mature.

(h) Financial Statements Prepared In Accordance with GAAP. All financial statements delivered to Secured Party in connection will) the Indebtedness have been prepared in accordance with generally accepted accounting principles, but excluding footnotes and normal year-end adjustments, and since the date of the most recent financial statement, there has been no material adverse change to Debtors financial condition;

(i) Use of Collateral. The Collateral is not, and will not be, used by Debtor for personal, family or household purposes;

(j) Collateral in Good Condition and Repair. The Collateral is, and will remain, in good condition and repair, subject to normal wear and tear, and Debtor will not be negligent in its care and use;

(k) Ownership of Collateral. Debtor is, and will remain, the sole and lawful owner, and in possession of, the Collateral, and has the sole right and lawful authority to grant the security interest described in this Agreement;

(l) Encumbrances. The Collateral is, and will remain, free and clear of all liens, claims and encumbrances of any kind whatsoever, except for (i) liens in favor of Secured Party, (ii) liens for taxes not yet due or for taxes being contested in good faith and which do not involve, in the judgment of Secured Party, any risk of the sale, forfeiture or loss of any of the Collateral, and (iii) inchoate material men's, mechanic's, repairmen's and similar liens arising by operation of law in the normal course of business for amounts which are not delinquent (all of such liens are called "**Permitted Liens**");

(m) Negative Pledge on Intellectual Property. Debtor's Intellectual Property is, and will remain, free and clear of all liens, claims and encumbrances of any kind whatsoever, except for Permitted Liens. Debtor shall not sell, transfer, assign, mortgage, pledge, lease, grant a security interest in, or encumber any of its Intellectual Property, or enter into any agreement, document, instrument or other arrangement (except with or in favor of Secured Party) with any entity which directly or indirectly prohibits or has the effect of prohibiting Debtor from selling, transferring, assigning, mortgaging, pledging, leasing, granting a security interest in or upon, or encumbering any of Debtor's Intellectual Property; provided, however, that Debtor may grant non-exclusive licenses with respect to components of Debtor's Intellectual Property in connection with joint ventures and corporate collaborations in the ordinary course of business.

(n) Taxes. All federal, state and local tax returns required to be filed by Debtor have been filed with the appropriate governmental agencies and all taxes due and payable by Debtor have been timely paid. Debtor will pay when due all taxes, assessments and other liabilities except as contested in good faith and by appropriate proceedings and for which adequate reserves have been established;

(o) No Defaults. No event or condition exists under any material agreement, instrument or document to which Debtor is a party or may be subject, or by which Debtor or any of its properties are bound, which constitutes a default or an event of default thereunder, or will, with the giving of notice, passage of time, or both, would constitute a default or event of default thereunder;

(p) Certification of Financial Information. All reports, certificates, schedules, notices and financial information submitted by Debtor to the Secured Party pursuant to this Agreement shall be certified as true and correct by the president or chief financial officer of Debtor;

(q) Notice of Material Adverse Change. Debtor shall give the Secured Party prompt written notice of any event, occurrence or other matter which has resulted or may result in a material adverse change in its financial condition, business operations, prospects, product development, technology, or business or contractual relations with third parties of Debtor which would impair the ability of Debtor to perform its obligations hereunder or under any of the other financing agreements to which it is a party or of Secured Party to enforce the Indebtedness or realize upon the Collateral

(r) Notice of Investor Abandonment. Debtor shall give the Secured Party prompt written notice Secured Party if (a) it is the clear intention of Debtor's investors to not continue to fund the Debtor in the amounts and timeframe necessary to enable Debtor to satisfy the Indebtedness as it becomes due and payable or (b) there is a material impairment in the perfection or priority of the Secured Party's security interest in the Collateral.

(s) Transactions with Affiliates. Debtor shall not, without the prior written consent of Security Party, directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Debtor except for transactions that are in the ordinary course of Debtor's business, upon fair and reasonable terms that are no less favorable to Debtor than would be obtained in an arm's length transaction with a nonaffiliated Person.

(t) Audits. Debtor shall allow Security Party to audit Debtor's Collateral at Debtor's expense. Such audits will be conducted no more often than every six (6) months unless an Event of Default has occurred and is continuing.

(u) Primary Account and Wire Transfer Instructions. Debtor maintains its Primary Account (the "**Primary Operating Account**") and the Wire Transfer Instructions for the Primary Operating Account are as follows:

Comerica Bank
10500 NE 8th Street
Suite 1905
Bellevue, WA 98004
Swift: MNBDUS33
ABA No.: 121137522
Account No.: 1891926162
Account Name: Nura, Inc.

Debtor hereby agrees that Loans will be advanced to the account specified above and regularly scheduled payments will be automatically debited from the same account. In addition to the Primary Operating Account identified hereinabove, Debtor maintains the following other deposit and investment accounts:

Comerica Bank
10500 NE 8th Street
Suite 1905
Bellevue, WA 98004
Swift: MNBDUS33
Account No.: 1892015684 & 189286334-9
Account Name: Nura, Inc.

(v) Right to Invest. Debtor hereby grants to Secured Party a right (but not an obligation) to invest up to $1,000,000 but not more than $3,000,000, in each case subject to the first rights to invest provided to holders of the Company's preferred stock, in each of the Debtor's Subsequent Financings on the same terms, conditions and pricing offered to its investors. Debtor shall give Secured Party at least thirty (30) days prior written notice of each Subsequent Financing containing the terms, conditions and pricing of each Subsequent Financing. As used herein, "**Subsequent Financing**" shall mean the next and any future round of private equity financing in which the Debtor receives, in the aggregate, at least $2,000,000 of net proceeds excluding any bridge debt financing except to the extent actually converted to equity in the Debtor.

3. COLLATERAL.

The Debtor, covenants and agrees that, so long as any of the Debt Documents shall remain in effect, or unless the Secured Party shall otherwise consent in writing:

(a) Possession of Collateral; Inspection of Collateral. Until the declaration of any default, Debtor shall remain in possession of the Collateral; except that Secured Party shall have the right to possess (i) any chattel paper or instrument that constitutes a part of the Collateral, and (ii) any other Collateral in which Secured Party's security interest may be perfected only by possession. Secured Party may inspect any of the Collateral during normal business hours after giving Debtor reasonable prior notice.

(b) Maintenance of Collateral. Debtor shall (i) use the Collateral only in its trade or business, (ii) maintain all of the Collateral in good operating order and repair, normal wear and tear excepted, (iii) use and maintain the Collateral only in compliance with manufacturers recommendations and all applicable laws, and (iv) keep all of the Collateral free and clear of all liens, claims and encumbrances (except for Permitted Liens).

(c) Disposition of Collateral. Secured Party docs not authorize and Debtor agrees it shall not (i) part with possession of any of the Collateral (except to Secured Party or for maintenance and repair), (ii) remove any of the Collateral from the continental United States, or (iii) sell, rent, lease, mortgage, license, grant a security interest in or otherwise transfer or encumber (except for Permitted liens) any of the Collateral.

(d) Taxes. Debtor shall pay promptly when due all taxes, license fees, assessments and public and private charges levied or assessed on any of the Collateral, on its use, or on this Agreement or any of the other Debt Documents. At its option, Secured Party may discharge taxes, liens, security interests or other encumbrances at any time levied or placed on the Collateral and may pay for the maintenance, insurance and preservation of the Collateral and effect compliance with the terms of this Agreement or any of the other Debt Documents. Debtor agrees to reimburse Secured Party, on demand, all costs and expenses incurred by Secured Party in connection with such payment or performance and agrees that such reimbursement obligation shall constitute Indebtedness.

(e) Books and Records. Debtor shall, at all times, keep accurate and complete records of the Collateral, and Secured Party shall have the right to inspect and make copies of all of Debtor's books and records relating to the Collateral during normal business hours, after giving Debtor reasonable prior notice.

(f) Third Party Possession of Collateral. Debtor agrees and acknowledges that any third person who may at any time possess all or any portion of the Collateral shall be deemed to hold, and shall hold, the Collateral as the agent of, and as pledge holder for, Secured Party. Secured Party may at any time give notice to any third person described in the preceding sentence that such third person is holding the Collateral as the agent of, and as pledge holder for, the Secured Party.

(g) Receivables. As to each and every Receivable, should Debtor have Receivables now or in the future, (a) it is a bona fide existing obligation, valid and enforceable against the Account Debtor for a sum certain for sales of goods shipped or delivered, or goods leased, or services rendered in the ordinary course of business, (b) all supporting documents, instruments, chattel paper and other evidence of indebtedness, if any, delivered to the Secured Party are complete and correct and valid and enforceable in accordance with their terms, and all signatures and endorsements that appear thereon are genuine, and all signatories and endorsers have full capacity to contract, (c) to the best of the Debtor's knowledge, the Account Debtor is liable for and will make payment of the amount expressed in such Receivable according to its terms; (d) it will be subject to no discount, deduction, setoff, counterclaim, return, allowance or special terms of payment without the prior approval of the Secured Party, (e) it is subject to no dispute, defense or offset, real or claimed, (f) it is not subject to any prohibition or limitation upon assignment, (g) it has not been redated or reissued in satisfaction of prior Receivables, (h) the Debtor has full right and power to grant the Secured Party a security interest therein and the security interest granted in such Receivable to the Secured Party in this Agreement, when perfected, will be a valid first security interest which will inure to the benefit of the Secured Party without

further action. The warranties set out herein shall be deemed to have been made with respect to each and every Receivable now owned or hereafter acquired by the Debtor.

(h) Bailees. The Inventory, should Debtor have Inventory now or in the future, is not now and shall not at any time hereafter be stored with a bailee, warehouseman, or similar party without the Secured Party's prior written consent. If any Inventory is so stored, the Debtor will, concurrent with storing such Inventory, cause any such bailee, warehouseman, or similar party to issue and deliver to the Secured Party, in a form acceptable to the Secured Party, warehouse receipts in the Secured Party's name evidencing the storage of the Inventory. All such warehouse receipts do and will evidence ownership of the Inventory stored by the issuers thereof, and the holder thereof is and will continue to be the owner of good and marketable title of same, free and clear of any Liens or encumbrances. All such warehouse receipts are and will be genuine, valid and enforceable by the holder thereof in accordance with their terms and all statements thereon are and will be true and accurate in all respects.

(i) Change of Address. All of the Collateral is located in and will in the future be in the possession of the Debtor at its address stated above or at such other addresses as may be set forth on the attached Schedule A. The Debtor has not at any time within the past four (4) months either (a) maintained Inventory or Equipment or (b) maintained its chief executive office or its records with respect to the Receivables at any other location and shall not do so hereafter except with the prior written consent of the Secured Party. The Secured Party shall be entitled to rely upon the foregoing unless it receives 14 days' advance written notice of a change in the address of the Debtor's executive offices or location of the Collateral.

(j) Schedules of Receivables. Upon the written request of Secured Party, deliver to the Secured Party schedules of all outstanding Receivables, should Debtor have Receivables now or in the future,. Such schedules shall be in form satisfactory to the Secured Party and shall show the age of such Receivables in intervals of not more than thirty (30) days, and contain such other information and be accompanied by such supporting documents as the Secured Party may from time to time prescribe. The Debtor shall also deliver to the Secured Party copies of the Debtor's invoices, sales journals, evidences of shipment or delivery and such other schedules and information as the Secured Party may reasonably request. The items to be provided under this Section are to be prepared and delivered to the Secured Party from time to time solely for its convenience in maintaining records of the Collateral and the Debtor's failure to give any of such items to the Secured Party shall not affect, terminate, modify or otherwise limit the Secured Party's security interest granted herein.

(k) Consignment. If at any time any of the Inventory, should Debtor have Inventory now or in the future, is placed by the Debtor on consignment with any person or entity ("**Consignee**"), the Debtor shall, prior to the delivery of such consigned Inventory;

a. Provide the Secured Party with all consignment agreements and other instruments and documentation to be used in connection with such consignment, all of which agreements, instruments, and documentation shall be acceptable in form and substance to the Secured Party;

b. Prepare and file appropriate financing statements with respect to any consigned Inventory showing the Consignee as debtor, the Debtor as secured party, and the Secured Party as assignee of the Debtor;

c. Prepare and file appropriate financing statements with respect to any consigned Inventory showing the Debtor as debtor, and the Secured Party as secured party;

d. After all financing statements referred to in the previous two subsections have been filed, conduct a search of all filings made against the Consignee in alt jurisdictions in which the Inventory to be consigned is to be located while on consignment, and deliver to the Secured Party copies of the results of all such searches; and

e. Notify, in writing, all creditors of the Consignee that are or may be holders of security interests in the Inventory to be consigned, that the Debtor expects to deliver certain Inventory to the Consignee, all of which Inventory shall be described in such notice by item or type.

(l) Fixtures. Not permit any item of the Equipment to become a fixture to real estate or an accession to other property without the prior written consent of the Secured Party, and the Equipment is now and shall at all times remain personal property except with the Secured Party's prior written consent. If any of the Collateral is or will be attached to real estate in such a manner as to become a fixture under applicable state law and if such real estate is encumbered, the Debtor will obtain from the holder of each Lien or encumbrance a written consent and subordination to the security interest hereby granted, or a written disclaimer of any interest in the Collateral, in a form acceptable to the Secured Party.

(m) Chattel Paper. Promptly, upon request by the Secured Party, deliver, assign, and endorse to the Secured Party all chattel paper and all other documents held by the Debtor in connection therewith.

(n) Copies of Government Contracts. Make available to the Secured Party, at the request of the Secured Party, a copy of each Government Contract in which the Secured Party has a security interest and a copy of each amendment thereto or modification thereof which changes the price of such contract or the amount funded to pay for such contract, except to the extent that furnishing such copies may be prohibited by government security regulations. Attached hereto as Schedule B is a complete list of all Government Contracts under which Receivables now exist or may hereafter arise, identified by the names of the contracting parties thereto, the date thereof and the number identifying the Government Contract or agreement and providing information in the form specified by the Secured Party from time to time regarding the contracting officer, the identity of any sureties and the disbursing officer, whether progress payments are to be made and the rate thereof, whether the Government Contract or agreement has been fully performed and such other information as the Secured Party may request. A true, complete and correct copy of each such Government Contract (including all modifications thereto and notice of exercise of options thereunder) now existing has been provided to the Secured Party by the Debtor. The Debtor shall as soon as practicable (but in no event later than five days prior to the date of execution thereof) notify the Secured Party of any additional Government Contracts, or any renewals or extensions of any Government Contract or the exercise of any options thereunder or modifications thereof, identified by the names of the contracting parties thereto, the date thereof and the number identifying the Government Contract or agreement and providing information in the form specified by the Secured Party from time to time regarding the contracting officer, the identity of any sureties and the disbursing officer, whether progress payments are to be made and the rate thereof, and such other information as the Secured Party may request, and a true, complete and correct copy of each such Government Contract, amendment or modification or exercise of option shall be provided lo the Secured Party by the Debtor no later than the date of execution thereof.

(o) Claims and Disputes. Immediately upon learning thereof, report to the Secured Party any reclamation, return or repossession of goods, any claim or dispute asserted by any Account Debtor or other obligor, and any other matter affecting the value and enforceability or collectability of any of the Collateral. In addition, the Debtor shall, at its sole cost and expense (including attorneys' fees), settle any and all such claims and disputes and indemnify and protect the Secured Party against any liability, loss or expense arising therefrom or out of any such reclamation, return or repossession of goods, provided, however, that the Secured Party, if it shall so elect, shall have the right at all times to settle, compromise, adjust or litigate all claims or disputes directly with the Account Debtor or other obligor upon such terms and conditions as the Secured Party deems advisable and charge all costs and expenses thereof (including attorneys' fees) to the Debtor's account and add them to the principal amount of the Indebtedness.

(p) Government Contracts Are Binding, Etc Take the necessary or appropriate steps to ensure that all Government Contracts have been, or if arising hereafter will be, legally awarded and binding on the parties thereto; no payment has been or will be made by the Debtor, any affiliate, or any person acting on their behalf, to any person that was, is or will be contingent upon the award of any Government Contract in violation of applicable procurement law or that would otherwise be in violation of applicable procurement law (including, but not limited to, the Federal Acquisition Regulations, the Defense Acquisition Regulations, the Federal Procurement Regulations and the Armed Services Procurement Regulations); there is no claim that has been asserted by any government agency or authority concerning the award or performance of any Government Contract and the Debtor shall immediately notify the Secured Party of the assertion of any such claim or the existence of any basis therefor; neither the Debtor nor any director, employee or Affiliate has been debarred or suspended from participation in the award of contracts with the federal government or any state or local government, or any agency or instrumentality thereof, or is a party to or the subject of any pending or threatened proceeding or investigation relating to debarment or suspension, and the Debtor shall immediately notify the Secured Party of the occurrence of any of the foregoing or the existence of any basis therefor; and neither the Debtor nor any Affiliate, nor any officer, director or employee of any of them, is permanently or temporarily enjoined or barred from engaging in or continuing any conduct or practice relating to the conduct of their business, or enjoining or requiring any of them to take any action of any kind relating thereto, and the Debtor shall immediately notify the Secured Party of the occurrence of any of the foregoing or the existence of any basis therefor.

(q) No Provisions Prohibiting Assignment of Government Contracts. Take the necessary or appropriate steps to ensure that each Government Contract (i) doss not and will not contain any provision prohibiting assignment thereof as provided herein, (ii) contains a “no set-off’ clause or does not permit any set-off against or reduction of the obligation to make payments thereunder for liability of the Debtor to the government because of renegotiation, fine, penalty (other than as specifically permitted by the federal Assignment of Claims Act with respect to Government Contracts with the federal government), taxes, social security contributions, or withholding or failing to withhold taxes, social security contributions or similar amounts, whether arising from or independent of the Government Contract. The Debtor shall promptly notify the Secured Party of any claimed set-off or reduction or the disallowance of progress payment requests.

(r) Cost Accounting and Procurement Systems. The Debtor’s cost accounting and procurement systems are and at all times have been, and will continue to be, in compliance with all applicable requirements.

(s) Compliance with Assignment Requirements for Government Contracts. The Debtor is now in compliance and hereby covenants and agrees that the Debtor will in the future comply with any and all of the requirements of Title 3l Section 3727 and Title 31 Section 15 of the United States Code and any similar state or local law and all rules and regulations relating thereto, as amended, where such statutes, rules and regulations are applicable to a particular Receivable, and shall at all times take all such other action as may be necessary to facilitate and/or ensure perfection of the Secured Party's security interest in and the assignment to the Secured Party of any Government Account and Government Contract.

(t) Information Concerning Government Contracts. At the request of the Secured Party, submit to the Secured Party for the Secured Party's approval each Government Contract which the Debtor desires to be included in determining eligible Government Accounts, and provide such other information concerning such Government Contract as the Secured Party may reasonably request.

(u) Domain Name. Take the necessary or appropriate steps to ensure that the identity and location of the servers used in connection with the Debtor's domain name and the identity of the party having control over the domain name server and of the administrative contact with the registry have been disclosed to the Secured Party. The Debtor shall not change the domain name server without notification to the Secured Party. The Debtor shall maintain the trademark of the domain name by defending against any infringement suits and by policing the trademark. The Debtor shall renew the domain name registration during the loan term. The Debtor shall make all payments to the domain name registrar necessary to maintain the domain name.

(v) Account Control Agreements. Debtor shall at all times maintain all Cash Equivalents owned by Debtor on deposit in a Deposit Account or Accounts in Debtor's name at Comerica Bank or in a Deposit Account or Accounts at another institution (a "**Third Party Institution**") covered by an account control agreement in favor of Secured Party (the terms of which shall be substantially identical to the terms of that certain Control Agreement, dated _____ __, 200__, between Debtor and Secured Party, or otherwise acceptable to Secured Party). At any time that the Cash Equivalents or any portion thereof are held in an account or accounts in one or more Third Party Institutions, the related account control agreement shall provide that Secured Party is to receive monthly account statements, in form and substance acceptable to Secured Party, evidencing that the Cash Equivalents are maintained in the related account. With respect to each such Deposit Account, Debtor, Secured Party, and each Third Party Institution with which a Deposit Account is maintained, shall enter into a written agreement, granting Secured Party control of the Deposit Account and providing that the Third Party Institution will comply with instructions

originated by the Secured Party directing disposition of the funds in the Deposit Account without further consent by Debtor. Such account control agreement may in accordance with the provisions thereof provide terns under which Debtor may remove funds from the Deposit Account; provided all funds in or transferred into the Deposit Account on or after the effectiveness of this Agreement shall be subject to the security interest granted under this Agreement.

4. INSURANCE.

(a) Risk of Loss. Debtor shall at all times bear the entire risk of any loss, theft, damage to, or destruction of, any of the Collateral from any cause whatsoever.

(b) Insurance Requirements. Debtor agrees to maintain general liability insurance and to keep the Collateral insured against loss or damage by fire and extended coverage perils, theft, burglary, risk of loss by collision (for any or all Collateral which are vehicles) and such other risks as Secured Party may reasonably require. The liability insurance coverage shall be in an amount standard for companies similar to Debtor in Debtor's industry in Debtor's geographic region. The property insurance coverage shall be in an amount no less than the full replacement value of the Collateral. All insurance policies shall be in a form, with companies and with deductible amounts, acceptable to Secured Party. Debtor shall deliver to Secured Party policies or certificates of insurance evidencing such coverage. Each policy shall name Secured Party as a loss payee and an additional insured, shall provide for coverage to Secured Party regardless of the breach by Debtor of any warranty or representation made therein, shall not be subject to co-insurance, and shall provide that coverage may not be canceled or altered by the insurer except upon thirty (30) days prior written notice to Secured Party. Debtor appoints Secured Party as its attorney-in-fact to make proof of loss, claim for insurance and adjustments with insurers, and to receive payment of and execute or endorse all documents, checks or drafts in connection with insurance payments. Secured Party shall not act as Debtor's attorney-in fact unless Debtor is in default. Proceeds of insurance shall be applied, at the option of Secured Party, to repair or replace the Collateral or to reduce any of the Indebtedness.

5. REPORTS.

(a) Notice of Events. Debtor shall promptly notify Secured Party of (i) any change in the name of Debtor, (ii) any change in the state of its incorporation or registration, (iii) any relocation of its chief executive offices, (iv) any of the Collateral being lost, stolen, missing, destroyed, materially damaged or worn out, or (v) any lien, claim or encumbrance other than Permitted Liens attaching to or being made against any of the Collateral.

(b) Financial Statements, Reports and Certificates. Debtor will deliver to Secured Party within one-hundred eighty (180) days of the close of each fiscal year of Debtor, Debtor's complete financial statements including a balance sheet, income statement, statement of shareholders' equity and statement of cash flows, each prepared in accordance with generally accepted accounting principles, but excluding footnotes and normal year-end adjustments, consistently applied, certified by a recognized firm of certified public accountants satisfactory to Secured Party. Debtor will deliver to Secured Party copies of Debtor's quarterly financial statements including a balance sheet, income statement and statement of cash flows, each prepared by Debtor in accordance with generally accepted accounting principles, but excluding footnotes and normal year-end adjustments, consistently applied by Debtor and certified by Debtor's chief financial officer, within ninety (90) days after the close of each of Debtor's fiscal quarter. Debtor will deliver to Secured Party copies of all Forms 10-K and 10-Q, if any, within 30 days after the dates on which they are filed with the Securities and Exchange Commission. Debtor will deliver to Secured Party copies of Debtor's monthly financial statements including a balance sheet and income statement, each prepared by Debtor in accordance with generally accepted accounting principles, , but excluding footnotes and normal year-end adjustments, consistently applied by Debtor and certified by Debtor's chief financial officer, within forty-five (45) days after the close of each month. Concurrently with delivery of the foregoing information, and from time to time promptly upon request of Secured Party, Debtor will deliver to Secured Party a Compliance Certificate substantially consistent with the form of the document attached hereto as Schedule C. Debtor will deliver to Secured Party promptly upon request of Secured Party, in form satisfactory to Secured Party, such other and additional information as Secured Party may reasonably request from time to time.

6. FURTHER ASSURANCES.

(a) Further Assurances Regarding Security Interests. Debtor shall, upon request of Secured Party, furnish to Secured Party such further information, execute and deliver to Secured Party such documents and instruments (including, without limitation, Uniform Commercial Code financing statements) and shall do such other acts and things as Secured Party may at any time reasonably request relating to the perfection or protection of the security interest created by this Agreement or for the purpose of carrying out the intent of this Agreement. Without limiting the foregoing, Debtor shall cooperate and do all acts deemed necessary or advisable by Secured Party to continue in Secured Party a perfected first security interest in the Collateral, and shall obtain and furnish to Secured Party any subordinations, releases, landlord waivers, lessor waivers, mortgagee waivers, or control agreements, and similar documents as may be from time to time requested by, and in form and substance satisfactory to, Secured Party.

(b) Authorization To File Financial Statements. Debtor shall perform any and all acts requested by the Secured Party to establish, maintain and continue the Secured Party's security interest and liens in the Collateral, including but not limited to, executing or authenticating financing statements and such other instruments and documents when and as reasonably requested by the Secured Party. Debtor hereby authorizes Secured Party through any of Secured Party's employees, agents or attorneys to file any and all financing statements, including, without limitation, any original filings, continuations, transfers or amendments thereof required to perfect Secured Party's security interest and liens in the Collateral under the UCC without authentication or execution by Debtor. Debtor hereby irrevocably authorizes the Secured Patty at any time and from tune to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statement(s) and amendments thereto that (a) indicate the Collateral (i) as all assets of the Debtor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of the State or such jurisdiction, or (ii) as being of an equal or lesser scope or with greater detail, and (b) provide any other information required by part 5 of Article 9 of the Uniform Commercial Code of the State or such other jurisdiction for the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether the Debtor is an organization, the type of organization and any organization identification number issued to the Debtor, and (ii) in the case of a financing statement filed as a fixture filing, a sufficient description of real property to which the Collateral relates. The Debtor agrees to furnish any such information to the Secured Party promptly upon the Secured Party's request.

(c) Indemnification. Debtor shall indemnify and defend the Secured Party, its successors and assigns, and their respective directors, officers and employees, from and against all claims, actions and suits (including, without limitation, related attorneys' fees) of any kind whatsoever arising, directly or indirectly, in connection with any of the Collateral.

7. DEFAULT AND REMEDIES.

(a) Defaults. Debtor shall be in default under this Agreement and each of the other Debt Documents if any one of the following should occur:

(i) Debtor breaches its obligation to pay when due any installment or other amount due or coming due under any of the Debt Documents;

(ii) Debtor, without the prior written consent of Secured Party, attempts to or does sell, rent, lease, license, mortgage, grant a security interest in, or otherwise transfer or encumber (except for Permitted Liens) any of the Collateral;

(iii) Debtor breaches any of its insurance obligations under Section 4:

(iv) Debtor breaches any of its other non-payment obligations under any of the Debt Documents and fails to cure that breach within thirty (30) days after written notice from Secured Party;

(v) Any warranty, representation or statement made by Debtor in any of the Debt Documents or otherwise in connection with any of the Indebtedness shall be false or misleading in any material respect;

(vi) Any of the Collateral is subjected to attachment, execution, levy, seizure or confiscation in any legal proceeding or otherwise, or if any legal or administrative proceeding is commenced against Debtor or any of the Collateral, which in the good faith judgment of Secured Party subjects any of the Collateral to a material risk of attachment, execution, levy, seizure or confiscation and no bond is posted or protective order obtained to negate such risk;

(vii) Debtor breaches or is in default under any other agreement between Debtor and Secured Party;

(viii) Debtor or any guarantor or other obligor for any of the Indebtedness (collectively "**Guarantor**") dissolves, terminates its existence, becomes insolvent or ceases to do business as a going concern;

(ix) Debtor or any Guarantor is a natural person, Debtor or any such Guarantor dies or becomes incompetent;

(x) A receiver is appointed for all or of any part of the property of Debtor or any Guarantor, or Debtor or any Guarantor makes any assignment for the benefit of creditors;

(xi) Debtor or any Guarantor files a petition under any bankruptcy, insolvency or similar law, or any such petition is filed against Debtor or any Guarantor and is not dismissed within forty-five (45) days;

(xii) Debtor's improper filing of an amendment or termination statement relating to a filed financing statement describing the Collateral;

(xiii) Debtor shall merge with or consolidate into any other entity or sell all or substantially all of its assets or in any manner terminate its existence;

(xiv) If Debtor is a privately held corporation, and without the prior written consent of Secured Party, which consent shall not be unreasonably delayed, conditioned or withheld, more than 50% of Debtor's voting capital stock, or effective control of Debtor's voting capital stock, issued and outstanding from time to time, is not retained by the holders of such stock on the date the Agreement is executed, other than (a) by the sale or issuance of Debtor's equity securities in a public offering or to venture capital investors or (b) pursuant to a merger or consolidation in which Debtor is the surviving entity pursuant to the terms of section 7(a)(xiii) above;

(xv) If Debtor should become a publicly held corporation, there shall be a change in the ownership of Debtor's stock such that Debtor is no longer subject to the reporting requirements of the Securities Exchange Act of 1934 or no longer has a class of equity securities registered under Section 12 of the Securities Act of 1933;

(xvi) Debtor defaults under any other written financing arrangement between Debtor and a third party, the amount of which is in excess of S75,000; and

(xvii) Secured Party shall have determined in its sole and good faith judgment that (a) it is the clear intention of Debtor's investors to not continue to fund the Debtor in the amounts and timeframe necessary to enable Debtor to satisfy the Indebtedness as it becomes due and payable or (b) there is a material impairment in the perfection or priority of the Secured Party's security interest in the Collateral; or

(xviii) Secured Patty shall have determined in its sole and good faith judgment that there has been a material adverse change in the financial condition, business, operations, prospects, product development, technology, or business or contractual relations with third parties of Debtor from the date hereof, or a change or event shall have occurred which would impair the ability of Debtor to perform its obligations hereunder or under any of the other financing agreements to which it is a party or of Secured Party to enforce the Indebtedness or realize upon the Collateral.

(b) Acceleration. If Debtor is in default, the Secured Party, at its option, may declare any or all of the Indebtedness to be immediately due and payable, without demand or notice to Debtor or any guarantor. The accelerated obligations and liabilities shall bear interest (both before and after any judgment) until paid in full at the lower of eighteen percent (18%) per annum or the maximum rate not prohibited by applicable law.

(c) Rights and Remedies. Secured Party shall have all of the rights and remedies of a Secured Party under the Uniform Commercial Code, and under any other applicable law. Without limiting the foregoing, Secured Party shall have the right to (i) notify any account debtor of Debtor or any obligor on any instrument which constitutes part of the Collateral to make payment to the Secured Party, (ii) with or without legal process, enter any premises where the Collateral may be and take possession of and remove the Collateral from the premises or store it on the premises, (iii) sell the Collateral at public or private sale, in whole or in part, and have the right to bid and purchase at said sale, (iv) to instruct the bank maintaining any Deposit Account to transfer the funds in the Deposit Account to any account of the Secured Party, or (v) lease or otherwise dispose of all or part of the Collateral, applying proceeds from such disposition to the obligations then in default. If requested by Secured Party, Debtor shall promptly assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party, which is reasonably convenient to both parties. Secured Party may also render any or all of the Collateral unusable at the Debtor's premises and may dispose of such Collateral on such premises without liability for rent or costs. Any notice that Secured Party is required to give to Debtor under the Uniform Commercial Code of the time and place of any public sale or the time after which any private sate or other intended disposition of the Collateral is to be made shall be deemed to constitute reasonable notice if such notice is given to the last known address of Debtor at least five (5) days prior to such action. Upon the occurrence and during the continuation of an Event of Default, Debtor hereby appoints Secured Party as Debtor's attorney-in-fact, with full authority in Debtor's place and stead and in Debtor's name or otherwise, from time to time in Secured Party's sole and arbitrary discretion, to take any action and to execute any instrument which Secured Party may deem necessary or advisable to accomplish the purpose of this Agreement.

(d) Application of Proceeds. Proceeds from any sale or lease or other disposition shall be applied: first, to all costs of repossession, storage, and disposition including without limitation attorneys', appraisers', and auctioneers' fees; second, to discharge the obligations then in default; third, to discharge any other Indebtedness of Debtor to Secured Party, whether as obligor, endorser, guarantor, surety or indemnitor; fourth, to expenses incurred in paying or settling liens and claims against the Collateral; and lastly, to Debtor, if there exists any surplus. Debtor shall remain fully liable for any deficiency.

(e) Fees and Costs. Debtor agrees to pay alt reasonable attorneys' fees and other costs incurred by Secured Party in connection with the enforcement, assertion, defense or preservation of Secured Patty's rights and remedies under this Agreement, or if prohibited by law, such lesser sum as may be permitted. Debtor further agrees that such fees and costs shall constitute Indebtedness.

(f) Remedies Cumulative. Secured Party's rights and remedies under this Agreement or otherwise arising are cumulative and may be exercised singularly or concurrently. Neither the failure nor any delay on the part of the Secured Party to exercise any right, power or privilege under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise of that or any other right, power or privilege. SECURED PARTY SHALL NOT BE DEEMED TO HAVE WAIVED ANY OF ITS RIGHTS UNDER THIS AGREEMENT OR UNDER ANY OTHER AGREEMENT, INSTRUMENT OR PAPER SIGNED BY DEBTOR UNLESS SUCH WAIVER IS EXPRESSED IN WRITING AND SIGNED BY SECURED PARTY. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion.

(g) WAIVER OF JURY TRIAL. DEBTOR AND SECURED PARTY UNCONDITIONALLY WAIVE THEIR RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, ANY OF THE OTHER DEBT DOCUMENTS, ANY OF THE INDEBTEDNESS SECURED HEREBY, ANY DEALINGS BETWEEN DEBTOR AND SECURED PARTY RELATING TO THE SUBJECT MATTER OF THIS TRANSACTION OR ANY RELATED TRANSACTIONS, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED BETWEEN DEBTOR AND SECURED PARTY. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. THIS WAIVER IS IRREVOCABLE. THIS WAIVER MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING. THE WAIVER ALSO SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, ANY OTHER DEBT DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THIS TRANSACTION OR ANY RELATED TRANSACTION. THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

8. MISCELLANEOUS.

(a) Assignment. This Agreement, any Note and/or any of the other Debt Documents may be assigned, in whole or in part, by Secured Party without notice to Debtor, and Debtor agrees not to assert against any such assignee, or assignee's assigns, any defense, set-off, recoupment claim or counterclaim which Debtor has or may at any time have against Secured Party for any reason whatsoever. Debtor agrees that if Debtor receives written notice of an assignment from Secured Party, Debtor will pay all amounts payable under any assigned Debt Documents to such assignee or as

instructed by Secured Party. Debtor also agrees to confirm in writing receipt of the notice of assignment as may be reasonably requested by Secured Party or assignee.

(b) Notices. All notices to be given in connection with this Agreement shall be in writing, shall be addressed to the parties at their respective addresses set forth in this Agreement (unless and until a different address may be specified in a written notice to the other party), and shall be deemed given (i) on the date of receipt if delivered in hand or by facsimile transmission, (ii) on the next business day after being sent by express mail, and (iii) on the fourth business day after being sent by regular, registered or certified mail. As used herein, the term "business day" shall mean and include any day other than Saturdays, Sundays, or other days on which commercial banks in New York, New York are required or authorized to be closed.

(c) Correction of Errors. Secured Party may correct patent errors end fill in all blanks in this Agreement or in any Note consistent with the agreement of the parties.

(d) Time is of the Essence. Time is of the essence of this Agreement. This Agreement shall be binding, jointly and severally, upon all parties described as the "Debtor" and their respective heirs, executors, representatives, successors and assigns, and shall inure to the benefit of Secured Party, its successors and assigns.

(e) Entire Agreement. This Agreement and its Notes constitute the entire agreement between the parties with respect to the subject matter of this Agreement and supersede all prior understandings (whether written, verbal or implied) with respect to such subject matter. THIS AGREEMENT AND ITS NOTES SHALL NOT BE CHANGED OR TERMINATED ORALLY OR BY COURSE OF CONDUCT, BUT ONLY BY A WRITING SIGNED BY BOTH PARTIES. Section headings contained in this Agreement have been included for convenience only, and shall not affect the construction or interpretation of this Agreement.

(f) Termination of Agreement. This Agreement shall continue in full force and effect until all of the Indebtedness has been indefeasibly paid in full to Secured Party or its assignee. The surrender, upon payment or otherwise, of any Note or any of the other documents evidencing any of the Indebtedness shall not affect the right of Secured Party to retain the Collateral for such other Indebtedness as may then exist or as it may be reasonably contemplated will exist in the future. This Agreement shall automatically be reinstated if Secured Party is ever required to return or restore the payment of all or any portion of the Indebtedness (all as though such payment had never been made).

(g) CHOICE OF LAW. DEBTOR AGREES THAT SECURED PARTY AND/OR ITS SUCCESSORS AND ASSIGNS SHALL HAVE THE OPTION BY WHICH STATE LAWS THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED:

(A) THE LAWS OF THE COMMONWEALTH OF VIRGINIA; OR (B) IF COLLATERAL HAS BEEN PLEDGED TO SECURE THE LIABILITIES, THEN BY THE LAWS OF THE STATE OR STATES WHERE THE COLLATERAL IS LOCATED, AT SECURED PARTY'S OPTION. THIS CHOICE OF STATE LAWS IS EXCLUSIVE TO THE SECURED PARTY. DEBTOR SHALL NOT HAVE ANY OPTION TO CHOOSE THE LAWS BY WHICH THIS AGREEMENT SHALL BE GOVERNED. DEBTOR ACKNOWLEDGES THAT THIS AGREEMENT IS BEING SIGNED BY THE SECURED PARTY IN PARTIAL CONSIDERATION OF SECURED PARTY'S RIGHT TO ENFORCE IN THE JURISDICTION STATED ABOVE. DEBTOR CONSENTS TO JURISDICTION IN THE COMMONWEALTH OF VIRGINIA OR THE STATE IN WHICH ANY COLLATERAL IS LOCATED AND VENUE IN ANY FEDERAL OR STATE COURT IN THE COMMONWEALTH OF VIRGINIA OR THE STATE IN WHICH COLLATERAL IS LOCATED FOR SUCH PURPOSES AND WAIVES ANY AND ALL RIGHTS TO CONTEST SAID JURISDICTION AND VENUE AND ANY OBJECTION THAT SAID COUNTY IS NOT CONVENIENT. DEBTOR WAIVES ANY RIGHTS TO COMMENCE ANY ACTION AGAINST SECURED PARTY IN ANY JURISDICTION EXCEPT VIRGINIA, OR IF SECURED PARTY CHOOSES TO LITIGATE IN A STATE WHERE COLLATERAL IS LOCATED THEN IN SUCH COUNTY AND STATE.

(h) Limitation of Liability. The Secured Party shall not, under any circumstances, be liable for any error or omission or delay of any kind occurring in the settlement, collection or payment of any Receivables or any instrument received in payment thereof or for any damage resulting therefrom. The Secured Party is authorized to accept the return of the goods represented by any of the Receivables, without notice to or consent by the Debtor, or without discharging or in any manner affecting the Loan.

(i) Notification to Account Debtors. The Secured Party shall have the right at any time to notify any Account Debtor of the Secured Party's security interest in the Receivables and to require payments to be made directly to the Secured Party. To facilitate direct collection, the Debtor hereby appoints the Secured Party and any officer or employee of the Secured Party, as the Secured Party may from time to time designate, as attorney-in-fact for the Debtor to (a) receive, open and dispose of all mail addressed to the Debtor and take therefrom any payments on or proceeds of Receivables; (b) take over the Debtor's post office boxes or make such other arrangements, in which the Debtor shall cooperate, to receive the Debtor's mail, including notifying the post office authorities to change the address for delivery of mail addressed to the Debtor to such address as the Secured Party shall designate; (c) endorse the name of the Debtor in favor of the Secured Party upon any and all checks, drafts, money orders, notes, acceptances or other evidences of payment or

Collateral that may come into the Secured Party's possession; (d) sign and endorse the name of the Debtor on any invoice or bill of lading relating to any of the Receivables, on verifications of Receivables sent to any Account Debtor, to drafts against any Account Debtor, to assignments of Receivables, and to notices to any Account Debtor; and (e) do all acts and things necessary to carry out this Agreement and the transactions contemplated hereby, including signing the name of the Debtor on any instruments required by law in connection with the transactions contemplated hereby and on financing statements as permitted by the Virginia Uniform Commercial Code. The Debtor hereby ratifies and approves all acts of such attorneys-in-fact, and neither the Secured Party nor any other such attorney-in-fact shall be liable for any acts of commission or omission, or for any error of judgment or mistake of fact or law of any such attorney-in-fact. This power, being coupled with an interest, is irrevocable so long as the Loan remains unsatisfied, or any Loan Document remains effective, as solely determined by the Secured Party.

(j) Loss; Depreciation or Other Damage. The Secured Party shall not be liable for or prejudiced by any loss, depreciation or other damage to Receivables or other Collateral unless caused by the Secured Party's willful and malicious act, and the Secured Party shall have no duty to take any action to preserve or collect any Receivable or other Collateral.

9. DEFINITIONS.

As used herein, the following terms, when initial capital letters are used, shall have the respective meanings set forth below. In addition, all terms defined in the Virginia Uniform Commercial Code (including revised Article 9 thereof) shall have the meanings given therein unless otherwise defined herein.

Defined Terms. As used in this Agreement, the following terms shall have the following meanings, unless the context otherwise requires:

"**Account Debtor**" shall mean the account debtor or any customer of the Debtor who is obligated or indebted to the Debtor with respect to any of the Receivables and/or the prospective purchaser with respect to any contract right, and/or any party or organization who enters into or proposes to enter into any contract or other arrangement with the Debtor pursuant to which the Debtor is to deliver any personal property or perform any service.

"**Affiliate**" of a Person is a Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person's managers and members.

"**Collateral**" shall mean all personal property and fixtures of the Debtor, including, but not limited to all of the Receivables, Payments, accounts, the Deposit Account or Accounts, contract rights, instruments, documents, chattel paper (including tangible and electronic chattel paper), payment intangibles, commercial tort claims, health-care-insurance receivables, instruments, investment property, supporting obligations and general intangibles now owned or hereafter acquired by the Debtor and all goods, equipment, general intangibles and property of the Debtor described below which is now owned or hereafter acquired by the Debtor, wherever located; all deposit accounts (including all signature cards, account agreements and other documents relating to deposit accounts) and other obligations or indebtedness owed to the Debtor from whatever source arising; letter of credit rights; all rights of the Debtor to receive any payment in money or kind; ail Inventory; all Equipment; all Intellectual Property; all of the Debtor's rights as an unpaid seller, including stoppage in transit, detinue and reclamation; alt guarantees, or other agreements or property securing or relating to any of the items referred to above, or acquired for the purpose of securing and enforcing any of such items; all books of account and documents related thereto; all customer lists and other documents containing the names, addresses and other information regarding the Debtor's customers, subscribers or those to whom the Debtor provides any services; computer tapes, programs, discs and other material, media or documents relating to the recording, billing or analyzing of any of the above; all computers, word processors, printers, switches, interfaces, source codes, mask works, software, web servers, website service contracts, internet connection contract or line lease, website hosting service contract, website license agreements, back-up copies of website content, contracts with website advertisers, scripts, codes or Active-X controls, technology escrow agreements, website content development agreements, all rights, of whatever form, in and to domain names, instructional material, and connectors and all parts, accessories, additions, substitutions, or options together with all property or equipment used in connection with any of the above or which are used to operate or cause to operate any features, special applications, format controls, options or software of any or all of the above-mentioned items; whether now owned or existing or hereafter acquired or arising, in and to all domestic and foreign copyrights, copyright registrations and copyright applications, patents, license agreements, trademarks, service names, service marks, logos, tradenames, trade secrets, goodwill, other intellectual property and all income, royalties and other proceeds therefrom; contractual rights, literary rights, all amounts received as an award in or settlement of a suit in damages, proceeds of loans, interests in joint ventures or general or limited partnerships, the sale by the Debtor of any of the foregoing and all proceeds (cash and non-cash) of the foregoing; proceeds of property received wholly or partly in trade or exchange for the Collateral and all rents, revenues, issues, profits and proceeds in any form, including cash, insurance proceeds, distributions on stock, negotiable instruments and other evidences of indebtedness, chattel paper, security agreements and other documents arising from the sale, lease, license, encumbrance, collection of, or any other temporary or permanent disposition of, the Collateral or any interest therein. The Debtor acknowledges and agrees that, in applying the law of any jurisdiction that at any time enacts all or substantially all of the uniform

provisions of Revised Article 9 of the Uniform Commercial Code (1999 Official Text), the foregoing collateral description covers all assets of the Debtor. The Secured Party may at any time and from time to time file, pursuant to the provisions of this Agreement, financing and continuation statements and amendments thereto reflecting the same.

"**Cash Equivalents**" means the sum outstanding, at any one time, of (i) all cash (in United States dollars) owned by Debtor at such time plus (ii) the fair market value of all cash equivalents and short term investments (as those terms are defined by GAAP) owned by Debtor at such time.

"**Deposit Account**" means a demand, time, savings, passbook, or similar account maintained with a bank.

"**Equipment**" shall mean (a) all goods and equipment of the Debtor of every type and description, now owned and hereafter acquired and wherever located, including, without limitation, all imbedded software, machinery, motor vehicles and other rolling stock, furniture, furnishings, tools, dies, fittings, accessories, all substitutions therefore, leasehold improvements, fixtures, and materials and supplies relating to any of the foregoing; (b) all present and future documents of title and trust receipts relating to any of the foregoing; (c) all present and future rights, claims and causes of action of Debtor in connection with purchases of (or contracts for the purchase of), or warranties relating to, or damages to, goods held or to he held by the Debtor as equipment; (d) all present and future warranties, manuals and other written materials (and packaging thereof or relating thereto) relating to any of the foregoing; and (e) all present and future general intangibles of the Debtor in any way relating to any of the foregoing.

"**Government Accounts**" shall mean all accounts arising out of any Government Contract.

"**Government Contract**" shall mean any contract between the Debtor and the United States Government, any state or local government or any agency thereof, and all amendments thereto.

"**Intellectual Property**" shall mean (a) all of the Debtor's right, title and interest, whether now owned or existing or hereafter acquired or arising, in and to all domestic and foreign copyrights, copyright registrations and copyright applications, whether or not registered or filed with any governmental authority, together with (i) all renewals thereof, (ii) all present and future rights of the Debtor under all present and future license agreements relating thereto, whether the Debtor is licensee or licensor thereunder, (iii) all income, royalties, damages and payments now or hereafter due and/or payable to the Debtor thereunder or with respect thereto, including, without limitation, damages and payments for past, present or future infringements thereof, (iv) all of the Debtor's present and future claims, causes of action and rights to sue for past, present or future infringements thereof, and (v) all rights corresponding thereto throughout the world (collectively "**Copyright Rights**"); (b) all of the

Debtor's right, title and interest, whether now owned or existing or hereafter acquired or arising, in and to all United States and foreign patents, and pending and abandoned United States and foreign patent applications, including, without limitation, the inventions and improvements described or claimed therein, together with(i) any reissues, divisions, continuations, certificates of re-examination, extensions and continuations-in-part thereof, (ii) all present and future rights of the Debtor under all present and future license agreements relating thereto, whether the Debtor is licensee or licensor thereunder, (iii) all income, royalties, damages and payments now or hereafter due and/or payable to the Debtor thereunder or with respect thereto, including, without limitation, damages and payments for past, present or future infringements thereof, (iv) all of the Debtor's present and future claims, causes of action and rights to sue for past, present or future infringements thereof, and (v) all rights corresponding thereto throughout the world (collectively "**Patent Rights**"); (c) all of the Debtor's right, title and interest, whether now owned or existing or hereafter acquired or arising, in and to all domestic and foreign trademarks, trademark registrations, trademark applications and trade names, whether or not registered or filed with any governmental authority, together with (i) all renewals thereof, (ii) all present and future rights of the Debtor under all present and future license agreements relating thereto, whether the Debtor is licensee or licensor thereunder, (iii) all income, royalties, damages and payments now or hereafter due and/or payable to the Debtor thereunder or with respect thereto, including, without limitation, damages and payments for past, present or future infringements thereof, (iv) all of the Debtor's present and future claims, causes of action and rights to sue for past, present or future infringements thereof, and (v) all rights corresponding thereto throughout the world (collectively "**Trademark Rights**"); (d) all present and future licenses and license agreements of the Debtor, and all rights of the Debtor under or in connection therewith, whether the Debtor is licensee or licensor thereunder, including, without limitation, any present or future franchise agreements under which the Debtor is franchisee or franchisor, together with (i) all renewals thereof, (ii) all income, royalties, damages and payments now or hereafter due and/or payable to the Debtor thereunder or with respect thereto, including, without limitation, damages and payments for past, present or future infringements thereof, (iii) all claims, causes of action and rights to sue for past, present or future infringements thereof, and (iv) all rights corresponding thereto throughout the world (collectively "**License Rights**"); (e) all present and future trade secrets of the Debtor; and (f) all other present and future intellectual property of the Debtor.

"**Inventory**" shall mean and include (a) all goods now owned or hereafter acquired by the Debtor, which are held for sale or lease by the Debtor or are furnished or to be furnished by the Debtor under contracts of service, (b) all raw materials, work in process, finished goods, packaging materials, and other materials and supplies of every kind used or consumed in connection with the manufacture, production, packing, shipping, advertising or sale of such goods, (c) all proceeds and products from the sale or other disposition of such goods, including all goods returned, repossessed, or acquired by the Debtor by way of substitution or replacement, and all additions and accessions thereto, and all documents and instruments (as

those terms are defined in the Uniform Commercial Code) covering such goods; (d) all the Debtor's rights as an unpaid seller, including stoppage in transit, detinue and reclamation; and (e) all of the above owned by the Debtor or in which the Debtor now has or in which the Debtor may hereafter acquire an interest, whether in transit or in the Debtor's constructive or actual possession or held by the Debtor or others for the Debtor's account (including any of the above held on consignment), including, without limitation, all of the above which may be located on the Debtor's premises or upon the premises of any carriers, forwarding agents, truckers, warehousemen, vendors, selling agents, finishers, converters or other third parties who may have possession, temporary or otherwise, thereof.

"**Lien(s)**" shall mean any mortgage, pledge, deed of trust, assignment, security interest, encumbrance, hypothecation, lien, or charge of any kind (including any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction).

"**Payment**" or "**Payments**" shall mean any check, draft, cash or any other remittance or credit in payment or on account of any or all of the Receivables and the cash proceeds of any returned, rejected or repossessed goods, the sale or lease of which gave rise to a Receivable.

"**Person**" is any individual, sole proprietorship, partnership, limited liability company, joint venture, company association, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

"**Receivables**" shall mean in addition to the definition of account as contained in the Uniform Commercial Code (a) all of the Debtor's present and future accounts, contract rights, receivables, promissory notes and other Instruments, chattel paper (including tangible and electronic chattel paper), tax refunds, general intangibles (excluding the Intellectual Property) and all rights to receive the payment of money or other consideration under present or future contracts including, without limitation, all of the Debtor's rights under each Government Contract and all related Government Accounts now owned or hereafter acquired by the Debtor; (b) all present and future cash of the Debtor; (c) all present and future judgments, orders, awards and decrees in favor of the Debtor and causes of action in favor of the Debtor; (d) all present and future contingent and noncontingent rights of the Debtor to the payment of money for any reason whatsoever, whether arising in contract, tort or otherwise including, without limitation, all rights to receive payments under presently existing or hereafter acquired or created letters of credit; (e) all present and future claims, rights of indemnification and other rights of the Debtor under or in connection with any contracts or agreements to which the Debtor is or becomes a party or third party beneficiary; (f) all goods previously or hereafter returned, repossessed or stopped in transit, the sale, lease or other disposition of which contributed to the creation of any account, instrument or chattel paper of

the Debtor; (g) all present and future rights of the Debtor as an unpaid seller of goods, including rights of stoppage in transit, detinue and reclamation; (h) all rights which the Debtor may now or at any time hereafter have, by law or agreement, against any Account Debtor or other obligor of the Debtor, and all rights, liens and security interests which the Debtor may now or at any time hereafter have, by law or agreement, against any property of any Account Debtor or other obligor of the Debtor, (i) all invoices and shipping documents; and (j) all present and future interests and rights of the Debtor, including rights to the payment of money, under or in connection with all present and future leases and subleases of real or personal property to which the Debtor is a party, as lessor, sublessor, lessee or sublessee.

SIGNATURES APPEAR ON FOLLOWING PAGE

IN WITNESS WHEREOF, Debtor and Secured Party, intending to be legally bound hereby, have duly executed this Agreement in one or more counterparts, each of which shall tie deemed to be an original, as of the day and year first aforesaid.

SECURED PARTY:

Oxford Finance Corporation

By: _____
Name: _____
Title: _____

DEBTOR:

Nura, Inc.

By: /s/ Jim D. Johnston
Name: Jim D. Johnston
Title: Chief Financial Officer

SCHEDULE A
(Collateral Locations)

1124 Columbia Street, Suite 650, Seattle, Washington, 98104

SCHEDULE B
(Complete List of all Government Contracts)

Contracting Parties	Contracting Officer	Surety	Disbursing Officer	Contract Status
No government contracts				

SCHEDULE C
(Compliance Certificate)

Form attached

PROMISSORY NOTE
To Master Security Agreement No. 5081087

(Date)

FOR VALUE RECEIVED, Nura, Inc., a Delaware corporation, located at the address stated below ("**Maker**") promises, jointly and severally if more than one, to pay to the order of **Oxford Finance Corporation** or any subsequent holder hereof (each, a "**Payee**") at its office located at **133 N. Fairfax Street, Alexandria, VA 22314** or at such other place as Payee or the holder hereof may designate, the principal sum of **Three Million Dollars ($3,000,000.00),** with interest on the unpaid principal balance, from the date hereof through and including the dates of payment, at a fixed interest rate of nine and eight tenths percent (9.8%) per annum. Maker shall make six (6) payments of interest only as follows:

Periodic Installment	Amount
1-6	$24,500.00

Thereafter, commencing on December 1, 2005, maker shall make payments of principal and interest in thirty-six (36) consecutive monthly installments of principal and interest as follows:

Periodic Installment	Amount
7-42	$96,520.11

each (a "**Periodic Installment**") and a final installment which shall be in the amount of the total outstanding principal and interest, if any. The first Periodic Installment shall be due and payable on June 1, 2005, and the following Periodic Installments and the final installment shall be due and payable on the first day of each succeeding month (each, a "**Payment Date**") thereafter. Such installments have been calculated on the basis of a 360-day year of twelve 30-day months. Each payment may, at the option of the Payee, be calculated and applied on an assumption that such payment would be made on its due date.

The acceptance by Payee of any payment which is less than payment in full of all amounts due and owing at such time shall not constitute a waiver of Payee's right to receive payment in full at such time or at any prior or subsequent time.

IMPORTANT NOTICE:
THIS INSTRUMENT CONTAINS A CONFESSION OF JUDGMENT PROVISION WHICH CONSTITUTES A WAIVER OF IMPORTANT RIGHTS YOU MAY HAVE AS A DEBTOR AND ALLOWS THE CREDITOR TO OBTAIN A JUDGMENT AGAINST YOU WITHOUT ANY FURTHER NOTICE.

Master Security Agreement
No. 5081087

The Maker hereby expressly authorizes the Payee to insert the date value is actually given in the blank space on the face hereof and on all related documents pertaining hereto.

This Note may be secured by a security agreement, chattel mortgage, pledge agreement or like instrument (each of which is hereinafter called a **"Security Agreement" and any Security Agreement, this Note and any other document evidencing or securing this loan is hereinafter called a "Debt Document").**

Time is of the essence hereof. If any installment or any other sum due under this Note or any Security Agreement is not received when due, the Maker agrees to pay, in addition to the amount of each such installment or other sum, a late payment charge of five percent (5%) of the amount of said installment or other sum, but not exceeding any lawful maximum. If (i) Maker fails to make payment of any amount due hereunder; or (ii) Maker is in default under, or fails to perform under any term or condition contained in any Security Agreement, then the entire principal sum remaining unpaid, together with all accrued interest thereon and any other sum payable under this Note or any Security Agreement, at the election of Payee, shall immediately become due and payable, with interest thereon at the lesser of eighteen percent (18%) per annum or the highest rate not prohibited by applicable law from the date of such accelerated maturity until paid (both before and after any judgment).

Notwithstanding anything to the contrary contained herein or in the Security Agreement, Maker may not prepay in full or in part any indebtedness hereunder without the express written consent of Payee in its sole discretion.

The Maker and all sureties, endorsers, guarantors or any others (each such person, other than the Maker, an "**Obligor**") who may at any time become liable for the payment hereof jointly and severally consent hereby to any and all extensions of time, renewals, waivers or modifications of, and all substitutions or releases of, security or of any party primarily or secondarily liable on this Note or any Security Agreement or any term and provision of either, which may be made, granted or consented to by Payee, and agree that suit may be brought and maintained against any one or more of them, at the election of Payee without joinder of any other as a party thereto, and that Payee shall not be required first to foreclose, proceed against, or exhaust any security hereof in order to enforce payment of this Note. The Maker and each Obligor hereby waives presentment, demand for payment, notice of nonpayment, protest, notice of protest, notice of dishonor, and all other notices in connection herewith, as well as filing of suit (if permitted by law) and diligence in collecting this Note or enforcing any of the security hereof, and agrees to pay (if and to the extent permitted by law) all expenses incurred in collection, including Payee's actual attorneys' fees. Maker and each

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Obligor agrees that fees not in excess of twenty percent (20%) of the amount then due shall be deemed reasonable.

Maker and Payee intend to strictly comply with all applicable federal and Virginia laws, including applicable usury laws (or the usury laws of any jurisdiction whose usury laws are deemed to apply to the Note or any other Debt Document despite the intention and desire of the parties to apply the usury laws of the Commonwealth of Virginia). Accordingly, the provisions of this paragraph shall govern and control over every other provision of this Note or any other Debt Document which conflicts or is inconsistent with this Section, even if such provision declares that it controls. As used in this paragraph, the term "**interest**" includes the aggregate of all charges, fees, benefits or other compensation which constitute interest under applicable law, provided that, to the maximum extent permitted by applicable law, (a) any non-principal payment shall be characterized as an expense or as compensation for something other than the use, forbearance or detention of money and not as interest, and (b) all interest at any time contracted for, reserved, charged or received shall be amortized, prorated, allocated and spread, in equal parts during the full term of the obligations. In no event shall Maker or any other person be obligated to pay, or Payee have any right or privilege to reserve, receive or retain, (a) any interest in excess of the maximum amount of non-usurious interest permitted under the laws of the Commonwealth of Virginia or the applicable laws (if any) of the United States or of any other state, or (b) total interest in excess of the amount which Payee could lawfully have contracted for, reserved, received, retained or charged had the interest been calculated for the full term of the obligations. On each day, if any, that the interest rate (the "**Stated Rate**") called for under this Note or any other Debt Document exceeds the maximum non-usurious rate, the rate at which interest shall accrue shall automatically be fixed by operation of this sentence at the maximum non-usurious rate for that day. Thereafter, interest shall accrue at the Stated Rate unless and until the Stated Rate again exceeds the maximum non-usurious rate, in which case, the provisions of the immediately preceding sentence shall again automatically operate to limit the interest accrual rate to the maximum non-usurious rate. The daily interest rates to be used in calculating interest at the maximum non-usurious rate shall be determined by dividing the applicable maximum non-usurious rate by the number of days in the calendar year for which such calculation is being made. None of the terms and provisions contained in this Note or in any other Debt Document which directly or indirectly relate to interest shall ever be construed without reference to this paragraph, or be construed to create a contract to pay for the use, forbearance or detention of money at an interest rate in excess of the maximum non-usurious rate. If the term of any obligation is shortened by reason of acceleration of maturity as a result of any Default or by any other cause, or by reason of any required or permitted prepayment, and if for that (or any other) reason Payee at any time, including but not limited to, the stated maturity, is owed or receives (and/or has received) interest in excess of interest calculated at the maximum non-usurious rate, then and in any such event all of any such excess interest shall be canceled automatically as of the date of such

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acceleration, prepayment or other event which produces the excess, and, if such excess interest has been paid to Payee, it shall be credited pro tanto against the then-outstanding principal balance of Maker's obligations to Payee, effective as of the date or dates when the event occurs which causes it to be excess interest, until such excess is exhausted or all of such principal has been fully paid and satisfied, whichever occurs first, and any remaining balance of such excess shall be promptly refunded to its payor.

THE MAKER HEREBY UNCONDITIONALLY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF, DIRECTLY OR INDIRECTLY, THIS NOTE, ANY OF THE RELATED DOCUMENTS, ANY DEALINGS BETWEEN THE MAKER AND PAYEE RELATING TO THE SUBJECT MATTER OF THIS TRANSACTION OR ANY OR ANY RELATED TRANSACTIONS, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED BETWEEN MAKER AND PAYEE. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT (INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS.) THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THE WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS NOTE, ANY RELATED DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THIS TRANSACTION OR ANY RELATED TRANSACTION. IN THE EVENT OF LITIGATION, THIS NOTE MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

This Note and any Security Agreement constitute the entire agreement of the Maker and Payee with respect to the subject matter hereof and supersedes all prior understandings, agreements and representations, express or implied.

No variation or modification of this Note, or any waiver of any of its provisions or conditions, shall be valid unless in writing and signed by an authorized representative of Maker and Payee. Any such waiver, consent, modification or change shall be effective only in the specific instance and for the specific purpose given.

Any provision in this Note or any Security Agreement which is in conflict with any statute, law or applicable rule shall be deemed omitted, modified or altered to conform thereto.

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THIS INSTRUMENT CONTAINS A CONFESSION OF JUDGMENT PROVISION WHICH CONSTITUTES A WAIVER OF IMPORTANT RIGHTS YOU MAY HAVE AS A DEBTOR AND ALLOWS THE CREDITOR TO OBTAIN A JUDGMENT AGAINST YOU WITHOUT ANY FURTHER NOTICE.

Upon receipt of an affidavit of an officer of Payee as to the loss, theft, destruction or mutilation of this Note or any Debt Document which is not of public record, and, in the case of any such loss, theft, destruction or mutilation, upon surrender and cancellation of such Note or other Debt Document, Maker will issue, in lieu thereof, a replacement Note or other Debt Document in the same principal amount thereof and otherwise of like tenor.

It is understood and agreed that this Note and all of the Debt Documents were negotiated and have been or will be delivered to Payee in the Commonwealth of Virginia, which State the parties agree has a substantial relationship to the parties and to the underlying transactions embodied by this Note and the Debt Documents. Maker agrees to furnish to Payee at Payee's office in Alexandria, VA, all further instruments, certifications and documents to be furnished hereunder. The parties also agree that if collateral is pledged to secure the debt evidenced by this Note, that the state or states in which such collateral is located each have a substantial relationship to the parties and to the underlying transaction embodied by this Note and the Debt Documents.

MAKER AGREES THAT THE PAYEE OF THIS NOTE SHALL HAVE THE OPTION BY WHICH STATE LAWS THIS NOTE SHALL BE GOVERNED AND CONSTRUED: (A) THE LAWS OF THE COMMONWEALTH OF VIRGINIA; OR (B) IF COLLATERAL HAS BEEN PLEDGED TO SECURE THE DEBT EVIDENCED BY THIS NOTE, THEN BY THE LAWS OF THE STATE OR STATES WHERE THE COLLATERAL IS LOCATED, AT PAYEE'S OPTION. THIS CHOICE OF STATE LAWS IS EXCLUSIVE TO THE PAYEE OF THIS NOTE. MAKER SHALL NOT HAVE ANY OPTION TO CHOOSE THE LAWS BY WHICH THIS NOTE SHALL BE GOVERNED. MAKER AND GUARANTORS HEREBY CONSENT TO THE EXERCISE OF JURISDICTION OVER IT BY ANY FEDERAL COURT SITTING IN VIRGINIA OR ANY VIRGINIA COURT SELECTED BY PAYEE, FOR THE PURPOSES OF ANY AND ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THE NOTE, THE LOAN AGREEMENT AND ALL OTHER DOCUMENTS. MAKER AND GUARANTORS IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH PROCEEDING BROUGHT IN ANY SUCH COURT, ANY CLAIM BASED ON THE CONSOLIDATION OF PROCEEDINGS IN SUCH COURTS IN WHICH PROPER VENUE MAY LIE IN DIVERGENT JURISDICTIONS, AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. MAKER AND GUARANTORS HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE, THE OTHER DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY.

IMPORTANT NOTICE:
THIS INSTRUMENT CONTAINS A CONFESSION OF JUDGMENT PROVISION WHICH CONSTITUTES A WAIVER OF IMPORTANT RIGHTS YOU MAY HAVE AS A DEBTOR AND ALLOWS THE CREDITOR TO OBTAIN A JUDGMENT AGAINST YOU WITHOUT ANY FURTHER NOTICE.

Confession of Judgment. In the event that this Note or any installment under this Note is not paid when due, whether by maturity or acceleration, Maker hereby appoints and constitutes Cindi E. Cohen and Lauri E. Cleary, either of whom may act (a Virginia attorney) Maker's duly constituted attorney-in-fact to confess judgment pursuant to the provisions of Section 8.01-431 et seq. of the Code of Virginia of 1950, as amended, against Maker for all principal and interest due and payable under this Note, together with attorneys' fees and collection fees as provided in this Note (to the extent permitted by law), which judgment shall be confessed in the Clerk's Office of the Circuit Court of the City of Alexandria and/or Fairfax and/or Arlington Counties, Virginia. Maker shall, upon Payee's request, name such additional or alternative persons designated by Payee as Maker's duly constituted attorney-in-fact to confess judgment against Maker pursuant to the above Section. Upon request of Payee, Maker also shall agree to the designation of any additional circuit courts in the Commonwealth of Virginia in which judgment may be confessed against Maker. No single exercise of the power to confess judgment shall be deemed to exhaust the power and no judgment against fewer than all the persons constituting Maker shall bar any subsequent action or judgment against any one or more of such persons against whom judgment has not been obtained on this Note.

Nuva, Inc.

/s/ Mohammad Mousa
Witness

By: /s/ Jim D. Johnston

Mohammad Mousa
(Print name)

Name: Jim D. Johnston

1124 Columbia St. #650, Seattle, WA 98104
(Address)

Title: Chief Financial Officer

Federal Tax ID #: 77-0607176

Address: 1124 Columbia Street,
Suite 650 Seattle, WA 98104

IMPORTANT NOTICE:
THIS INSTRUMENT CONTAINS A CONFESSION OF JUDGMENT PROVISION WHICH CONSTITUTES A WAIVER OF IMPORTANT RIGHTS YOU MAY HAVE AS A DEBTOR AND ALLOWS THE CREDITOR TO OBTAIN A JUDGMENT AGAINST YOU WITHOUT ANY FURTHER NOTICE.

Exhibit 10.20

OMEROS CORPORATION GUARANTY TO
OXFORD FINANCE CORPORATION

Date: August 11, 2006

Oxford Finance Corporation
133 North Fairfax Street
Alexandria, VA 22314

To induce you to consent to the anticipated merger transaction involving Epsilon Acquisition Corporation, a corporation organized and existing under the laws of the State of Delaware, and Nura, Inc , a corporation organized and existing under the laws of the State of Delaware (collectively, the "**Customer**"), as well as to enter into, purchase or otherwise acquire, now or at any time hereafter, any promissory notes, security agreements, chattel mortgages, pledge agreements, conditional sale contracts, lease agreements, and/or any other documents or instruments evidencing, or relating to, any loan, extension of credit or other financial accommodation (such merger and loan transaction documents collectively , the "**Account Documents**" and each an "**Account Document**") to Omeros Corporation, a corporation organized and existing under the laws of the State of Washington, but without in any way binding you to do so, the undersigned, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby guarantee to you, your successors and assigns, the due regular and punctual payment of any sum or sums of money which the Customer may owe to you now or at any time hereafter, whether evidenced by an Account Document, on open account or otherwise, and whether it represents principal, interest, late charges, indemnities, an original balance, an accelerated balance, liquidated damages, a balance reduced by partial payment, a deficiency after sale or other disposition of any leased equipment, collateral or security, or any other type of sum of any kind whatsoever that the Customer may owe to you now or at any time hereafter, and does hereby further guarantee to you, your successors and assigns, the due, regular and punctual performance of any other duty or obligation of any kind or character whatsoever that the Customer may owe to you now or at any time hereafter (all such payment and performance obligations being collectively referred to as "**Obligations**"). Undersigned does hereby further guarantee to pay upon demand all reasonable attorneys' fees and other costs which may be suffered by you by reason of the default of the undersigned under this Guaranty. As used in this Guaranty, "you" shall mean Oxford Finance Corporation and all its subsidiaries and affiliates.

This Guaranty is a guaranty of prompt payment and performance (and not merely a guaranty of collection). Nothing herein shall require you to first seek or exhaust any remedy against the Customer, its successors and assigns, or any other person obligated with respect to the Obligations, or to first foreclose, exhaust or otherwise proceed against any leased equipment, collateral or security which may be given in connection with the Obligations. It is agreed that you may, upon any breach or default of the Customer, or at any time thereafter, make demand upon the undersigned and receive payment and performance of the Obligations, with or without notice or demand for payment or performance by the Customer, its successors or assigns, or any other person. Suit may be brought and maintained against the undersigned, at your election, without joinder of the Customer or any other person as parties thereto. The obligations of each signatory to this Guaranty shall be joint and several.

The undersigned agrees that its obligations under this Guaranty shall be primary, absolute, continuing and unconditional, irrespective of and unaffected by any of the following actions or circumstances (regardless of any notice to or consent of the undersigned): (a) the genuineness, validity, regularity and enforceability of the Account Documents or any other document; (b) any extension, renewal, amendment, change, waiver or other modification of the Account Documents or any other document; (c) the absence of, or delay in, any action to enforce the Account Documents, this Guaranty or any other document; (d) your failure or delay in obtaining any other guaranty of the Obligations (including, without limitation, your failure to obtain the signature of any other guarantor hereunder); (e) the release of, extension of time for payment or performance by, or any other indulgence granted to the Customer or any other person with respect to the Obligations by operation of law or otherwise, (f) the existence, value, condition, loss, subordination or release (with or without substitution) of, or failure to have title to or perfect and maintain a security interest in, or the time, place and manner of any sale or other disposition of any leased equipment, collateral or security given in connection with the Obligations, or any other impairment (whether intentional or negligent, by operation of law or otherwise) of the rights of the undersigned; (g) the Customer's voluntary or involuntary bankruptcy, assignment for the benefit of creditors, reorganization, or similar proceedings affecting the Customer or any of its assets; or (h) any other action or circumstances which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, other than payment in full of the Obligations.

This Guaranty, the Account Documents and the Obligations may be assigned by you, without the consent of the Undersigned. The Undersigned agrees that if it receives written notice of an assignment from you, the Undersigned will pay all amounts due hereunder to such assignee or as instructed by you. The Undersigned also agrees to confirm in writing receipt of the notice of assignment as may be reasonably requested by assignee. The Undersigned hereby waives and agrees not to assert against any such assignee any of the defenses set forth in the immediate preceding paragraph.

This Guaranty may be terminated upon delivery to you (at your address shown above) of a written termination notice from the undersigned. However, as to all Obligations (whether matured, unmatured, absolute, contingent or otherwise) incurred by the Customer prior to your receipt of such written termination notice (and regardless of any subsequent amendment, extension or other modification which may be made with respect to such Obligations), this Guaranty shall nevertheless continue and remain undischarged until all such Obligations are indefeasibly paid and performed in full.

The undersigned agrees that this Guaranty shall remain in full force and effect or be reinstated (as the case may be) if at any time payment or performance of any of the Obligations (or any part thereof) is rescinded, reduced or must otherwise be restored or returned by you, all as though such payment or performance had not been made. If, by reason of any bankruptcy, insolvency or similar laws effecting the rights of creditors, you shall be prohibited from exercising any of your rights or remedies against the Customer or any other person or against any property, then, as between you and the undersigned, such prohibition shall be of no force and effect, and you shall have the right to make demand upon, and receive payment from, the undersigned of all amounts and other sums that would be due to you upon a default with respect to the Obligations.

Notice of acceptance of this Guaranty and of any default by the Customer or any other person is hereby waived. Presentment, protest, demand, and notice of protest, demand and dishonor of any of the Obligations, and the exercise of possessory, collection or other remedies for the Obligations, are hereby waived. The undersigned warrants that it has adequate means to obtain from the Customer on a continuing basis financial data and other information regarding the Customer and is not relying upon you to provide any such data or other information. Without limiting the foregoing, notice of adverse change in the Customer's financial condition or of any other fact which might materially increase the risk of the undersigned is also waived. All settlements, compromises, accounts stated and agreed balances made in good faith between the Customer, its successors or assigns, and you shall be binding upon and shall not affect the liability of the undersigned.

Payment of all cash amounts now or hereafter owed to the undersigned by the Customer or any other obligor for any of the Obligations is hereby subordinated in right of payment to the indefeasible payment in full to you of all Obligations. Until the Obligations are paid in full, the undersigned hereby irrevocably and unconditionally waives and relinquishes all statutory, contractual, common law, equitable and all other claims against the Customer, any other obligor for any of the Obligations, any collateral therefore, or any other assets of the Customer or any such other obligor, for subrogation, reimbursement, exoneration, contribution, indemnification, setoff or other recourse in respect of sums paid or payable to you by the undersigned hereunder, and, until the Obligations are paid in full, the undersigned hereby further irrevocably and unconditionally waives and relinquishes any and all other benefits which it might otherwise directly or indirectly receive or be entitled to receive by reason of any amounts paid by, or collected or due from, it, the Customer or any other obligor for any of the Obligations, or realized from any of their respective assets.

THE UNDERSIGNED HEREBY UNCONDITIONALLY WAIVES ITS RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF, DIRECTLY OR INDIRECTLY, THIS GUARANTY, THE OBLIGATIONS GUARANTEED HEREBY, ANY OF THE RELATED DOCUMENTS, ANY DEALINGS BETWEEN US RELATING TO THE SUBJECT MATTER HEREOF OR THEREOF, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED BETWEEN US. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT (INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS). THIS WAIVER IS IRREVOCABLE MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS GUARANTY, THE OBLIGATIONS GUARANTEED HEREBY, OR ANY RELATED DOCUMENTS. IN THE EVENT OF LITIGATION, THIS GUARANTY MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

As used in this Guaranty, the word "person" shall include any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or any government or any political subdivision thereof.

This Guaranty shall be governed by, construed, and interpreted in accordance with the law of the Commonwealth of Virginia, without regard to the choice of law principles thereof.

This Guaranty is intended by the parties as a final expression of the guaranty of the undersigned and is also intended as a complete and exclusive statement of the terms thereof. No course of dealing, course of performance or trade usage, nor any paid evidence of any kind, shall be used to supplement or modify any of the terms hereof. Nor are there any conditions to the full effectiveness of this Guaranty. This Guaranty and each of its provisions may only be waived, modified, varied, released, terminated or surrendered, in whole or in part, by a duly authorized written instrument signed by you. No failure by you to exercise your rights hereunder shall give rise to any estoppel against you, or excuse the undersigned from performing hereunder. Your waiver of any right to demand performance hereunder shall not be a waiver of any subsequent or other right to demand performance hereunder.

This Guaranty shall bind the undersigned's successors and assigns and the benefits thereof shall extend to and include your successors and assigns. In the event of default hereunder, you may at any time inspect undersigned's records as related to the Obligations hereunder during normal business hours and upon reasonable advance notice, or at your option, undersigned shall furnish you with the most current independent audit report that has been obtained by the undersigned.

If any provisions of this Guaranty are in conflict with any applicable statute, rule or law, then such provisions shall be deemed null and void to the extent that they may conflict therewith, but without invalidating any other provisions hereof.

Each signatory on behalf of a corporate guarantor warrants that he had authority to sign on behalf of such corporation and by so signing, to bind said guarantor corporation hereunder.

IN WITNESS WHEREOF, this Guaranty is executed the day and year above written.

OMEROS CORPORATION

By: /s/ Gregory Demopulos
(Signature)

Title: Chairman & CEO
(Officer's Title)

ATTEST: /s/ Craig Sherman
Secretary/Assistant Secretary

Certified Resolution

The undersigned hereby certifies that he/she is Secretary of Omeros Corporation, that the following resolution was passed at a meeting of the Board of Directors of said corporation held on July 31, 2006 duly called, a quorum being present, that said resolution has not since been revoked or amended. and that the form of guaranty referred to therein is the form shown attached hereto:

"**RESOLVED** that it is to the benefit of this corporation that it execute a guaranty of the obligations of Epsilon Acquisition Corporation, a corporation organized and existing under the laws of the State of Delaware, and Nura, Inc., a corporation organized and existing under the laws of the State of Delaware ("**Customer**") to **Oxford Finance Corporation** (together with its successors and assigns, if any, the "**Secured Party**") and that the benefit to be received by this corporation from such guaranty is reasonably worth the obligations thereby guaranteed, and further that such guaranty shall be substantially in the form annexed to these minutes, and further that any Vice President and the Chief Executive Officer (Title of Officers) of this corporation are authorized to execute such guaranty on the behalf of this corporation."

WITNESS my hand and the seal of this corporation on this 11 day of August, 2006.

/s/ Craig Sherman

[Seal] Secretary

Exhibit 10.21

U.S. BANK CENTRE

OFFICE LEASE AGREEMENT

Landlord:	BENTALL CITY CENTRE L.L.C.
Tenant:	SCOPE INTERNATIONAL, INC.
Date:	September 28, 1998

U.S. BANK CENTRE
OFFICE LEASE AGREEMENT

THIS LEASE is made as of this _____ day of _____, 1998, by and between **BENTALL CITY CENTRE L.L.C., a Washington limited liability company** (hereinafter referred to as "Landlord"), and **SCOPE INTERNATIONAL, INC, a Washington corporation** (hereinafter referred to as "Tenant").

LEASE SUMMARY

Section 1.1 The Building

(a)	Name:	U.S. Bank Centre
(b)	Address:	1420 Fifth Avenue Seattle, WA 98101
(c)	Total Rentable Area of Building:	921,298 sq. ft.
(d)	Total Rentable Area of Office Tower:	842,493 sq. ft.

The Premises

(a)	Total Rentable Area:	3,874 sq. ft.
(b)	Floor Location:	26th Floor
(c)	Suite Number:	2628

Section 2.1 Use of Premises and Tenant's Trade Name

(a)	Tenant's Trade Name:	Scope International.
(b)	Use of Premises:	Business office use only.

Section 3.1 Lease Term

(a) Sixty and one-half (60 1/2) months, from November 15, 1998, through November 30, 2003.
(b) Lease Commencement Date: November 15, 1998.

Section 4.1 Basic Rent

Month(s)	Monthly Rent Installment	Rent Per Rentable Sq. Ft. Per Year
11/15/98 — 11/30/99	$10,898.85	$33.76
12/1/99 — 11/30/01	$11,221.69	$34.76
12/1/01 — 11/30/03	$11,544.52	$35.76

Section 4.2	Operating Expenses	
(a)	Tenant's Proportionate Share:	.4205% of Total Rentable Area of Building .4598% of Total Rentable Area of Office Tower
(b)	Base Year:	1998.
Section 5.1	Security Deposit	
(a)	Security Deposit:	$11,544.52
Section 5.2	Prepaid Rent	
(a)	Prepaid Rent:	$10,898.85
(b)	Month(s) to which the Prepaid Rent is applied:	December, 1998 (first full calendar month).

Section 19.1	Addresses for Notices	
(a)	Landlord:	(b) Tenant:
	Bentall City Centre, L.L.C. c/o General Manager Suite 1550 1420 Fifth Avenue Seattle, WA 98101	Scope International Suite 2628 1420 Fifth Avenue Seattle, WA 98101

Section 21.13	Broker's Commission	
(a)	Landlord's Leasing Representative (Broker/Salesperson):	Pat Pendergast
(b)	Landlord's Leasing Representative (Firm):	Washington Partners
(c)	Address:	520 Pike Street, Suite 1450 Seattle, WA 98101
(d)	Tenant's Leasing Representative (Broker/Salesperson):	Brian Kelly
(e)	Tenant's Leasing Representative (Firm):	Steven C. Johnson & Associates
(f)	Address:	600 University Street, Suite 3025 Seattle, Washington 98101-3115

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U.S. BANK CENTRE
OFFICE LEASE AGREEMENT

ARTICLE 1. PREMISES

Section 1.1 Premises Defined. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, upon the terms and conditions hereinafter set forth, those certain premises and improvements consisting of the floor area and the location described in the Lease Summary and designated on the plans attached hereto as Exhibit A (hereinafter referred to as the "Premises"). The Premises are located in the building known as the U.S. Bank Centre (the "Building") which is situated in the City of Seattle, County of King, State of Washington and located upon the real property described in Exhibit B (the "Property").

Section 1.2 Alterations. Tenant acknowledges that Exhibit A sets forth the floor plan for the floor(s) of the Building on which the Premises is located and the location of the Premises therein. Landlord may in its sole discretion increase, decrease, or change the number, locations and dimensions of any hallways, lobby areas and other improvements shown on Exhibit A that are not within the Premises, provided the same does not unreasonably interfere with Tenant's use of the Premises. Upon reasonable advance notice to Tenant, Landlord reserves the right from time to time (a) to install, use, maintain, repair, relocate and replace pipes, ducts, conduits, wires, and appurtenant meters and equipment for service to the Premises or to other parts of the Building which are above the ceiling surfaces, below the floor surfaces, within the walls and in the central core areas of the Building which are located within the Premises or located elsewhere in the Building; (b) to alter or expand the Building; and (c) to alter, relocate or substitute any of the Common Areas, as defined in Section 1.4 below.

Section 1.3 Condition of Premises. The Premises are leased by Landlord and accepted by Tenant in an "as is" condition, subject to any improvements, alterations or modifications to be made pursuant to Article 7 below, and the requirement of Landlord to complete the improvements specified therein.

Section 1.4 Common Areas. So long as Tenant occupies the Premises under the terms of this Lease, Tenant, its licensees, invitees, customers and employees shall have the non-exclusive right to use all entrances, lobbies, and other public areas of the Building (the "Common Areas") in common with Landlord, other Building tenants, and their respective licensees, invitees, customers and employees. The use of the Common Areas shall be subject to the terms and conditions of this Lease.

ARTICLE 2. BUSINESS PURPOSE AND USE

Section 2.1 Permitted Uses. Tenant shall use the Premises solely for the purposes specified in the Lease Summary, and for no other business or purpose without the prior written consent of the Landlord. Tenant shall use the Premises solely under the trade name specified in the

Lease Summary, and under no other name without the prior written consent of the Landlord, which consent shall not be unreasonably withheld.

Section 2.2 Prohibited Uses. Tenant shall not do or permit anything to be done in or about the Premises, nor bring or keep anything therein, which will (a) in any way increase the existing rate of or affect any policy of fire or other insurance upon the Building or any of its contents, or cause a cancellation of any insurance policy covering any part thereof or any of its contents; (b) obstruct or interfere in any way with the rights of other tenants or occupants of the Building or injure or unreasonably annoy any of them; or (c) use or allow the Premises to be used for any improper, unlawful or objectionable purposes. Tenant shall not cause, maintain or permit any nuisance in, on or about the Premises, nor shall Tenant commit or suffer to be committed any waste in, on or about the Premises. Tenant shall not place upon or install in windows or other openings any signs, symbols, drapes, or other material without written approval of Landlord. Tenant shall not place any object or barrier within, or otherwise obstruct, any of the Common Areas.

Section 2.3 Compliance With Laws. Tenant shall at all times comply with all laws, ordinances and any regulations promulgated by any governmental authority having jurisdiction over the Building and/or the Premises. To the extent Landlord is required by the City of Seattle to maintain carpooling and public transit programs, Tenant shall cooperate in the implementation and use of these programs by and among Tenant's employees.

ARTICLE 3. TERM

Section 3.1 Term. The term of this Lease shall commence on the Lease Commencement Date identified in Section 3.1(b) of the Lease Summary. From the Lease Commencement Date, the term of this Lease shall continue for the time period specified in the Lease Summary, the expiration of which shall be the Termination Date of this Lease, unless this Lease is sooner terminated as hereinafter provided. The period between the Lease Commencement Date and the Termination Date shall be referred to as the "Lease Term" or "Term". The Landlord and Tenant acknowledge that certain obligations under the provisions of this Lease may be binding upon them prior to the Lease Commencement Date, such as, but not limited to, the provisions of Exhibit C, and Landlord and Tenant shall be bound by such provisions prior to the Lease Commencement Date.

Section 3.2 Lease Year. "Lease Year" shall mean that period of twelve (12) consecutive months which ends on December 31 of each year and which falls within the Term of this Lease; provided, however, the first Lease Year (which may be a partial Lease Year) shall mean that period from the Lease Commencement Date until the December 31 first occurring after the Lease Commencement Date and the last Lease Year (which may be a partial Lease Year) shall mean that period from the January 1st last occurring during the Term of this Lease until the Termination Date.

Section 3.3 Possession by Tenant. Landlord shall deliver to Tenant, and Tenant shall accept from Landlord, possession of the Premises, upon the date of substantial completion of the standard "Tenant Improvements", described as "Landlord's Work" in Exhibit C. Certification by Landlord's architect (the "Project Architect") as to the substantial completion of the Premises shall be conclusive and binding upon Landlord and Tenant. If Landlord cannot deliver possession of the

Premises to Tenant by the Lease Commencement Date, as specified in the Lease Summary, then this Lease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom.

ARTICLE 4. RENT

Section 4.1 Basic Rent. Tenant shall pay to Landlord as minimum rental for the use and occupancy of the Premises the "Basic Rent" as specified in the Lease Summary. Basic Rent shall be payable in Monthly Rent Installments of the amount specified in the Lease Summary, on or before the first day of each month of the Lease Term beginning on the Lease Commencement Date. Basic Rent for any partial year shall be prorated based upon the actual number of months left in such partial year. The Monthly Rent Installment for any partial month shall be prorated based upon the actual number of days in that partial month.

Section 4.2 Operating Expenses.

4.2.1 This is a fully serviced, gross Lease. All Operating Expenses shall be included in the Basic Rent from the Lease Commencement Date through the Base Year (as defined in the Lease Summary). For each calendar year following the Base Year, Tenant shall pay, in monthly installments and as "Additional Rent", an amount equal to the "Tenant's Proportionate Share" (as hereinafter defined) of actual "Total Operating Expanses" (as hereinafter defined) minus Tenant's Proportionate Share of actual Total Operating Expenses for the Base Year. Notwithstanding anything herein to the contrary, Tenant shall in no event pay less than the Basic Rent in any calendar year.

4.2.2 "Tenant's Proportionate Share" shall be computed by dividing the Total Rentable Area of the Premises by the Total Rentable Area of the Building or Total Rentable Area of the Office Tower, as applicable with respect to any particular Operating Expense. Tenant's Proportionate Share upon the Lease Commencement Date for the entire Premises is as specified in the Lease Summary.

4.2.3 "Rentable Area of the Building," "Rentable Area of the Office Tower" and "Rentable Area of the Premises" are defined as those areas obtained by measuring the Building, Office Tower and Premises using Landlord's method of measurement, which method is based substantially on the method of measuring floor area in office buildings specified in the American National Standard Publication ANSI/BOMA Z65.1-1996 published by the Building Owners and Managers Association International (otherwise known as "BOMA Standard"). The Total Rentable Area of the Building, Total Rentable Area of the Office Tower and Total Rentable Area of the Premises, as of the Lease Commencement Date, are as specified in the Lease Summary. The Total Rentable Area of the Premises exceeds the usable area of the Premises to include a pro rata share of hallways, restrooms, and other common elements located on the floor on which the Premises are located. Tenant's Proportionate Share shall be calculated based upon the Total Rentable Area of the Building with respect to Operating Expenses the benefit of which are shared with Building retail and office tenants and based upon the Total Rentable Area of the Office Tower with respect to Operating Expenses the benefit of which are shared only with other Office Tower tenants.

4.2.4 Landlord shall provide Tenant with a written estimate of Total Operating Expenses for the succeeding year at least thirty (30) days after the start of each Lease Year during the Lease Term, following the first Lease Year of the Lease Term. Tenant shall then pay to Landlord, monthly in advance, one-twelfth (1/12) of Tenant's Proportionate Share of the estimated Total Operating Expenses for the said Lease Year in excess of the product of the Expense Stop multiplied by the Rentable Area of the Premises. In the event any item of actual Operating Expenses, including without limitation those items identified in subparagraph (4.2.6) below, increases five percent (5%) or more in price or cost over any twelve (12) month period, Landlord shall have the option to pass through to Tenant's Proportionate Share of any increase in the actual Operating Expenses upon thirty (30) days' written notice from Landlord to Tenant.

4.2.5 Within one hundred twenty (120) days after the end of every Lease Year during the Lease Term, Landlord shall provide the Tenant with a written statement of the actual Total Operating Expenses for that Lease Year. If the actual Total Operating Expenses should exceed the estimated amount with respect to such Lease Year, then Tenant shall pay Landlord the additional amount due to the Landlord within thirty (30) days and, if actual Total Operating Expenses should be less than the estimated Total Operating Expenses for that Lease Year, then Landlord shall credit, against future Additional Rent due under this Article, the amount of any overpayment by Tenant.

4.2.6 "Operating Expenses" as used herein shall mean all costs, expenses and other charges incurred by Landlord in connection with the ownership, operation, repair and maintenance of the Property and the Building as a first class mixed use retail/office building complex in the Central Business District of Seattle, Washington, including but not limited to:

4.2.6.1 Wages, salaries and fringe benefits of all employees and contractors engaged in the management, operation and maintenance of the Property and/or the Building; employer's Social Security taxes, unemployment taxes or insurance, and any other taxes which may be levied against Landlord on those wages and salaries; and the cost to Landlord of disability and hospitalization insurance and pension or retirement benefits for these employees;

4.2.6.2 All supplies and materials used in the operation and maintenance of the Property and/or the Building;

4.2.6.3 Cost of water and power, and cost of heating, lighting, air conditioning and ventilating the Building, the Common Areas and the Premises, which costs shall be based on either Tenant's Proportionate Share or separately allocated to the Premises, at Landlord's option, based upon either direct usage, if separately metered, or an appropriate allocation among all tenants consuming those services as measured from the meter monitoring this usage;

4.2.6.4 The electrical costs incurred in the operation of the "chiller" for the Building, which shall be allocated pro rata among the Building tenants;

4.2.6.5 Cost of maintenance, depreciation and replacement of machinery, tools and equipment (if owned by Landlord) and for rental paid for such machinery, tools and equipment (if rented) used in connection with the operation or maintenance of the Building;

4.2.6.6 All premiums and deductibles on policies of compensation, public liability, property damage, automobile, garage keepers, rental loss and any other policies of insurance maintained by Landlord with respect to the Property, Building or any insurable interest therein. Cost of casualty and liability insurance applicable to the Property and/or the Building, the improvements therein, and Landlord's personal property used in connection therewith;

4.2.6.7 Cost of janitorial services, repairs and general maintenance;

4.2.6.8 Any capital improvements made or installed (a) to be in compliance with any applicable government statutes, ordinances, regulations or other requirements, and (b) for purposes of saving labor or otherwise reducing applicable operating costs, amortized over the useful life of such improvements, as determined by Landlord in accordance with generally accepted accounting principles and practices in effect at the time of acquisition of the capital item;

4.2.6.9 Costs in connection with maintaining and operating any garage owned by the Landlord for use by tenants of the Building;

4.2.6.10 All taxes and assessments and governmental charges whether federal, state, county or municipal and any other taxes and assessments attributable to the Property and/or the Building or its operation, including without limitation real property taxes and assessments and any tax or other levy, however denominated, on or measured by the rental collected by the Landlord with respect to the Building, or on Landlord's business of leasing the Building, but excluding federal and state taxes on income;

4.2.6.11 The cost of maintaining any public transit system, vanpool, or other public or semi-public transportation imposed upon Landlord's ownership and operation of the Building;

4.2.6.12 Cost of all accounting and other professional fees incurred in connection with the operation of the Property and/or the Building;

4.2.6.13 A management fee, not to exceed current market rates, which may be payable to the Landlord;

4.2.6.14 Cost of replacing lamps, bulbs, starters and ballasts used in the Building, other than those for which the cost is billed directly to a tenant.

Operating Expenses shall not include expenses for which the Landlord is reimbursed or indemnified (either by an insurer, condemnor, tenant or otherwise); expenses incurred in leasing or procuring tenants (including, without limitation, lease commissions, legal expenses, and expenses of renovating space for tenants); legal expenses arising out of disputes with tenants or the enforcement of the provisions of any lease of space in the Building; interest or amortization payments on any mortgage or mortgages, and rental under any ground or underlying lease or leases; costs of any work or service performed for or facilities furnished to a tenant at the tenant's cost; the cost of correcting defects (latent or otherwise) in the construction of the Building, except those conditions (not

occasioned by construction defects) resulting from wear and tear shall not be deemed defects; and costs of capital improvements and depreciation and amortization (except as provided in Section 4.2.6.8 or otherwise above). Landlord and Tenant shall each from time to time upon request of the other sign a written memorandum confirming the amount of the Additional Rent as adjusted from time to time hereunder.

4.2.7 Tenant shall have the right, upon fulfillment of the conditions set forth below, to conduct one (1) audit of the Landlord's books and records covering the Operating Expenses for a particular calendar year to verify the accuracy of the Landlord's determination of the Tenant's Proportionate Share of such Operating Expenses. The conditions which must be met before Tenant shall have the right to audit the books and records of a particular calendar year are as follows:

4.2.7.1 Tenant must provide Landlord not less than thirty (30) days' prior written notice of the Tenant's election to audit (the "Tenant's Notice of Audit"), together with the information concerning the auditor as outlined in subsection 4.2.7.4 below, which Tenant's Notice of Audit and information must be delivered to Landlord within thirty (30) days after Tenant's receipt of the Landlord's statement of actual Operating Expenses for a particular calendar year.

4.2.7.2 Tenant's audit must be undertaken and completed by Tenant or its agents at reasonable times during Landlord's normal business hours at the place where the Landlord's records are kept. Said audit must be completed within ninety (90) days of Tenant's receipt of the Landlord's statement of Operating Expenses for a particular calendar year.

4.2.7.3 Tenant shall not entitled to conduct an audit if Tenant is in default under this Lease at the time Tenant gives its Tenant's Notice of Audit or at the time the Tenant or its agent undertakes the audit.

4.2.7.4 At the time the Tenant delivers its Tenant's Notice of Audit to Landlord, the Tenant shall also provide evidence reasonably acceptable to the Landlord that the audit will be a "fair and true audit." For the purposes hereof, the term "fair and true audit" shall mean that the review of the subject books and records shall be undertaken and completed by the Tenant, its officers or employees, or by an independent accounting firm being paid on an hourly basis and that in no event will the party auditing the books (or that party's employer or principal) directly or indirectly base the compensation or fees for such audit work upon a percentage of the savings found or the return due the Tenant by reason of that audit.

4.2.7.5 The Tenant's rights to audit the Landlord's books and records shall be strictly limited to the right set forth above and the Tenant shall have no right to audit any of the Landlord's books or records for any calendar year before or after the Lease Term or for any calendar year other than the immediately preceding calendar year as set forth above. All costs and expenses of the audit shall be borne solely by the Tenant.

4.2.7.6 A true and correct copy of the audit shall be delivered to the Landlord within fifteen (15) days of the completion of such audit if Tenant requests a credit for overpayment. Any overpayment shown by such audit shall be subject to the Landlord's prompt

verification and, upon such verification, shall be given to the Tenant as a credit against Operating Expenses next falling due or, if after the expiration of the Term, shall be paid directly to Tenant.

Section 4.3 Rent. The terms "Rent" and "Rental" as used in this Lease shall mean all amounts to be paid hereunder by Tenant whether those sums are designated as Basic Rent or Additional Rent and as adjusted by the terms of this Lease. Failure by Tenant to pay any sum of Rent due under this Article 4 shall entitle Landlord to pursue any or all remedies specified in this Lease as well as remedies specified in RCW Chapter 59.12 or otherwise allowed by law.

Section 4.4 Place of Payment. All Rent shall be paid to the Landlord on or before the first day of each calendar month at the address to which notices to Landlord are to be given. All Rental payments to be made hereunder, whether Basic Rent, or Additional Rent or otherwise, are to be made without deduction, setoff, prior notice or demand by Landlord.

ARTICLE 5. SECURITY DEPOSIT AND PREPAID RENT

Section 5.1 Security Deposit. Contemporaneously with Tenant's execution of this Lease, Tenant shall pay to Landlord the sum set forth as the Security Deposit in the Lease Summary as security for the full and faithful performance of every provision of this Lease to be performed by Tenant. If Tenant defaults with respect to any provision of this Lease, including but not limited to the provisions relating to the payment of Rent, the repair of damage to the Premises caused by Tenant and/or cleaning the Premises upon termination of this Lease, Landlord may use, apply or retain all or any part of this Security Deposit for the payment of any Rent or any other sum in default, the repair of such damage to the Premises, the cost of cleaning or for the payment of any other amount which Landlord may spend or become obligated to spend by reason of Tenant's default or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default to the full extent permitted by law. If any portion of said Security Deposit is so used or applied, Tenant shall, within ten (10) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount and Tenant's failure to do so shall be a material breach of this Lease. Landlord shall not be required to keep Tenant's Security Deposit separate from its general funds, and Tenant shall not be entitled to interest on the Security Deposit. If Tenant shall fully and faithfully perform every provision of this Lease to be performed by it, the Security Deposit or any balance thereof shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) within ten (10) days after the expiration of the Lease Term.

Section 5.2 Prepaid Rent. Contemporaneously with Tenant's execution of this Lease, Tenant shall pay to Landlord the sum set forth as Prepaid Rent in the Lease Summary to be applied to Basic Rent for the month-during the Term hereof as specified in the Lease Summary. In the event Tenant defaults under the terms of this Lease prior to the application of the Prepaid Rent, such sums shall be held as a Security Deposit to be disposed of in accordance with Section 5.1 above.

ARTICLE 6. TAXES

Section 6.1 Personal Property Taxes. Tenant shall pay before delinquency all license fees, public charges, property taxes and assessments on the furniture, fixtures, equipment and other property of or being used by Tenant at any time situated on or installed in the Premises.

Section 6.2 Business Taxes. Tenant shall pay before delinquency all taxes and assessments or license fees levied, assessed or imposed by law or ordinance, by reason of the use of the Premises for the specific purposes set forth in this Lease.

ARTICLE 7. MAINTENANCE, REPAIRS AND ALTERATIONS

Section 7.1 Landlord's and Tenant's Improvements. Landlord and Tenant shall, each at its own expense, complete and install in a good and workmanlike manner within the Premises those items specified as the "Landlord's Work" and "Tenant's Work", respectively, on Exhibit C attached hereto.

Section 7.2 Services to Be Furnished by Landlord. Provided Tenant is not in default under any of the provisions of this Lease, and subject to reimbursement pursuant to Section 4.2 above, Landlord shall provide the following services during standard hours of operation of the Building. These standard hours of operation are 8 a.m. to 6 p.m., Monday through Friday, and 8 a.m. to 1 p.m., on Saturdays.

7.2.1 Public utilities shall be caused to furnish the Premises with electricity and water utilized in operating any and all facilities serving the Premises;

7.2.2 Hot and cold water at those points of supply provided for general use of other tenants in the Building, central heat and air conditioning in season, at such times as Landlord normally furnishes these services to other tenants in the Building and at temperatures and in amounts as are considered by Landlord to be standard, but this service at times during the weekdays at other than standard hours of operation for the Project, on Saturday afternoons, Sundays and holidays shall be furnished only upon request of Tenant, who shall bear the entire costs thereof;

7.2.3 Routine maintenance, painting and electric lighting service for all Common Areas and special service areas of the Building in the manner and to the extent deemed by Landlord to be standard and consistent with the operation and maintenance of the Building as a first-class office building in the Central Business District (CBD) of Seattle;

7.2.4 Janitorial service, on a five (5) day week basis, excluding Fridays, Saturdays, and legal holidays;

7.2.5 Electrical facilities to provide sufficient power for typewriters, personal computers and other small office machines of similar low electrical consumption, but not including electricity required for electronic data processing equipment, special lighting in excess of building standard, and any other item of electrical equipment which (itself) consumes more than .5

kilowatts per hour at rated capacity or requires a voltage other than 120 volts single phase per square foot. If any electrical equipment installed in the Premises requires air conditioning capacity above that provided by the building standard system, then the additional air conditioning installation and corresponding operating costs will be the separate obligation of the Tenant; and

7.2.6 Security for the Building; provided, however, Landlord shall not be liable to Tenant or any employee, invitee, licensee or sublessee of Tenant for bodily injury, property damage, or other losses or damages due to theft, burglary, or other criminal activities occurring in or about the Building.

In the event Tenant desires any of the aforementioned services in amounts in excess of those deemed by Landlord to be "standard" and in the event Landlord elects to provide these additional services, Tenant shall pay Landlord as Additional Rent hereunder the cost of providing these additional services. Failure by Landlord to any extent to furnish any of the above services, or any cessation thereof, resulting from causes beyond the control of Landlord, shall not render Landlord liable in any respect for damages to either person or property, nor shall that event be construed as an eviction of Tenant, nor result in an abatement of Rent, nor relieve Tenant from any of Tenant's obligations hereunder (including, but not limited to, the payment of Rent). Should any of the equipment or machinery utilized in supplying the services listed herein for any cause cease to function properly, Landlord shall use reasonable diligence to repair that equipment or machinery promptly, but Tenant shall have no right to terminate this Lease, and shall have no claim for a reduction, abatement or rebate of Rent or damages on account of any interruption in service occasioned thereby or resulting therefrom.

Section 7.3 Tenant's Maintenance and Repairs. Tenant shall be obligated to maintain and to make all repairs, replacements or additions of any kind whatsoever to all personal property located within the Premises and to all trade fixtures, furnishings and carpet located within the Premises, Tenant also shall be responsible for maintaining and replacing all specialty lamps, bulbs, starters and ballasts.

Section 7.4 Tenant's Alterations. Subject to Landlord's prior written approval, Tenant may make, at its expense, additional improvements or alterations to the Premises which it may deem necessary or desirable. Landlord's approval to any improvements or alterations may be withheld in Landlord's sole discretion if such improvements or alterations require any other alteration, addition, or improvement to be performed or made to any portion of the Building other than the Premises. Any repairs or new construction by Tenant shall be done in compliance with all applicable laws, rules, and regulations (including, without limitation, the Americans with Disabilities Act of 1990 (the "ADA")) and in conformity with plans and specifications approved by Landlord and shall be performed by a licensed contractor approved by Landlord; provided, however, Landlord's consent to any alterations or improvements, or Landlord's approval of plans and specifications for such alterations or improvements shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules, and regulations (including, without limitation, the ADA). If requested by Landlord, Tenant shall post a bond or other security satisfactory to Landlord to protect Landlord against liens arising from work performed for Tenant.

All work performed shall be done in a workmanlike manner and with materials of the quality and appearance as exist throughout the Building. Landlord may require Tenant to remove and restore any improvements or alterations on the termination of this Lease in accordance with Section 13.2 below.

Section 7.5 Liens. Tenant shall keep the Premises and the Building free from any liens arising out of any work performed, material furnished, or obligations incurred by Tenant. If Tenant disputes the correctness or validity of any claim of lien, Tenant shall, within ten (10) days after written request by Landlord, pest or provide security in a form and amount acceptable to Landlord to insure that title to the Property remains free from the lien claimed.

ARTICLE 8. INSURANCE

Section 8.1 Use; Rate. Tenant shall not do anything in or about the Premises which will in any way tend to increase insurance rates paid by Landlord on policies of liability or casualty insurance maintained with respect to the Building and/or Property. In no event shall Tenant carry on any activities which would invalidate any insurance coverage maintained by Landlord.

Section 8.2 Liability Insurance. Tenant shall during the Lease Term, at its sole expense, maintain in full force a policy or policies of commercial general liability insurance issued by one or more insurance carriers, insuring against liability for injury to or death of persons and loss of or damage to property occurring in or on the Premises and any portion of the Common Area which is subject to Tenant's exclusive control. Said liability insurance shall be in an amount not less than Two Million Dollars ($2,000,000.00) combined single limit for bodily and personal injury and property damage per occurrence and not less than Three Million Dollars ($3,000,000.00) in the aggregate.

Section 8.3 Worker's Compensation Insurance. Tenant shall at all times maintain Worker's Compensation Insurance in compliance with Washington law.

Section 8.4 Casualty Insurance. Tenant shall pay for and shall maintain in full force and effect during the Term of this Lease a standard form policy or policies of property and all-risk coverage with an extended coverage endorsement covering all interior and storefront glass, whether plate or otherwise, stock in trade, trade fixtures, equipment, and other personal property located in the Premises and used by Tenant in connection with its business.

Section 8.5 Compliance With Regulations. Tenant shall, at its own expense, comply with all requirements, including installation of fire extinguishers, or automatic dry chemical extinguishing systems, required by insurance underwriters or any governmental authority having jurisdiction thereover, necessary for the maintenance of reasonable fire and extended insurance for the Premises and/or Building.

Section 8.6 Waiver of Subrogation. Any property and all-risk coverage insurance carried by Landlord or Tenant insuring, in whole or in part, the Building and/or the Premises, including improvements, alterations and changes in and to the Premises made by either of them, and

Tenant's trade fixtures therein shall be written in such a manner as to permit the waiver of rights of subrogation prior to loss by either party against the other in connection with loss or damage covered by the policies involved. So long as the policy or policies can be so written and maintained in effect, neither Landlord nor Tenant shall be liable to the other for any such loss or damage. Either party shall, upon request by the other party, furnish such other party evidence of its compliance with this Section 8.6.

Section 8.7 General Requirements.

8.7.1 All policies of insurance required to be carried hereunder by Tenant shall be written by companies licensed to do business in Washington and which have A.M. Best rating of not less than A:XIII or better in the "Best's Key Rating Guide". Tenant shall, when requested by Landlord, furnish Landlord with a certificate evidencing insurance required to be maintained by Tenant pursuant to this Article 8 and shall satisfy Landlord that each such policy is in full force and effect.

8.7.2 The commercial general liability insurance required to be carried under Section 8.2 above shall be primary and non-contributing with the insurance carried by Landlord.

8.7.3 Each policy required under Sections 8.2 and 8.4 shall expressly include, severally and not collectively, as named or additionally named insured thereunder, the Landlord, Landlord's property manager, and any person or firm designated by the Landlord and having an insurable interest thereunder, hereinafter called "Additional Insured," as their respective interests may appear.

8.7.4 All insurance policies maintained by Tenant shall not be subject to cancellation in coverage except upon at least thirty (30) days' prior written notice to Landlord. The policies of insurance or duly executed Accord Form 27, Evidence of Property Insurance Forms evidencing such policies, together with satisfactory evidence of the payment of premiums thereon, shall be deposited with Landlord on the Lease Commencement Date and not less than thirty (30) days prior to the expiration of the term of such coverage.

8.7.5 If the Tenant fails to procure and maintain insurance as required by this Article 8, the Landlord may obtain such insurance and keep it in effect, and the Tenant shall pay to Landlord the premium cost thereof, upon demand and as Additional Rent, with interest as provided in Section 21.7 below from the date of payment by the Landlord to the date of repayment by the Tenant.

8.7.6 The limits of any insurance maintained by Tenant pursuant to this Article 8 shall in no way limit the liability of Tenant under this Lease.

8.7.7 All policies required in Sections 8.2, 8.3, and 8.4 shall have A.M. Best rating of not less than A:XIII and written with an insurance company licensed to do business in the State of Washington.

Section 8.8 Blanket Insurance. The Tenant may fulfill its insurance obligations hereunder by maintaining a so-called "blanket" policy or policies of insurance in a form that provides by specific endorsement coverage not less than that which is required hereunderfor the particular property or interest referred to herein; provided, however, that the coverage required by this Article 8 will not be reduced or diminished by reason of use of such blanket policy of insurance.

ARTICLE 9. DESTRUCTION AND CONDEMNATION

Section 9.1 Total or Partial Destruction.

9.1.1 In the event the Building and/or the Premises is damaged by fire or other perils covered by Landlord's insurance, Landlord shall:

9.1.1.1 In the event of total destruction, at Landlord's option, as soon as reasonably possible thereafter, commence repair, reconstruction and restoration of the Building and/or the Premises and prosecute the same diligently to completion, in which event this Lease shall remain in full force and effect; or within sixty (60) days after the discovery of such damage, elect not to so repair, reconstruct or restore the Building and/or the Premises, in which event this Lease shall terminate. In either event, Landlord shall give Tenant written notice of its intention within said sixty (60) day period. In the event Landlord elects not to restore the building, and/or the Premises, this Lease shall be deemed to have terminated as of the date of the discovery of such total destruction.

9.1.1.2 In the event of partial destruction of the Building and/or the Premises, to an extent not exceeding twenty-five percent (25%) of the full insurable value thereof, and if the damage thereto is such that the Building and/or the Premises may be repaired, reconstructed or restored within a period of ninety (90) days from the date of the discovery of such casualty, and if Landlord will receive insurance proceeds sufficient to cover the cost of such repairs, then Landlord shall commence and proceed diligently with the work of repair, reconstruction and restoration and this Lease shall continue in full force and effect. If such work of repair, reconstruction and restoration shall require a period longer than ninety (90) days or exceeds twenty-five percent (25%) of the full insurable value thereof, or if said insurance proceeds will not be sufficient to cover the cost of such repairs, then Landlord either may elect to so repair, reconstruct or restore and the Lease shall continue in full force and effect or Landlord may elect not to repair, reconstruct or restore and the Lease shall then terminate. Under any of the conditions of this Section 9.1.1.2, Landlord shall give written notice to Tenant of its intention within sixty (60) days after Landlord's discovery of such partial destruction. In the event Landlord elects not to restore the Building and/or the Premises, this Lease shall be deemed to have terminated as of the date possession of the Premises is surrendered to Landlord.

9.1.2 Upon any termination of this Lease under any of the provisions of this Section 9.1, the parties shall be released without further obligation to the other from the date possession of the Premises is surrendered to Landlord except for items which have therefore accrued and are then unpaid.

9.1.3 In the event of repair, reconstruction and restoration by Landlord as herein provided, the rental payable under this Lease shall be abated proportionately with the degree to which Tenant's use of the Premises is impaired during the period of such repair, reconstruction or restoration; provided that there shall be no abatement of rent if such damage is the result of Tenant's negligence or intentional wrongdoing. Tenant shall not be entitled to any compensation or damages for loss in the use of the whole or any part of the Premises and/or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration. Tenant shall not be released from any of its obligations under this Lease except to the extent and upon the conditions expressly stated in this Section. 9.1. Notwithstanding anything to the contrary contained in this Section 9.1, if Landlord is delayed or prevented from repairing or restoring the damaged Premises within one (1) year after the discovery of such damage or destruction by reason of acts of God, war, governmental restrictions, inability to procure the necessary labor or materials, or other cause beyond the control of Landlord, Landlord, at its option, may terminate this Lease, whereupon Landlord shall be relieved of its obligation to make such repairs or restoration and Tenant shall be released from its obligations under this Lease as of the end of said one year period.

9.1.4 If damage is due to any cause other than fire or other peril covered by extended coverage insurance, Landlord may elect to terminate this Lease.

9.1.5 If Landlord is obligated to or elects to repair or restore as herein provided, Landlord shall be obligated to make repair or restoration only of those portions of the Building and the Premises which were originally provided at Landlord's expense, and the repair and restoration of items not provided at Landlord's expense shall be the obligation of Tenant.

9.1.6 Notwithstanding anything to the contrary contained in this Section 9.1. Landlord shall not have any obligation, whatsoever to repair, reconstruct or restore the Premises when the damage resulting from any casualty covered under this Section 9.1 is discovered during the last twelve (12) months of the Term of this Lease or any extension hereof.

9.1.7 Landlord and Tenant hereby waive the provisions of any statutes or court decisions which relate to the abatement or termination of leases when leased property is damaged or destroyed and agree that such event shall be exclusively governed by the terms of this Lease.

Section 9.2 Condemnation. If the whole of the Building or the Premises, or such portion thereof as shall be required for its reasonable use, shall be taken by virtue of any condemnation or eminent domain proceeding, this Lease shall automatically terminate as of the date of the condemnation, or as of the date possession is taken by the condemning authority, whichever is later. Current Rent shall be apportioned as of the date of the termination. In case of a taking of a part of the Premises or a part of the Building not required for the reasonable use of the Premises, then this Lease shall continue in full force and effect and the Rental shall be equitably reduced based upon the proportion by which the Rentable Area of the Premises is reduced. This Rent reduction shall be effective on the date of the partial taking. No award, settlement in lieu of an award, or any partial or entire taking shall be apportioned, and Tenant hereby assigns to Landlord any award or settlement in lieu of an award which may be made in the taking or condemnation proceeding, together with any

and all rights of Tenant now or hereafter arising in or to the same or any part thereof; provided that nothing herein shall prevent Tenant from making a separate claim against the condemning authority for the taking of Tenant's personal property and/or moving costs so long as such claim in no way affects the award to be received by Landlord.

Section 9.3 Sale Under Threat of Condemnation. A sale by Landlord to any authority having the power of eminent domain, either under threat of condemnation or while condemnation proceedings are pending, shall be deemed to be a taking under the power of eminent domain for all purposes under this Article 9.

ARTICLE 10. INDEMNITY AND WAIVER

Section 10.1 Indemnity.

10.1.1 Tenant, as a material part of the consideration to be rendered to Landlord, and subject to subsection 10.1.2 below, hereby agrees to defend, indemnify, and hold Landlord harmless against any and all claims, costs, and liabilities, including reasonable attorneys' fees and costs (including costs and fees associated with any lawsuit or appeal), arising by reason of any injury or claim of injury to person or property, of any nature and howsoever caused, arising out of the use, occupation and/or control of the Premises, or from any breach of the terms of this Lease, or any violation of any governmental or insurance requirements by Tenant, its sublessees, assignees, invitees, agents, employees, contractors, or licensees, except and to the extent as may arise out of the willful or negligent acts of Landlord or Landlord's agents, employees or contractors. Landlord, subject to subsection 10.1.2 below, hereby agrees to defend, indemnify, and hold Tenant harmless against any and all claims, costs, and liabilities, including reasonable attorneys' fees and costs (including costs and fees associated with any lawsuit or appeal), arising by reason of any breach of the terms of this Lease by Landlord, or any violation of any governmental or insurance requirements by Landlord, its employees or contractors, except and to the extent as may arise out of the willful or negligent acts of Tenant or Tenant's agents, employees or contractors.

10.1.2 In the event of concurrent negligence of Tenant, its sublessees assignees, invitees, agents, employees, contractors, or licensees on the one hand, and that of Landlord, its agents, employees, or contractors on the other hand, which concurrent negligence results in injury or damage to persons or property of any nature and howsoever caused, and relates to the construction, alteration, repair, addition to, subtraction from, improvement to or maintenance of the Premises, Common Areas, or Building, Tenant's obligation to indemnify Landlord as set forth in this Section 10.1 shall be limited to the extent of Tenant's negligence, and that of Tenant's sublessees, assignees, invitees, agents, employees, contractors or licensees, including Tenant's proportional share of costs, attorneys' fees and expenses incurred in connection with any claim, action or proceeding brought with respect to such injury or damage. Tenant agrees that it will not assert its industrial insurance immunity if such assertion would be inconsistent with Landlord's right to indemnification from Tenant pursuant to this Section 10.1. The parties agree that this provision was mutually negotiated.

Section 10.2 Waiver. All property kept, stored or maintained on the Premises shall be so kept, stored or maintained at the sole risk of Tenant. Except in the case of Landlord's negligence or willful misconduct, Landlord shall not be liable, and Tenant waives all claims against Landlord, for damages to persons or property sustained by Tenant or by any other person or firm resulting from the Building or by reason of the Premises or any equipment located therein becoming out of repair, or through the acts or omissions of any persons present in the Building (including the Common Areas) or renting or occupying any part of the Building (including the Common Areas), or for loss or damage resulting to Tenant or its property from burst, stopped or leaking sewers, pipes, conduits, or plumbing fixtures, or for interruption of any utility services, or from any failure of or defect in any electric line, circuit, or facility, or any other type of improvement or service on or furnished to the Premises or the Common Areas or resulting from any accident in, on, or about the Premises or the Common Areas.

ARTICLE 11. DELAYS

Section 11.1 Delays. If either party is delayed in the performance of any covenant of this Lease because of any of the following causes (referred to elsewhere in this Lease as a "Delaying Cause") acts of the other party, action of the elements, war, riot, labor disputes, inability to procure or general shortage of labor or materials in the normal channels of trade, delay in transportation, delay in inspections, or any other cause beyond the reasonable control of the parry so obligated, whether similar or dissimilar to the foregoing, financial inability excepted, then that performance shall be excused for the period of the delay but shall in no way affect Tenant's obligation to pay Rent or the length of the Lease Term.

ARTICLE 12. ASSIGNMENT, SUBLEASE AND SUCCESSION

Section 12.1 Consent Required. Tenant shall neither assign this Lease or any interest herein, nor sublet, license, grant any concession, or otherwise give permission to anyone other than Tenant to use or occupy all or any part of the Premises without the prior written consent of Landlord, which shall not be unreasonably withheld by Landlord following Landlord's receipt of the items described in the following sentence. Landlord may condition its consent upon an increase in the Basic Rent payable hereunder in an amount equal to any subrental or other consideration received by Tenant as a result of the subletting or assignment which is in excess of the Basic Rent provided for in Section 4.1 above, and the submission of all information requested by Landlord pertaining to the proposed assignment/sublease, including the business proposed to be conducted by the assignee/sublessee, the financial condition of the proposed assignee/sublessee, hours of operation of the proposed assignee/sublessee, and such other documentation and information as may be requested by Landlord. Landlord shall require a Five Hundred Dollar ($500.00) payment to cover its handling charges for each assignment or sublease it is requested to approve. The sale, assignment, transfer, sublease or disposition, whether for value, by operation of law, gift, will, or intestacy, of (a) fifty percent (50%) or more of the issued and outstanding stock of Tenant if Tenant is a corporation, or (b) of the interest of any general partner, joint venturers, or associate of Tenant, if Tenant is a partnership, joint venturer, or association, shall be deemed an assignment of this Lease under this Section 12.1.

Section 12.2 General Conditions. In the event of any assignment or sublease, Tenant shall remain primarily liable on its covenants hereunder unless released in writing by Landlord. In the event of any assignment or sublease, the assignee or sublessee shall agree in writing to perform and be bound by all of the covenants of this Lease required to be performed by Tenant. Any one assignment or subletting approved by Landlord pursuant to Section 12.1, shall not be deemed to allow any further assignment or subletting without Landlord's prior written consent.

Section 12.3 Succession. Subject to any limitations on assignment and subletting set forth herein, all the terms and provisions of this Lease shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto.

ARTICLE 13. SURRENDER OF POSSESSION

Section 13.1 Surrender. At the expiration of the Lease created hereunder, whether by lapse of time or otherwise, Tenant shall surrender the Premises to Landlord.

Section 13.2 Condition at Time of Surrender. Furnishings, trade fixtures and equipment including but not limited to voice and data cabling, telecommunications equipment installed by Tenant shall be the property of Tenant. Upon termination of this Lease, Tenant shall remove any such property. Tenant shall repair or reimburse Landlord for the cost of repairing any damage to the Premises and/or Common Areas resulting from the installation or removal of Tenant's property, and Tenant shall deliver the Premises to Landlord in clean and good condition, except for reasonable wear and tear.

ARTICLE 14. HOLDING OVER

Section 14.1 Holding Over. This Lease shall terminate without further notice at the expiration of the Lease Term. Any holding over by Tenant without the express written consent of Landlord shall not constitute the renewal or extension of this Lease or give Tenant any rights in or to the Premises. In the event of such a holding over by Tenant without the express written consent of Landlord, the monthly Rent payments to be paid by Tenant shall be subject to increase at the sole discretion of Landlord in an amount equal to one hundred fifty percent (150%) of the then applicable Rental rate; provided, however, no payment of such increased Rental by Tenant shall be deemed to extend or renew the Term of this Lease, and such Rental payments shall be fixed by Landlord only to establish the amount of liability for payment of Rent on the part of Tenant during such period of holding over. In the event Landlord shall give its express written consent to Tenant to occupy the Premises beyond the expiration of the Term, that occupancy shall be construed to be a month-to-month tenancy upon all the same terms and conditions as set forth herein unless modified by Landlord in such written consent; provided that Rent charged during any period of holding over shall be as stated above.

ARTICLE 15. ENTRY BY LANDLORD

Section 15.1 Entry by Landlord. Landlord reserves, and shall at any and all times have, the right to enter the Premises during business hours to inspect the same, to show the Premises to

prospective purchasers or lessees, to post notices of nonresponsibility, to repair the Premises and any portion of the Building that Landlord may deem necessary or desirable, without abatement of Rent, and may for that purpose erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed; provided, that the entrance to the Premises shall not be blocked unreasonably thereby and, provided, further that the business of the Tenant shall not be interfered with unreasonably. Tenant hereby waives any claim for damages, injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned by Landlord's exercise of its rights pursuant to this Section 15.1, except and to the extent any such damage, injury or interference results from the negligence of Landlord. Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Tenant's vaults, safes and files, and Landlord shall have the right to use any and all means which Landlord may deem proper to open the doors to or in the Premises in an emergency, in order to obtain entry to the Premises without liability to Tenant. Any entry to the Premises obtained by Landlord by any of these means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction of Tenant from the Premises or any portion thereof. Notwithstanding the foregoing, Landlord agrees to use reasonable efforts to provide reasonable advance notice to Tenant before entering the Premises for any reason other than routine entries (for example, to replace light bulbs) or emergencies threatening injury to persons or damage to property.

Section 15.2 Failure to Surrender. If Tenant fails to surrender the Premises upon the expiration or termination of this Lease, Tenant shall indemnify and hold Landlord harmless from loss and liability resulting from that failure, including, without limiting the generality of the foregoing, any claims made by any succeeding tenant.

ARTICLE 16. SUBORDINATION

Section 16.1 Lease Subordinate To Mortgages. This Lease shall automatically be subordinate to any existing mortgages or deeds of trust which affect the Property, the Building and/or the Premises; to any first mortgages or deeds of trust hereafter affecting the Property, the Building and/or the Premises, and to all renewals, modifications, consolidations, replacements or extensions thereof. This provision shall be self-operative and no further instrument of subordination shall be required by any existing or first mortgagee or beneficiary of a deed of trust; provided, that Tenant shall have the continued enjoyment of the Premises free from any disturbance or interruption by any existing or first mortgagee or beneficiary of a deed of trust, or any purchaser at a foreclosure or private sale of the Property as a result of Landlord's default under a mortgage or deed of trust, so long as Tenant is not then in default under the terms and conditions of this Lease.

Section 16.2 Estoppel Certificates. Tenant shall, within fifteen (15) days of presentation, acknowledge and deliver to Landlord (a) any subordination or non-disturbance agreement or other instrument that Landlord may require to carry out the provisions of this Article, and (b) any estoppel certificate requested by Landlord from time to time in the standard form of any mortgages or beneficiary of and deed of trust affecting the Building and Premises certifying, if such be true, that Tenant is in occupancy, that this Lease is unmodified and in full force and effect, or if there have

been modifications, that the Lease as modified is in full force and effect, and stating the modifications and the dates to which the Rent and other charges shall have been paid, and that there are no Rental offsets or claims. Acceptable forms of estoppel certificate and subordination agreement are attached as Exhibits F and G.

ARTICLE 17. DEFAULT AND REMEDY

Section 17.1 Events of Tenant's Default. The occurrence of any one or more of the following events shall constitute a material default in breach of this Lease by Tenant:

17.1.1 Vacation or abandonment of the Premises;

17.1.2 Failure by Tenant to make any payment required as and when due, where that failure shall continue for a period of three (3) calendar days;

17.1.3 Failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease, other than making any payment when due, where that failure shall continue for a period of thirty (30) calendar days after Landlord gives written notice to Tenant of that failure; and

17.1.4 Making by Tenant of any general assignment or general arrangement for the benefit of creditors; the filing by or against Tenant of a petition in bankruptcy, including reorganization or arrangement, unless, in the case of a petition filed against Tenant, the petition is dismissed within thirty (30) calendar days; or the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises, or of Tenant's interest in this Lease.

Section 17.2 Remedies. In the event of any breach or default by Tenant under the terms or provisions of this Lease, Landlord, in addition to any other rights or remedies that it may have, shall have the immediate right of reentry. Should Landlord elect to reenter or take possession, of the Premises, it may either terminate this Lease, or from time to time, without terminating this Lease, relet the Premises or any part thereof for the account and in the name of the Tenant or otherwise, for any term or terms and conditions as Landlord in its sole discretion may deem advisable, with the right to complete construction of or make alterations and repairs to the Premises and/or improvements installed by Tenant. Tenant shall pay to Landlord in the event of reletting, as soon as ascertained, the costs and expenses incurred by Landlord in the reletting, completion of construction, or in making any alterations and repairs. Rentals received by Landlord from any reletting shall be applied: first, to the payment of any indebtedness, other than Rent, due hereunder from Tenant to Landlord; second, to the payment of Rent due and unpaid hereunder and to any other payments required to be made by the Tenant hereunder; and the residue, if any, shall be held by Landlord as payment of future Rent or damages in the event of termination as the same may become due and payable hereunder; and the balance, if any, at the end of the Term of this Lease shall be paid to Tenant. Should rental received from time to time from the reletting during any month be a lesser Rental than herein agreed to by Tenant, the Tenant shall pay the deficiency to Landlord. The Tenant shall pay the deficiency each month as the amount thereof is ascertained by the Landlord.

Notwithstanding the foregoing, Landlord shall also have the right upon Tenant's default to terminate this Lease, accelerate all Rental payments due under this Lease for the remaining Term hereof, or if Tenant has been granted an option to extend and that option has been exercised, for the remainder of the option term, and shall be entitled to recover from Tenant the total amount of unpaid Rent together with all past due Rent and any other payment due hereunder, less the amount which is established to be the reasonable rental value of the Premises for the remaining Term, after taking into consideration normal duration of vacancy periods, tenant improvement costs and Landlord's reasonably anticipated costs of reletting the Premises.

Section 17.3 Reletting. No reletting of the Premises by Landlord permitted under Section 17.2 shall be construed as an election on Landlord's part to terminate this Lease unless a notice of Landlord's intention to terminate is given to Tenant, or unless the termination of the Lease is decreed by a court of competent jurisdiction. In the event of reletting without termination, Landlord may at any time thereafter elect to terminate this Lease for a previous breach, provided it has not been cured. Should Landlord at any time terminate this Lease for any breach, in addition to any other remedy it may have, it may recover from Tenant all damages it may incur by reason of that breach.

Section 17.4 Default of Landlord. Landlord shall not be in default unless Landlord fails to perform its obligations under this Lease within thirty (30) days after written notice by Tenant, or if such failure is not reasonably capable of being cured within such thirty (30) day period, Landlord shall not be in default unless Landlord has failed to commence the cure and diligently pursue the cure to completion.

Section 17.5 Non-Waiver. Failure by Landlord to take action or declare a default as a result of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of that term, covenant, or condition, or of any subsequent breach of any term, covenant or condition herein contained. The subsequent acceptance of Rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular Rental so accepted, regardless of Landlord's knowledge of that preceding breach at the time of acceptance of the Rent.

Section 17.6 Mortgagee Protection. In the event of any uncured default on the part of Landlord, which default would entitle Tenant to terminate this Lease, Tenant shall not terminate this Lease unless Tenant has notified any mortgagee or beneficiary of deed of trust, whose address shall have been furnished to Tenant, at least sixty (60) days in advance of the proposed effective date of the termination. During the sixty (60) day period the mortgagee or beneficiary shall be entitled to commence to cure the default. If the default is not capable of being cured with due diligence within the sixty (60) day period, the Lease shall not be terminated if the mortgagee or beneficial of a deed of trust shall have commenced to cure the default within the sixty (60) day period and shall pursue the cure with due diligence thereafter. If the default is one which is not capable of cure by the mortgagee or beneficiary of a deed of trust within the sixty (60) day period because the mortgagee or beneficiary of a deed of trust is not in possession of the Building or Property, the sixty (60) day period shall be extended to include the time needed to obtain possession of the Premises by the

mortgagee or beneficiary of a deed of trust by power of sale, judicial foreclosure, or other legal action required to recover possession, provided that these avenues are pursued with due diligence.

ARTICLE 18. LIMITATION OF LIABILITY

Section 18.1 Limitation of Landlord's Liability. Tenant understands, covenants and agrees the Landlord's liability under this Lease is expressly limited to Landlord's interest in the Property and the Building, and Tenant shall have no recourse hereunder against any member or manager of Landlord nor any other property of Landlord or any property of any member or manager of Landlord. In consideration of the benefits accruing hereunder, Tenant and all successors and assigns hereby further covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord:

18.1.1 The sole and exclusive remedy shall be against Landlord's interest in the Property and the Building;

18.1.2 No member or manager of Landlord shall be sued or named as a party in any suit or action (except as may be necessary to secure jurisdiction over the Landlord);

18.1.3 No service of process shall be made against any member or manager of Landlord (except as may be necessary to secure jurisdiction over Landlord);

18.1.4 No judgment will be taken against any member or manager of Landlord;

18.1.5 No writ of execution will ever be levied against the assets of any member or manager of Landlord other than the limited liability company assets of Landlord; and

18.1.6 These covenants and agreements are enforceable both by Landlord and also by any member or manager of Landlord.

Section 18.2 Applicability. Tenant agrees that each of the covenants and agreements contained in Section 18.1 above shall be applicable to any covenant or agreement either expressly contained in this Lease or imposed by statute or at common law.

ARTICLE 19. NOTICES

Section 19.1 Notices. Any notice required or desired to be given under this Lease shall be in writing with copies directed as indicated herein and shall be personally served or given by mail Any notice given by mail shall be deemed to have been given when seventy-two (72) hours have elapsed from the time such notice was deposited in the United States mail, certified mail, return receipt requested, and postage prepaid, addressed to the party to be served at the last address given by that party to the other party under the provisions of this section. As of the Lease Commencement Date, the addresses of the Landlord and Tenant are as specified in the Lease Summary.

ARTICLE 20. HAZARDOUS SUBSTANCES

Section 20.1 Presence and Use of Hazardous Substances. Tenant shall not, without Landlord's prior written consent, keep on or around the Premises, Common Areas or Building, for use, disposal, transportation, treatment, generation, storage or sale, any substances designated as, or containing components designated as, hazardous, dangerous, toxic or harmful (collectively referred to as "Hazardous Substances"), and/or are subject to regulation by any federal, state or local law, regulation, statute or ordinance.

Section 20.2 Cleanup Costs, Default and Indemnification. Tenant shall be fully and completely liable to Landlord for any and all cleanup costs and any and all other charges, fees, penalties (civil and criminal) imposed by any governmental authority with respect to Tenant's use, disposal, transportation, treatment, generation, storage and/or sale of Hazardous Substances, in or about the Premises, Common Areas, or Building, whether or not consented to by Landlord. Tenant shall indemnify, defend and hold Landlord harmless from any and all of the costs, fees, penalties, liabilities and charges incurred by, assessed against or imposed upon Landlord (as well as Landlord's attorneys' fees and costs) as a result of Tenant's use, disposal, transportation, treatment, generation, storage and/or sale of Hazardous Substances.

ARTICLE 21. MISCELLANEOUS

Section 21.1 Headings. The headings used in this Lease are for convenience only. They shall not be construed to limit or to extend the meaning of any part of this Lease.

Section 21.2 Amendments. Any amendments or additions to this Lease shall be in writing by the parties hereto, and neither Tenant nor Landlord shall be bound by any verbal or implied agreements.

Section 21.3 Time of the Essence. Time is expressly declared to be of the essence of this Lease.

Section 21.4 Entire Agreement. This Lease contains the entire agreement of the parties hereto with respect to the matters covered hereby, and no other agreement, statement or promise made by any party hereto, or to any employee, officer or agent of any party hereto, which is not contained herein, shall be binding or valid.

Section 21.5 Language. The words "Landlord" and "Tenant", when used herein, shall be applicable to one (1) or more persons, as the case may be, and the singular shall include the plural and the neuter shall include the masculine and feminine, and if there be more than one (1) the obligations hereof shall be joint and several. The word "persons" whenever used shall include individuals, firms, associations and corporations and any other legal entity, as applicable. The language in all parts of this Lease shall in all cases be construed as a whole and in accordance with its fair meaning, and shall not be construed strictly for or against Landlord or Tenant.

Section 21.6 Invalidity. If any provision of this Lease shall be deemed to be invalid, void or illegal it shall in no way affect, impair or invalidate any other provision hereof.

Section 21.7 Late Charges. Tenant hereby acknowledges that late payment by Tenant to Landlord of Rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which is difficult to determine, but include, without limitation, processing and accounting charges, and late charges which may be imposed upon Landlord by the terms of any mortgage or deed of trust covering the Premises. Therefore, in the event Tenant shall fail to pay any installment of Rent or other sum due hereunder within three (3) days of the due date, Tenant shall pay to Landlord as Additional Rent and as a reasonable estimate of the costs to Landlord, a late charge equal to ten percent (10%) of each installment or the sum of One Hundred Dollars ($100.00) per month, whichever is greater. A Fifty Dollar ($50.00) charge will be paid by the Tenant to the Landlord for each returned check. In the event Landlord pays any sum or expense on behalf of Tenant which Tenant is obligated to pay hereunder, or in the event Landlord expends any other sum or incurs any expense, or Tenant fails to pay any sum due hereunder, Landlord shall be entitled to receive interest upon that sum at the rate of eighteen percent (18%) per annum until paid.

Section 21.8 [**Not Used**].

Section 21.9 Computation of Time. The word “day” means “calendar day” herein, and the computation of time shall include all Saturdays, Sundays and holidays for purposes of determining time periods specified herein.

Section 21.10 Applicable Law. This Lease shall be interpreted and construed under and pursuant to the laws of the State of Washington.

Section 21.11 Attorneys’ Fees. In the event either party requires the services of an attorney in connection with enforcing the terms of this Lease or in the event suit is brought for the recovery of any Rent due under this Lease for the breach of any covenant or condition of this Lease, or for the restitution of the Premises to Landlord, and/or eviction of Tenant during the Term of this Lease or after the expiration thereof, the prevailing party will be entitled to a reasonable sum for attorneys’ fees, witness fees, and other court costs, both at trial and on appeal.

Section 21.12 Termination. Upon the termination of this Lease by expiration of time or otherwise, the rights of Tenant and all persons claiming under Tenant in and to the Premises shall cease.

Section 21.13 Broker’s Commission. Tenant represents and warrants that it has incurred no liabilities or claims for brokerage commissions or finder’s fees in connection with the negotiation and/or execution of this Lease and that it has not dealt with or has any knowledge of any real estate broker/agent or salesperson in connection with this Lease except for those identified in the Lease Summary. Tenant agrees to indemnify, defend, and hold Landlord harmless from and against, all of such liabilities and claims (including, without limitation, attorneys’ fees and costs) made by any other broker/agent or salesperson claiming to represent Tenant in connection with this Lease.

Section 21.14 Signs or Advertising. The Tenant will not inscribe any inscription or post, place, or in any manner display any sign, notice, picture or poster or any advertising matter whatsoever, anywhere in or about the Premises or Building which can be seen from outside the Premises, without first obtaining Landlord's written consent thereto. Any consent so obtained from Landlord shall be with the understanding and agreement that Tenant will remove these items at the termination of the tenancy herein created and repair any damage or injury to the Premises or the Building caused thereby. Landlord will install and maintain an Office Tower directory of tenants in the principal lobby entrances of the Building, and Landlord may, as it may determine from rime to time, publish or advertise the Office tenancy list of Landlord's Building. Tenant shall not use photographs, drawings, of other renderings of the Building, the Building logo or tradename, or any other proprietary name, mark or symbol of Landlord without first obtaining Landlord's prior written consent.

Section 21.15 Transfer of Landlord's Interest. In the event Landlord transfers its reversionary interest in the Premises or its rights under this Lease, other than a transfer for security purposes only, Landlord shall be relieved of all obligations occurring hereunder after the effective date of such transfer.

Section 21.16 Counterparts. This Agreement may be executed by the parries in counterparts, and each counterpart Agreement shall be deemed to be an original hereof.

Section 21.17 Quiet Enjoyment. Subject to the provisions of this Lease and conditioned upon performance of all of the provisions to be performed by Tenant hereunder, Landlord shall secure to Tenant during the Lease Term the quiet and peaceful possession of the Premises and all rights and privileges appertaining thereto.

Section 21.18 Authority. Each party hereto warrants that it has the authority to enter into this Agreement and that the signatories hereto have the authority to bind Landlord and Tenant, respectively.

Section 21.19 Name of Building. In the event Landlord chooses to change the name of the Building, Tenant agrees that such change shall not affect in any way its obligations under this Lease, and that, except for the name change, all terms and conditions of this Lease shall remain in full force and effect. Tenant agrees further that such name change shall not require a formal amendment to this Lease, but shall be effective upon Tenant's receipt of written notification from Landlord of said change.

Section 21.20 Rules and Regulations. Tenant agrees to abide by and adhere to any rules and regulations for the Building, and all amendments thereto, which may be promulgated from time to time by Landlord which do not materially change the provisions of this Lease. The rules and regulations currently in effect upon the date of execution of this Lease are set forth as Exhibit D attached hereto.

Section 21.21 Consents. Landlord shall act reasonably when determining whether to give any consents or approvals under the terms of this Lease.

Section 21.22 Agency Disclosure. At the signing of this Lease, the Leasing Representative(s) identified in the Lease Summary represented the party noted therein. Each party signing this document confirms that prior oral and/or written disclosure of agency was provided to him/her in this transaction (as required by WAC 308-124D-040).

Section 21.23 Lease Summary, Addendum and Exhibits. The Lease Summary, set forth in the opening pages of the Lease, as well as any Addenda and Exhibits to this Lease are hereby incorporated herein by reference.

Section 21.24 Survival. Those provisions of this Lease which, in order to be given full effect, require performance by either Landlord or Tenant following the termination of this Lease shall survive the Termination Date.

Section 21.25 Parking. During the term of the Lease, Landlord shall make available to Tenant in the Building Garage a total of four (4) vehicle parking spaces. The parking spaces shall be available as unreserved and undesignated spaces. Tenant shall pay Landlord (or the Garage operator if Landlord so requests) monthly rent for each vehicle parking space provided hereunder at the monthly parking rate for similar spaces in the Garage established from time to time by Landlord or the Garage operator. Tenant's use of parking in the Building Garage shall be subject to the terms and conditions of the Parking Agreement attached hereto as Exhibit H.

IN WITNESS WHEREOF, this Lease Agreement is executed on the day and year first written above.

TENANT:

SCOPE INTERNATIONAL, INC.,
a Washington corporation

By: /s/ Terry Mulberg
Its President

LANDLORD:

BENTALL CITY CENTRE L.L.C.,
a Washington limited liability company

By: BENTALL U.S. L.L.C., a Washington limited liability company
Its Sole member

By: /s/ Gary J. Carpenter
Gary J. Carpenter
Chief Operating Officer

By: /s/ Betsy Sutherland
Betsy Sutherland
Vice President and Regional Manager

TENANT ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgment is the person whose true signature appears on this document.

On this 28th day of September, 1998 before me personally appeared Terry Mulberg, to me known to be the President of SCOPE INTERNATIONAL, INC., the corporation that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

WITNESS my hand and official seal hereto affixed the day and year first above written.

/s/ Elizabeth S. Sutherland
Notary Public in and for the State of Washington, residing at Seattle
My commission expires: 11-15-98
Elizabeth S. Sutherland
[Type or Print Notary Name]

(Use This Space for Notarial Seal Stamp)

LANDLORD'S ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that the persons appearing before me and making this acknowledgment are the persons whose true signatures appear on this document.

On this 28th day of September, 1998 before me personally appeared Gary Carpenter, to me known to be the Chief Operating Officer of Bentall U.S. L.L.C., the sole member of BENTALL CITY CENTRE L.L.C., the limited liability company that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said company, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

WITNESS my hand and official seal hereto affixed the day and year first above written.

/s/ Anne M. Douglas
Notary Public in and for the State of Washington, residing at Seattle
My commission expires: 5-29-01
Anne M. Douglas
[Type or Print Notary Name]

(Use This Space for Notarial Seal Stamp)

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that the persons appearing before me and making this acknowledgment are the persons whose true signatures appear on this document.

On this 28th day of September, 1998 before me personally appeared Betsy Sutherland, to me known to be the Vice President and Regional Manager of Bentall U.S. L.L.C., the sole member of BENTALL CITY CENTRE L.L.C., the limited liability company that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said company, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

WITNESS my hand and official seal hereto affixed the day and year first above written.

/s/ Anne M. Douglas
Notary Public in and for the State of Washington, residing at Seattle
My commission expires: 5-29-01
Anne M. Douglas
[Type or Print Notary Name]

(Use This Space for Notarial Seal Stamp)

EXHIBIT A

EXHIBIT B

LEGAL DESCRIPTION

PARCEL A:

Apartment Number 2 of Sixth and Union Condominium, a condominium intended for commercial use, according to the condominium plan and survey map delineating said apartment, recorded in Volume 90 of condominiums, pages 1 through 9, inclusive, under King County Recording Number 8901121121;

TOGETHER WITH an undivided 54.8% interest in the common areas and facilities appertaining to said apartment, and including therein, limited common areas and facilities so appertaining, according to the condominium declarations recorded under King County Recording Number 8901121122.

PARCEL B:

The southeasterly half of Lot 6 and all of Lot 7, Block 17, Addition to the Town of Seattle, as laid out by AA. Denny (commonly known as A.A. Denny's Third Addition to the City of Seattle), according to the plat thereof recorded in volume 1 of Plats, page 33, in King County, Washington;

TOGETHER WITH the northeasterly half in width of vacated alley adjoining Lot 7 and the southeasterly half of Lot 6, all in Block 17; EXCEPT that portion lying within the following described parcel:

Beginning at the southeast corner of Block 17, Addition to the City of Seattle, as laid out by A.A. Denny (commonly known as A.A. Denny's Third Addition to the City of Seattle), according to the plat thereof recorded in Volume 1 of Plats, page 33, in King County, Washington; thence northerly along the east line of said Block 17, north 30 37'10" west 5.00 feet to a point 5.00 feet northerly of, as measured at right angles, the south line of said Block 17 and the TRUE POINT OF BEGINNING; thence westerly and parallel with the south line, south 59 21'52" west 131.00 feet; thence northerly and parallel with the east line of said Block 17, north 30 37'10" west 127.50 feet; thence easterly and parallel with the south line of said Block 17, north 59 21'52" east 131.00 feet to the east line of said Block 17; thence southerly along said east line, south 30 37'10" east 127.50 feet to the point of beginning.

PARCEL C:

Beginning at the southeast corner of Block 17, Addition to the City of Seattle, as laid out by A.A. Denny (commonly known as A.A. Denny's Third Addition to the City of Seattle), according to the plat thereof recorded in Volume 1 of Plats, page 33, in King County, Washington; thence northerly along the east line of said Block 17, north 30 37'10" west 5.00 feet to a point 5.00 feet northerly of, as measured at right angles, the south line of said Block 17; thence westerly and parallel with said south line, south 59 21'52" west 131.00 feet to the TRUE POINT OF BEGINNING; thence northerly

and parallel with the east line of said Block 17, north 30 37’10” west 127.50 feet; thence easterly and parallel with the south line of said Block 17, north 59 21’52” east 131.00 feet to the east line of said Block 17; thence northerly along said east line, north 30 37’10” west 217.23 feet to a point 10.00 feet south of, as measured at right angles, the north line of Block 17; thence westerly and parallel with said north line, south 59 22’24” west 256.07 feet to the west line of said Block 17; thence southerly along said west line, south 30 38’15” east 229.85 feet to the northwest corner of Lot 9 of said Block 17; thence easterly along the north line of said Lot 9, north 59 22’03” east 120.00 feet to the northeast corner of said Lot 9; thence southerly along the east line of said Lot 9, south 30 37’43” east 114.92 feet to a point 5.00 feet northerly of, as measured at right angles, the south line of said Block 17; thence easterly and parallel with said south line, north 59 21’52” east 4.98 feet to the point of beginning; EXCEPT the southeasterly half of Lot 6 and all of Lot 7, Block 17, Addition to the Town of Seattle, as laid out by A.A. Denny (commonly known as A.A. Denny’s Third Addition to the City of Seattle), according to the plat thereof recorded in Volume 1 of Plats, page 33, in King County, Washington; AND EXCEPT the northeasterly half in width of the vacated alley adjoining said Lot 7 and the southeasterly half of Lot 6, all in Block 17.

EXHIBIT C

TO

U.S. BANK CENTRE OFFICE LEASE AGREEMENT

SCOPE INTERNATIONAL, INC.

WORKLETTER

I. BASIC BUILDING IMPROVEMENTS PROVIDED BY LANDLORD

Tenant shall accept the Premises on an "AS-IS" basis. Landlord shall have no obligation to alter, remodel or improve the Premises, excluding Landlord's agreement to construct and install a doorway into the existing inaccessible approximate 500 square foot area, which comprises a portion of the 3,874 rentable area of the premises, which area Landlord shall cause to be clean and clear of existing property of other tenant(s), ready for the installation by Tenant of the Tenant Improvements described in this work letter.

II. TENANT IMPROVEMENTS

Subject to Landlord's prior written approval, which approval will not be unreasonably withheld or delayed or unreasonably conditioned, Tenant shall have the right to have certain tenant improvements installed in the Premises in accordance with the provisions of the Lease and this Work Letter. The tenant improvements approved by Landlord are referred to as the "Tenant Improvements". Landlord shall pay the cost of such Tenant Improvements up to an amount equal to $13.00 per rentable square foot of the Premises (the "Tenant Improvement Allowance"). The Tenant Improvement Allowance shall be used exclusively for the cost of design and construction of Tenant Improvements which will be permanently affixed to the Premises including, but not be limited to: Landlord's construction management fee (as described in Section IV below), space planning fees, architectural fees, engineering fees, cabling, partitions, doors, door frames, hardware, paint, wall coverings, bass, floor coverings, thermostats, telephone and electrical outlets, light switches, window coverings, all fire life safety modifications and upgrades, supplemental HVAC, all applicable permit fees, building standard signage and sales tax. The Tenant Improvement Allowance shall not be used for Tenant's personal property including equipment, furniture, or trade fixtures. The cost of the Tenant Improvements up to the Tenant Improvement Allowance shall be applied by Landlord directly to Landlord's contractor performing the work. All costs and expenses related to the Tenant Improvements in excess of the Tenant Improvement Allowance shall be paid directly by Tenant to the contractor(s) performing the work when due.

III. DESIGN OF TENANT IMPROVEMENTS

Tenant shall cause Tenant's architect to prepare all space plans, work letters and construction drawings for the Tenant Improvements, all of which shall be subject to Landlord's written approval, which approval shall not be unreasonably withheld or delayed. Tenant shall use one of Landlord's approved architects for preparation or review of the Final Plans (as defined below). The construction drawings (the "Final Plans") shall be sufficient to obtain all required building permits.

IV. CONSTRUCTION OF TENANT IMPROVEMENTS

A. Construction by Landlord: Landlord's contractor shall construct the Tenant Improvements in accordance with the approved Final Plans (the "Work"). Tenant may select Tenant's contractor from a list of three contractors provided by Landlord. Tenant shall be responsible for reviewing all bids for the Tenant Improvements. Tenant, at Tenant's cost, shall provide Landlord with a copy of final as-built plans following completion of the Tenant Improvements. Tenant shall pay Landlord a construction management fee equal to, four percent (4%) of the actual cost of the Work (excluding design fees), as evidenced by the signed construction contract with Unimark Construction, including, without limitation, permit fees, sales tax, and change orders. Landlord shall use its reasonable best efforts to cause the contractor to complete the Work by the Lease Commencement Date.

B. Payments: Payment for the Work shall be made in accordance with Section II above.

C. Changes in Final Plans: Any substantive change to the Final Plans must be approved by Landlord in writing and shall be completed at Tenant's expense.

EXHIBIT D

RULES AND REGULATIONS

1. The sidewalks, halls, passages, elevators, stairways, exits and entrances of the Building shall not be obstructed by Tenant or used by it for any purpose other than for ingress and egress from the Premises. The halls, passages, exits, entrances, elevators, retail arcade, escalators, balconies and stairways are not for the use of the general public, and Landlord shall in all cases retain the right to control and prevent access to those areas by all persons whose presence in the judgment of Landlord would be prejudicial to the safety, character, reputation and interests of the Building and its tenants, provided that nothing in this Lease shall be construed to prevent access to persons with whom Tenant normally deals in the ordinary course of its business, unless those persons are engaged in illegal activities. Tenant shall not go upon the roof of the Building, except in areas that Landlord may designate as "Common Areas" from time to time.

2. The Premises shall not be used for lodging or sleeping. Unless ancillary to a restaurant or other food service use specifically authorized in Tenant's Lease, no cooking shall be done or permitted by Tenant on the Premises, except that the preparation of hot beverages and use of microwave ovens for Tenant and its employees shall be permitted.

3. Landlord shall clean the leased Premises in manner reasonably standard and consistent with the Building as a first class building in CBD of Seattle, attached hereto, and except with the written consent of Landlord, no person or persons other than those approved by Landlord will be permitted to enter the Building for such purpose, but Tenant shall have the right to have an employee on the Premises for special and/or extraordinary cleaning as desired by Tenant and at Tenant's expense. Tenant shall not cause unnecessary labor by reason of Tenant's carelessness and indifference in the preservation of good order and cleanliness.

4. Tenant shall not alter any lock or install a new or additional lock or any bolt on any door of the Premises without furnishing Landlord with a key for any lock and obtaining Landlord's prior permission. Tenant, upon the termination of its tenancy, shall deliver to Landlord all keys and/or security cards to doors in the Building and the Premises that shall have been furnished to Tenant and in the event of less of any keys and/or security cards so furnished, shall pay Landlord for the lost keys and/or security cards and changing of locks as a result of such loss.

5. The freight elevator shall be available for use by Tenant, subject to reasonable scheduling as Landlord shall deem appropriate. The persons employed by Tenant to move equipment or other items in or out of the Building must be acceptable to Landlord. Landlord shall have the right to prescribe the weight, size and position of all equipment, materials, supplies, furniture or other property brought into the Building. No safes or other objects larger or heavier than the freight elevator of the Building is limited to carry shall be brought into or installed on the Premises without Landlord's prior written consent. Heavy objects shall, if considered necessary by Landlord, stand on wood strips of thickness as is necessary to properly distribute the weight of those objects. Landlord will not be responsible for loss of or damage to any property from any cause, and all damage done to

the Building by moving or maintaining Tenant's property shall be repaired at the expense of Tenant. The moving of heavy objects shall occur only between those hours as may be designated by and only upon written notice to Landlord and the persons employed to move heavy objects in or out of the Building must be acceptable to Landlord.

6. Tenant shall not use or keep in the Premises or the Building any kerosene, gasoline or flammable or combustible fluid or materials or use any method of heating or air conditioning other than that supplied by Landlord. Tenant shall not sweep or throw or permit to be swept or thrown from the Premises any debris or other substance into any of the corridors, halls or lobbies or out of the doors or windows or into the stairways of the Building and Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substance in the Premises. Tenant shall not use, keep or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business in the Building.

7. During non-business hours and on holidays access to the Building, or to the halls, corridors or stairways in the Building, or to the Premises, may be refused unless the person seeking access is known to the Building and has a pass or is properly identified. Landlord shall in no case be liable for damages for the admission to or exclusion from the Building of any person whom Landlord has the right to exclude under Rule 1 above. In case of invasion, mob, riot, public excitement or other circumstances rendering that action advisable in Landlord's opinion, Landlord reserves the right to prevent access to the Building during the continuance of that activity by taking those actions that Landlord may deem appropriate, including closing entrances to the Building.

8. Tenant shall see that the doors of the Premises are closed and securely locked when Tenant's employees leave the Premises, after hours.

9. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, no foreign substance of any kind whatsoever shall be deposited in any of them, and any damage resulting to them from Tenant's misuse shall be paid for by Tenant.

10. Except with the prior written consent of Landlord, Tenant shall not sell, or permit the sale from the Premises of newspapers, magazines, periodicals, theater tickets or any other goods, merchandise or service, nor shall Tenant carry on, or permit or allow any employee or other person to carry on, business in or from the Premises for the service or accommodation of occupants of any other portion of the Building, nor shall the Premises be used for manufacturing of any kind, or for any business or activity other than that specifically provided for in Tenant's Lease. No Tenant shall obtain for use upon the Premises ice, towel and other similar services, or accept barbering or shoe polishing services in the Premises, except from persons authorized by Landlord and at hours and under regulations fixed by Landlord.

11. Tenant shall not install any radio or television antenna, loudspeaker or other device on the roof or exterior walls of the Building.

12. Tenant shall not use in any space, or in the Common Areas of the Building, any handtrucks except those equipped with rubber tires and side guards or other material handling equipment as Landlord may approve. No other vehicles of any kind shall be brought by Tenant into the Building or kept in or about the Premises. All mail carts shall be equipped with rubber guards to protect elevators, doors and hallways.

13. No sign, advertisement or notice visible from the exterior of the Premises shall be inscribed, painted or affixed by Tenant on any part of the Building or the Premises without the prior written consent of Landlord. If Landlord shall have consented at anytime, whether before or after the execution of this Lease, that consent shall in no way operate as a waiver or release of any of the provisions of this Rule 13 or of this Lease, and shall be deemed to relate only to the particular sign, advertisement or notice so consented to by Landlord and shall not be construed as dispensing with the necessity of obtaining the specific written consent of Landlord with respect to each and every such sign, advertisement or notice other than the particular sign, advertisement or notice, as the case may be, so consented to by Landlord.

14. Except as shown in the design plan approved by Landlord, the sashes, sash doors, windows, glass, relights, and any lights or skylights that reflect or admit light into the halls or other places of the Building shall nor be covered or obstructed and, there shall be no hanging plants or other similar objects in the immediate vicinity of the windows or placed upon the window sills or hung from the window heads.

15. No tenant shall lay linoleum or other similar floor covering so that it is affixed to the floor of the Premises in any manner except by a paste, or other material which may easily be removed with water, the use of cement or other similar adhesive materials being expressly prohibited. The method of affixing any linoleum or other similar floor covering to the floor, as well as the method of affixing carpets or rugs to the Premises, shall be subject to approval by Landlord. The expense of repairing any damage resulting from a violation of this Rule 15 shall be borne by the Tenant by whom, or by whose agents, clerks, employees or visitors, the damage shall have been caused.

16. All loading, unloading, and delivery of merchandise, supplies, materials and furniture to the Premises shall be made during reasonable hours and in entryways and elevators as Landlord shall designate. In its use of the building loading dock, Tenant shall not obstruct or permit the obstruction of loading areas, and at no time shall Tenant park vehicles in the loading areas except for loading and unloading.

17. Canvassing, soliciting, peddling or distribution of handbills or any other written material in the Building is prohibited and Tenant shall cooperate to prevent these activities.

18. Tenant shall not permit the use or the operation of any coin operated machines on the Premises, including, without limitation, vending machines, video games, pinball machines, or pay telephones without the prior written consent of Landlord.

19. Landlord may direct the use of all pest extermination and scavenger contractors through-out the Building and/or Premises at intervals as Landlord may require.

20. If Tenant desires telephone or telegraph connections, Landlord will direct service technicians as to where and how the wires are to be introduced. No boring or cutting for wires or otherwise shall be made without directions from Landlord.

21. Tenant shall immediately, upon request from Landlord (which request need not be in writing), reduce its lighting in the Premises for temporary periods designated by Landlord, when required in Landlord's judgment to prevent overloads of mechanical or electrical systems of the Building.

22. Landlord reserves the right to select the name of the Building and to change the name as it may deem appropriate from time to time, and Tenant shall not refer to the Building by any name other than: (a) the names as selected by Landlord (as that name may be changed from time to time), or (b) the postal address, approved by the United States Post Office. Tenant shall not use the name of the Building in any respect other than as an address of its operation in the Building without the prior written consent of Landlord.

23. The requirements of Tenant will be attended to only upon application by telephone or in person at the office of the Building manager. Employees of Landlord shall not perform any work or do anything outside of their regular duties unless under special instruction from Landlord.

24. Landlord may waive any one or more of the Rules and Regulations for the benefit of any particular tenant or tenants, but no waiver by Landlord shall be construed as a waiver of the Rules and Regulations in favor of any other tenant or tenants, nor prevent Landlord from thereafter enforcing any Rules and Regulations against any or all of the tenants in the Building.

25. Wherever the word "Tenant" occurs in these Rules and Regulations, it is understood and agreed that it shall mean Tenant's assigns, subtenants, associates, agents, clerks, employees and visitors. Wherever the word "Landlord" occurs in these Rules and Regulations, it is understood and agreed that it shall mean Landlord's assigns, agents, clerks, employees and visitors.

26. These Rules and Regulations are in addition to, and shall not be construed in any way to modify, alter or amend, in whole or part, the terms, covenants, agreements and conditions of any Lease of Premises in the Building.

27. Landlord reserves the right to make additional rules and regulations as in its judgment may from time to time be needed for the safety, care and cleanliness of the Building, and for the preservation of good order therein.

EXHIBIT E

Intentionally deleted.

EXHIBIT F

ESTOPPEL CERTIFICATE

(FORM)

_____
_____
_____ (the
"Agent"), for itself and as agent
for certain lenders ("Lenders")

BENTALL CITY CENTRE L.L.C.,
a Washington limited liability company,
("Landlord")

OFFICE TENANT ESTOPPEL CERTIFICATE

Re:	Lease Dated:	
	Commencement Date:	
	Termination Date:	
	Landlord:	BENTALL CITY CENTRE L.L.C.
	Tenant:	
	Premises:	Approximately _____ sq. ft. located at Suite _____, U.S. Bank Centre, 1420 Fifth Avenue, Seattle, Washington ("Premises")

Tenant under the above-described lease (the "Lease") hereby certifies to Agent and to Landlord as follows:

1. Attached hereto is a true, correct and complete copy of the Lease, the Premises of which are more particularly described in the Lease. The Lease represents the entire agreement between the parties as to the Premises and is now in full force and effect. All provisions of the Lease and the amendments thereto (if any) referred to above are hereby ratified.

2. The term of the Lease commenced on _____, 19 ____. Rent commenced to accrue on _____,19 ____.

3. Tenant entered into occupancy of the Premises on or about _____, 19 ____. Tenant opened for business at the Premises on or about _____, 19 ____.

4. The initial term of the Lease shall expire on _____, 19 ___, with _____ (___) renewal option(s) of a period of _____ (_____) years each.

5. The Lease has not been amended, modified, supplemented, extended, renewed or assigned, except as follows: _____

(if none, so state)

6. All conditions of the Lease to be performed by Landlord thereunder and necessary to the enforceability of the Lease have been satisfied, except as follows: _____

(if none, so state)

7. Tenant acknowledges that the Lease has been (or will be) assigned to Agent. Tenant has not received any notice of any other sale, pledge, transfer or assignment of the Lease or of the rentals thereunder by Landlord.

8. The amount of fixed monthly rent is currently $ _____.

9. The amount of the security deposit (if any) deposited by Tenant is $ _____. No other security deposits have been made.

10. Tenant is paying the full rental under the Lease, which rental has been paid in full as of the date hereof. No rental under the Lease has been paid for more than thirty (30) days in advance of its due date.

11. There are no defaults on the part of Landlord under the Lease, and there are no events currently existing (or with the passage of time, giving of notice or both, would exist) which give Tenant the right to cancel or terminate the Lease.

12. Tenant has no defense as to its obligations under the Lease and claims no setoff or counterclaim against Landlord.

13. Tenant has no right to any concession (rental or otherwise) or similar compensation in connection with renting the space it occupies, except as provided in the Lease.

14. There are no actions, whether voluntary or otherwise, pending against the undersigned or any guarantor of Tenant's obligations under the Lease pursuant to the bankruptcy or insolvency laws of the United States or any state thereof.

15. Tenant represents and warrants that it has not used, generated, released, discharged, stored or disposed of any hazardous waste, hazardous substances, toxic waste, toxic substances or related materials (collectively, "Hazardous Materials") on, under, in or about the Premises, or transported any Hazardous Materials to or from the Premises, other than Hazardous Materials used in the

ordinary and commercially reasonable course of Tenant's business in compliance with all applicable laws.

16. Tenant acknowledges that the present Landlord of the Premises is BENTALL CITY CENTRE L.L.C., the owner of the property which includes the Premises.

17. Tenant's address for notices under the terms of the Lease is: _____

18. Tenant acknowledges that Landlord is relying on the representations made herein.

19. Tenant acknowledges that Lenders intend to continue to finance the indebtedness of BENTALL CITY CENTRE L.L.C or its partners, to be secured by the property of which the Premises are a part, that BENTALL CITY CENTRE L.L.C. intends to collaterally assign the Lease to Agent in connection with such financing, and that Lenders are relying upon the representations made herein.

20. Tenant confirms that BENTALL CITY CENTRE L.L.C continues to be the Landlord under the Lease. Tenant will continue to pay all rents and other amounts due thereunder to BENTALL CITY CENTRE L.L.C. in accordance with notices delivered or to be delivered by BENTALL CITY CENTRE L.L.C.

DATED: _____, 19 ____

TENANT: _____

a _____

By. _____

Its _____

ACCEPTED AND AGREED THIS
_____ day of _____, 19___.

LANDLORD:

BENTALL CITY CENTRE L.L.C, a Washington limited liability company

By BENTALL U.S. L.L.C., a Washington limited liability company

Its Sole Member

By _____
Gary J. Carpenter
Chief Operating Officer

Exhibit A — Lease

EXHIBIT G

SUBORDINATION AGREEMENT (FORM)

SUBORDINATION, ATTORNMENT,
NOTICE AND NON-DISTURBANCE AGREEMENT

THIS AGREEMENT is made as of the _____ day of _____, 1990, by and between _____ ("Tenant"), and _____ (the "Agent"), for itself and as agent of certain lenders ("Lenders").

RECITALS:

A. Tenant entered into a certain lease (the "Lease"), dated the _____ day of _____19___, with BENTALL CITY CENTRE, L.L.C., a Washington limited liability company ("Landlord"), pertaining to certain improvements (the "Improvements") constructed on land located in King County, Washington, described on Exhibit A (the land and the improvements are hereafter called "the Property").

B. Lenders continue to provide financing (the "Loans") which is secured by a Deed of Trust, Security Agreement and Financing Statement from Landlord recorded in the records of King County, Washington, creating a valid first lien on the Property and a valid Deed of Trust (the Deed of Trust and all renewals, modifications, substitutions, extensions and replacements thereof, including increases in the indebtedness secured thereby, are hereafter collectively called the "Deed of Trust").

C. Lenders have required that Tenant subordinate its interest in the Lease to the Deed of Trust and agree to attorn to Lenders as a condition precedent to the making of the Loans.

NOW, THEREFORE, in consideration of the foregoing facts and the mutual covenants set forth herein, Tenant and Agent hereby agree as follows, notwithstanding anything contained in the Lease to the contrary;

1. Tenant agrees that the Lease and the rights of Tenant thereunder are and shall remain subordinate to the Deed of Trust and all renewals, extensions, and modifications thereof.

2. Lenders agree that they will not disturb the possession of Tenant under the Lease upon any judicial or nonjudicial foreclosure of the Deed of Trust, or upon acquiring title to the Property by deed in lieu of foreclosure if Tenant is not then in default under the Lease or hereunder, and agree further that, so long as Tenant is not in default under the Lease or hereunder, Lenders thereafter will (a) accept the attornment of Tenant, (b) recognize all renewal rights set forth in the Lease, and (c) undertake and perform all obligations as Landlord under the Lease.

3. In the event of the foreclosure of the Deed of Trust, judicially or nonjudicially, or if title to the Property is conveyed by deed in lieu of foreclosure, Tenant agrees to attorn to and accept the purchaser(s) at the foreclosure sale(s) conducted pursuant to the Deed of Trust or the grantee(s) in such deed(s) in lieu of foreclosure and his or its (or their) heirs, legal representatives, successors and assigns as Landlord under the Lease for the balance then remaining of the term thereof, subject to all terms and conditions of the Lease; provided, however, that in no event shall any such purchaser (or grantee) of the Property or the holder of the Deed of Trust be; (i) liable for obligations or acts of Landlord occurring or arising prior to the date of such foreclosure or deed on lieu of foreclosure, (ii) liable for any rent paid in advance by Tenant for any period beyond the month in which Lender succeeds to the interest of Borrower under the Lease, (iii) subject to any offsets or defenses which Tenant may have against any prior Landlord, except for on-going non-monetary obligations of the Landlord under this Lease, (iv) bound by any previous amendment or modification of the Lease or any waiver or forbearance by Landlord unless the same was approved in writing by Lender.

4. Tenant agrees that with respect to any written notice required to be given to Landlord under the Lease, a copy of such notice shall be delivered to Agent. Tenant also agrees to give Agent notice of each default of Landlord and any successor landlord under the Lease and thirty (30) days to cure such default prior to the exercise by Tenant of any right to terminate the Lease; provided that, if such default is of a nature that it is not capable of being cured within a 30-day period, Tenant shall not exercise any such right to terminate the Lease if Agent is diligently pursuing such cure. With respect to a default which is personal to Landlord such as bankruptcy and thus not capable of being cured by Agent or a default which is not capable of being cured without possession of the Property, Agent shall be deemed to be curing such default if, within such 30-day period, Agent commences and thereafter pursues (subject to any judicial stays, injunctions, or other delays) foreclosure proceedings with respect to the Property.

5. Any notice required of permitted to be delivered hereunder shall be deemed to be delivered, whether actually received or not, when deposited in the United States Mail, postage prepaid, registered or certified mail, return receipt requested, addressed to the parties hereto at the respective addresses set out opposite their names below, or such other addresses as they have heretofore specified by written notice delivered in accordance herewith:

Tenant: _____
_____
_____

Agent: _____
_____
_____

6. Tenant shall not pay rental under the Lease for more than one month in advance.

7. Tenant acknowledges that as of the date of execution of this Agreement, there is no default by the Landlord under the terms of the Lease and the Lease is in full force and effect.

8. Nothing in this Agreement shall be construed to require Agent to see to the application of the proceeds of the Loan, and Tenant's agreement set forth herein shall not be impaired on account of any modifications of the documents evidencing and securing the Loans.

9. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their successors and assigns.

EXECUTED as of the date set cut above and all documents attached hereto will be effective on the date stared above.

TENANT: _____

a _____

By: _____

Its: _____

AGENT: _____

By: _____

Its: _____

ACCEPTED AND AGREED THIS
_____ day of _____, 19___.

LANDLORD:

BENTALL CITY CENTRE L.L.C, a Washington limited liability company

By BENTALL U.S. L.L.C., a Washington limited liability company

Its Sole Member

By _____
Gary J. Carpenter
Chief Operating Officer

Exhibit A — Legal Description

ADD APPROPRIATE ACKNOWLEDGMENT FORMS FOR SIGNATURES

EXHIBIT H

PARKING AGREEMENT

Unless terminated as set forth herein, so long as the lease to which this Parking Agreement is attached (hereinafter the "Lease") remains in effect, and so long as the Rules and Regulations adopted by Landlord are not violated, Tenant hereby rents from Landlord, and Landlord hereby rents to Tenant, for use by Tenant or Tenant's employees who normally occupy the Building, on a non-exclusive basis, FOUR (4) parking space(s) in the above-referenced parking garage (hereinafter "Garage") at the current monthly market rate which shall be established by Landlords' Parking Operator (hereinafter "Operator") and adjusted from time to time and applicable to monthly parking spaces. Tenant may validate visitor parking by such methods or methods as Operator may approve, at the validation rate and from time to time generally applicable to visitor parking. Landlord expressly reserves the right to designate parking areas and to modify the parking structure for other uses or to any extent. Tenant may terminate Tenant's rental of one or more of the parking spaces by giving Landlord fifteen (15) days advance written notice thereof. Unless Tenant terminates the rental of the parking spaces, Tenant shall be responsible for paying rent on all parking space for the entire term of the Lease. If Tenant terminates the rental of one or more parking spaces, Tenant shall not have the right to reinstate the parking spaces terminated unless Landlord determines, in its sole discretion, that sufficient parking spaces are available.

The following Rules and Regulations, including the sticker, Secard or other identification system (hereinafter "Parking Identification") established by operator, are in effect until notice is given to Tenant of any change. Landlord reserves the right to modify and/or adopt such other reasonable and non-discriminatory Rules and Regulations for the Garage as it deems necessary for the operation of the Garage. Landlord may refuse to permit any person who violates the Rules and Regulations to park in the Garage, and any violation of these Rules and Regulations may result, in the operator's full discretion, in the violator's vehicle being barreled at a charge of $15.00 and/or removed at the violator's expense. In either of said events, the Parking Identification supplied by Landlord may be requested by Landlord and must then be returned to Landlord.

RULES AND REGULATIONS

1. Public Garage hours are posted at the entrance and exits of the Garage. Landlord reserves the right to adjust such hours.
2. Vehicles must be parked entirely within the stall lines painted on the floor.
3. Monthly parkers may park in any open space not designated "reserved", "handicapped" or "no parking".
4. All directional signs and arrows must be observed.
5. The speed limit shall be 5 miles per hour.

6. Parking is prohibited:
    a. In areas not striped for parking;
    b. In aisles;
    c. Where “no parking” signs are posted;
    d. In cross-hatched areas;
    e. In such other areas as may be designated by operator;
    f. In compact stalls by oversized vehicles.
7. The Parking Identification supplied by Landlord or operator shall remain the property of Landlord. Such Parking Identification must be displayed as requested and may not be mutilated in any manner. The serial number of the Parking Identification may not be obliterated. Parking Identification may be transferable upon prior authorization by Operator, but any Parking Identification in the possession of an unauthorized holder will be void.
8. The monthly rate for rental of parking spaces is payable in advance and must be paid on or before the first day of each month. Failure to do so will automatically cancel parking privileges and a reinstatement fee may be charged. No deductions or allowances from the monthly rate will be made for days the designated parker does not use the Garage.
9. Garage managers or attendants are not authorized to make or allow any exceptions to these Rules and Regulations.
10. Every designated parker is required to park and lock his own vehicle. All responsibility for damage to vehicles or persons while in the Garage is assumed by the designated parker.
11. Loss or theft of Parking Identification from vehicles must be reported to the Operator immediately.
    a. Any Parking Identification reported lost or stolen found on any unauthorized vehicle will be confiscated and the holder will be subject to prosecution.
    b. Any Parking Identification found by the user must be reported to the Operator immediately to avoid confusion.
12. Spaces rented to persons are for the express purpose of parking one vehicle per space. Washing, waxing, cleaning or servicing of any vehicle by the designated parker and/or his agents is prohibited.
13. Parking shall be for motor vehicles only. Trailers, or similar transport vehicles designed to be towed by a motor vehicle, shall be prohibited.

14. Operator reserves the right to refuse the sale of monthly stickers or other Parking Identification to any Tenant or person and/or his agents or representatives who willfully refuse to comply with the above Rules and Regulations and all posted city, state or federal ordinances, or laws or agreements.

15. Tenant shall acquaint all persons to whom Tenant assigns parking spaces of these Rules and Regulations.

16. Landlord shall not be responsible for any theft and/or vandalism to designated Parker's vehicle or its contents while in the Garage.

17. If designated parker forgets Parking Identification and a daily ticket is pulled, that ticket must be presented for validation to the Operator the same day prior to exiting the Garage or otherwise, the posted daily parking rate will apply.

18. Parking privileges shall be on an unassigned or executive valet basis as designated by Operator.

Monthly parking is available twenty-four (24) hours, seven (7) days a week. Tenants and their visitors shall have priority use of all parking areas. Garage monthly parking charges may be adjusted from time to time by Landlord.

Upon receipt of payment, a fully completed signed parking application, and this Agreement, by operator, the designated parker will be issued Parking Identification to be used to gain access to the Garage. Only one Parking Identification will be issued and it is the responsibility of the designated parker to transfer the Parking Identification if they have more than one vehicle. Payment of the monthly parking is the responsibility of the Tenant. Parking access may be restricted depending on the parking area selected. Monthly parkers taking tickets to gain access to a restricted area will be responsible for payment of the posted parking rate upon exiting.

Monthly parking fees are due and payable in advance on the first day of the month. If the monthly parking fee is not paid by the fifth working day of the month, Operator will terminate the monthly parking privileges (and have the designated Parker's Parking Identification, if applicable, deleted from the system, denying access to the parking areas. If the fifth of the month falls on a weekend or holiday, the next business day will apply.

MONTHLY PARKING IS PAYABLE WITHOUT THE SUBMISSION OF AN INVOICE OR STATEMENT AND A REINSTATEMENT FEE OF $15.00 WILL BE IMPOSED FOR PAYMENTS RECEIVED AFTER 2:00 P.M. ON THE FIFTH WORKING DAY OF EACH MONTH.

There are no refunds granted for monthly parking for any reason.

Proration to one-half (1/2) month's monthly parking fee will be observed only after the 16th day of each month.

EXHIBIT “A”

Seattle Leasing Co. Lease No. 2335

Quantity	Equipment Description
	Inter-Tel Axxess Digital Telephone System equipped to accommodate: 24 Digital Stations, 8 Analog Stations, 1 Local T-1
1	Axxess Main Cabinet, 7 Universal Card Slots, includes Remote Maintenance Modem
1	Power Supply (9 amp)
1	Axxess CPU 128, includes CPU 128 Software
1	Axxess Database, Programming Software — Provides Windows-Based System Administration
1	25-Unit Software Key (PAL)
1	Digital Station Card, 8 Digital Telephones Per Card, Requires Card Slot
1	Digital Station Card, 16 Digital Telephones Per Card, Requires Card Slot
1	T-1 Card, on Board CSU, Requires Card Slot
19	Standard Digital Telephone with Liquid Crystal Display, Features 32 Character LCD, Speakerphone Capability w/Use of Options Card
4	Executive Digital Telephone, Features 6X16 Character Context Sensitive LCD and Full-Duplex Speakerphone
1	Direct Station Selection (DSS) Console, Features 60 DSS Programmable Keys, Requires PC Data Port Module
1	Option Card, Supports up to 4 DSP’s, Includes Options Software, One DSP Included on Card, Requires Card Slot
1	Axxessory Talk Windows NT Platform, 4 Ports, 165 Hours Storage
1	Axxessory Talk Visual Mail, 20 User, Integrates Voice Mail, E-Mail and Faxes on Computer Desktop, Displays messages within E-Mail sent across WAV files
1	Ultimate! Call Accounting Software for Windows
1	PC Shelf
1	Analog Station Card (16 Port)
1	Power Supply
1	PC Data Port Module

This Exhibit “A” is attached to and a part of Seattle Leasing Co. Lease No. 2335 and constitutes a true and accurate description of the equipment.

LESSEE: Scope International, Inc.

BY: /s/ Terry Mulberg
TITLE: President

SCHEDULE "A"
EQUIPMENT LIST

Proposed System: Inter-Tel Axxess Digital Telephone System equipped to accommodate:

= 24 Digital Stations
= 8 Analog Stations
= 1 Local T-1

System Capacity: 128 Universal Ports with the Ability to Expand up to 512 Universal Ports

QTY	PART #	DESCRIPTION	UNIT PRICE	EXTENDED PRICE
SYSTEM COMPONENTS				
1	550.1300/ 550.3026	Axxess Main Cabinet — 7 Universal Card Slots, — Includes Remote Maintenance Modem	$ 1,021.00	$ 1,021.00
1	550.0110	Power Supply (9 amp)	$ 737.00	$ 737.00
1	550.2010	Axxess CPU 128 — Includes CPU 128 Software	$ 1,580.00	$ 1,580.00
1	827.8662	Axxess Database Programming Software — Provides Windows-Based System Administration	No Charge	No Charge
1	827.8473	25-Unit Software Key (PAL)	$ 840.00	$ 840.00
		Required Feature Units: Optional Feature Units:		
		Automatic Route Selection (3 units) Advanced CO Interface (7 units)		
		Directories (2 units) ACD Hunt Groups (5 units)		
		System forwarding (3 units) Uniform Call Distribution Hunt groups (5 units)		
		Subtotal: 8 units		
STATION/LINE CARDS				
1	550.2101	Analog Station Card — 8 Ports Per Card — Requires Card Slot	$ 1,160.00	$ 1,160.00
1	550.2200	Digital Station Card — 8 Digital Telephones Per Card — Requires Card Slot	$ 414.00	$ 414.00
1	550.2250	Digital Station Card — 16 Digital Telephones Per Card	$ 1,034.00	$ 1,034.00

QTY	PART #	DESCRIPTION	UNIT PRICE	EXTENDED PRICE
		— Requires Card Slot		
1	550.2730	T-1 Card — On Board CSU — Requires Card Slot	$ 2,530.00	$ 2,530.00
STATION EQUIPMENT				
19	550.4400	Standard Digital Telephone with Liquid Crystal Display — Features 32 Character LCD — Speakerphone Capability with Use of Options Card	$ 307.00	$ 5,833.00
4	550.4500	Executive Digital Telephone — Features 6 X 16 Character Context Sensitive LCD and Full-Duplex Speakerphone	$ 458.00	$ 1,832.00
1	550.4200	Direct Station Selection (DSS) Console - - Features 60 DSS Programmable Keys - - Requires PC Data Port Module	$ 381.00	$ 381.00
FEATURE SUPPORT EQUIPMENT				
1	550.2600	Option Card — Supports up to 4 DSP’s — Includes Options Software — One DSP Included on Card — Requires Card Slot	$ 578.00	$ 578.00
VOICE MAIL				
1	550.5221/823.1270	Axxessory Talk Windows NT Platform — 4 Ports, 165 Hours Storage	$ 8,668.00	$ 8,668.00
1	827.8703	Axxessory Talk Visual Mail — 20 User — Integrates Voice Mail, E-Mail and Faxes on Computer Desktop — Displays messages within E-Mail sent across WAV files	$ 2,475.00	$ 2,475.00
1	W700326PW	Ultimate! Call Accounting Software for Windows	$ 1,790.00	$ 1,790.00
		Subtotal		$ 30,873.00
		Less CPU Special		$ 703.00
		Subtotal		$ 30,170.00

QTY	PART #	DESCRIPTION	UNIT PRICE	EXTENDED PRICE
		Less Discount		$ 3,017.00
		TOTAL INSTALLED PURCHASE PRICE		**$ 27,153.00** (plus tax)

Includes: One year WIN/WIN Extended Service Package. Telco coordination, and user training. Cable not included.

Sales Rep: Rosyln Comley
Phone Number: 206-812-7036
Date: September 29, 1998

Accepted By: _____ Date _____

Exhibit 10.22

ASSIGNMENT AND AMENDMENT OF LEASE

THIS ASSIGNMENT AND AMENDMENT OF LEASE (this "Agreement") is dated for reference purposes the 1st day of August, 2002, by and among **CITY CENTRE ASSOCIATES, a Delaware general partnership** ("Landlord"), **NAVIGANT CONSULTING, INC., a Delaware Corporation** ("Tenant"), and **OMEROS CORPORATION, a Washington corporation formerly named Omeros Medical Systems, Inc.**, ("Omeros").

RECITALS

A. Landlord's predecessor in interest, Bentall City Centre L.L.C., and Tenant's predecessor in interest, Scope International, Inc., entered into that certain U.S. Bank Centre Office Lease Agreement dated as of September 28, 1998 (the "Lease") for the lease of certain premises (the "Premises") consisting of 3,874 rentable square feet located in the U.S. Bank Centre, 1420 Fifth Avenue, Seattle, Washington, and commonly know as Suite 2675. Omeros is currently a subtenant of Tenant in the Premises under a sublease dated December 22, 2000 ("Sublease").

B. Contemporaneously with the execution of this Agreement, Omeros is also subleasing space located adjacent to the Premises from Gores & Blais, P.S. ("Gores & Blais") consisting of 8,927 rentable square feet (the "Gores & Blais Space"). The lease term of Omeros' sublease with Gores & Blais expires on August 30, 2006. However, the lease term of the Lease expires on November 30, 2003 ("Initial Term"). Therefore, subject to the terms and conditions of this Agreement, the parties hereto have agreed to assign the Lease to Omeros effective on December 1, 2003, and amend the Lease to, among other things, extend the Lease term through August 30, 2006.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Defined Terms. Unless otherwise defined in this Agreement, capitalized terms used herein shall have the same meaning as they are given in the Lease.

2. Assignment and Assumption of Lease.

2.1 Assignment; Return of Security Deposit. Effective as of November 30, 2003 (the "Effective Date"), and subject to the terms and conditions of this Agreement, Tenant hereby assigns, transfers, sets over, conveys and delivers unto Omeros, its successors and assigns, all of Tenant's right, title and interest in and to the Lease, including, without limitation, Tenant's interest, if any, in improvements to or in the Premises. Subject to Landlord's right to retain the Security Deposit in accordance with the terms of the Lease in the event of a default, Landlord shall return Tenant's $11,544.52 Security Deposit to Tenant on October 1, 2002 and Omeros shall not be obligated to place a new Security Deposit with Landlord. Subject to Tenant's right to retain the Sublease security deposit in accordance with the terms of the Sublease in the event of a default, Tenant shall return Omeros' $23,089.04 Sublease security deposit to Omeros within thirty (30) days following the expiration of the Initial Term of the Lease (November 30, 2003).

2.2 Assumption; Acceptance of Premises. Subject to the terms and conditions of this Agreement. Omeros hereby accepts the assignment of the Lease on the Effective Date and assumes and agrees to perform all obligations and duties of the Tenant under the Lease to the extent such obligations and duties accrue on and after the Effective Date. Tenant will deliver the Premises and Omeros will accept the Premises in its present "'as is" condition on the Effective Date. Landlord shall not require Omeros to remove any of the improvements to the premises made by Tenant or Omeros as of the Effective date.

2.3 Landlord's Consent; Release of Tenant. Landlord hereby consents to the assignment of the Lease by Tenant to Omeros. Tenant shall be released from all obligations and duties under the Lease to the extent they accrue on and after the Effective Date. Landlord hereby waives any claim it may have to a handling charge for the assignment of the Lease.

2.4 Indemnification. Tenant shall indemnify, defend and hold Omeros harmless from and against any and all claims or liabilities (including reasonable attorney's fees) with respect to the Lease and Tenant's use and occupancy of the Premises which relate to a time period prior to the Effective Date, excluding any such claim or liability to the extent such claim or liability arises from the negligence or willful misconduct of Omeros. Omeros shall indemnify, defend and hold Tenant harmless from and against any and all claims or liabilities (including reasonable attorney's fees) with respect to the Lease and Omeros' use and occupancy of the Premises which relate to a time period on or after the Effective Date, excluding any such claim or liability to the extent such claim or liability arises from the negligence or willful misconduct of Tenant.

3. Lease Amendments. With respect to the time period commencing on the Effective Date and continuing through the expiration of the Lease term (as extended herein), Landlord and Omeros agree that the Lease is amended as follows:

3.1 Extension of Term. The Lease term is hereby extended from the Initial Term to continue for the period of December 1, 2003, through August 30, 2006 (the "Extended Term"). Except as expressly set forth in this Agreement, all terms and conditions of the Lease shall apply to the Extended Term.

3.2 Extended Term Basic Rent. The Basic Rent for the Extended Term shall be as follows:

Months	Monthly Installment	Rent Per Rentable Sq. Ft.
12/1/03 — 8/30/06	$11,944.83	$37.00

3.3 Extended Term Operating Expenses. With respect to the Extended Term, the "Base Year" for the purpose of determining Tenant's Proportionate Share of Operating Expenses shall be the calendar year 2003 and Omeros shall commence paying Tenant's Proportionate Share of increases in Operating Expenses effective January 1, 2004.

3.4 Right of First Refusal. Provided that Omeros has not been in default under the terms and conditions of this Lease, Omeros shall have, during the Initial Term, the Extended Term or the Renewal Term (as defined in section 3.5 below, if renewal is exercised), a continuous

right of first refusal (the "Right of First Refusal'") to lease any or all of the space located on the 26th floor of the Building (the "Right of First Refusal Space"). Omeros' right to lease the Right of First Refusal Space is subject and subordinate to all leases and options on the Right of First Refusal Space in existence as of the date of this Agreement, all of which leases and options are identified on Exhibit 1 attached hereto, and, notwithstanding anything contained herein to the contrary, shall terminate nine (9) months prior to the end of the Extended Term if Omeros has not exercised its Option to Renew under Section 3.5 below. If at any time during the Initial Term, the Extended Term or the Renewal Term (if renewal is exercised), Landlord shall receive a bona fide offer from any third-person to lease any portion of the Right of First Refusal Space, which offer Landlord shall desire to accept, then Landlord shall promptly provide Omeros with written notice thereof specifying the portion of the Right of First Refusal Space covered by such offer. Omeros may, within three (3) business days thereafter, elect to lease such portion of the Right of First Refusal Space, on the terms set forth below, by giving Landlord written notice thereof within such three (3) business day period. If Omeros elects to lease such portion of the Right of First Refusal Space in accordance with the provisions of this Section, Omeros' lease of such portion of the Right of First Refusal Space shall be on the same terms and conditions as those set forth in this the Lease as amended by this Agreement with respect to the initial Premises, except that (a) commissions shall be based on the per square foot amount paid by Landlord with respect to this Agreement and shall be prorated based on the number of months left in the initial Term using a straight line amortization schedule, and (b) Basic Rent for the portion of the Right of First Refusal Space leased by Omeros shall be at the rate then in effect for the Premises including any periodic adjustments provided for under the Lease. In the event Omeros exercises its Right of First Refusal, the applicable portion of the Right of First Refusal Space shall (a) if during the Initial Term of the Lease, be directly leased to Omeros on terms consistent with those set forth in the Lease as amended by this Agreement, or (b) if during the Extended Term or the Renewal Term (if renewal is exercised), become part of the "Premises" under the Lease, and in either case shall be leased for a term running concurrently with the Extended Term or, if renewal is exercised, the Renewal Term, and Rent with respect to the such space shall commence to be due and payable, on the date Landlord delivers such space to Omeros free of other tenants and occupants (the "Right of First Refusal Commencement Date"). Failure of Omeros to exercise its Right of First Refusal with respect to any portion of the Right of First Refusal Space within the prescribed time shall waive Omeros' right as to that portion of the Right of First Refusal Space with respect to such offer and Landlord shall have the right to lease such portion to the third-party making the offer. If Omeros duly and timely exercises its Right of First Refusal with respect to any portion of the Right of First Refusal Space, Landlord and Omeros shall, within ten (10) business days after Omeros exercises its Right of First Refusal, enter into a direct lease (if during the Initial Term), or an amendment to this Lease (if during the Extended Term or the Renewal Term) incorporating the portion of the Right of First Refusal Space leased by Omeros upon the terms set forth above.

3.5 Option to Renew and Expand. At the end of the Extended Term, Omeros shall have one (1) option to expand the Premises and extend the Extended Term for a period of five (5) years (the "Renewal Term"). Such option shall be exercised in the manner set forth below.

(i) The Renewal Term shall be on the same terms and conditions as the Lease except that (a) the "Premises" for the Renewal Term shall be expanded to include both the existing Premises and the Gores & Blais Space, (b) Basic Rent for the Renewal Term shall be as set forth herein, and (c) no additional options to renew shall apply following the expiration of the

Renewal Term. Written notice ("Omeros' Election") of Omeros' exercise of its option to renew ("Option to Renew") the Term of this Lease for the Renewal Term must be given to Landlord no less than nine (9) months but not more than twelve (12) months prior to the date the Extended Term of the Lease would otherwise expire. Omeros' Election shall be binding upon Omeros and shall set forth the name of the Landlord and Omeros, the Lease date, and the Renewal Term dates.

(ii) Omeros shall not have the right to exercise the Option to Renew during the time that Omeros is in default under any provisions of this Lease.

(iii) In the event Omeros validly exercises the Option to Renew the term of this Lease as herein provided, Basic Rent shall be adjusted as of the commencement date of the Renewal Term as follows:

a) Commencing within ten (10) days after Landlord's receipt of Omeros' Election, Landlord and Omeros shall attempt to agree upon Basic Rent for the Premises for the applicable Renewal Term, such Basic Rent to equal the estimated "fair market rental value" (as defined below) of the Premises for the Renewal Term. If the parties are unable to agree upon the Basic Rent within thirty (30) days, then within thirty (30) days thereafter each party, at its own cost and by giving notice to the other party, shall appoint a real estate appraiser with at least five (5) years full-time commercial real estate appraisal experience in the area in which the Premises are located to appraise and set Basic Rent for the Renewal Term. If a party does not appoint an appraiser within ten (10) days after the other party has given notice of the name of its appraiser, the single appraiser appointed shall be the sole appraiser and shall set Basic Rent for the Renewal Term. If each party shall have so appointed an appraiser, the two appraisers shall meet promptly and attempt to set the Basic Rent for the Renewal Term. If the two appraisers are unable to agree within thirty (30) days after the second appraiser has been appointed, they shall attempt to mutually select a third appraiser meeting the qualifications herein stated within ten (10) days after the last day the two appraisers are given to set Basic Rent. If the two appraisers are unable to agree on the third appraiser within such ten (10) day period, either of the parties to this Lease, by giving five (5) days notice to the other party, may apply to the then presiding judge of the Superior Court of King County for the selection of a third appraiser meeting the qualifications stated in this paragraph. Each of the parties shall bear one-half (1/2) of the cost of appointing the third appraiser and of paying the third appraiser's fee. The third appraiser, however selected, shall be a person who has not previously acted in any capacity for either party or any predecessor in interest to either party.

b) Within thirty (30) days after the selection of the third appraiser, a majority of the appraisers shall set Basic Rent for the Renewal Term. If a majority of the appraisers are unable to agree upon the Basic Rent within the stipulated period of time, the three appraisals shall be added together and their total divided by three (3). The resulting quotient shall be the Basic Rent for the Premises during the Renewal Term. If, however, the low appraisal and/or the high appraisal is/are more than five percent (5%) lower and/or higher than the middle appraisal, the low appraisal and/or the high appraisal shall be disregarded. If only one (1) appraisal is disregarded, the remaining two (2) appraisals shall be added together and their total divided by two (2), and the resulting quotient shall be Basic Rent for the Premises during the Renewal Term.

c) For purposes of determining the Basic Rent for the Renewal Term, including the determination of Basic Rent by the appraisers, the "fair market rental value" shall be based on the actual rental rates which ready and willing renewal tenants are paying or would pay, as of the Renewal Term commencement date, as annual basic rent for a primary renewal premises (as distinguished from the rent payable for a sublet premises or with respect to an assignment of an interest in an existing lease) to a ready and willing landlord of such primary renewal premises for space comparable to the Premises in the Building or, if there are no comparable deals in the Building, then for space in buildings comparable to the Building in the market in the area in which the Building is located. Rental rates quoted or used under sublease agreements shall be considered rates of special circumstances and shall be excluded from the definition of "fair market rental value".

4. Commissions. Landlord shall pay Omeros' broker, Ed Curtis of Washington Partners, a commission in connection with this Agreement in the amount of $2.20 per rentable square feet of space in the Premises. The commission will be due one-half on execution of this Agreement and one half upon the Effective Date.

5. Ratification. Except as expressly set forth herein, the terms and conditions of the Lease shall remain in full force and effect and are hereby ratified by Landlord, Tenant and Omeros.

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

OMEROS:

OMEROS CORPORATION

By: /s/ Gregory Demopulos
Its: Chairman & CEO

TENANT:

NAVIGANT CONSULTING, INC.

By: /s/ Phil Steptoe
Its: VP & General Counsel

LANDLORD:

CITY CENTRE ASSOCIATES, a
Delaware general partnership

By: BCC EQUITY L.L.C., a
Washington limited liability company,
Its Managing Joint Venturer

By: BENTALL CAPITAL (U.S.), INC.,
a California corporation
Its Authorized Agent

By: /s/ Gary J. Carpenter
Gary J. Carpenter
Executive Vice President

By: /s/ Betsy Sutherland
Betsy Sutherland,
Vice President and Regional Manager

LANDLORD'S ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgment is the person whose true signature appears on this document.

On this 20th day of September, 2002, before me personally appeared Gary Carpenter, to me known to be the Executive Vice President of Bentall Capital (U.S.), Inc., the authorized agent of BCC Equity L.L.C., the managing joint venturer of **CITY CENTRE ASSOCIATES**, the general partnership that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said partnership, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

WITNESS my hand and official seal hereto affixed the day and year first above written.

/s/ Ellen L. Martin
Notary Public in and for the State of Washington,
residing at Seattle
My commission expires: 7-23-03
Ellen L. Martin
[Type or Print Notary Name]

(Use This Space for Notarial Seal Stamp)

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgment is the person whose true signature appears on this document.

On this 20th day of September, 2002, before me personally appeared Betsy Sutherland, to me known to be the Vice President and Regional Manager of Bentall Capital (U.S.), Inc., the authorized agent of BCC Equity L.L.C., the managing joint venturer of **CITY CENTRE ASSOCIATES**, the general partnership that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said partnership, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

WITNESS my hand and official seal hereto affixed the day and year first above written.

/s/ Ellen L. Martin
Notary Public in and for the State of Washington,
residing at Seattle
My commission expires: 7-23-03
Ellen L. Martin
[Type or Print Notary Name]

(Use This Space for Notarial Seal Stamp)

OMEROS ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgment is the person whose true signature appears on this document.

On this 6th day of September, 2002, before me personally appeared Gregory Demopulos, to me known to be the Chairman & CEO of **OMEROS CORPORATION**, the corporation that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

WITNESS my hand and official seal hereto affixed the day and year first above written.

/s/ David R. Toll
Notary Public in and for the State of Washington,
residing at 1420 5th Ave W, Seattle WA 98101
My commission expires: January 18, 2006
David R. Toll
[Type or Print Notary Name]

(Use This Space for Notarial Seal Stamp)

TENANT ACKNOWLEDGMENT

STATE OF ILLINOIS)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgment is the person whose true signature appears on this document.

On this 3 day of September, 2002, before me personally appeared Phil Steptoe, to me known to be the VP & General of **NAVIGANT CONSULTING, INC**., the corporation that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

WITNESS my hand and official seal hereto affixed the day and year first above written.

/s/ Bonnie E. Fritz
Notary Public in and for the State of Illinois,
residing at 615 N. Wabash
My commission expires: 10/11/2004
Bonnie E. Fritz
[Type or Print Notary Name]

(Use This Space for Notarial Seal Stamp)

SECOND AMENDMENT
TO
OFFICE LEASE AGREEMENT

THIS SECOND AMENDMENT TO OFFICE LEASE AGREEMENT (this "Amendment") is dated for reference purposes the 4th day of January, 2006, by and between **CITY CENTRE ASSOCIATES, a Delaware general partnership** ("Landlord"), and **OMEROS CORPORATION, a Washington corporation** ("Tenant").

RECITALS

A. Landlord's predecessor in interest, Bentall City Centre L.L.C., and Tenant's predecessor in interest, Scope International, Inc., entered into that certain U.S. Bank Centre Office Lease Agreement dated as of September 28, 1998, as amended by an Assignment and Amendment of Lease dated August 1, 2002 (the "First Amendment") (as amended, the "Lease") for the lease of certain premises (the "Premises") located in the U.S. Bank Centre, 1420 Fifth Avenue, Seattle, Washington, and commonly know as Suite 2675. Unless otherwise defined in this Amendment, capitalized terms used herein shall have the same meaning as they are given in the Lease.

B. Tenant has exercised its Option to Renew and Expand pursuant to the terms of Section 3.5 of the First Amendment. Landlord and Tenant have agreed upon the terms of Tenant's lease for the Renewal Term and desire to enter into this Amendment for the purpose of memorializing such terms.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Extension of Term and Expansion of Premises. The Lease term is hereby extended for a period of five (5) years commencing on September 1, 2006, and expiring on August 31, 2011 (the "Extended Term"). Except as expressly set forth in this Amendment, all terms and conditions of the Lease shall apply to the Extended Term. Effective as of the commencement of the Extended Term, the Premises shall be expanded by the Gores & Blais Space (as defined in the First Amendment). The parties acknowledge that the Gores & Blais Space contains 9,282 rentable square feet (as determined in accordance with the 1996 BOMA Standard) and, accordingly, the entire Premises for the Extended Term will contain 13,156 rentable square feet.

2. Extended Term Basic Rent. The Basic Rent for the Extended Term shall be as follows:

Months	**Monthly Installment**	**Rent Per Rentable Sq.Ft.**
9/1/06 — 8/31/11	$34,863.40	$31.80

3. Operating Expenses; Tenant's Proportionate Share. With respect to the Extended Term, the "Base Year" for the purpose of determining Tenant's Proportionate Share of Operating

Expenses shall be the calendar year 2006 and Tenant shall commence paying Tenant's Proportionate Share of increases in Operating Expenses effective January 1, 2007. With respect to the Extended Term, Tenant's Proportionate Share shall be as follows:

1.39% of Total Rentable Area of Building (based on the Building size of 943,575 rentable square feet).

1.52% of Total Rentable Area of Office Tower (based on the Office Tower size of 863,767)

4. Parking. During the Extended Term, Tenant shall have the right to use one (1) parking stall per 1,200 rentable square feet of the Premises (for a total of eleven (11) parking stalls). All such parking stalls shall be subject to the terms of the Lease provided, however, that one (1) reserved stall and three (3) non-reserved stalls of the eleven (11) stalls allocated will be free of charge during the Extended Term. Tenant shall have the one time right to convert the one (1) free reserved stall to two (2) free non-reserved stalls by giving Landlord thirty (30) days prior written notice.

5. Commission. Landlord shall pay Omeros' broker, Ed Curtis of Washington Partners, a commission in connection with this Agreement in the amount of $2.50 per rentable square feet of space in the Premises. The commission, $32,890, will be due within fifteen (15) days of execution of this Agreement and upon receipt of invoice.

6. Ratification. Except as expressly set forth herein, the terms and conditions of the Lease shall remain in full force and effect and are hereby ratified by Landlord and Tenant.

[Signatures appear on next page.]

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

TENANT:

OMEROS CORPORATION

By: /s/ Gregory A. Demopulos
Gregory A. Demopulos, M.D.
Chairman & CEO

LANDLORD:

CITY CENTRE ASSOCIATES,
a Delaware general partnership

By: BCC EQUITY L.L.C., a
Washington limited liability company,
Its Managing Joint Venturer

By: BENTALL CAPITAL (U.S.), INC.,
a California corporation
Its Authorized Agent

By: /s/ Gary J. Carpenter
Gary J. Carpenter
Executive Vice President

By: /s/ Betsy Sutherland
Betsy Sutherland, Carpenter
Vice President and Regional Manager

LANDLORD'S ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgement is the person whose true signature appears on this document.

On this 5th day of January, 2006, before me personally appeared Gary Carpenter, to me known to be the Executive Vice President of Bentall Capital (U.S.), Inc., the authorized agent of BCC Equity L.L.C., the managing joint venturer of **CITY CENTRE ASSOCIATES**, the general partnership that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said partnership, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

WITNESS my hand and official seal hereto affixed the day and year first above written.

/s/ Stephanie A. Craig
Notary Public in and for the State of Washington,
residing at Bremerton
My commission expires: 11-29-07
Stephanie A. Craig
[Type or Print Notary Name]

(Use This Space for Notarial Seal Stamp)

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgement is the person whose true signature appears on this document.

On this 5th day of January, 2006, before me personally appeared Betsy Sutherland, to me known to be the Vice President and Regional Manager of Bentall Capital (U.S.), Inc., the authorized agent of BCC Equity L.L.C., the managing joint venturer of **CITY CENTRE ASSOCIATES**, the general partnership that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said partnership, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

WITNESS my hand and official seal hereto affixed the day and year first above written.

/s/ Stephanie A. Craig
Notary Public in and for the State of Washington,
residing at Bremerton
My commission expires: 11-29-07
Stephanie A. Craig
[Type or Print Notary Name]

(Use This Space for Notarial Seal Stamp)

TENANT ACKNOWLEDGEMENT

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgement is the person whose true signature appears on this document.

On this 4th day of January, 2006, before me personally appeared Gregory A. Demopulos, M.D., to me known to be the Chairman and Chief Executive Officer of **OMEROS CORPORATION**, the corporation that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

WITNESS my hand and official seal hereto affixed the day and year first above written.

/s/ Diane C. Smith
Notary Public in and for the State of Washington,
residing at Bellevue
My commission expires: December 16, 2007
Diane C. Smith
[Type or Print Notary Name]

(Use This Space for Notarial Seal Stamp)

Exhibit 10.24

LEASE AGREEMENT

THIS LEASE AGREEMENT is made as of this 6th day of April, 2000, between **ALEXANDRIA REAL ESTATE EQUITIES, INC**., a Maryland corporation ("**Landlord**"), and **PRIMAL, INC**., a Washington corporation ("**Tenant**").

Address: 1124 Columbia Street, Seattle, Washington

Premises: That portion of the Project, commonly known as Suite 650, containing approximately 11,577 rentable square feet, as determined by Landlord, as shown on Exhibit A.

Project: The real property on which the building in which the Premises are located (the "**Building**"), together with all improvements thereon and appurtenances thereto as described on **Exhibit B**, excluding any buildings constructed on such real property after the date hereof.

Base Rent:	$27,977.75 per month	**Rentable Area of Premises**:	11,577 sq. ft.
Rentable Area of Project:	163,525 sq. ft.	**Tenant's Share of Net Building Expenses**:	7.87%
Security Deposit:	$111,911	**Target Commencement Date**:	May 1, 2000
Rent Adjustment Percentage:	3.5%		
Base Term:	60 months from the first day of the first full month of the Term (as defined in Section 2) hereof		
Permitted Use:	Research and development laboratory, related office and other related uses consistent with the character of the Project		

Address for Rent Payment:
135 N. Los Robles Avenue, Suite 250
Pasadena, CA 91101
Attention: Accounts Receivable

Landlord's Notice Address:
135 N. Los Robles Avenue, Suite 250
Pasadena, CA 91101
Attention: General Counsel

Tenant's Notice Address:
Primal, Inc.
1124 Columbia Street, Suite 650
Seattle, WA 98122
Attention: Bill Daley

The following Exhibits and Addenda are attached hereto and incorporated herein by this reference:

☒	**EXHIBIT A**	— PREMISES DESCRIPTION	☒	**EXHIBIT B**	— DESCRIPTION OF PROJECT
☒	**EXHIBIT C**	— WORK LETTER	☒	**EXHIBIT D**	— COMMENCEMENT DATE
☒	**EXHIBIT E**	— RULES AND REGULATIONS	☒	**EXHIBIT F**	— TENANT'S PERSONAL PROPERTY
☒	**EXHIBIT G**	— ESTOPPEL CERTIFICATE	☒	**EXHIBIT H**	— NONDISTURBANCE AGREEMENT
☒	**EXHIBIT I**	— LOCATION OF PARKING			

1. **Lease of Premises**. Upon and subject to all of the terms and conditions hereof, Landlord hereby leases the Premises to Tenant and Tenant hereby leases the Premises from Landlord. The portions of the Project which are for the non-exclusive use of tenants of the Project are collectively referred to herein as the "**Common Areas**." Landlord reserves the right to modify Common Areas, provided that such modifications do not materially adversely affect Tenant's use of the Premises for the Permitted Use. Tenant shall have the right to use the loading area in the annex level of the Project leased by Corixa Corporation, a Delaware corporation ("**Corixa**") under that certain Columbia Building Lease dated October 28, 1994, and as amended (the "**Corixa Lease**") and the portion of the bio-hazards waste cage facility assigned to Tenant and located on the basement level of the Building.

2. **Delivery; Acceptance of Premises; Commencement Date**. Landlord shall use reasonable efforts to make the Premises available to Tenant for Tenant's Work under the Work Letter within 5 days of full execution of this Lease and Tenant's delivery of evidence of the insurance required hereby and by the Work Letter ("**Delivery**" or "**Deliver**"). If Landlord is reasonably unable to timely Deliver the Premises, Landlord shall not be liable to Tenant for any loss or damage resulting therefrom, and this Lease shall not be void or voidable except as provided herein. If Landlord is not reasonably able to Deliver the Premises within 60 days of the Target Commencement Date for any reason other than Force Majeure delays, this Lease shall be voidable by Landlord or Tenant by written notice to the other, and if so voided by either: (a) so long as Tenant is not in default hereunder, the Security Deposit shall be returned to Tenant, and (b) neither Landlord nor Tenant shall have any further rights, duties or obligations under this Lease, except with respect to provisions which expressly survive termination of this Lease. As used herein, the terms "**Force Majeure**" shall have the meaning set forth for such terms in Section 24. If neither Landlord nor Tenant elects to void this Lease within 5 business days of the lapse of such 60 day period, such right to void this Lease shall be waived and this Lease shall remain in full force and effect.

The "**Commencement Date**" shall be the earlier of: (i) May 1, 2000; and (ii) the date Tenant conducts any business in the Premises or any part thereof. Upon request of Landlord, Tenant shall execute and deliver a written acknowledgment of the Commencement Date and the expiration date of the Term when such are established in the form attached to this Lease as Exhibit D; provided, however, Tenant's failure to execute and deliver such acknowledgment shall not affect Landlord's rights hereunder. The "**Term**" of this Lease shall be the Base Term and any Extension Terms which Tenant may elect pursuant to Section 40 hereof.

Except as set forth in the Work Letter, if applicable: (i) Tenant shall accept the Premises in their condition as of the Commencement Date, subject to all applicable laws, ordinances, regulations, covenants and restrictions; (ii) Landlord shall have no obligation for any defects in the Premises; and (iii) Tenant's taking possession of the Premises shall be conclusive evidence that Tenant accepts the Premises and that the Premises were in good condition at the time possession was taken. Any occupancy of the Premises by Tenant before the Commencement Date shall be subject to all of the terms and conditions of this Lease, excluding the obligation to pay Rent.

Tenant agrees and acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the condition of any or all of the Premises or the Project, and/or the suitability of the Premises or the Project for the conduct of Tenant's business, and Tenant waives any implied warranty that the Premises or the Project are suitable for the Permitted Use. This Lease constitutes the complete agreement of Landlord and Tenant with respect to the subject matter hereof and supersedes any and all prior representations, inducements, promises, agreements, understandings and negotiations which are not contained herein. Landlord in executing this Lease does so in reliance upon Tenant's representations, warranties, acknowledgments and agreements contained herein.

3. **Rent**.

(a) **Base Rent**. The first month's Base Rent and the Security Deposit shall be due and payable on delivery of an executed copy of this Lease to Landlord. Tenant shall pay to Landlord in advance, without demand, abatement, deduction or set-off, monthly installments of Base Rent on or before the first day of each calendar month during the Term hereof, in lawful money of the United States of America, at the office of Landlord for payment of Rent set forth above, or to such other person or at such other place as Landlord may from time to time designate in writing. Payments of Base Rent for any fractional calendar month shall be prorated. The obligation of Tenant to pay Base Rent and other sums to Landlord and the obligations of Landlord under this Lease are independent obligations. Tenant shall have no right at any time to abate, reduce, or set-off any Rent (as defined in Section 5) due hereunder except for any abatement as may be expressly provided in this Lease.

(b) **Additional Rent.** In addition to Base Rent, Tenant agrees to pay to Landlord as additional rent ("**Additional Rent**"): (i) Tenant's Share of Net Building Expenses (as defined in Section 5), (ii) the rent and expenses for the parking described in Section 10 hereof, and (iii) any and all other amounts Tenant assumes or agrees to pay under the provisions of this Lease, including, without limitation, any and all other sums that may become due by reason of any default of Tenant or failure to comply with the agreements, terms, covenants and conditions of this Lease to be performed by Tenant, after any applicable notice and cure period.

4. **Base Rent Adjustments**. Base Rent shall be increased on each annual anniversary of the first day of the first full month of the Term of this Lease by multiplying the Base Rent payable immediately before such adjustment by the Rent Adjustment Percentage and adding the resulting amount to the Base Rent payable immediately before such adjustment. Base Rent, as so adjusted, shall thereafter be due as provided herein. Base Rent adjustments for any fractional calendar month shall be prorated.

5. **Operating Expense Payments**. Landlord shall deliver to Tenant a written estimate of Net Building Expenses for each calendar year during the Term (the "**Annual Estimate**"), which may be revised by Landlord from time to time during such calendar year. During each month of the Term, on the same date that Base Rent is due, Tenant shall pay Landlord an amount equal to 1/12 of Tenant's Share of the Annual Estimate. Payments for any fractional calendar month shall be prorated.

"**Net Building Expenses**" for any period shall mean the Operating Expenses for the Project for such period less the First Floor Operating Expenses for such period. "**First Floor Operating Expenses**" means an amount equal to the First Floor Operating Expense Rate, as defined below, multiplied by 16,894, the total rentable square feet on the first floor of the Project. "**First Floor Operating Expense Rate**" shall mean an initial rate of $8.24 per rentable square foot per year, which shall be increased by 3% each calendar year commencing on January 1, 2001, including, without limitation, throughout the Extension Term.

The term "**Operating Expenses**" means all costs and expenses of any kind or description whatsoever incurred or accrued each calendar year by Landlord with respect to the Project (including, without duplication, Taxes (as defined in Section 9), reasonable reserves consistent with good business practice for future repairs and replacements, capital repairs and improvements amortized over the lesser of 7 years and the useful life of such capital items, and the costs of Landlord's third party property manager or, if there is no third party property manager, administration rent in the amount of 3.0% of Base Rent), excluding only:

(a) the original construction costs of the Project and costs of renovation prior to the date of the Lease and costs of correcting defects in such original construction or renovation;

(b) capital expenditures for expansion of the Project;

(c) interest, principal payments of Mortgage (as defined in Section 27) debts of Landlord, financing costs and amortization of funds borrowed by Landlord, whether secured or unsecured and all payments of base rent (but not taxes or operating expenses) under any ground lease or other underlying lease of all or any portion of the Project;

(d) depreciation of the Project;

(e) advertising, legal and space planning expenses and leasing commissions and other costs and expenses incurred in procuring and leasing space to tenants for the Project, including any leasing office maintained in the Project, free rent, construction allowances and other lease incentives for tenants;

(f) legal and other expenses incurred in the negotiation or enforcement of leases;

(g) completing, fixturing, improving, renovating, painting, redecorating or other work, which Landlord pays for or performs for specific tenants within their premises, and costs of correcting defects in such work;

(h) costs of utilities outside normal business hours sold to tenants of the Project;

(i) costs to be reimbursed by other tenants of the Project or Taxes to be paid directly by Tenant or other tenants of the Project, whether or not actually paid;

(j) salaries, wages, benefits and other compensation paid to officers and employees of Landlord who are not assigned in whole or in part to the operation, management, maintenance or repair of the Project;

(k) general organizational, administrative and overhead costs relating to maintaining Landlord's existence, either as a corporation, partnership, or other entity, including general corporate, legal and accounting expenses;

(l) costs (including attorneys' fees and costs of settlement, judgments and payments in lieu thereof) incurred in connection with disputes with tenants, other occupants, or prospective tenants, and costs and expenses, including legal fees, incurred in connection with negotiations or disputes with employees, consultants, management agents, leasing agents, purchasers or mortgagees of the Building;

(m) costs incurred by Landlord due to the violation by Landlord, its employees, agents or contractors or any tenant of the terms and conditions of any lease of space in the Project or any Legal Requirement (as defined in Section 7);

(n) tax penalties, fines or interest incurred as a result of Landlord's negligence, inability or unwillingness to make payment and/or to file any tax or informational returns when due, or from Landlord's failure to make any payment required to be made by Landlord hereunder before delinquency;

(o) overhead and profit increment paid to the Landlord or to subsidiaries or affiliates of Landlord for goods and/or services in or to the Project to the extent the same exceeds the costs of such goods and/or services rendered by unaffiliated third parties on a competitive basis;

(p) costs arising from Landlord's charitable or political contributions or fine art maintained at the Project;

(q) costs in connection with services (including electricity), items or other benefits of a type which are not standard for the Project and which are not available to Tenant without specific charges therefor, but which are provided to another tenant or occupant of the Project, whether or not such other tenant or occupant is specifically charged therefore by Landlord;

(r) costs incurred in the sale or refinancing of the Project;

(s) net income taxes of Landlord or the owner of any interest in the Project, franchise, capital stock, gift, estate or inheritance taxes or any federal, state or local documentary taxes imposed against the Project or any portion thereof or interest therein;

(t) costs incurred by reason of the remediation or other environmental response regarding any contamination of the Premises or the Project or soils or groundwater thereunder, by Hazardous Materials other than as described in Section 30 hereof;

(u) costs of repairs or other work occasioned by fire, windstorm, earthquake or other casualty or loss in excess of the deductible under the casualty insurance maintained by Landlord pursuant to Section 17 hereof; and

(v) any expenses otherwise includable within Operating Expenses to the extent actually reimbursed by persons other than tenants of the Project under leases for space in the Project.

Within 90 days after the end of each calendar year (or such longer period as may be reasonably required), Landlord shall furnish to Tenant a statement (an "**Annual Statement**") showing in reasonable detail: (a) the total and Tenant's Share of actual Net Building Expenses for the previous calendar year, and (b) the total of Tenant's payments in respect of Net Building Expenses for such year. If Tenant's Share of actual Net Building Expenses for such year exceeds Tenant's payments of Net Building Expenses for such year, the excess shall be due and payable by Tenant as Rent within 30 days after delivery of such Annual Statement to Tenant. If Tenant's payments of Net Building Expenses for such year exceed Tenant's Share of actual Net Building Expenses for such year Landlord shall pay the excess to Tenant within 30 days after delivery of such Annual Statement, except that after expiration, or earlier termination of the Term, Landlord shall pay the excess to Tenant after deducting all other amounts due Landlord.

The Annual Statement shall be final and binding upon Tenant unless Tenant, within 30 days after Tenant's receipt thereof, shall contest any item therein by giving written notice to Landlord, specifying each item contested and the reason therefor. If, during such 30 day period, Tenant reasonably and in good faith questions or contests the correctness of Landlord's statement of Tenant's Share of Net Building Expenses, Landlord will provide Tenant with access to Landlord's books and records relating to the operation of the Project and such information as Landlord reasonably determines to be responsive to Tenant's questions. If after Tenant's review of such information, Landlord and Tenant cannot agree upon the amount of Tenant's Share of Net Building Expenses, then Tenant shall have the right to have an independent public accounting firm selected by Tenant from among the 5 largest in the United States, working pursuant to a fee arrangement other than a contingent fee (at Tenant's sole cost and expense) and approved by Landlord (which approval shall not be unreasonably withheld or delayed), audit and/or review Landlord's books and records relating to the operation of the Project and such other information relating to the operation of the Project for the year in question (the "**Independent Review**"). The results of any such Independent Review shall be binding on Landlord and Tenant. If the Independent Review shows that Tenant's pro rata share of the Net Building Expenses actually paid by Tenant for the calendar year in question exceeded Tenant's obligations for such calendar year, Landlord shall pay the excess to Tenant within 30 days after delivery of such statement, except that after expiration or earlier termination of the Term, Landlord shall pay the excess to Tenant after deducting all other amounts due Landlord. If the Independent Review shows that Tenant's payments of Tenant's Share of Net Building Expenses for such calendar year were less than Tenant's obligation for the calendar year, Tenant shall pay the deficiency to the Landlord within 30 days after delivery of such statement. If the Independent Review shows that Tenant has overpaid Tenant's pro rata share of Net Building Expenses by more than 5% then Landlord shall reimburse Tenant for all costs incurred by Tenant for the Independent Review. Net Building Expenses for the calendar years in which Tenant's obligation to share therein

begins and ends shall be prorated. Notwithstanding anything set forth herein to the contrary, if the Project is not at least 95% occupied on average during any year of the Term, Tenant's Share of Net Building Expenses for such year shall be computed as though the Project had been 95% occupied on average during such year.

"**Tenant's Share**" shall be the percentage set forth on the first page of this Lease as Tenant's Share of Net Building Expenses as reasonably adjusted by Landlord for changes in the physical size of the Premises or the Project occurring after commencement of the Term. Any such measurement shall be performed in accordance with the 1996 Standard Method of Measuring Floor Area in Office Buildings as adopted by the Building Owners and Managers Association (ANSI/BOMA Z65.1-1996). Landlord may equitably increase Tenant's Share for any item of expense or cost reimbursable by Tenant that relates to a repair, replacement, or service that benefits only the Premises or only a portion of the Project that includes the Premises or that varies with occupancy or use. Base Rent, Tenant's Share of Net Building Expenses and all other amounts payable by Tenant to Landlord hereunder are collectively referred to herein as "**Rent**."

6. **Security Deposit**. The Security Deposit shall be held by Landlord as security for the performance of Tenant's obligations under this Lease. The Security Deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's Default. Upon each occurrence of a Default (as defined in Section 20), Landlord may use all or part of the Security Deposit to pay delinquent payments due under this Lease, and the cost of any damage, injury, expense or liability caused by such Default, without prejudice to any other remedy provided herein or provided by law. Upon any such use of all or any portion of the Security Deposit, Tenant shall pay Landlord on demand the amount that will restore the Security Deposit to its original amount. Upon bankruptcy or other debtor-creditor proceedings against Tenant, the Security Deposit shall be deemed to be applied first to the payment of Rent and other charges due Landlord for periods prior to the filing of such proceedings. Landlord's obligation respecting the Security Deposit is that of a debtor, not a trustee; no interest shall accrue thereon. The Security Deposit shall be the property of Landlord, but shall be paid to Tenant when Tenant's obligations under this Lease have been completely fulfilled. Landlord shall be released from any obligation with respect to the Security Deposit upon transfer of this Lease and the Premises to a person or entity assuming Landlord's obligations under this Section 6. Tenant hereby waives the provisions of any law, now or hereafter in force, which provide that Landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of Rent, to repair damage caused by Tenant or to clean the Premises, it being agreed that Landlord may, in addition, claim those sums reasonably necessary to compensate Landlord for any other loss or damage, foreseeable or unforeseeable, caused by the act or omission of Tenant or any officer, employee, agent or invitee of Tenant. If Tenant shall fully perform every provision of this Lease to be performed by Tenant, the Security Deposit, or any balance thereof, shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) within 90 days after the expiration or earlier termination of this Lease.

7. **Use**. The Premises shall be used solely for the Permitted Use set forth in the Basic Lease Provisions, in compliance with all laws, orders, judgments, ordinances, regulations, codes, directives, permits, licenses, covenants and restrictions now or hereafter applicable to the Premises,

and the use and occupancy thereof (collectively, "**Legal Requirements**"). Tenant shall, upon 5 days' written notice from Landlord, discontinue any use of the Premises which is declared by any Governmental Authority (as defined in Section 9) having jurisdiction to be a violation of any Legal Requirement. Tenant will not use or permit the Premises to be used for any purpose or in any manner that would void Tenant's or Landlord's insurance, increase the insurance risk, or cause the disallowance of any sprinkler or other credits. Tenant shall reimburse Landlord promptly upon demand for any additional premium charged for any such insurance policy by reason of Tenant's failure to comply with the provisions of this Section or otherwise caused by Tenant's use and/or occupancy of the Premises. Tenant will use the Premises in a careful, safe and proper manner and will not commit waste, overload the floor or structure of the Premises, subject the Premises to use that would damage the Premises or obstruct or interfere with the rights of Landlord or other tenants or occupants of the Project, including conducting or giving notice of any auction, liquidation, or going out of business sale on the Premises, or using or allowing the Premises to be used for any unlawful purpose. Tenant shall cause any equipment or machinery to be installed in the Premises so as to reasonably prevent sounds or vibrations from the Premises from extending into Common Areas, or other space in the Project. Tenant shall not place any machinery or equipment weighing 500 pounds or more in or upon the Premises or transport or move such items through the Common Areas of the Project or in the Project elevators without the prior written consent of Landlord. Except as may be provided under the Work Letter, Tenant shall not, without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed, use the Premises in any manner which will require ventilation, air exchange, heating, gas, steam, electricity or water beyond the existing capacity of the Project as proportionately allocated to the Premises based upon Tenant's Share as usually furnished for the Permitted Use.

Tenant, at its sole expense, shall make any alterations or modifications to the interior or the exterior of the Premises or the Project that are required by Legal Requirements (including, without limitation, compliance of the Premises with the Americans With Disabilities Act, 42 U.S.C. § 12101, et seq. together with regulations promulgated pursuant thereto) related to Tenant's use or occupancy of the Premises as distinguished from the general use or occupancy of the Project. Notwithstanding any other provision herein to the contrary, Tenant shall be responsible for any and all demands, claims, liabilities, losses, costs, expenses, actions, causes of action, damages or judgments, and all reasonable expenses incurred in investigating or resisting the same (including, without limitation, reasonable attorneys' fees, charges and disbursements and costs of suit) (collectively, "**Claims**") arising out of or in connection with Tenant's obligation to comply with Legal Requirements, and Tenant shall indemnify, defend, hold and save Landlord harmless from and against any and all Claims arising out of or in connection with any failure of the Premises to comply with any Legal Requirement.

8. **Holding Over**. If, with Landlord's express written consent, Tenant retains possession of the Premises after the termination of the Term, (i) unless otherwise agreed in such written consent, such possession shall be subject to immediate termination by Landlord at any time, (ii) all of the other terms and provisions of this Lease (including, without limitation, the adjustment of Base Rent pursuant to Section 4 hereof) shall remain in full force and effect (excluding any expansion or renewal option or other similar right or option) during such holdover period, (iii) Tenant shall

continue to pay Base Rent in the amount payable upon the date of the expiration or earlier termination of this Lease or such other amount as Landlord may indicate, in Landlord's sole and absolute discretion, in such written consent, and (iv) all other payments shall continue under the terms of this Lease. If Tenant remains in possession of the Premises after the expiration or earlier termination of the Term without the express written consent of Landlord, (A) Tenant shall become a tenant at sufferance upon the terms of this Lease except that the monthly rental shall be equal to 200% of the Rent in effect during the last 30 days of the Term, and (B) Tenant shall be responsible for all damages suffered by Landlord resulting from or occasioned by Tenant's holding over, including consequential damages. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend this Lease except as otherwise expressly provided, and this Section 8 shall not be construed as consent for Tenant to retain possession of the Premises. Acceptance by Landlord of Rent after the expiration of the Term or earlier termination of this Lease shall not result in a renewal or reinstatement of this Lease.

9. **Taxes**. Landlord shall pay, as part of Operating Expenses, all taxes, levies, assessments and governmental charges of any kind (collectively referred to as "**Taxes**") imposed by any federal, state, regional, municipal, local or other governmental authority or agency, including, without limitation, quasi-public agencies (collectively, "**Governmental Authority**") during the Term, including, without limitation, all Taxes: (i) imposed on or measured by or based, in whole or in part, on rent payable to Landlord under this Lease and/or from the rental by Landlord of the Project or any portion thereof, or (ii) based on the square footage, assessed value or other measure or evaluation of any kind of the Premises or the Project, or (iii) assessed or imposed by or on the operation or maintenance of any portion of the Premises or the Project, including parking, or (iv) assessed or imposed by, or at the direction of, or resulting from statutes or regulations, or interpretations thereof, promulgated by, any Governmental Authority, or (v) imposed as a license or other fee on Landlord's business of leasing space in the Project. Landlord may contest by appropriate legal proceedings the amount, validity, or application of any Taxes or liens securing Taxes. Taxes shall not include any net income taxes imposed on Landlord unless such net income taxes are in substitution for any Taxes payable hereunder. If any such Tax is levied or assessed directly against Tenant, then Tenant shall be responsible for and shall pay the same at such times and in such manner as the taxing authority shall require. Tenant shall pay, prior to delinquency, any and all Taxes levied or assessed against any personal property or trade fixtures placed by Tenant in the Premises, whether levied or assessed against Landlord or Tenant. If any Taxes on Tenant's personal property or trade fixtures are levied against Landlord or Landlord's property, or if the assessed valuation of the Project is increased by a value attributable to improvements in or alterations to the Premises, whether owned by Landlord or Tenant and whether or not affixed to the real property so as to become a part thereof, higher than the base valuation on which Landlord from time-to-time allocates Taxes to all tenants in the Project, Landlord shall have the right, but not the obligation, to pay such Taxes. Landlord's determination of any excess assessed valuation shall be binding and conclusive, absent manifest error. The amount of any such payment by Landlord shall constitute Additional Rent due from Tenant to Landlord immediately upon demand.

10. **Parking**.

(a) Tenant shall have the non-exclusive right, in common with others, to use the Building Common Areas, subject to the rules and regulations attached hereto as **Exhibit E** together with such other reasonable and nondiscriminatory rules and regulations as are hereafter promulgated by Landlord in its discretion.

(b) Tenant shall be assigned 12 parking stalls to be designated by Landlord and reserved for Tenant's use, which parking stalls shall be located as set forth on **Exhibit I**. Landlord reserves the right from time-to-time to provide other parking for Tenant, which shall be no farther from the Building than the farther of Landlord's two present lots, except for an interim period not exceeding 18 months in connection with a redevelopment of either such lot, in which case such replacement parking shall be no more than 5 blocks from the Building. Tenant shall pay as triple net Additional Rent the sum of 575.00 per month, per stall, which sum shall be increased by 3.5% per annum. In addition, Tenant shall pay its Allocated Parking Expenses on a monthly basis with Base Rent. Allocated Parking Expenses shall be subject to the operating expense exclusions set forth in Article 5.

(c) Tenant agrees not to overburden the guest parking facilities and agrees to cooperate with Landlord and other tenants in the use of such guest parking. Landlord reserves the right to determine that guest parking is becoming overcrowded and to limit Tenant's use thereof. Upon such determination, Landlord may reasonably allocate guest parking spaces among Tenant and other tenants. If, after such allocation, Landlord determines that Tenant's customers, clients, or invitees are using more than the number of guest parking spaces that would otherwise be attributable to a reasonable number of guest parking spaces for Tenant's use, Landlord may require Tenant to obtain guest parking outside of the Building and the parking lot to the extent of such unreasonable excess uses. However, nothing in this Section 10(c) is intended to create an affirmative duty on Landlord to monitor parking.

11. **Utilities, Services**.

Landlord shall provide, subject to the terms of this Section 11, potable water, electricity, heat, ventilation, air conditioning, light, power, telephone, sewer, deionized water, steam, carbon dioxide gas, compressed air, vacuum and other utilities (including gas and fire sprinklers to the extent the Project is plumbed for such services), refuse and trash collection and janitorial services (collectively, "**Utilities**"). Any use by Tenant of Utilities shall be allocated to and paid by Tenant on such basis as Landlord shall determine for the Project. Tenant shall be entitled to use its pro rata share of Utilities. Landlord shall pay, as Operating Expenses or subject to Tenant's reimbursement obligation, for all Utilities used on the Premises, all maintenance charges for Utilities, and any storm sewer charges or other similar charges for Utilities imposed by any governmental entity or Utility provider, and any taxes, penalties, surcharges or similar charges thereon. Landlord may cause, at Tenant's expense, any Utilities to be separately metered or charged directly to Tenant by the provider. Tenant shall pay directly to the Utility provider, prior to delinquency, any separately metered Utilities and services which may be furnished to Tenant or the Premises during the Term. Tenant shall pay, as part of Operating Expenses, its share of all charges for jointly metered Utilities

based upon consumption, as reasonably determined by Landlord and shall pay the cost of any after hours Utilities reasonably allocated to it by Landlord. No interruption or failure of Utilities, from any cause whatsoever other than Landlord's willful misconduct, shall result in eviction or constructive eviction of Tenant, termination of this Lease or the abatement of Rent. Tenant agrees to limit use of water and sewer with respect to Common Areas to normal restroom use. Landlord's sole obligation for either providing emergency generators or providing emergency back-up power to Tenant shall be: (i) to provide emergency generators with not less than the capacity of the emergency generators located in the Building as of the Commencement Date, and (ii) to contract with a third party to maintain the emergency generators as per the manufacturer's standard maintenance guidelines. Landlord shall have no obligation to provide Tenant with operational emergency generators or back-up power or to supervise, oversee or confirm that the third party maintaining the emergency generators is maintaining the generators as per the manufacturer's standard guidelines or otherwise. During any period of replacement, repair or maintenance of the emergency generators when the emergency generators are not operational, including any delays thereto due to the inability to obtain parts or replacement equipment, Landlord shall have no obligation to provide Tenant with an alternative back-up generator or generators or alternative sources of back-up power.

12. **Alterations and Tenant's Property**. Any alterations, additions, or improvements made to the Premises by or on behalf of Tenant, including additional locks or bolts of any kind or nature upon any doors or windows in the Premises, but excluding installation, removal or realignment of furniture systems (other than removal of furniture systems owned or paid for by Landlord) not involving any modifications to the structure or connections (other then by ordinary plugs or jacks) to Building Systems (as defined in Section 13) ("**Alterations**") shall be subject to Landlord's prior written consent, which may be given or withheld in Landlord's sole discretion if any such Alteration affects the structure or Building Systems. Tenant may construct nonstructural Alterations in the Premises without Landlord's prior approval if the aggregate cost of all such work in any 12 month period does not exceed $25,000 (a "**Notice-Only Alteration**"), provided Tenant notifies Landlord in writing of such intended Notice-Only Alteration, and such notice shall be accompanied by plans, specifications, work contracts and such other information concerning the nature and cost of the Notice-Only Alteration as may be reasonably requested by Landlord, which notice and accompanying materials shall be delivered to Landlord not less than 15 business days in advance of any proposed construction. If Landlord approves any Alterations, Landlord may impose such conditions on Tenant in connection with the commencement, performance and completion of such Alterations as Landlord may deem appropriate in Landlord's sole and absolute discretion. Any request for approval shall be in writing, delivered not less than 15 business days in advance of any proposed construction, and accompanied by plans, specifications, bid proposals, work contracts and such other information concerning the nature and cost of the alterations as may be reasonably requested by Landlord, including the identities and mailing addresses of all persons performing work or supplying materials. Landlord's right to review plans and specifications and to monitor construction shall be solely for its own benefit, and Landlord shall have no duty to ensure that such plans and specifications or construction comply with applicable Legal Requirements. Tenant shall cause, at its sole cost and expense, all Alterations to comply with insurance requirements and with Legal Requirements and shall implement at its sole cost and expense any alteration or modification required by Legal Requirements as a result of any Alterations. Tenant shall pay to Landlord, as

Additional Rent, on demand an amount equal to 5% of all charges incurred by Tenant or its contractors or agents in connection with any Alteration to cover Landlord's overhead and expenses for plan review, coordination, scheduling and supervision. Before Tenant begins any Alteration, Landlord may post on and about the Premises notices of non-responsibility pursuant to applicable law. Tenant shall reimburse Landlord for, and indemnify and hold Landlord harmless from, any expense incurred by Landlord by reason of faulty work done by Tenant or its contractors, delays caused by such work, or inadequate cleanup.

Tenant shall furnish security or make other arrangements satisfactory to Landlord to assure payment for the completion of all Alterations work free and clear of liens, and shall provide certificates of insurance for workers' compensation, if applicable, and other coverage in amounts and from an insurance company satisfactory to Landlord protecting Landlord against liability for personal injury or property damage during construction. Upon completion of any Alterations, Tenant shall deliver to Landlord: (i) sworn statements setting forth the names of all contractors and subcontractors who did the work and final lien waivers from all such contractors and subcontractors; and (ii) "**as built**" plans for any such Alteration.

Other than (i) the items, if any, listed on Exhibit F attached hereto, (ii) any items agreed by Landlord in writing to be included on Exhibit F in the future, and (iii) any trade fixtures, machinery, equipment and other personal property not paid for with the TI Allowance (as defined in the Work Letter) which may be removed without material damage to the Premises, which damage shall be repaired (including capping or terminating utility hook-ups behind walls) by Tenant during the Term (collectively, "**Tenant's Property**"), all property of any kind paid for with the TI Allowance, all Alterations, real property fixtures, built-in machinery and equipment, built-in casework and cabinets and other similar additions and improvements built into the Premises so as to become an integral part of the Premises such as fume hoods which penetrate the roof or plenum area, built-in cold rooms, built-in warm rooms, walk-in cold rooms, walk-in warm rooms, deionized water systems, glass washing equipment, autoclaves, chillers, built-in plumbing, electrical and mechanical equipment and systems, and any power generator and transfer switch (collectively, "**Installations**") shall be and shall remain the property of Landlord during the Term and following the expiration or earlier termination of the Term, shall not be removed by Tenant at any time during the Term and shall remain upon and be surrendered with the Premises as a part thereof following the expiration or earlier termination of this Lease; provided, however, that Landlord shall, at the time its approval of such Installation is requested or at the time it receives notice of a Notice-Only Alteration notify Tenant if it has elected to cause Tenant to remove such Installation upon the expiration or earlier termination of this Lease. If Landlord so elects, Tenant shall remove such Installation upon the expiration or earlier termination of this Lease and restore any damage caused by or occasioned as a result of such removal, including, when removing any of Tenant's Property which was plumbed, wired or otherwise connected to any of the Building Systems, capping off all such connections behind the walls of the Premises and repairing any holes. During any such restoration period, Tenant shall pay Rent to Landlord as provided herein as if said space were otherwise occupied by Tenant.

13. **Landlord's Repairs**. Landlord, as an Operating Expense, shall maintain all of the structural, exterior, parking and other Common Areas of the Project, including HVAC, plumbing, electrical, fire sprinklers, elevators, deionized water, steam, carbon dioxide gas, compressed air, vacuum and all other building systems serving the Premises and other portions of the Project ("**Building Systems**"), in good repair, reasonable wear and tear and uninsured losses and damages caused by Tenant, its agents, servants, employees, invitees and contractors excluded. Losses and damages caused by Tenant, its agents, servants, employees, invitees and contractors shall be repaired by Landlord, to the extent not covered by insurance, at Tenant's sole cost and expense. Landlord reserves the right to stop Building System services when necessary (i) by reason of accident or emergency, or (ii) for planned repairs, alterations or improvements, which are, in the judgment of Landlord, desirable or necessary to be made, until said repairs, alterations or improvements shall have been completed. Landlord shall have no responsibility or liability for failure to supply Building System services during any such period of interruption; provided, however, that Landlord shall give Tenant 48 hours advance notice of any planned stoppage of Building System services for routine maintenance, repairs, alterations or improvements. Tenant shall promptly give Landlord written notice of any repair required by Landlord pursuant to this Section, after which Landlord shall have a reasonable opportunity to effect such repair. Landlord shall not be liable for any failure to make any repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after Tenant's written notice of the need for such repairs or maintenance. Tenant waives its rights under any state or local law to terminate this Lease or to make such repairs at Landlord's expense and agrees that the parties' respective rights with respect to such matters shall be solely as set forth herein. Repairs required as the result of fire, earthquake, flood, vandalism, war, or similar cause of damage or destruction shall be controlled by Section 18.

14. **Tenant's Repairs**. Subject to Section 13 hereof, Tenant, at its expense, shall repair, replace and maintain in good condition all portions of the Premises, including, without limitation, entries, doors, ceilings, interior windows, interior walls, and the interior side of demising walls. Such repair and replacements may include capital expenditures and repairs whose benefit may extend beyond the Term. Should Tenant fail to make any such repair or replacement or fail to maintain the Premises, Landlord shall give Tenant notice of such failure. If Tenant fails to commence cure of such default within 10 days of Landlord's notice, and thereafter diligently prosecute such cure to completion, Landlord may perform such work and shall be reimbursed by Tenant within 10 days after demand therefor; provided, however, that if such default by Tenant creates or could create an emergency, Landlord may immediately commence cure of such default and shall thereafter be entitled to recover the costs of such cure from Tenant. Subject to Sections 17 and 18, Tenant shall bear the full uninsured cost of any repair or replacement to any part of the Project that results from damage caused by Tenant, its agents, contractors, or invitees and any repair that benefits only the Premises.

15. **Mechanic's Liens**. Tenant shall discharge, by bond or otherwise, any mechanic's lien filed against the Premises or against the Project for work claimed to have been done for, or materials claimed to have been furnished to, Tenant within 10 days after the filing thereof, at Tenant's sole cost and shall otherwise keep the Premises and the Project free from any liens arising out of work performed, materials furnished or obligations incurred by Tenant. Should Tenant fail to discharge

any lien described herein, Landlord shall have the right, but not the obligation, to pay such claim or post a bond or otherwise provide security to eliminate the lien as a claim against title to the Project and the cost thereof shall be immediately due from Tenant as Additional Rent. If Tenant shall lease or finance the acquisition of office equipment, furnishings, or other personal property of a removable nature utilized by Tenant in the operation of Tenant's business, Tenant warrants that any Uniform Commercial Code Financing Statement executed by Tenant will upon its face or by exhibit thereto indicate that such Financing Statement is applicable only to removable personal property of Tenant located within the Premises. In no event shall the address of the Project be furnished on the statement without qualifying language as to applicability of the lien only to removable personal property, located in an identified suite held by Tenant.

16. **Indemnification**. Tenant hereby indemnifies and agrees to defend, save and hold Landlord harmless from and against any and all Claims for injury or death to persons or damage to property occurring within or about the Premises, arising directly or indirectly out of use or occupancy of the Premises or a breach or default by Tenant in the performance of any of its obligations hereunder, unless caused solely by the willful misconduct or gross negligence of Landlord. Landlord shall not be liable to Tenant for, and Tenant assumes all risk of damage to, personal property (including, without limitation, loss of records kept within the Premises). Tenant further waives any and all Claims for injury to Tenant's business or loss of income relating to any such damage or destruction of personal property (including, without limitation, any loss of records). Landlord shall not be liable for any damages arising from any act, omission or neglect of any tenant in the Project or of any other third party.

17. **Insurance**. Landlord shall maintain all insurance against any peril generally included within the classification "**Fire and Extended Coverage**," sprinkler damage (if applicable), vandalism and malicious mischief covering the full replacement cost of the Project. Landlord shall further carry commercial general liability insurance with a single loss limit of not less than $2,000,000 for death or bodily injury, or property damage with respect to the Project. Landlord may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary, including, but not limited to, flood, environmental hazard and earthquake, loss or failure of building equipment, errors and omissions, rental loss during the period of repair or rebuilding, workers' compensation insurance and fidelity bonds for employees employed to perform services and insurance for any improvements installed by Tenant or which are in addition to the standard improvements customarily furnished by Landlord without regard to whether or not such are made a part of the Project. All such insurance shall be included as part of the Operating Expenses. The Project may be included in a blanket policy (in which case the cost of such insurance allocable to the Project will be determined by Landlord based upon the insurer's cost calculations). Tenant shall also reimburse Landlord for any increased premiums or additional insurance which Landlord reasonably deems necessary as a result of Tenant's use of the Premises.

Tenant, at its sole cost and expense, shall maintain during the Term: all risk property insurance covering the full replacement cost of all property and improvements installed or placed in the Premises by Tenant at Tenant's expense; workers' compensation insurance with no less than the minimum limits required by law; employer's liability insurance with such limits as required by law;

and commercial general liability insurance, with a minimum limit of not less than $2,000,000 per occurrence for death or bodily injury and not less than $1,000,000 for property damage with respect to the Premises. The commercial general liability insurance policies shall name Landlord, its officers, directors, employees, managers, agents, invitees and contractors (collectively, "**Related Parties**"), as additional insureds; insure on an occurrence and not a claims-made basis; be issued by insurance companies which have a rating of not less than policyholder rating of A and financial category rating of at least Class XII in "**Best's Insurance Guide**"; shall not be cancelable unless 30 days prior written notice shall have been given to Landlord from the insurer; contain a hostile fire endorsement and a contractual liability endorsement; and provide primary coverage to Landlord (any policy issued to Landlord providing duplicate or similar coverage shall be deemed excess over Tenant's policies). Such policies or certificates thereof shall be delivered to Landlord by Tenant upon commencement of the Term and upon each renewal of said insurance. Tenant's policy may be a "**blanket policy**" which specifically provides that the amount of insurance shall not be prejudiced by other losses covered by the policy. Tenant shall, at least 20 days prior to the expiration of such policies, furnish Landlord with renewals or binders. Tenant agrees that if Tenant does not take out and maintain such insurance, Landlord may (but shall not be required to) procure said insurance on Tenant's behalf and at its cost to be paid as Additional Rent.

In each instance where insurance is to name Landlord as an additional insured, Tenant shall upon written request of Landlord also designate and furnish certificates so evidencing Landlord as additional insured to: (i) any lender of Landlord holding a security interest in the Project or any portion thereof, (ii) the landlord under any lease wherein Landlord is tenant of the real property on which the Project is located, if the interest of Landlord is or shall become that of a tenant under a ground or other underlying lease rather than that of a fee owner, and/or (iii) any management company retained by Landlord to manage the Project.

The property insurance obtained by Landlord and Tenant shall include a waiver of subrogation by the insurers and all rights based upon an assignment from its insured, against Landlord or Tenant, and their respective Related Parties, in connection with any loss or damage thereby insured against. Neither party nor its respective Related Parties shall be liable to the other for loss or damage caused by any risk insured against under property insurance required to be maintained hereunder, and each party waives any claims against the other party, and its respective Related Parties, for such loss or damage. The failure of a party to insure its property shall not void this waiver. Landlord and its respective Related Parties shall not be liable for, and Tenant hereby waives all claims against such parties for, business interruption and losses occasioned thereby sustained by Tenant or any person claiming through Tenant resulting from any accident or occurrence in or upon the Premises or the Project from any cause whatsoever. If the foregoing waivers shall contravene any law with respect to exculpatory agreements, the liability of Landlord or Tenant shall be deemed not released but shall be secondary to the other's insurer.

Landlord may require insurance policy limits to be raised to conform with requirements of Landlord's lender and/or to bring coverage limits to levels then being generally required of new tenants within the Project.

18. **Restoration**. If at any time during the Term the Project or the Premises are damaged by a fire or other insured casualty, Landlord shall notify Tenant within 60 days after discovery of such damage as to the amount of time Landlord reasonably estimates it will take to restore the Project or the Premises, as applicable. If the restoration time is estimated to exceed 11 months, Landlord may, in such notice, elect to terminate this Lease as of the date that is 75 days after the date of discovery of such damage or destruction; provided, however, that notwithstanding Landlord's election to restore the Premises, Tenant may elect to terminate this Lease by written notice to Landlord delivered within 5 business days of receipt of Landlord's notice electing to restore the Premises over an 11 month or longer period. Unless either Landlord or Tenant elects to terminate this Lease, Landlord shall, subject to receipt of sufficient insurance proceeds (with any deductible to be treated as a current Operating Expense), promptly restore the Premises (excluding the improvements installed by Tenant or by Landlord and paid for by Tenant), subject to delays arising from the collection of insurance proceeds, from Force Majeure events or as needed for Tenant to obtain any license, clearance or other authorization of any kind required to enter into and restore the Premises issued by any governmental or quasi-governmental agency having jurisdiction over the use, storage, release or removal of Hazardous Materials (as defined in Section 30) in, on or about the Premises (collectively referred to herein as "**Hazardous Materials Clearances**"); provided, however, that if repair or restoration of the Premises is not substantially complete as of the end of 11 months from the date of damage or destruction, Landlord may, in its sole and absolute discretion, elect not to proceed with such repair and restoration, or Tenant may by written notice to Landlord delivered within 5 business days of the expiration of such 11 month period, elect to terminate this Lease, in which event Landlord shall be relieved of its obligation to make such repairs or restoration and this Lease shall terminate as of the date that is 75 days after the later of: (i) discovery of such damage or destruction, or (ii) the date all required Hazardous Materials Clearances are obtained.

Tenant, at its expense, shall promptly perform, subject to delays arising from the collection of insurance proceeds, from Force Majeure (as defined in Section 34) events or to obtain Hazardous Material Clearances, all repairs or restoration not required to be done by Landlord and shall promptly re-enter the Premises and commence doing business in accordance with this Lease. Notwithstanding the foregoing, Landlord may terminate this Lease if the Premises are damaged during the last 1 year of the Term and Landlord reasonably estimates that it will take more than 2 months to repair such damage, or if insurance proceeds are not available for such restoration. Rent shall be abated from the date all required Hazardous Material Clearances are obtained until the Premises are repaired and restored, in the proportion which the area of the Premises, if any, which is not usable by Tenant bears to the total area of the Premises, unless Landlord provides Tenant with other space during the period of repair that is suitable for the temporary conduct of Tenant's business. Such abatement shall be the sole remedy of Tenant, and except as provided herein, Tenant waives any right to terminate the Lease by reason of damage or casualty loss.

The provisions of this Lease, including this Section 18, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, or any other portion of the Project, and any statute or regulation which is now or may hereafter be in effect shall have no application to this Lease or any damage or destruction to all

or any part of the Premises or any other portion of the Project, the parties hereto expressly agreeing that this Section 18 sets forth their entire understanding and agreement with respect to such matters.

19. **Condemnation**. If the whole or any material part of the Premises or the Project is taken for any public or quasi-public use under governmental law, ordinance, or regulation, or by right of eminent domain, or by private purchase in lieu thereof (a "**Taking**" or "**Taken**"), and the Taking would in Landlord's reasonable judgment either prevent or materially interfere with Tenant's use of the Premises or materially interfere with or impair Landlord's ownership or operation of the Project, then upon written notice by Landlord this Lease shall terminate and Rent shall be apportioned as of said date. If part of the Premises shall be Taken, and this Lease is not terminated as provided above, Landlord shall promptly restore the Premises and the Project as nearly as is commercially reasonable under the circumstances to their condition prior to such partial Taking and the rentable square footage of the Building, the rentable square footage of the Premises, Tenant's Share of Net Building Expenses and the Rent payable hereunder during the unexpired Term shall be reduced to such extent as may be fair and reasonable under the circumstances. Upon any such Taking, Landlord shall be entitled to receive the entire price or award from any such Taking without any payment to Tenant, and Tenant hereby assigns to Landlord Tenant's interest, if any, in such award. Tenant shall have the right, to the extent that same shall not diminish Landlord's award, to make a separate claim against the condemning authority (but not Landlord) for such compensation as may be separately awarded or recoverable by Tenant for moving expenses and damage to Tenant's trade fixtures, if a separate award for such items is made to Tenant. Tenant hereby waives any and all rights it might otherwise have pursuant to any provision of state law to terminate this Lease upon a partial Taking of the Premises or the Project.

20. **Events of Default**. Each of the following events shall be a default ("**Default**") by Tenant under this Lease:

(a) **Payment Defaults**. Tenant shall fail to pay any installment of Rent or any other payment hereunder when due.

(b) **Insurance**. Any insurance required to be maintained by Tenant pursuant to this Lease shall be canceled or terminated or shall expire or shall be reduced or materially changed, or Landlord shall receive a notice of nonrenewal of any such insurance and Tenant shall fail to obtain replacement insurance at least 20 days before the expiration of the current coverage.

(c) **Abandonment**. Tenant shall abandon the Premises.

(d) **Improper Transfer**. Tenant shall assign, sublease or otherwise transfer or attempt to transfer all or any portion of Tenant's interest in this Lease or the Premises except as expressly permitted herein, or Tenant's interest in this Lease shall be attached, executed upon, or otherwise judicially seized and such action is not released within 90 days of the action.

(e) **Liens**. Tenant shall fail to discharge or otherwise obtain the release of any lien placed upon the Premises in violation of this Lease within 10 days after any such lien is filed against the Premises.

(f) **Insolvency Events**. Tenant or any guarantor or surety of Tenant's obligations hereunder shall: (A) make a general assignment for the benefit of creditors; (B) commence any case, proceeding or other action seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment liquidation, dissolution or composition of it or its debts or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or of any substantial part of its property (collectively a "**Proceeding for Relief**"); (C) become the subject of any Proceeding for Relief which is not dismissed within 90 days of its filing or entry; or (D) die or suffer a legal disability (if Tenant, guarantor, or surety is an individual) or be dissolved or otherwise fail to maintain its legal existence (if Tenant, guarantor or surety is a corporation, partnership or other entity).

(g) **Estoppel Certificate or Subordination Agreement**. Tenant fails to execute any document required from Tenant under Sections 23 or 27 within 5 days after a second notice requesting such document.

(h) **Other Defaults**. Tenant shall fail to comply with any provision of this Lease other than those specifically referred to in this Section 20, and, except as otherwise expressly provided herein, such failure shall continue for a period of 10 days after written notice thereof from Landlord to Tenant.

Any notice given under Section 20(h) hereof shall: (i) specify the alleged default, (ii) demand that Tenant cure such default, (iii) be in lieu of, and not in addition to, or shall be deemed to be, any notice required under any provision of applicable law, and (iv) not be deemed a forfeiture or a termination of this Lease unless Landlord elects otherwise in such notice; provided that if the nature of Tenant's default pursuant to Section 20(h) is such that it cannot be cured by the payment of money and reasonably requires more than 30 days to cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said 30 day period and thereafter diligently prosecutes the same to completion; provided, however, that such cure shall be completed no later than 150 days from the date of Landlord's notice.

21. **Landlord's Remedies**.

(a) **Payment By Landlord; Interest**. Upon a Default by Tenant hereunder, Landlord may, without waiving or releasing any obligation of Tenant hereunder, make such payment or perform such act. All sums so paid or incurred by Landlord, together with interest thereon, from the date such sums were paid or incurred, at the annual rate equal to 12% per annum or the highest rate permitted by law (the "**Default Rate**"), whichever is less, shall be payable to Landlord on demand as Additional Rent. Nothing herein shall be construed to create or impose a duty on Landlord to mitigate any damages resulting from Tenant's Default hereunder.

(b) **Late Payment Rent**. Late payment by Tenant to Landlord of Rent and other sums due will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult and impracticable to ascertain. Such costs include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord under any Mortgage covering the Premises. Therefore, if any installment of Rent due from Tenant is

not received by Landlord within 5 days after the date such payment is due, Tenant shall pay to Landlord an additional sum equal to 6% of the overdue Rent as a late charge. The parties agree that this late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. In addition to the late charge, Rent not paid when due shall bear interest at the Default Rate from the 5th day after the date due until paid.

(c) **Remedies**. Upon the occurrence of a Default, Landlord, at its option, without further notice or demand to Tenant, shall have in addition to all other rights and remedies provided in this Lease, at law or in equity, the option to pursue any one or more of the following remedies, each and all of which shall be cumulative and nonexclusive, without any notice or demand whatsoever.

(i) Terminate this Lease, or at Landlord's option, Tenant's right to possession only, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim or damages therefor;

(ii) Upon any termination of this Lease, whether pursuant to the foregoing Section 21(c)(i) or otherwise, Landlord may recover from Tenant the following:

(A) The worth at the time of award of any unpaid rent which has been earned at the time of such termination; plus

(B) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(C) The worth at the time of award of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(D) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, specifically including, but not limited to, brokerage commissions and advertising expenses incurred, expenses of remodeling the Premises or any portion thereof for a new tenant, whether for the same or a different use, and any special concessions made to obtain a new tenant; and

(E) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

The term "**rent**" as used in this Section 21 shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord

or to others. As used in Sections 21(c)(ii) (A) and (B), above, the "**worth at the time of award**" shall be computed by allowing interest at the Default Rate. As used in Section 21(c)(ii)(C) above, the "**worth at the time of award**" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus 1%.

(iii) Landlord may continue this Lease in effect after Tenant's Default and recover rent as it becomes due (Landlord and Tenant hereby agreeing that Tenant has the right to sublet or assign hereunder, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate this Lease following a Default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies hereunder, including the right to recover all Rent as it becomes due.

(iv) Whether or not Landlord elects to terminate this Lease following a Default by Tenant, Landlord shall have the right to terminate any and all subleases, licenses, concessions or other consensual arrangements for possession entered into by Tenant and affecting the Premises or may, in Landlord's sole discretion, succeed to Tenant's interest in such subleases, licenses, concessions or arrangements. Upon Landlord's election to succeed to Tenant's interest in any such subleases, licenses, concessions or arrangements, Tenant shall, as of the date of notice by Landlord of such election, have no further right to or interest in the rent or other consideration receivable thereunder.

(v) Independent of the exercise of any other remedy of Landlord hereunder or under applicable law, Landlord may conduct an environmental test of the Premises as generally described in Section 30(d) hereof, at Tenant's expense.

(d) **Effect of Exercise**. Exercise by Landlord of any remedies hereunder or otherwise available shall not be deemed to be an acceptance of surrender of the Premises and/or a termination of this Lease by Landlord, it being understood that such surrender and/or termination can be effected only by the express written agreement of Landlord and Tenant. Any law, usage, or custom to the contrary notwithstanding, Landlord shall have the right at all times to enforce the provisions of this Lease in strict accordance with the terms hereof; and the failure of Landlord at any time to enforce its rights under this Lease strictly in accordance with same shall not be construed as having created a custom in any way or manner contrary to the specific terms, provisions, and covenants of this Lease or as having modified the same and shall not be deemed a waiver of Landlord's right to enforce one or more of its rights in connection with any subsequent default. A receipt by Landlord of Rent or other payment with knowledge of the breach of any covenant hereof shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by Landlord. To the greatest extent permitted by law, Tenant waives the service of notice of Landlord's intention to re-enter, re-take or otherwise obtain possession of the Premises as provided in any statute, or to institute legal proceedings to that end, and also waives all right of redemption in case Tenant shall be dispossessed by a judgment or by warrant of any court or judge. Any reletting of the Premises or any portion thereof shall be on such terms and conditions as Landlord in its sole discretion may determine. Landlord shall not liable for, nor shall Tenant's obligations hereunder be diminished

because of, Landlord's failure to relet the Premises or collect rent due in respect of such reletting or otherwise to mitigate any damages arising by reason of Tenant's Default.

22. **Assignment and Subletting**.

(a) **General Prohibition**. Without Landlord's prior written consent subject to and on the conditions described in this Section 22, Tenant shall not, directly or indirectly, voluntarily or by operation of law, assign this Lease or sublease the Premises or any part thereof or mortgage, pledge, or hypothecate its leasehold interest or grant any concession or license within the Premises, and any attempt to do any of the foregoing shall be void and of no effect. If Tenant is a corporation, partnership or limited liability company, the shares or other ownership interests thereof which are not actively traded upon a stock exchange or in the over-the-counter market, a transfer or series of transfers whereby 25% or more of the issued and outstanding shares or other ownership interests of such corporation are, or voting control is, transferred (but excepting transfers upon deaths of individual owners) from a person or persons or entity or entities which were owners thereof at time of execution of this Lease to persons or entities who were not owners of shares or other ownership interests of the corporation, partnership or limited liability company at time of execution of this Lease, shall be deemed an assignment of this Lease requiring the consent of Landlord as provided in this Section 22. For purposes of this Section, a transfer of ownership interests controlling Tenant shall be deemed an assignment of this Lease unless such ownership interests are publicly traded or unless such ownership interest are issued by Tenant in an equity financing or result from the conversion of not more than $7,000,000 of debt which by its original terms was convertible into equity interests.

(b) **Permitted Transfers**. If Tenant desires to assign, sublease, hypothecate or otherwise transfer this Lease or sublet the Premises other than pursuant to a Permitted Assignment, as defined below, then at least 15 business days, but not more than 45 business days, before the date Tenant desires the assignment or sublease to be effective (the "**Assignment Date**"), Tenant shall give Landlord a notice (the "**Assignment Notice**") containing such information about the proposed assignee or sublessee, including the proposed use of the Premises and any Hazardous Materials proposed to be used or stored in the Premises, the Assignment Date, any relationship between Tenant and the proposed assignee or sublessee, and all material terms and conditions of the proposed assignment or sublease, including a copy of any proposed assignment or sublease in its final form, and such other information as Landlord may deem reasonably necessary or appropriate to its consideration whether to grant its consent. Landlord may, by giving written notice to Tenant within 15 business days after receipt of the Assignment Notice: (i) grant or refuse such consent, in its sole discretion with respect to a proposed assignment, hypothecation or other transfer or subletting of more than (together with all other then effective subleases) 50% of the Premises, or grant or refuse such consent, in its reasonable discretion with respect to a proposed subletting of up to (together with all other then effective subleases) 50% of the Premises (provided that Landlord shall further have the right to review and approve or disapprove the proposed form of sublease prior to the effective date of any such subletting), or (ii) terminate this Lease with respect to the space described in the Assignment Notice as of the Assignment Date (an "**Assignment Termination**"). If Landlord elects an Assignment Termination, Tenant shall have the right to withdraw such Assignment Notice

by written notice to Landlord of such election within 5 days after Landlord's notice electing to exercise the Assignment Termination. If Tenant withdraws such Assignment Notice, this Lease shall continue in full force and effect. If Tenant does not withdraw such Assignment Notice, this Lease, and the term and estate herein granted, shall terminate as of the Assignment Date with respect to the space described in such Assignment Notice. No failure of Landlord to exercise any such option to terminate this Lease shall be deemed to be Landlord's consent to the proposed assignment, sublease or other transfer. Tenant shall reimburse Landlord for all of Landlord's reasonable out-of-pocket expenses in connection with its consideration of any Assignment Notice, not to exceed $5,000 in connection with any single Assignment Notice.

Notwithstanding the foregoing, Landlord's consent to an assignment of this Lease or a subletting of any portion of the Premises to any entity controlling, controlled by or under common control with Tenant shall not be required, provided that Landlord shall have the right to approve the form of any such sublease or assignment. In addition, Tenant shall have the right to assign this Lease, upon 30 days prior written notice to Landlord but without obtaining Landlord's prior written consent, to a corporation or other entity which is a successor-in-interest to Tenant, by way of merger, consolidation or corporate reorganization, or by the purchase of all or substantially all of the assets or the ownership interests of the Tenant provided that (i) such merger or consolidation, or such acquisition or assumption, as the case may be, is for a good business purpose and not principally for the purpose of transferring the Lease, and (ii) the net worth (as determined in accordance with generally accepted accounting principles ("**GAAP**")) of the assignee is not less than the net worth (as determined in accordance with GAAP) of Tenant as of the date of Tenant's most current quarterly or annual financial statements, and (iii) such assignee shall agree in writing to assume all of the terms, covenants and conditions of this Lease arising after the effective date of the assignment. Any such assignment described in this paragraph is referred to herein as a "**Permitted Assignment**" and any person succeeding to Tenant's rights hereunder pursuant to a Permitted Assignment is to herein as a "**Permitted Assignee**."

(c) **Additional Conditions**. As a condition to any such assignment or subletting, whether or not Landlord's consent is required, Landlord may require:

(i) that any assignee or subtenant agree, in writing at the time of such assignment or subletting, that if Landlord gives such party notice that Tenant is in default under this Lease, such party shall thereafter make all payments otherwise due Tenant directly to Landlord, which payments will be received by Landlord without any liability except to credit such payment against those due under the Lease, and any such third party shall agree to attorn to Landlord or its successors and assigns should this Lease be terminated for any reason; provided, however, in no event shall Landlord or its successors or assigns be obligated to accept such attornment; and

(ii) A list of Hazardous Materials, certified by the proposed assignee or sublessee to be true and correct, which the proposed assignee or sublessee intends to use or store in the Premises together with copies of all documents relating to the handling, storage, disposal and emission of Hazardous Materials by the proposed assignee or subtenant in the Premises or on the Project, prior to the proposed assignment or subletting, including, without limitation: permits;

approvals; reports and correspondence; storage and management plans; plans relating to the installation of any storage tanks to be installed in or under the Project (provided, said installation of tanks shall only be permitted after Landlord has given its written consent to do so, which consent may be withheld in Landlord's sole and absolute discretion); and all closure plans or any other documents required by any and all federal, state and local governmental agencies and authorities for any storage tanks installed in, on or under the Project for the closure of any such tanks. Neither Tenant nor any such proposed assignee or subtenant is required, however, to provide Landlord with any portion(s) of the such documents containing information of a proprietary nature which, in and of themselves, do not contain a reference to any Hazardous Materials or hazardous activities.

(d) **No Release of Tenant, Sharing of Excess Rents**. Notwithstanding any assignment or subletting, Tenant and any guarantor or surety of Tenant's obligations under this Lease shall at all times remain fully and primarily responsible and liable for the payment of Rent and for compliance with all of Tenant's other obligations under this Lease. If the Rent due and payable by a sublessee or assignee (or a combination of the rental payable under such sublease or assignment plus any bonus or other consideration therefor or incident thereto) exceeds the rental payable under this Lease, after reasonable and customary expenses related thereto, including without limitation reasonable commissions, attorneys' fees and tenant improvements (excluding however, any Rent payable under this Section), then Tenant shall be bound and obligated to pay Landlord as Additional Rent hereunder 50% of such excess rental and other excess consideration within 10 days following receipt thereof by Tenant. If Tenant shall sublet the Premises or any part thereof, Tenant hereby immediately and irrevocably assigns to Landlord, as security for Tenant's obligations under this Lease, all rent from any such subletting, and Landlord as assignee and as attorney-in-fact for Tenant, or a receiver for Tenant appointed on Landlord's application, may collect such rent and apply it toward Tenant's obligations under this Lease; except that, until the occurrence of a Default, Tenant shall have the right to collect such rent.

(e) **No Waiver**. The consent by Landlord to an assignment or subletting shall not relieve Tenant or any assignees of this Lease or any sublessees of the Premises from obtaining the consent of Landlord to any further assignment or subletting nor shall it release Tenant or any assignee or sublessee of Tenant from full and primary liability under the Lease. The acceptance of Rent hereunder, or the acceptance of performance of any other term, covenant, or condition thereof, from any other person or entity shall not be deemed to be a waiver of any of the provisions of this Lease or a consent to any subletting, assignment or other transfer of the Premises.

(f) **Prior Conduct of Proposed Transferee**. Notwithstanding any other provision of this Section 22, if (i) the proposed assignee or sublessee of Tenant has been required by any prior landlord, lender or Governmental Authority to take remedial action in connection with Hazardous Materials contaminating a property, where the contamination resulted from such party's action or use of the property in question, or (ii) the proposed assignee or sublessee is subject to an enforcement order issued by any governmental authority in connection with the use, disposal or storage of Hazardous Materials, Landlord shall have the absolute right to refuse to consent to any assignment or subletting to any such party.

23. **Estoppel Certificate**. Tenant shall, within 10 business days of written notice from Landlord, execute, acknowledge and deliver a statement in writing substantially in the form attached to this Lease as Exhibit G with the blanks filled in, or on any other form reasonably requested by a proposed lender or purchaser, (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified is in full force and effect) and the dates to which the rental and other charges are paid in advance, if any, (ii) acknowledging that there are not any uncured defaults on the part of Landlord hereunder, or specifying such defaults if any are claimed, and (iii) setting forth such further information with respect to the status of this Lease or the Premises as maybe requested thereon. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Premises are a part. Tenant's failure to deliver such statement within such time shall, at the option of Landlord, constitute a Default under this Lease, and, in any event, shall be conclusive upon Tenant that the Lease is in full force and effect and without modification except as may be represented by Landlord in any certificate prepared by Landlord and delivered to Tenant for execution.

24. **Quiet Enjoyment**. So long as Tenant shall perform all of the covenants and agreements herein required to be performed by Tenant, Tenant shall, subject to the terms of this Lease, at all times during the Term, have peaceful and quiet enjoyment of the Premises against any person claiming by, through or under Landlord.

25. **Prorations**. All prorations required or permitted to be made hereunder shall be made on the basis of a 360 day year and 30 day months.

26. **Rules and Regulations**. Tenant shall, at all times during the Term and any extension thereof, comply with all reasonable rules and regulations at any time or from time to time established by Landlord covering use of the Premises and the Project. The current rules and regulations are attached hereto as Exhibit E. If there is any conflict between said rules and regulations and other provisions of this Lease, the terms and provisions of this Lease shall control. Landlord shall not have any liability or obligation for the breach of any rules or regulations by other tenants in the Project and shall not enforce such rules and regulations in a discriminatory manner.

27. **Subordination**. This Lease and Tenant's interest and rights hereunder are and shall be subject and subordinate at all times to the lien of any Mortgage now existing or hereafter created on or against the Project or the Premises, and all amendments, restatements, renewals, modifications, consolidations, refinancing, assignments and extensions thereof, without the necessity of any further instrument or act on the part of Tenant; provided, however that so long as there is no Default hereunder, Tenant's right to possession of the Premises shall not be disturbed by the Holder of any such Mortgage. Tenant agrees, at the election of the Holder of any such Mortgage, to attorn to any such Holder. Tenant agrees upon demand to execute, acknowledge and deliver a Subordination, Non-disturbance and Attornment Agreement in substantially the form attached hereto as Exhibit H, or such other instruments, confirming such subordination and nondisturbance, and such instruments of attornment as shall be requested by any such Holder, provided any such instruments contain appropriate non-disturbance provisions assuring Tenant's quiet enjoyment of the Premises as set

forth in Section 24 hereof. Notwithstanding the foregoing, any such Holder may at any time subordinate its Mortgage to this Lease, without Tenant's consent, by notice in writing to Tenant, and thereupon this Lease shall be deemed prior to such Mortgage without regard to their respective dates of execution, delivery or recording and in that event such Holder shall have the same rights with respect to this Lease as though this Lease had been executed prior to the execution, delivery and recording of such Mortgage and had been assigned to such Holder. The term "**Mortgage**" whenever used in this Lease shall be deemed to include deeds of trust, security assignments and any other encumbrances, and any reference to the "**Holder**" of a Mortgage shall be deemed to include the beneficiary under a deed of trust.

28. **Surrender**. Upon expiration of the Term or earlier termination of Tenant's right of possession, Tenant shall surrender the Premises to Landlord in the same condition as received, subject to any Alterations permitted by Landlord to remain in the Premises, free of Hazardous Materials brought upon, kept or used in or about the Premises by any person other than Landlord, its agents, employees, contractors or invitees (or Hazardous Materials brought upon, kept or used in or about the Project by Tenant or any of its agents, employees, contractors or invitees) and released of all Hazardous Materials Clearances, broom clean, ordinary wear and tear and casualty loss and condemnation covered by Sections 18 and 19 excepted. Tenant shall immediately return to Landlord all keys and/or access cards to parking, the Project, restrooms or all or any portion of the Premises furnished to or otherwise procured by Tenant. If any such access card or key is lost, Tenant shall pay to Landlord, at Landlord's election, either the cost of replacing such lost access card or key or the cost of reprogramming the access security system in which such access card was used or changing the lock or locks opened by such lost key. Any Tenant's Property, Alterations and property not so removed by Tenant as permitted or required herein shall be deemed abandoned and may be stored, removed, and disposed of by Landlord at Tenant's expense, and Tenant waives all claims against Landlord for any damages resulting from Landlord's retention and/or disposition of such property. All obligations of Tenant hereunder not fully performed as of the termination of the Term, including the obligations of Tenant under Section 30 hereof, shall survive the expiration or earlier termination of the Term, including, without limitation, indemnity obligations, payment obligations with respect to Rent and obligations concerning the condition and repair of the Premises.

29. **Waiver of Jury Trial**. TENANT AND LANDLORD WAIVE ANY RIGHT TO TRIAL BY JURY OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN LANDLORD AND TENANT ARISING OUT OF THIS LEASE OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED HERETO.

30. **Environmental Requirements**.

(a) **Prohibition/Compliance/Indemnity**. Tenant shall not cause or permit any Hazardous Materials (as hereinafter defined) to be brought upon, kept or used in or about the Premises or the Project in violation of applicable law by Tenant, its agents, employees, contractors or invitees. If Tenant breaches the obligation stated in the preceding sentence, or if the presence of

Hazardous Materials in the Premises during the Term or any holding over results in contamination of the Premises, the Project or any adjacent property or if contamination of the Premises, the Project or any adjacent property by Hazardous Materials brought into the Premises by anyone other than Landlord and Landlord's employees, agents and contractors otherwise occurs during the Term or any holding over, Tenant hereby indemnifies and shall defend and hold Landlord, its officers, directors, employees, agents and contractors harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities, or losses (including, without limitation, diminution in value of the Premises or any portion of the Project, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises or the Project, damages arising from any adverse impact on marketing of space in the Premises or the Project, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) which arise during or after the Term as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal, or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Materials present in the air, soil or ground water above, on, or under the Premises. Without limiting the foregoing, if the presence of any Hazardous Materials on the Premises, the Project or any adjacent property caused or permitted by Tenant results in any contamination of the Premises, the Project or any adjacent properly, Tenant shall promptly take all actions at its sole expense and in accordance with applicable law as are necessary to return the Premises, the Project or any adjacent property to the condition existing prior to the time of such contamination, provided that Landlord's approval of such action shall first be obtained, which approval shall not unreasonably be withheld, conditioned or delayed so long as such actions would not potentially have any material adverse long-term or short-term effect on the Premises or the Project.

(b) **Business**. Landlord acknowledges that it is not the intent of this Section 30 to prohibit Tenant from using the Premises for the Permitted Use. Tenant may operate its business according to the custom of the industry so long as the use or presence of Hazardous Materials is strictly and properly monitored according to all then applicable governmental requirements. As a material inducement to Landlord to allow Tenant to use Hazardous Materials in connection with its business, Tenant agrees to deliver to Landlord prior to the Commencement Date a list identifying each type of Hazardous Materials to be present on the Premises and setting forth any and all governmental approvals or permits required in connection with the presence of such Hazardous Materials on the Premises ("**Hazardous Materials List**"). Tenant shall deliver to Landlord an updated Hazardous Materials List at least once a year and shall also deliver an updated list before any new Hazardous Material is brought onto the Premises. Tenant shall deliver to Landlord true and correct copies of the following documents (the "**Haz Mat Documents**") relating to the handling, use, storage, disposal and emission of Hazardous Materials prior to the Commencement Date, or if unavailable at that time, concurrent with the receipt from or submission to a governmental agency: permits; approvals; reports and correspondence; storage and management plans, notice of violations of any laws; plans relating to the installation of any storage tanks to be installed in or under the Project (provided, said installation of tanks shall only be permitted after Landlord has given Tenant its written consent to do so, which consent may be withheld in Landlord's sole and absolute discretion); and all closure plans or any other documents required by any and all federal, state and

local governmental agencies and authorities for any storage tanks installed in, on or under the Project for the closure of any such tanks. Tenant is not required, however, to provide Landlord with, any portion(s) of the Haz Mat Documents containing information of a proprietary nature which, in and of themselves, do not contain a reference to any Hazardous Materials or hazardous activities. It is not the intent of this Section to provide Landlord with information which could be detrimental to Tenant's business should such information become possessed by Tenant's competitors.

(c) **Tenant Representation and Warranty**. Tenant hereby represents and warrants to Landlord that (i) neither Tenant nor any of its legal predecessors has been required by any prior landlord, lender or governmental authority at any time to take remedial action in connection with Hazardous Materials contaminating a property which contamination was permitted by Tenant of such predecessor or resulted from Tenant's or such predecessor's action or use of the property in question, and (ii) Tenant is not subject to any enforcement order issued by any governmental authority in connection with the use, disposal or storage of a Hazardous Materials. If Landlord determines that this representation and warranty was not true as of the date of this lease, Landlord shall have the right to terminate this Lease in Landlord's sole and absolute discretion.

(d) **Testing**. Landlord shall have the right to conduct annual tests of the Premises to determine whether any contamination has occurred as a result of Tenant's use. Tenant shall be required to pay the cost of such annual test of the Premises; provided, however, that if Tenant conducts its own tests of the Premises using third party contractors and test procedures acceptable to Landlord which tests are certified to Landlord, Landlord shall accept such tests in lieu of the annual tests to be paid for by Tenant. In addition, at any time, and from time to time, prior to the expiration or earlier termination of the Term, Landlord shall have the right to conduct appropriate tests of the Premises and the Project to determine if contamination has occurred as a result of Tenant's use of the Premises. lf contamination has occurred for which Tenant is liable under this Section 30, Tenant shall pay all costs to conduct such tests. If no such contamination is found, Landlord shall pay the costs of such tests (which shall not constitute an Operating Expense). Landlord shall provide Tenant with a copy of all third party, non-confidential reports and tests of the Premises made by or on behalf of Landlord during the Term without representation or warranty and subject to a confidentiality agreement. Landlord's receipt of or satisfaction with any environmental assessment in no way waives any rights which Landlord may have against Tenant.

(e) **Underground Tanks**. If underground or other storage tanks storing Hazardous Materials located on the Premises or the Project are used by Tenant or are hereafter placed on the Premises or the Project by Tenant, Tenant shall monitor such storage tanks, maintain appropriate records, implement reporting procedures, properly close any underground storage tanks, and take or cause to be taken all other actions necessary or required under applicable state and federal law, as such now exists or may hereafter be adopted or amended in connection with the use, maintenance, operation and closure of such storage tanks.

(f) **Tenant's Obligations**. Tenant's obligations under this Section 30 shall survive the expiration or earlier termination of the Lease. During any period of time after the expiration or earlier termination of this Lease required by Tenant or Landlord to complete the

removal from the Premises of any Hazardous Materials and the release and termination of any licenses or permits restricting the use of the Premises, Tenant shall continue to pay the full Rent in accordance with this Lease for any portion of the Premises not relet by Landlord in Landlord's sole discretion, which Rent shall be prorated daily.

(g) **Definitions**. As used herein, the term "**Environmental Requirements**" means all applicable present and future statutes, regulations, ordinances, rules, codes, judgments, orders or other similar enactments of any governmental authority or agency regulating or relating to health, safety, or environmental conditions on, under, or about the Premises or the Project, or the environment, including without limitation, the following: the Comprehensive Environmental Response, Compensation and Liability Act; the Resource Conservation and Recovery Act; and all state and local counterparts thereto, and any regulations or policies promulgated or issued thereunder. As used herein, the term "**Hazardous Materials**" means and includes any substance, material, waste, pollutant, or contaminant listed or defined as hazardous or toxic, or regulated by reason of its impact or potential impact on humans, animals and/or the environment under any Environmental Requirements, asbestos and petroleum, including crude oil or any fraction thereof, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas). As defined in Environmental Requirements, Tenant is and shall be deemed to be the "**operator**" of Tenant's "**facility**" and the "**owner**" of all Hazardous Materials brought on the Premises by Tenant, its agents, employees, contractors or invitees, and the wastes, by-products, or residues generated, resulting, or produced therefrom.

31. **Tenant's Remedies/Limitation of Liability**. Landlord shall not be in default hereunder unless Landlord fails to perform any of its obligations hereunder within 30 days after written notice from Tenant specifying such failure (unless such performance will, due to the nature of the obligation, require a period of time in excess of 30 days, then after such period of time as is reasonably necessary). Upon any default by Landlord, Tenant shall give notice by registered or certified mail to any Holder of a Mortgage covering the Premises and to any landlord of any lease of property in or on which the Premises are located and Tenant shall offer such Holder and/or landlord a reasonable opportunity to cure the default, including time to obtain possession of the Project by power of sale or a judicial action if such should prove necessary to effect a cure; provided Landlord shall have furnished to Tenant in writing the names and addresses of all such persons who are to receive such notices. All obligations of Landlord hereunder shall be construed as covenants, not conditions; and, except as may be otherwise expressly provided in this Lease, Tenant may not terminate this Lease for breach of Landlord's obligations hereunder. All obligations of Landlord under this Lease will be binding upon Landlord only during the period of its ownership of the Premises and not thereafter. The term "**Landlord**" in this Lease shall mean only the owner for the time being of the Premises. Upon the transfer by such owner of its interest in the Premises, such owner shall thereupon be released and discharged from all obligations of Landlord thereafter accruing, but such obligations shall be binding during the Term upon each new owner for the duration of such owner's ownership.

32. **Inspection and Access**. Landlord and its agents, representatives, and contractors may enter the Premises at any reasonable time to inspect the Premises and to make such repairs as

may be required or permitted pursuant to this Lease and for any other business purpose. Landlord and Landlord's representatives may enter the Premises during business hours on not less than 48 hours advance written notice (except in the case of emergencies in which case no such notice shall be required and such entry may be at any time) for the purpose of effecting any such repairs, inspecting the Premises, showing the Premises to prospective purchasers and, during the last year of the Term, to prospective tenants or for any other business purpose. Landlord may erect a suitable sign on the Premises stating the Premises are available to let or that the Project is available for sale. Landlord may grant easements, make public dedications, designate Common Areas and create restrictions on or about the Premises, provided that no such easement, dedication, designation or restriction materially, adversely affects Tenant's use or occupancy of the Premises for the Permitted use. At Landlord's request, Tenant shall execute such instruments as may be necessary for such easements, dedications or restrictions. Tenant shall at all times, except in the case of emergencies, have the right to escort Landlord or its agents, representatives, contractors or guests while the same are in the Premises, provided such escort does not materially and adversely affect Landlord's access rights hereunder.

33. **Security**. Tenant acknowledges and agrees that security devices and services, if any, while intended to deter crime may not in given instances prevent theft or other criminal acts and that Landlord is not providing any security services with respect to the Premises. Tenant agrees that Landlord shall not be liable to Tenant for, and Tenant waives any claim against Landlord with respect to, any loss by theft or any other damage suffered or incurred by Tenant in connection with any unauthorized entry into the Premises or any other breach of security with respect to the Premises. Tenant shall be solely responsible for the personal safety of Tenant's officers, employees, agents, contractors, guests and invitees while any such person is in, on or about the Premises and/or the Project. Tenant shall at Tenant's cost obtain insurance coverage to the extent Tenant desires protection against such criminal acts.

34. **Force Majeure**. Landlord shall not be held responsible for delays in the performance of its obligations hereunder when caused by strikes, lockouts, labor disputes, weather, natural disasters, inability to obtain labor or materials or reasonable substitutes therefor, governmental restrictions, governmental regulations, governmental controls, delay in issuance of permits, enemy or hostile governmental action, civil commotion, fire or other casualty, and other causes beyond the reasonable control of Landlord ("**Force Majeure**").

35. **Brokers, Entire Agreement, Amendment**. Landlord and Tenant each represents and warrants that it has not dealt with any broker, agent or other person (collectively, "**Broker**) in connection with this transaction and that no Broker brought about this transaction, other than CB Richard Ellis, Inc. and Kidder, Matthews & Segner. Landlord and Tenant each hereby agree to indemnify and hold the other harmless from and against any claims by any Broker, other than the Brokers, if any named in this Section 35, claiming a commission or other form of compensation by virtue of having dealt with Tenant or Landlord, as applicable, with regard to this leasing transaction. This Lease may not be amended except by an instrument in writing signed by both parties hereto.

36. **Limitation on Landlord's Liability**. NOTWITHSTANDING ANYTHING SET FORTH HEREIN OR IN ANY OTHER AGREEMENT BETWEEN LANDLORD AND TENANT TO THE CONTRARY: (A) LANDLORD SHALL NOT BE LIABLE TO TENANT OR ANY OTHER PERSON FOR (AND TENANT AND EACH SUCH OTHER PERSON ASSUME ALL RISK OF) LOSS, DAMAGE OR INJURY, WHETHER ACTUAL OR CONSEQUENTIAL TO: TENANT'S PERSONAL PROPERTY OF EVERY KIND AND DESCRIPTION, INCLUDING, WITHOUT LIMITATION TRADE FIXTURES, EQUIPMENT, INVENTORY, SCIENTIFIC RESEARCH, SCIENTIFIC EXPERIMENTS, LABORATORY ANIMALS, PRODUCT, SPECIMENS, SAMPLES, AND/OR SCIENTIFIC, BUSINESS, ACCOUNTING AND OTHER RECORDS OF EVERY KIND AND DESCRIPTION KEPT AT THE PREMISES AND ANY AND ALL INCOME DERIVED OR DERIVABLE THEREFROM; (B) THERE SHALL BE NO PERSONAL RECOURSE TO LANDLORD FOR ANY ACT OR OCCURRENCE IN, ON OR ABOUT THE PREMISES OR ARISING IN ANY WAY UNDER THIS LEASE OR ANY OTHER AGREEMENT BETWEEN LANDLORD AND TENANT WITH RESPECT TO THE SUBJECT MATTER HEREOF AND ANY LIABILITY OF LANDLORD HEREUNDER SHALL BE STRICTLY LIMITED SOLELY TO LANDLORD'S INTEREST IN THE PROJECT; AND (C) IN NO EVENT SHALL ANY PERSONAL LIABILITY BE ASSERTED AGAINST LANDLORD IN CONNECTION WITH THIS LEASE NOR SHALL ANY RECOURSE BE HAD TO ANY OTHER PROPERTY OR ASSETS OF LANDLORD OR ANY OF LANDLORD'S OFFICERS, DIRECTORS. EMPLOYEES, AGENTS OR CONTRACTORS. UNDER NO CIRCUMSTANCES SHALL LANDLORD OR ANY OF LANDLORD'S OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR CONTRACTORS BE LIABLE FOR INJURY TO TENANT'S BUSINESS OR FOR ANY LOSS OF INCOME OR PROFIT THEREFROM.

37. **Severability**. If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby. It is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added, as a part of this Lease, a clause or provision as similar in effect to such illegal, invalid or unenforceable clause or provision as shall be legal, valid and enforceable.

38. **Signs; Exterior Appearance**. Tenant shall not, without the prior written consent of Landlord, which may be granted or withheld in Landlord's sole discretion: (i) attach any awnings, exterior lights, decorations, balloons, flags, pennants, banners, painting or other projection to any outside wall of the Project, (ii) use any curtains, blinds, shades or screens other than Landlord's standard window coverings, (iii) coat or otherwise sunscreen the interior or exterior of any windows, (iv) place any equipment, furniture or other items of personal property on any exterior balcony, or (v) paint, affix or exhibit on any part of the Premises or the Project any signs, notices, window or door lettering, placards, decorations, or advertising media of any type which can be viewed from the exterior of the Premises. Interior signs on doors and the directory tablet shall be inscribed, painted or affixed for Tenant by Landlord at the sole cost and expense of Tenant, and shall be of a size, color and type acceptable to Landlord. Nothing may be placed on the exterior of corridor walls or corridor doors other than Landlord's standard lettering. The directory tablet shall be provided exclusively for the display of the name and location of tenants.

39. **Right to Expand**.

(a) **Expansion in the Project**. Tenant shall have the right, but not the obligation, to expand the Premises (the "**Expansion Right**") to include any space in the Project (the "**Expansion Space**") upon the terms and conditions in this Section. If a vacancy occurs, Landlord shall deliver to Tenant written notice (the "**Expansion Notice**") of the availability of such portion of the Expansion Space, together with the terms and conditions on which Landlord is prepared to lease to Tenant such portion of the Expansion Space. Provided that no prior right to expand is exercised by any of Fred Hutchinson Cancer Research Center, Corixa or The Hope Heart Institute, or Xcyte Therapies, Inc., Tenant shall have 10 business days following delivery of the Expansion Notice to deliver to Landlord written notification of Tenant's exercise of the Expansion Right. Provided that no right to expand is exercised by any tenant with superior rights, Tenant shall be entitled to lease such Expansion Space upon the terms and conditions set forth in the Expansion Notice.

(b) **Amended Lease**. If: (i) Tenant fails to timely deliver notice accepting the terms of an Expansion Notice, or (ii) after the expiration of a period of 30 days from the date Tenant gives notice accepting Landlord's offer to lease such Expansion Space, no lease amendment or lease agreement for the Expansion Space has been executed, and Landlord tenders to Tenant an amendment to this Lease setting forth the terms for the rental of the Expansion Space consistent with those set forth in the Expansion Notice and otherwise consistent with the terms of this Lease and Tenant fails to execute such Lease amendment within 10 business days following such tender, Tenant shall be deemed to have waived its right to lease such Expansion Space.

(c) **Exceptions**. Notwithstanding the above, the Expansion Right shall not be in effect and may not be exercised by Tenant:

(i) during any period of time that Tenant is in Default under any provision of the Lease; or

(ii) if Tenant has been in Default under any provision of the Lease 3 or more times, whether or not the Defaults are cured, during the 12 month period prior to the date on which Tenant seeks to exercise the Expansion Right.

(d) **Termination**. The Expansion Right shall terminate and be of no further force or effect even after Tenant's due and timely exercise of the Expansion Right, if, after such exercise, but prior to the commencement date of the Expansion Space, (i) Tenant fails to timely cure any default by Tenant under the Lease; or (ii) Tenant has Defaulted 3 or more times during the period from the date of the exercise of the Expansion Right to the date of the commencement of the lease of the Expansion Space, whether or not such Defaults are cured.

(e) **Subordinate**. Tenant's rights in connection with the Expansion Right are and shall be subject to and subordinate to any expansion or extension rights granted in the Project prior to the date hereof to Fred Hutchinson Cancer Research Center, Corixa or The Hope Heart Institute and Xcyte Therapies, Inc.

(f) **Rights Personal**. Expansion Rights are personal to Tenant and are not assignable without Landlord's consent, which may be granted or withheld in Landlord's sole discretion separate and apart from any consent by Landlord to an assignment of Tenant's interest in the Lease; provided, however, a Permitted Assignee shall succeed to such Expansion Rights.

(g) **No Extensions**. The period of time within which any Expansion Rights may be exercised shall not be extended or enlarged by reason of the Tenant's inability to exercise the Expansion Rights.

40. **Right to Extend Term**. Tenant shall have the right to extend the Term of the Lease upon the following terms and conditions:

(a) **Extension Rights**. Tenant shall have the right (the "**Extension Right**") to extend the term of this Lease for 5 years (the "**Extension Term**") on the same terms and conditions as this Lease (other than Base Rent) by giving Landlord written notice of its election to exercise each Extension Right at least 12 months prior to the expiration of the Base Term of the Lease or the expiration of any prior Extension Term. Upon the commencement of any Extension Term, Base Rent shall be payable at the Market Rate (as defined below). Base Rent shall thereafter be adjusted on each annual anniversary of the commencement of such Extension Term by a percentage as determined by Landlord and agreed to by Tenant at the time the Market Rate is determined. As used herein, "**Market Rate**" shall mean the then market rental rate as determined by Landlord and agreed to by Tenant, which shall in no event be less than the Base Rent payable as of the date immediately preceding the commencement of such Extension Term increased by the Rent Adjustment Percentage multiplied by such Base Rent. In addition, Landlord may impose a market rent for the parking rights provided hereunder.

If, on or before the date which is 120 days prior to the expiration of the Base Term of this Lease, or the expiration of any prior Extension Term, Tenant has not agreed with Landlord's determination of the Market Rate and the rent escalations during such subsequent Extension Term after negotiating in good faith, Tenant may by written notice to Landlord not later than 120 days prior to the expiration of the Base Term of this Lease, or the expiration of any then effective Extension Term, elect arbitration as described in Section 40(b) below. If Tenant does not elect such arbitration, Tenant shall be deemed to have waived any right to extend, or further extend, the Term of the Lease and all of the remaining Extension Rights shall terminate.

(b) **Arbitration**.

(i) Within 10 business days of Tenant's notice to Landlord of its election to arbitrate Market Rate and escalations, each party shall deliver to the other a proposal containing the Market Rate and escalations that the submitting party believes to be correct ("**Extension Proposal**"). If either party fails to timely submit an Extension Proposal, the other party's submitted proposal shall determine the Base Rent and escalations for the Extension Term. If both parties submit Extension Proposals, then Landlord and Tenant shall meet within 7 days after delivery of the last Extension Proposal and make a good faith attempt to mutually appoint a single Arbitrator (and defined below) to determine the Market Rate and escalations. If Landlord and Tenant are unable to

agree upon a single Arbitrator, then each shall, by written notice delivered to the other within 10 business days after the meeting, select an Arbitrator. If either party fails to timely give notice of its selection for an Arbitrator, the other party's submitted proposal shall determine the Base Rent for the Extension Term. The 2 Arbitrators so appointed shall, within 5 business days after their appointment, appoint a third Arbitrator. If the 2 Arbitrators so selected cannot agree on the selection of the third Arbitrator within the time above specified, then either party, on behalf of both parties, may request such appointment of such third Arbitrator by application to any state court of general jurisdiction in the jurisdiction in which the Premises are located, upon 10 days prior written notice to the other party of such intent.

(ii) The decision of the Arbitrator(s) shall be made within 30 days after the appointment of a single Arbitrator or the third Arbitrator, as applicable. The decision of the single Arbitrator shall be final and binding upon the parties. The average of the two closest Arbitrators in a three Arbitrator panel shall be final and binding upon the parties. Each party shall pay the fees and expenses of the Arbitrator appointed by or on behalf of such party and the fees and expenses of the third Arbitrator shall be borne equally by both parties. If the Market Rate and escalations are not determined by the first day of the Extension Term, then Tenant shall pay Landlord Base Rent in an amount equal to the Base Rent in effect immediately prior to the Extension Term and increased by the Rent Adjustment Percentage until such determination is made. After the determination of the Market Rate and escalations, the parties shall make any necessary adjustments to such payments made by Tenant. Landlord and Tenant shall then execute an amendment recognizing the Market Rate and escalations for the Extension Term.

(iii) An "**Arbitrator**" shall be any person appointed by or on behalf of either party or appointed pursuant to the provisions hereof and: (i) shall be (A) a member of the American Institute of Real Estate Appraisers with not less than 10 years of experience in the appraisal of improved office and high tech industrial real estate in the greater Seattle metropolitan area, or (B) a licensed commercial real estate broker with not less than 15 years experience representing landlords and/or tenants in the leasing of high tech or life sciences space in the greater Seattle metropolitan area, (ii) devoting substantially all of their time to professional appraisal or brokerage work, as applicable, at the time of appointment and (iii) be in all respects impartial and disinterested.

(c) **Rights Personal**. Extension Rights are personal to Tenant and are not assignable without Landlord's consent, which may be granted or withheld in Landlord's sole discretion separate and apart from any consent by Landlord to an assignment of Tenant's interest in the Lease; provided, however, a Permitted Assignee shall succeed to such Extension Rights.

(d) **Exceptions**. Notwithstanding anything set forth above to the contrary, Extension Rights shall not be in effect and Tenant may not exercise any of the Extension Rights:

(i) during any period of time that Tenant is in Default under any provision of this Lease; or

(ii) if Tenant has been in Default under any provision of this Lease 3 or more times, whether or not the Defaults are cured, during the 12 month period immediately prior to the date that Tenant intends to exercise an Extension Right, whether or not the Defaults are cured.

(e) **No Extensions**. The period of time within which any Extension Rights may be exercised shall not be extended or enlarged by reason of the Tenant's inability to exercise the Extension Rights.

(f) **Termination**. The Extension Rights shall terminate and be of no further force or effect even after Tenant's due and timely exercise of an Extension Right, if, after such exercise, but prior to the commencement date of an Extension Term, (i) Tenant fails to timely cure any default by Tenant under this Lease; or (ii) Tenant has Defaulted 3 or more times during the period from the date of the exercise of an Extension Right to the date of the commencement of the Extension Term, whether or not such Defaults are cured.

41. **Miscellaneous**.

(a) **Notices**. All notices or other communications between the parties shall be in writing and shall be deemed duly given upon delivery or refusal to accept delivery by the addressee thereof if delivered in person, or upon actual receipt if delivered by reputable overnight guaranty courier, addressed and sent to the parties at their addresses set forth above. Landlord and Tenant may from time to time by written notice to the other designate another address for receipt of future notices.

(b) **Joint and Several Liability**. If and when included within the term "Tenant," as used in this instrument, there is more than one person or entity, each shall be jointly and severally liable for the obligations of Tenant.

(c) **Financial Information**. Tenant shall furnish Landlord with true and complete copies of (i) Tenant's most recent audited annual financial statements within 90 days of the end of each of Tenant's fiscal years during the Term, (ii) Tenant's most recent unaudited quarterly financial statements within 45 days of the end of each of Tenant's first three fiscal quarters of each of Tenant's fiscal years during the Term, (iii) at Landlord's request from time to time, updated business plans, including cash flow projections and/or pro forma balance sheets and income statements, all of which shall be treated by Landlord as confidential information belonging to Tenant, (iv) corporate brochures and/or profiles prepared by Tenant for prospective investors, and (v) any other financial information or summaries that Tenant typically provides to its lenders or shareholders.

(d) **Recordation**. Neither this Lease nor a memorandum of lease shall be filed by or on behalf of Tenant in any public record. Landlord may prepare and file, and upon request by Landlord Tenant will execute, a memorandum of lease.

(e) **Interpretation**. The normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Lease or any exhibits or amendments hereto. Words of any gender used in this Lease shall be

held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires. The captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

(f) **Not Binding Until Executed**. The submission by Landlord to Tenant of this Lease shall have no binding force or effect, shall not constitute an option for the leasing of the Premises, nor confer any right or impose any obligations upon either party until execution of this Lease by both parties.

(g) **Limitations on Interest**. It is expressly the intent of Landlord and Tenant at all times to comply with applicable law governing the maximum rate or amount of any interest payable on or in connection with this Lease. If applicable law is ever judicially interpreted so as to render usurious any interest called for under this Lease, or contracted for, charged, taken, reserved, or received with respect to this Lease, then it is Landlord's and Tenant's express intent that all excess amounts theretofore collected by Landlord be credited on the applicable obligation (or, if the obligation has been or would thereby be paid in full, refunded to Tenant), and the provisions of this Lease immediately shall be deemed reformed and the amounts thereafter collectible hereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder.

(h) **Choice of Law**. Construction and interpretation of this Lease shall be governed by the internal laws of the state in which the Premises are located, excluding any principles of conflicts of laws.

(i) **Time**. Time is of the essence as to the performance of Tenant's obligations under this Lease.

(j) **Incorporation by Reference**. All exhibits and addenda attached hereto are hereby incorporated into this Lease and made a part hereof. If there is any conflict between such exhibits or addenda and the terms of this Lease, such exhibits or addenda shall control.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

TENANT:

PRIMAL, INC.,
a Washington corporation

By: /s/ William F. Daly
Its: Chief Executive Officer

LANDLORD:

ALEXANDRIA REAL ESTATE EQUITIES, INC.
a Maryland corporation

By: /s/ Joel S. Marcus
Its: Chief Executive Officer

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this 07 day of April, 2000, before me personally appeared William F. Daly, Jr. , to me known to be the Chief Executive Officer of the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of said corporation.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.

(Seal or stamp)

/s/Joseph Robinson
(Signature)

Joseph Robinson
(Name legibly printed or stamped)
Notary Public in and for the State of Washington, residing at Seattle.
My appointment expires 02.09.04

STATE OF CALIFORNIA)
) ss.
COUNTY OF Los Angeles)

On this 10th day of April, 2000, before me personally appeared Joel S. Marcus to me known to be the Chief Executive Officer of the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of said corporation.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.

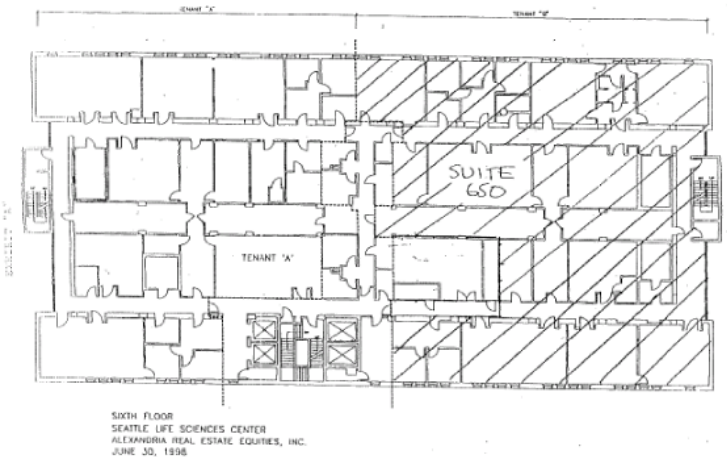
(Seal or stamp)

/s/ Shelly A. Kroll
(Signature)

Shelly A. Kroll
(Name legibly printed or stamped)
Notary Public in and for the State of California, residing at Los Angeles.
My Appointment expires 8/10/02

EXHIBIT A TO LEASE

DESCRIPTION OF PREMISES



SIXTH FLOOR
SEATTLE LIFE SCIENCES CENTER
ALEXANDRIA REAL ESTATE EQUITIES, INC.
JUNE 30, 1998

EXHIBIT B TO LEASE

DESCRIPTION OF PROJECT

EXHIBIT "B"

LEGAL DESCRIPTION

PARCEL BLOCK 9A

LOTS 1 THRU 8, INCLUSIVE, BLOCK 9A, JERRY'S SECOND ADDITION TO THE TOWN OF SEATTLE, ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 1 OF PLATS, PAGE 87, IN KING COUNTY, WASHINGTON, EXCLUDING LOTS 5 AND 8;

TOGETHER WITH THE VACATED ALLEY ADJOINING SAID LOTS.

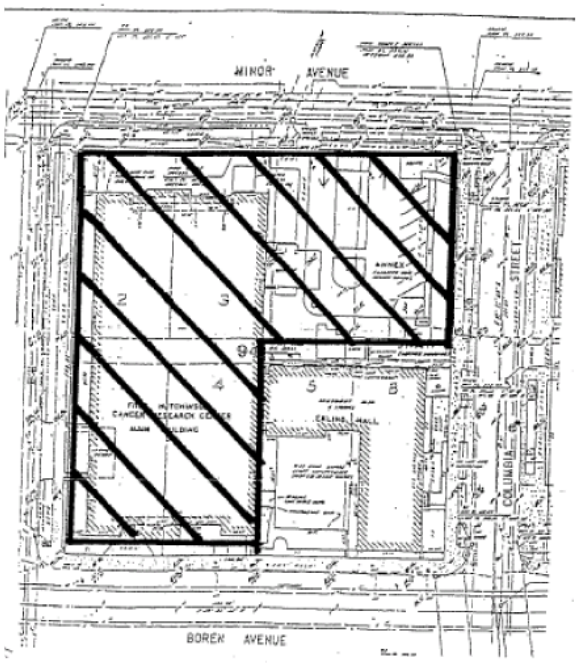


EXHIBIT C TO LEASE

WORK LETTER

THIS WORK LETTER dated April 6, 2000 (this "Work Letter") is made and entered into by and between ALEXANDRIA REAL ESTATE EQUITIES, INC., a Maryland corporation ("**Landlord**"), and PRIMAL, INC., a Washington corporation ("**Tenant**"), and is attached to and made a part of the Lease dated April 6, 2000 (the "**Lease**"), by and between Landlord and Tenant. Any initially capitalized terms used but not defined herein shall have the meanings given them in the Lease.

1. **General Requirements**

(a) **Tenant's Authorized Representative**. Tenant designates William F. Daly, Jr. and _____ (either such individual acting alone, "**Tenant's Representative**") as the only persons authorized to act for Tenant pursuant to this Work Letter. Landlord shall not be obligated to respond to or act upon any request, approval, inquiry or other communication ("**Communication**") from or on behalf of Tenant in connection with this Work Letter unless such Communication is in writing from Tenant's Representative. Tenant may change either Tenant's Representative at any time upon not less than 5 business days advance written notice to Landlord. No period set forth herein for any approval of any matter by Tenant's Representative shall be extended by reason of any change in Tenant's Representative.

(b) **Landlord's Authorized Representative**. Landlord designates Vin Ciruzzi and Jeff Ryan (either such individual acting alone, "**Landlord's Representative**") as the only persons authorized to act for Landlord pursuant to this Work Letter. Tenant shall not be obligated to respond to or act upon any request, approval, inquiry or other Communication from or on behalf of Landlord in connection with this Work Letter unless such Communication is in writing from Landlord's Representative. Landlord may change either Landlord's Representative at any time upon not less than 5 business days advance written notice to Tenant. No period set forth herein for any approval of any matter by Landlord's Representative shall be extended by reason of any change in Landlord's Representative.

(c) **Architects, Consultants and Contractors**. Landlord and Tenant hereby acknowledge and agree that the architect (the "**TI Architect**") for the Tenant Improvements, the general contractor and any subcontractors for the Tenant Improvements shall be selected by Tenant, subject to Landlord's approval, which approval shall not be unreasonably withheld, conditioned or delayed.

2. **Tenant Improvements**.

(a) **Tenant Improvements Defined**. As used herein, "**Tenant Improvements**" shall mean all improvements to the Premises desired by Tenant of a fixed and permanent nature. Other than funding the TI Allowance (as defined below) as provided herein, Landlord shall not have any obligation whatsoever with respect to the finishing of the Premises for Tenant's use and occupancy.

(b) **Tenant's Space Plans**. Tenant shall deliver to Landlord schematic drawings and outline specifications (the "**TI Design Drawings**") detailing Tenant's requirements for the Tenant Improvements on or before 60 days' following the date hereof. Not more than ten 10 business days thereafter, Landlord shall deliver to Tenant the written objections, questions or comments of Landlord and the TI Architect with regard to the TI Design Drawings. Tenant shall cause the TI Design Drawings to be revised to address such written comments and shall resubmit said drawings to Landlord for approval within 10 business days thereafter. Such process shall continue until Landlord has approved the TI Design Drawings.

(c) **Working Drawings**. Not later than 15 business days following the approval of the TI Design Drawings by Landlord, Tenant shall cause the TI Architect to prepare and deliver to Landlord for review and comment construction plans, specifications and drawings for the Tenant Improvements ("**TI Construction Drawings**"), which TI Construction Drawings shall be prepared substantially in accordance with the TI Design Drawings. Tenant shall be solely responsible for ensuring that the TI Construction Drawings reflect Tenant's requirements for the Tenant Improvements. Landlord shall deliver its written comments on the TI Construction Drawings to Tenant not later than 10 business days after Landlord's receipt of the same; provided, however, that Landlord may not disapprove any matter that is consistent with the TI Design Drawings. Tenant and the TI Architect shall consider all such comments in good faith and shall, within 10 business days after receipt, notify Landlord how Tenant proposes to respond to such comments. Any disputes in connection with such comments shall be resolved in accordance with Section 2(d) hereof. Provided that the design reflected in the TI Construction Drawings is consistent with the TI Design Drawings, Landlord shall approve the TI Construction Drawings submitted by Tenant. Once approved by Landlord, subject to the provisions of Section 2(d) below, Tenant shall not materially modify the TI Construction Drawings except as may be reasonably required in connection with the issuance of the TI Permit (as defined in Section 3(b) below).

(d) **Approval and Completion**. Upon any dispute regarding the design of the Tenant Improvements, which is not settled within 10 business days after notice of such dispute is delivered by one party to the other, Tenant shall make the final decision regarding the design of the Tenant Improvements, provided Tenant acts reasonably and such final decision is either consistent with or a compromise between Landlord's and Tenant's positions with respect to such dispute, provided further that all costs and expenses resulting from any such decision by Tenant shall be payable by Tenant, as defined in Section 5(d) below. Any changes to the TI Construction Drawings following Landlord's and Tenant's approval of same requested by Tenant shall be processed as provided in Section 4 hereof.

3. **Performance of Tenant's Work**

(a) **Definition of Tenant's Work**. As used herein, "**Tenant's Work**" shall mean the work of constructing the Tenant improvements.

(b) **Commencement and Permitting of Tenant's Work**. Tenant shall commence construction of the Tenant Improvements upon obtaining a building permit (the "**TI Permit**") authorizing the construction of the Tenant Improvements consistent with the TI Construction

Drawings approved by Landlord. The cost of obtaining the TI Permit shall be payable by Tenant. Landlord shall assist Tenant in obtaining the TI Permit. Tenant shall complete Tenant's work on or before 180 days following the date hereof.

(c) **Selection of Materials, Etc.** Where more than one type of material or structure is indicated on the TI Construction Drawings approved by Tenant and Landlord, the option will be within Tenant's reasonable discretion.

4. **Changes**. Any changes requested by Tenant to the Tenant Improvements after the delivery and approval by Landlord of the TI Design Drawings, shall be requested and instituted in accordance with the provisions of this Section 4 and shall be subject to the written approval of Landlord, such approval not to be unreasonably withheld, conditioned or delayed.

(a) **Tenant's Right to Request Changes**. If Tenant shall request changes ("**Changes**"), Tenant shall request such Changes by notifying Landlord in writing in substantially the same form as the AIA standard change order form (a "**Change Request**"), which Change Request shall detail the nature and extent of any such Change. Such Change Request must be signed by Tenant's Representative. Landlord shall review and approve or disapprove such Change Request within 10 business days thereafter, provided that Landlord's approval shall not be unreasonably withheld, conditioned or delayed.

(b) **Implementation of Changes**. If Landlord approves such Change, Tenant may cause the approved Change to be instituted.

5. **Costs**

(a) **Budget For Tenant Improvements**. Before the commencement of construction of the Tenant Improvements, Tenant shall obtain a detailed breakdown, by trade, of the costs incurred or which will be incurred, in connection with the design and construction of Tenant's Work (the "**Budget**"). The Budget shall be based upon the TI Construction Drawings approved by Landlord and shall include a payment to Landlord of administrative rent ("**Administrative Rent**") equal to 5.0% of the TI Costs (as hereinafter defined) for monitoring and inspecting the construction of Tenant's Work, which sum shall be payable by Tenant. Such Administrative Rent shall include, without limitation, all out-of-pocket costs, expenses and fees incurred by or on behalf of Landlord arising from, out of, or in connection with, such monitoring of the construction of the Tenant's Improvements.

(b) **TI Allowance**. Landlord shall provide to Tenant a tenant improvement allowance ("**TI Allowance**") of $191,020.50 ($16.50 per rentable square foot of the Premises). The TI Allowance (or so much thereof as shall have been expended in connection with Tenant's Work) shall be disbursed upon substantial completion of Tenant's Work in a good and workmanlike manner, in accordance with the TI Construction Drawings and the TI Permit ("**Substantial Completion**") and receipt by Landlord of a Certificate of Substantial Completion in the form of the American Institute of Architects document G704 executed by the TI Architect and the general contractor, for the benefit

of Landlord together with a draw request in Landlord's standard form, containing such certifications, lien waivers, inspection reports and other matters as Landlord customarily obtains.

(c) **Costs Includable in TI Allowance**. The TI Allowance shall be used solely for the payment of design and construction costs in connection with the construction of the Tenant Improvements, including, without limitation, the cost of preparing the TI Design Drawings and the TI Construction Drawings, all costs set forth in the Budget, including Landlord's Administrative Rent, and the cost of Changes (collectively, "**TI Costs**"). Notwithstanding anything to the contrary contained herein, the TI Allowance shall not be used to purchase any furniture, personal property or other non-Building System materials or equipment, including, but not be limited to, biological safety cabinets and other scientific equipment not incorporated into the Improvements.

6. **Miscellaneous**

(a) **Consents**. Whenever consent or approval of either party is required under this Work Letter, that party shall not unreasonably withhold, condition or delay such consent or approval, except as may be expressly set forth herein to the contrary.

(b) **Modification**. No modification, waiver or amendment of this Work Letter or of any of its conditions or provisions shall be binding upon Landlord or Tenant unless in writing signed by Landlord and Tenant.

(c) **Counterparts**. This Work Letter may be executed in any number of counterparts but all counterparts taken together shall constitute a single document.

(d) **Governing Law**. This Work Letter shall be governed by, construed and enforced in accordance with the internal laws of the state in which the Premises are located, without regard to choice of law principles of such State.

(e) **Time of the Essence**. Time is of the essence of this Work Letter and of each and all provisions thereof.

(f) **Default**. Notwithstanding anything set forth herein or in the Lease to the contrary, Landlord shall not have any obligation to perform any work hereunder or to fund any portion of the TI Allowance during any period Tenant is in Default under the Lease.

(g) **Severability**. If any term or provision of this Work Letter is declared invalid or unenforceable, the remainder of this Work Letter shall not be affected by such determination and shall continue to be valid and enforceable.

(h) **Merger**. All understandings and agreements, oral or written, heretofore made between the parties hereto and relating to Tenant's Work are merged in this Work Letter, which alone (but inclusive of provisions of the Lease incorporated herein and the final approved constructions drawings and specifications prepared pursuant hereto) fully and completely expresses the agreement between Landlord and Tenant with regard to the matters set forth in this Work Letter.

(i) **Entire Agreement**. This Work Letter is made as a part of and pursuant to the Lease and, together with the Lease, constitutes the entire agreement of the parties with respect to the subject matter hereof. This Work Letter is subject to all of the terms and limitation set forth in the Lease, and neither party shall have any rights or remedies under this Work Letter separate and apart from their respective remedies pursuant to the Lease.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Work Letter to be effective on the date first above written.

TENANT:

PRIMAL, INC.,
a Washington corporation

By: /s/ William F. Daly, Jr.
Its: Chief Executive Officer

LANDLORD:

ALEXANDRIA REAL ESTATE EQUITIES, INC.
a Maryland corporation

By: /s/ Joel S. Marcus
Its: Chief Executive Officer

EXHIBIT D TO LEASE

ACKNOWLEDGMENT OF COMMENCEMENT DATE

This ACKNOWLEDGMENT OF COMMENCEMENT DATE is made this 6th day of April, 2000, between Alexandria Real Estate Equities, Inc., a Maryland corporation ("**Landlord**"), and Primal, Inc., a Washington corporation ("**Tenant**"), and is attached to and made a part of the Lease dated April 6, 2000 (the "**Lease**"), by and between Landlord and Tenant. Any initially capitalized terms used but not defined herein shall have the meanings given them in the Lease.

Landlord and Tenant hereby acknowledge and agree, for all purposes of the Lease, that the Commencement Date of the Base Term of the Lease is _____, ___ and the termination date of the Base Term of the Lease shall be midnight on _____,___.

IN WITNESS WHEREOF, Landlord and Tenant have executed this ACKNOWLEDGMENT OF COMMENCEMENT DATE to be effective on the date first above written.

TENANT:

PRIMAL, INC., a Washington corporation

By: _____

Its: _____

LANDLORD:

ALEXANDRIA REAL ESTATE EQUITIES, INC.
a Maryland corporation

By: _____

Its: _____

EXHIBIT E TO LEASE

Rules and Regulations

1. The sidewalk, entries, and driveways of the Project shall not be obstructed by Tenant, or its agents, or used by them for any purpose other than ingress and egress to and from the Premises.

2. Tenant shall not place any objects, including antennas, outdoor furniture, etc., in the parking areas, landscaped areas or other areas outside of its Premises, or on the roof of the Project.

3. Except for seeing-eye dogs, no animals shall be allowed in the offices, halls, or corridors in the Project.

4. Tenant shall not disturb the occupants of the Project or adjoining buildings by the use of any radio or musical instrument or by the making of loud or improper noises.

5. If Tenant desires telegraphic, telephonic or other electric connections in the Premises, Landlord or its agent will direct the electrician as to where and how the wires may be introduced; and, without such direction, no boring or cutting of wires will be permitted. Any such installation or connection shall be made at Tenant's expense.

6. Tenant shall not install or operate any steam or gas engine or boiler, or other mechanical apparatus in the Premises, except as specifically approved in the Lease. The use of oil, gas or inflammable liquids for heating, lighting or any other purpose is expressly prohibited. Explosives or other articles deemed extra hazardous shall not be brought into the Project.

7. Parking any type of recreational vehicles is specifically prohibited on or about the Project. Except for the overnight parking of operative vehicles, no vehicle of any type shall be stored in the parking areas at any time. In the event that a vehicle is disabled, it shall be removed within 48 hours. There shall be no "**For Sale**" or other advertising signs on or about any parked vehicle. All vehicles shall be parked in the designated parking areas in conformity with all signs and other markings. All parking will be open parking, and no reserved parking, numbering or lettering of individual spaces will be permitted except as specified by Landlord.

8. Tenant shall maintain the Premises free from rodents, insects and other pests.

9. Landlord reserves the right to exclude or expel from the Project any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs or who shall in any manner do any act in violation of the Rules and Regulations of the Project.

10. Tenant shall not cause any unnecessary labor by reason of Tenant's carelessness or indifference in the preservation of good order and cleanliness. Landlord shall not be responsible to

Tenant for any loss of property on the Premises, however occurring, or for any damage done to the effects of Tenant by the janitors or any other employee or person.

11. Tenant shall give Landlord prompt notice of any defects in the water, lawn sprinkler, sewage, gas pipes, electrical lights and fixtures, heating apparatus, or any other service equipment affecting the Premises.

12. Tenant shall not permit storage outside the Premises including without limitation, outside storage of trucks and other vehicles, or dumping of waste or refuse or permit any harmful materials to be placed in any drainage system or sanitary system in or about the Premises.

13. All moveable trash receptacles provided by the trash disposal firm for the Premises must be kept in the trash enclosure areas, if any, provided for that purpose.

14. No auction, public or private, will be permitted on the Premises or the Project.

15. No awnings shall be placed over the windows in the Premises except with the prior written consent of Landlord.

16. The Premises shall not be used for lodging, sleeping or cooking or for any immoral or illegal purposes or for any purpose other than that specified in the Lease. No gaming devices shall be operated in the Premises.

17. Tenant shall ascertain from Landlord the maximum amount of electrical current which can safely be used in the Premises, taking into account the capacity of the electrical wiring in the Project and the Premises and the needs of other tenants, and shall not use more than such safe capacity. Landlord's consent to the installation of electric equipment shall not relieve Tenant from the obligation not to use more electricity than such safe capacity.

18. Tenant assumes full responsibility for protecting the Premises from theft, robbery and pilferage.

19. Tenant shall not install or operate on the Premises any machinery or mechanical devices of a nature not directly related to Tenant's ordinary use of the Premises and shall keep all such machinery free of vibration, noise and air waves which may be transmitted beyond the Premises.

EXHIBIT F TO LEASE

TENANT'S PERSONAL PROPERTY

None, except as set forth below:

EXHIBIT G TO LEASE

ESTOPPEL CERTIFICATE

THIS TENANT ESTOPPEL CERTIFICATE ("**Certificate**"), dated as of _____,___, is executed by _____ ("**Tenant**") in favor of [Buyer], a _____, together with its nominees, designees and assigns (collectively, "**Buyer**"), and in favor of _____, together with its nominees, designees and assigns (collectively, "**Lender**").

RECITALS

A. Buyer and _____ ("**Landlord**") have entered into that certain Purchase and Sale Agreement and Joint Escrow Instructions, dated as of _____, 20___ (the "**Purchase Agreement**"), whereby Buyer has agreed to purchase, among other things, the improved real property located in the City of _____, County of _____, State of _____, more particularly described on Exhibit A attached to the Purchase Agreement (the "**Property**").

B. Tenant and Landlord have entered into that certain Lease Agreement, dated as of _____ (together with all amendments, modifications, supplements, guarantees and restatements thereof, the "**Lease**"), for a portion of the Property.

C. Pursuant to the Lease, Tenant has agreed that upon the request of Landlord, Tenant would execute and deliver an estoppel certificate certifying the status of the Lease.

D. In connection with the Purchase Agreement, Landlord has requested that Tenant execute this Certificate with an understanding that Lender will rely on the representations and agreements below in granting to Buyer a loan.

NOW, THEREFORE, Tenant certifies, warrants, and represents to Buyer and Lender as follows:

1. **Lease**. Attached hereto as Exhibit B is a true, correct and complete copy of the Lease, including the following amendments, modifications, supplements, guarantees and restatements thereof, which together represent all of the amendments, modifications, supplements, guarantees and restatements thereof: _____

_____

(If none, please state "**None**.")

2. **Premises**. Pursuant to the Lease, Tenant leases those certain premises (the "**Premises**") consisting of approximately _____ rentable square feet within the Property, as more particularly described in the Lease. In addition, pursuant to the terms of the Lease, Tenant has the [non-exclusive] right to use _____ parking spaces/the parking area] located on the Property during the term of the Lease.

3. **Full Force of Lease**. The Lease has been duly authorized, executed and delivered by Tenant, is in full force and effect, has not been terminated, and constitutes a legally valid instrument, binding and enforceable against Tenant in accordance with its terms, subject only to applicable limitations imposed by laws relating to bankruptcy and creditor's rights.

4. **Complete Agreement**. The Lease constitutes the complete agreement between Landlord and Tenant for the Premises and the Property, and except as modified by the Lease amendments noted above (if any), has not been modified, altered or amended.

5. **Acceptance of Premises**. Tenant has accepted possession of and is currently occupying the Premises.

6. **Lease Term**. The term of the Lease commenced on _____ and ends on _____, subject to the following options to extend: _____. (If none, please state "**None**.")

7. **Purchase Rights**. Tenant has no option, right of first refusal, right of first offer, or other right to acquire or purchase all or any portion of the Premises or all or any portion of, or interest in, the Property, except as follows: _____
_____.
(If none, please state "**None**.")

8. **Rights of Tenant**. Except as expressly stated in this Certificate, Tenant:

(a) has no right to renew or extend the term of the Lease;

(b) has no option or other right to purchase all or any part of the Premises or all or any part of the Property; and

(c) has no right, title, or interest in the Premises, other than as Tenant under the Lease.

9. **Rent**.

(a) The obligation to pay rent under the Lease commenced on _____. The rent under the Lease is current, and Tenant is not in default in the performance of any of its obligations under the Lease.

(b) Tenant is currently paying base rent under the Lease in the amount of $_____ per month. Tenant has not received and is not presently entitled to any abatement, refunds, rebates, concessions or forgiveness of rent or other charges, free rent, partial rent, or credits, offsets or reductions in rent, except as follows: _____
_____
_____.
(If none, please state "**None**.")

(c) Tenant's estimated share of Net Building Expenses, as defined in the Lease, is _____% and is currently being paid at the rate of $_____ per month, payable to: _____.

(d) There are no existing defenses or offsets against rent due or to become due under the terms of the Lease, and there presently is no default or other wrongful act or omission by Landlord under the Lease or otherwise in connection with Tenant's occupancy of the Premises, nor is there a state of facts which with the passage of time or the giving of notice or both could ripen into a default on the part of Tenant, or, to the best knowledge of Tenant, could ripen into a default on the part of Landlord under the Lease, except as follows: _____.
(If none, please state "**None**.")

10. **Security Deposit**. The amount of Tenant's security deposit held by Landlord under the Lease is $_____

11. **Prepaid Rent**. The amount of prepaid rent, separate from the security deposit, is $_____, covering the period from _____ to _____.

12. **Insurance**. All insurance, if any, required to be maintained by Tenant under the Lease is presently in effect.

13. **Pending Actions**. There is not pending or, to the knowledge of Tenant, threatened against or contemplated by the Tenant, any petition in bankruptcy, whether voluntary or otherwise, any assignment for the benefit of creditors, or any petition seeking reorganization or arrangement under the federal bankruptcy laws or those of any state.

14. **Tenant Improvements**. As of the date of this Certificate, to the best of Tenant's knowledge, Landlord has performed all obligations required of Landlord pursuant to the Lease; no offsets, counterclaims, or defenses of Tenant under the Lease exist against Landlord; and no events have occurred that, with the passage of time or the giving of notice or both, would constitute a basis for offsets, counterclaims, or defenses against Landlord, except as follows: _____.
(If none, please state "**None**.")

15. **Assignments by Landlord**. Tenant has received no notice of any assignment, hypothecation or pledge of the Lease or rentals under the Lease by Landlord. Tenant hereby consents to an assignment of the Lease and rents to be executed by Landlord to Buyer or Lender in connection with the Loan and acknowledges that said assignment does not violate the provisions of the Lease. Tenant acknowledges that the interest of the Landlord under the Lease is to be assigned to Lender solely as security for the purposes specified in said assignment and Lender shall have no duty, liability or obligation whatsoever under the Lease or any extension or renewal thereof, either by virtue of said assignment or by any subsequent receipt or collection of rents thereunder, unless Lender shall specifically undertake such liability in writing. Tenant agrees that upon receipt of a

written notice from Buyer or Lender of a default by Landlord under the Loan, Tenant will thereafter pay rent to Buyer or Lender in accordance with the terms of the Lease.

16. **Assignments by Tenant**. Tenant has not sublet or assigned the Premises or the Lease or any portion thereof to any sublessee or assignee. No one except Tenant and its employees will occupy the Premises. The address for notices to be sent to Tenant is as set forth in the Lease.

17. **Environmental Matters**. The operation and use of the Premises does not involve the generation, treatment, storage, disposal or release into the environment of any hazardous materials, regulated materials and/or solid waste, except those used in the ordinary course of operating for the Permitted Use, as defined in the Lease, or otherwise used in accordance with all applicable laws.

18. **Succession of Interest**. Tenant agrees that, in the event Buyer or Lender succeeds to the interest of Landlord under the Lease:

(a) Buyer or Lender shall not be liable for any act or omission, of any prior landlord (including Landlord);

(b) Buyer or Lender shall not be liable for the return of any security deposit unless such Buyer or Lender has assumed such obligation pursuant to Section 6 of the Lease;

(c) Buyer or Lender shall not be bound by any rent or additional rent which Tenant might have prepaid under the Lease for more than the current month;

(d) Buyer or Lender shall not be bound by any amendments or modifications of the Lease made without the prior consent of Buyer or Lender;

(e) Buyer or Lender shall not be subject to any offsets or defenses which Tenant might have against any prior landlord (including Landlord); and

(f) Buyer or Lender shall not be liable under the Lease to Tenant for the performance of Landlord's obligations under the Lease beyond Buyer or Lender's interest in the Property.

19. **Notice of Default**. Tenant agrees to give Buyer and Lender a copy of any notice of default under the Lease served upon Landlord at the same time as such notice is given to Landlord. Tenant further agrees that if Landlord shall fail to cure such default within the applicable grace period, if any, provided in the Lease, then Buyer or Lender shall have an additional 60 days within which to cure such default, or if such default cannot be cured within such 60-day period, such 60-day period shall be extended so long as Buyer or Lender 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 the Lease shall not be terminated while such remedies are being pursued.

20. **Notification by Tenant**. From the date of this Certificate and continuing until _____, Tenant agrees to immediately notify Buyer and Lender, in writing by registered or certified mail, return receipt requested, at the following addresses, on the occurrence of any event or the discovery of any fact that would make any representation contained in this Certificate inaccurate:

If To Buyer: _____

With A Copy To: _____

If To Lender: _____

Tenant makes this Certificate with the knowledge that it will be relied upon by Buyer and Lender in agreeing to purchase the Property.

[Signature appears on next page]

Tenant has executed this Certificate as of the date first written above by the person named below, who is duly authorized to do so.

TENANT:

_____

a _____

By: _____

Name: _____

Its: _____

EXHIBIT A TO ESTOPPEL CERTIFICATE

Legal Description

EXHIBIT B TO ESTOPPEL CERTIFICATE

Copy of Lease

EXHIBIT H TO LEASE

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT is made and entered into as of _____ ("Agreement"), by and between _____, a _____ together with its nominees, designees and assigns (collectively, "Landlord"),_____, a _____ ("Tenant"), and _____ a _____ ("Mortgagee").

WHEREAS, Mortgagee is making a loan to Landlord and others evidenced by a certain promissory note ("Note"), and secured by, among other things, a deed of trust/mortgage to be recorded prior hereto in the public records of the City of _____, County of _____, State of _____ ("Mortgage") constituting a lien upon the real property described in Exhibit A hereto (the "Real Property"); and

WHEREAS, _____ and Tenant have entered into a Lease Agreement dated as of _____,__ ("Lease"), for certain leased premises encompassing _____ located in _____, containing approximately _____ net square feet (hereinafter collectively referred to as "Premises"); and

WHEREAS, the Lease is subordinate to the Mortgage and to the right, title, and interests of Mortgagee thereto and thereunder; and

WHEREAS, Mortgagee wishes to obtain from Tenant certain assurances that Tenant will attorn to Mortgagee in the event of a foreclosure by Mortgagee or the exercise of other rights under the Mortgage; and

WHEREAS, Tenant wishes to obtain from Mortgagee certain assurances that Tenant's possession of the Premises will not, subject to the terms and conditions of this Agreement, be disturbed by reason of a foreclosure of the lien of the Mortgage on the Real Property; and

WHEREAS, Tenant and Mortgagee are both willing to provide such assurances to each other upon and subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the above, the mutual promises hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto mutually agree as follows:

1. **Affirmation**. Tenant hereby agrees that the Lease now is and shall be subject and subordinate in all respects to the Mortgage and to all renewals, modifications and extensions thereof until such time that the Mortgage is released, satisfied or otherwise discharged, subject to the terms

and conditions of this Agreement. Landlord and Tenant hereby affirm that the Lease is in full force and effect and that the Lease has not been modified or amended. Mortgagee hereby confirms that it is the holder of the Note and the beneficiary of the Mortgage and has full power and authority to enter into this Agreement.

2. **Attornment and Non-Disturbance**.

(a) So long as Tenant is not in default under the Lease (beyond Tenant's receipt of notice from Landlord and any grace period granted Tenant under the Lease to cure such default) as would entitle the Landlord to terminate the Lease or would cause, without any further action of the Landlord, the termination of the Lease or would entitle the Landlord to dispossess Tenant thereunder then Mortgagee agrees with Tenant that in the event the interest of Landlord shall be acquired by Mortgagee or in the event Mortgagee comes into possession of or acquires title to the Real Property by reason of foreclosure or foreclosure sale or the enforcement of the Mortgage or the Note or other obligation secured thereby or by a conveyance in lieu thereof, or as a result of any other means then:

(i) Subject to the provisions of this Agreement, Tenant's occupancy and possession of the Premises and Tenant's rights and privileges under the Lease or any extensions, modifications or renewals thereof or substitutions therefor (in accordance with the Lease and the Mortgage) shall not be disturbed, diminished or interfered with by Mortgagee during the term of the Lease (or any extensions or renewals thereof provided for in the Lease);

(ii) Mortgagee will not join Tenant as a party defendant in any action or proceeding for the purpose of terminating Tenant's interest and estate under the Lease because of any default under the Mortgage; and

(iii) The Lease shall continue in full force and effect and shall not be terminated except in accordance with the terms of the Lease.

(b) Tenant shall be bound to Mortgagee under all of the terms, covenants and conditions of the Lease for the balance of the term thereof remaining (and any extensions or renewals thereof which may be effected in accordance with any option contained in the Lease) with the same force and effect as if Mortgagee were the landlord under the Lease, and Tenant does hereby agree to attorn to Mortgagee as its landlord, said attornment to be effective and self-operative without the execution of any other instruments on the part of either party hereto immediately upon Mortgagee's succeeding to the interest of Landlord under the Lease. Upon request of Lender, Tenant shall execute and deliver to Lender an agreement reaffirming such attornment.

(c) If the Mortgage is foreclosed and any party ("**Purchaser**") other than Mortgagee purchases the Premises and succeeds to the interest of Landlord under the Lease, Tenant shall likewise be bound to Purchaser and Tenant hereby covenants and agrees to attorn to Purchaser in accordance with all of the provisions of this Agreement; provided, however, that Purchaser shall have transmitted to Tenant a written document in recordable form, whereby Purchaser agrees to recognize Tenant as its lessee under the Lease and agrees to be directly bound to Tenant for the

performance and observance of all the terms and conditions of the Lease required to be performed or observed by Landlord thereunder, subject to and in accordance with the terms of this Agreement.

(d) Mortgagee agrees that if Mortgagee shall succeed to the interest of Landlord under the Lease as above provided, Mortgagee shall be bound to Tenant under all of the terms, covenants, and conditions of the Lease, and Tenant shall, from and after Mortgagee's succession to the interest of Landlord under the Lease, have the same remedies against Mortgagee that Tenant might have had under the Lease against Landlord if Mortgagee had not succeeded to the interest of Landlord; provided, however, that Mortgagee (and Purchaser, as the case may be) shall not be:

(i) liable for any act or omission of any prior lessor (including Landlord) occurring prior to the date that Mortgagee or Purchaser acquired title to the Premises;

(ii) subject to any offsets, counterclaims or defenses which Tenant might have against any prior lessor (including Landlord);

(iii) bound by any previous payment of rent or additional rent for a period greater than 1 month unless such prepayment shall have been consented to in writing by Mortgagee;

(iv) bound by any amendment or modification of the Lease made after the date of this Agreement and prior to the date Mortgagee or Purchaser succeeds to the interest of Landlord without Mortgagee's written consent;

(v) liable to Tenant for any loss of business or any other indirect or consequential damages from whatever cause; provided, however, no inference shall be drawn from this clause (v) that Tenant would otherwise be entitled (or not entitled) to recover for loss of business or any other indirect or consequential damages; or

(vi) liable for the return of any security deposit unless such deposit has been paid over to the Mortgagee.

The foregoing shall not be construed to modify or limit any right Tenant may have at law or in equity against Landlord or any other prior owner of the Real Property.

3. **Notices**. All notices required or permitted to be given pursuant to this Agreement shall be in writing and shall be sent postage prepaid, by certified mail, return receipt requested, or other nationally utilized overnight delivery service. All notices shall be deemed delivered when received or refused. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice has been given shall constitute receipt of the notice, demand or request sent. Any such notice if given to Tenant shall be addressed as follows:

_____

_____

_____

_____

if given to Landlord shall be addressed as follows:

c/o Alexandria Real Estate Equities, Inc.
135 N. Los Robles Avenue
Suite 250
Pasadena, California 91101
Attention: General Counsel

if given to Mortgagee shall be addressed as follows:

_____
_____
_____
_____

4. **Successors and Assigns**. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The words "foreclosure" and "foreclosure sale" as used herein shall be deemed to also include the acquisition of Landlord's estate in the Real Property by voluntary deed, assignment or other conveyance or transfer in lieu of foreclosure.

5. **Modifications to Lease**. Tenant shall not modify or amend the Lease or terminate the same without Mortgagee's prior written consent. If Mortgagee fails to provide Tenant with a written approval of the proposed modification, amendment or termination within 10 business days after notice to Mortgagee of such proposal, then Mortgagee shall be deemed to have rejected such proposal.

6. **Additional Agreements**. Tenant agrees that:

(a) it shall give Mortgagee copies of all notices of default and requests for approval or consent by Landlord that Tenant gives to Landlord pursuant to the Lease in the same manner as they are given to Landlord and no such notice or other communication shall be deemed to be effective until a copy is given to Mortgagee;

(b) in all provisions of the Lease where Landlord is indemnified, the reference to Landlord as an indemnitee shall be deemed to include Mortgagee and any Purchaser and such agreement of indemnification shall survive the repayment of the loan secured by the Mortgage and, to the extent provided in the Lease, the expiration or termination of the Lease;

(c) Tenant shall name Mortgagee and any Purchaser as additional insureds and loss payees, as applicable and appropriate, on all insurance policies required by the Lease;

(d) this Agreement satisfies any condition or requirement in the Lease relating to the granting of a non-disturbance agreement by Mortgagee, and if there are inconsistencies between

the terms and provisions of this Agreement and the terms and provisions of the Lease dealing with non-disturbance by Mortgagee, the terms and provisions hereof shall be controlling; and

(e) Mortgagee shall have no liability under the Lease until Mortgagee succeeds to the rights of the Landlord under the Lease, and then only during such period as Mortgagee is the landlord At all times during which Mortgagee is liable under the Lease, Mortgagee's liability shall be limited to Mortgagee's interest in the Real Property.

7. **Mortgagee Cure Rights**. If Landlord shall have failed to cure any default within the time period provided for in the Lease (including any applicable notice and grace periods) and Tennant exercises any right to terminate the Lease, Mortgagee shall have an additional 30 days within which to cure such default, or if such default cannot by the exercise of reasonable efforts by Mortgagee be cured within such period, then such additional time as may be reasonable necessary to effect such a Cure (including, if necessary, sufficient time to complete foreclosure proceedings) provided that Mortgagee shall commence and thereafter diligently pursue remedies to cure such default. The Lease shall not be terminated (i) while such remedies are being diligently pursued or (ii) based upon a default which is personal to Landlord and therefore not susceptible to cure by Mortgagee or which requires possession of the Premises to cure. Mortgagee shall in no event be obligated to cure any such default by Landlord unless it forecloses. Nothing in this Section 7 shall affect any of Tenant's termination rights under the Lease due to casualty or condemnation.

8. **Direction to Pay**. Landlord hereby directs Tenant and Tenant agrees to make all payments of amounts owed by Tenant under the Lease directly to Mortgagee from and after receipt by Tenant of notice from Mortgagee directing Tenant to make such payments to Mortgagee. (As between Landlord and Mortgagee, the foregoing provision shall not be construed to modify any rights of Landlord under any provisions of the Mortgage or any other instrument securing the Note).

9. **Conditional Assignment**. With reference to any assignment by Landlord of Landlord's interest in the Lease, or the rents payable thereunder, conditional in nature or otherwise, which assignment is made to Mortgagee, Tenant agrees that the execution thereof by Landlord, and the acceptance thereof by Mortgagee, shall never be treated as an assumption by Mortgagee of any of the obligations of Landlord under the Lease unless and until Mortgagee shall have succeeded to the interest of Landlord. The foregoing sentence shall not affect any of Tenant's rights against Landlord under the Lease.

[Signatures on next page]

IN WITNESS WHEREOF, the parties have caused this Agreement to be properly executed by their duly authorized representatives as of the date first above written.

TENANT:

_____
a _____

By: _____
Its: _____

LANDLORD: **[INSERT APPROPRIATE SIGNATURE BLOCK]**

MORTGAGEE:

_____
a _____

By: _____
Name: _____
Its: _____

EXHIBIT A TO SUBORDINATION AGREEMENT

Legal Description

Exhibit 10.25

LEASE AGREEMENT

THIS LEASE AGREEMENT is made as of this 28th day of September 2001, between **Alexandria Real Estate Equities, Inc**., a Maryland corporation ("**Landlord**"), and **PRIMAL, INC**., a Washington corporation ("**Tenant**").

Address: 1124 Columbia Street, Seattle, WA

Premises: That portion of the Project, containing approximately 12,923 rentable square feet, as determined by Landlord, located on Level B of the annex to the Project as shown on **Exhibit A**.

Project: The real property on which the building (the "**Building**") in which the Premises are located, together with all improvements thereon and appurtenances thereto as described on **Exhibit B**.

Base Rent:	$32,307.50 per month	**Rentable Area of Premises**:	12,923 sq. ft.
Rentable Area of Project:	168,819 sq. ft.	**Tenant's Share of Operating Expenses**:	7.65%
Security Deposit:	$96,922.50	**Commencement Date**:	October 1, 2001

Rent Adjustment Percentage: Greater of 3.5% or the CPI Adjustment Percentage not to exceed 7.0%

Base Term: Beginning on the Commencement Date and ending 10 years from the Rent Commencement Date (as herein defined)

Permitted Use: Vivarium and related uses consistent with the character of the Project and otherwise in compliance with the provisions of Section 7 hereof.

Address for Rent Payment:
135 N. Los Robles Avenue, Suite 250
Pasadena, CA 91101
Attention: Accounts Receivable

Landlord's Notice Address:
135 N. Los Robles Avenue, Suite 250
Pasadena, CA 91101
Attention: Corporate Secretary

Tenant's Notice Address:
1124 Columbia Street
Suite 650
Seattle, WA 98104
Attention: Leslie Deitz Kaplan

The following Exhibits and Addenda are attached hereto and incorporated herein by this reference:

☒ **EXHIBIT A** — PREMISES DESCRIPTION
☒ **EXHIBIT B** — DESCRIPTION OF PROJECT
☒ **EXHIBIT C** — WORK LETTER
☒ **EXHIBIT D** — COMMENCEMENT DATE
☒ **EXHIBIT E** — RULES AND REGULATIONS
o **EXHIBIT F** — TENANTS PERSONAL PROPERTY

1. **Lease of Premises**. Upon and subject to all of the terms and conditions hereof, Landlord hereby leases the Premises to Tenant and Tenant hereby leases the Premises from Landlord. The portions of the Project, which are for the non-exclusive use of tenants of the Project, are collectively referred to herein as the "**Common Areas**." Landlord reserves the right to modify Common Areas, provided that such modifications do not materially adversely affect Tenant's use of the Premises for the Permitted Use. Tenant shall have the right to use the loading area in the annex level of the Project leased by Corixa Corporation, a Delaware corporation ("**Corixa**") under that certain Columbia Building Lease dated October 28, 1994, as amended (the "**Corixa Lease**") and the portion of the bio-hazards waste cabinets assigned to Tenant and located on the basement level of the Building.

2. **Delivery; Acceptance of Premises; Commencement Date**. Landlord shall use reasonable efforts to make the Premises available to Tenant for Tenant's Work under the Work Letter upon full execution of this Lease and Tenant's delivery of evidence of the insurance required hereby and by the Work Letter ("**Delivery**" or "**Deliver**"). If Landlord fails to timely deliver the Premises, Landlord shall not be liable to Tenant for any loss or damage resulting therefrom, and this Lease shall not be void or voidable except as provided herein. If Landlord does not Deliver the Premises within 60 days of the Target Commencement Date for any reason other than Force Majeure, this Lease may be terminated by Landlord or Tenant by written notice to the other, and if so terminated by either: (a) the Security Deposit, or any balance thereof (i.e., after deducting therefrom all amounts to which Landlord is entitled under the provisions of this Lease), shall be returned to Tenant, and (b) neither Landlord nor Tenant shall have any further rights, duties or obligations under this Lease, except with respect to provisions which expressly survive termination of this Lease. If neither Landlord nor Tenant elects to void this Lease within 5 business days of the lapse of such 60-day period, such right to void this Lease shall be waived and this Lease shall remain in full force and effect.

The "**Commencement Date**" shall be October 1, 2001. Rent shall commence on the Commencement Date as to 6,215 rentable square feet of the Premises, and shall commence on the earlier of: (i) 90 days after the Commencement Date, and (ii) the date Tenant conducts any business in the Premises or any part thereof (the "**Rent Commencement Date**"), with respect to the balance of the Premises. Upon request of Landlord, Tenant shall execute and deliver a written acknowledgment of the Commencement Date, the Rent Commencement Data and the expiration date of the Term when such are established in the form attached to this Lease as **Exhibit D**; provided, however, Tenant's failure to execute and deliver such acknowledgment shall not affect Landlord's rights hereunder. The "**Term**" of this Lease shall be the Base Term.

Except as set forth in the Work Letter, if applicable: (i) Tenant shall accept the Premises in their condition as of the Commencement Date, subject to all applicable Legal Requirements (as defined in Section 7 hereof); (ii) Landlord shall have no obligation for any defects in the Premises; and (iii) Tenant's taking possession of the Premises shall be conclusive evidence that Tenant accepts the Premises and that the Premises were in good condition at the time possession was taken. Any occupancy of the Premises by Tenant before the Commencement Date shall be subject to all of the terms and conditions of this Lease.

Tenant agrees and acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the condition of all or any portion of the Premises or the Project, and/or the suitability of the Premises or the Project for the conduct of Tenant's business, and Tenant waives any implied warranty that the Premises or the Project are suitable for the Permitted Use. This Lease constitutes the complete agreement of Landlord and Tenant with respect to the subject matter hereof and supersedes any and all prior representations, inducements, promises, agreements, understandings and negotiations that are not contained herein. Landlord in executing this Lease does so in reliance upon Tenant's representations, warranties, acknowledgments and agreements contained herein.

3. **Rent**.

(a) **Base Rent**. The first month's Base Rent and the Security Deposit shall be due and payable on delivery of an executed copy of this Lease to Landlord. Tenant shall pay to Landlord in advance, without demand, abatement, deduction or set-off, monthly installments of Base Rent on or before the first day of each calendar month during the Term hereof, in lawful money of the United States of America, at the office of Landlord for payment of Rent set forth above, or to such other person or at such other place as Landlord may from time to time designate in writing. Payments of Base Rent for any fractional calendar month shall be prorated. The obligation of Tenant to pay Base Rent and other sums to Landlord and the obligations of Landlord under this Lease are independent obligations. Tenant shall have no right at any time to abate, reduce, or set-off any Rent (as defined in Section 5) due hereunder except for any abatement as may be expressly provided in this Lease.

(b) **Additional Rent**. In addition to Base Rent, Tenant agrees to pay to Landlord as additional rent ("**Additional Rent**"): (i) Tenant's Share of "**Operating Expenses**" (as defined in Section 5), and (ii) any and all other amounts Tenant assumes or agrees to pay under the provisions of this Lease, including, without limitation, any and all other sums that may become due by reason of any default of Tenant or failure to comply with the agreements, terms, covenants and conditions of this Lease to be performed by Tenant, after any applicable notice and cure period.

4. **Base Rent Adjustments**. Base Rent shall be increased on each annual anniversary of the first day of the first full month during the Term of this Lease (each an "**Adjustment Date**") by multiplying the Base Rent payable immediately before such Adjustment Date by the Rent Adjustment Percentage and adding the resulting amount to the Base Rent payable immediately before such Adjustment Date. Base Rent, as so adjusted, shall thereafter be due as provided herein. Base Rent adjustments for any fractional calendar month shall be prorated. "**CPI Adjustment Percentage**" means (i) a fraction, stated as a percentage, the numerator of which shall be the Index for the calendar month 3 months before the month in which the Adjustment Date occurs, and the

denominator of which shall be the Index for the calendar month 3 months before the last Adjustment Date or, if no prior Base Rent adjustment has been made, 3 months before the first day of the first full month during the Term of this Lease, less (ii) 1.00. "**Index**" means the "**Consumer Price Index-All Urban Consumers-Seattle-Tacoma-Bremerton Metropolitan Area, All Items**" compiled by the U.S. Department of Labor, Bureau of Labor Statistics, (1982-84 = 100). If a substantial change is made in the Index, the revised Index shall be used, subject to such adjustments as Landlord may reasonably deem appropriate in order to make the revised Index comparable to the prior Index. If the Bureau of Labor Statistics ceases to publish the Index, then the successor or most nearly comparable index, as reasonably determined by Landlord, shall be used, subject to such adjustments as Landlord may reasonably deem appropriate in order to make the new index comparable to the Index. Landlord shall give Tenant written notice indicating the Base Rent, as adjusted pursuant to this Section, and the method of computation and Tenant shall pay to Landlord an amount equal to any underpayment of Base Rent by Tenant within 15 days of Landlord's notice to Tenant. Failure to deliver such notice shall not reduce, abate, waive or diminish Tenant's obligation to pay the adjusted Base Rent.

5. **Operating Expense Payments**. Landlord shall deliver to Tenant a written estimate of Operating Expenses for each calendar year during the Term (the "**Annual Estimate**"), which may be revised by Landlord from time to time during such calendar year. During each month of the Term, on the same date that Base Rent is due, Tenant shall pay Landlord an amount equal to 1/12 of Tenant's Share of the Annual Estimate. Payments for any fractional calendar month shall be prorated.

The term "**Operating Expenses**" means all costs and expenses of any kind or description whatsoever incurred or accrued each calendar year by Landlord with respect to the Project (including, without duplication, Taxes (as defined in Section 9), reasonable reserves consistent with good business practice for future repairs and replacements, capital repairs and improvements amortized over the lesser of 7 years and the useful life of such capital items, and the costs of Landlord's third party property manager or, if there is no third party property manager, administration rent in the amount of 3.0% of Base Rent), excluding only:

(a) the original construction costs of the Project and renovation prior to the date of the Lease and costs of correcting defects in such original construction or renovation;

(b) capital expenditures for expansion or redevelopment of all or any portion of the Project;

(c) interest, principal payments of Mortgage (as defined in Section 27) debts of Landlord, financing costs and amortization of funds borrowed by Landlord, whether secured or unsecured and all payments of base rent (but not taxes or operating expenses) under any ground lease or other underlying lease of all or any portion of the Project;

(d) depreciation of the Project (except for capital improvements, the cost of which are includable in Operating Expenses);

(e) advertising, legal and space planning expenses and leasing commissions and other costs and expenses incurred in procuring and leasing space to tenants for the Project, including any leasing office maintained in the Project, free rent and construction allowances and other lease incentives for tenants;

(f) legal and other expenses incurred in the negotiation or enforcement of leases;

(g) completing, fixturing, improving, renovating, painting, redecorating or other work, which Landlord pays for or performs for specific tenants within their premises, and costs of correcting defects in such work;

(h) costs of utilities outside normal business hours sold to tenants of the Project;

(i) costs to be reimbursed by other tenants of the Project or Taxes to be paid directly by Tenant or other tenants of the Project, whether or not actually paid;

(j) salaries, wages, benefits and other compensation paid to officers and employees of Landlord who are not assigned in whole or in part to the operation, management, maintenance or repair of the Project;

(k) general organizational, administrative and overhead costs relating to maintaining Landlord's existence, either as a corporation, partnership, or other entity, including general corporate, legal and accounting expenses;

(l) costs (including attorneys' fees and costs of settlement, judgments and payments in lieu thereof) incurred in connection with disputes with tenants, other occupants, or prospective tenants, and costs and expenses, including legal fees, incurred in connection with negotiations or disputes with employees, consultants, management agents, leasing agents, purchasers or mortgagees of the Building;

(m) costs incurred by Landlord due to the violation by Landlord, its employees, agents or contractors or any tenant of the terms and conditions of any lease of space in the Project or any Legal Requirement (as defined in Section 7);

(n) tax penalties, fines or interest incurred as a result of Landlord's negligence, inability or unwillingness to make payment and/or to file any tax or informational returns when due, or from Landlord's failure to make any payment required to be made by Landlord hereunder before delinquency;

(o) overhead and profit increment paid to Landlord or to subsidiaries or affiliates of Landlord for goods and/or services in or to the Project to the extent the same exceeds the costs of such goods and/or services rendered by unaffiliated third parties on a competitive basis;

(p) costs arising from Landlord's charitable or political contributions or fine art maintained at the Project;

(q) costs in connection with services (including electricity), items or other benefits of a type which are not standard for the Project and which are not available to Tenant without specific charges therefor, but which are provided to another tenant or occupant of the Project, whether or not such other tenant or occupant is specifically charged therefor by Landlord;

(r) costs incurred in the sale or refinancing of the Project;

(s) net income taxes of Landlord or the owner of any interest in the Project, franchise, capital stock, gift, estate or inheritance taxes or any federal, state or local documentary taxes imposed against the Project or any portion thereof or interest therein; and

(t) costs incurred by reason of the remediation or other environmental response regarding any contamination of the Premises or the Project or soils or groundwater thereunder, by Hazardous Materials other than as described in Section 30 hereof;

(u) costs of repairs or other work occasioned by fire, windstorm, earthquake or other casualty or loss in excess of the deductible under the casualty insurance maintained by Landlord pursuant to Section 17 hereof; and

(v) any expenses otherwise includable within Operating Expenses to the extent actually reimbursed by persons other than tenants of the Project under leases for space in the Project.

Within 90 days after the end of each calendar year (or such longer period as may be reasonably required), Landlord shall furnish to Tenant a statement (an "**Annual Statement**") showing in reasonable detail: (a) the total and Tenant's Share of actual Operating Expenses for the previous calendar year, and (b) the total of Tenant's payments in respect of Operating Expenses for such year. If Tenant's Share of actual Operating Expenses for such year exceeds Tenant's payments of Operating Expenses for such year, the excess shall be due and payable by Tenant as Rent within 30 days after delivery of such Annual Statement to Tenant. If Tenant's payments of Operating Expenses for such year exceed Tenant's Share of actual Operating Expenses for such year Landlord shall pay the excess to Tenant within 30 days after delivery of such Annual Statement, except that after the expiration, or earlier termination of the Term or if Tenant is delinquent in its obligation to pay Rent, Landlord shall pay the excess to Tenant after deducting all other amounts due Landlord.

The Annual Statement shall be final and binding upon Tenant unless Tenant, within 30 days after Tenant's receipt thereof, shall contest any item therein by giving written notice to Landlord, specifying each item contested and the reason therefor. If, during such 30 day period, Tenant reasonably and in good faith questions or contests the correctness of Landlord's statement of Tenant's Share of Operating Expenses, Landlord will provide Tenant with access to Landlord's books and records relating to the operation of the Project and such information as Landlord reasonably determines to be responsive to Tenant's questions (the "**Expense Information**"). If after Tenant's review of such Expense Information, Landlord and Tenant cannot agree upon the amount of Tenant's Share of Operating Expenses, then Tenant shall have the right to have an independent public accounting firm selected by Tenant from among the 5 largest in the United States, working pursuant to a fee arrangement other than a contingent fee (at Tenant's sole cost and expense) and approved by Landlord (which approval shall not be unreasonably withheld or delayed), audit and/or

review the Expense Information for the year in question (the "**Independent Review**"). The results of any such Independent Review shall be binding on Landlord and Tenant. If the Independent Review shows that the payments actually made by Tenant with respect to Operating Expenses for the calendar year in question exceeded Tenant's Share of Operating Expenses for such calendar year, Landlord shall at Landlord's option either (i) credit the excess amount to the next succeeding installments of estimated Operating Expenses or (ii) pay the excess to Tenant within 30 days after delivery of such statement, except that after the expiration or earlier termination of the Term or if Tenant is delinquent in its obligation to pay Rent, Landlord shall pay the excess to Tenant after deducting all other amounts due Landlord. If the independent Review shows that Tenant's payments with respect to Operating Expenses for such calendar year were less than Tenant's Share of Operating Expenses for the calendar year, Tenant shall pay the deficiency to Landlord within 30 days after delivery of such statement. If the Independent Review shows that Tenant has overpaid with respect to Operating Expenses by more than 5% then Landlord shall reimburse Tenant for all costs incurred by Tenant for the Independent Review. Operating Expenses for the calendar years in which Tenant's obligation to share therein begins and ends shall be prorated. Notwithstanding anything set forth herein to the contrary, if the Project is not at least 95% occupied on average during any year of the Term, Tenant's Share of Operating Expenses for such year shall be computed as though the Project had been 95% occupied on average during such year.

"**Tenant's Share**" shall be the percentage set forth on the first page of this Lease as Tenant's Share as reasonably adjusted by Landlord following a measurement of the rentable square footage of the Project and the Premises to be done by Landlord within 90 days of the Commencement Date, or as soon as reasonably possible thereafter, and shall be subject to further adjustment for changes in the physical size of the Premises or the Project occurring thereafter. Any such measurement shall be performed in accordance with the 1996 Standard Method of Measuring Floor Area in Office Buildings as adopted by the Building Owners and Managers Association (ANSI/BOMA Z65.1-1996). Landlord may equitably increase Tenant's Share for any item of expense or cost reimbursable by Tenant that relates to a repair, replacement, or service that benefits only the Premises or only a portion of the Project that includes the Premises or that varies with occupancy or use. Base Rent, Tenant's Share of Operating Expenses and all other amounts payable by Tenant to Landlord hereunder are collectively referred to herein as "**Rent**."

6. **Security Deposit**. Tenant shall deposit with Landlord upon delivery of an executed copy of this Lease to Landlord security (the "**Security Deposit**") for the performance of all of its obligations in the amount set forth in the Basic Lease Provisions, which security shall be in the form of either cash or an unconditional and irrevocable letter of credit (the "**Letter of Credit**"): (i) in form and substance satisfactory to Landlord, (ii) naming Landlord as beneficiary, (iii) expressly allowing Landlord to draw upon it at any time from time to time by delivering to the issuer notice that Landlord is entitled to draw thereunder, (iv) drawable on an FDIC-insured financial institution satisfactory to Landlord, and (v) redeemable in the state of Landlord's choice. If Tenant does not provide Landlord with a substitute Letter of Credit complying with all of the requirements hereof at least 10 days before the stated expiration date of the then current Letter of Credit, Landlord shall have the right to draw upon the current Letter of Credit and hold the funds drawn as the Security Deposit. The Security Deposit shall be held by Landlord as security for the performance of Tenant's obligations under this Lease. The Security Deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's default. Upon each occurrence of a Default (as defined in

Section 20), Landlord may use all or any part of the Security Deposit to pay delinquent payments due under this Lease, and the cost of any damage, injury, expense or liability caused by such Default, without prejudice to any other remedy provided herein or provided by law. Upon any such use of all or any portion of the Security Deposit, Tenant shall pay Landlord on demand the amount that will restore the Security Deposit to its original amount. Tenant hereby waives the provisions of any law, now or hereafter in force, which provide that Landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of Rent, to repair damage caused by Tenant or to clean the Premises, it being agreed that Landlord may, in addition, claim those sums reasonably necessary to compensate Landlord for any other loss or damage, foreseeable or unforeseeable, caused by the act or omission of Tenant or any officer, employee, agent or invitee of Tenant. Upon bankruptcy or other debtor-creditor proceedings against Tenant, the Security Deposit shall be deemed to be applied first to the payment of Rent and other charges due Landlord for periods prior to the filing of such proceedings. Upon any such use of all or any portion of the Security Deposit, Tenant shall, within 5 days after demand from Landlord, restore the Security Deposit to its original amount. If Tenant shall fully perform every provision of this Lease to be performed by Tenant, the Security Deposit, or any balance thereof (i.e., after deducting therefrom all amounts to which Landlord is entitled under the provisions of this Lease), shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) within 90 days after the expiration or earlier termination of this Lease.

If Landlord transfers its interest in the Project or this Lease, Landlord shall either (a) transfer any Security Deposit then held by Landlord to a person or entity assuming Landlord's obligations under this Section 6, or (b) return to Tenant any Security Deposit then held by Landlord and remaining after the deductions permitted herein. Upon such transfer to such transferee or the return of the Security Deposit to Tenant, Landlord shall have no further obligation with respect to the Security Deposit, and Tenant's right to the return of the Security Deposit shall apply solely against Landlord's transferee. The Security Deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's default. Landlord's obligation respecting the Security Deposit is that of a debtor, not a trustee and; no interest shall accrue thereon.

7. **Use**. The Premises shall be used solely for the Permitted Use set forth in the Basic Lease Provisions, in compliance with all laws, orders, judgments, ordinances, regulations, codes, directives, permits, licenses, covenants and restrictions now or hereafter applicable to the Premises, and the use and occupancy thereof, including, without limitation, the Americans With Disabilities Act, 42 U.S.C. § 12101, et seq. (together with the regulations promulgated pursuant thereto, "**ADA**") (collectively, "**Legal Requirements**"). Tenant shall, upon 5 days' written notice from Landlord, discontinue any use of the Premises which is declared by any Governmental Authority (as defined in Section 9) having jurisdiction to be a violation of any Legal Requirement. Tenant will not use or permit the Premises to be used for any purpose or in any manner that would void Tenant's or Landlord's insurance, increase the insurance risk, or cause the disallowance of any sprinkler or other credits. Tenant shall reimburse Landlord promptly upon demand for any additional premium charged for any such insurance policy by reason of Tenant's failure to comply with the provisions of this Section or otherwise caused by Tenant's use and/or occupancy of the Premises. Tenant will use the Premises in a careful, safe and proper manner and will not commit waste, overload the floor or structure of the Premises, subject the Premises to use that would damage the Premises or obstruct or interfere with the rights of Landlord or other tenants or occupants of the Project, including

conducting or giving notice of any auction, liquidation, or going out of business sale on the Premises, or using or allowing the Premises to be used for any unlawful purpose. Tenant shall cause any equipment or machinery to be installed in the Premises so as to reasonably prevent sounds or vibrations from the Premises from extending into Common Areas, or other space in the Project. Tenant shall not place any machinery or equipment weighing 500 pounds or more in or upon the Premises or transport or move such items through the Common Areas of the Project or in the Project elevators without the prior written consent of Landlord, which consent shall be granted or refused within 10 business days of any written request from Tenant. Except as may be provided under the Work Letter, Tenant shall not, without the prior written consent of Landlord, use the Premises in any manner which will require ventilation, air exchange, heating, gas, steam, electricity or water beyond the existing capacity of the Project as proportionately allocated to the Premises based upon Tenant's Share as usually furnished for the Permitted Use.

Tenant, at its sole expense, shall make any alterations or modifications to the interior or the exterior of the Premises or the Project that are required by Legal Requirements (including, without limitation, compliance of the Premises with the Americans With Disabilities Act, 42 U.S.C. § 12101, et seq. (together with regulations promulgated pursuant thereto, "**ADA**")) related to Tenant's use or occupancy of the Premises. Notwithstanding any other provision herein to the contrary, Tenant shall be responsible for any and all demands, claims, liabilities, losses, costs, expenses, actions, causes of action, damages or judgments, and all reasonable expenses incurred in investigating or resisting the same (including, without limitation, reasonable attorneys' fees, charges and disbursements and costs of suit) (collectively, "**Claims**") arising out of or in connection with Legal Requirements, and Tenant shall indemnify, defend, hold and save Landlord harmless from and against any and all Claims arising out of or in connection with any failure of the Premises to comply with any Legal Requirement.

8. **Holding Over**. If, with Landlord's express written consent, Tenant retains possession of the Premises after the termination of the Term, (i) unless otherwise agreed in such written consent, such possession shall be subject to immediate termination by Landlord at any time, (ii) all of the other terms and provisions of this Lease (including, without limitation, the adjustment of Base Rent pursuant to Section 4 hereof) shall remain in full force and effect (excluding any expansion or renewal option or other similar right or option) during such holdover period, (iii) Tenant shall continue to pay Base Rent in the amount payable upon the date of the expiration or earlier termination of this Lease or such other amount as Landlord may indicate, in Landlord's sole and absolute discretion, in such written consent, and (iv) all other payments shall continue under the terms of this Lease. If Tenant remains in possession of the Premises after the expiration or earlier termination of the Term without the express written consent of Landlord, (A) Tenant shall become a tenant at sufferance upon the terms of this Lease except that the monthly rental shall be equal to 150% of the Rent in effect during the last 30 days of the Term, and (B) Tenant shall be responsible for all damages suffered by Landlord resulting from or occasioned by Tenant's holding over, including consequential damages. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend this Lease except as otherwise expressly provided, and this Section 8 shall not be construed as consent for Tenant to retain possession of the Premises. Acceptance by Landlord of Rent after the expiration of the Term or earlier termination of this Lease shall not result in a renewal or reinstatement of this Lease.

9. **Taxes**. Landlord shall pay, as part of Operating Expenses, alt taxes, levies, assessments and governmental charges of any kind (collectively referred to as "**Taxes**") imposed by any federal, state, regional, municipal, local or other governmental authority or agency, including, without limitation, quasi-public agencies (collectively, "**Governmental Authority**") during the Term, including, without limitation, all Taxes: (i) Imposed on or measured by or based, in whole or in part, on rent payable to Landlord under this Lease and/or from the rental by Landlord of the Project or any portion thereof, or (ii) based on the square footage, assessed value or other measure or evaluation of any kind of the Premises or the Project, or (iii) assessed or imposed by or on the operation or maintenance of any portion of the Premises or the Project, including parking, or (iv) assessed or imposed by, or at the direction of, or resulting from statutes or regulations, or interpretations thereof, promulgated by, any Governmental Authority, or (v) imposed as a license or other fee on Landlord's business of leasing space in the Project. Landlord may contest by appropriate legal proceedings the amount, validity, or application of any Taxes or liens securing Taxes. Taxes shall not include any net income taxes imposed on Landlord unless such net income taxes are in substitution for any Taxes payable hereunder. If any such Tax is levied or assessed directly against Tenant, then Tenant shall be responsible for and shall pay the same at such times and in such manner as the taxing authority shall require. Tenant shall pay, prior to delinquency, any and all Taxes levied or assessed against any personal property or trade fixtures placed by Tenant in the Premises, whether levied or assessed against Landlord or Tenant. If any Taxes on Tenant's personal property or trade fixtures are levied against Landlord or Landlord's property, or if the assessed valuation of the Project is increased by a value attributable to improvements in or alterations to the Premises, whether owned by Landlord or Tenant and whether or not affixed to the real property so as to become a part thereof, higher than the base valuation on which Landlord from time-to-time allocates Taxes to all tenants in the Project, Landlord shall have the right, but not the obligation, to pay such Taxes. Landlord's determination of any excess assessed valuation shall be binding and conclusive, absent manifest error. The amount of any such payment by Landlord shall constitute Additional Rent due from Tenant to Landlord immediately upon demand.

10. **Parking**. Tenant shall not have the right to park in any parking areas owned or operated by Landlord for tenants of the Project under this Lease. Nothing herein alters or in any way affects Tenant's parking rights under any other lease by and between Tenant and Landlord with respect to any portion of the Project.

11. **Utilities, Services**. Landlord shall provide, subject to the terms of this Section 11, potable water, steam, compressed air, vacuum, electricity, heat, ventilation, air conditioning, light, power, telephone, sewer, and other utilities (including gas and fire sprinklers to the extent the Project is plumbed for such services), refuse and trash collection and janitorial services (collectively, "**Utilities**"). Landlord shall pay, as Operating Expenses or subject to Tenant's reimbursement obligation, for all Utilities used on the Premises, all maintenance charges for Utilities, and any storm sewer charges or other similar charges for Utilities imposed by any Governmental Authority or Utility provider, and any taxes, penalties, surcharges or similar charges thereon. Landlord may cause, at Tenant's expense, any Utilities to be separately metered or charged directly to Tenant by the provider. Tenant shall pay directly to the Utility provider, prior to delinquency, any separately metered Utilities and services that may be furnished to Tenant or the Premises during the Term. Tenant shall pay, as part of Operating Expenses, its share of all charges for jointly metered Utilities based upon consumption, as reasonably determined by Landlord. No interruption or failure of

Utilities, from any cause whatsoever other than Landlord's willful misconduct, shall result in eviction or constructive eviction of Tenant, termination of this Lease or the abatement of Rent. Tenant agrees to limit use of water and sewer with respect to Common Areas to normal restroom use.

Landlord's sole obligation for either providing emergency generators or providing emergency back-up power to Tenant shall be: (i) to provide emergency generators with not less than the stated capacity of the emergency generators located in the Building as of the Commencement Date, and (ii) to contract with a third party to maintain the emergency generators as per the manufacturer's standard maintenance guidelines. Landlord shall have no obligation to provide Tenant with operational emergency generators or back-up power or to supervise, oversee or confirm that the third party maintaining the emergency generators is maintaining the generators as per the manufacturer's standard guidelines or otherwise. During any period of replacement, repair or maintenance of the emergency generators when the emergency generators are not operational, including any delays thereto due to the inability to obtain parts or replacement equipment, Landlord shall have no obligation to provide Tenant with an alternative back-up generator or generators or alternative sources of back-up power. Tenant expressly acknowledges and agrees that Landlord does not guaranty that such emergency generators will be operational at all times or that emergency power will be available to the Premises when needed.

12. **Alterations and Tenant's Property**. Any alterations, additions, or improvements made to the Premises by or on behalf of Tenant, including additional locks or bolts of any kind or nature upon any doors or windows in the Premises, but excluding installation, removal or realignment of furniture systems (other than removal of furniture systems owned or paid for by Landlord) not involving any modifications to the structure or connections (other then by ordinary plugs or jacks) to Building Systems (as defined in Section 13) ("**Alterations**") shall be subject to Landlord's prior written consent, which may be given or withheld in Landlord's sole discretion if any such Alteration affects the structure or Building Systems. Tenant may construct nonstructural Alterations in the Premises without Landlord's prior approval if the aggregate cost of all such work in any 12 month period does not exceed $25,000 (a "**Notice-Only Alteration**"), provided Tenant notifies Landlord in writing of such intended Notice-Only Alteration, and such notice shall be accompanied by plans, specifications, work contracts and such other information concerning the nature and cost of the Notice-Only Alteration as may be reasonably requested by Landlord, which notice and accompanying materials shall be delivered to Landlord not less than 15 business days in advance of any proposed construction. If Landlord approves any Alterations, Landlord may impose such conditions on Tenant in connection with the commencement, performance and completion of such Alterations as Landlord may deem appropriate in Landlord's sole and absolute discretion. Any request for approval shall be in writing, delivered not less than 15 business days in advance of any proposed construction, and accompanied by plans, specifications, bid proposals, work contracts and such other information concerning the nature and cost of the alterations as may be reasonably requested by Landlord, including the identities and mailing addresses of all persons performing work or supplying materials. Landlord's right to review plans and specifications and to monitor construction shall be solely for its own benefit, and Landlord shall have no duty to ensure that such plans and specifications or construction comply with applicable Legal Requirements. Tenant shall cause, at its sole cost and expense, all Alterations to comply with insurance requirements and with Legal Requirements and shall implement at its sole cost and expense any alteration or modification

required by Legal Requirements as a result of any Alterations. Tenant shall pay to Landlord, as Additional Rent, on demand an amount equal to 5% of all charges incurred by Tenant or its contractors or agents in connection with any Alteration to cover Landlord's overhead and expenses for plan review, coordination, scheduling and supervision. Before Tenant begins any Alteration, Landlord may post on and about the Premises notices of non-responsibility pursuant to applicable law. Tenant shall reimburse Landlord for, and indemnify and hold Landlord harmless from, any expense incurred by Landlord by reason of faulty work done by Tenant or its contractors, delays caused by such work, or inadequate cleanup.

Tenant shall furnish security or make other arrangements satisfactory to Landlord to assure payment for the completion of all Alterations work free and clear of liens, and shall provide (and cause each contractor or subcontractor to provide) certificates of insurance for workers' compensation and other coverage in amounts and from an insurance company satisfactory to Landlord protecting Landlord against liability for personal injury or property damage during construction. Upon completion of any Alterations, Tenant shall deliver to Landlord: (i) sworn statements setting forth the names of all contractors and subcontractors who did the work and final lien waivers from all such contractors and subcontractors; and (ii) "as built" plans for any such Alteration.

Other than (i) the items, if any, listed on **Exhibit F** attached hereto, (ii) any items agreed by Landlord in writing to be included on **Exhibit F** in the future, and (iii) any trade fixtures, machinery, equipment and other personal property not paid for out of the TI Fund (as defined in the Work Letter) which may be removed without material damage to the Premises, which damage shall be repaired (including capping or terminating utility hook-ups behind walls) by Tenant during the Term (collectively, "**Tenant's Property**"), all property of any kind paid for with the TI Fund, all Alterations, real property fixtures, built-in machinery and equipment, built-in casework and cabinets and other similar additions and improvements built into the Premises so as to become an integral part of the Premises such as fume hoods which penetrate the roof or plenum area, built-in cold rooms, built-in warm rooms, walk-in cold rooms, walk-in warm rooms, deionized water systems, glass washing equipment, autoclaves, chillers, built-in plumbing, electrical and mechanical equipment and systems, and any power generator and transfer switch (collectively, "**Installations**") shall be and shall remain the property of Landlord during the Term and following the expiration or earlier termination of the Term, shall not be removed by Tenant at any time during the Term and shall remain upon and be surrendered with the Premises as a part thereof in accordance with Section 28 following the expiration or earlier termination of this Lease; provided, however, that Landlord shall, at the time its approval of such Installation is requested or at the time it receives notice of a Notice-Only Alteration notify Tenant if it has elected to cause Tenant to remove such Installation upon the expiration or earlier termination of this Lease. If Landlord so elects, Tenant shall remove such Installation upon the expiration or earlier termination of this Lease and restore any damage caused by or occasioned as a result of such removal, including, when removing any of Tenant's Property which was plumbed, wired or otherwise connected to any of the Building Systems, capping off all such connections behind the walls of the Premises and repairing any holes. During any such restoration period, Tenant shall pay Rent to Landlord as provided herein as if said space were otherwise occupied by Tenant.

13. **Landlord's Repairs**. Landlord, as an Operating Expense, shall maintain all of the structural, exterior, parking and other Common Areas of the Project, including HVAC, plumbing, fire sprinklers, elevators and all other building systems serving the Premises and other portions of the Project ("**Building Systems**"), in good repair, reasonable wear and tear and uninsured losses and damages caused by Tenant, or by any of Tenant's agents, servants, employees, invitees and contractors (collectively, "**Tenant Parties**") excluded. Losses and damages caused by Tenant or any Tenant Party shall be repaired by Landlord, to the extent not covered by insurance, at Tenant's sole cost and expense. Landlord reserves the right to stop Building System services when necessary (i) by reason of accident or emergency, or (ii) for planned repairs, alterations or improvements, which are, in the judgment of Landlord, desirable or necessary to be made, until said repairs, alterations or improvements shall have been completed. Landlord shall have no responsibility or liability for failure to supply Building System services during any such period of interruption; provided, however, that Landlord shall give Tenant 48 hours advance notice of any planned stoppage of Building System services for routine maintenance, repairs, alterations or improvements. Tenant shall promptly give Landlord written notice of any repair required by Landlord pursuant to this Section, after which Landlord shall have a reasonable opportunity to effect such repair. Landlord shall not be liable for any failure to make any repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after Tenant's written notice of the need for such repairs or maintenance. Tenant waives its rights under any state or local law to terminate this Lease or to make such repairs at Landlord's expense and agrees that the parties' respective rights with respect to such matters shall be solely as set forth herein. Repairs required as the result of fire, earthquake, flood, vandalism, war, or similar cause of damage or destruction shall be controlled by Section 18.

14. **Tenant's Repairs**. Subject to Section 13 hereof, Tenant, at its expense, shall repair, replace and maintain in good condition all portions of the Premises, including, without limitation, entries, doors, ceilings, interior windows, interior walls, and the interior side of demising walls. Such repair and replacements may include capital expenditures and repairs whose benefit may extend beyond the Term. Should Tenant fail to make any such repair or replacement or fail to maintain the Premises, Landlord shall give Tenant notice of such failure. If Tenant fails to commence cure of such default within 10 days of Landlord's notice, and thereafter diligently prosecute such cure to completion, Landlord may perform such work and shall be reimbursed by Tenant within 10 days after demand therefor; provided, however, that if such default by Tenant creates or could create an emergency, Landlord may immediately commence cure of such default and shall thereafter be entitled to recover the costs of such cure from Tenant. Subject to Sections 17 and 18, Tenant shall bear the full uninsured cost of any repair or replacement to any part of the Project that results from damage caused by Tenant or any Tenant Party and any repair that benefits only the Premises.

15. **Mechanic's Liens**. Tenant shall discharge, by bond or otherwise, any mechanic's lien filed against the Premises or against the Project for work claimed to have been done for, or materials claimed to have been furnished to, Tenant within 10 days after the filing thereof, at Tenant's sole cost and shall otherwise keep the Premises and the Project free from any liens arising out of work performed, materials furnished or obligations incurred by Tenant. Should Tenant fail to discharge any lien described herein, Landlord shall have the right, but not the obligation, to pay such claim or post a bond or otherwise provide security to eliminate the lien as a claim against title to the Project and the cost thereof shall be immediately due from Tenant as Additional Rent. If Tenant shall lease

or finance the acquisition of office equipment, furnishings, or other personal property of a removable nature utilized by Tenant in the operation of Tenant's business, Tenant warrants that any Uniform Commercial Code Financing Statement executed by Tenant will upon its face or by exhibit thereto indicate that such Financing Statement is applicable only to removable personal property of Tenant located within the Premises. In no event shall the address of the Project be furnished on the statement without qualifying language as to applicability of the lien only to removable personal property, located in an identified suite held by Tenant.

16. **Indemnification**. Tenant hereby indemnifies and agrees to defend, save and hold Landlord harmless from and against any and all Claims for injury or death to persons or damage to property occurring within or about the Premises, arising directly or indirectly out of use or occupancy of the Premises or a breach or default by Tenant in the performance of any of its obligations hereunder, unless caused solely by the willful misconduct or gross negligence of Landlord. Landlord shall not be liable to Tenant for, and Tenant assumes all risk of damage to, personal property (including, without limitation, loss of records kept within the Premises). Tenant further waives any and all Claims for injury to Tenant's business or loss of income relating to any such damage or destruction of personal property (including, without limitation, any loss of records). Landlord shall not be liable for any damages arising from any act, omission or neglect of any tenant in the Project or of any other third party.

17. **Insurance**. Landlord shall maintain all risk property and, if applicable, sprinkler damage insurance covering the full replacement cost of the Project. Landlord shall further procure and maintain commercial general liability insurance with a single loss limit of not less than $2,000,000 for bodily injury and property damage with respect to the Project. Landlord may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary, including, but not limited to, flood, environmental hazard and earthquake, loss or failure of building equipment, errors and omissions, rental loss during the period of repair or rebuilding, workers' compensation insurance and fidelity bonds for employees employed to perform services and insurance for any improvements installed by Tenant or which are in addition to the standard improvements customarily furnished by Landlord without regard to whether or not such are made a part of the Project. All such insurance shall be included as part of the Operating Expenses. The Project may be included in a blanket policy (in which case the cost of such insurance allocable to the Project will be determined by Landlord based upon the insurer's cost calculations).

Tenant, at its sole cost and expense, shall maintain during the Term: all risk property insurance with business interruption and extra expense coverage, covering the full replacement cost of all property and improvements installed or placed in the Premises by Tenant at Tenant's expense; workers' compensation insurance with no less than the minimum limits required by law; employer's liability insurance with such limits as required by law; commercial general liability insurance, with a minimum limit of not less than $2,000,000 per occurrence for bodily injury and property damage with respect to the Premises and pollution legal liability insurance with a minimum limit of not less than $2,000,000 per occurrence. The commercial general liability insurance policy shall name Landlord, its officers, directors, employees, managers, agents, invitees and contractors (collectively, "**Landlord Parties**"), as additional insureds. The commercial general liability and any pollution legal liability insurance policies shall insure on an occurrence and not a claims-made basis; shall be issued by insurance companies which have a rating of not less than policyholder rating of A and

financial category rating of at least Class X in "Best's Insurance Guide"; shall not be cancelable for nonpayment of premium unless 30 days prior written notice shall have been given to Landlord from the insurer; contain a hostile fire endorsement and a contractual liability endorsement; and provide primary coverage to Landlord (any policy issued to Landlord providing duplicate or similar coverage shall be deemed excess over Tenant's policies). Such policies or certificates thereof shall be delivered to Landlord by Tenant upon commencement of the Term and upon each renewal of said insurance. Tenant's policy may be a "blanket policy" with an aggregate per location endorsement which specifically provides that the amount of insurance shall not be prejudiced by other losses covered by the policy. Tenant shall, at least 5 days prior to the expiration of such policies, furnish Landlord with renewal certificates.

In each instance where insurance is to name Landlord as an additional insured, Tenant shall upon written request of Landlord also designate and furnish certificates so evidencing Landlord as additional insured to: (i) any lender of Landlord holding a security interest in the Project or any portion thereof, (ii) the landlord under any lease wherein Landlord is tenant of the real property on which the Project is located, if the interest of Landlord is or shall become that of a tenant under a ground or other underlying lease rather than that of a fee owner, and/or (iii) any management company retained by Landlord to manage the Project.

The property insurance obtained by Landlord and Tenant shall include a waiver of subrogation by the insurers and all rights based upon an assignment from its insured, against Landlord or Tenant, and their respective officers, directors, employees, managers, agents, invitees and contractors ("**Related Parties**"), in connection with any loss or damage thereby insured against. Neither party nor its respective Related Parties shall be liable to the other for loss or damage caused by any risk insured against under property insurance required to be maintained hereunder, and each party waives any claims against the other party, and its respective Related Parties, for such loss or damage. The failure of a party to insure its property shall not void this waiver. Landlord and its respective Related Parties shall not be liable for, and Tenant hereby waives all claims against such parties for, business interruption and losses occasioned thereby sustained by Tenant or any person claiming through Tenant resulting from any accident or occurrence in or upon the Premises or the Project from any cause whatsoever. If the foregoing waivers shall contravene any law with respect to exculpatory agreements, the liability of Landlord or Tenant shall be deemed not released but shall be secondary to the other's insurer.

Landlord may require insurance policy limits to be raised to conform with requirements of Landlord's lender and/or to bring coverage limits to levels then being generally required of new tenants within the Project.

18. **Restoration**. If at any time during the Term the Project or the Premises are damaged or destroyed by a fire or other insured casualty, Landlord shall notify Tenant within 60 days after discovery of such damage as to the amount of time Landlord reasonably estimates it will take to restore the Project or the Premises, as applicable (the "**Restoration Period**"). If the Restoration Period is estimated to exceed 12 months (the "**Maximum Restoration Period**"), Landlord may, in such notice, elect to terminate this Lease as of the date that is 75 days after the data of discovery of such damage or destruction; provided, however, that notwithstanding Landlord's election to restore, Tenant may elect to terminate this Lease by written notice to Landlord delivered within 5 business

days of receipt of a notice from Landlord estimating a Restoration Period for the Premises longer than the Maximum Restoration Period. Unless either Landlord or Tenant so elects to terminate this Lease, Landlord shall, subject to receipt of sufficient insurance proceeds (with any deductible to be treated as a current Operating Expense), promptly restore the Premises (excluding the improvements installed by Tenant or by Landlord and paid for by Tenant, subject to delays arising from the collection of insurance proceeds, from Force Majeure events or as needed to obtain any license, clearance or other authorization of any kind required to enter into and restore the Premises issued by any Governmental Authority having jurisdiction over the use, storage, handling, treatment, generation, release, disposal, removal or remediation of Hazardous Materials (as defined in Section 30) in, on or about the Premises (collectively referred to herein as "**Hazardous Materials Clearances**"); provided, however, that if repair or restoration of the Premises is not substantially complete as of the end of the Maximum Restoration Period or, if longer, the Restoration Period, Landlord may, in its sole and absolute discretion, elect not to proceed with such repair and restoration, or Tenant may by written notice to Landlord delivered within 5 business days of the expiration of the Maximum Restoration Period or, if longer, the Restoration Period, elect to terminate this Lease, in which event Landlord shall be relieved of its obligation to make such repairs or restoration and this Lease shall terminate as of the date that is 75 days after the later of: (i) discovery of such damage or destruction, or (ii) the date all required Hazardous Materials Clearances are obtained, but Landlord shall retain any Rent paid and the right to any Rent payable by Tenant prior to such election by Landlord or Tenant.

Tenant, at its expense, shall promptly perform, subject to delays arising from the collection of insurance proceeds, from Force Majeure (as defined in Section 34) events or to obtain Hazardous Material Clearances, all repairs or restoration not required to be done by Landlord and shall promptly re-enter the Premises and commence doing business in accordance with this Lease. Notwithstanding the foregoing, Landlord may terminate this Lease if the Premises are damaged during the last year of the Term and Landlord reasonably estimates that it will take more than 2 months to repair such damage, or if insurance proceeds are not available for such restoration. Rent shall be abated from the date all required Hazardous Material Clearances are obtained until the Premises are repaired and restored, in the proportion which the area of the Premises, if any, which is not usable by Tenant bears to the total area of the Premises, unless Landlord provides Tenant with other space during the period of repair that is suitable for the temporary conduct of Tenant's business. Such abatement shall be the sole remedy of Tenant, and except as provided herein, Tenant waives any right to terminate the Lease by reason of damage or casualty loss.

The provisions of this Lease, including this Section 18, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, or any other portion of the Project, and any statute or regulation which is now or may hereafter be in effect shall have no application to this Lease or any damage or destruction to all or any part of the Premises or any other portion of the Project, the parties hereto expressly agreeing that this Section 18 sets forth their entire understanding and agreement with respect to such matters.

19. **Condemnation**. If the whole or any material part of the Premises or the Project is taken for any public or quasi-public use under governmental law, ordinance, or regulation, or by right of eminent domain, or by private purchase in lieu thereof (a "**Taking**" or "**Taken**"), and the Taking would in Landlord's reasonable judgment either prevent or materially interfere with Tenant's

use of the Premises or materially interfere with or impair Landlord's ownership or operation of the Project, then upon written notice by Landlord this Lease shall terminate and Rent shall be apportioned as of said date. If part of the Premises shall be Taken, and this Lease is not terminated as provided above, Landlord shall promptly restore the Premises and the Project as nearly as is commercially reasonable under the circumstances to their condition prior to such partial Taking and the rentable square footage of the Building, the rentable square footage of the Premises, Tenant's Share of Operating Expenses and the Rent payable hereunder during the unexpired Term shall be reduced to such extent as may be fair and reasonable under the circumstances. Upon any such Taking, Landlord shall be entitled to receive the entire price or award from any such Taking without any payment to Tenant, and Tenant hereby assigns to Landlord Tenant's interest, if any, in such award. Tenant shall have the right, to the extent that same shall not diminish Landlord's award, to make a separate claim against the condemning authority (but not Landlord) for such compensation as may be separately awarded or recoverable by Tenant for moving expenses and damage to Tenant's trade fixtures, if a separate award for such items is made to Tenant. Tenant hereby waives any and all rights it might otherwise have pursuant to any provision of state law to terminate this Lease upon a partial Taking of the Premises or the Project.

20. **Events of Default**. Each of the following events shall be a default ("**Default**") by Tenant under this Lease:

(a) **Payment Defaults**. Tenant shall fail to pay any installment of Rent or any other payment hereunder when due; provided, however, that Landlord will give Tenant notice and an opportunity to cure any failure to pay Rent within 3 days of any such notice not more than once in any 12 month period and Tenant agrees that such notice shall be in lieu of and not in addition to, or shall be deemed to be, any notice required by law.

(b) **Insurance**. Any insurance required to be maintained by Tenant pursuant to this Lease shall be canceled or terminated or shall expire or shall be reduced or materially changed, or Landlord shall receive a notice of nonrenewal of any such insurance and Tenant shall fail to obtain replacement insurance at least 20 days before the expiration of the current coverage.

(c) **Other Default**. An uncured default occurs under any other lease by and between Landlord and Tenant after the lapse of all applicable notice and cure periods thereunder.

(d) **Improper Transfer**. Tenant shall assign, sublease or otherwise transfer or attempt to transfer all or any portion of Tenant's interest in this Lease or the Premises except as expressly permitted herein, or Tenant's interest in this Lease shall be attached, executed upon, or otherwise judicially seized and such action is not released within 90 days of the action.

(e) **Liens**. Tenant shall fail to discharge or otherwise obtain the release of any lien placed upon the Premises in violation of this Lease within 10 days after any such lien is filed against the Premises.

(f) **Insolvency Events**. Tenant or any guarantor or surety of Tenant's obligations hereunder shall: (A) make a general assignment for the benefit of creditors; (B) commence any case, proceeding or other action seeking to have an order for relief entered on its behalf as a debtor or to

adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or of any substantial part of its property (collectively a "**Proceeding for Relief**"); (C) become the subject of any Proceeding for Relief which is not dismissed within 90 days of its filing or entry; or (D) die or suffer a legal disability (if Tenant, guarantor, or surety is an individual) or be dissolved or otherwise fail to maintain its legal existence (if Tenant, guarantor or surety is a corporation, partnership or other entity).

(g) **Estoppel Certificate or Subordination Agreement**. Tenant fails to execute any document required from Tenant under Sections 23 or 27 within 5 days after a second notice requesting such document.

(h) **Other Defaults**. Tenant shall fail to comply with any provision of this Lease other than those specifically referred to in this Section 20, and, except as otherwise expressly provided herein, such failure shall continue for a period of 30 days after written notice thereof from Landlord to Tenant.

Any notice given under Section 20(h) hereof shall: (i) specify the alleged default, (ii) demand that Tenant cure such default, (iii) be in lieu of, and not in addition to, or shall be deemed to be, any notice required under any provision of applicable law, and (iv) not be deemed a forfeiture or a termination of this Lease unless Landlord elects otherwise in such notice; provided that if the nature of Tenant's default pursuant to Section 20(h) is such that it cannot be cured by the payment of money and reasonably requires more than 30 days to cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said 30 day period and thereafter diligently prosecutes the same to completion; provided, however, that such cure shall be completed no later than 150 days from the date of Landlord's notice.

21. **Landlord's Remedies**.

(a) **Payment By Landlord; Interest**. Upon a Default by Tenant hereunder, Landlord may, without waiving or releasing any obligation of Tenant hereunder, make such payment or perform such act. All sums so paid or incurred by Landlord, together with interest thereon, from the date such sums were paid or incurred, at the annual rate equal to 12% per annum or the highest rate permitted by law (the "**Default Rate**"), whichever is less, shall be payable to Landlord on demand as Additional Rent. Nothing herein shall be construed to create or impose a duty on Landlord to mitigate any damages resulting from Tenant's Default hereunder.

(b) **Late Payment Rent**. Late payment by Tenant to Landlord of Rent and other sums due will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult and impracticable to ascertain. Such costs include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord under any Mortgage covering the Premises. Therefore, if any installment of Rent due from Tenant is not received by Landlord within 5 days after the date such payment is due, Tenant shall pay to Landlord an additional sum equal to 6% of the overdue Rent as a late charge. The parties agree that this late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason

of late payment by Tenant. In addition to the late charge, Rent not paid when due shall bear interest at the Default Rate from the 5th day after the date due until paid.

(c) **Remedies**. Upon the occurrence of a Default, Landlord, at its option, without further notice or demand to Tenant, shall have in addition to all other rights and remedies provided in this Lease, at law or in equity, the option to pursue any one or more of the following remedies, each and all of which shall be cumulative and nonexclusive, without any notice or demand whatsoever.

(i) Terminate this Lease, or at Landlord's option; Tenant's right to possession only, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim or damages therefor;

(ii) Upon any termination of this Lease, whether pursuant to the foregoing Section 21(c)(i) or otherwise, Landlord may recover from Tenant the following:

(A) The worth at the time of award of any unpaid rent which has been earned at the time of such termination; plus

(B) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(C) The worth at the time of award of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(D) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, specifically including, but not limited to, brokerage commissions and advertising expenses incurred, expenses of remodeling the Premises or any portion thereof for a new tenant, whether for the same or a different use, and any special concessions made to obtain a new tenant; and

(E) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

The term "**rent**" as used in this Section 21 shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others. As used in Sections 21(c)(ii)(A) and (B), above, the "**worth at the time of award**" shall be computed by allowing interest at the Default Rate. As used in Section 21(c)(ii)(C) above, the "**worth at the time of award**" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus 1%.

(iii) Landlord may continue this Lease in effect after Tenant's Default and recover rent as it becomes due (Landlord and Tenant hereby agreeing that Tenant has the right to sublet or assign hereunder, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate this Lease following a Default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies hereunder, including the right to recover all Rent as it becomes due.

(iv) Whether or not Landlord elects to terminate this Lease following a Default by Tenant, Landlord shall have the right to terminate any and all subleases, licenses, concessions or other consensual arrangements for possession entered into by Tenant and affecting the Premises or may, in Landlord's sole discretion, succeed to Tenant's interest in such subleases, licenses, concessions or arrangements. Upon Landlord's election to succeed to Tenant's interest in any such subleases, licenses, concessions or arrangements, Tenant shall, as of the date of notice by Landlord, of such election, have no further right to or interest in the rent or other consideration receivable thereunder.

(v) Independent of the exercise of any other remedy of Landlord hereunder or under applicable law, Landlord may conduct an environmental test of the Premises as generally described in Section 30(d) hereof, at Tenant's expense.

(d) **Effect of Exercise**. Exercise by Landlord of any remedies hereunder or otherwise available shall not be deemed to be an acceptance of surrender of the Premises and/or a termination of this Lease by Landlord, it being understood that such surrender and/or termination can be effected only by the express written agreement of Landlord and Tenant. Any law, usage, or custom to the contrary notwithstanding, Landlord shall have the right at all times to enforce the provisions of this Lease in strict accordance with the terms hereof; and the failure of Landlord at any time to enforce its rights under this Lease strictly in accordance with same shall not be construed as having created a custom in any way or manner contrary to the specific terms, provisions, and covenants of this Lease or as having modified the same and shall not be deemed a waiver of Landlord's right to enforce one or more of its rights in connection with any subsequent default. A receipt by Landlord of Rent or other payment with knowledge of the breach of any covenant hereof shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by Landlord. To the greatest extent permitted by taw, Tenant waives the service of notice of Landlord's intention to re-enter, re-take or otherwise obtain possession of the Premises as provided in any statute, or to institute legal proceedings to that end, and also waives all right of redemption in case Tenant shall be dispossessed by a judgment or by warrant of any court or judge. Any reletting of the Premises or any portion thereof shall be on such terms and conditions as Landlord in its sole discretion may determine. Landlord shall not be liable for, nor shall Tenant's obligations hereunder be diminished because of, Landlord's failure to relet the Premises or collect rent due in respect of such reletting or otherwise to mitigate any damages arising by reason of Tenant's Default.

22. **Assignment and Subletting**.

(a) **General Prohibition**. Without Landlord's prior written consent subject to and on the conditions described in this Section 22, Tenant shall not, directly or indirectly, voluntarily or

by operation of law, assign this Lease or sublease the Premises or any part thereof or mortgage, pledge, or hypothecate its leasehold interest or grant any concession or license within the Premises, and any attempt to do any of the foregoing shall be void and of no effect. If Tenant is a corporation, partnership or limited liability company, the shares or other ownership interests thereof which are not actively traded upon a stock exchange or in the over-the-counter market, a transfer or series of transfers whereby 25% or more of the issued and outstanding shares or other ownership interests of such corporation are, or voting control is, transferred (but excepting transfers upon deaths of individual owners) from a person or persons or entity or entities which were owners thereof at time of execution of this Lease to persons or entities who were not owners of shares or other ownership interests of the corporation, partnership or limited liability company at time of execution of this Lease, shall be deemed an assignment of this Lease requiring the consent of Landlord as provided in this Section 22.

(b) **Permitted Transfers**. If Tenant desires to assign, sublease, hypothecate or otherwise transfer this Lease or sublet the Premises other than pursuant to a Permitted Assignment (as defined below), then at least 15 business days, but not more than 45 business days, before the date Tenant desires the assignment or sublease to be effective (the "**Assignment Date**"), Tenant shall give Landlord a notice (the "**Assignment Notice**") containing such information about the proposed assignee or sublessee, including the proposed use of the Premises and any Hazardous Materials proposed to be used, stored handled, treated, generated in or released or disposed of from the Premises, the Assignment Date, any relationship between Tenant and the proposed assignee or sublessee, and all material terms and conditions of the proposed assignment or sublease, including a copy of any proposed assignment or sublease in its final form, and such other information as Landlord may deem reasonably necessary or appropriate to its consideration whether to grant its consent. Landlord may, by giving written notice to Tenant within 15 business days after receipt of the Assignment Notice: (i) grant or refuse such consent, in its sole discretion with respect to a proposed assignment, hypothecation or other transfer or subletting of more than (together with all other then effective subleases) 50% of the Premises, or grant or refuse such consent, in its reasonable discretion with respect to a proposed subletting of up to (together with all other then effective subleases) 50% of the Premises (provided that Landlord shall further have the right to review and approve or disapprove the proposed form of sublease prior to the effective date of any such subletting), or (ii) terminate this Lease with respect to the space described in the Assignment Notice as of the Assignment Date (an "**Assignment Termination**"). If Landlord elects an Assignment Termination, Tenant shall have the right to withdraw such Assignment Notice by written notice to Landlord of such election within 5 days after Landlord's notice electing to exercise the Assignment Termination. If Tenant withdraws such Assignment Notice, this Lease shall continue in full force and effect. If Tenant does not withdraw such Assignment Notice, this Lease, and the term and estate herein granted, shall terminate as of the Assignment Date with respect to the space described in such Assignment Notice. No failure of Landlord to exercise any such option to terminate this Lease shall be deemed to be Landlord's consent to the proposed assignment, sublease or other transfer. Tenant shall reimburse Landlord for all of Landlord's reasonable out-of-pocket expenses in connection with its consideration of any Assignment Notice not to exceed $5,000 in connection with any single Assignment Notice.

Notwithstanding the foregoing, Landlord's consent to an assignment of this Lease or a subletting of any portion of the Premises to any entity controlled by Tenant shall not be required,

provided that Landlord shall have the right to approve the form of any such sublease or assignment. In addition, Tenant shall have the right to assign this Lease, upon 30 days prior written notice to Landlord but without obtaining Landlord's prior written consent, to a corporation or other entity which is a successor-in-interest to Tenant, by way of merger, consolidation or corporate reorganization, or by the purchase of all or substantially all of the assets or the ownership interests of Tenant provided that (i) such merger or consolidation, or such acquisition or assumption, as the case may be, is for a good business purpose and not principally for the purpose of transferring the Lease, and (ii) the net worth (as determined in accordance with generally accepted accounting principles ("**GAAP**")) of the assignee is not less than the net worth (as determined in accordance with GAAP) of Tenant as of the date of Tenant's most current quarterly or annual financial statements, and (iii) such assignee shall agree in writing to assume all of the terms, covenants and conditions of this Lease arising after the effective date of the assignment (a "**Permitted Assignment**").

(c) **Additional Conditions**. As a condition to any such assignment or subletting, whether or not Landlord's consent is required, Landlord may require:

(i) that any assignee or subtenant agree, in writing at the time of such assignment or subletting, that if Landlord gives such party notice that Tenant is in default under this Lease, such party shall thereafter make all payments otherwise due Tenant directly to Landlord, which payments will be received by Landlord without any liability except to credit such payment against those due under the Lease, and any such third party shall agree to attorn to Landlord or its successors and assigns should this Lease be terminated for any reason; provided, however, in no event shall Landlord or its successors or assigns be obligated to accept such attornment; and

(ii) A list of Hazardous Materials, certified by the proposed assignee or sublessee to be true and correct, which the proposed assignee or sublessee intends to use, store, handle, treat, generate in or release or dispose of from the Premises, together with copies of all documents relating to such use, storage, handling, treatment, generation, release or disposal of Hazardous Materials by the proposed assignee or subtenant in the Premises or on the Project, prior to the proposed assignment or subletting, including, without limitation: permits; approvals; reports and correspondence; storage and management plans; plans relating to the installation of any storage tanks to be installed in or under the Project (provided, said Installation of tanks shall only be permitted after Landlord has given its written consent to do so, which consent may be withheld in Landlord's sole and absolute discretion); and all closure plans or any other documents required by any and all federal, state and local Governmental Authorities for any storage tanks installed in, on or under the Project for the closure of any such tanks. Neither Tenant nor any such proposed assignee or subtenant is required, however, to provide Landlord with any portion(s) of the such documents containing information of a proprietary nature which, in and of themselves, do not contain a reference to any Hazardous Materials or hazardous activities.

(d) **No Release of Tenant, Sharing of Excess Rents**. Notwithstanding any assignment or subletting, Tenant and any guarantor or surety of Tenant's obligations under this Lease shall at all times remain fully and primarily responsible and liable for the payment of Rent and for compliance with all of Tenant's other obligations under this Lease. If the Rent due and payable by a sublessee or assignee (or a combination of the rental payable under such sublease or assignment plus any bonus or other consideration therefor or incident thereto in any form) exceeds the rental payable

under this Lease, (excluding however, any Rent payable under this Section) ("**Excess Rent**"), then Tenant shall be bound and obligated to pay Landlord as Additional Rent hereunder 50% of such Excess Rent within 10 days following receipt thereof by Tenant. If Tenant shall sublet the Premises or any part thereof, Tenant hereby immediately and irrevocably assigns to Landlord, as security for Tenant's obligations under this Lease, all rent from any such subletting, and Landlord as assignee and as attorney-in-fact for Tenant, or a receiver for Tenant appointed on Landlord's application, may collect such rent and apply it toward Tenant's obligations under this Lease; except that, until the occurrence of a Default, Tenant shall have the right to collect such rent.

(e) **No Waiver**. The consent by Landlord to an assignment or subletting shall not relieve Tenant or any assignees of this Lease or any sublessees of the Premises from obtaining the consent of Landlord to any further assignment or subletting nor shall it release Tenant or any assignee or sublessee of Tenant from full and primary liability under the Lease. The acceptance of Rent hereunder, or the acceptance of performance of any other term, covenant, or condition thereof, from any other person or entity shall not be deemed to be a waiver of any of the provisions of this Lease or a consent to any subletting, assignment or other transfer of the Premises.

(f) **Prior Conduct of Proposed Transferee**. Notwithstanding any other provision of this Section 22, if (i) the proposed assignee or sublessee of Tenant has been required by any prior landlord, lender or Governmental Authority to take remedial action in connection with Hazardous Materials contaminating a property, where the contamination resulted from such party's action or use of the property in question, (ii) the proposed assignee or sublessee is subject to an enforcement order issued by any Governmental Authority in connection with the use, storage, handling, treatment, generation, release or disposal of Hazardous Materials (including, without limitation, any order related to the failure to make a required reporting to any Governmental Authority), or (iii) because of the existence of a pre-existing environmental condition in the vicinity of or underlying the Project, the risk that Landlord would be targeted as a responsible party in connection with the remediation of such pre-existing environmental condition would be materially increased or exacerbated by the proposed use of Hazardous Materials by such proposed assignee or sublessee, Landlord shall have the absolute right to refuse to consent to any assignment or subletting to any such party.

23. **Estoppel Certificate**. Tenant shall, within 10 business days of written notice from Landlord, execute, acknowledge and deliver a statement in writing in any form reasonably requested by a proposed lender or purchaser, (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified is in full force end affect) and the dates to which the rental and other charges are paid in advance, if any, (ii) acknowledging that there are not any uncured defaults on the part of Landlord hereunder, or specifying such defaults if any are claimed, and (iii) setting forth such further information with respect to the status of this Lease or the Premises as may be requested thereon. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Premises are a part. Tenant's failure to deliver such statement within such time shall, at the option of Landlord, constitute a Default under this Lease, and, in any event, shall be conclusive upon Tenant that the Lease is in full force and effect and without modification except as may be represented by Landlord in any certificate prepared by Landlord and delivered to Tenant for execution.

24. **Quiet Enjoyment**. So long as Tenant shall perform all of the covenants and agreements herein required to be performed by Tenant, Tenant shall, subject to the terms of this Lease, at all times during the Term, have peaceful and quiet enjoyment of the Premises against any person claiming by, through or under Landlord.

25. **Prorations**. All prorations required or permitted to be made hereunder shall be made on the basis of a 360 day year and 30 day months.

26. **Rules and Regulations**. Tenant shall, at all times during the Term, comply with all reasonable rules and regulations at any time or from time to time established by Landlord covering use of the Premises and the Project. The current rules and regulations are attached hereto as **Exhibit E**. If there is any conflict between said rules and regulations and other provisions of this Lease, the terms and provisions of this Lease shall control. Landlord shall not have any liability or obligation for the breach of any rules or regulations by other tenants in the Project and shall not enforce such rules and regulations in a discriminatory manner.

27. **Subordination**. This Lease and Tenant's interest and rights hereunder are and shall be subject and subordinate at all times to the lien of any Mortgage now existing or hereafter created on or against the Project or the Premises, and all amendments, restatements, renewals, modifications, consolidations, refinancing, assignments and extensions thereof, without the necessity of any further instrument or act on the part of Tenant; provided, however that so long as there is no Default hereunder, Tenant's right to possession of the Premises shall not be disturbed by the Holder of any such Mortgage. Tenant agrees, at the election of the Holder of any such Mortgage, to attorn to any such Holder. Tenant agrees upon demand to execute, acknowledge and deliver such instruments, confirming such subordination, and such instruments of attornment as shall be requested by any such Holder, provided any such instruments contain appropriate non-disturbance provisions assuring Tenant's quiet enjoyment of the Premises as set forth in Section 24 hereof. Notwithstanding the foregoing, any such Holder may at any time subordinate its Mortgage to this Lease, without Tenant's consent, by notice in writing to Tenant, and thereupon this Lease shall be deemed prior to such Mortgage without regard to their respective dates of execution, delivery or recording and in that event such Holder shall have the same rights with respect to this Lease as though this Lease had been executed prior to the execution, delivery and recording of such Mortgage and had been assigned to such Holder. The term "**Mortgage**" whenever used in this Lease shall be deemed to include deeds of trust, security assignments and any other encumbrances, and any reference to the "**Holder**" of a Mortgage shall be deemed to include the beneficiary under a deed of trust.

28. **Surrender**. Upon the expiration of the Term or earlier termination of Tenant's right of possession, Tenant shall surrender the Premises to Landlord in the same condition as received, subject to any Alterations or Installations permitted by Landlord to remain in the Premises, free of Hazardous Materials brought upon, kept, used, stored, handled, treated, generated in, or released or disposed of from, the Premises by any person other than a Landlord Party (collectively, "**Tenant HazMat Operations**") and released of all Hazardous Materials Clearances, broom clean, ordinary wear and tear and casualty loss and condemnation covered by Sections 18 and 19 excepted. At least 3 months prior to the surrender of the Premises, Tenant shall deliver to Landlord a narrative description of the actions proposed (or required by any Governmental Authority) to be taken by Tenant in order to surrender the Premises (including any Installations permitted by Landlord to

remain in the Premises) at the expiration or earlier termination of the Term, free from any residual impact from the Tenant HazMat Operations and otherwise released for unrestricted use and occupancy (the "**Surrender Plan**"). Such Surrender Plan shall be accompanied by a current listing of (i) all Hazardous Materials licenses and permits held by or on behalf of any Tenant Party with respect to the Premises, and (ii) all Hazardous Materials used, stored, handled, treated, generated, released or disposed of from the Premises, and shall be subject to the review and approval of Landlord's environmental consultant. In connection with the review and approval of the Surrender Plan, upon the request of Landlord, Tenant shall deliver to Landlord or its consultant such additional non-proprietary information concerning Tenant HazMat Operations as Landlord shall request. On or before such surrender, Tenant shall deliver to Landlord evidence that the approved Surrender Plan shall have been satisfactorily completed and Landlord shall have the right, subject to reimbursement at Tenant's expense as set forth below, to cause Landlord's environmental consultant to inspect the Premises and perform such additional procedures as may be deemed reasonably necessary to confirm that the Premises are, as of the effective date of such surrender or early termination of the Lease, free from any residual impact from Tenant HazMat Operations. Tenant shall reimburse Landlord, as Additional Rent, for the actual out-of pocket expense incurred by Landlord for Landlord's environmental consultant to review and approve the Surrender Plan and to visit the Premises and verify satisfactory completion of the same, which cost shall not exceed $5,000. Landlord shall have the unrestricted right to deliver such Surrender Plan and any report by Landlord's environmental consultant with respect to the surrender of the Premises to third parties.

If Tenant shall fail to prepare or submit a Surrender Plan approved by Landlord, or if Tenant shall fail to complete the approved Surrender Plan, or if such Surrender Plan, whether or not approved by Landlord, shall fail to adequately address any residual effect of Tenant HazMat Operations in, on or about the Premises, Landlord shall have the right to take such actions as Landlord may deem reasonable or appropriate to assure that the Premises and the Project are surrendered free from any residual impact from Tenant HazMat Operations, the cost of which actions shall be reimbursed by Tenant as Additional Rent, without regard to the limitation set forth in the first paragraph of this Section 28.

Tenant shall immediately return to Landlord all keys and/or access cards to parking, the Project, restrooms or all or any portion of the Premises furnished to or otherwise procured by Tenant. If any such access card or key is lost, Tenant shall pay to Landlord, at Landlord's election, either the cost of replacing such lost access card or key or the cost of reprogramming the access security system in which such access card was used or changing the lock or locks opened by such lost key. Any Tenant's Property, Alterations and property not so removed by Tenant as permitted or required herein shall be deemed abandoned and may be stored, removed, and disposed of by Landlord at Tenant's expense, and Tenant waives all claims against Landlord for any damages resulting from Landlord's retention and/or disposition of such property. All obligations of Tenant hereunder not fully performed as of the termination of the Term, including the obligations of Tenant under Section 30 hereof, shall survive the expiration or earlier termination of the Term, including, without limitation, indemnity obligations, payment obligations with respect to Rent and obligations concerning the condition and repair of the Premises.

29. **Waiver of Jury Trial**. TENANT AND LANDLORD WAIVE ANY RIGHT TO TRIAL BY JURY OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE,

WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN LANDLORD AND TENANT ARISING OUT OF THIS LEASE OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED HERETO.

30. **Environmental Requirements**.

(a) **Prohibition/Compliance/Indemnity**. Tenant shall not cause or permit any Hazardous Materials (as hereinafter defined) to be brought upon, kept, used, stored, handled, treated, generated in or about, or released or disposed of from, the Premises or the Project in violation of applicable Environmental Requirements (as hereinafter defined) by Tenant or any Tenant Party. If Tenant breaches the obligation stated in the preceding sentence, or if the presence of Hazardous Materials in the Premises during the Term or any holding over results in contamination of the Premises, the Project or any adjacent property or if contamination of the Premises, the Project or any adjacent property by Hazardous Materials brought into, kept, used, stored, handled, treated, generated in or about, or released or disposed of from, the Premises by anyone other than Landlord and Landlord's employees, agents and contractors otherwise occurs during the Term or any holding over, Tenant hereby indemnifies and shall defend and hold Landlord, its officers, directors, employees, agents and contractors harmless from any and all actions (including, without limitation, remedial or enforcement actions of any kind, administrative or judicial proceedings, and orders or judgments arising out of or resulting therefrom), costs, claims, damages (including, without limitation, punitive damages and damages based upon diminution in value of the Premises or the Project, or the loss of, or restriction on, use of the Premises or any portion of the Project), expenses (including, without limitation, attorneys', consultants' and experts' fees, court costs and amounts paid in settlement of any claims or actions), fines, forfeitures or other civil, administrative or criminal penalties, injunctive or other relief (whether or not based upon personal injury, property damage, or contamination of, or adverse effects upon, the environment, water tables or natural resources), liabilities or losses (collectively, "**Environmental Claims**") which arise during or after the Term as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, treatment, remedial, removal, or restoration work required by any federal, state or local Governmental Authority because of Hazardous Materials present in the air, soil or ground water above, on, or under the Premises. Without limiting the foregoing, if the presence of any Hazardous Materials on the Premises, the Project or any adjacent property caused or permitted by Tenant or any Tenant Party results in any contamination of the Premises, the Project or any adjacent property, Tenant shall promptly take all actions at its sole expense and in accordance with applicable Environmental Requirements as are necessary to return the Premises, the Project or any adjacent property to the condition existing prior to the time of such contamination, provided that Landlord's approval of such action shall first be obtained, which approval shall not unreasonably be withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Premises or the Project

(b) **Business**. Landlord acknowledges that it is not the intent of this Section 30 to prohibit Tenant from using the Premises for the Permitted Use. Tenant may operate its business according to prudent industry practices so long as the use or presence of Hazardous Materials is strictly and properly monitored according to all then applicable Environmental Requirements. As a

material inducement to Landlord to allow Tenant to use Hazardous Materials in connection with its business, Tenant agrees to deliver to Landlord prior to the Commencement Date a list identifying each type of Hazardous Materials to be brought upon, kept, used, stored, handled, treated, generated on, or released or disposed of from, the Premises and setting forth any and all governmental approvals or permits required in connection with the presence, use, storage, handling, treatment, generation, release or disposal of such Hazardous Materials on or from the Premises ("**Hazardous Materials List**"). Tenant shall deliver to Landlord an updated Hazardous Materials List at least once a year and shall also deliver an updated list before any new Hazardous Material is brought onto, kept, used, stored, handled, treated, generated on, or released or disposed of from, the Premises. Tenant shall deliver to Landlord true and correct copies of the following documents (the "**Haz Mat Documents**") relating to the use, storage, handling, treatment, generation, release or disposal of Hazardous Materials prior to the Commencement Date, or if unavailable at that time, concurrent with the receipt from or submission to a Governmental Authority: permits; approvals; reports and correspondence; storage and management plans, notice of violations of any Legal Requirements; plans relating to the installation of any storage tanks to be installed in or under the Project (provided, said installation of tanks shall only be permitted after Landlord has given Tenant its written consent to do so, which consent may be withheld in Landlord's sole and absolute discretion); all closure plans or any other documents required by any and all federal, state and local Governmental Authorities for any storage tanks installed in, on or under the Project for the closure of any such tanks; and a Surrender Plan (to the extent surrender in accordance with Section 28 cannot be accomplished in 3 months). Tenant is not required, however, to provide Landlord with any portion(s) of the Haz Mat Documents containing information of a proprietary nature which, in and of themselves, do not contain a reference to any Hazardous Materials or hazardous activities. It is not the intent of this Section to provide Landlord with information which could be detrimental to Tenant's business should such information become possessed by Tenant's competitors.

(c) **Tenant Representation and Warranty**. Tenant hereby represents and warrants to Landlord that (i) neither Tenant nor any of its legal predecessors has been required by any prior landlord, lender or Governmental Authority at any time to take remedial action in connection with Hazardous Materials contaminating a property which contamination was permitted by Tenant of such predecessor or resulted from Tenant's or such predecessor's action or use of the property in question, and (ii) Tenant is not subject to any enforcement order issued by any Governmental Authority in connection with the use, storage, handling, treatment, generation, release or disposal of Hazardous Materials (including, without limitation, any order related to the failure to make a required reporting to any Governmental Authority). If Landlord determines that this representation and warranty was not true as of the date of this lease, Landlord shall have the right to terminate this Lease in Landlord's sole and absolute discretion.

(d) **Testing**. Landlord shall have the right to conduct annual tests of the Premises to determine whether any contamination of the Premises or the Project has occurred as a result of Tenant's use. Tenant shall be required to pay the cost of such annual test of the Premises; provided, however, that if Tenant conducts its own tests of the Premises using third party contractors and test procedures acceptable to Landlord which tests are certified to Landlord, Landlord shall accept such tests in lieu of the annual tests to be paid for by Tenant. In addition, at any time, and from time to time, prior to the expiration or earlier termination of the Term, Landlord shall have the right to conduct appropriate tests of the Premises and the Project to determine if contamination has occurred

as a result of Tenant's use of the Premises. In connection with such testing, upon the request of Landlord, Tenant shall deliver to Landlord or its consultant such non-proprietary information concerning the use of Hazardous Materials in or about the Premises by Tenant or any Tenant Party. If contamination has occurred for which Tenant is liable under this Section 30, Tenant shall pay all costs to conduct such tests. If no such contamination is found, Landlord shall pay the costs of such tests (which shall not constitute an Operating Expense). Landlord shall provide Tenant with a copy of all third party, non-confidential reports and tests of the Premises made by or on behalf of Landlord during the Term without representation or warranty and subject to a confidentiality agreement. Tenant shall, at its sole cost and expense, promptly and satisfactorily remediate any environmental conditions identified by such testing in accordance with all Environmental Requirements. Landlord's receipt of or satisfaction with any environmental assessment in no way waives any rights which Landlord may have against Tenant.

(e) **Underground Tanks**. If underground or other storage tanks storing Hazardous Materials located on the Premises or the Project are used by Tenant or are hereafter placed on the Premises or the Project by Tenant, Tenant shall install, use, monitor, operate, maintain, upgrade and manage such storage tanks, maintain appropriate records, obtain and maintain appropriate insurance, implement reporting procedures, properly close any underground storage tanks, and take or cause to be taken all other actions necessary or required under applicable state and federal Legal Requirements, as such now exists or may hereafter be adopted or amended in connection with the installation, use, maintenance, management, operation, upgrading and closure of such storage tanks.

(f) **Tenant's Obligations**. Tenant's obligations under this Section 30 shall survive the expiration or earlier termination of the Lease. During any period of time after the expiration or earlier termination of this Lease required by Tenant or Landlord to complete the removal from the Premises of any Hazardous Materials (including, without limitation, the release and termination of any licenses or permits restricting the use of the Premises and the completion of the approved Surrender Plan), Tenant shall continue to pay the full Rent in accordance with this Lease for any portion of the Premises not relet by Landlord in Landlord's sole discretion, which Rent shall be prorated dally.

(g) **Definitions**. As used herein, the term "**Environmental Requirements**" means all applicable present and future statutes, regulations, ordinances, rules, codes, judgments, orders or other similar enactments of any Governmental Authority regulating or relating to health, safety, or environmental conditions on, under, or about the Premises or the Project, or the environment, including without limitation, the following: the Comprehensive Environmental Response, Compensation and Liability Act; the Resource Conservation and Recovery Act; and all state and local counterparts thereto, and any regulations or policies promulgated or issued thereunder. As used herein, the term "**Hazardous Materials**" means and includes any substance, material, waste, pollutant, or contaminant listed or defined as hazardous or toxic, or regulated by reason of its impact or potential impact on humans, animals and/or the environment under any Environmental Requirements, asbestos and petroleum, including crude oil or any fraction thereof, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas). As defined in Environmental Requirements, Tenant is and shall be deemed to be the "**operator**" of Tenant's "**facility**" and the "**owner**" of all Hazardous Materials brought on

the Premises by Tenant or any Tenant Party, and the wastes, by-products, or residues generated, resulting, or produced therefrom.

31. **Tenant's Remedies/Limitation of Liability**. Landlord shall not be in default hereunder unless Landlord fails to perform any of its obligations hereunder within 30 days after written notice from Tenant specifying such failure (unless such performance will, due to the nature of the obligation, require a period of time in excess of 30 days, then after such period of time as is reasonably necessary). Upon any default by Landlord, Tenant shall give notice by registered or certified mail to any Holder of a Mortgage covering the Premises and to any landlord of any lease of property in or on which the Premises are located and Tenant shall offer such Holder and/or landlord a reasonable opportunity to cure the default, including time to obtain possession of the Project by power of sale or a judicial action if such should prove necessary to effect a cure; provided Landlord shall have furnished to Tenant in writing the names and addresses of all such persons who are to receive such notices. All obligations of Landlord hereunder shall be construed as covenants, not conditions; and, except as may be otherwise expressly provided in this Lease, Tenant may not terminate this Lease for breach of Landlord's oblations hereunder.

All obligations of Landlord under this Lease will be binding upon Landlord only during the period of its ownership of the Premises and not thereafter. The term "**Landlord**" in this Lease shall mean only the owner for the time being of the Premises. Upon the transfer by such owner of its interest in the Premises, such owner shall thereupon be released and discharged from all obligations of Landlord thereafter accruing, but such obligations shall be binding during the Term upon each new owner for the duration of such owner's ownership.

32. **Inspection and Access**. Landlord and its agents, representatives, and contractors may enter the Premises at any reasonable time to inspect the Premises and to make such repairs as may be required or permitted pursuant to this Lease and for any other business purpose. Landlord and Landlord's representatives may enter the Premises during business hours on not less than 48 hours advance written notice (except in the case of emergencies in which case no such notice shall be required and such entry may be at any time) for the purpose of effecting any such repairs, inspecting the Premises, showing the Premises to prospective purchasers and, during the last year of the Term, to prospective tenants or for any other business purpose. Landlord may erect a suitable sign on the premises stating the Premises are available to let or that the Project is available for sale. Landlord may grant easements, make public dedications, designate Common Areas and create restrictions on or about the Premises, provided that no such easement, dedication, designation or restriction materially, adversely affects Tenant's use or occupancy of the Premises for the Permitted Use. At Landlord's request, Tenant shall execute such instruments as may be necessary for such easements, dedications or restrictions. Tenant shall at all times, except in the case of emergencies, have the right to escort Landlord or its agents, representatives, contractors or guests while the same are in the Premises, provided such escort does not materially and adversely affect Landlord's access rights hereunder.

33. **Security**. Tenant acknowledges and agrees that security devices and services, if any, while intended to deter crime may not in given instances prevent theft or other criminal acts and that Landlord is not providing any security services with respect to the Premises. Tenant agrees that Landlord shall not be liable to Tenant for, and Tenant waives any claim against Landlord with

respect to, any loss by theft or any other damage suffered or incurred by Tenant in connection with any unauthorized entry into the Premises or any other breach of security with respect to the Premises. Tenant shall be solely responsible for the personal safety of Tenant's officers, employees, agents, contractors, guests and invitees while any such person is in, on or about the Premises and/or the Project. Tenant shall at Tenant's cost obtain insurance coverage to the extent Tenant desires protection against such criminal acts.

34. **Force Majeure**. Landlord shall not be held responsible for delays in the performance of its obligations hereunder when caused by strikes, lockouts, labor disputes, weather, natural disasters, inability to obtain labor or materials or reasonable substitutes therefor, governmental restrictions, governmental regulations, governmental controls, delay in issuance of permits, enemy or hostile governmental action, civil commotion, fire or other casualty, and other causes beyond the reasonable control of Landlord ("**Force Majeure**").

35. **Brokers, Entire Agreement, Amendment**. Landlord and Tenant each represents and warrants that it has not dealt with any broker, agent or other person (collectively, "**Broker**") in connection with this transaction and that no Broker brought about this transaction. Landlord and Tenant each hereby agree to indemnify and hold the other harmless from and against any claims by any Broker, other than the broker, if any named in this Section 35, claiming a commission or other form of compensation by virtue of having dealt with Tenant or Landlord, as applicable, with regard to this leasing transaction.

36. **Limitation on Landlord's Liability**. NOTWITHSTANDING ANYTHING SET FORTH HEREIN OR IN ANY OTHER AGREEMENT BETWEEN LANDLORD AND TENANT TO THE CONTRARY: (A) LANDLORD SHALL NOT BE LIABLE TO TENANT OR ANY OTHER PERSON FOR (AND TENANT AND EACH SUCH OTHER PERSON ASSUME ALL RISK OF) LOSS, DAMAGE OR INJURY, WHETHER ACTUAL OR CONSEQUENTIAL TO: TENANT'S PERSONAL PROPERTY OF EVERY KIND AND DESCRIPTION, INCLUDING, WITHOUT LIMITATION TRADE FIXTURES, EQUIPMENT, INVENTORY, SCIENTIFIC RESEARCH, SCIENTIFIC EXPERIMENTS, LABORATORY ANIMALS, PRODUCT, SPECIMENS, SAMPLES, AND/OR SCIENTIFIC, BUSINESS, ACCOUNTING AND OTHER RECORDS OF EVERY KIND AND DESCRIPTION KEPT AT THE PREMISES AND ANY AND ALL INCOME DERIVED OR DERIVABLE THEREFROM; (B) THERE SHALL BE NO PERSONAL RECOURSE TO LANDLORD FOR ANY ACT OR OCCURRENCE IN, ON OR ABOUT THE PREMISES OR ARISING IN ANY WAY UNDER THIS LEASE OR ANY OTHER AGREEMENT BETWEEN LANDLORD AND TENANT WITH RESPECT TO THE SUBJECT MATTER HEREOF AND ANY LIABILITY OF LANDLORD HEREUNDER SHALL BE STRICTLY LIMITED SOLELY TO LANDLORD'S INTEREST IN THE PROJECT OR ANY PROCEEDS FROM SALE OR CONDEMNATION THEREOF AND ANY INSURANCE PROCEEDS PAYABLE IN RESPECT OF LANDLORD'S INTEREST IN THE PROJECT OR IN CONNECTION WITH ANY SUCH LOSS; AND (C) IN NO EVENT SHALL ANY PERSONAL LIABILITY BE ASSERTED AGAINST LANDLORD IN CONNECTION WITH THIS LEASE NOR SHALL ANY RECOURSE BE HAD TO ANY OTHER PROPERTY OR ASSETS OF LANDLORD OR ANY OF LANDLORD'S OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR CONTRACTORS. UNDER NO CIRCUMSTANCES SHALL LANDLORD OR ANY OF LANDLORD'S OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR CONTRACTORS BE

LIABLE FOR INJURY TO TENANT'S BUSINESS OR FOR ANY LOSS OF INCOME OR PROFIT THEREFROM.

37. **Severability**. If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws, than and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby. It is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added, as a part of this Lease, a clause or provision as similar in effect to such illegal, invalid or unenforceable clause or provision as shall be legal, valid and enforceable.

38. **Signs; Exterior Appearance**. Tenant shall not, without the prior written consent of Landlord, which may be granted or withheld in Landlord's sole discretion: (i) attach any awnings, exterior lights, decorations, balloons, flags, pennants, banners, painting or other projection to any outside wall of the Project, (ii) use any curtains, blinds, shades or screens other than Landlord's standard window coverings, (iii) coat or otherwise sunscreen the interior or exterior of any windows, (iv) place any bottles, parcels, or other articles on the window sills, (v) place any equipment, furniture or other items of personal property on any exterior balcony, or (vi) paint, affix or exhibit on any part of the Premises or the Project any signs, notices, window or door lettering, placards, decorations, or advertising media of any type which can be viewed from the exterior of the Premises. Interior signs on doors and the directory tablet shall be inscribed, painted or affixed for Tenant by Landlord at the sole cost and expense of Tenant, and shall be of a size, color and type acceptable to Landlord. Nothing may be placed on the exterior of corridor walls or corridor doors other than Landlord's standard lettering. The directory tablet shall be provided exclusively for the display of the name and location of tenants.

39. **Miscellaneous**.

(a) **Notices**. All notices or other communications between the parties shall be in writing and shall be deemed duly given upon delivery or refusal to accept delivery by the addressee thereof if delivered in person, or upon actual receipt if delivered by reputable overnight guaranty courier, addressed and sent to the parties at their addresses set forth above. Landlord and Tenant may from time to time by written notice to the other designate another address for receipt of future notices.

(b) **Joint and Several Liability**. If and when included within the term "**Tenant**," as used in this instrument, there is more than one person or entity, each shall be jointly and severally liable for the obligations of Tenant

(c) **Recordation**. Neither this Lease nor a memorandum of lease shall be filed by or on behalf of Tenant in any public record. Landlord may prepare and file, and upon request by Landlord Tenant will execute, a memorandum of lease.

(d) **Interpretation**. The normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Lease or any exhibits or amendments hereto. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to

include the plural, unless the context otherwise requires. The captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

(e) **Not Binding Until Executed**. The submission by Landlord to Tenant of this Lease shall have no binding force or effect, shall not constitute an option for the leasing of the Premises, nor confer any right or impose any obligations upon either party until execution of this Lease by both parties.

(f) **Limitations on Interest**. It is expressly the intent of Landlord and Tenant at all times to comply with applicable law governing the maximum rate or amount of any interest payable on or in connection with this Lease. If applicable law is ever judicially interpreted so as to render usurious any interest called for under this Lease, or contracted for, charged, taken, reserved, or received with respect to this Lease, then it is Landlord's and Tenant's express intent that all excess amounts theretofore collected by Landlord be credited on the applicable obligation (or, if the obligation has been or would thereby be paid in full, refunded to Tenant), and the provisions of this Lease immediately shall be deemed reformed and the amounts thereafter collectible hereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder.

(g) **Choice of Law**. Construction and interpretation of this Lease shall be governed by the internal laws of the state in which the Premises are located, excluding any principles of conflicts of laws.

(h) **Time**. Time is of the essence as to the performance of Tenant's obligations under this Lease.

(i) **Incorporation by Reference**. All exhibits and addenda attached hereto are hereby incorporated into this Lease and made a part hereof. If there is any conflict between such exhibits or addenda and the terms of this Lease, such exhibits or addenda shall control.

(j) Notwithstanding any other provision of this Lease, Landlord, for itself and its employees, agents and contractors, reserves the right to refuse to perform any repairs or services in any portion of the Premises which, pursuant to Tenant's routine safety guidelines, practices or custom or prudent industry practices, require any form of protective clothing or equipment other than safety glasses. In any such case, Tenant shall contract with parties who are acceptable to Landlord, in Landlord's reasonable discretion, for all such repairs and services, and Landlord shall, to the extent required, equitably adjust Tenant's Share of Operating Expenses in respect of such repairs or services to reflect that Landlord is not providing such repairs or services to Tenant.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

TENANT:

Primal, Inc.,
a Washington corporation

By: /s/ Leslie Dietz Kaplan
Its: COO

LANDLORD:

Alexandria Real Estate Equities, Inc.,
a Maryland corporation

By: /s/ Laurie A. Allen
Its: Senior Vice President, Business Development & Legal Affairs

EXHIBIT A TO LEASE

DESCRIPTION OF PREMISES

(followed by a map of the project)

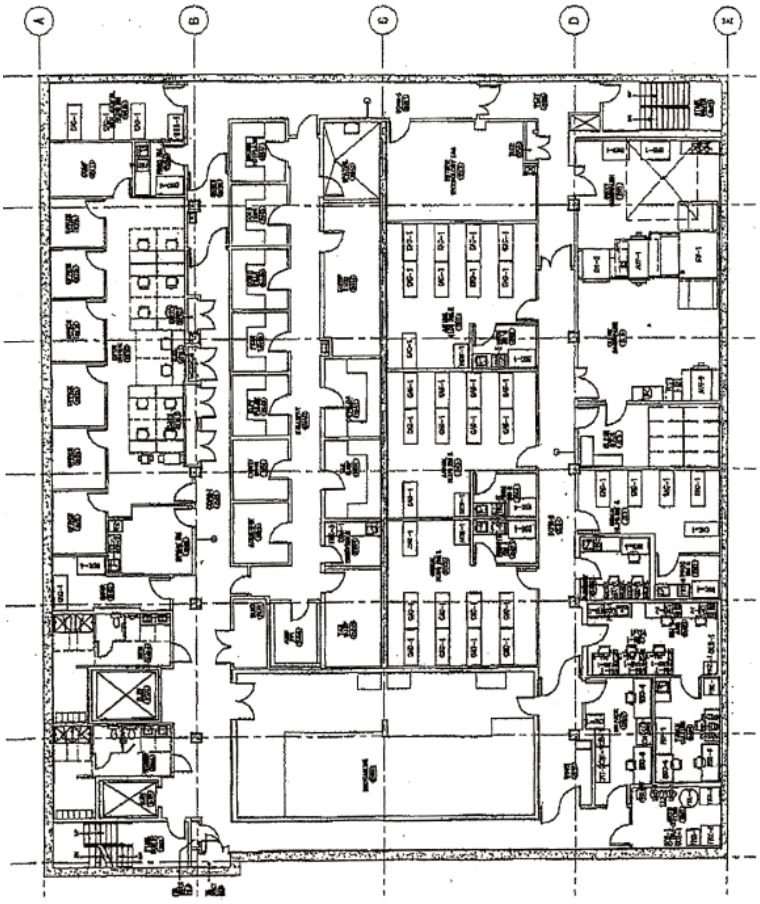

A
B
C
D
E

EXHIBIT B TO LEASE

DESCRIPTION OF PROJECT

(followed by a description and drawing)

EXHIBIT "B"

LEGAL DESCRIPTION

PARCEL BLOCK 94

LOTS 1 THRU 8, INCLUSIVE, BLOCK 94, TERRY'S SECOND ADDITION TO THE TOWN OF SEATTLE, ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 1 OF PLATS, PAGE 87, IN KING COUNTY, WASHINGTON; EXCLUDING LOTS 5 AND 8;

TOGETHER WITH THE VACATED ALLEY ADJOINING SAID LOTS.

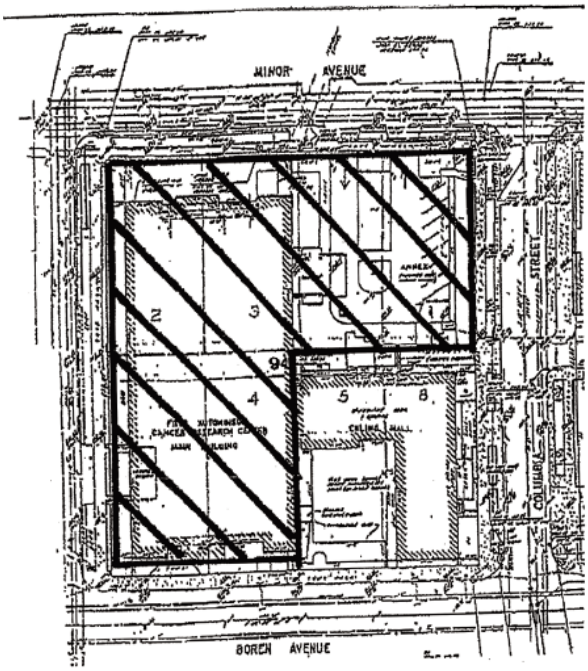


EXHIBIT C TO LEASE

[Tenant Build]

WORK LETTER

THIS WORK LETTER dated as of September 28, 2001 (this "**Work Letter**") is made and entered into by and between Alexandria Real Estate Equities, Inc., a Maryland corporation ("**Landlord**"), and Primal, Inc., a Washington corporation ("**Tenant**"), and is attached to and made a part of the Lease dated as of September 28, 2001 (the "**Lease**"), by and between Landlord and Tenant. Any initially capitalized terms used but not defined herein shall have the meanings given them in the Lease.

1. General Requirements

(a) **Tenant's Authorized Representative**. Tenant designates Leslie Dietz Kaplan and Marcia Strackhouse (either such individual acting alone, "**Tenant's Representative**") as the only persons authorized to act for Tenant pursuant to this Work Letter. Landlord shall not be obligated to respond to or act upon any request, approval, inquiry or other communication ("**Communication**") from or on behalf of Tenant in connection with this Work Letter unless such Communication is in writing from Tenant's Representative. Tenant may change either Tenant's Representative at any time upon not less than 5 business days advance written notice to Landlord. No period set forth herein for any approval of any matter by Tenant's Representative shall be extended by reason of any change in Tenant's Representative. Neither Tenant nor Tenant's Representative shall be authorized to direct Landlord's contractors in the performance of Landlord's Work (as hereinafter defined).

(b) **Landlord's Authorized Representative**. Landlord designates Radika Ratna and Vin Ciruzzi (either such individual acting alone, "**Landlord's Representative**") as the only persons authorized to act for Landlord pursuant to this Work Letter. Tenant shall not be obligated to respond to or act upon any request, approval, inquiry or other Communication from or on behalf of Landlord in connection with this Work Letter unless such Communication is in writing from Landlord's Representative. Landlord may change either Landlord's Representative at any time upon not less than 5 business days advance written notice to Tenant. No period set forth herein for any approval of any matter by Landlord's Representative shall be extended by reason of any change in Landlord's Representative. Landlord's Representative shall be the sole persons authorized to direct Landlord's contractors in the performance of Landlord's Work.

(c) **Architects, Consultants and Contractors**. Landlord and Tenant hereby acknowledge and agree that the architect (the "**Architect**") for the Tenant Improvements, the general contractor and any subcontractors for the Tenant Improvements shall be selected by Tenant, subject to Landlord's approval, which approval shall not be unreasonably withheld, conditioned or delayed.

(d) **Development Schedule**. The schedule for design and development of the Tenant Improvements (as defined below), including without limitation the time periods for delivery of construction documents and performance, shall be in accordance with the Development Schedule

attached hereto as Schedule A, subject to adjustment as mutually agreed by the parties in writing or as provided in this Work Letter (the "**Development Schedule**").

(e) **Landlord's Obligations**. Other than funding the TI Allowance and the Base Building Allowance (as such terms are defined below) and reviewing and approving or disapproving Tenant's submittals as provided herein, Landlord shall not have any obligation whatsoever with respect to the finishing of the Premises or the Project for Tenant's use and occupancy.

2. **Tenant Improvements**.

(a) **Definitions**. As used herein: "**Tenant Improvements**" shall mean all improvements to the Premises desired by Tenant of a fixed and permanent nature. "**Base Building Improvements**" shall mean those improvements to the Project generally described on Schedule B attached hereto.

(b) **Base Building Improvements**. Tenant acknowledges and agrees that:

(i) Landlord has contracted with Corixa Corporation, a Delaware corporation ("**Corixa**"), for the construction of the Base Building Improvements pursuant to that certain Work Letter dated as of September 17, 2001, by and between Landlord and Corixa (the "**Corixa Work Letter**"), and

(ii) Except for Landlord's obligation to fund the Base Building Allowance (as defined below) to Corixa as described in the Corixa Work Letter, Landlord shall have no obligation of any kind with respect to the design, construction or completion of the Base Building Improvements.

(c) **Tenant's Space Plans**. Tenant shall deliver to Landlord schematic drawings and outline specifications (the "**TI Design Drawings**") detailing Tenant's requirements for the Tenant Improvements within 30 business days of the date hereof. Not more than 10 business days thereafter, Landlord shall deliver to Tenant the written objections, questions or comments of Landlord with regard to the TI Design Drawings. Tenant shall cause the TI Design Drawings to be revised to address such written comments and shall resubmit said drawings to Landlord for approval within 10 business days thereafter. Such process shall continue until Landlord has approved the TI Design Drawings.

(d) **Working Drawings**. Not later than 45 business days following the approval of the Design Drawings by Landlord, Tenant shall cause the Architect to prepare and deliver to Landlord for review and comment construction plans, specifications and drawings for the Tenant Improvements (the "**TI Construction Drawings**"), which TI Construction Drawings shall be prepared substantially in accordance with the TI Design Drawings. Tenant shall be solely responsible for ensuring that the TI Construction Drawings reflect Tenant's requirements for the Tenant Improvements. Landlord shall deliver its written comments on the TI Construction Drawings to Tenant not later than 10 business days after Landlord's receipt of the same; provided, however, that Landlord may not disapprove any matter that is consistent with the TI Design Drawings. Tenant and the Architect shall consider all such comments in good faith and shall, within 10 business days

after receipt, notify Landlord how Tenant proposes to respond to such comments. Any disputes in connection with such comments shall be resolved in accordance with Section 2(d) hereof. Provided that the design reflected in the TI Construction Drawings is consistent with the TI Design Drawings, Landlord shall approve the TI Construction Drawings submitted by Tenant. Once approved by Landlord, subject to the provisions of Section 2(d) below, Tenant shall not materially modify the TI Construction Drawings except as may be reasonably required in connection with the issuance of the Building Permit (as defined in Section 3(b) below).

(e) **Approval and Completion**. Upon any dispute regarding the design of the Tenant Improvements, which is not settled within 10 business days after notice of such dispute is delivered by one party to the other, Tenant shall make the final decision regarding the design of the Tenant Improvements, provided Tenant acts reasonably and such final decision is either consistent with or a compromise between Landlord's and Tenant's positions with respect to such dispute, provided further that all costs and expenses resulting from any such decision by Tenant shall be payable out of the TI Fund (as defined in Section 5(d) below). Any changes to the TI Construction Drawings following Landlord's and Tenant's approval of same requested by Tenant shall be processed as provided in Section 4 hereof.

3. Performance of Tenant's Work.

(a) **Definition of Tenant's Work**. As used herein, "**Tenant's Work**" shall mean the work of constructing the Tenant Improvements.

(b) **Commencement and Permitting of Tenant's Work**. Tenant shall commence construction of the Tenant Improvements upon obtaining a building permit (the "**Building Permit**") authorizing the construction of the Tenant Improvements consistent with the TI Construction Drawings approved by Landlord. The cost of obtaining the Building Permit shall be payable from the TI Fund. Landlord shall assist Tenant in obtaining the Building Permit.

(c) **Selection of Materials, Etc**. Where more than one type of material or structure is indicated on the TI Construction Drawings approved by Tenant and Landlord, the option will be within Tenant's reasonable discretion.

4. **Changes**. Any changes requested by Tenant to the Tenant Improvements after the delivery and approval by Landlord of the TI Design Drawings, shall be requested and instituted in accordance with the provisions of this Section 4 and shall be subject to the written approval of Landlord, such approval not to be unreasonably withheld, conditioned or delayed.

(a) **Tenant's Right to Request Changes**. If Tenant shall request changes ("**Changes**"), Tenant shall request such Changes by notifying Landlord in writing in substantially the same form as the AIA standard change order form (a "**Change Request**"), which Change Request shall detail the nature and extent of any such Change. Tenant's Representative must sign such Change Request. Landlord shall review and approve or disapprove such Change Request within 10 business days thereafter, provided that Landlord's approval shall not be unreasonably withheld, conditioned or delayed.

(b) **Implementation of Changes**. If Landlord approves such Change and Tenant funds any Excess TI Costs (as defined in Section 5(d) below) required in connection with such Charge, Tenant may cause the approved Change to be instituted.

5. Costs.

(a) **Budget For Tenant Improvements**. Before the commencement of construction of the Tenant Improvements, Tenant shall obtain detailed breakdowns, by trade, of the costs incurred or which will be incurred, in connection with the design and construction of the Tenant Improvements (the "**Budget**"). The Budget shall be based upon the TI Construction Drawings approved by Landlord and shall include a payment to Landlord of administrative rent ("**Administrative Rent**") equal to 1.50% of the Costs (as hereinafter defined) for monitoring and inspecting the construction of Tenant's Work, which sum shall be payable from the TI Fund. Such Administrative Rent shall include, without limitation, all out-of-pocket costs, expenses and fees incurred by or on behalf of Landlord arising from, out of, or in connection with, such monitoring of the construction of the Tenant Improvements, and shall be payable out of the TI Fund.

(b) **TI Allowance**. Landlord shall provide to Tenant a tenant improvement allowance ("**TI Allowance**") of $15.00 per rentable square foot of the Premises. The TI Allowance shall be disbursed in accordance with this Work Letter. Tenant shall have no right to the use or benefit (including any reduction to Base Rent) of any portion of the TI Allowance not required for the construction of (i) the Tenant Improvements described in the TI Construction Drawings approved pursuant to Section 2(d) or (ii) any Changes to the Tenant Improvements pursuant to Section 4.

(c) **Base Building Allowance**. Tenant acknowledges and agrees that the Base Building Improvements will benefit primarily Level B of the Annex to the Project, where the Premises are located, and Level C, which Corixa proposes to lease. On condition that Landlord and Corixa enter into a binding lease (the "**Corixa Lease**") for Level C on substantially the terms proposed in that certain letter dated June 5, 2001, from Landlord to Corixa, Landlord shall provide to Corixa an allowance for the cost of the Base Building Improvements in an amount not to exceed $750,000 (the "**Base Building Allowance**"). The Base Building Allowance shall be disbursed in accordance with the Corixa Work Letter. Tenant shall have no right to the use or benefit (including any reduction to Base Rent) of any portion of the Base Building Allowance not required for the construction of (i) the Base Building Improvements described in the TI Construction Drawings approved pursuant to Section 2(d) of the Corixa Work Letter or (ii) any Changes to the Base Building Improvements pursuant to Section 4 of the Corixa Work Letter.

(d) **Costs Includable in TI Fund**. The TI Fund shall be used solely for the payment of design and construction costs in connection with the construction of the Tenant Improvements, including, without limitation, the cost of preparing the TI Design Drawings and the TI Construction Drawings, all costs set forth in the Budget, including Landlord's Administrative Rent, and the cost of Changes (collectively, "**TI Costs**"). Notwithstanding anything to the contrary contained herein, the TI Fund shall not be used to purchase any furniture, personal property or other non-Building System materials or equipment, including, but not be limited to, biological safety cabinets and other scientific equipment not incorporated into the Tenant Improvements.

(e) **Excess Costs**. It is understood and agreed that Landlord is under no obligation to bear any portion of the cost of any of the Tenant Improvements except to the extent of the TI Allowance. If at any time and from time-to-time, the remaining TI Costs under the Budget exceed the remaining unexpended TI Allowance ("**Excess Costs**"), Tenant shall thereafter pay directly all TI Costs until the remaining TI Costs under the Budget are equal to or less than the remaining unexpended TI Allowance. If Tenant fails to make any such payment (i) Landlord shall have no obligation to fund any additional amounts of the TI Allowance unless and until the remaining TI Costs under the Budget is equal to or less than the remaining unexpended TI Allowance and (ii) Landlord shall have all of the rights and remedies set forth in the Lease for nonpayment of Rent, and for purposes of any litigation instituted with regard to such amounts the same will be considered Rent. Such Excess Costs, together with the remaining TI Allowance, are herein referred to as the "**TI Fund**." Notwithstanding anything to the contrary set forth in this Section 5(e), Tenant shall be fully and solely liable for TI Costs and the cost of Minor Variations (as defined below) in excess of the TI Allowance. If upon Substantial Completion (as defined below) of the Tenant Improvements and the payment of all sums due in connection therewith there remains any undisbursed TI Fund, Tenant shall be entitled to such undisbursed TI Fund solely to the extent of any Excess Costs funded directly by Tenant. The term "**Substantial Completion**" shall mean the substantial completion of Tenant's Work in a good and workmanlike manner, in accordance with the Building Permit subject to Minor Variations and normal "punch list" items of a non-material nature which do not interfere with the use of the common areas or the Premises. Upon the Substantial Completion of Tenant's Work, the Architect and the general contractor shall execute and deliver, for the benefit of Tenant and Landlord, a Certificate of Substantial Completion in the form of the American Institute of Architects document G704. The term "**Minor Variations**" shall mean any modifications reasonably required: (i) to comply with all applicable Legal Requirements and/or to obtain or to comply with any required permit (including the Building Permit); (ii) to comply with any request by Tenant for modifications to Tenant's Work; (iii) to comport with good design, engineering, and construction practices which are not material; or (iv) to make reasonable adjustments for field deviations or conditions encountered during the construction of Tenant's Work.

(f) **Excess Base Building Costs Funding Obligation**. Tenant hereby agrees to fund 48% of any Base Building Costs in excess of the Base Building Allowance, within 5 days of any notice from Landlord that such excess Base Building Costs are due and payable. If upon Substantial Completion (as defined below) of the Base Building Improvements and the payment of all sums due in connection therewith there remains any undisbursed Base Building Allowance, Tenant shall be entitled to such undisbursed Base Building Allowance solely to the extent of any excess Base Building Costs actually funded by Tenant.

(g) **Payment for TI Costs**. Landlord shall once a month no later than 30 days following receipt a draw request on Landlord's standard form containing such certifications, lien waivers, inspection reports and other matters as Landlord customarily obtains, to the extent of (a) Landlord's approval thereof for payment and (b) Landlord's obligation to pay TI Costs as herein provided reimburse Tenant for TI Costs paid by Tenant. Upon completion of the Tenant Improvements, Tenant shall deliver to Landlord: (i) final lien waivers from all such contractors and subcontractors; and (ii) "as built" plans for such Tenant Improvements, including plans in electronic format.

6. Miscellaneous.

(a) **Consents**. Whenever consent or approval of either party is required under this Work Letter, that party shall not unreasonably withhold, condition or delay such consent or approval, except as may be expressly set forth herein to the contrary.

(b) **Modification**. No modification, waiver or amendment of this Work Letter or of any of its conditions or provisions shall be binding upon Landlord or Tenant unless in writing signed by Landlord and Tenant.

(c) **Counterparts**. This Work Letter may be executed in any number of counterparts but all counterparts taken together shall constitute a single document.

(d) **Governing Law**. This Work Letter shall be governed by, construed and enforced in accordance with the internal laws of the state in which the Premises are located, without regard to choice of law principles of such State.

(e) **Time of the Essence**. Time is of the essence of this Work Letter and of each and all provisions thereof.

(f) **Default**. Notwithstanding anything set forth herein or in the Lease to the contrary, Landlord shall not have any obligation to perform any work hereunder or to fund any portion of the TI Fund during any period Tenant is in Default under the Lease.

(g) **Severability**. If any term or provision of this Work Letter is declared invalid or unenforceable, the remainder of this Work Letter shall not be affected by such determination and shall continue to be valid and enforceable.

(h) **Merger**. All understandings and agreements, oral or written, heretofore made between the parties hereto and relating to Tenant's Work are merged in this Work Letter, which alone (but inclusive of provisions of the Lease incorporated herein and the final approved constructions drawings and specifications prepared pursuant hereto) fully and completely expresses the agreement between Landlord and Tenant with regard to the matters set forth in this Work Letter.

(i) **Entire Agreement**. This Work Letter is made as a part of and pursuant to the Lease and, together with the Lease, constitutes the entire agreement of the parties with respect to the subject matter hereof. This Work Letter is subject to all of the terms and limitation set forth in the Lease, and neither party shall have any rights or remedies under this Work Letter separate and apart from their respective remedies pursuant to the Lease.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Work Letter to be effective on the date first above written.

TENANT:

Primal, Inc.,
a Washington corporation

By: /s/ Leslie Dietz Kaplan
Its: COO

LANDLORD:

Alexandria Real Estate Equities, Inc.,
a Maryland corporation

By: /s/ Laurie A. Allen
Its: Senior Vice President, Business Development & Legal Affairs

SCHEDULE A TO WORK LETTER

Development Schedule

Event	Date
Execution of lease	10/19/01
Naming of Tenant's Representatives	10/11/01
Delivery of space plans for Design Drawings pursuant to Section 2(b) of the Work Letter	9/14/01
Delivery of Preliminary TI Plans for pursuant to Section 2(c) of the Work Letter	9/28/01
Delivery of Construction Drawings pursuant to Section 2(d) of the Work Letter	10/12/01
Commence construction of Tenant Improvements	10/15/01
Substantial Completion of Tenant Improvements	2/15/02
Issuance of Temporary Certificate of Occupancy	2/15/02

SCHEDULE B TO WORK LETTER

Base Building Work

The installation of an approximately 5,000 pound capacity roped hydraulic, hospital style elevator serving Levels A, B and C of the Annex to the Project. The cab will incorporate front and rear openings allowing direct access from lower levels to the basement level. The clear cab will have larger than standard openings to accommodate oversized deliveries, supply carts and other oversized equipment. Approximate dimensions of the cab should be 95” long, 66” wide and 96” high, with door openings 48” wide and 84” high.

The installation of new multi-stall, men’s and women’s toilets and housekeeping facilities on Level B as required per local codes for support to the entire floor.

EXHIBIT D TO LEASE

ACKNOWLEDGMENT OF COMMENCEMENT DATE

This **ACKNOWLEDGMENT OF COMMENCEMENT DATE** is made as of September 28, 2001, between Alexandria Real Estate Equities, Inc., a Maryland corporation ("**Landlord**"), and Primal, Inc., a Washington corporation ("**Tenant**"), and is attached to and made a part of the Lease dated as of September 28, 2001 (the "**Lease**"), by and between Landlord and Tenant. Any initially capitalized terms used but not defined herein shall have the meanings given them in the Lease.

Landlord and Tenant hereby acknowledge and agree, for all purposes of the Lease, that the Commencement Date of the Base Term of the Lease is October 1, 2001, the Rent Commencement Date is December 17, 2001, and the termination date of the Base Term of the Lease shall be midnight on April 30, 2005.

IN WITNESS WHEREOF, Landlord and Tenant have executed this ACKNOWLEDGMENT OF COMMENCEMENT DATE to be effective on the data first above written.

TENANT:

Primal, Inc.,
a Washington corporation

By: /s/ Leslie Dietz Kaplan
Its: COO

LANDLORD:

Alexandria Real Estate Equities, Inc.,
a Maryland corporation

By: /s/ Laurie A. Allen
Its: Senior Vice President, Business Development & Legal Affairs

EXHIBIT E TO LEASE

Rules and Regulations

1. The sidewalk, entries, and driveways of the Project shall not be obstructed by Tenant, or any Tenant Party, or used by them for any purpose other than ingress and egress to and from the Premises.

2. Tenant shall not place any objects, including antennas, outdoor furniture, etc., in the parking areas, landscaped areas or other areas outside of its Premises, or on the roof of the Project.

3. Except for animals assisting the disabled or animals necessary to Tenant's research and development activities, no animals shall be allowed in the offices, halls, or corridors in the Project

4. Tenant shall not disturb the occupants of the Project or adjoining buildings by the use of any radio or musical instrument or by the making of loud or improper noises.

5. If Tenant desires telegraphic, telephonic or other electric connections in the Premises, Landlord or its agent will direct the electrician as to where and how the wires may be introduced; and, without such direction, no boring or cutting of wires will be permitted. Any such installation or connection shall be made at Tenant's expense.

6. Tenant shall not install or operate any steam or gas engine or boiler, or other mechanical apparatus in the Premises, except as specifically approved in the Lease. The use of oil, gas or inflammable liquids for heating, lighting or any other purpose is expressly prohibited. Explosives or other articles deemed extra hazardous shall not be brought into the Project.

7. Parking any type of recreational vehicles is specifically prohibited on or about the Project. Except for the overnight parking of operative vehicles, no vehicle of any type shall be stored in the parking areas at any time. In the event that a vehicle is disabled, it shall be removed within 48 hours. There shall be no "For Sale" or other advertising signs on or about any parked vehicle. All vehicles shall be parked in the designated parking areas in conformity with all signs and other markings. All parking will be open parking, and no reserved parking, numbering or lettering of individual spaces will be permitted except as specified by Landlord.

8. Tenant shall maintain the Premises free from rodents, insects and other pests.

9. Landlord reserves the right to exclude or expel from the Project any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs or who shall in any manner do any act in violation of the Rules and Regulations of the Project.

10. Tenant shall not cause any unnecessary labor by reason of Tenant's carelessness or indifference in the preservation of good order and cleanliness. Landlord shall not be responsible to Tenant for any loss of properly on the Premises, however occurring, or for any damage done to the effects of Tenant by the janitors or any other employee or person.

11. Tenant shall give Landlord prompt notice of any defects in the water, lawn sprinkler, sewage, gas pipes, electrical lights and fixtures, heating apparatus, or any other service equipment affecting the Premises.

12. Tenant shall not permit storage outside the Premises, including without limitation, outside storage of trucks and other vehicles, or dumping of waste or refuse or permit any harmful materials to be placed in any drainage system or sanitary system in or about the Premises.

13. All moveable trash receptacles provided by the trash disposal firm for the Premises must be kept in the trash enclosure areas, if any, provided for that purpose.

14. No auction, public or private, will be permitted on the Premises or the Project.

15. No awnings shall be placed over the windows in the Premises except with the prior written consent of Landlord.

16. The Premises shall not be used for lodging, sleeping or cooking or for any immoral or illegal purposes or for any purpose other than that specified in the Lease. No gaming devices shall be operated in the Premises.

17. Tenant shall ascertain from Landlord the maximum amount of electrical current which can safely be used in the Premises, taking into account the capacity of the electrical wiring in the Project and the Premises and the needs of other tenants, and shall not use more than such safe capacity. Landlord's consent to the installation of electric equipment shall not relieve Tenant from the obligation not to use more electricity than such safe capacity.

18. Tenant assumes full responsibility for protecting the Premises from theft, robbery and pilferage.

19. Tenant shall not install or operate on the Premises any machinery or mechanical devices of a nature not directly related to Tenant's ordinary use of the Premises and shall keep all such machinery free of vibration, noise and air waves which may be transmitted beyond the Premises.

EXHIBIT F TO LEASE

TENANT'S PERSONAL PROPERTY

None except as set forth below:

Exhibit 10.26

nura,inc.
1124 Columbia Street
Suite 650
Seattle, WA 98014

October 20, 2003

Alexandria Equities, LLC ("**Alexandria Equities**")
135 North Los Robles Ave.
Suite 250
Pasadena, CA 91101

Re: Assignment and Assumption and Modification of Lease Documents ("Agreement") is made as of October 23, 2003 by and among ALEXANDRIA REAL ESTATE EQUITIES, INC., a Maryland corporation ("Landlord"), PRIMAL, INC., a Washington corporation ("Tenant") and NURA, INC., a Delaware corporation ("Assignee").

Dear Sirs:

In connection with the execution and delivery of the captioned Agreement, the Assignee will furnish to Alexandria Equities the following reports:

(i) As soon as practicable after the end of each fiscal year of the Assignee, and in any event within one hundred twenty (120) days after the end of each fiscal year of the Assignee, an audited consolidated balance sheet of the Assignee and its subsidiaries, if any, as at the end of such fiscal year, and audited consolidated statements of income and cash flows of the Assignee and its subsidiaries, if any, for such year, prepared in accordance with U.S. generally accepted accounting principles consistently applied, certified by an authorized officer of the Assignee; *provided* that if Assignee's Board of Directors determines that Assignee's financial statement shall not be audited in any fiscal year, then Assignee shall be permitted to furnish to Landlord unaudited financial statements for such fiscal year;

(ii) As soon as practicable after the end of the first, second and third quarterly accounting periods in each fiscal year of the Assignee, and in any event within forty-five (45) days after the end of the first, second, and third quarterly accounting periods in each fiscal year of the Assignee, an unaudited consolidated balance sheet of the Assignee and its subsidiaries, if any, as of the end of each such quarterly period, and unaudited consolidated statements of

income and cash flows of the Assignee and its subsidiaries, if any, for such period, prepared in accordance with U.S. generally accepted accounting principles consistently applied, subject lo changes resulting from normal year-end audit adjustments; and

(iii) As soon as practicable after the date hereof, a written business plan of Assignee, together with any amendments thereto as and when any such amendments become available.

Alexandria Equities acknowledges and agrees that the information received by it pursuant to this letter may be confidential and that it will not reproduce, disclose or disseminate such information to any other person (other than its employees or agents having a need to know the contents of such information, and its attorneys), unless the Assignee has made such information available to the public generally.

Sincerely,

nura, inc.

By: /s/ Patrick W. Gray
Its: Chief Executive Officer

Accepted and agreed this _____ day of October, 2003

Alexandria Equities, LLC,
a Delaware limited liability company

By: Alexandria Real Estate Equities, Inc.,
a Maryland corporation,
its managing member

By: /s/ illegible signature
Its: Chief Executive Officer

ASSIGNMENT AND ASSUMPTION AND MODIFICATION OF LEASE DOCUMENTS

This Assignment and Assumption and Modification of Lease Documents (this "**Agreement**") is made as of October 23, 2003 (the "**Effective Date**"), by and among ALEXANDRIA REAL ESTATE EQUITIES, INC., a Maryland corporation ("**Landlord**"), PRIMAL, INC., a Washington corporation ("**Tenant**"), and NURA, INC., a Delaware corporation ("**Assignee**"), with reference to the following Recitals.

RECITALS

A. Landlord and Tenant are parties to that certain Lease Agreement, dated as of April 6, 2000, as amended by that certain First Amendment to Lease, dated as of June 16, 2000, that certain Amended and Restated First Amendment to Lease, dated as of August 11, 2000, that certain Second Amendment to Lease, dated as of May 1, 2001, that certain Third Amendment to Lease, dated as of June 19, 2001, that certain Fourth Amendment to Lease, dated as of October 1, 2001, that certain Fifth Amendment to Lease, dated as of November 1, 2002, and that certain Sixth Amendment to Lease, dated as of September 30, 2003 (as amended from time to time, the "**Suite 650 Lease**"). Pursuant to the Suite 650 Lease, Tenant leases from Landlord certain premises located at and commonly known as 1124 Columbia Street, Seattle, Washington, Suite 650, as more particularly described in the Suite 650 Lease. All initially capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in the Suite 650 Lease unless the context clearly indicates otherwise.

B. Landlord and Tenant are parties to that certain Lease Agreement, dated as of September 28, 2001 (as amended from time to time, the "**Annex Lease**"). Pursuant to the Annex Lease, Tenant leases from Landlord certain premises located at and commonly known as 1124 Columbia Street, Seattle, Washington, Annex Level B, as more particularly described in the Annex Lease.

C. Landlord and Tenant are parties to that certain Storage Lease, dated as of July 24, 2002 (as amended from time to time, the "**Storage Lease**"), pursuant to which Tenant leases from Landlord certain premises located at and commonly known as 1124 Columbia Street, Seattle Washington, Suite #056, as more particularly described in the Storage Lease.

D. Tenant and XCyte Therapies Inc., a Washington Corporation ("**XCyte**"), are parties to that certain Sublease dated as of July 23, 2003 (as amended, the "**XCyte Sublease**"). Pursuant to the XCyte Sublease, XCyte subleases from Tenant a portion of the premises demised under the Suite 650 Lease, as more particularly described in the XCyte Sublease. Landlord consented to the foregoing sublease to XCyte pursuant to that certain Consent to Sublease, dated as of July 24, 2003, by and among Landlord, Tenant and XCyte (the "**XCyte Consent**").

E. Tenant and R&J Lab Therapies, Inc., a Washington corporation ("**R&J**"), are parties to that certain Sublease, dated as of September 5, 2003 (as amended, the "**R&J Sublease**"). Pursuant to the R&J Sublease, R&J subleases from Tenant a portion of the premises demised under the Suite 650 Lease, as more particularly described in the R&J Sublease. Landlord consented to the

foregoing sublease to R&J pursuant to that certain Consent to Sublease, dated as of September 5, 2003, by and among Landlord, Tenant and R&J (the "**R&J Consent**"). The Suite 650 Lease, the Annex Lease, the XCyte Sublease, the R&J Sublease, the XCyte Consent and the R&J Consent are hereinafter collectively referred to as the "Assigned Lease Documents."

F. Subject to the terms and conditions set forth herein, (i) Tenant desires to assign to Assignee, and Assignee desires to assume, all of Tenant's right, title and interest in and to the Assigned Lease Documents, (ii) Landlord desires to consent to the assignment and assumption of the Assigned Lease Documents, release Tenant from all obligations under the Assigned Lease Documents arising from and after the Effective Date, and (iii) Landlord, Tenant and Assignee desire to amend the Suite 650 Lease and the Annex Lease effective as of the Effective Date.

NOW, THEREFORE, in consideration of the foregoing Recitals, the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord, Tenant and Assignee hereby agree as follows:

1. Assignment. Effective as of the Effective Date, Tenant assigns, sells, transfers, sets over and delivers to Assignee all of Tenant's right, title and interest in and to the Assigned Lease Documents.

2. Assumption. Effective as of the Effective Date, Assignee accepts the foregoing assignment of the Assigned Lease Documents and assumes and agrees to perform and observe all of the obligations, covenants, terms and conditions to be performed or observed by Tenant under the Assigned Lease Documents arising from and after the Effective Date.

3. Consent to Assignment and Assumption; Conditions Precedent. Subject to the terms of this Section 3, effective as of the Effective Date, (i) Landlord consents to the foregoing assignment and assumption of the Assigned Lease Documents, and (ii) Landlord releases Tenant from, and relieves Tenant of, all of Tenant's obligations under the Assigned Lease Documents arising from and after the Effective Date. Notwithstanding anything to the contrary set forth herein, Landlord's consent set forth in this Section 3, and the modifications to the Suite 650 Lease and Annex Lease set forth in Section 5, are each subject to the following conditions precedent: (x) Landlord's receipt of the Assignment Consideration (as hereinafter defined) on or before the Effective Date and otherwise strictly in accordance with the terms and conditions set forth in Section 4 below; and (y) the occurrence of the closing of the transaction contemplated under the Asset Acquisition Agreement (as hereinafter defined) on or before October 30, 2003. The failure of either of the foregoing conditions precedent shall render this Agreement null and void without further action by any person, and of no further force and effect.

4. Assignment Consideration. As consideration for granting its consent to the assignment of the Assigned Lease Documents and the modification of the Assigned Lease Documents described in Section 5 below, on or before the Effective Date, Landlord shall be paid or issued each of the following "Assignment Consideration" strictly in accordance with the following terms and conditions:

(a) Two Hundred Thousand Dollars ($200.000.00), which shall be deducted from the security deposit currently held by Landlord for the Suite 650 Lease and the Annex Lease, and retained by Landlord on the Effective Date as a fee for granting the consent set forth herein. The remainder of such security deposit shall be returned to Tenant in accordance with the terms and provisions of Section 6 below.

(b) 81,967 shares of non-voting common stock of Assignee issued pursuant to that certain Asset Acquisition Agreement, dated September 25, 2003, by and between Assignee and Tenant (the "**Asset Acquisition Agreement**"). Such securities shall be issued by Assignee directly to Alexandria Equities, LLC, a Delaware limited liability company ("**Alexandria Equities**"), an affiliate of Landlord, on or prior to the Effective Date, and shall not be subject to any indemnification obligations of Tenant pursuant to the Asset Acquisition Agreement. In addition, in connection with the issuance of such securities to Alexandria Equities, all representations and warranties made by Assignee in Article 7 of the Asset Acquisition Agreement are hereby incorporated by reference herein as though fully set forth in this Agreement. Assignee hereby acknowledges that Landlord and Alexandria Equities are relying upon such representations and warranties in accepting the securities issued by Assignee pursuant to this Agreement. In addition, Assignee agrees to grant and make available to Alexandria Equities comparable rights and privileges relating to such securities as are granted by Assignee to Tenant with respect to the securities issued to Tenant pursuant to the Asset Acquisition Agreement. Tenant and Assignee agree that if any modification to the Asset Acquisition Agreement or the transaction contemplated thereunder results in an adjustment in the proportion of securities to non-securities consideration that Tenant is to receive under the Asset Acquisition Agreement, an equitable proportionate adjustment shall be made to the amount of securities which Alexandria Equities is entitled to receive hereunder.

5. Lease Modifications. Effective as of the Effective Date, subject to the satisfaction of the condition precedent set forth in Section 4 above, Landlord and Assignee agree that the Suite 650 Lease and Annex Lease are each amended as follows:

(a) Suite 650 Lease Modifications.

(i) The definition of "Security Deposit" set forth on Page 1 of the Suite 650 Lease is deleted in its entirety and the following definition is substituted in lieu thereof:

"Security Deposit: $93,058.29"

(ii) The expiration date of the Base Term of the Suite 650 Lease is extended to September 30, 2008.

(iii) Tenant's Notice Address set forth in Page 1 of the Suite 650 Lease is amended to delete Tenant's address for notices and to replace it with the following:

"nura, inc., 1124 Columbia Street, Suite 650, Seattle, Washington 98104."

(iv) The following is added to Section 3(b) of the Suite 650 Lease:

"Notwithstanding anything to the contrary contained herein, Tenant shall not be obligated to pay (i) Base Rent for the months of September of 2003, January of 2004 and January of 2005, or (ii) Tenant's Share of Net Building Expenses attributable to the month of September of 2003.''

(v) The first sentence of Section 4 of the Suite 650 Lease is deleted in its entirety, and the following sentence is substituted in lieu thereof:

"Base Rent shall be increased on October 1, 2004, and on each annual anniversary thereafter during the Term of this Lease by multiplying the Base Rent payable immediately before such adjustment by the Rent Adjustment Percentage and adding the resulting amount to the Base Rent payable immediately before such adjustment."

(vi) The first sentence of Section 6 of the Suite 650 Lease is deleted in its entirety, and the following is substituted in lieu thereof:

"Tenant shall deposit with Landlord security (the "**Security Deposit**") for the performance of all of its obligations in the amount set forth in the Basic Lease Provisions set forth on Page 1 of this Lease, which security shall be in the form of an unconditional and irrevocable letter of credit (the "**Letter of Credit**") (i) in form and substance satisfactory to Landlord, (ii) naming Landlord as beneficiary, (iii) expressly allowing Landlord to draw upon it at any time from time to time by delivering to the issuer notice that Landlord is entitled to draw thereunder, (iv) drawable on an FDIC-insured financial institution satisfactory to Landlord, and (v) redeemable in the state of Landlord's choice. If Tenant does not provide Landlord with a substitute Letter of Credit complying with all of the requirements hereof at least 10 days before the stated expiration date of the then current Letter of Credit, Landlord shall have the right to draw upon the current Letter of Credit and hold the funds drawn as the Security Deposit."

(b) Annex Lease Modifications

(i) The definition of "Security Deposit set forth on Page 1 of the Annex Lease is deleted in its entirety and the following definition is substituted in lieu thereof:

"Security Deposit: $100,314.78."

(ii) The definition of "Rent Adjustment Percentage" set forth on Page 1 of the Annex Lease is deleted in its entirety and the following definition is substituted in lieu thereof:

"Rent Adjustment Percentage: 3.5%"

(iii) The expiration date of the Base Term of the Annex Lease is modified to September 30, 2008.

(iv) Tenant's Notice Address set forth in Page 1 of the Annex Lease is amended to delete Tenant's address for notices and to replace it with the following:

"nura, inc., 1124 Columbia Street, Suite 650, Seattle, Washington 98104."

(v) The following is added to Section 3(b) of the Annex Lease:

"Notwithstanding anything to the contrary contained herein, Tenant shall not be obligated to pay (i) Base Rent for the months of September of 2003, January of 2004 and January of 2005, or (ii) Tenant's Share of Operating expenses attributable to the month of September of 2003."

(vi) Section 4 of the Annex Lease is deleted in its entirety, and the following is substituted in lieu thereof:

"Base Rent shall be increased on October 1, 2004, and on each annual anniversary thereafter during the Term of this Lease by multiplying the Base Rent payable immediately before such adjustment by the Rent Adjustment Percentage and adding the resulting amount to the Base Rent payable immediately before such adjustment. Base Rent, as so adjusted, shall thereafter be due as provided herein. Base Rent adjustments for any fractional calendar month shall be prorated."

(vii) Section 6 of the Annex Lease is amended to delete the phrase "either cash or" from the first sentence thereof.

6. Security Deposits. Landlord and Tenant acknowledge that Landlord currently holds a security deposit from Tenant in the amount of $111,911.00 with respect to the Suite 650 Lease, and a security deposit in the amount of $96,922.50 with respect to the Annex Lease. On the Effective Date, Landlord shall deduct $200,000 from the foregoing security deposits and retain the same as a portion of the Assignment Consideration pursuant to Section 4 above. The balance of the security deposits (i.e., $8,833.50) shall be returned by Landlord to Tenant within thirty (30) days following the Effective Date, less any amounts which Landlord is entitled to deduct pursuant to Section 6 of the Annex Lease or Section 6 of the Suite 650 Lease. On or before January 1, 2004, Assignee shall deposit with Landlord a new security deposit in the amount of $93,058.29, in the form of a letter of credit, and otherwise in accordance with Section 6 of the Suite 650 Lease, for the performance of Assignee's obligations under the Suite 650 Lease. Such deposit shall constitute the "Security Deposit" required and governed by Section 6 of the Suite 650 Lease (as amended herein). On or before January 1, 2004, Assignee shall deposit with Landlord a new security deposit in the amount of $100,314.78, in the form of a letter of credit, and otherwise in accordance with Section 6 of the Annex Lease, for the performance of Assignee's obligations under the Annex Lease. Such deposit shall constitute the "Security Deposit" required and governed by Section 6 of the Annex Lease (as amended herein).

7. Brokers. Assignee shall pay any broker commissions or fees that may be payable as a result of the assignment contemplated herein, and Assignee hereby indemnifies and agrees to hold Landlord harmless from and against any loss or liability arising therefrom or from any other commissions or fees payable in connection with the assignment contemplated herein.

8. No Other Modifications of Lease. Except as expressly provided for herein, nothing contained herein shall be construed to modify, waive, impair, or affect any of the terms, covenants or conditions contained in any of the Assigned Lease Documents (including Assignee's obligation to obtain any required consents for any other or future assignments or sublettings), or to waive any breach thereof, or any rights or remedies of Landlord thereunder, or to enlarge or increase Landlord's obligations or liabilities thereunder, and all terms, covenants and conditions of the Suite 650 Lease (as modified herein) and Annex Lease (as modified herein) are hereby declared by each of Landlord, Tenant and Assignee to be in full force and effect.

9. Oral Modifications. This Agreement may not be changed orally, but only by an agreement in writing signed by Landlord and the party(ies) against whom enforcement of any change is sought.

10. Integration. This Agreement supersedes all prior or contemporaneous, written or oral, memoranda, arrangements, agreements, or understandings between the parties hereto related to the subject matters addressed herein. Any representations, promises, warranties, or statements made by any party which differ in any way from the terms of this Agreement shall be given no force or effect.

11. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute but one and the same instrument. The parties agree that this Agreement may be signed by facsimile, with originals to follow.

12. Governing Law. This Agreement and the legal relations between the parties hereto shall be governed by and construed and enforced in accordance with the internal laws of the State of Washington.

13. Successors and Assigns. This Agreement shall be binding upon Landlord, Tenant, and Assignee and their respective successors, successors-in-interests, transferees and assigns.

14. Time of Essence. Time is of the essence with respect to each provision of this Agreement.

15. Authority. Each person executing this Agreement on behalf of a party hereto represents and warrants that he or she is authorized and empowered to do so and to thereby bind the party on whose behalf he or she is signing.

16. Attorneys' Fees. If any party hereto commences an action against the other party(ies) arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover from the losing party(ies) reasonable attorneys' fees and costs of suit.

17. Further Assurances. The parties hereto shall promptly perform, execute and deliver or cause to be performed, executed and/or delivered any and all acts, deeds and assurances as the other party(ies) may reasonably require in order to carry out the intent and purpose of this Agreement.

[Signatures appear on the next page.]

IN WITNESS WHEREOF, Landlord, Tenant, and Assignee have caused their duly authorized representatives to execute this Agreement as of the date first above written.

LANDLORD:

ALEXANDRIA REAL ESTATE EQUITIES, INC.,
a Maryland corporation

By: /s/ Peter J. Nelson
Name: Peter J. Nelson
Its: Senior Vice President & Chief Financial Officer

TENANT:

PRIMAL, INC.,
a Washington corporation

By: /s/ Jim D. Johnston
Name: Jim D. Johnston
Its: Chief Financial Officer

ASSIGNEE:

NURA, INC.,
a Delaware corporation

By: /s/ Patrick W. Gray
Name: Patrick W. Gray
Its: Chief Executive Officer

Exhibit 10.27

ASSIGNMENT, ASSUMPTION AND MODIFICATION OF LEASE DOCUMENTS

This Assignment and Assumption and Modification of Lease Documents (this "**Agreement**") is made as of September 26, 2007 (the "**Effective Date**"), by and among **ALEXANDRIA REAL ESTATE EQUITIES, INC**., a Maryland corporation ("**Landlord**"), **NURA, INC**., a Delaware corporation ("**Tenant**"), and **OMEROS CORPORATION**, a Washington corporation ("**Assignee**").

RECITALS

A. Landlord and Tenant are parties to that certain Lease Agreement, dated as of April 6, 2000, as previously amended by an Assignment and Assumption and Modification of Lease Document, dated as of October 23,2003 (as amended from time to time, the "**Suite 650 Lease**"). Pursuant to the Suite 650 Lease, Tenant leases from Landlord certain premises located at and commonly known as 1124 Columbia Street, Seattle, Washington, Suite 650, as more particularly described in the Suite 650 Lease ("**Suite 650 Premises**"). All initially capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in the Suite 650 Lease unless the context clearly indicates otherwise.

B. Landlord and Tenant are parties to that certain Lease Agreement, dated as of September 28, 2001, as amended by that certain Assignment and Assumption and Modification of Lease Document, dated as of October 23, 2003, (as amended from time to time, the "**Annex Lease**"). Pursuant to the Annex Lease, Tenant leases from Landlord certain premises located at and commonly known as 1124 Columbia Street, Seattle, Washington, Annex Level B, as more particularly described in the Annex Lease ("**Annex Premises**").

C. Landlord and Tenant are parties to that certain Storage Lease, dated as of July 24, 2002, as amended by that certain Assignment and Assumption and Modification of Lease Document, dated as of October 23, 2003, (as amended from time to time, the "**Storage Lease**"), pursuant to which Tenant leases from Landlord certain premises located at and commonly known as 1124 Columbia Street, Seattle Washington, Suite #056, as more particularly described in the Storage Lease.

D. Tenant and C-P Technologies, LP, a Washington limited partnership ("**C-P**"), are parties to that certain Sublease, dated as of June 1, 2007 (as amended, the "**C-P Sublease**"). Pursuant to the C-P Sublease, C-P subleases from Tenant a portion of the premises demised under the 650 Lease, as more particularly described in the C-P Sublease. Landlord consented to the foregoing sublease to C-P pursuant to that certain Consent to Sublease, dated as of August 7, 2007, by and among Landlord, Tenant and C-P (the "**C-P Consent**").

E. Tenant and NT Omics, Inc., a California corporation ("**NT Omics**"), are parties to that certain Sublease, dated as of July 1, 2007 (as amended, the "**NT Omics Sublease**"). Pursuant to the NT Omics Sublease, NT Omics subleases from Tenant a portion of the premises demised under the 650 Lease, as more particularly described in the NT Omics Sublease. Landlord consented to the foregoing sublease to NT Omics pursuant to that certain Consent to Sublease, dated as of September 26, 2007, by and among Landlord, Tenant and NT Omics (the "**NT Omics Consent**").

F. Subject to the terms and conditions set forth herein, (i) Tenant desires to assign to Assignee, and Assignee desires to assume, all of Tenant's right, title and interest in and to the Suite 650 Lease, the Annex Lease, the Storage Lease, the C-P Sublease and the NT Omics Sublease (collectively, the "**Assigned Lease Documents**"), (ii) Landlord desires to consent to the assignment and assumption of the Assigned Lease Documents, release Tenant from all obligations under the Assigned Lease Documents arising from and after the Effective Date, and (iii) Landlord and Assignee desire to amend the Suite 650 Lease and the Annex Lease effective as of the Effective Date.

NOW, THEREFORE, in consideration of the foregoing Recitals, the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord, Tenant and Assignee hereby agree as follows:

1. **Assignment**. Effective as of the Effective Date, Tenant assigns, sells transfers, sets over and delivers to Assignee all of Tenant's right, title and interest in and to the Assigned Lease Documents.

2. **Assumption**. Effective as of the Effective Date, Assignee accepts the foregoing assignment of the Assigned Lease Documents and assumes and agrees to perform and observe all of the obligations, covenants, terms and conditions to be performed or observed by Tenant under the Assigned Lease Documents arising from and after the Effective Date.

3. **Consent to Assignment and Assumption**. Effective as of the Effective Date, (i) Landlord consents to the foregoing assignment and assumption of the Assigned Lease Documents, and (ii) Landlord releases Tenant from and relieves Tenant of all of Tenant's obligations under the Assigned Lease Documents arising from and after the Effective Date.

4. **Lease Modifications**. Effective as of the Effective Date, Landlord and Assignee agree that the Suite 650 Lease and Annex Lease are each amended as follows:

(a) Suite 650 Lease Modifications.

(i) Notice Address. Tenant's Notice Address set forth in Page 1 of the Suite 650 Lease is amended to delete Tenant's address for notices and to replace it with Assignee's address as follows:

"Omeros Corporation, 1420 Fifth Avenue, Suite 2600, Seattle, Washington 98101."

(ii) Expansion of Premises. Effective as of the Effective Date, the Premises under the 650 Lease are hereby expanded to include 137 square feet on the 6th floor of 1124 Columbia Street, Seattle, WA 98104, as shown and described on Exhibit A attached hereto (the "**Suite 640 Space**"). From and after the Effective Date the Base Rent payable under the 650 Lease shall be increased by $228.33 per month and such amount shall be increased annually by the Rent Adjustment Percentage on the same date that Base Rent for the balance of the Premises is increased.

No Additional Rent shall be payable for the Suite 640 Space and Tenant's share of Net Building Expenses shall not increase.

(iii) Termination of Expansion Right. Tenant shall have no further right to expand the Premises. Accordingly, Section 39 (Right to Expand) of the Suite 650 Lease is hereby deleted in its entirety.

(iv) Right to Extend Term. Subsection 40(a) of the Suite 650 Lease is hereby deleted and replaced with the following:

"(a) **Extension Right**. Tenant shall have the right (the "**First Extension Right**") to extend the term of this Lease for a period of 3 years (the "**First Extension Term**"), and, if the First Extension Right has been exercised, Tenant shall have the additional right (the "**Second Extension Right**;" the First Extension Right and the Second Extension Right may be collectively referred to herein as the "**Extension Rights**" or individually as an "**Extension Right**") to extend the term for an additional period of 1 year (the "**Second Extension Term**") on the same terms and conditions as this Lease (other than Base Rent) by giving Landlord written notice of its election to exercise each Extension Right at least 12 months prior to the expiration of the Base Term of the Lease or the expiration of the First Extension Term, as applicable. Upon the commencement of an Extension Term, Base Rent shall be payable at the Market Rate (as defined below). Base Rent shall thereafter be adjusted on each annual anniversary of the commencement of such Extension Term by a percentage as determined by Landlord and agreed to by Tenant at the time the Market Rate is determined. As used herein, "**Market Rate**" shall mean the then market rental rate as determined by Landlord and agreed to by Tenant, which shall in no event be less than the Base Rent payable as of the date immediately preceding the commencement of such Extension Term increased by the Rent Adjustment Percentage multiplied by such Base Rent. In addition, Landlord may impose a market rent for the parking rights provided hereunder. Notwithstanding anything to the contrary contained in this Lease, Tenant's Extension Rights granted above may only be exercised if the term of that certain Lease Agreement, dated as of September 28, 2001 (as amended and assigned, the "**Annex Lease**"), to which Landlord and Tenant are now parties, and which covers the portion of the Building known as Annex Level B, shall be concurrently extended pursuant to Section 40 of the Annex Lease so that both this Lease and the Annex Lease expire on the same date. Accordingly, if the term of the Annex Lease is not extended pursuant to Section 40 of the Annex Lease, Tenant shall have no right to extend the term of this Lease pursuant to Section 40 of this Lease."

(b) Annex Lease Modification.

(i) Notice Address. Tenant's notice address set forth on Page 1 of the Annex Lease is amended to delete Tenant's address for notices and to replace it with Assignee's address as follows:

"Omeros Corporation, 1420 Fifth Avenue, Suite 2600, Seattle, Washington 98101."

(ii) Right to Extend Term. A new Section 40 is added to the Annex Lease as follows, which corresponds identically to Section 40 of the Suite 650 Lease:

"40. **Right to Extend Term**. Tenant shall have the right to extend the Term of the Lease upon the following terms and conditions:

(a) **Extension Right**. Tenant shall have the right (the "**First Extension Right**") to extend the term of this Lease for a period of 3 years (the "**First Extension Term**"), and, if the First Extension Right has been exercised, Tenant shall have the additional right (the "**Second Extension Right**;" the First Extension Right and the Second Extension Right may be collectively referred to herein as the "**Extension Rights**" or individually as an "**Extension Right**") to extend the term for an additional period of 1 year (the "**Second Extension Term**") on the same terms and conditions as this Lease (other than Base Rent) by giving Landlord written notice of its election to exercise each Extension Right at least 12 months prior to the expiration of the Base Term of the Lease or the expiration of the First Extension Term, as applicable. Upon the commencement of an Extension Term, Base Rent shall be payable at the Market Rate (as defined below). Base Rent shall thereafter be adjusted on each annual anniversary of the commencement of such Extension Term by a percentage as determined by Landlord and agreed to by Tenant at the time the Market Rate is determined. As used herein, "**Market Rate**" shall mean the then market rental rate as determined by Landlord and agreed to by Tenant, which shall in no event be less than the Base Rent payable as of the date immediately preceding the commencement of such Extension Term increased by the Rent Adjustment Percentage multiplied by such Base Rent. In addition, Landlord may impose a market rent for the parking rights provided hereunder. Notwithstanding anything to the contrary contained in this Lease, Tenant's Extension Rights granted above may only be exercised if the term of that certain Lease Agreement dated as of April 6, 2000 (as amended and assigned, the "**Suite 650 Lease**"), to which Landlord and Tenant are now parties, and which covers Suites 640 and 650 in the Building, shall be concurrently extended pursuant to Section 40 of the Suite 650 Lease so that both this Lease and the Suite 650 Lease expire on the same date. Accordingly, if the term of the Suite 650 Lease is not extended pursuant to Section 40 of the Suite 650 Lease, Tenant shall have no right to extend the term of this Lease pursuant to Section 40 of this Lease.

If, on or before the date which is 120 days prior to the expiration of the Base Term of this Lease or the expiration of the First Extension Term, as applicable, Tenant has not agreed with Landlord's determination of the Market Rate and the rent escalations during such subsequent Extension Term after negotiating in good faith, Tenant may by written notice to Landlord not later than 20 days prior to the expiration of the Base Term of this Lease or the expiration of the First Extension Term, as applicable, elect arbitration as described in Section 40(b) below. If Tenant does not elect such arbitration, Tenant shall be deemed to have waived any right to extend the term of the Lease and the Extension Rights shall terminate.

(b) **Arbitration**.

(i) Within 10 business days of Tenant's notice to Landlord of its election to arbitrate Market Rate and escalations, each party shall deliver to the other a proposal containing the Market Rate and escalations that the submitting party believes to be correct ("**Extension Proposal**"). If either party fails to timely submit an Extension Proposal, the other party's submitted proposal shall determine the Base Rent and escalations for the Extension Term. If both parties submit Extension Proposals, then Landlord and Tenant shall meet within 7 days after delivery of the last Extension Proposal and make a good faith attempt to mutually appoint a single Arbitrator (as defined below) to determine the Market Rate and escalations. If Landlord and Tenant are unable to agree upon a single Arbitrator, then each shall, by written notice delivered to the other within 10 business days after the meeting, select an Arbitrator. If either party fails to timely give notice of its selection for an Arbitrator, the other party's submitted proposal shall determine the Base Rent for the Extension Term. The 2 Arbitrators so appointed shall, within 5 business days after their appointment, appoint a third Arbitrator. If the 2 Arbitrators so selected cannot agree on the selection of the third Arbitrator within the time above specified, then either party, on behalf of both parties, may request such appointment of such third Arbitrator by application to any state court of general jurisdiction in the jurisdiction in which the Premises are located, upon 10 days prior written notice to the other party of such intent.

(ii) The decision of the Arbitrator(s) shall be made within 30 days after the appointment of a single Arbitrator or the third Arbitrator, as applicable. The decision of the single Arbitrator shall be final and binding upon the parties. The average of the two closest Arbitrators in a three Arbitrator panel shall be final and binding upon the parties. Each party shall pay the fees and expenses of the Arbitrators appointed by or on behalf of such party and the fees and expenses of the third Arbitrator shall be borne equally by both parties. If the Market Rate and escalations are not determined by the first day of the Extension Term, then Tenant shall pay Landlord Base Rent in an amount equal to the Base Rent in effect immediately prior to the Extension Term and increased by the Rent Adjustment Percentage until such

determination is made. After the determination of the Market Rate and escalations, the parties shall make any necessary adjustments to such payments made by Tenant. Landlord and Tenant shall then execute an amendment recognizing the Market Rate and escalations for the Extension Term.

(iii) An "**Arbitrator**" shall be any person appointed by or on behalf of either party or appointed pursuant to the provisions hereof and: (i) shall be (A) a member of the American Institute of Real Estate Appraisers with not less than 10 years of experience in the appraisal of improved office and high tech industrial real estate in the greater Seattle metropolitan area, or (B) a licensed commercial real estate broker with not less than 15 years experience representing landlords and/or tenants in the leasing of high tech or life sciences space in the greater Seattle metropolitan area, (ii) devoting substantially all of their time to professional appraisal or brokerage work, as applicable, at the time of appointment and (iii) be in all respects impartial and disinterested.

(c) **Rights Personal**. The Extension Rights are personal to Tenant and are not assignable without Landlord's consent, which may be granted or withheld in Landlord's sole discretion separate and apart from any consent by Landlord to an assignment of Tenant's interest in the Lease; provided, however, a Permitted Assignee shall succeed to such Extension Rights.

(d) **Exceptions**. Notwithstanding anything set forth above to the contrary, the Extension Rights shall not be in effect and Tenant may not exercise the Extension Rights:

(i) during any period of time that Tenant is in Default under any provision of this Lease; or

(ii) if Tenant has been in Default under any provision of this Lease 3 or more times, whether or not the Defaults are cured, during the 12 month period immediately prior to the date that Tenant intends to exercise an Extension Right, whether or not the Defaults are cured.

(e) **No Extensions**. The period of time within which any Extension Right may be exercised shall not be extended or enlarged by reason of the Tenant's inability to exercise the Extension Rights.

(f) **Termination**. The Extension Rights shall terminate and be of no further force or effect even after Tenant's due and timely exercise of an Extension Right, if, after such exercise, but prior to the commencement date of an Extension Term, (i) Tenant fails to timely cure any default by Tenant under this Lease; (ii) Tenant has Defaulted 3 or more times during the period from the date of the exercise of an Extension Right to the date of the

commencement of the Extension Term whether or not such Defaults are cured."

5. **Planned Construction; Quiet Enjoyment**. Tenant and Assignee each acknowledges and agrees that they have been notified of Landlord's planned construction of a building at the property adjacent to 1102 Columbia Street, Seattle, Washington ("**Construction Activities**"), and that such Construction Activities may adversely impact the quiet enjoyment of the premises being leased pursuant to the Assigned Lease Documents and Tenant and Assignee waive any claims they may have against Landlord in connection therewith. Landlord shall, without any obligation to incur any additional costs in connection with the Construction Activities, use commercially reasonable efforts to minimize interference with the quiet enjoyment of the premises being leased pursuant to the Assigned Lease Documents. Landlord acknowledges that Assignee maintains a laboratory animal facility in the Annex Premises and a wet laboratory, including analytical instruments, in the Suite 650 Premises. Notwithstanding the waiver of claims set forth in this Section 5, if the Construction Activities materially impair (i) the ability of Assignee to maintain the laboratory animals and conduct research using such laboratory animals in the Annex Premises (such impairment being evidenced by the deviation of animal behavior including in routine behavioral models, reduced litter size or fertility, delayed or stunted growth or development, or animal cannibalism), and/or (ii) the operation of the analytical instruments in the Suite 650 Premises (as evidenced by the failure of the instrument system suitability testing or the irreproducibility of instrument generated data) (collectively, "**Material Impairment**"), Assignee shall deliver written notice of such Material Impairment to Landlord within 3 days of the occurrence of such Material Impairment, along with evidence of the existence of such Material Impairment reasonably acceptable to Landlord, and a description of the aspect of the Construction Activities that Assignee alleges is the cause of such Material Impairment. If the parties are unable to agree about the existence or cause of a Material Impairment, the matter shall be resolved by arbitration by a single arbitrator ("**Arbitrator**") with the qualifications and experience appropriate to resolve the matter and appointed pursuant to and acting in accordance with the rules of the American Arbitration Association. If a Material Impairment has occurred, Landlord shall have the right to attempt to cure the aspect of the Construction Activities that the parties have determined is the cause of such Material Impairment within 20 days after Landlord's receipt of notice from Assignee regarding such Material Impairment. If such aspect has not been cured within such 20 day period, Assignee shall have the right, upon delivery of prior written notice to Landlord, to terminate (a) the Suite 650 Lease, if the Suite 650 Premises is affected by the Material Impairment, (b) the Annex Lease, if the Annex Premises is affected by the Material Impairment, or (c) all of the Assigned Lease Documents. Such right to terminate shall be the sole remedy of Assignee with respect to a Material Impairment. If Assignee does not elect to exercise its rights to terminate pursuant to this Section 5 within 5 business days of the lapse of such 20 day cure period, such right to terminate shall be waived and all of the Assigned Lease Documents shall remain in full force and effect and Assignee shall have no future rights to terminate pursuant to this Section 5.

If arbitration is required pursuant to the preceding paragraph, the parties shall use commercially reasonable efforts to cause the arbitration to be completed within 30 days ("**Initial Arbitration Period**") or as soon as reasonably possible thereafter. If the arbitration is not completed within the Initial Arbitration Period, Landlord shall have the right at any time after the Initial Arbitration Period to withdraw the dispute from arbitration by electing to terminate the

applicable Assigned Lease Document(s) which Assignee has requested be terminated ("**Affected Lease Documents**") and Assignee shall have the right at any time after the Initial Arbitration Period to withdraw the dispute from arbitration by electing to maintain the Affected Lease Documents in force. During any dispute regarding a Material Impairment and during any applicable cure period, Assignee shall be required to continue to pay and perform all of its obligations under all of the applicable Assigned Lease Documents. If the Arbitrator determines that a Material Impairment did not exist or if Assignee withdraws from the arbitration following the Initial Arbitration Period, Assignee shall pay to Landlord a penalty equal to fifty percent (50%) of the Base Rent payable to Landlord under the Affected Lease Documents (the "**Penalty**") for the period commencing on the expiration of the Initial Arbitration Period and continuing through the earlier of (i) the resolution of the arbitration, or (ii) the date of Assignee's withdrawal from the arbitration. If the Arbitrator determines that a Material Impairment did exist or Landlord elects to withdraw the dispute from arbitration following the Initial Arbitration Period, Landlord shall (a) reimburse Assignee for the Base Rent and Operating Expenses paid by Assignee to Landlord under such Affected Lease Documents applicable to the period between the expiration of the 20 day cure period (which shall be deemed to have commenced running upon Assignee's initial notice) provided for above and the date that the Affected Lease Documents are terminated, and (b) pay to Assignee the Penalty for the period commencing on the expiration of the Initial Arbitration Period and continuing through the earlier of (x) the resolution of the arbitration, or (y) the date of Landlord's withdrawal from the arbitration. The non-prevailing party, as determined by the Arbitrator, or the withdrawing party, as the case may be, shall pay all of the prevailing party's (or non-withdrawing party's) reasonable costs of arbitration and reasonable attorneys' fees.

6. **Brokers**. Tenant and Assignee represent and warrant to Landlord that no broker commissions or fees are payable as a result of the assignment and modifications contemplated herein, and each of Tenant and Assignee hereby indemnifies and agrees to hold Landlord harmless from and against any loss or liability arising therefrom or from any commissions or fees payable in connection with the assignment and modifications contemplated herein.

7. **No Other Modifications of Lease**. Except as expressly provided for herein, nothing contained herein shall be construed to modify, waive, impair, or affect any of the terms, covenants or conditions contained in any of the Assigned Lease Documents (including Assignee's obligation to obtain any required consents for any other or future assignments or sublettings), or to waive any breach thereof, or any rights or remedies of Landlord thereunder, or to enlarge or increase Landlord's obligations or liabilities thereunder, and all terms, covenants and conditions of the Suite 650 Lease (as modified herein), Annex Lease (as modified herein) and Storage Lease are hereby declared by each of Landlord, Tenant and Assignee to be in full force and effect.

8. **Oral Modifications**. This Agreement may not be changed orally, but only by an agreement in writing signed by Landlord and the party(ies) against whom enforcement of any change is sought.

9. **Integration**. This Agreement supersedes all prior or contemporaneous, written or oral, memoranda, arrangements, agreements, or understandings between the parties hereto related to the subject matters addressed herein. Any representations, promises, warranties, or statements made

by any party which differ in any way from the terms of this Agreement shall be given no force or effect.

10. **Counterparts**. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute but one and the same instrument. The parties agree that this Agreement may be signed by facsimile, with original to follow.

11. **Governing Law**. This Agreement and the legal relations between the parties hereto shall be governed by and construed and enforced in accordance with the internal laws of the State of Washington.

12. **Successors and Assigns**. This Agreement shall be binding upon Landlord, Tenant, and Assignee and their respective successors, successors-in-interests, transferees and assigns.

13. **Time of Essence**. Time is of the essence with respect to each provision of this Agreement.

14. **Authority**. Each person executing this Agreement on behalf of a party hereto represents and warrants that he or she is authorized and empowered to do so and to thereby bind the party on whose behalf he or she is signing.

15. **Attorney's Fees**. If any party hereto commences an action against the other party(ies) arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover from the losing party(ies) reasonable attorneys' fees and costs of suit.

16. **Further Assurances**. The parties hereto shall promptly perform, execute and deliver or cause to be performed, executed and/or delivered any and all acts, deeds and assurances as the other party(ies) may reasonably require in order to carry out the intent and purpose of this Agreement.

[Signatures are on the next page.]

IN WITNESS WHEREOF, Landlord, Tenant, and Assignee have caused their duly authorized representatives to execute this Agreement as of the date first above written.

LANDLORD:

ALEXANDRIA REAL ESTATE EQUITIES, INC.,
a Maryland corporation

By: /s/ Jackie Clem
Name: Jackie Clem
Its: VP — RE LEGAL AFFAIRS

TENANT:

NURA, INC.,
a Delaware Corporation

By: /s/ Gregory Demopulos
Name: Gregory A. Demopulos, M.D.
Its: President

ASSIGNEE:

OMEROS CORPORATION,
a Washington corporation

By: /s/ Gregory A. Demopulos
Name: Gregory A. Demopulos, M.D.
Its: Chairman and CEO

EXHIBIT A

to

ASSIGNMENT, ASSUMPTION AND MODIFICATION OF LEASE DOCUMENTS

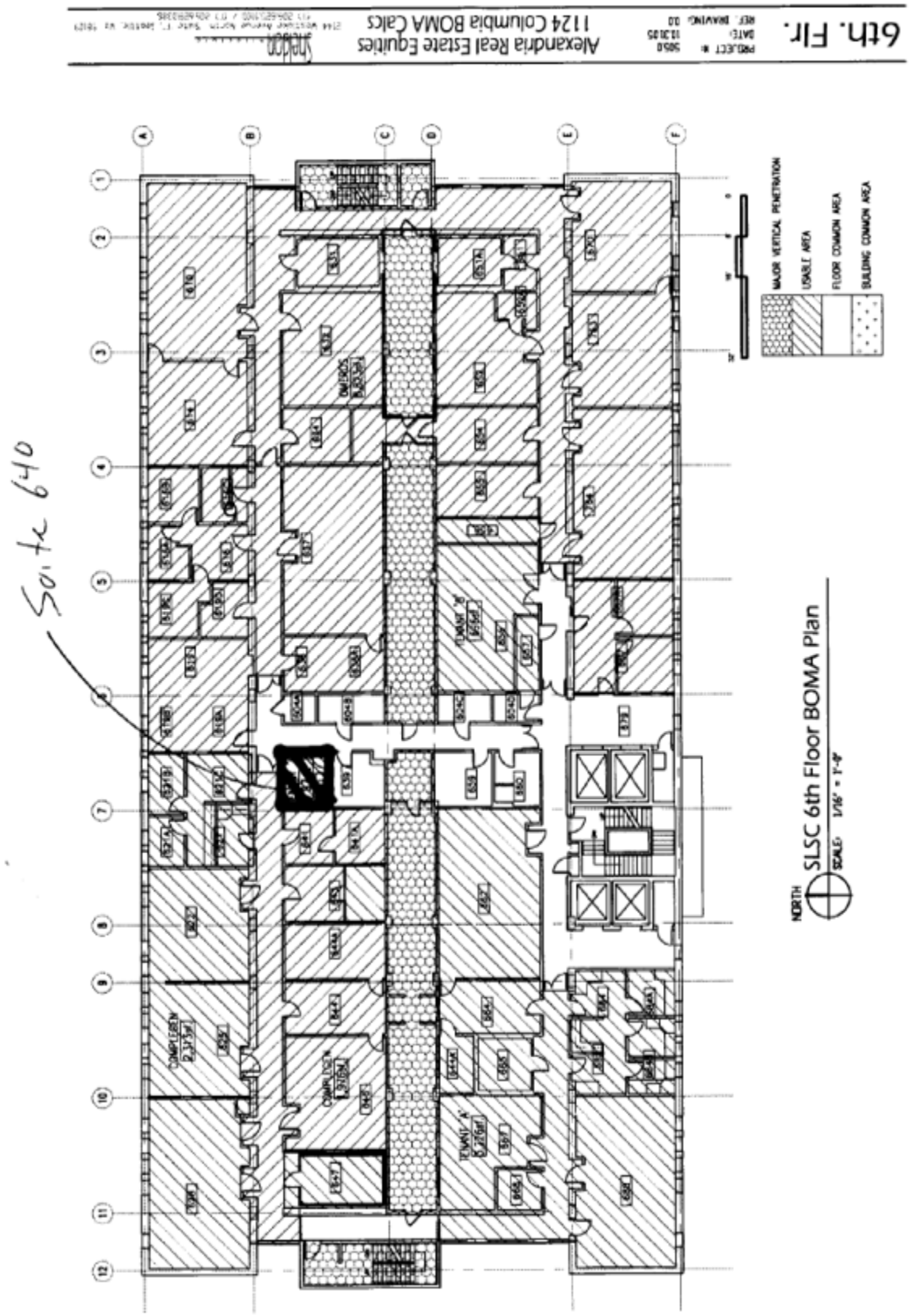


Exhibit 10.28

COMMERCIAL SUPPLY AGREEMENT

This Commercial Supply Agreement (this "**Agreement**") is made as of the ___ day of September, 2007 (the "**Effective Date**") by and between Omeros Corporation, a Washington corporation, having its principal offices at 1420 Fifth Avenue, Suite 2600, Seattle, Washington 98101 ("**Omeros**"), and Hospira Worldwide Inc., a Delaware corporation, having its principal offices at 275 North Field Drive, Lake Forest, Illinois 60045 ("**Hospira**"). Omeros and Hospira previously entered into a Master Development Agreement, dated May 8, 2007 (the "**Development Agreement**"), pertaining to the development of Omeros' pharmaceutical drug product OMS103HP-S. Omeros and Hospira now desire to enter into an agreement for the commercial supply of OMS103HP-S by Hospira to Omeros. Therefore, in consideration of the mutual covenants and obligations set forth below, Omeros and Hospira (the "**Parties**" and each a "**Party**") agree as follows:

1. **DEFINITIONS**

The following initially capitalized terms in this Agreement, whether used in the singular or plural, shall have the respective meanings set forth below:

1.1 "**Act**" means U.S. Federal Food, Drug and Cosmetic Act, 21 U.S.C. §301 *et seq.*

1.2 "**Affiliate**" means any corporation or other entity or enterprise that controls, is controlled by, or is under common control with, a Party. A corporation or other entity or enterprise shall be regarded as in control of another corporation, entity or enterprise if it owns or directly or indirectly controls 50% or more of the voting securities or other ownership interest of the other corporation, entity or enterprise or if it possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the corporation or other entity or enterprise.

1.3 "**APIs**" means the active pharmaceutical ingredients required for the Processing of Product as set forth in the Specifications.

1.4 "**Applicable Laws**" means all laws, ordinances, rules and regulations applicable to the Product and the Services (including Processing of Product or any aspect thereof) and the obligations of Hospira or Omeros, as the context requires under this Agreement, including, without limitation, (a) all applicable federal, state and local laws and regulations, including without limitation the Act, (b) all applicable FDA regulations promulgated under the Act, (c) all applicable cGMPs, (d) all applicable guidances promulgated or adopted by FDA, including without limitation all applicable International Conference on Harmonization ("**ICH**") guidances, each as amended from time to time and (e) all laws and regulations within the Territory, including without limitation ICH guidances, that are applicable to the Processing of Product for commercial supply.

1.5 "**Batch**" means the Product, made in accordance with the Specifications, resulting from a single production run, or any other specific quantity of Product that is mutually agreed upon in writing by the Parties from time to time.

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† DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

1.6 "**Batch Records**" means Batch-specific manufacturing, packaging and test records and documentation relating to Processing, packaging and release of each Batch, exception documentation, deviations/discrepancies and additional documentation generated and/or processed as part of the production record of the related Batch.

1.7 [†]

1.8 "**Certificate of Analysis**" means, for each Batch produced, a document prepared by Hospira setting forth the measured and observable characteristics of Product from the Batch, and confirming that such Batch meets the Specifications. Each Certificate of Analysis shall include: (a) a listing of tests performed by or on behalf of Hospira, test date(s), and test results, and a certification of the accuracy of each of the foregoing; and (b) a reference to or inclusion of the related Certificate of Compliance. The Parties shall from time to time agree upon a format or formats for the Certificate of Analysis to be used under this Agreement.

1.9 "**Certificate of Compliance**" means, for each Batch, a document prepared by Hospira: (a) listing the manufacturing date, unique Batch number, and quantity of Product in such Batch, and (b) certifying that such Batch was manufactured in accordance with Applicable Laws, including, without limitation, cGMP. The Parties shall from time to time agree upon a format or formats for the Certificate of Compliance to be used under this Agreement. The Certificate of Compliance may be included within the Certificate of Analysis.

1.10 "**cGMP**" means current Good Manufacturing Practices as defined in the FDA rules and regulations, including, without limitation, the United States regulations set forth at 21 CFR Parts 210-211, as appropriate and as the same may be amended from time to time.

1.11 "**Confidential Information**" means any data, research, development, manufacturing, marketing, financial, personnel, sales, business, and other non-public, proprietary or technical information provided by the disclosing Party to the Recipient, including without limitation all Product Data (which shall be considered Omeros' Confidential Information even if generated or provided by Hospira), except any portion of such information that:

(a) is or becomes generally available to the public or within the industry to which such information relates, other than as a result of a breach of this Agreement; or

(b) is known by Recipient at the time of receipt of the disclosing Party's information, as evidenced by Recipient's contemporaneous written records; or

(c) is provided to Recipient on a non-confidential basis by a third party who has the legal right to make such disclosure; or

(d) was or is independently developed by or for Recipient without access to or use of the information of the disclosing Party, as evidenced by Recipient's contemporaneous written records.

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1.12 **"Deliver"** or **"Delivery"** with respect to Product means, and shall take place upon, the transfer of possession of Product to Omeros [†] for Product delivered in the United States and [†] for Product delivered outside of the United States.

1.13 **"Develop"** or **"Development"** shall mean the generation, improvement, optimization, transfer or validation of methods, assays, protocols or processes for Processing, analyzing or testing Product.

1.14 "**Facility**" means Hospira's pharmaceutical manufacturing facility in McPherson, Kansas.

1.15 "**FDA**" means the United States Food and Drug Administration and any successor agency.

1.16 "**Hospira New IP**" shall mean all Intellectual Property conceived solely by Hospira during the course of the performance of the Services pursuant to this Agreement, or conceived by Hospira prior to this Agreement (other than pursuant to the Development Agreement) and reduced to practice solely by Hospira during the course of the performance of the Services pursuant to this Agreement, that is not specific to [†].

1.17 "**Intellectual Property**" means all intellectual property (whether or not patented or patentable), including, without limitation, inventions, patents, patent applications, trade secrets, know-how, copyrights, trademarks, designs, concepts, technical information, manuals, standard operating procedures, instructions or specifications.

1.18 "**Joint New IP**" shall mean Intellectual Property conceived or reduced to practice jointly by Hospira and Omeros excluding all Omeros New IP.

1.19 **"Latent Defect"** means the failure of any Product delivered to Omeros to meet the current Specifications at the time of manufacture as a result of the acts or omissions of Hospira or its employees, subcontractors, agents or other representatives that was not, and could not reasonably be expected to have been, found by exercise of ordinary care in inspection and testing by Omeros. For purposes of clarity, the presence of a contaminant from Processing or Hospira's failure to comply with cGMPs shall be considered a Latent Defect.

1.20 "**Master Batch Record**" shall mean the formal set of instructions for Processing of Product.

1.21 "**Materials**" means, collectively, all raw materials and other ingredients (excluding APIs) and packaging and shipping materials required for Processing Product.

1.22 **"Minimum Percentage"** shall initially mean [†] of Omeros' Product Requirements and subsequently any adjusted percentage of Omeros' Product Requirements as may be mutual agreed in writing by the Parties in accordance with Section 2.6.1, 3.9.1 or 3.10.6.

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1.23 "**Omeros New IP**" means any and all Intellectual Property conceived or reduced to practice by either Party individually or jointly during the course of the performance of this Agreement that are specific to [†].

1.24 "**Omeros' Product Requirements**" means Omeros' total requirements for commercial sales of Product in the Territory as well as clinical supplies of Product for the development of additional therapeutic indications after Launch.

1.25 "**Omeros Property**" means any chemical and/or biological materials or samples, other tangible property, and written or electronic documents and records owned by or licensed to Omeros as of the Effective Date, developed by Omeros in connection with this Agreement, or disclosed or delivered by or on behalf of Omeros in connection with this Agreement, including, without limitation, Omeros Confidential Information (including without limitation Product Data) and Omeros' Intellectual Property (including without limitation Omeros New IP) in tangible or electronic form.

1.26 **"Price"** means the [†] price of the Product, as set forth on Exhibit B attached hereto and incorporated herein.

1.27 **"Process"** or **"Processing"** shall mean the act or acts of manufacturing, handling, storing, analyzing, testing, filling, finishing, packaging, inspecting, labeling, preparing for shipment and/or stability testing of Product by Hospira pursuant to this Agreement.

1.28 "**Product**" means a liquid formulation of Omeros' pharmaceutical product, designated as OMS103HP-S, which contains each of the following APIs: amitriptyline hydrochloride, oxymetazoline hydrochloride and ketoprofen.

1.29 "**Product Data**" means all information, documents, records, raw data, specimens, and other work product that relates to or describes the Services, including the Processing of Product. The term "Product Data" shall include, without limitation, documents and records pertaining to Processing of Product, Batch Records, Certificates of Analysis, Certificates of Compliance, analytical test methods, analytical test results, list of SOPs, Product Specific SOPs, list of equipment used in the Processing of Product, signed title pages of approved qualification reports for such equipment, general facility layout details and process trend and variability data, and all other documents, reports and data prepared, developed or generated by Hospira in connection with performance of the Services hereunder. The term "Product Data" shall expressly exclude, however, General SOPs and other information that is Hospira's confidential information that is not specific to Omeros or Omeros' Product and is related to Hospira's manufacturing processes that are generally applicable to the products of multiple customers.

1.30 "**Recipient**" means a Party that receives Confidential Information.

1.31 "**Regulatory Authority**" means any governmental regulatory agency or authority that is responsible for regulating any aspect of the development, manufacture, market approval, sale, distribution, packaging or use of the Product, including, without limitation, as applicable, based on the Territory on the Effective Date or any expansion of the Territory by mutual written agreement of the Parties, the FDA, the European Medicines Agency (EMEA), the Japanese

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Ministry of Health, Labour and Welfare (MHLW), the Health Canada – Therapeutic Product Programme (TPP) and any additional governmental agencies as agreed upon by the Parties based on expansion of the Territory.

1.32 "**Services**" means all services performed and activities conducted by Hospira (including, without limitation, those related to process improvements and Processing of Product, as applicable) pursuant to this Agreement and the Specifications.

1.33 "**SOPs**" means Hospira's standard operating procedures, and includes "**General SOPs**" that are not specific to Processing of Product and "**Product Specific SOPs**" that are specific to the Processing of Product.

1.34 "**Specifications**" means the Product attributes listed on Exhibit A attached hereto, which is incorporated into this Agreement, the Master Batch Record for Product, the master packaging batch record for the Product, the labeling requirements for the Product, and all other written specifications and/or instructions for measurable and observable qualities, characteristics and attributes of Product and all other written requirements, standards, specifications, quality assurance/quality control testing and release and other attributes pertaining to the Product and/or Processing of Product, including APIs, other Materials and Third Party suppliers for Processing Product, that are agreed to by the Parties (and as amended from time to time by Omeros in consultation with Hospira, including, without limitation, such amendments as may be required to obtain or maintain approval from the FDA or other Regulatory Authorities).

1.35 "**Technical Records**" shall mean all books, records (including without limitation the Master Batch Record and individual Batch Records for Product), test and laboratory data (including, without limitation, Certificates of Analysis, SOPs and all other Product Data), reports and all other information relating to the Services performed under this Agreement and the methods, Facility and equipment used for Processing of Product or other Services.

1.36 "**Territory**" shall mean [†].

1.37 **Additional Definitions**.

Defined Term	Section in which Defined
Agreement	Preamble
[†]	10.4
[†]	10.4
Change Order	2.4
Damages	9.2
Development Agreement	Recitals
DMF	5.2
Effective Date	Preamble
Executives	12.2
Firm Commitment	3.9.2
Firm Purchase Order	3.10.1
General SOPs	1.33

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Defined Term	Section in which Defined
Hospira	Preamble
Hospira Indemnitees	9.2
ICH	1.4
Indemnified Party	9.4
Indemnifying Party	9.4
Initial Term	10.1
Launch	10.4
Minimum Purchase Requirement	3.10.5
NDA	3.9.2
Omeros	Preamble
Omeros Indemnitees	9.3
Party* and/or *Parties	Preamble
Product and Equivalents	7.1
Product Specific SOPs	1.33
Purchase Order	3.10.1
Quality Agreement	3.2
Representative	2.5
Rolling* [†] *Estimate	3.9.1
Rolling Forecast	3.9.2
Stability Lot Price	3.7
Submission	10.4
Supply Period	10.4
[†]	10.6.2
Term	10.1

2. **COMMERCIAL SUPPLY**

2.1 **Processing of Product.** Omeros hereby engages Hospira, and Hospira hereby agrees, to Process the Product for commercial sale by Omeros in accordance with the Specifications, and in compliance with this Agreement and all Applicable Laws (including, without limitation, cGMPs). The terms of this Agreement shall apply to the exclusion of and shall supersede the terms of any purchase order, acknowledgement, confirmation, shipping document, or other document.

2.2 **Materials and Equipment.** Unless otherwise agreed by the Parties in writing, Hospira shall supply all Materials and standard processing and manufacturing equipment needed for Processing of Product in accordance with this Agreement and the Specifications, at its sole cost and expense (including, without limitation, shipping costs in connection with such Materials and equipment).

2.2.1 **Non-Standard Equipment.** If dedicated or specialized equipment is required to Process Product for Omeros, Hospira shall specify such equipment to Omeros in writing and, if Omeros agrees in writing that such equipment is required, Omeros shall reimburse Hospira for

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the cost of purchasing such equipment, on a pass-through basis, as well as the reasonable cost of installation and validation of such equipment, all subject to Omeros' prior written approval or a separate written agreement between the Parties with respect to such equipment purchase, installation and validation. Title to such equipment shall be in Omeros' name and, at Omeros' request and reasonable expense, shall be returned to Omeros or discarded upon termination of this Agreement. If Hospira wishes to use such equipment for Processing of a product other than Product for Omeros, Hospira and Omeros shall meet and discuss the technical and practical ramifications of such use and appropriate compensation to Omeros, but in no event is Omeros obligated to allow the use of such equipment for the manufacture of such other product. These provisions shall not apply to any non-dedicated or non-specialized equipment normally used or required for the manufacture of pharmaceutical products, or to additional non-dedicated or non-specialized equipment required to increase production capacity or efficiency at Hospira's Facility.

2.2.2 **Labeling.** Hospira shall label Product in accordance with Omeros' instructions. Label copy may be modified from time to time by written agreement of the Parties. Omeros shall reimburse Hospira for Hospira's actual costs of making any label copy changes and for the cost of any labeling that Hospira is unable to use due to such label copy changes.

2.3 **Omeros' Responsibilities and Authority.** Unless otherwise agreed by the Parties in writing, Omeros agrees that it will (a) provide APIs for processing of Product in accordance with the provisions of Section 2.6,; (b) provide appropriate scientific data regarding the Product, including, without limitation, appropriate and available safety and toxicity data, test methods and formulation, fill and finish of the Product (as applicable); (c) provide Hospira with commercially appropriate information necessary to Process the Product; (d) prepare and/or review and, if acceptable to Omeros, approve all Specifications; and (e) as applicable, prepare all submissions to Regulatory Authorities, portions of such that are relevant to Hospira which shall be subject to review by Hospira as set forth in Section 5.8. Other than Processing of Product by Hospira in accordance with this Agreement, Omeros shall retain sole authority and responsibility in all matters related to commercialization of the Product.

2.4 **Specifications/Amendments/Changes.**

2.4.1 **Specifications.** The Master Batch Record and the Specifications shall be prepared and maintained in Hospira's standard format by Hospira, using Omeros' master formula, other technical information or standards that may be provided by Omeros, technical support provided by Omeros, and labeling criteria (if applicable) provided by Omeros, and shall be approved in writing by Omeros.

2.4.2 **Changes to Specifications.** Except as set forth in Section 2.4.3 below, if either Party requests a change to the Specifications, Hospira shall provide Omeros with cost estimates for the additional or repeat work related to such changes. If Omeros approves in writing such additional or repeat work, Omeros shall be responsible for paying such costs if the changes are specific to the Product, but not for regulatory mandated or plant upgrade changes that are required for products in addition to the Product (which shall be approved pursuant to Section 2.4.3). If Omeros approves such estimated costs, Hospira shall perform such work, and Omeros

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shall pay Hospira's reasonable costs for such work within thirty (30) days of completion of such work; provided that Hospira shall promptly notify Omeros in writing that such work has been completed. Reimbursement for such additional work or repeat work shall be at the rate of [†].

2.4.3 **Regulatory Mandated Change to Specifications.** If there is a change in Applicable Laws that would necessitate a change in the Specifications, Processing or the means or methods of performance under this Agreement by Hospira, the Parties will meet and confer in good faith to determine whether and what changes (if any) should be made thereto and/or to the respective responsibilities of the Parties therefor. Promptly after a request is made by Omeros for any such change, or the Parties become aware of the change in Applicable Laws necessitating such change, Hospira shall notify Omeros of any anticipated increase and/or decrease in the Price and any costs, expenses or fees associated with such change. Omeros shall have the right to approve such change and, if approved, the right to approve any corresponding revised Price and any reasonable costs, expenses or fees associated with such change. No change in the Specifications, Product-specific manufacturing processes, test methods, or other documentation or procedures relating to Processing of Product or the Services shall be implemented by Hospira, whether initiated by Omeros or requested or required by any Regulatory Authority, unless and until the Parties have executed a written agreement documenting such change ("**Change Order**"), including the implementation date of such change and any increase or decrease to the Price to reflect costs, expenses, fees or savings associated with such change. If a Change Order is caused by a change clearly mandated or required by any Regulatory Authority then approval of such Change Order shall not be withheld.

2.4.4 **Increases in Price.** [†].

2.5 **Meetings; Communications.** The Parties shall hold team meetings via teleconference, videoconference or in person on a regular and periodic basis. Each Party shall appoint a representative (each a "**Representative**") who will have primary responsibility for day-to-day interactions with the other Party's Representative concerning the Processing of Product, the Services and the activities of the Parties in connection with this Agreement. Unless otherwise mutually agreed by the Parties in writing, all communications between Hospira and Omeros regarding the Processing of Product, the Services and the activities of the Parties in connection with this Agreement shall be addressed to or routed directly through (as appropriate) the respective Representatives of each Party. Hospira shall provide periodic updates to Omeros regarding the Processing of Product. These updates may be delivered by Hospira verbally, by telephone or videoconference, or in writing, as mutually agreed upon by the Parties. Hospira shall notify Omeros as soon as practicable (but in any event within twenty-four (24) hours) of any event or condition, including without limitation technical deviations as addressed in Subsection 5.6 that is likely to detrimentally impact or limit Hospira's performance of the Services or Processing of Product. Hospira shall notify Omeros as soon as practicable (but in any event within four (4) business days) of any financial, legal or business condition that is likely to detrimentally impact or limit Hospira's performance of the Services or Processing of Product.

2.6. **Supply and Processing of Commercial Product; APIs.**

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2.6.1 **Commercial Product Supply; Minimum Percentage; Hospira Obligations Regarding Processing and Services.** Pursuant to the terms and conditions of this Agreement, Omeros engages Hospira to supply, and Hospira agrees to manufacture, deliver and sell to Omeros, Product intended for commercial sale. Hospira shall be obligated to supply, and Omeros shall be obligated to purchase and take delivery of, the Minimum Percentage of Omeros' Product Requirements during the Term, which shall initially be [†] as set forth in Section 1.22. At any time during the Term, Omeros and Hospira may mutually agree in writing to have Hospira supply and Omeros purchase a percentage of Omeros' Product Requirements that is greater than the initial Minimum Percentage as provided for in Section 1.22. Hospira shall Process Product and perform all other services (including Services) agreed upon by the Parties: (a) in accordance with the Specifications; (b) in accordance with the Applicable Laws including, without limitation, cGMPs; and (c) in compliance with this Agreement.

2.6.2 **Active Pharmaceutical Ingredient Supply.** Hospira shall manufacture Product for Omeros from APIs that Omeros shall supply at no cost to Hospira. Omeros shall supply APIs to Hospira in quantities sufficient to satisfy Hospira's gross manufacturing requirements of Product for Omeros. Hospira's use of APIs received from Omeros shall be limited to Processing of Product for Omeros as contemplated by this Agreement. Omeros shall deliver or cause to be delivered APIs D.D.P. (Incoterms 2000) Hospira's designated Facility pursuant to no-cost purchase orders that Hospira issues to Omeros. Within thirty (30) days of Hospira's receipt of any APIs supplied by Omeros hereunder, Hospira shall (a) perform identification, bacterial endotoxin and microbial limit testing on the APIs and confirm the shipment quantity, and (b) notify Omeros of any inaccuracies with respect to quantity or of any claim that any portion of the shipment fails the identification test. In the event Hospira notifies Omeros of any deficiency in quantity of APIs received, Omeros shall use reasonable commercial efforts to promptly ship to Hospira, at its own expense, the quantity of APIs necessary to fulfill the original APIs shipment, unless Hospira and Omeros mutually agree to a reduction in Product quantity to be Processed in accordance with Section 3.10.2. Hospira recognizes that the APIs will be procured by Omeros from third parties. In the event that Omeros is unable to make up any shortage of APIs, Hospira shall be excused from any resulting delay in the Processing of Product but Omeros shall be bound to any firm Purchase Orders which have been accepted by Hospira, to be completed once API becomes available. In the event Hospira notifies Omeros that the APIs shipment does not conform to the Specifications, Omeros shall have the right to confirm such findings at Hospira's manufacturing location. If Omeros determines that such shipment of APIs conformed to the Specifications, the parties shall submit samples of such shipment to a mutually acceptable independent laboratory for testing. If such independent laboratory determines that the shipment conformed to the Specifications, Hospira shall bear all expenses of shipping and testing such shipment samples. If Omeros or such independent laboratory confirms that such shipment did not meet the Specifications, Omeros shall replace, at no cost to Hospira, the portion of the APIs which does not conform to the Specifications and bear all expenses of shipping and testing the shipment samples.

2.6.3 **API Title.** Omeros shall retain title to the APIs while in Hospira's possession and Hospira shall assume all responsibility and risk for the safekeeping, storage and handling of APIs delivered hereunder and accepted by Hospira.

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2.6.4 **Replacement of API.** If, due to any negligent act or omission or willful misconduct on Hospira's part in the examination of APIs supplied by Omeros, Product Processed hereunder fails to conform with the Product Specifications, Hospira's sole liability in such case shall be limited to replacement of non-conforming Product, at no additional cost to Omeros, with conforming Product using APIs that Hospira shall purchase from Omeros at [†]. If APIs are lost or destroyed in connection with the Processing of Product by Hospira, Hospira's sole liability in such case, [†], shall be limited to replacement of such APIs with APIs that Hospira shall purchase from Omeros at [†].

2.6.5 **API Reimbursement.** [†]

3. **DELIVERY; PRODUCT ACCEPTANCE/REJECTION; FORECASTING; PAYMENT**

3.1 **Delivery of Product.** Omeros will arrange the transportation of Product with Omeros approved carriers. Hospira shall provide product together with corresponding Certificates of Analysis in accordance with the shipping and packaging instructions set forth in the Specifications or otherwise provided in advance by Omeros and agreed to by Hospira (including any special packaging or shipping conditions or labeling requirements), on or before the date(s) specified for delivery in any Purchase Order. Delivery by Hospira shall be made FOB origin (U.S.) or FCA Hospira's facility (international) (Incoterms 2000) at the designated location(s) specified by Hospira. All freight, handling, insurance, duties, taxes and shipping expense will be borne by Omeros. Title to Product shall pass to Omeros upon delivery of Product to the carrier selected by Omeros. Hospira shall be responsible for providing all quality and commercial shipping documentation as set forth in the Specifications or as otherwise required under Applicable Laws or by agreement of the Parties. At no additional expense to Omeros for assistance, Hospira will cooperate with Omeros and Omeros' carrier to arrange for transportation of Product at Omeros' expense from the Facility to the destination(s) specified by Omeros. Risk of loss or damage to Product and responsibility to insure shall pass to Omeros upon delivery to Omeros on Hospira's dock.

3.2 **Quality Control; Certificates.** Hospira shall perform quality control tests to ensure that each Batch is produced in accordance with Applicable Laws, including cGMP, and conforms to the Specifications. All quality control test results and copies thereof shall be made available to Omeros upon written request of Omeros. A separate quality agreement between Hospira and Omeros ("**Quality Agreement**") will be signed prior to cGMP production of the Product, so that Omeros and Hospira may set forth certain quality responsibilities of the Parties as they relate to the Processing of Product in connection with this Agreement. In the event of any conflict between the Quality Agreement and this Agreement, the terms of this Agreement shall control. Any testing performed by or on behalf of Hospira (including tests to confirm that each Batch meets the Specifications), which shall be performed at Hospira's sole cost and expense, may be used by Omeros for final release of each Batch without additional testing by Omeros. Notwithstanding the foregoing, Omeros may conduct its own release testing of each Batch, and in accordance with Subsection 3.3 shall determine whether such Batch is conforming. Omeros (in its sole discretion) shall determine the form and substance of any release testing information that is submitted to a Regulatory Authority(ies). At the time of Delivery of each

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Batch, Hospira shall send to Omeros a signed Certificate of Analysis with respect to such Batch and a signed Certificate of Compliance (which may be included in the Certificate of Analysis). Upon Omeros' request, within thirty (30) days following the Delivery of each Batch, Hospira shall provide Omeros with properly completed copies of Batch Records for such Batch prepared in accordance with the Specifications and Applicable Laws, unless otherwise set forth in the Quality Agreement. Omeros shall be responsible for all shipment validation and quality control.

3.3 **Inspection; Acceptance or Rejection.** All Product Processed pursuant to this Agreement shall be received by Omeros subject to Omeros' right to conduct inspections and performance testing of such Product. Omeros or its designee shall examine Product Delivered hereunder promptly after actual receipt thereof by Omeros or its designee utilizing such methodology as Omeros shall implement from time to time in its sole discretion.

3.3.1 **Rejection.** Omeros shall have thirty (30) days from the date of actual receipt by Omeros or its designee of each shipment of Product from Hospira in which to evaluate and accept or reject such shipment of Product. Omeros shall be permitted to reject any shipment of Product as non-conforming if (a) Hospira fails to timely provide an accurate Certificate of Analysis and/or truthful Certificate of Compliance, (b) Product does not meet the Specifications, or (c) Product was not Processed in accordance with Applicable Laws, including cGMP. If Omeros does not notify Hospira in writing of Omeros' rejection of such shipment of Product within thirty (30) days from the date of receipt thereof by Omeros or its designee, Omeros shall be deemed to have accepted such shipment of Product, except that Omeros shall retain the right to revoke acceptance of Product for a Latent Defect pursuant to Section 3.3.3.

3.3.2 **Product Quantity.** If the quantity of Product produced in any Batch fails to meet the quantity specified in the applicable Purchase Order, then the Parties shall meet to discuss in good faith one or more possible remedies to resolve the shortage.

3.3.3 **Latent Defect.** If, after Omeros' acceptance or deemed acceptance of a shipment of Product, Omeros discovers a Latent Defect, Omeros shall notify Hospira within thirty (30) days after such discovery of the Latent Defect, and Omeros shall have the right to revoke acceptance of such shipment of Product by notifying Hospira thereof in writing. Upon such notice, such shipment of Product shall be deemed rejected hereunder and the terms of Subsections 3.3.4 and 3.4 shall apply.

3.3.4 **Disagreement Regarding Non-Conformity.** In the event Omeros rejects a shipment of Product for non-conformance in accordance with Subsection 3.3.1 or revokes acceptance of a shipment of Product under Subsection 3.3.3, Hospira shall have the right within thirty (30) days thereafter to sample and re-test such shipment of Product. If Hospira (a) agrees that such shipment of Product is non-conforming, then the terms of Subsection 3.4 shall apply, or (b) disagrees with Omeros' determination that such shipment of Product is non-conforming, Hospira shall so notify Omeros in writing within such thirty (30) day period. If Hospira disagrees with Omeros' determination that Product is non-conforming, then Hospira and Omeros shall cause an outside testing laboratory or consultant agreeable to both of them to perform comparative tests and/or analyses on samples of the alleged non-conforming Product. The testing laboratory's or consultant's results shall be in writing and shall be final and binding, save

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for manifest error on the face of its report. Unless otherwise agreed to by Hospira and Omeros in writing, the costs associated with such testing and review shall be borne by the Party against whom the outside testing laboratory or consultant rules. The outside testing laboratory or consultant shall be required to enter into written undertakings of confidentiality no less burdensome than those set forth herein. Hospira shall furnish the outside testing laboratory or consultant such instructions regarding the storage, handling and potential hazards of any Product as are provided to or developed by Hospira by or on behalf of Omeros.

3.4 **Remedies for Non Conforming Product.** In the event that Hospira agrees that a shipment of Product is non-conforming, or if the outside testing laboratory or consultant determines that such Product is non-conforming, then, at Omeros' election, Hospira shall [†]. Upon Hospira's instructions, Omeros shall destroy or return, at Hospira's cost, the non-conforming Product.

3.5 **Custody of Omeros Property.** In connection with this Agreement, the Parties agree that Hospira will have custody over certain Omeros Property. It is understood that such Omeros Property, to the extent practicable, will be clearly labeled by Hospira as belonging to Omeros, and that Hospira shall bear the risk of loss for any Omeros Property during the time that such Omeros Property is in the possession of Hospira. Title to Omeros Property shall at all times remain in Omeros or its assigns, and Hospira shall not pledge to any third party a security or other interest in the Omeros Property, nor shall Hospira allow the Omeros Property to be otherwise encumbered. Hospira shall at all times employ the measures specified by Omeros, and take such measures as are otherwise reasonably required, to protect Omeros Property from risk of loss or damage at all stages of Processing the Product and the Services hereunder. Hospira shall immediately notify Omeros if at any time it believes any Omeros Property has been damaged, lost or stolen. Hospira shall not use any Omeros Property for any purpose other than performing its obligations under this Agreement. Upon any request by Omeros, Hospira shall immediately return to Omeros all Omeros Property, including all copies thereof, in conformance with any directions provided by Omeros therefore, except that Hospira shall retain reserve samples of Product as provided in Subsection 3.6.

3.6 **Retention Samples; Storage.** Hospira shall retain and store, in accordance with the Specifications, samples of each Batch of Product at the Facility at no cost to Omeros until the date that is thirteen (13) months after the expiration date of each such Batch (or for such longer period as may be required by applicable Regulatory Authorities or Applicable Laws). Thereafter, if requested by Omeros, Hospira and Omeros shall negotiate in good faith and enter into a contract for continued storage of such Product samples, at Omeros' reasonable cost and expense; provided, however, that at any time following the initial storage period set forth above, if Hospira decides that it will no longer store such samples or Omeros decides it does not wish to continue to have Hospira store such samples, such Party shall provide no less than sixty (60) days' written notice to the other Party, during which time Omeros will instruct Hospira to either return such samples to Omeros or a third party designated by Omeros, or to destroy such samples. Hospira shall comply with such instructions from Omeros, provided that Omeros shall reimburse Hospira its reasonable out-of-pocket costs incurred in returning or destroying such samples.

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3.7 **Marketed Product Stability Samples.** Hospira shall, in accordance with SOPs, pull stability samples of Product and either (a) retain, store and test such stability samples in accordance with the Specifications, or (b) ship such stability samples to Omeros or a third party designated by Omeros in accordance with the Specifications. Hospira shall provide Omeros at least sixty (60) days advance written notice prior to disposition of any stability samples after specified storage times have elapsed, and Omeros shall provide instructions on disposal, continued storage or shipment of such samples at Omeros' reasonable expense. Upon Omeros' written request, Hospira shall provide stability testing of the Product in accordance with ICH guidance at a total cost of [†] (the "**Stability Lot Price**") put up on stability testing in accordance with a time point matrix to be mutually agreed in writing and, upon such agreement, appended and incorporated into this Agreement as Exhibit C.. The Stability Lot Price shall be invoiced on a pro-rata basis for each stability time point completed. The Stability Lot Price is based on an assumed shelf life of [†], and should the shelf life increase or decrease the Stability Lot Price shall be adjusted proportionately.

3.8 **Price; Adjustments; Payment**

3.8.1 **Initial Product Pricing.** Hospira shall invoice Omeros upon shipment of Product by Hospira, at the Price [†] of Product set forth in Exhibit B of this Agreement.

3.8.2 **Price Adjustments**. [†].

3.8.3 **Payment Terms**. [†]. Omeros shall make payment of any undisputed portion of such invoices within [†] after Omeros' receipt of each such invoice, unless otherwise specifically set forth in this Agreement. If Omeros should default on any undisputed, due and owing payment, interest shall accrue on any undisputed amount that is overdue at the rate of [†] per month or the maximum rate allowed by law, whichever is lower.

3.9 **Product Forecasts.**

3.9.1 **Rolling** [†] **Estimate.** No later than [†], Omeros shall provide Hospira with a written estimate of Omeros' [†] quantity of commercial Product that represents the Minimum Percentage of Omeros' Product Requirements for the first [†] of the Term, such estimate to be used by Hospira solely for [†] planning purposes. Omeros shall not incur any liabilities if such estimate is not met. If Hospira notifies Omeros (and such notification shall be provided to Omeros in writing) that it will be unable to supply Product in accordance with Omeros' estimate, Omeros shall have the right, in its sole discretion, [†]. Thereafter, by [†], Omeros shall update such rolling [†] estimate ("**Rolling** [†] **Estimate**") for the period commencing on [†]. Upon receipt of each Rolling [†] Estimate, Hospira shall, within [†] days after such receipt, provide Omeros a written (a) acceptance of such estimate (and in such event, Hospira shall plan to allocate its capacity in a manner consistent with such Rolling [†] Estimate), or (b) rejection of such estimate. In the event Hospira rejects any updated Rolling [†] Estimate, Hospira and Omeros shall meet as soon as possible to discuss in good faith the quantities of Product that Hospira would have capacity to provide to Omeros during [†] covered by the Rolling [†] Estimate, and any amount agreed to shall be memorialized by the Parties in writing in a revised Rolling [†] Estimate. In such event and in Omeros' discretion, Omeros shall have the right to [†].

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3.9.2 **Notification and Rolling Forecast.** Omeros will provide Hospira with written notice when a new drug application ("**NDA**") to market Product is submitted to FDA. Hospira and Omeros will cooperate in scheduling and estimating initial commercial Batches of the Product. On or before the first (1st) day of each calendar month, beginning at least [†] prior to the anticipated date of commencement of commercial manufacture (excluding process validation batches), Omeros shall provide to Hospira an [†] rolling forecast of the quantities of Product that Omeros intends to order from Hospira during such period ("**Rolling Forecast**"). The first [†] of such Rolling Forecast shall constitute a binding order of Omeros and a supply commitment of Hospira for the quantities of Product specified therein ("**Firm Commitment**"), and the following [†] of the Rolling Forecast shall be a good faith estimate, the [†] of such [†] period which is binding to the extent set forth in the Supply and Purchase Commitment described in Section 3.10.4 below.

3.10 **Purchase Orders; Supply and Purchase Commitment.**

3.10.1 **Purchase Orders.** On or before the first (1st) day of each calendar month, Omeros shall submit a purchase order (each a "**Purchase Order**") to Hospira covering Omeros' purchases of Product pursuant to the [†] of the Firm Commitment that is effective as of such first day, and shall specify the Delivery dates for the Product included in such Purchase Order. Hospira will use commercially reasonable good faith efforts to accept and meet the Delivery date specified by Omeros in the Purchase Order. Omeros shall not, without the written consent of Hospira, designate a Product Delivery date in a Purchase Order that is earlier than [†]calendar days from the date on which Omeros submits the Purchase Order. For each Purchase Order, Hospira shall provide (a) a confirmation of acceptance of the Purchase Order based on the Product Delivery date specified by Omeros, or (b) a proposed modification of the Purchase Order offering to accept the Purchase Order based on an alternate Product Delivery date. Upon (a) Omeros' receipt of Hospira's confirmation of acceptance of the unchanged Purchase Order, or (b) Hospira's receipt of Omeros' written confirmation accepting the modified Purchase Order with the alternate Product Delivery date, such Purchase Order shall become a "**Firm Purchase Order**." If Hospira subsequently finds that it is unable to meet the specified Product Delivery date for a Firm Purchase Order, Hospira shall promptly notify Omeros and provide to Omeros an alternative Product Delivery date (which shall not be more than fifteen (15) calendar days later than the initial Product Delivery date designated in the Firm Purchase Order).

3.10.2 **Purchase Order Changes.** In the event that Omeros requests any change to the Delivery date set forth in a Firm Purchase Order, Hospira shall attempt to accommodate the Delivery date change within reasonable manufacturing capabilities and efficiencies. [†]. Hospira shall also advise Omeros of the reasonable costs associated with making any such Delivery date change (if any), and Omeros shall be deemed to have accepted the obligation to pay Hospira for such associated, reasonable costs if Omeros indicates in writing to Hospira that Hospira should proceed to make the change. Hospira shall charge Omeros the amount agreed upon in writing by Omeros for making any such Delivery date change. If Omeros cancels a Firm Purchase Order, Hospira shall be relieved of its obligation relating to such order, but Omeros will not be relieved of its obligation of payment unless Hospira agrees to such cancellation in writing [†]. Subject to Hospira's compliance with the terms of Section 2.6.4, if Omeros (a) does not supply sufficient API to Process Product in accordance with a given Firm Purchase Order, or (b) acts in any other

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manner, not including any change requested by Omeros due to changes in regulatory or other Applicable Law or to ensure that the Product meets the Specifications, to directly and effectively interfere with Hospira's ability to perform in accordance with a given Firm Purchase, Omeros shall remain liable for the full amount of the Firm Purchase Order, regardless of whether such Product is Processed by Hospira or whether Omeros takes Delivery of any such Processed Product [†]. Notwithstanding the foregoing, Hospira shall use its commercially reasonable efforts to supply Omeros with quantities of Product which are in excess of the quantities specified in a Firm Purchase Order, subject to Hospira's other supply commitments and manufacturing and equipment capacity.

3.10.3 **Agreement Controls.** In the event of a conflict between the terms of any Firm Purchase Order and this Agreement, this Agreement shall control.

3.10.4 **Supply and Purchase Commitment.** Hospira shall supply Omeros with the quantity of Product ordered by Omeros in each Firm Purchase Order, unless the quantity of Product ordered for any calendar quarter exceeds [†] thereafter, in which event Hospira shall use commercially reasonable efforts to supply quantities in excess of these amounts.

3.10.5 **Purchase Commitment**. Following completion of the first [†] of the Initial Term, Omeros covenants to purchase from Hospira not less than [†] of the Rolling Forecast during the [†] of the Initial Term thereafter (the "**Minimum Purchase Requirement**"). Omeros may shift any portion of its Firm Commitment to the [†] of the Rolling Forecast so long as its Minimum Purchase Requirement is met. In lieu of Omeros taking Delivery of each such [†] Minimum Purchase Requirements of Product, Omeros shall have the option, to be exercised in writing if elected by Omeros, to pay for its Minimum Purchase Requirement at the Price set forth in Exhibit B and waive Hospira's Processing and Delivery obligations for the corresponding amount of Product. In the latter event, Hospira shall invoice Omeros for the amount payable to meet the Minimum Purchase Requirement, and Omeros shall pay Hospira such amount within [†] after receipt of Hospira's invoice.

3.10.6 **Failure/Inability to Supply.**

(a) At Least [‡]. If Hospira fails to, or is unable to, supply Omeros with at least [†] of the quantity of Product ordered by Omeros pursuant to the greater of (i) all Firm Purchase Orders received during [†], or (ii) Omeros' Firm Commitment for any [†].

(b) At Least [‡]. If Hospira fails to, or is unable to, supply Omeros with at least [†] of the quantity of Product ordered by Omeros pursuant to the greater of (i) all Firm Purchase Orders received during [†], or (ii) Omeros' Firm Commitment for any [†], then promptly thereafter Hospira's and Omeros' senior executives shall meet to develop a corrective action plan and/or remedy. If such mutually acceptable corrective action plan and/or remedy is not developed and mutually agreed [†] after the first meeting of such executives, then Omeros shall have the right, in its sole discretion, to either [†].

3.11 **Rework.** Hospira will not rework or reprocess Product unless authorized in advance by Omeros in writing and there is a validated process for such rework or reprocessing of Product. Re-inspection does not constitute rework or reprocessing.

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3.12 **Product Recalls.** In the event that any Product is recalled due to (a) the request, directive or order of any Regulatory Authority or other national government authority, (b) the order of a court of competent jurisdiction, or (c) a voluntary recall instituted by Omeros, Omeros shall coordinate such recall, and the Parties shall take all appropriate actions to carry out such recall and shall cooperate with any governmental investigations surrounding such recall. The cost of any such recall shall be borne by Hospira if the recall results from the failure of the Product to meet Specifications or Hospira's breach of this Agreement, including, without limitation, breach of Hospira's warranties under Section 4.1 of this Agreement [†]. Further, Hospira shall at Hospira's expense, replace any recalled Batches and shall purchase replacement APIs or other Materials from Omeros for such replacement Product at Omeros purchase cost/kg as set forth in Section 2.6.3; [†]. The cost of any other recall shall be borne exclusively by Omeros. For purposes of this Agreement, recall expenses shall include, without limitation, the expenses of notification and destruction or return of the recalled Product, cost of the recalled Product, and any costs associated with the APIs and other Materials for and Processing and distribution of replacement Product, but shall not include lost profits of either Party.

3.13 **Hazardous Waste.** Hospira shall be responsible for destruction of any and all hazardous waste, including, without limitation, rejected or recalled Product, rejected, excess or unsuitable APIs or other Materials, remainder, residue and refuse, subject first to completion of any retention periods and activities specified in this Agreement, in accordance with the Applicable Laws. Omeros shall bear the expense of destruction of hazardous waste, except for any hazardous waste resulting from Hospira's breach of this Agreement, including, without limitation, breach of any warranty under Section 4.1 herein, for which hazardous waste Hospira shall bear the expense.

3.14 **Cold Storage Fee.** A cold storage fee shall be due and payable to Hospira if Omeros stores Product at Hospira's plant for longer than thirty (30) days after Product's final release. The fee shall be [†] or any part thereof.

3.15 **Shipments per Batch.** Hospira shall make [†] shipments to Omeros of Product per Batch at no charge to Omeros. Any additional shipments of Product per Batch requested shall be at a fee of [†] per shipment plus shipping costs.

4. **REPRESENTATIONS AND WARRANTIES**

4.1 **Hospira Representations and Warranties.** Hospira represents and warrants that: (a) it has the full power, right and authority to execute and deliver this Agreement; (b) it shall use commercially reasonable best efforts to perform its obligations hereunder; (c) it will assign professional personnel, qualified to perform the Services in a manner consistent with the technical requirements of the Processing of Product; (d) none of its officers, directors, employees, Affiliates, contractors or agents has been debarred or, to Hospira's knowledge, threatened with debarment under the Generic Drug Enforcement Act or convicted of a crime which could lead to debarment, and it has not utilized, and will not utilize, the services of any individual or entity in the performance of any Services that has been debarred or threatened with debarment under the Generic Drug Enforcement Act, convicted of a crime that could lead to debarment or subject to any other penalty or sanction by the FDA; (e) it will conduct the Services in conformity with Applicable Laws including applicable cGMP, the procedures and

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parameters set forth in the Specifications, and generally accepted professional standards, and the event of any conflicts between the foregoing requirements, the most stringent requirement shall be met so long as consistent with all Applicable Laws; (f) each Certificate of Analysis will reflect the results of the tests conducted on the Batch of Product to which it relates, each Certificate of Compliance will be accurate and true, and the Batch Records delivered to Omeros will accurately reflect in all material respects the processes and procedures followed by Hospira in Processing Product as set forth in the Specifications; (g) the Product shall not have been and shall not be adulterated, misbranded, misused, contaminated, tampered with or otherwise altered, mishandled while in the custody and control of Hospira; and (h) it will not transfer to any third party any Product, other than (i) for the purpose of tests at any outside testing laboratory or consultant, as provided under Subsection 3.3.4, (ii) to Omeros' designee or (iii) to any subcontractor approved in accordance with Subsection 6.1. In the event that Hospira receives notice of the debarment or threatened debarment of any individual or entity utilized by Hospira in connection with the Product, Hospira shall notify Omeros in writing immediately, and Omeros shall have the right to terminate this Agreement upon written notice without further cost or liability, except for payments of accrued and unpaid obligations to the date of termination. Hospira further represents and warrants that it has obtained (or will obtain prior to Processing Product or performance of other Services), and will remain in compliance with during the term of this Agreement, all permits, licenses and other authorizations which are required under Applicable Laws for the Processing of Product or performance of other Services hereunder.

4.2 **Mutual Representations and Warranties.** Each Party hereby represents and warrants to the other Party that: (a) the person executing this Agreement is authorized to execute this Agreement; (b) this Agreement is legal and valid and the obligations binding upon such Party are enforceable by their terms; and (c) the execution, delivery and performance of this Agreement does not conflict with any agreement, instrument or understanding, oral or written, to which such Party may be bound, nor violate any law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

4.3 **Omeros Representations and Warranties.** Omeros represents and warrants: (a) if Omeros supplies APIs to Hospira for use in Processing the Product, then all such Omeros' supplied API at the time of delivery to Hospira shall be in conformity with the applicable Specifications and shall not be adulterated or misbranded within the meaning of the Act; (b) Hospira's Processing of Product and performance of the Services pursuant to the Specifications will not, to Omeros' knowledge, violate any third party proprietary right; and (c) Omeros will not sell Product into any jurisdiction unless and until Omeros receives any necessary Regulatory Authority approvals.

5. **RECORDS; REGULATORY MATTERS**

5.1 **Technical Records.** Hospira shall maintain complete, true and accurate Technical Records in accordance with Applicable Laws and as is reasonably necessary to support Omeros' regulatory filings with respect to Product. Hospira shall store all Technical Records for the longer of a period of at least [†] from the relevant Product manufacturing date or the period required under Applicable Laws, after which Hospira may dispose of the Technical Records or return the Technical Records (excluding General SOPs and any Confidential

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Information of Hospira) to Omeros in accordance with Omeros' express written instructions therefore. In the absence of such instructions, Hospira shall notify Omeros in writing of its intent to dispose of the Technical Records and request Omeros' instructions as to their disposal. If Omeros does not respond to such notice within sixty (60) days after receipt thereof, or in any event prior to the later destruction of such records, Hospira may destroy such records at its discretion and expense. Hospira shall, at any time upon Omeros' written request and at Omeros' reasonable expense, return the Technical Records to Omeros or transfer the Technical Records to any third party designated by Omeros.

5.2 **Drug Master File; Regulatory Filings.** Hospira shall file and maintain the appropriate drug master file ("**DMF**") and related reference applications (e.g., site master file) in accordance with the Applicable Laws in the Territory for its Processing of each Product under this Agreement, at Hospira's sole expense. Upon request by Omeros, Hospira shall make selected portions (including all portions relevant to the Processing of the Product) of its DMF and related reference applications, and all Technical Records available for inspection by authorized representatives of the FDA and other Regulatory Authorities. At Omeros' request and as agreed upon by Hospira, Hospira shall prepare some or all sections of Omeros' regulatory filings (including without limitation chemistry, manufacturing and control sections) for a Product that pertain to Hospira's Processing activities hereunder, or at Omeros' request shall assist Omeros in preparing such sections; provided that Omeros shall compensate Hospira for its reasonable out-of-pocket costs and expenses associated with such preparation activities. Hospira shall provide any additional information, and otherwise cooperate as reasonably requested by Omeros, at Omeros' reasonable cost and expense, in support of any regulatory filings related to Product, including in the preparation and maintenance of such regulatory filings, which regulatory filings shall be filed by Omeros at its sole cost and expense in its sole discretion and shall be the sole and exclusive property of Omeros.

5.3 **Communications with Regulatory Authorities.** Omeros shall be solely responsible for all contacts and communications with any Regulatory Authority with respect to all matters relating to Product. At Omeros' request and expense, Hospira shall make appropriate personnel reasonably available for meetings with Regulatory Authorities related to Hospira's Processing of Product or other Services. Other than during an audit or inspection by any Regulatory Authority, Hospira shall have no contact or communication with any Regulatory Authority regarding a Product or regarding Hospira's Processing activities or other Services related to Product without the prior written consent of Omeros, which consent may be granted or withheld in Omeros' sole discretion, except as provided in Subsection 5.6 or as required by Applicable Law or a Regulatory Authority. Hospira shall notify Omeros immediately, and in no event later than two (2) business days, after receiving any contact or communication from any Regulatory Authority that in any way directly relates to Product or Hospira's Processing activities or other Services.

5.4 **Compliance.** Hospira shall comply in all material respects with all regulatory requirements with respect to Product that are imposed upon Hospira (as the provider of Services hereunder) by Applicable Law from time to time, including, but not limited to, those relating to environmental, health, and safety matters. Omeros shall comply in all material respects with all regulatory requirements with respect to Product that are imposed upon Omeros (as the holder of

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any Investigational New Drug application or New Drug Application and any similar global applications with respect to Product) by Applicable Law from time to time.

5.5 **Audits; Right of Access.** Hospira shall permit Omeros personnel and authorized representative(s), or shall ensure that Omeros personnel and authorized representative(s) shall be entitled (a) to inspect, observe and audit the Processing of Product and other Services, the Facility and any other locations at which Product may be Processed with Omeros' consent, (b) to examine the condition of the Materials, Omeros Property, and Product stored at the Facility, and (c) to examine all Product Data, Technical Records and all other documentation related to this Agreement, including, without limitation, maintenance logs for the purposes of ensuring compliance with cGMP and Hospira's trade secrets and other Confidential Information related to its manufacturing processes to the extent relevant to the Processing of Product and/or other Services performed by Hospira hereunder, not to exceed [†] (except "for cause" audits as set forth below in this Subsection) during the term of this Agreement, subject to reasonable notice and prior approval by Hospira, such approval not to be unreasonably withheld, during regular business hours, and for a period not to exceed [†]; provided that such Omeros personnel and/or authorized representative(s) shall be bound to obligations of confidentiality pursuant to this Agreement or pursuant to a separate, executed confidentiality agreement that imposes an obligation of confidentiality no less onerous than the obligation imposed pursuant to Section 8 of this Agreement. Notwithstanding these limitations, Omeros personnel and/or representatives shall be entitled to observe the Processing of Product and other Services at any time upon reasonable notice and for a reasonable duration during regular business hours (including during any shift that is engaged in Processing of Product or performance of other Services). Omeros shall be entitled to conduct "for cause" audits following issuance of Form 483s or similar reports delivered by Regulatory Authorities to Hospira pertaining to the Processing of Product, performance of other Services, or the occurrence of other events which are likely to adversely affect the Processing of Product or other Services as frequently as requested by Omeros at reasonable times and for reasonable duration (which may exceed [†] days) until Hospira has corrected such deficiencies, subject to Hospira approval, such approval not to be unreasonably withheld. Hospira shall audit its permitted subcontractors and suppliers for compliance with the Specifications and Applicable Laws, including cGMP according to Hospira's standard subcontractor audit procedures, if the subcontractors are chosen by Hospira. Omeros shall be responsible for audit of all subcontractors and suppliers that have been selected by Omeros in lieu of subcontractors and suppliers recommended or routinely used by Hospira. During Omeros' audits of the Facility, Omeros shall have the right to confirm Hospira's compliance with Hospira's standard operating procedures for auditing subcontractors and suppliers for any Products Processed or other Services performed under this Agreement.

5.6 **Regulatory Inspections.** Hospira shall advise Omeros no later than the next day that is not a Saturday, Sunday or federal or state holiday if an authorized agent of any Regulatory Authority or any other regulatory body plans to visit the Facility, and makes an inquiry regarding Hospira's Processing of Product or performance of other Services regarding any part of the Facility that is used in Processing of Product or performance of other Services. Omeros shall have the right to be present at any visit directly relating to the Product or otherwise with Hospira's approval, which approval shall not be unreasonably withheld, and to review in advance and comment on any response to the communication or investigation submitted by

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Hospira (but no more than [†] Omeros personnel shall be present during any such visit). Hospira shall cooperate fully with Omeros in providing the information needed for any such communication. Hospira shall provide to Omeros copies of any Form 483s or equivalent documents delivered by such Regulatory Authority or regulatory body as a result of such visit, to the extent that the 483 or other document specifically mentions Product. Portions of the 483 or other document not relating to Product will be redacted.

5.7 **Product Complaints.** Omeros shall maintain customer complaint and adverse event files in accordance with Applicable Laws. Any such complaints received by Hospira shall be forwarded to Omeros. Omeros shall be responsible for the review of the complaint or adverse event to determine the need for an investigation or the need to report to the FDA, as required by Applicable Laws. Omeros shall provide Hospira copies of all Product performance or manufacturing-related complaints that relate directly to Processing of Product by Hospira and require investigation, as well as copies of the results of such investigation. Hospira shall cooperate and assist Omeros in any such investigations and shall fully report findings of any investigation it conducts to Omeros. Omeros shall make specific complaint and adverse event files available for inspection, to the extent required by any Regulatory Authority, during inspection of Hospira's facilities.

5.8 **Hospira Right to Review.** Hospira shall have the right to review and consult on those portions of Omeros' proposed regulatory submissions relating to Hospira's Processing procedures before any submissions are filed with appropriate Regulatory Authorities. Omeros shall use commercially reasonable efforts to provide Hospira with no less than fifteen (15) business days to review any such proposed regulatory submissions and Hospira will use commercially reasonable efforts to expedite any review. Omeros shall provide copies and consult with Hospira and Hospira may advise Omeros in responding to questions from the Regulatory Authorities regarding Omeros' submission(s) for Product. Omeros shall provide to Hospira for its files a final copy of the Chemistry, Manufacturing and Controls section of any such regulatory submission(s) related to Hospira's Processing.

6. **SUBCONTRACTORS**

6.1 **Conditions.** [†] Hospira shall be responsible, and shall remain liable, for the performance of all of its obligations under this Agreement and for any breach by any subcontractor. Omeros shall have the right to audit and inspect all subcontractors (including, without limitation, all vendors and testing contractors) with whom Hospira may enter into agreements in the performance of Services. Such audit and inspection rights shall be substantially similar to the rights of Omeros to audit and inspect Hospira under this Agreement. Hospira shall ensure that all agreements with such subcontractors include provisions to maintain the confidentiality of Omeros' Confidential Information, and shall provide Omeros rights with respect to such subcontractors that are substantially similar to the access rights granted to Omeros under Subsection 5.5 above.

7. **INTELLECTUAL PROPERTY**

7.1 **Ownership of Intellectual Property.** Except as expressly set forth in this Agreement or as the Parties may otherwise agree in writing, each Party owns, and shall continue

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to own, its existing Intellectual Property as of the Effective Date of this Agreement, and its Intellectual Property developed, acquired or obtained by such Party after the Effective Date of this Agreement independently of the other Party and the Services, without conferring any interest therein on the other Party. [†] The parties recognize that Hospira is in the business of developing, manufacturing, and selling generic pharmaceutical products. Nothing in this provision is intended to prohibit Hospira from independently developing, manufacturing, and/or selling any pharmaceutical product provided that Hospira does not utilize, refer to, and/or rely upon any [†] in the development, manufacturing, and/or sale of such product in contravention of the exclusive license granted to Omeros herein. The preceding sentence does not in any way convey to Hospira any right or license to Omeros' Intellectual Property, including without limitation the New Omeros IP, or to Omeros' Confidential Information, or limit Hospira's obligations with respect to the same as provided in this Agreement.

7.2 **License to Hospira.** During the Term, Omeros hereby grants to Hospira a royalty-free, non-exclusive license, without a right to sublicense, to use and exploit Intellectual Property owned by or licensed to Omeros and used in connection with the Processing of Product, solely to the extent necessary to Process Product for Omeros under the terms and conditions of this Agreement.

7.3 **Product Data.** All Product Data, including, without limitation, all Batch Records and other Product-specific Technical Records generated or obtained by Hospira in connection with this Agreement, and all Specifications, including, without limitation, Master Batch Records generated or obtained by Hospira in connection with this Agreement, but excluding General SOPs, shall be the sole and exclusive property of Omeros and shall be deemed to be Omeros' Confidential Information. Upon expiration or termination of this Agreement or the earlier request of Omeros, Hospira shall send to Omeros at Omeros' sole and reasonable expense, complete copies of all Product Data and Specifications in written and (where available) editable electronic form. The Product Data shall be prepared, documented and communicated by Hospira in a manner consistent with the Specifications or as otherwise instructed by Omeros.

7.4 **No Implied Right or License.** Nothing contained in this Agreement shall be implied to grant to either Party any right or license with respect to the other Party's Intellectual Property or Confidential Information of the other Party, except as specifically provided in this Agreement.

8. **CONFIDENTIALITY**

8.1 **Confidential Information.** Each Party agrees that the disclosing Party has and shall retain sole and exclusive rights of ownership in all Confidential Information disclosed or owned by such Party. Each Recipient agrees that during the term of this Agreement and for [†] thereafter it will not use any Confidential Information of the disclosing Party except for the purposes of performing under this Agreement, unless otherwise agreed by the Parties in writing. Each Recipient agrees not to disclose any Confidential Information of the disclosing Party to others (except to Recipient's employees, consultants, professional advisors, agents and Affiliates who reasonably require disclosure of such Confidential Information to achieve the purposes of this Agreement and who are bound to the Recipient by like obligations as to confidentiality no

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less stringent than those set forth herein) during the term of this Agreement and for [†] thereafter without the prior written consent of the disclosing Party. Hospira agrees that with respect to the Product Data, the Specifications and the Omeros New IP, which are included in Omeros' Confidential Information, these obligations of non-use and confidentiality shall subsist beyond five years after the termination of this Agreement. Each Party agrees to maintain and follow reasonable procedures to prevent unauthorized disclosure or use of the other Party's Confidential Information and to prevent it from becoming disclosed or being accessed by unauthorized persons. Each Party agrees that it may disclose to authorized persons only such Confidential Information of the disclosing Party as is necessary for each such authorized person to perform its responsibilities under this Agreement. Recipient shall advise the disclosing Party of any disclosure, loss, or use of Confidential Information of the disclosing Party in violation of this Agreement as soon as practicable. Each Party agrees to return or destroy the Confidential Information of the other Party, whether in written, graphic, electronic or other tangible form, upon written request, provided, however, that legal counsel for each Party may retain an archival copy of Confidential Information solely for purposes of ensuring compliance with this Agreement.

8.2 **Disclosure of this Agreement.** The terms of this Agreement shall be considered each Party's Confidential Information, and accordingly except for disclosures expressly permitted under this Agreement, neither Party may release any information to any third party regarding the terms of this Agreement without the prior written consent of the other Party except as required by law or regulation. Notwithstanding the foregoing, the terms of this Agreement may be disclosed by Omeros to its existing or potential investors, acquirers, merger partners, commercial partners, shareholders, directors and professional advisors as long as such parties are subject to similar conditions of confidentiality.

8.3 **Permitted Disclosures.** Notwithstanding anything to the contrary, a Party may disclose the Confidential Information of the other Party only to the extent such disclosure is reasonably necessary : (a) to secure patent protection for an Intellectual Property developed pursuant to this Agreement consistent with the ownership set forth in Subsection 7.1; or (b) to comply with Applicable Law, requirements of any Regulatory Authority or other regulatory or governmental agency, including without limitation the FDA, the Securities and Exchange Commission, the Federal Trade Commission and/or the Department of Justice, or judicial order from a court of competent jurisdiction; or (c) in order to conduct pre-clinical or clinical trials or seek regulatory approval to market Product. Prior to making any such permitted disclosures, however, the disclosing Party shall give reasonable advance notice to other Party with as much detail as possible in relation to the disclosure. Each Party agrees that it shall cooperate fully and in a timely manner with the other Party with respect to all such permitted disclosures, including determining what information should be released and requests for confidential treatment of Confidential Information of either Party included in any such disclosure; provided that in no event shall a Party be required to delay any filing or release unreasonably hereunder.

8.4 **Remedies.** Because of the unique nature of the Confidential Information, each Recipient acknowledges and agrees that the disclosing Party may suffer irreparable injury if the Recipient fails to comply with the obligations set forth in this Section 8, and that monetary damages may be inadequate to compensate the disclosing Party for such breach. Accordingly,

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each Recipient agrees that the disclosing Party will, in addition to any other remedies available to it at law, in equity or otherwise, without the requirement to post a bond, be entitled to seek injunctive relief and/or specific performance to enforce the terms, or prevent or remedy the violation, of this Section 8. This provision shall not constitute a waiver by either Party of any rights to damages or other remedies which it may have pursuant to this Agreement or otherwise.

9. **NO WARRANTY; LIMITATION OF LIABILITY; INDEMNIFICATION; INSURANCE**

9.1 **No Warranty; Limitation of Liability.** EXCEPT AS EXPRESSLY SET FORTH HEREIN, EACH PARTY DISCLAIMS ALL CONDITIONS, REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OTHER THAN THAT THE PRODUCT MEETS THE SPECIFICATIONS, OR ANY WARRANTY OF NON-INFRINGEMENT OF THIRD PARTY RIGHTS. UNDER NO CIRCUMSTANCES SHALL EITHER PARTY, ANY OF ITS AFFILIATES OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, AGENTS, LICENSORS OR PARTNERS BE LIABLE FOR ANY SPECIAL, INDIRECT, INCIDENTAL, EXEMPLARY, CONSEQUENTIAL OR PUNITIVE DAMAGES OR LIABILITIES (INCLUDING, WITHOUT LIMITATION, SUCH DAMAGES OR LIABILITIES FOR LOSS OF PROFITS, BUSINESS, USE OR OTHER ECONOMIC ADVANTAGE) ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT (INCLUDING PERFORMANCE OR FAILURE TO PERFORM HEREUNDER), EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY THEREOF, AND REGARDLESS OF THE LEGAL OR EQUITABLE THEORY (CONTRACT, TORT, OR OTHERWISE).

9.2 **Omeros' Indemnification.** Omeros shall indemnify, defend and hold harmless Hospira and its officers, employees and agents (collectively, the "**Hospira Indemnitees**") from and against any and all liabilities, obligations, penalties, claims, judgments, demands, suits, costs and expenses (including, without limitation, reasonable attorneys' fees) (any of the foregoing, "**Damages**") arising out of or occurring as a result of a claim or demand made by an unaffiliated third party against a Hospira Indemnitee for property damage or personal injury (including, without limitation, death), in connection with: (a) Omeros' storage, promotion, labeling, marketing, distribution, use or sale of Product; (b) Omeros' negligence, wrongful act or willful misconduct; (c) any breach by Omeros of its obligations, representations, warranties or covenants under this Agreement; (d) the lack of safety or efficacy of the APIs or Product; or (e) any violation of any patent or proprietary right of any third party relating to the APIs, Specifications or Product other than Hospira's General SOPs or other Hospira developed Development or Processing procedures used in the Processing of Product pursuant to this Agreement, except to the extent that any such Damages are caused by (i) any failure of the Product to meet the Specifications or any Latent Defect in the Product caused by a Hospira Indemnitee, (ii) the gross negligence or willful misconduct of a Hospira Indemnitee, (iii) by the breach by a Hospira Indemnitee of its obligations, representations, warranties or covenants under this Agreement, including, without limitation, failure to comply with the Specifications or any Applicable Laws, (iv) by the violation of any patent or proprietary Intellectual Property

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right of any third party that was known to Hospira and was not known to Omeros at the time of such violation, (v) the purchase, transportation, storage, use, handling or disposal of any hazardous substances in connection with performance of the Services by a Hospira Indemnitee, or (vi) any claim that the Processing or performance of Services by a Hospira Indemnitee pursuant to Hospira's General SOPs or other Hospira developed Development or Processing procedures violates a proprietary Intellectual Property right of any third party (except to the extent that such claim results from the Specifications or other instructions or directions from Omeros).

9.3 **Hospira's Indemnification.** Hospira shall indemnify, defend and hold harmless Omeros and its officers, employees, and agents (collectively, the "**Omeros Indemnitees**"), from and against any and all Damages arising out of or occurring as a result of a claim or demand made by an unaffiliated third party against an Omeros Indemnitee for property damage or personal injury (including, without limitation, death) in connection with: (a) Hospira's negligence or willful misconduct; (b) any failure of the Product to meet the Specifications, any Latent Defect in the Product caused by Hospira; (c) any breach by Hospira of its obligations, representations, warranties or covenants under this Agreement, including, without limitation, Hospira's failure to comply with the Specifications or any breach by Hospira of the Applicable Laws; (d) Hospira's purchase, transportation, storage, use, handling or disposal of any hazardous substances in connection with performance of the Services; or (e) any claim that the Processing or performance of Services by Hospira pursuant to Hospira's General SOPs or other Hospira developed Development or Processing procedures violates a proprietary Intellectual Property right of any third party (except to the extent that such claim results from the Specifications or other instructions or directions from Omeros), except to the extent that any such Damages are caused by; (i) the gross negligence or willful misconduct of an Omeros Indemnitee, or (ii) by the breach by an Omeros Indemnitee of its obligations, representations, warranties or covenants under this Agreement.

9.4 **Procedure.** In the event that any third party claim, action or suit is instituted against a Party (the "**Indemnified Party**") or its employees, officers or agents in respect of which indemnity may be sought pursuant to this Section 9, the Indemnified Party will promptly notify the other Party (the "**Indemnifying Party**") in writing (provided that the failure to give such notice promptly will not prejudice the rights of an Indemnified Party, except to the extent that the failure to give such prompt notice materially adversely affects the ability of the Indemnifying Party to defend the claim, action or suit). Promptly after the Indemnified Party gives such written notice, the Indemnifying Party and the Indemnified Party shall meet to discuss how to respond to such claim, action or suit. The Indemnifying Party shall control the defense of such claim, action or suit. The Indemnified Party shall cooperate with the Indemnifying Party in the defense of such claim, action or suit, at the expense of the Indemnifying Party. In any such proceeding, the Indemnified Party shall also have the right to retain its own counsel at its own expense. The Indemnifying Party shall not be liable for Damages with respect to a claim, action or suit settled or compromised by the Indemnified Party without the Indemnifying Party's prior written consent. No offer of settlement, settlement or compromise by the Indemnifying Party shall be binding on an Indemnified Party without the Indemnified Party's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed), unless such settlement fully releases the Indemnified Party without any liability, loss, cost or obligation to

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such Indemnified Party, provided, however, that the Indemnifying Party shall have no authority to take any action as part of any such defense or settlement that invalidates or otherwise compromises or renders unenforceable the Indemnified Party's Intellectual Property without the Indemnified Party's express prior written consent.

9.5 **Insurance.** Each Party will procure and maintain, at its own expense, for the duration of the Agreement, and for [†] thereafter if written on a claims made or occurrence reported form, the types of insurance specified below with carriers rated A- VII or better with A. M. Best or like rating agencies:

(a) Workers' Compensation accordance with applicable statutory requirements and each party shall provide a waiver of subrogation in favor of the other party;

(b) Employer's Liability with a limit of liability in an amount of not less than [†]; and

(c) Commercial General Liability including premises operations, products & completed operations, blanket contractual liability, personal injury and advertising injury including fire legal liability for bodily injury and property damage in an amount not less than [†] per occurrence and [†] in the aggregate;

Each Party shall include the other party and their subsidiaries, affiliates, directors, officers, employees and agents as additional insured's with respect to Commercial General Liability and Excess Liability but only as their interest may appear by written contract. Each Party shall make available to the other Party, at such other Party's request, evidence of its maintenance of insurance in satisfaction of its obligations under this Subsection 9.5. In the case of cancellation, non-renewal or material change in said coverage, Each Party shall promptly provide to the other Party with a new certificate of insurance evidencing that the coverage meets the requirements in this Subsection 9.5. Each Party agrees that its insurance shall act as primary and noncontributory from any other valid and collectible insurance maintained by the other Party. Each party may, at its option, satisfy, in whole or in part, its obligation under this Subsection 9.5 through its self- insurance program, subject to the other party's review and approval of the sufficiency of such program.

10. **TERM; TERMINATION**

10.1 **Term.** This Agreement shall be effective as of the Effective Date, and shall continue for [†] after the date of the first commercial sale of Product (the "**Initial Term**"), unless earlier terminated in accordance with this Agreement. This Agreement shall automatically renew for up to [†] additional [†] periods, commencing at the expiration of the Initial Term and any extensions thereof, unless either Omeros or Hospira should terminate the Agreement by giving the other Party written notice of intent to terminate at least [†] prior to the expiration of the Initial Term or any extension thereof. The Initial Term as it may be extended shall be referred to herein as the "**Term**."

10.2 **Termination for Cause.** Either Party shall have the right to terminate this Agreement (a) for an uncured material breach by the other Party; or (b) for bankruptcy or insolvency of the other Party, as further specified herein below in this Subection 10.2. In the

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event that a Party materially breaches this Agreement, the other Party shall deliver written notice to the breaching Party describing such breach in detail, which notice shall include a statement of the non-breaching Party's intent to terminate this Agreement unless such breach is remedied. If the breaching Party does not cure such breach within sixty (60) days following receipt of such written notice from the non-breaching Party, the non-breaching Party may terminate this Agreement by sending a written notice of termination to the breaching Party In the event that a Party goes into liquidation, or seeks the benefit of any bankruptcy or insolvency act, or a receiver or trustee is appointed for its property or estate, or it makes an assignment for the benefit of creditors, whether any of the aforesaid events be the outcome of the voluntary act of such Party or otherwise, and such procedures are not terminated within ninety (90) days, the other Party may terminate this Agreement by sending a written notice of termination to such Party.

10.3 **Termination by Omeros.** Omeros shall have the right to terminate this Agreement at any time, without penalty:

10.3.1 *for all countries, if, prior to Launch of the Product in any country in the Territory,* [†].

10.3.2 *on a country by country basis within the Territory, if, at any time before or after Launch of the Product in such country(ies) in the Territory:* [†].

10.3.3 *for all countries, if, after Launch of the Product in any country in the Territory:* [†].

Except as specified above, termination of this Agreement as to any country in the Territory shall not automatically terminate this Agreement for any remaining countries in the Territory.

10.4 [†]

10.5 **Termination by Mutual Consent.** The Parties may terminate this Agreement at any time by mutual written consent.

10.6 **Effects of Termination.**

10.6.1 **Return of Omeros Property and Product.** Upon expiration or earlier termination of this Agreement for any reason, Hospira shall return to Omeros all Omeros Property and Product (other than samples retained under Subsection 3.6) within thirty (30) days after the date of such expiration or termination.

10.6.2 [†]

10.6.3 **Inventory.** Upon termination pursuant to this Section 10, and except in instances of breach by Hospira including without limitation failure of Product to meet Specifications, Omeros shall purchase all inventory on hand and, if applicable, work in progress and reimburse Hospira for Hospira's cost of all supplies purchased and on hand or on order, if such supplies were ordered by Hospira based on firm purchase orders or Omeros' estimates of its requirements

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of Product, and such supplies cannot be reasonably used by Hospira for other purposes. Hospira shall invoice Company for all amounts due hereunder.

11. **FORCE MAJEURE**

11.1 **Excuse from Performance.** Either Party shall be excused from performing its respective obligations under this Agreement if its performance is delayed or prevented by any event beyond such Party's reasonable control, including, but not limited to, acts of God, fire, explosion, weather, disease, war, insurrection, civil strife, riots, government action, earthquake, terrorism, or power failure; provided that such performance shall be excused only to the extent of and during such disability and the affected Party shall use commercially reasonable efforts to resume performance as soon as reasonably practicable. Any time specified for completion of performance during or subsequent to the occurrence of any or all such events shall be automatically extended for a commercially reasonable period of time to enable the affected Party to recover from such disability. Hospira shall immediately notify Omeros if, by reason of any of the events referred to herein, Hospira is unable to meet any such time for performance. Capacity constraints due to the volume of business at Hospira shall not be deemed a force majeure event. If Hospira experiences a force majeure event that interferes with Processing of Product at Hospira's Facility, Hospira shall, at Omeros' discretion and request, cooperate in good faith with Omeros in expeditiously transferring Processing to another of Hospira's facilities, if available. The Parties shall mutually discuss and implement in good faith an agreed-upon action plan for such transfer. The Parties understand and agree that Omeros has chosen the excipient and primary container packaging component suppliers listed in the Specifications and Hospira has agreed to such suppliers. In the event that Hospira has reasonably objected in writing to the use of such suppliers based on demonstrable quality or reliability concerns, and Omeros has unreasonably refused alternate suppliers proposed by Hospira for reasons other than demonstrable quality or reliability concerns, then under such circumstances, Hospira shall not have any liability to Omeros, nor shall Hospira be deemed to be in breach of this Agreement, if Hospira is unable to supply Product to Omeros due to a failure of such suppliers to provide such excipients and/or primary container packaging components to Hospira.

12. **MISCELLANEOUS**

12.1 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to conflicts of laws or rules thereof.

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12.2 **Dispute Resolution.** In the event of a dispute arising from the performance of this Agreement, each Party agrees to notify the other Party of the specific complaints or points of disagreement, and to use its good faith efforts to resolve any such disputes without legal action. Except for a dispute arising under Subsection 3.3 (which shall be resolved in accordance with Subsection 3.3.4), in the event such good faith efforts fail, such dispute shall be first referred to authorized executives of each Party (collectively, "**Executives**") for resolution, upon one Party providing the other Party with written notice that such dispute exists and has not been resolved. The Executives shall attempt to resolve such dispute through good faith discussions prior to instituting any civil action to resolve such dispute.

12.3 **Independent Contractors.** For purposes of this Agreement, Hospira shall be deemed to be an independent contractor and not an agent or employee of Omeros or a joint venturer with Omeros, and nothing in this Agreement shall be construed to create any other relationship between Hospira and Omeros. Neither Party shall have any right, power, or authority to assume, create, or incur any expense, liability or obligation, expressed or implied, on behalf of the other Party. Hospira shall be solely responsible for withholding and payment of all appropriate state and federal taxes, including social security payments, with respect to all of its employees.

12.4 **Importer of Record.** In the event any APIs or other Materials supplied by Omeros are imported into the United States for delivery to Hospira, Omeros shall be the importer of record of such APIs or other Materials, unless otherwise agreed with Hospira.

12.5 **Severability/Enforceability.** If any provision(s) of this Agreement shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, this Agreement shall continue in full force and effect without said provision(s), consistent with the intent of the Parties at the time of its execution. If deletion of such provision materially alters the basis of this Agreement, then the Parties shall negotiate a good faith alternative.

12.6 **Modification/Waiver.** This Agreement may not be altered, amended, or modified (nor shall any obligation or breach be deemed waived) in any way, unless such alteration, amendment or modification is in writing and signed by the Parties (or unless such waiver is in writing and signed by the waiving Party). The failure of a Party to enforce any provision(s) of this Agreement shall not be construed to be a waiver of the right of such Party to thereafter enforce that provision or any other provision or right.

12.7 **Notices.** All notices and demands required or permitted to be given or made pursuant to this Agreement shall be in writing and shall be deemed given if delivered personally or by facsimile transmission (receipt verified), mailed by registered or certified mail (return receipt requested), postage prepaid, or sent by express courier service, properly addressed to the address of the Party to be notified as shown below:

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If to Hospira:

Hospira Worldwide Inc.
D-988, Building H1
275 North Field Drive
Lake Forest, Illinois 60045
Attention: VP & GM, One2One Global Contract Manufacturing Services
Facsimile: 224-212-3210

With a copy to:

Hospira, Inc.
Building H1, Dept NLEG
275 North Field Drive
Lake Forest, Illinois 60045
Attention: General Counsel
Facsimile: 224-212-2088

If to Omeros:

Omeros Corporation
1420 Fifth Avenue, Suite 2600
Seattle, Washington 98101
Attention: Chief Executive Officer
With a copy to: Vice President, Patent & General Counsel
Facsimile: 206-264-7856

or to such other address as to which either Party may notify the other. Any notice sent by facsimile transmission shall be followed within twenty-four (24) hours by a signed notice sent by first class mail, postage prepaid or by express courier service.

12.8 **Assignability.** Neither Party may assign its rights and/or delegate its obligations under this Agreement without the other Party's prior written consent (which shall not be unreasonably withheld or delayed); provided that either Party may assign or transfer this Agreement to any successor in interest (whether by merger, acquisition, asset purchase or otherwise) to all or substantially all of its business to which this Agreement relates, provided that the assigning Party shall provide written notice to the other within thirty (30) days prior to such assignment. The obligations and rights under this Agreement shall be binding upon all permitted assigns.

12.9 **Public Announcements.** Subject to disclosures permitted under Subsections 8.1, 8.2 and 8.3 or as otherwise required by law or regulation, no public announcement relating to this Agreement shall be made by either Party without the prior written consent of the other Party, and neither Party shall use the other Party's name, trademark or trade name, or the name of any employee of the other Party, in any advertising or news release (including, without limitation, any posting on the worldwide web) without the prior written consent of the other Party.

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12.10 **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns.

12.11 **Survival.** The following Sections and Subsections shall survive the termination or expiration of this Agreement for any reason: Sections 1 (to the extent definitions are embodied in the following Sections and Subsections), 4, 5, 7, 8, 9, 11 and 12 and Subsections 2.2.1, 3.1 (for Processed Product), 3.2, 3.3, 3.4 (except for replacement of non-conforming Product), 3.6 and 3.7 (with respect to retention of samples), 3.12, 3.13, 5.1-5.4, 5.6, 5.7, 5.8 and 10.6.

12.12 **Integration.** This Agreement including any Exhibits hereto, shall constitute the entire Agreement between the Parties with respect to the subject matter hereof, and shall supersede all prior communications, understandings, and agreements (including any prior confidentiality agreement) with respect thereto.

12.13 **Counterparts.** This Agreement may be executed by original or facsimile signature in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

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IN WITNESS THEREOF, the Parties have caused this Agreement to be duly executed as of the Effective Date.

OMEROS CORPORATION

By: /s/ Gregory A. Demopulos
Gregory A. Demopulos, M.D.
Chairman & CEO

HOSPIRA WORLDWIDE, INC.

By: /s/ Thomas Moore
Thomas Moore
President, Global Pharmaceuticals

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EXHIBIT A

PRODUCT ATTRIBUTES

Commercial Product

- § Manufactured at Hospira's McPherson, Kansas facility [†]
- § [†]
- § [†]
- § [†]
- § [†]
- § Bulk APIs to be supplied by Omeros, [†].
- § [†]
- § Release testing to be performed by Hospira with issuance of a Certificate of Analysis
- § [†]

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EXHIBIT B

PRODUCT PRICING

[†]

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EXHIBIT C

PRODUCT STABILITY MATRIX

A stability time point matrix shall be mutually agreed in writing.

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Exhibit 10.29

EXCLUSIVE LICENSE AND SPONSORED RESEARCH AGREEMENT

between

OMEROS CORPORATION and the UNIVERSITY OF LEICESTER

This license agreement (the "Agreement") is made effective the 10th day of June 2004 (the "Effective Date") between Omeros Corporation, a Washington corporation having a principal place of business at 1420 Fifth Avenue, Suite 2600, Seattle WA 98101 USA ("Omeros") and the University of Leicester, having a principal place of business at University Road, Leicester LE1 7RH, United Kingdom ("Leicester").

WHEREAS Leicester owns rights to certain technology related to mannan-binding lectin associated serine protease-2 ("MASP-2") and a MASP-2 related plasma protein of 19 kDa commonly referred to as "MAp19", which technology was developed in whole or in part by Wilhelm J. Schwaeble, Ph.D., ("Dr. Schwaeble" or the "Principal Investigator") and Cordula M. Stover, Ph.D. ("Dr. Stover"), both employees of Leicester, and has obtained ownership of related technology developed by Teizo Fujita ("Dr. Fujita") of the Fukushima Medical University, School of Medicine ("Fukushima"); and

WHEREAS Omeros wishes to undertake an exclusive license in Leicester's MASP-2 and MAp19 technology (including the related technology developed by Dr. Fujita), and to sponsor further research to develop Leicester's MASP-2 and MAp19 technology at Leicester under the direction of the Principal Investigator; and

WHEREAS Leicester wishes to grant Omeros an exclusive license in Leicester's MASP-2 and MAp19 technology (including the related technology developed by Dr. Fujita) in return for potential royalty payments and sublicense revenue sharing, and to accept payment for such sponsored research;

NOW THEREFORE, in consideration for the mutual covenants and obligations set forth herein as well as other good and valuable consideration, the parties hereby agree as follows:

1 **Definitions**

1.1 Reference to "Leicester" and "Omeros" in regards to any intellectual property right developed by the respective party shall be construed to refer to the respective party as well as the respective party's employees, officers, directors, consultants and agents.

1.2 "Intellectual Property Rights" shall mean all inventions, ideas, discoveries, issued, reissued or reexamined patents, pending and future patent applications, continuation, continuation-in-part and divisional patent applications, utility models, inventor's certificates, trade secrets, know-how, copyrights and trademarks.

1.3 "Sponsored Research" shall mean all research activities carried out by Leicester and/or its employees (as may be agreed by Leicester and Omeros) with the financial sponsorship, in whole or in part, by Omeros in accordance with Section 2 herein below or as otherwise agreed.

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1.4 "Leicester IP" shall mean all Intellectual Property Rights owned or held by Leicester, including without limitation all such Intellectual Property Rights arising from the work of Dr. Schwaeble, Dr. Stover, and/or other Leicester employees as well as that acquired under an assignment agreement from Dr. Fujita, prior to the Effective Date of this Agreement, or developed or obtained by Leicester after the Effective Date of this Agreement both (a) independently of Omeros (as determined by inventorship under US law with respect to any patents and patent applications) and (b) independently of the Sponsored Research, provided however that in the event and to the extent that such independently developed Intellectual Property Rights arise as the direct result of sponsorship by a not-for-profit enterprise in accordance with Section 4.3 herein, such independently developed Intellectual Property Rights shall be included within the scope of the license granted herein only if Leicester or Leicester employee(s) obtain an assignment or release of such independently developed Intellectual Property Rights from such not-for-profit enterprise, which assignment or release Leicester shall exert all reasonable efforts to obtain or to cause its employees to obtain, provided always that any of the Intellectual Property Rights described above in this section 1.4 are directly related to compositions, antibodies and/or methods for the inhibition of MASP-2 and/or MAp19 and/or the diagnosis and/or treatment of MASP-2 or MAp19 mediated disorders and/or deficiency syndromes, as well as methods, polynucleotides, polypeptides, sequences and tools related to the development and production of MASP-2 or MAp19 antibodies including without limitation murine, human, humanized and recombinant antibodies, murine lines in which MASP-2 or MAp19 genes have been knocked-out or knocked-in, and all Intellectual Property Rights in the subject matter disclosed or claimed in the draft patent application entitled GENETICALLY MODIFIED NON-HUMAN MAMMALS AND CELLS filed in the British Patent Office on 10 June 2004 and attached hereto as Exhibit A [†].

1.5 "Omeros IP" shall mean all Intellectual Property Rights owned or held by Omeros prior to the Effective Date of this Agreement, or developed or obtained by Omeros after the Effective Date of this Agreement independently of Leicester (as determined by inventorship under US law with respect to any patents and patent applications), including without limitation all such Intellectual Property Rights related to methods and pharmaceuticals or other agents to inhibit pain, inflammation, cartilage loss, vasospasm, smooth muscle spasm, restenosis, or tumor cell adhesion, and/or to accelerate recovery of joint motion and function, for use in surgical procedures (including without limitation arthroscopic, cardiovascular, urologic and general surgical procedures), other medical procedures, and/or for treatment of cartilaginous disorders, and drug delivery methods and systems.

1.6 "Joint IP" shall mean (a) all Intellectual Property Rights in technology that is developed jointly (as determined by inventorship with respect to any patents and patent applications) by Omeros and Leicester (as may be agreed by Leicester and Omeros) during the Sponsored Research Term (as that term is defined in Section 2.2 herein), and (b) all Intellectual Property Rights arising from and as the direct result of the Sponsored Research. Should Dr. Schwaeble or other Leicester employees enter into a consulting agreement with Omeros for general scientific consulting such as in the field of

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inflammation, then to the extent that such scientific consulting services may pertain to MASP-2 and MAp19, the results of such scientific consulting services will be treated as part of the Joint IP. However, the parties acknowledge herein that research by Dr. Schwaeble and other Leicester employees on behalf of Omeros related to MASP-2 and MAp19 will be carried out in major part through the Sponsored Research.

1.7 [†]

1.8 "Licensed Products" shall mean all antibodies, inhibitors and all other products that, were it not for the license granted to Omeros under this Agreement, infringe, or the use, manufacture, offer for sale or sale of which infringe any valid and subsisting claim(s) of any issued patent or any patentable claim(s) of any pending patent application included within the Leicester IP in the country or countries in which such products are offered for sale, sold, manufactured or used, excluding all products that would be included within the Licensed Products in accordance with the above definition only because they are products that infringe any claim(s) within the [†].

1.9 "Licensed Research Products" shall mean any antibodies that are not Licensed Products and which are produced or developed as the direct result of use of murine line(s) that, were it not for the license granted to Omeros under this Agreement, infringe, or the use of which infringe, any valid and subsisting claim(s) of any issued patent or any patentable claim(s) of any pending patent application for such murine line(s) included within the Leicester IP in the country or countries in which such lines are propagated or used.

1.10 "Net License Proceeds" shall mean the total of the gross monetary amounts invoiced and collected by Omeros for Licensed Products and Licensed Research Products (or that portion of the value of any combination product attributed to a Licensed Product or a Licensed Research Product included therein) used, manufactured, directly sold or directly distributed by Omeros, less (a) the sum of the following actual and customary deductions where applicable: cash, trade, or quantity discounts; sales, use, tariff, import/export duties or other excise taxes, and any other governmental taxes imposed on particular sales; transportation charges and allowances; commissions to third party sales agents; and credits to customers because of rejections or returns and (b) any accrued Omeros IP Legal Fees (as defined below) not previously deducted. For purposes of this paragraph, the acquisition of Licensed Products and Licensed Research Products from Omeros as part of an acquisition of all or a substantial part of the assets of Omeros' business to which this Agreement pertains shall not be considered a manufacture, sale or distribution.

1.11 "Net Sublicense Proceeds" shall mean the total of all sublicense royalties or sublicense fees received by Omeros from third parties to which Omeros grants a sublicense under the Leicester IP for the manufacture, sale or distribution of Licensed Products or Licensed Research Products, and which were not included in the Net License Proceeds, less any accrued Omeros IP Legal Fees not previously deducted, provided however that the Net Sublicense Proceeds shall not include any fees or payments from such third parties to Omeros to support research and development efforts, to purchase equity in Omeros, or for any other purpose other than as compensation for sublicense rights.

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1.12 "Omeros IP Legal Fees" shall mean the sum of all legal fees and costs incurred by Omeros to (a) evaluate, apply for, prosecute and maintain any Intellectual Property Rights included within the Leicester IP, including without limitation any such fees and costs paid by Omeros as reimbursement to Leicester for such fees and costs incurred by Leicester, and (b) obtain or assist Leicester in obtaining or attempting to obtain clear, defensible, lawful and uncontested title to the Leicester IP, including without limitation all such fees and costs incurred in [†].

1.13 "Third Party License Fees" shall mean all royalties or other fees paid by Omeros to third parties for a license from such third parties under Intellectual Property Rights owned or held by such third parties for the manufacture, use, offer for sale, sale or distribution of Licensed Products or Licensed Research Products, but shall exclude that portion of any such third party royalties or other fees paid by Omeros attributed to items sold in combination with the Licensed Products or the Licensed Research products, which items are not Licensed Products or Licensed Research products.

2 **Sponsored Research**

2.1 Leicester shall perform research to be conducted by or under the direction of the Principal Investigator (as may be agreed between Leicester and Omeros), directed to advancing the technology included in the Leicester IP or related technology concerning the characterization and inhibition of MASP-2 or MAp19, supported by the financial sponsorship of Omeros, and without the use of third party sponsorship that would provide any intellectual property rights in the results of the Sponsored Research to such third party, in accordance with one or more research plans ("Research Plans") agreed to in advance in writing between Leicester and Omeros. An initial Research Plan is attached hereto as Exhibit B. No Research Plan or any amendment thereto shall be effective until executed by Leicester and Omeros, and upon mutual execution shall be automatically incorporated into this Agreement. Each Research Plan shall define scientific aims, objectives and activities, a budget and a timeline for performance of Sponsored Research during the corresponding time period.

2.2 The Sponsored Research shall be completed over a term (the "Sponsored Research Term") that will initially run for a period of one (1) year from the appointment or designation of appropriate and mutually acceptable staff at Leicester, and that is extendable annually upon mutual written agreement for a total term of three (3) years from the Effective Date of this Agreement or as may otherwise be mutually agreed in writing. If Omeros or Leicester does not wish to extend the Sponsored Research Term for the second or the third year, such party shall provide the other party notice of non-extension at least ninety (90) days prior to the end of the preceding year. The Sponsored Research Term shall run independently of the License Term (as defined herein below) of this Agreement. Termination of this Agreement shall result in termination of the Sponsored Research Term, but termination of the Sponsored Research Term, such as in accordance with Section 14.4 herein, shall not affect the overall status of this Agreement or the License Term.

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2.3 Leicester shall supply all necessary personnel, administrative management, facilities, equipment and supplies to enable timely completion of the Sponsored Research. Reimbursement for Leicester's costs and expenses for the Sponsored Research shall be provided only to the extent agreed to in writing in the applicable Research Plan. Each Research Plan will be completed diligently by Leicester using best efforts in accordance with prevailing professional standards and all applicable laws, regulations and Leicester's official policies. Should the Principal Investigator become unavailable to complete any Research Plan, Leicester and Omeros may agree on a substitute investigator, and in the event that a mutually acceptable substitute is not available, either party may terminate the Sponsored Research Term.

2.4 Within thirty (30) days of the end of each quarter of the Sponsored Research Term, Leicester shall submit a status report in written and electronic form ("Status Report") summarizing the results of the research completed during that quarter, except that annually within thirty (30) days of the end of each year of the Sponsored Research Term or at such other point in time as may be mutually agreed in writing, Leicester shall submit a final status report in written and electronic form ("Final Report") detailing the results of the research completed during such year of the Sponsored Research Term. Upon Omeros' request, Leicester shall complete all requested corrections and make reasonable revisions to each Status Report and/or Final Report to place it into a form suitable to meet Omeros' objectives, including potential use of any Status Report and/or any Final Report as part of any regulatory submissions.

2.5 In full and complete consideration for the Sponsored Research completed by Leicester during the Sponsored Research Term in accordance with the Research Plan(s), Omeros shall pay Leicester [†] for the first year, and unless a change in the level of Sponsored Research work is agreed to in writing in subsequent Research Plans, this amount shall be increased by [†] per year plus, in the event of continued use of a Leicester laboratory technician in performing Sponsored Research activities after the first year of the Sponsored Research Term, any increase in fees due to British national standard pay scale changes applicable on a pro rata basis to such Leicester laboratory technician's Sponsored Research activities, for each mutually agreed subsequent year of the Sponsored Research Term throughout which Sponsored Research is carried out (i.e., a total of [†] if the Sponsored Research Term is extended for a total three-year period and the level of Sponsored Research work during each year remains constant), payable at the rate of [†] of the annual amount per quarter within thirty (30) days of the end of each quarter within the Sponsored Research Term, provided however that no payment shall be due for any quarter prior to the receipt and acceptance by Omeros of a Status Report or any Final Report, as appropriate, for the respective quarter or year.

2.6 Omeros and the Principal Investigator shall collaborate on any proposed scientific publications of Sponsored Research data and results, including a discussion of authorship and contents. Leicester shall furnish Omeros with copies of any publication or written or oral disclosure that is proposed by Leicester, including, without limitation, disclosures in papers or abstracts or at research seminars, lectures, professional meetings, or poster sessions, at least sixty (60) days prior to the proposed date for submission for publication

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or disclosure. During such 60-day period, Omeros shall have the right to review and comment on such publication for accuracy and protection of confidential information. Additionally, upon Omeros' written request during the foregoing 60-day period, the proposed submission for publication or disclosure shall be delayed until Omeros has completed the filing of patent applications directed to information contained in such proposed publication or disclosure or based on Omeros' reasonable determination that publication should be delayed due to other business considerations, but in no event will such delay exceed an additional ninety (90) days following the initial 60-day period without Leicester's written consent, which consent shall not be unreasonably withheld. Omeros shall have the right, in its sole discretion, to use, disclose, disseminate and publish (with due acknowledgement of authorship) all data and results arising out of the Sponsored Research for any and all purposes, including without limitation in and for submissions to any regulatory agencies and in marketing any products including, but not limited to, Licensed Products and Licensed Research Products.

3 **Ownership of Intellectual Property**

3.1 All Leicester IP shall remain owned or held by Leicester to the same extent as would be the case were it not for this Agreement.

3.2 All Omeros IP shall remain owned or held by Omeros to the same extent as would be the case were it not for this Agreement.

3.3 All Joint IP shall be jointly owned by Omeros and Leicester, i.e., Omeros and Leicester each shall hold a 50% undivided joint ownership interest in all Joint IP.

4 **Grant Of License**

4.1 Leicester hereby grants to Omeros for the term of this Agreement a royalty-bearing, world-wide exclusive license in the Leicester IP for the research, development, manufacture, use, sale, offering for sale, distribution, exportation and importation of any and all products and the practice of all methods within the Leicester IP, including without limitation the exclusive right to develop, manufacture, use, sell, offer for sale, distribute, export and import the Licensed Products and the Licensed Research Products and to use all murine lines within the Leicester IP for all purposes including without limitation the research, development and production of antibody products.

4.2 Leicester hereby grants to Omeros a fully-paid up, irrevocable, world-wide exclusive license in and to Leicester's joint ownership interest in the Joint IP, for the manufacture, use, sale, offering for sale, distribution, exportation and importation of any and all products and the practice of all methods encompassed by the Joint IP.

4.3 Subject to publication approval and timing procedures consistent with Section 2.6 herein, Leicester shall retain the right to use the Leicester IP and the Joint IP for the purpose of conducting non-commercial, academic research, including research sponsored by not-for-profit entities, which shall not include the performance of research sponsored (directly or

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indirectly) by or on behalf of any for-profit entity that is in direct competition with Omeros in a technology, product or research tool that is the subject of the Leicester IP or Joint IP.

4.4 Omeros shall have the right to grant sublicenses in the Leicester IP and the Joint IP under this Agreement subject, with respect to the Leicester IP, to Omeros' obligations to share sublicense revenues as set forth in Section 5.

4.5 As part of the licenses granted to Omeros under Sections 4.1 and 4.2, Leicester agrees to transfer and provide and/or make available to Omeros upon request progeny from the licensed murine lines, cell lines, biological materials and any other research materials encompassed by or included within the Leicester IP and/or the Joint IP to which Leicester has appropriate rights and access, all such materials being provided on the basis of Omeros reimbursing Leicester for Leicester's actual cost in providing such materials but for no additional consideration.

4.6 Leicester also grants to Omeros a right of first refusal for an exclusive license in all of Leicester's Intellectual Property Rights, for which Omeros has not already been granted a license hereunder, and for which Leicester has all necessary rights to offer such first refusal, and Leicester shall exert reasonable efforts to obtain such necessary rights, in (1) any commercially applicable technology that arises during the Term of this Agreement and is directly related to MASP-2 and/or MAp19 as more fully defined in the Leicester IP and the Joint IP, and (2) any technology that has been developed through the contribution of both Omeros and Leicester after the Sponsored Research Term.

5 **Royalties and Sublicense Revenue**

5.1 Omeros shall pay Leicester on a quarterly basis a royalty for Licensed Products of [†] of the that portion of the Net License Proceeds realized during each respective quarter from Licensed Products (the "Licensed Product Royalty"), provided however that Omeros shall be entitled to deduct from the Licensed Product Royalty any accrued Third Party License Fees paid by Omeros on the Licensed Products not already deducted, but in no event shall Third Party License Fees be permitted to be deducted to an extent that such Third Party License Fees would reduce the Licensed Product Royalty by greater than [†] for any given quarter.

5.2 Omeros shall pay Leicester on a quarterly basis a royalty for Licensed Research Products (the "Licensed Research Products Royalty") of (a) [†] of that portion of the Net License Proceeds realized from Licensed Research Products during each respective quarter during and only during the first [†] period following initial introduction of the relevant product to a commercial market, and (b) [†] of that portion of the Net License Proceeds realized from Licensed Research Products during each respective quarter after the first [†] period until such time that any third party should introduce into a commercial market a competing product that does not infringe the Leicester IP, after which third-party introduction no further Licensed Research Products Royalty shall be payable for the relevant product, provided however that Omeros shall be entitled to deduct from the

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Licensed Research Products Royalty any accrued Third-Party License Fees paid by Omeros on Licensed Research Products not already deducted, but in no event shall Third-Party License Fees be permitted to be deducted to an extent that such Third Party License Fees would reduce the Licensed Research Products Royalty by greater than [†] for any given quarter.

5.3 Omeros shall pay Leicester on a quarterly basis a share of that portion of the Net Sublicense Proceeds collected by Omeros on Licensed Products and collected by Omeros ("Sublicensed Product Revenue Share") from sublicensed third parties during each respective quarter, such Sublicensed Product Revenue Share being either (a) [†] for any sublicenses in connection with the Licensed Products granted hereunder prior to the earlier of (i) [†], or (ii) the second year anniversary of the Effective Date of this Agreement, or (b) [†] for any sublicenses in connection with the Licensed Products granted hereunder thereafter.

5.4 Omeros shall pay Leicester on a quarterly basis a "Sublicensed Research Product Revenue Share" that is (a) an initial percentage share ("First Share Percentage") of that portion of the Net Sublicense Proceeds realized from Licensed Research Products and collected by Omeros from sublicensed third parties during each respective quarter during and only during the first [†] period following initial introduction to a commercial market of the relevant antibody product by the respective sublicensee, and (b) a subsequent percentage share ("Second Share Percentage") of that portion of the Net Sublicense Proceeds realized from Licensed Research Products and collected by Omeros from sublicensed third parties during each respective quarter after the initial [†] period. For any sublicenses in connection with Licensed Research Products granted hereunder prior to the earlier of (i) [†], or (ii) the second year anniversary of the Effective Date of this Agreement, the First Share Percentage shall be [†] and the Second Share Percentage shall be [†]. For any sublicenses in connection with Licensed Research Products granted hereunder thereafter, the First Share Percentage shall be [†] and the Second Share Percentage shall be [†].

5.5 Omeros shall promptly provide Leicester with a copy of all sublicenses granted by Omeros in the Leicester IP and/or the Joint IP under this Agreement.

5.6 Following receipt from the University of the results of all Sponsored Research and the completion of all other necessary and beneficial research activities by Omeros and/or by others to support appropriate government regulatory submissions by Omeros, [†], Omeros shall use reasonable efforts, based on reasonable commercial prudence, to diligently develop and introduce to the market one or more Licensed Products and/or Licensed Research Products. Ongoing performance of research and/or development efforts to generate or further advance one or more Licensed Products and/or Licensed Research Products by Omeros, internally at Omeros and/or under contract with Leicester and/or a third party, shall be deemed to be diligent efforts under this Section 5.6.

5.7 It is Omeros' current intent to commercially develop and seek regulatory clearance to clinically test and then market an inhibitor of MASP-2 and/or MAp19 activity following

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Leicester's identification of selective and high-affinity inhibitors of MASP-2 and MAp19 activity and demonstration by Leicester of the therapeutic benefit of such inhibitors in animal models. Within three months of the identification by Omeros of a Licensed Product or Licensed Research Product that is determined by Omeros to be a viable and optimal clinical development candidate, Omeros will submit a development plan to Leicester that sets forth Omeros' planned activities and estimated timing for the development, regulatory approval and market introduction of one or more Licensed Products and/or Licensed Research products. Assuming anticipated and adequate progress is made in the Sponsored Research [†], Omeros anticipates the identification of an initial potential candidate for a Licensed Product or Licensed Research Product that is a potential clinical development candidate within two years of the commencement of the Sponsored Research. The foregoing statements within this Section 5.7 and such development plan are or will be provided as indications of current or future intentions only, and shall have no binding effect on Omeros, nor shall it give rise to any right or obligation to either party, and any modification, alteration or failure to meet any of these intentions shall have no impact on this Agreement.

6 **Payments**

6.1 Quarterly royalty and sublicense revenue payments shall be made in British Pounds Sterling by Omeros to Leicester within sixty (60) days of the end of the quarter. Payments shall be computed based on a conversion from any other denomination to British Pounds Sterling for any revenues received or costs and expenses incurred by Omeros during the relevant quarter or other reporting period, as provided herein, using the prevailing exchange rate in effect at the date and time that funds are transferred from Omeros' account to Leicester's account (in the case of payment by wire transfer) or at the date and time of issuance of a check by Omeros (in the case of payment by check). Each quarterly payment shall be accompanied by a report specifying (a) the source of the royalties itemized by product and country, (b) any Omeros IP Legal Fees or Third Party License Fees that were deducted from gross proceeds to determine Net License Proceeds or Net Sublicense Proceeds as provided in Sections 1.10 or 1.11 of this Agreement, and (c) the total of all discounts, returns, credits and commissions deducted from gross proceeds to determine Net License Proceeds or Net Sublicense Proceeds as provided in Sections 1.10 or 1.11 of this Agreement. Following the two-year anniversary of the Effective Date of this Agreement, in the event that Omeros receives no such quarterly royalty and sublicense revenue in any given quarter, it shall nevertheless submit a quarterly report to that effect to Leicester within sixty (60) days of the end of the quarter.

6.2 Leicester reserves the right to employ a certified public accountant to review and reconcile the directly relevant accounting records and procedures of Omeros as they relate to the determination of royalties or sublicense revenue fees under Section 5 herein during reasonable business hours and no more than twice a year, and Omeros agrees to make available at Omeros' place of business all such directly relevant accounting records for that purpose within 30 (thirty) days of written request by Leicester. The cost of such review shall be borne by Leicester, unless it is found that Omeros under-paid a quarterly royalty or sublicense revenue fees for any quarter by an amount of 10% (ten percent) or

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greater, in which case the cost of such review shall be borne by Omeros.

6.3 In the event any royalty or sublicense revenue fee payments due under Section 5 herein are not timely paid by Omeros, Omeros shall pay to Leicester interest charges on such late payments at a rate of [†] per annum.

6.4 Not withstanding anything to the contrary herein, Omeros shall have no obligation to pay any royalties or sublicense revenue fees under Section 5 for any product based on any patent claim that has been declared invalid or unenforceable by a court or governmental body of competent jurisdiction or based on any patent claim that is not enforceable in the jurisdiction(s) where such products are manufactured, used, sold, offered for sale, imported or distributed.

7 **License Progress**

7.1 Omeros shall on an annual basis, commencing on the one-year anniversary of the Effective Date of this Agreement and annually thereafter, deliver to Leicester within thirty (30) days after the end of the respective year a written progress report detailing the status of Omeros' efforts to fund, patent, develop and commercialize Licensed Products and Licensed Research Products.

8 **Patent Prosecution**

8.1 Omeros shall have the sole right at its discretion to apply for, prosecute and maintain patents for inventions included within the Leicester IP and the Joint IP ("Patent Filings") in the name of the legally appropriate inventors and/or parties to this agreement and/or jointly with third parties as may be legally appropriate, provided however that (a) Omeros shall bear all cost and expense for all such Patent Filings, subject to the right to deduct Omeros IP Legal Fees as set forth herein, (b) Omeros shall keep Leicester timely informed of the progress of all Patent Filings and timely provide Leicester copies of all official documentation related to such Patent Filings, (c) at Omeros' discretion and until such time that Omeros provides a written request for transfer of responsibility, Leicester shall continue at Omeros' cost with the prosecution of any patent applications for the Leicester IP it may have filed prior to the Effective Date of this Agreement, subject to consultation with and direction from Omeros prior to taking any substantive action, but in any event Omeros shall assume responsibility for prosecuting the patent application attached as Exhibit A hereto within two months following the later of the filing of such patent application by Leicester or the Effective Date of this Agreement, and (d) Omeros shall exert commercially reasonable efforts to diligently pursue all Patent Filings to issuance or final determination of unpatentability, provided however that if Omeros determines at its sole discretion to not make Patent Filings for any commercially significant inventions within the Leicester IP or the Joint IP in any countries of commercial significance, or abandons any Patent Filing prior to issuance or final determination of unpatentability, Omeros shall give Leicester advance written notice of such determination, Leicester shall have the right thereafter to elect upon written notice to Omeros to pursue such Omeros abandoned Patent Filings at Leicester's sole expense,

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and such Omeros abandoned Patent Filings shall be excluded from the scope of the licenses granted under this Agreement.

8.2 Omeros shall reimburse Leicester for Leicester's reasonable documented legal fees and costs paid by Leicester for any patent applications prepared and/or filed or prosecuted by Leicester for inventions within the Leicester IP prior to the effective date of this Agreement or in accordance with Section 8.1 above. Payment for such reimbursed expenses shall be made within thirty (30) days of Omeros' having received a receipt-documented invoice from Leicester, provided however that Leicester represents that all such legal fees and costs incurred by Leicester prior to the effective date of this Agreement shall not exceed [†].

8.3 Leicester shall promptly provide written disclosure to Omeros of any inventions, improvements, or applications included within the Leicester IP or Joint IP conceived, developed, made or arising before or during the term of this Agreement. Leicester will provide all reasonable assistance, including review of documents and the execution of all documents and causing Leicester's employees to review and execute all documents, necessary to make, prosecute, maintain and enforce the Patent Filings, all for no additional consideration but with reimbursement by Omeros of Leicester's reasonable expenses for such assistance.

8.4 Leicester shall promptly provide written disclosure to Omeros of any and all potentially material prior art known prior to the Effective Date of this Agreement or that becomes known during the License Term of this Agreement to any Leicester employee that is associated with this Agreement, the Sponsored Research, the Leicester IP or the Joint IP.

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9 **Representations, Warranties and Other Obligations of Omeros**

9.1 Omeros represents and warrants that it has the requisite corporate power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder.

9.2 Omeros has and will maintain reasonably adequate insurance coverage for employment practices and general liability for all its activities under this Agreement. Prior to Omeros' marketing of any Licensed Product, Licensed Research Products, or product encompassed by the Joint IP, or making any such products available for use in any human patients, Omeros will obtain and maintain reasonably adequate product liability insurance.

10 **Representations, Warranties and Other Obligations of Leicester**

10.1 Leicester has disclosed to Omeros the existence of the [†] and information as to the development of the Leicester IP, and Leicester warrants that it has made reasonable efforts to ascertain the details of such development and that it reasonably believes the same to be true. [†].

10.2 [†]

10.3 [†]

10.4 Leicester represents and warrants, subject to the disclosure referred to in Section 10.1, that it is the owner of all right, title and interest in any and all inventions included within the Leicester IP and the Joint IP made or to be made wholly or jointly by Leicester employees, including without limitation those made by Dr. Schwaeble and Dr. Stover, and shall cause Dr. Schwaeble and Dr. Stover to each execute this Agreement to confirm their agreement to be bound to the same extent as Leicester with respect to all relevant provisions of this Agreement.

10.5 Leicester represents and warrants that it is the owner of all right, title and interest in any and all inventions that were made wholly or jointly by Dr. Fujita that are included within the Leicester IP, has obtained an assignment from Dr. Fujita together with a release of all such rights from Fukushima, has provided to Omeros a true copy of such assignment and release, is under no restriction or obligation with respect to Dr. Fujita or Fukishima that is inconsistent in any way with Leicester's obligations under this Agreement, and that Omeros shall have no obligation to compensate Dr. Fujita or Fukushima as the result of Omeros' exercise of its rights and fulfillment of its obligations under this Agreement.

10.6 Subject to [†] as discussed in Section 10.1 above, Leicester represents and warrants to Omeros that as far as it is aware, after having used reasonable efforts to ascertain relevant facts and having formed a reasonable belief as to their truth, it has the lawful right to grant the licenses conveyed under this Agreement, and that the Leicester IP and the Joint IP are unencumbered by any third party obligation, commitment, restriction or license. [†].

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10.7 [†], Leicester warrants that it is not aware of any third party rights that would be infringed as a result of Omeros' fulfilling the terms of this Agreement.

10.8 Leicester has and will maintain reasonably adequate insurance coverage for employment practices and general liability for all its activities under this Agreement.

10.9 THE WARRANTIES SET FORTH EXPRESSLY IN THIS AGREEMENT ARE THE SOLE WARRANTIES MADE BY EITHER PARTY TO THE OTHER AND THERE ARE NO OTHER WARRANTIES, REPRESENTATIONS OR GUARANTEES OF ANY KIND WHATSOEVER, EITHER EXPRESS OR IMPLIED, REGARDING THE LICENSED PRODUCTS, THE LICENSED RESEARCH PRODUCTS, OR OTHER PRODUCTS, INCLUDING WITHOUT LIMITATION ANY EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

11 **Confidentiality**

11.1 Leicester and Omeros hereby affirm and incorporate by reference the terms of the Mutual Nondisclosure Agreement between the parties dated September 23, 2003 concerning the subject matter of this Agreement, a copy of which is attached hereto as Exhibit C, except to the extent that the terms of such nondisclosure agreement may conflict with the terms of this Agreement, in which case the terms of this Agreement shall prevail. The parties further agree that the mutual obligations of nondisclosure and non-use set forth in such Mutual Nondisclosure Agreement shall subsist for a period of five (5) years after the termination of this Agreement.

11.2 The terms of this Agreement shall be maintained in strict confidence by both Leicester and Omeros, and may not be disclosed by either party without the consent of the other party, except as may be required under a court order or decree or as required to comply with any governmental law, rule or regulation, and Omeros may disclose the terms of this Agreement to Omeros' current and potential employees, directors, consultants, shareholders, investors and corporate partners.

12 **Indemnification**

12.1 Each party (the "Indemnifying Party") shall indemnify, hold harmless and defend the other party and its employees, officers, directors, consultants and agents (the "Indemnified Party") against any and all claims, suits, losses, liabilities, damages, costs, fees, and expenses ("Claims") resulting from or arising directly out of the Indemnifying Party's breach of any representation, warranty or obligation under this Agreement, or the Indemnifying Party's exercise of the rights and obligations under this license or any sublicense, except that such obligation to indemnify, hold harmless and defend shall not extend to any Claims to the extent such Claims result from or arise directly from the negligence or misconduct of the Indemnified Party. This indemnification does not include any indemnity in relation to product performance or product liability, and furthermore does not include any incidental, consequential or special damages.

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13 **Enforcement of Patent Rights**

13.1 If either party learns of the infringement of any patent or other intellectual property right included in the Leicester IP or the Joint IP, that party shall promptly notify the other party of such infringement and will provide the other party with all evidence of infringement in the notifying party's possession. Both parties shall use their best efforts in cooperation with each other to terminate third party infringement without litigation.

13.2 Omeros shall have the sole right at its discretion to enforce the Leicester IP and the Joint IP against third party infringers, including the initiation of any civil action in Omeros' name, at Omeros' sole cost, in which event any award, judgment, settlement or damages collected shall belong solely to Omeros without duty to account to Leicester. In the event that it is necessary for Omeros to join Leicester as a party to any such civil action, Leicester shall join such action for no additional compensation but at Omeros' sole expense, and any award, judgment, settlement or damages collected shall belong solely to Omeros without duty to account to Leicester.

13.3 If Omeros unreasonably declines to initiate enforcement of the Leicester IP and the Joint IP against any third party infringer within ninety (90) days of a written demand from Leicester to do so, then Leicester shall have the sole right at its discretion to enforce the Leicester IP and the Joint IP against such third party infringer, including the initiation of any civil action in Leicester's name, at Leicester's sole cost, in which event any award, judgment, settlement or damages collected shall belong solely to Leicester without duty to account to Omeros.

14 **Term and Termination**

14.1 Unless terminated earlier as set forth in Section 14.2 or 14.3 herein below, this Agreement shall subsist so long as there is any pending patent application within the Leicester IP or the Joint IP, any patent application in the process of being prepared for filing as agreed to by Omeros and Leicester or any valid and subsisting claim included within any patent, utility model or inventor's certificate within the Leicester IP or the Joint IP (the "License Term").

14.2 Omeros may terminate this Agreement by providing ninety (90)-days advance written notice of termination under this Section 14.2 to Leicester, with or without cause, [†].

14.3 Either party may terminate this Agreement at any time in the event that the other party (a) breaches any material obligation of this Agreement by first submitting written notice of breach to the breaching party, which breach is not substantially cured within ninety (90) days of the receipt of such notice, followed by written notice of termination then being sent to the breaching party, or (b) declares or is adjudged by a court of competent jurisdiction to be insolvent, bankrupt or in receivership, and such insolvency, bankruptcy or receivership materially limits such party's ability to perform its obligation under this Agreement, excluding reorganizations entered into by such party with the consent of the other party, which consent shall not be unreasonably withheld.

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14.4 Omeros may at any time terminate its sponsorship of the Sponsored Research by providing ninety (90)-days advance written notice of termination under this Section 14.4 to Leicester, with or without cause, at any time, in which event Sections 2.1 — 2.3 herein shall cease to be effective, and Sections 2.4 and 2.5 shall cease to be effective after all reports are provided and accepted and all payments are made for Sponsored Research performed in accordance with the applicable Research Plan prior to such notice, but the remainder of this Agreement shall continue in full force and effect for the License Term, including all rights and obligations of both parties hereunder. In the event of Omeros' termination of its sponsorship of the Sponsored Research under this Section 14.4, Omeros shall pay to Leicester any and all non-cancelable sums reasonably incurred or committed to by Leicester prior to receipt of the notice of termination.

14.5 The provisions of Sections 2.6 (Publication), 3 (Ownership of Intellectual Property), 4.2 – 4.6 (License as applicable to Joint IP and right of first refusal), 8 (Patent Prosecution as applicable to Joint IP), 9 and 10 (Representations and Warranties and Other Obligations), 11 (Confidentiality), 12 (Indemnification), 13 (Enforcement as applicable to Joint IP), 15 (Use of Names) and 16 (Miscellaneous) above shall survive expiration or termination of this Agreement for the period set forth therein or, if no period is set forth therein, then indefinitely.

15 **Use of Names**

15.1 Nothing contained in this Agreement confers any right to either party to use in advertising, publicity, or other promotional activities any name, trade name, trademark, or other designation of the other party hereto, and neither party shall make such use without the prior written consent of the other party, provided however Omeros may through written, oral or electronic communication disclose the existence of this Agreement and the names of Leicester, Dr. Schwaeble, Dr. Stover, Dr. Fujita and other of Leicester's employees and consultants to Omeros' current and potential employees, directors, consultants, shareholders, investors and corporate partners, and as required to comply with any governmental law, rule or regulation.

16 **Miscellaneous**

16.1 This Agreement including all appendices and exhibits attached thereto or incorporated by reference therein constitutes the entire understanding of the parties hereto regarding the subject matter of this Agreement, and no other representation, agreement, promise or undertaking altering, modifying, taking from or adding to the terms of this Agreement shall have any effect unless the same is reduced to writing and duly executed by the parties hereto. In the event of any conflict between the main body of this Agreement and any attachments thereto or documents incorporated by reference therein, the provisions of the main body of this Agreement shall control.

16.2 Either party's failure to enforce any provision of this Agreement will not be considered a waiver of future enforcement of that or any other provision.

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16.3 The laws of the state of Delaware, United States, without regard to its conflict-of-laws provisions, shall govern this Agreement, its interpretation and its enforcement, and any disputes arising out of or related to this Agreement.

16.4 The parties agree that, except as provided herein below, any claim or controversy arising out of or relating to this Agreement or breach thereof shall be settled by arbitration in the state of Delaware, United States, in accordance with the commercial rules of the American Arbitration Association by a panel of three arbitrators, one selected by each party and the third selected by the other two arbitrators. In any such arbitration proceeding, judgment upon the award rendered by the arbitrator shall be final and binding upon the parties and may be entered by either party in any court or forum of competent jurisdiction as provided herein below. Notwithstanding the foregoing, both parties agree that any claims or controversies concerning the validity or enforceability of any intellectual property, or the actual or threatened disclosure or misuse of confidential information, may alternately be resolved by a civil action in any court of competent jurisdiction as provided herein below, and both parties further agree that each shall retain the right to seek injunctive relief in any court of competent jurisdiction as provided herein below to prevent a breach, threatened breach or continuing breach of this Agreement which would cause irreparable injury (e.g., breaches of confidentiality or the like).

16.5 Any civil action prosecuted or instituted by either party as permitted herein above with respect to any matters arising out of or related to this Agreement shall be brought in either the United States District Court located in the state of Delaware, United States (if federal subject matter jurisdiction therein lies) or the Superior Court for the state of Delaware, United States (if there is no subject matter jurisdiction in federal court), and each party hereby consents to the jurisdiction and venue of such courts for such purposes.

16.6 In the event that it is necessary for either party of this Agreement to take legal action to enforce any of the terms, conditions or rights contained herein, or to defend any such action, then the prevailing party in such action shall be entitled to recover from the other party all reasonable attorneys fees, costs and expenses related to such legal action.

16.7 In the event that any portion of this Agreement is held invalid or unenforceable by a court of law, that provision will be construed and reformed to permit enforcement of the provision to the maximum extent permissible consistent with the parties' original intent, and if such construction is not possible, such provision shall be struck from this Agreement, and the remainder of the Agreement shall remain in full force and effect as if such provision had never been part of this Agreement.

16.8 For the purposes of this Agreement, the parties hereto are independent contractors, and nothing in this Agreement shall be construed to place them in the relationship of partners, principal and agent, employer/employee or joint venturers. Except as provided expressly herein, each party agrees that it shall have no authority to bind or obligate the other party, nor shall any party hold itself out as having such authority.

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16.9 Neither party will be liable for failure or delay in performing any obligation under this Agreement, or will be considered in breach of this Agreement, if such failure or delay is due to a natural disaster or any cause reasonably beyond such party's control, provided that such party resumes performance as soon as possible following the end of the event that caused such delay or failure of performance.

16.10 Neither party may assign this Agreement, or any obligation or right under this Agreement, in whole or in part, without the other party's prior written consent, which consent will not be unreasonably withheld. This Section shall not be construed in any way to limit Omeros' rights to grant, at Omeros' sole discretion, sublicenses hereunder. Leicester consents to Omeros' assignment of this Agreement in whole or in part in connection with the merger, consolidation or transfer of all or substantially all of that portion of Omeros' assets to which this Agreement relates. Subject to these restrictions, this Agreement will be binding upon and will inure to the benefit of the parties' permitted successors and assignees.

16.11 Any notice required or permitted to be given hereunder by either party shall be in writing and shall be (a) delivered personally, (b) sent by registered mail, return receipt requested, postage prepaid, (c) sent by an internationally recognized courier service guaranteeing next-day delivery, charges prepaid, or (d) delivered by facsimile (with the original promptly sent by any of the foregoing manners) to the addresses or facsimile numbers of the other party set forth below, or at such other addresses as may from time to time be furnished by similar notice by either party. The effective date of any notice hereunder shall be the date of receipt by the receiving party.

If to Omeros:

Omeros Corporation
1420 Fifth Avenue, Suite 2600
Seattle, WA 98101
U.S.A.

Attention: Gregory A. Demopulos, M.D.,
Chairman & CEO

And copy to: Marcia S. Kelbon,
Patent & General Counsel

Fax: (206) 264.7856
Phone: (206) 623.4688

If to Leicester:

University of Leicester
University Road
Leicester, LE1 7RH
United Kingdom

Attention: Research and
Business Development Office

Fax: +44 (0) 116.252.2028
Phone: +44 (0) 116.252.2347

16.12 This Agreement may be executed in one or more counterparts, each of which will be considered an original, and all of which will constitute the same instrument.

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IN WITNESS WHEREOF, Omeros and Leicester have each acknowledged and accepted this Agreement by causing it to have been signed by their respective duly authorized officials.

OMEROS CORPORATION		UNIVERSITY OF LEICESTER	
By:	/s/ Gregory A. Demopulos	By:	/s/ Clare O'Neill
Name:	Gregory A. Demopulos, M.D.	Name:	Clare O'Neill
Title:	Chairman & CEO	Title:	Business Development Manager
Date:	7/6/04	Date:	10th June 2004
Fax:	206.264.7856	Fax:	0044 116 252 2028

The above Exclusive License and Sponsored Research Agreement is acceptable to the undersigned investigators, who agree to abide by the terms set forth therein.

WILHELM J. SCHWAEBLE, PH.D.		CORDULA M. STOVER, PH.D.	
Signed:	/s/ Wilhelm J. Schwaeble	Signed:	/s/ Cordula M. Stover
Title:	Professor of Immunology	Title:	Lecturer in Immunology
Date:	10/06/04	Date:	10 June 04
Fax:	0044-116-252-5030	Fax:	0044-116-252-5030

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EXHIBIT A

To the Exclusive License and Sponsored Research Agreement

Between Omeros Corporation and the University of Leicester

PATENT APPLICATION

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EXHIBIT B

To the Exclusive License and Sponsored Research Agreement

Between Omeros Corporation and the University of Leicester

RESEARCH PLAN

1st-Year Research Program Outline – Omeros and University of Leicester

The following are the research aims of the Sponsored Research program for the first year. All activities to meet the aims are to be carried out by Leicester ("Dr. Schwaeble's lab") except for those aims noted for performance by Omeros, other investigators or contractors. Aims indicated as to be performed by Omeros or third parties are provided herein for reference purposes only and shall not be interpreted as any obligation on the part of Omeros. Specific aims and corresponding timeline may be modified as mutually agreed in writing by Dr. Wilhelm Schwaeble and Omeros.

Aims as set forth will extend into a second year of the Sponsored Research Program.

Specific Aims:

[†]

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EXHIBIT C

To the Exclusive License and Sponsored Research Agreement

Between Omeros Corporation and the University of Leicester

MUTUAL CONFIDENTIALITY AGREEMENT

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RESEARCH AND DEVELOPMENT AGREEMENT

FIRST AMENDMENT

This is an amendment effective 1 October 2005 (this "Amendment") of the Exclusive License and Sponsored Research Agreement dated 10 June 2004 (the "Agreement") between Omeros Corporation, a Washington corporation having a principal place of business at 1420 Fifth Avenue, Suite 2600, Seattle WA 98101 USA ("Omeros") and the University of Leicester, having a principal place of business at University Road, Leicester LE1 7RH, United Kingdom ("Leicester"). All capitalized terms used in this Amendment shall have the same meaning as set forth in the Agreement unless otherwise defined below.

Omeros and Leicester have determined that certain rights to the [†] may be held by the Medical Research Council, a United Kingdom governmental institution having a place of business at 20 Park Crescent, London, United Kingdom, W1B 1AL ("MRC"). Omeros is currently in negotiations with, and anticipates entering into, an exclusive license and sponsored research agreement with MRC (the "MRC Agreement") concerning MRC's rights to the [†]. Leicester and Omeros wish to facilitate Omeros' entry into the MRC Agreement, to enable collaborative research related to MASP-2 by Omeros, Leicester and MRC, and to facilitate development and commercialization of MASP-2 technology by Omeros. Omeros and Leicester therefore agree that the Agreement shall be amended as follows, with sections of this Amendment being numbered to match corresponding Sections of the Agreement.

2.2 Sponsored Research

2.1 In accordance with Section 2.1 of the Agreement, a collaborative research plan for a second year ("Second Year Research Plan") of the Sponsored Research Term is attached hereto as Exhibit A and is hereby incorporated into the Agreement. The Second Year Research Plan provides a budget and specific aims and activities to be carried out by Leicester with the sponsorship of Omeros, as specified in specific aims 2 and 4 set forth therein ("Second Year Leicester Research"), subject to any modifications that may be agreed to in writing by Omeros and Leicester. The Second Year Research Plan also describes research aims and activities that are projected to be carried out by Omeros (specific aim 3) and MRC (specific aim 1), subject to entry by Omeros into the MRC Agreement. The specific aims 1 and 3, and the experimental models of specific aim 5, are set forth for reference purposes only, are not binding on Omeros, and may or may not be authorized, carried out and performed at Omeros' sole discretion.

2.2 In accordance with Section 2.2 of the Agreement, the Sponsored Research Term is hereby acknowledged to have been extended for a second year, commencing 1 September 2005.

2.5 Section 2.5 of the of the Agreement is hereby amended to provide that the total compensation to be paid by Omeros to Leicester for Sponsored Research completed by Leicester in accordance with the Agreement and the Second Year Research Plan during the second year of the Sponsored Research Term shall be [†]. This Leicester

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compensation amount is contingent upon alternate funding being secured for the services of Russell Wallis, Ph.D. to work at MRC and/or Leicester on the collaborative research program during the second year of the Sponsored Research Term. Should such funding not be available through the MRC Agreement, as currently anticipated by the parties, or other means, Omeros will increase the Leicester compensation amount to provide funding for such services at a mutually agreed level.

5. Royalties and Sublicense Revenue

5.1 Omeros and Leicester acknowledge that Omeros may deduct accrued Third Party Royalties from the [†] Licensed Product Royalty payable to Leicester, up to [†] of the Licensed Product Royalty, as more fully set forth in Section 5.1 of the Agreement. Subject to entry into the MRC Agreement, Omeros intends to pay MRC a royalty that is equivalent to the License Product Royalty payable to Leicester for Licensed Products that may be subject to the MRC Agreement, with an equivalent third party royalty deduction. MRC is a third party relative to Omeros and Leicester, and Leicester is a third party relative to MRC and Omeros. Subject to entry into the MRC Agreement on such a basis, Leicester acknowledges that Omeros will be obligated to pay net royalties, after deduction of third party royalties, of [†] to Leicester and [†] to MRC, of Net Licensed Proceeds for Licensed Products that may be subject to the MRC Agreement, and will no longer be able to deduct any additional third party royalties

Therefore, subject to entry into the MRC Agreement on the above basis, Omeros and Leicester hereby agree that, if the total royalties owed by Omeros to all parties for Licensed Products, including without limitation the Licensed Product Royalty payable to Leicester, any royalties payable to MRC, [†], and any "stacking fee(s)" or other royalties payable to third parties to develop, manufacture and commercialize the Licensed Products (all together the "Total Royalty Percentage"), exceeds [†] of the Net Licensed Proceeds, then [†] of the difference between the Total Royalty Percentage and [†] shall be deducted from the Licensed Product Royalty payable to Leicester, provided, however that the Licensed Product Royalty may not be reduced by such deductions to less than [†].

5.3 Subject to entry into the MRC Agreement, Leicester further agrees to up to a [†] maximum reduction in the Sublicensed Product Revenue Share, as set forth in Section 5.3 of the Agreement, by deducting the amount of Net Sublicense Proceeds payable by Omeros to MRC for sublicensing of Licensed Products subject to the MRC Agreement.

Omeros represents and warrants that, unless otherwise agreed to in writing by Omeros and Leicester and subject to entry by Omeros into the MRC Agreement, the total exclusive license compensation (not including Sponsored Research compensation) payable to Leicester under the Agreement, as amended by this Amendment, shall be equal to the total compensation payable to MRC under the MRC agreement for any Licensed Products that are subject to both the exclusive license granted under the Leicester Agreement and the exclusive license granted under the MRC Agreement.

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All other provisions of the Agreement, including Sections 1 through 16 inclusive, as amended above, shall continue unchanged in full force and effect.

This Amendment is accepted and acknowledged by each party, as of the effective date set forth herein above, through the signature of its authorized representative(s) below:

OMEROS CORPORATION		UNIVERSITY OF LEICESTER	
By:	/s/ Gregory A. Demopulos	By:	/s/ Clare O'Neill
Name:	Gregory A. Demopulos, M.D.	Name:	Clare O'Neill
Title:	Chairman & CEO	Title:	Deputy Head, Business Development
Date:	10/10/05	Date:	5-10-05

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EXHIBIT A

SECOND YEAR RESEARCH PLAN

OMEROS AND UNIVERSITY OF LEICESTER

Sponsor: Omeros Corporation

Research Institution: University of Leicester

Investigator: Prof. Wilhelm Schwaeble

Research Period: Second year, commencing 1 September 2005

Research Aims and Activities

Attachment 1 hereto sets for the research aims of the Sponsored Research program to be completed during the second year. All activities to meet specific aims 2 and 4 are to be carried out by Leicester ("Prof. Schwaeble's lab"). Aims indicated as to be performed by Omeros or third parties are provided herein for reference purposes only and shall not be interpreted as any obligation on the part of Omeros. Specific aims and the corresponding timeline may be modified as mutually agreed in writing by Prof. Wilhelm Schwaeble and Omeros.

Budget for Second Year

The total consideration to be paid to Leicester for all Sponsored Research to be carried out during the second year of the Sponsored Research program, including without limitation full and complete payment for all services, materials, facilities, overhead and indirect costs, is as follows:

Animal housing and breeding:	[†]
Oversight by Prof. Schwaeble:	[†]
Total:	[†]

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EXCLUSIVE LICENSE AND SPONSORED RESEARCH AGREEMENT

between

OMEROS CORPORATION and MEDICAL RESEARCH COUNCIL

This license agreement (the "Agreement") is made effective the 31st day of October 2005 (the "Effective Date") between Omeros Corporation, a Washington corporation having a principal place of business at 1420 Fifth Avenue, Suite 2600, Seattle WA 98101 USA ("Omeros") and Medical Research Council, a United Kingdom governmental institution having a place of business at 20 Park Crescent, London, United Kingdom, W1B 1AL ("MRC").

WHEREAS MRC owns rights to certain technology related to mannan-binding lectin associated serine protease-2 ("MASP-2"), which technology was developed in part by Anthony C. Willis ("Mr. Willis") working in an MRC laboratory under the direction of Professor Kenneth B. M. Reid ("Dr. Reid"), both employees of MRC;

WHEREAS Omeros holds an exclusive, worldwide license to rights owned by the University of Leicester ("Leicester") related to the MASP-2 technology due to the development in part of the MASP-2 technology by Leicester's employees;

WHEREAS Omeros wishes to undertake an exclusive license to MRC's rights in the MASP-2 technology, and to sponsor further research by MRC to develop the MASP-2 technology at MRC, under the direction of Dr. Reid, working in collaboration with Omeros and Leicester; and

WHEREAS MRC wishes to grant Omeros an exclusive license in MRC's rights to the MASP-2 technology in return for potential royalty payments and sublicense revenue sharing, and to accept payment for such sponsored research;

NOW THEREFORE, in consideration for the mutual covenants and obligations set forth herein as well as other good and valuable consideration, the parties hereby agree as follows:

1 **Definitions**

1.1 Reference to "MRC" and "Omeros" in regards to any intellectual property right developed by the respective party shall be construed to refer to the respective party as well as the respective party's employees, officers, directors, consultants and agents.

1.2 "Intellectual Property Rights" shall mean all inventions, ideas, discoveries, issued, reissued or reexamined patents, pending and future patent applications, continuation, continuation-in-part and divisional patent applications, utility models, inventor's certificates, trade secrets, know-how, copyrights and trademarks.

1.3 "Sponsored Research" shall mean all research activities carried out by MRC and/or its employees (as may be agreed by MRC and Omeros) with the financial sponsorship, in whole or in part, by Omeros in accordance with Section 2 herein below or as otherwise agreed.

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1.4 "MRC IP" shall mean all Intellectual Property Rights owned or held by MRC, including without limitation all such Intellectual Property Rights arising from the work of Mr. Willis, Dr. Reid and/or other MRC employees, prior to the Effective Date of this Agreement, or developed or obtained by MRC after the Effective Date of this Agreement both (a) independently of Omeros (as determined by inventorship under US law with respect to any patents and patent applications) and (b) independently of the Sponsored Research, provided always that any of the Intellectual Property Rights described above in this section 1.4 are directly related to compositions, antibodies and/or methods for the inhibition of MASP-2 and/or the diagnosis and/or treatment of MASP-2 mediated disorders and/or deficiency syndromes, as well as methods, polynucleotides, polypeptides, sequences and tools related to the development and production of MASP-2 antibodies, including without limitation murine, human, humanized and recombinant antibodies, MASP-2 inhibitors, [†].

1.5 "Omeros IP" shall mean all Intellectual Property Rights owned or held by Omeros prior to the Effective Date of this Agreement, or developed or obtained by Omeros after the Effective Date of this Agreement independently of MRC (as determined by inventorship under US law with respect to any patents and patent applications), including without limitation all such Intellectual Property Rights (a) related to MASP-2 obtained by Omeros under license from Leicester (including without limitation all MASP-2 and MAp19 rights conveyed under the Omeros-Leicester Agreement of 10 June 2004) or developed by Omeros independently of MRC by Omeros and (b) related to methods and pharmaceuticals or other agents to inhibit pain, inflammation, cartilage loss, vasospasm, smooth muscle spasm, restenosis, or tumor cell adhesion, and/or to accelerate recovery of joint motion and function, for use in surgical procedures (including without limitation arthroscopic, cardiovascular, urologic and general surgical procedures), other medical procedures, and/or for treatment of cartilaginous disorders, and drug delivery methods and systems.

1.6 "Joint IP" shall mean (a) all Intellectual Property Rights in technology that is developed jointly (as determined by inventorship with respect to any patents and patent applications) by Omeros and MRC (as may be agreed by MRC and Omeros) during the Sponsored Research Term (as that term is defined in Section 2.2 herein), and (b) all Intellectual Property Rights arising from and as the direct result of the Sponsored Research. Joint IP may or may not also be jointly developed with Leicester or other third party, which will not change the nature of the Intellectual Property Rights as Joint IP so long as the first sentence of this Section applies. Should any MRC employee enter into a consulting agreement with Omeros for general scientific consulting such as in the field of inflammation, then to the extent that such scientific consulting services may pertain to MASP-2, the results of such scientific consulting services will be treated as part of the Joint IP. However, the parties acknowledge herein that research by MRC employees on behalf of Omeros related to MASP-2 will be carried out in major part through the Sponsored Research.

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1.7 [†]

1.8 "Licensed Products" shall mean all antibodies, inhibitors and all other products that, were it not for the license granted to Omeros under this Agreement, infringe, or the use, manufacture, offer for sale or sale of which infringe any valid and subsisting claim(s) of any issued patent or any patentable claim(s) of any pending patent application included within the MRC IP in the country or countries in which such products are offered for sale, sold, manufactured or used, excluding all products that would be included within the Licensed Products in accordance with the above definition only because they are products that [†].

1.9 "Net License Proceeds" shall mean the total of the gross monetary amounts invoiced and collected by Omeros for Licensed Products (or that portion of the value of any combination product attributed to a Licensed Product included therein) used, manufactured, directly sold or directly distributed by Omeros, less (a) the sum of the following actual and customary deductions where applicable: cash, trade, or quantity discounts; sales, use, tariff, import/export duties or other excise taxes, and any other governmental taxes imposed on particular sales; transportation charges and allowances; commissions to third party sales agents; and credits to customers because of rejections or returns and (b) any accrued Omeros IP Legal Fees (as defined below) not previously deducted. For purposes of this paragraph, the acquisition of Licensed Products from Omeros as part of an acquisition of all or a substantial part of the assets of Omeros' business to which this Agreement pertains shall not be considered a manufacture, sale or distribution.

1.10 "Net Sublicense Proceeds" shall mean the total of all sublicense royalties or sublicense fees received by Omeros from third parties to which Omeros grants a sublicense under the MRC IP for the manufacture, sale or distribution of Licensed Products, and which were not included in the Net License Proceeds, less any accrued Omeros IP Legal Fees not previously deducted, provided however that the Net Sublicense Proceeds shall not include any fees or payments from such third parties to Omeros to support research and development efforts, to purchase equity in Omeros, or for any other purpose other than as compensation for sublicense rights.

1.11 "Omeros IP Legal Fees" shall mean the sum of all legal fees and costs incurred by Omeros to (a) evaluate, apply for, prosecute and maintain any Intellectual Property Rights included within the MRC IP, including without limitation any such fees and costs paid by Omeros as reimbursement to MRC for such fees and costs incurred by MRC, and (b) obtain or assist MRC in obtaining or attempting to obtain clear, defensible, lawful and uncontested title to the MRC IP, including without limitation all such fees and costs incurred in [†].

1.12 "Third Party License Fees" shall mean all royalties or other fees paid by Omeros to third parties for a license from such third parties under Intellectual Property Rights owned or held by such third parties for the manufacture, use, offer for sale, sale or distribution of Licensed Products, but shall exclude that portion of any such third party royalties

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(including without limitation royalties payable to Leicester) or other fees paid by Omeros attributed to items sold in combination with the Licensed Products, which items are not Licensed Products.

2 **Sponsored Research**

2.1 MRC shall perform research to be conducted by or under the direction of Dr. Reid and another MRC senior research investigator (the "MRC Co-investigator") working under the direction of Dr. Reid as may be agreed between MRC and Omeros (Dr. Reid and the MRC Co-investigator collectively "MRC Investigators"), directed to advancing the technology included in the MRC IP or related technology concerning the characterization and inhibition of MASP-2, supported by the financial sponsorship of Omeros, and without the use of third party sponsorship that would provide any intellectual property rights in the results of the Sponsored Research to such third party, in accordance with one or more research plans ("Research Plans") agreed to in advance in writing between MRC and Omeros. An initial Research Plan is attached hereto as Exhibit A. The Research Plans may involve collaborative research efforts by Omeros, MRC and/or Leicester as may be agreed between MRC and Omeros. No Research Plan or any amendment thereto shall be effective until executed by MRC and Omeros, and upon mutual execution shall be automatically incorporated into this Agreement. Each Research Plan shall define scientific aims, objectives and activities, a budget and a timeline for performance of Sponsored Research during the corresponding time period.

2.2 The Sponsored Research shall be completed over a term (the "Sponsored Research Term") of thirty four months (34 months) commencing 1 November 2005 or as may otherwise be mutually agreed in writing. If Omeros or MRC wishes to terminate the Sponsored Research Term early, such party shall provide the other party notice of non-extension at least ninety (90) days prior to the end of any given year of the Sponsored Research term, i.e., by 3 August of such year. In the event of a breach of this Agreement by MRC during the Sponsored Research Term, Omeros may terminate the Sponsored Research Term as provided in accordance with Section 14.4 below at its sole discretion, without penalty. If Omeros should terminate the Sponsored Research Term as provided in accordance with Section 14.4 below for any other reason before completion of the full Sponsored Research Term, or upon completion of the full Sponsored Research Term, Omeros will reimburse MRC for any legally required severance payable to the MRC Co-investigator due solely to the termination or conclusion of the Sponsored Research, not to exceed [†], provided, however that MRC will utilize its best efforts to minimize or avoid the need for any such payment, including without limitation efforts to find other support for the MRC Co-investigator, and provided further that MRC shall provide Omeros with documentation of the legal requirement for and amount of any such severance. The Sponsored Research Term shall run independently of the License Term (as defined herein below) of this Agreement. Termination of this Agreement shall result in termination of the Sponsored Research Term, but termination of the Sponsored Research Term, such as in accordance with this Section 2.2 or Section 14.4 herein, shall not affect the overall status of this Agreement or the License Term.

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2.3 MRC shall supply all necessary personnel, administrative management, facilities, equipment and supplies to enable timely completion of the Sponsored Research, including both of the MRC Investigators, for the duration of the Sponsored Research Term. Reimbursement for MRC's costs and expenses for the Sponsored Research shall be provided only to the extent agreed to in writing in the applicable Research Plan. Each Research Plan will be completed diligently by MRC using best efforts in accordance with prevailing professional standards and all applicable laws, regulations and MRC's official policies. Should the MRC Investigators become unavailable to complete any Research Plan, MRC and Omeros may agree on a substitute investigator, and in the event that a mutually acceptable substitute is not available, either party may terminate the Sponsored Research Term.

2.4 Within thirty (30) days of the end of each quarter of the Sponsored Research Term, MRC shall submit a status report in written and electronic form ("Status Report") summarizing the results of the research completed during that quarter, except that annually within thirty (30) days of the end of each year of the Sponsored Research Term or at such other point in time as may be mutually agreed in writing, MRC shall submit a final status report in written and electronic form ("Final Report") detailing the results of the research completed during such year of the Sponsored Research Term. Upon Omeros' request, MRC shall complete all requested corrections and make reasonable revisions to each Status Report and/or Final Report to place it into a form suitable to meet Omeros' objectives, including potential use of any Status Report and/or any Final Report as part of any regulatory submissions.

2.5 In full and complete consideration for the Sponsored Research completed by MRC during the Sponsored Research Term in accordance with the Research Plan(s), Omeros shall pay MRC a total of [†] over the Sponsored Research Term in accordance with the annual schedule set forth in Exhibit A, unless the Sponsored Research Terms is terminated earlier in accordance with the provisions of this Section 2, in which case no further scheduled payments shall be payable, or unless a change in the level of Sponsored Research work is agreed to in writing in subsequent Research Plans, and subject to the following potential adjustment based on the British national pay scale. The salary portion of the compensation amount payable during each year includes a projected increase for changes in the British national standard pay scale, and shall be adjusted up or down annually to reflect actual changes in the British national standard pay scale. Compensation for each year of the Sponsored Research Term shall be payable at the rate of twenty five percent (25%) of the annual amount per quarter, with a first quarterly payment due and payable upon the start of the year, second and third quarterly payments due and payable four and eight months, respectively, from the start of the year, and a fourth quarterly payment due and payable upon the later of the end of the year or acceptance of a Final Report for such year; provided, however, that no payment shall be due for any quarter prior to the receipt and acceptance by Omeros of a Status Report or any Final Report, as appropriate, for the respective quarter or year. All undisputed payments that have become due and payable shall be paid within thirty (30) days of receipt of an invoice from MRC.

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2.6 Omeros and the MRC Investigators shall collaborate on any proposed scientific publications of Sponsored Research data and results, including a discussion of authorship and contents. MRC shall furnish Omeros with copies of any publication or written or oral disclosure that is proposed by MRC, including, without limitation, disclosures in papers or abstracts or at research seminars, lectures, professional meetings, or poster sessions, at least sixty (60) days prior to the proposed date for submission for publication or disclosure. During such 60-day period, Omeros shall have the right to review and comment on such publication for accuracy and protection of confidential information. Additionally, upon Omeros' written request during the foregoing 60-day period, the proposed submission for publication or disclosure shall be delayed until Omeros has completed the filing of patent applications directed to information contained in such proposed publication or disclosure or based on Omeros' reasonable determination that publication should be delayed due to other business considerations, but in no event will such delay exceed an additional ninety (90) days following the initial 60-day period without MRC's written consent, which consent shall not be unreasonably withheld. Omeros shall have the right, in its sole discretion, to use, disclose, disseminate and publish (with due acknowledgement of authorship) all data and results arising out of the Sponsored Research for any and all purposes, including without limitation in and for submissions to any regulatory agencies and in marketing any products including, but not limited to, Licensed Products.

3 **Ownership of Intellectual Property**

3.1 All MRC IP shall remain owned or held by MRC to the same extent as would be the case were it not for this Agreement.

3.2 All Omeros IP shall remain owned or held by Omeros to the same extent as would be the case were it not for this Agreement.

3.3 All Joint IP shall be jointly owned by Omeros and MRC, i.e., Omeros and MRC each shall hold a 50% undivided joint ownership interest in all Joint IP, provided however that Omeros and MRC recognize that third party collaborators such as Leicester may also have an ownership interest in intellectual property included in the Joint IP, which third party ownership interest shall not be impacted or determined by this Agreement.

4 **Grant Of License**

4.1 MRC hereby grants to Omeros for the term of this Agreement a royalty-bearing, world-wide exclusive license in the MRC IP for the research, development, manufacture, use, sale, offering for sale, distribution, exportation and importation of any and all products and the practice of all methods within the MRC IP, including without limitation the exclusive right to develop, manufacture, use, sell, offer for sale, distribute, export and import the Licensed Products for all purposes including without limitation the research, development and production of antibody or other MASP-2 inhibitor products.

4.2 MRC hereby grants to Omeros a fully paid-up, irrevocable, world-wide exclusive license in and to MRC's joint ownership interest in the Joint IP, for the manufacture, use, sale,

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offering for sale, distribution, exportation and importation of any and all products and the practice of all methods encompassed by the Joint IP.

4.3 Subject to publication approval and timing procedures consistent with Section 2.6 herein, MRC shall retain the right to use the MRC IP and the Joint IP for the purpose of conducting non-commercial, academic research, including research sponsored by not-for-profit entities, which shall not include the performance of research sponsored (directly or indirectly) by or on behalf of any for-profit entity that is in direct competition with Omeros in a technology, product or research tool that is the subject of the MRC IP or Joint IP.

4.4 Omeros shall have the right to grant sublicenses in the MRC IP and the Joint IP under this Agreement subject, with respect to the MRC IP, to Omeros' obligations to share sublicense revenues as set forth in Section 5.

4.5 As part of the licenses granted to Omeros under Sections 4.1 and 4.2, MRC agrees to transfer and provide and/or make available to Omeros upon request biological materials and any other research materials and know-how encompassed by or included within the MRC IP and/or the Joint IP to which MRC has appropriate rights and access, all such materials being provided on the basis of Omeros reimbursing MRC for MRC's actual cost in providing such materials but for no additional consideration.

4.6 MRC also grants to Omeros a right of first refusal for an exclusive license in all of MRC's Intellectual Property Rights, for which Omeros has not already been granted a license hereunder, and for which MRC has all necessary rights to offer such first refusal, and MRC shall exert reasonable efforts to obtain such necessary rights, in (1) any commercially applicable technology that arises during the Term of this Agreement and is directly related to MASP-2 as more fully defined in the MRC IP and the Joint IP, and (2) any technology that has been developed through the contribution of both Omeros and MRC after the Sponsored Research Term.

5 **Royalties and Sublicense Revenue**

5.1 Omeros shall pay MRC on a quarterly basis a royalty for Licensed Products of [†] of that portion of the Net License Proceeds realized during each respective quarter from Licensed Products (the "Licensed Product Royalty"). Not withstanding the above, if the total royalties owed by Omeros to all parties for Licensed Products, including without limitation the Licensed Product Royalty payable to MRC, royalties payable to Leicester, [†] and any "stacking fee(s)" or other royalties payable to third parties to develop, manufacture or commercialize the Licensed Products (all together the "Total Royalty Percentage"), exceeds [†] of the Net Licensed Proceeds for any quarter, then [†] of the difference between the Total Royalty Percentage and [†] shall be deducted from the Licensed Product Royalty payable to MRC for such quarter, provided, however that the Licensed Product Royalty for such quarter may not be reduced by such deductions to less than [†].

5.2 Omeros shall pay MRC on a quarterly basis a share of that portion of the Net Sublicense

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Proceeds collected by Omeros on Licensed Products and collected by Omeros ("Sublicensed Product Revenue Share") from sublicensed third parties during each respective quarter, such Sublicensed Product Revenue Share being either (a) [†] for any sublicenses in connection with the Licensed Products granted hereunder prior to the earlier of (i) the establishment of MRC's clear, defensible, lawful and uncontested title in, or other mutually acceptable rights relative to, [†], or (ii) the second year anniversary of the Effective Date of this Agreement, or (b) [†] for any sublicenses in connection with the Licensed Products granted hereunder thereafter.

5.3 Omeros shall promptly provide MRC with a copy of all sublicenses granted by Omeros in the MRC IP and/or the Joint IP under this Agreement.

5.4 Following receipt from the University of the results of all Sponsored Research and the completion of all other necessary and beneficial research activities by Omeros and/or by others to support appropriate government regulatory submissions by Omeros, [†], Omeros shall use reasonable efforts, based on reasonable commercial prudence, to diligently develop and introduce to the market one or more Licensed Products. Ongoing performance of research and/or development efforts to generate or further advance one or more Licensed Products by Omeros, internally at Omeros and/or under contract with MRC and/or a third party, shall be deemed to be diligent efforts under this Section 5.4.

5.5 It is Omeros' current intent to commercially develop and seek regulatory clearance to clinically test and then market an inhibitor of MASP-2 activity following identification of selective and high-affinity inhibitors of MASP-2 activity and demonstration of the therapeutic benefit of such inhibitors in animal models, such identification and demonstration to be completed collaboratively by MRC, Leicester and/or Omeros. Within three months of the identification by Omeros of a Licensed Product that is determined by Omeros to be a viable and optimal clinical development candidate, Omeros will submit a development plan to MRC that sets forth Omeros' planned activities and estimated timing for the development, regulatory approval and market introduction of one or more Licensed Products. Assuming anticipated and adequate progress is made in the Sponsored Research [†], Omeros anticipates the identification of an initial potential candidate for a Licensed Product or Licensed Research Product that is a potential clinical development candidate within two years of the commencement of the Sponsored Research. The foregoing statements within this Section 5.5 and such development plan are or will be provided as indications of current or future intentions only, and shall have no binding effect on Omeros, nor shall it give rise to any right or obligation to either party, and any modification, alteration or failure to meet any of these intentions shall have no impact on this Agreement.

6 **Payments**

6.1 Quarterly royalty and sublicense revenue payments shall be made in British Pounds Sterling by Omeros to MRC within sixty (60) days of the end of the quarter. Payments shall be computed based on a conversion from any other denomination to British Pounds Sterling for any revenues received or costs and expenses incurred by Omeros during the

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relevant quarter or other reporting period, as provided herein, using the prevailing exchange rate in effect at the date and time that funds are transferred from Omeros' account to MRC's account (in the case of payment by wire transfer) or at the date and time of issuance of a check by Omeros (in the case of payment by check). Each quarterly payment shall be accompanied by a report specifying (a) the source of the royalties itemized by product and country, (b) any Omeros IP Legal Fees or Third Party License Fees that were deducted from gross proceeds to determine Net License Proceeds or Net Sublicense Proceeds as provided in Sections 1.9 or 1.9 of this Agreement, and (c) the total of all discounts, returns, credits and commissions deducted from gross proceeds to determine Net License Proceeds or Net Sublicense Proceeds as provided in Sections 1.9 or 1.9 of this Agreement. Following the two-year anniversary of the Effective Date of this Agreement, in the event that Omeros receives no such quarterly royalty and sublicense revenue in any given quarter, it shall nevertheless submit a quarterly report to that effect to MRC within sixty (60) days of the end of the quarter.

6.2 MRC reserves the right to employ a certified public accountant to review and reconcile the directly relevant accounting records and procedures of Omeros as they relate to the determination of royalties or sublicense revenue fees under Section 5 herein during reasonable business hours and no more than twice a year, and Omeros agrees to make available at Omeros' place of business all such directly relevant accounting records for that purpose within 30 (thirty) days of written request by MRC. The cost of such review shall be borne by MRC, unless it is found that Omeros under-paid a quarterly royalty or sublicense revenue fees for any quarter by an amount of 10% (ten percent) or greater, in which case the cost of such review shall be borne by Omeros.

6.3 In the event any royalty or sublicense revenue fee payments due under Section 5 herein are not timely paid by Omeros, Omeros shall pay to MRC interest charges on such late payments at a rate of [†].

6.4 Not withstanding anything to the contrary herein, Omeros shall have no obligation to pay any royalties or sublicense revenue fees under Section 5 for any product based on any patent claim that has been declared invalid or unenforceable by a court or governmental body of competent jurisdiction or based on any patent claim that is not enforceable in the jurisdiction(s) where such products are manufactured, used, sold, offered for sale, imported or distributed.

7 **License Progress**

7.1 Omeros shall on an annual basis, commencing on the one-year anniversary of the Effective Date of this Agreement and annually thereafter, deliver to MRC within thirty (30) days after the end of the respective year a written progress report detailing the status of Omeros' efforts to fund, patent, develop and commercialize Licensed Products.

8 **Patent Prosecution**

8.1 Omeros shall have the sole right at its discretion to apply for, prosecute and maintain patents for inventions included within the MRC IP and the Joint IP ("Patent Filings") in

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the name of the legally appropriate inventors and/or parties to this agreement and/or jointly with third parties as may be legally appropriate, provided however that (a) Omeros shall bear all cost and expense for all such Patent Filings, subject to the right to deduct Omeros IP Legal Fees as set forth herein, (b) Omeros shall keep MRC timely informed of the progress of all Patent Filings and timely provide MRC copies of all official documentation related to such Patent Filings, and (c) Omeros shall exert commercially reasonable efforts to diligently pursue all Patent Filings to issuance or final determination of unpatentability, provided however that if Omeros determines at its sole discretion to not make Patent Filings for any commercially significant inventions within the MRC IP or the Joint IP in any countries of commercial significance, or abandons any Patent Filing prior to issuance or final determination of unpatentability, Omeros shall give MRC advance written notice of such determination, MRC shall have the right thereafter to elect upon written notice to Omeros to pursue such Omeros abandoned Patent Filings at MRC's sole expense (together with Leicester if applicable), and such Omeros abandoned Patent Filings shall be excluded from the scope of the licenses granted under this Agreement.

8.2 MRC shall promptly provide written disclosure to Omeros of any inventions, improvements, or applications included within the MRC IP or Joint IP conceived, developed, made or arising before or during the term of this Agreement. MRC will provide all reasonable assistance, including review of documents and the execution of all documents and causing MRC's employees to review and execute all documents, necessary to make, prosecute, maintain and enforce the Patent Filings, all for no additional consideration but with reimbursement by Omeros of MRC's reasonable expenses for such assistance.

8.3 MRC shall promptly provide written disclosure to Omeros of any and all potentially material prior art known prior to the Effective Date of this Agreement or that becomes known during the License Term of this Agreement to any MRC employee that is associated with this Agreement, the Sponsored Research, the MRC IP or the Joint IP.

9 **Representations, Warranties and Other Obligations of Omeros**

9.1 Omeros represents and warrants that it has the requisite corporate power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder.

9.2 Omeros has and will maintain reasonably adequate insurance coverage for employment practices and general liability for all its activities under this Agreement. Prior to Omeros' marketing of any Licensed Product, or product encompassed by the Joint IP, or making any such products available for use in any human patients, Omeros will obtain and maintain reasonably adequate product liability insurance.

10 **Representations, Warranties and Other Obligations of MRC**

10.1 MRC has disclosed to Omeros the existence of the [†] and information as to the development of the MRC IP, and MRC warrants that it has made reasonable efforts to ascertain the details of such development and that it reasonably believes the same to be true. [†].

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10.2 [†]

10.3 [†]

10.4 MRC represents and warrants, subject to the disclosure referred to in Section 10.1 with respect [†] and to any rights owned by Leicester, that MRC is the owner of all other right, title and interest in any and all inventions included within the MRC IP and the Joint IP made or to be made wholly or jointly by MRC employees, including without limitation those made by Mr. Willis and Dr. Reid, and shall cause Mr. Willis and Dr. Reid to each execute this Agreement to confirm their agreement to be bound to the same extent as MRC with respect to all relevant provisions of this Agreement.

10.5 Subject to [†] as discussed in Section 10.1 above and to any rights owned by Leicester, MRC represents and warrants to Omeros that as far as it is aware, after having used reasonable efforts to ascertain relevant facts and having formed a reasonable belief as to their truth, it has the lawful right to grant the licenses conveyed under this Agreement, and that the MRC IP and the Joint IP are unencumbered by any third party obligation, commitment, restriction or license. [†]

10.6 [†] and any rights owned by Leicester, MRC warrants that it is not aware of any third party rights that would be infringed as a result of Omeros' fulfilling the terms of this Agreement.

10.7 MRC has and will maintain reasonably adequate insurance coverage for employment practices and general liability for all its activities under this Agreement.

10.8 THE WARRANTIES SET FORTH EXPRESSLY IN THIS AGREEMENT ARE THE SOLE WARRANTIES MADE BY EITHER PARTY TO THE OTHER AND THERE ARE NO OTHER WARRANTIES, REPRESENTATIONS OR GUARANTEES OF ANY KIND WHATSOEVER, EITHER EXPRESS OR IMPLIED, REGARDING THE LICENSED PRODUCTS, OR OTHER PRODUCTS, INCLUDING WITHOUT LIMITATION ANY EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

11 **Confidentiality**

11.1 MRC and Omeros hereby affirm and incorporate by reference the terms of the Mutual Nondisclosure Agreement between the parties dated 9 May 2005 concerning the subject matter of this Agreement, a copy of which is attached hereto as Exhibit B, except to the extent that the terms of such nondisclosure agreement may conflict with the terms of this Agreement, in which case the terms of this Agreement shall prevail. The parties further agree that the mutual obligations of nondisclosure and non-use set forth in such Mutual Nondisclosure Agreement shall subsist for a period of five (5) years after the termination of this Agreement.

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11.2 The terms of this Agreement shall be maintained in strict confidence by both MRC and Omeros, and may not be disclosed by either party without the consent of the other party, except as may be required under a court order or decree or as required to comply with any governmental law, rule or regulation, and Omeros may disclose the terms of this Agreement to Omeros' current and potential employees, directors, consultants, shareholders, investors and corporate partners.

12 **Indemnification**

12.1 Each party (the "Indemnifying Party") shall indemnify, hold harmless and defend the other party and its employees, officers, directors, consultants and agents (the "Indemnified Party") against any and all claims, suits, losses, liabilities, damages, costs, fees, and expenses ("Claims") resulting from or arising directly out of the Indemnifying Party's breach of any representation, warranty or obligation under this Agreement, or the Indemnifying Party's exercise of the rights and obligations under this license or any sublicense, except that such obligation to indemnify, hold harmless and defend shall not extend to any Claims to the extent such Claims result from or arise directly from the negligence or misconduct of the Indemnified Party. This indemnification does not include any indemnity in relation to product performance or product liability, and furthermore does not include any incidental, consequential or special damages.

13 **Enforcement of Patent Rights**

13.1 If either party learns of the infringement of any patent or other intellectual property right included in the MRC IP or the Joint IP, that party shall promptly notify the other party of such infringement and will provide the other party with all evidence of infringement in the notifying party's possession. Both parties shall use their best efforts in cooperation with each other to terminate third party infringement without litigation.

13.2 Omeros shall have the sole right at its discretion to enforce the MRC IP and the Joint IP against third party infringers, including the initiation of any civil action in Omeros' name, at Omeros' sole cost, in which event any award, judgment, settlement or damages collected shall belong solely to Omeros without duty to account to MRC. In the event that it is necessary for Omeros to join MRC as a party to any such civil action, MRC shall join such action for no additional compensation but at Omeros' sole expense, and any award, judgment, settlement or damages collected shall belong solely to Omeros without duty to account to MRC.

13.3 If Omeros unreasonably declines to initiate enforcement of the MRC IP and the Joint IP against any third party infringer within ninety (90) days of a written demand from MRC to do so, then MRC shall have the sole right at its discretion to enforce the MRC IP and the Joint IP against such third party infringer, including the initiation of any civil action in MRC's name, at MRC's sole cost, in which event any award, judgment, settlement or damages collected shall belong solely to MRC without duty to account to Omeros.

14 **Term and Termination**

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14.1 Unless terminated earlier as set forth in Section 14.2 or 14.3 herein below, this Agreement shall subsist so long as there is any pending patent application within the MRC IP or the Joint IP, any patent application in the process of being prepared for filing as agreed to by Omeros and MRC or any valid and subsisting claim included within any patent, utility model or inventor's certificate within the MRC IP or the Joint IP (the "License Term").

14.2 Omeros may terminate this Agreement by providing ninety (90) days advance written notice of termination under this Section 14.2 to MRC, with or without cause, at any time [†].

14.3 Either party may terminate this Agreement at any time in the event that the other party (a) breaches any material obligation of this Agreement by first submitting written notice of breach to the breaching party, which breach is not substantially cured within ninety (90) days of the receipt of such notice, followed by written notice of termination then being sent to the breaching party, or (b) declares or is adjudged by a court of competent jurisdiction to be insolvent, bankrupt or in receivership, and such insolvency, bankruptcy or receivership materially limits such party's ability to perform its obligation under this Agreement, excluding reorganizations entered into by such party with the consent of the other party, which consent shall not be unreasonably withheld.

14.4 Omeros may at any time terminate its sponsorship of the Sponsored Research by providing ninety (90) days advance written notice of termination under this Section 14.4 to MRC, for cause as specified in Section 2.2 above or at any time due to failure to perform any Research Plan or other breach of this Agreement by MRC, or without cause as specified in, and subject to reimbursement of any severance fees that may be payable in accordance with, Section 2.2 above, in which event Sections 2.1 — 2.3 herein shall cease to be effective, and Sections 2.4 and 2.5 shall cease to be effective after all reports are provided and accepted and all payments are made for Sponsored Research performed in accordance with the applicable Research Plan prior to such notice, but the remainder of this Agreement shall continue in full force and effect for the License Term, including all rights and obligations of both parties hereunder. In the event of Omeros' termination of its sponsorship of the Sponsored Research, Omeros shall pay to MRC any and all non-cancelable sums reasonably incurred or committed to by MRC prior to receipt of the notice of termination.

14.5 The provisions of Sections 2.6 (Publication), 3 (Ownership of Intellectual Property), 4.2 — 4.6 (License as applicable to Joint IP and right of first refusal), 8 (Patent Prosecution as applicable to Joint IP), 9 and 10 (Representations and Warranties and Other Obligations), 11 (Confidentiality), 12 (Indemnification), 13 (Enforcement as applicable to Joint IP), 15 (Use of Names) and 16 (Miscellaneous) above shall survive expiration or termination of this Agreement for the period set forth therein or, if no period is set forth therein, then indefinitely.

15 **Use of Names**

15.1 Nothing contained in this Agreement confers any right to either party to use in

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advertising, publicity, or other promotional activities any name, trade name, trademark, or other designation of the other party hereto, and neither party shall make such use without the prior written consent of the other party, provided however Omeros may through written, oral or electronic communication disclose the existence of this Agreement and the names of MRC, Dr. Reid, Mr. Willis and other of MRC's employees and consultants to Omeros' current and potential employees, directors, consultants, shareholders, investors and corporate partners, and as required to comply with any governmental law, rule or regulation.

16 **Miscellaneous**

16.1 This Agreement including all appendices and exhibits attached thereto or incorporated by reference therein constitutes the entire understanding of the parties hereto regarding the subject matter of this Agreement, and no other representation, agreement, promise or undertaking altering, modifying, taking from or adding to the terms of this Agreement shall have any effect unless the same is reduced to writing and duly executed by the parties hereto. In the event of any conflict between the main body of this Agreement and any attachments thereto or documents incorporated by reference therein, the provisions of the main body of this Agreement shall control.

16.2 Either party's failure to enforce any provision of this Agreement will not be considered a waiver of future enforcement of that or any other provision.

16.3 The laws of the state of Delaware, United States, without regard to its conflict-of-laws provisions, shall govern this Agreement, its interpretation and its enforcement, and any disputes arising out of or related to this Agreement.

16.4 The parties agree that, except as provided herein below, any claim or controversy arising out of or relating to this Agreement or breach thereof shall be settled by arbitration in the state of Delaware, United States, in accordance with the commercial rules of the American Arbitration Association by a panel of three arbitrators, one selected by each party and the third selected by the other two arbitrators. In any such arbitration proceeding, judgment upon the award rendered by the arbitrator shall be final and binding upon the parties and may be entered by either party in any court or forum of competent jurisdiction as provided herein below. Notwithstanding the foregoing, both parties agree that any claims or controversies concerning the validity or enforceability of any intellectual property, or the actual or threatened disclosure or misuse of confidential information, may alternately be resolved by a civil action in any court of competent jurisdiction as provided herein below, and both parties further agree that each shall retain the right to seek injunctive relief in any court of competent jurisdiction as provided herein below to prevent a breach, threatened breach or continuing breach of this Agreement which would cause irreparable injury (e.g., breaches of confidentiality or the like).

16.5 Any civil action prosecuted or instituted by either party as permitted herein above with respect to any matters arising out of or related to this Agreement shall be brought in either the United States District Court located in the state of Delaware, United States (if

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federal subject matter jurisdiction therein lies) or the Superior Court for the state of Delaware, United States (if there is no subject matter jurisdiction in federal court), and each party hereby consents to the jurisdiction and venue of such courts for such purposes.

16.6 In the event that it is necessary for either party of this Agreement to take legal action to enforce any of the terms, conditions or rights contained herein, or to defend any such action, then the prevailing party in such action shall be entitled to recover from the other party all reasonable attorneys fees, costs and expenses related to such legal action.

16.7 In the event that any portion of this Agreement is held invalid or unenforceable by a court of law, that provision will be construed and reformed to permit enforcement of the provision to the maximum extent permissible consistent with the parties' original intent, and if such construction is not possible, such provision shall be struck from this Agreement, and the remainder of the Agreement shall remain in full force and effect as if such provision had never been part of this Agreement.

16.8 For the purposes of this Agreement, the parties hereto are independent contractors, and nothing in this Agreement shall be construed to place them in the relationship of partners, principal and agent, employer/employee or joint venturers. Except as provided expressly herein, each party agrees that it shall have no authority to bind or obligate the other party, nor shall any party hold itself out as having such authority.

16.9 Neither party will be liable for failure or delay in performing any obligation under this Agreement, or will be considered in breach of this Agreement, if such failure or delay is due to a natural disaster or any cause reasonably beyond such party's control, provided that such party resumes performance as soon as possible following the end of the event that caused such delay or failure of performance.

16.10 Neither party may assign this Agreement, or any obligation or right under this Agreement, in whole or in part, without the other party's prior written consent, which consent will not be unreasonably withheld. This Section shall not be construed in any way to limit Omeros' rights to grant, at Omeros' sole discretion, sublicenses hereunder. MRC consents to Omeros' assignment of this Agreement in whole or in part in connection with the merger, consolidation or transfer of all or substantially all of that portion of Omeros' assets to which this Agreement relates. Subject to these restrictions, this Agreement will be binding upon and will inure to the benefit of the parties' permitted successors and assignees.

16.11 Any notice required or permitted to be given hereunder by either party shall be in writing and shall be (a) delivered personally, (b) sent by registered mail, return receipt requested, postage prepaid, (c) sent by an internationally recognized courier service guaranteeing next-day delivery, charges prepaid, or (d) delivered by facsimile (with the original promptly sent by any of the foregoing manners) to the addresses or facsimile numbers of the other party set forth below, or at such other addresses as may from time to time be furnished by similar notice by either party. The effective date of any notice hereunder shall be the date of receipt by the receiving party.

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If to Omeros:

Omeros Corporation
1420 Fifth Avenue, Suite 2600
Seattle, WA 98101
U.S.A.

Attention: Gregory A. Demopulos, M.D.,
Chairman & CEO

And copy to: Marcia S. Kelbon,
Patent & General Counsel

Fax: (206) 264.7856
Phone: (206) 623.4688

If to MRC:

Medical Research Council
20 Park Crescent
London
United Kingdom
W1B 1AL

Attention: Graham Wagner,
Associate Director Licensing
and Agreements

Fax: +44.207.291.5325
Phone: +44.207.291.5317

16.12 This Agreement may be executed in one or more counterparts, each of which will be considered an original, and all of which will constitute the same instrument.

IN WITNESS WHEREOF, Omeros and MRC have each acknowledged and accepted this Agreement by causing it to have been signed by their respective duly authorized officials.

OMEROS CORPORATION		MEDICAL RESEARCH COUNCIL	
By:	/s/ Gregory A. Demopulos	By:	/s/ Graham Wagner
Name:	Gregory A. Demopulos, M.D.	Name:	Graham Wagner
Title:	Chairman & CEO	Title:	Associate Director Licensing and Agreements
Date:	11/16/07	Date:	10th November 2005
Fax:	206.264.7856	Fax:	+44 207 291 5325

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The above Exclusive License and Sponsored Research Agreement is acknowledged by the undersigned investigators, who agree to abide by the terms set forth therein.

PROFESSOR KENNETH B. M. REID		MRC CO – INVESTIGATOR	
Signed:	_____	Signed:	_____
Title:	Director, MRC Immunochemistry Unit	Title:	_____
Date:	_____	Date:	_____
Fax:	_____	Fax:	_____

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EXHIBIT A

To the Exclusive License and Sponsored Research Agreement

Between Omeros Corporation and the Medical Research Council

RESEARCH PLAN

Sponsor: Omeros Corporation

Research Institution: Medical Research Council (MRC)

Investigator: Dr. Ken Reid

Research Period: First year, commencing 1 November 2005

Research Aims and Activities

Attachment 1 hereto sets for the research aims of the Sponsored Research program to be completed during the first year. All activities to meet specific aim 1 are to be carried out by MRC ("Dr. Reid's lab"). Aims indicated as to be performed by Omeros or third parties, and all animal models in specific aim 5, are provided herein for reference purposes only and shall not be interpreted as any obligation on the part of Omeros or MRC. Specific aims and the corresponding timeline may be modified as mutually agreed in writing by Dr. Ken Reid and Omeros.

Budget

The total consideration to be paid to MRC for all Sponsored Research to be carried out during the first through third years of the Sponsored Research Term, including without limitation full and complete payment for all services, materials, facilities, overhead and indirect costs, but excluding reimbursement for any legally required severance that may be payable as provided for is Section 2.2 of this Agreement above, is as follows:

Year 1 (1 November 2005 — 31 October 2006):

[†]

Year 2 (1 November 2006 — 31 October 2007):

[†]

Year 3 (1 November 2007 — 31 August 2008):

[†]

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EXHIBIT B

To the Exclusive License and Sponsored Research Agreement

Between Omeros Corporation and Medical Research Council

MUTUAL CONFIDENTIALITY AGREEMENT

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AMENDMENT dated 8 May 2007

of the

EXCLUSIVE LICENSE AND SPONSORED RESEARCH AGREEMENT
dated 31 October 2005

By and between

MEDICAL RESEARCH COUNCIL and OMEROS CORPORATION

This is an amendment (this "Amendment") effective 8 May 2007 of the Exclusive License and Sponsored Research Agreement between Medical Research Council ("MRC") and Omeros Corporation ("Omeros") dated 31 October 2005 ("the Agreement"). All initial capitalized terms used herein below shall have the same definition as set forth in the Agreement.

Section 2.5 of the Agreement provides for payments for Sponsored Research during each year of a three year Sponsored Research Term to be paid on a quarterly basis, with twenty five percent (25%) of the annual amount to be paid each quarter. In as much as the third year of the Sponsored Research Terms comprises only a ten (10) month Sponsored Research period, not withstanding the payment schedule set forth in Section 2.5 of the Agreement, Omeros and MRC hereby agree that payments during the third year of the Sponsored Research Term shall be due and payable as follows:

Quarterly Payment	Amount	Due Date
1st	[†]	1 November 2007
2nd	[†]	1 March 2008
3rd	[†]	1 July 2008
4th	[†]	31 August 2008

The total amount of funding for the third year of the Sponsored Research Term [†], as well as each party's right to terminate the Agreement early in accordance with the provisions of Section 14 of the Agreement, and all other terms of the Agreement remain unchanged and in force.

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This Amendment is accepted and acknowledged by each party, as of the effective date set forth herein above, through the signature of its authorized representatives below:

MEDICAL RESEARCH COUNCIL		OMEROS CORPORATION	
By:	/s/ Anne Marie Coriat	By:	/s/ Gregory A. Demopulos
Name:	Anne Marie Coriat PhD	Name:	Gregory A. Demopulos, M.D.
Title:	Head of MRC Centre, Oxforshire	Title:	Chairman & CEO

MRC Centre Oxfordshire
MRC Harwell
DIDCOT
Oxfordshire OX11 0RD
Tel: 01235 841000

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Exhibit 10.33

FUNDING AGREEMENT

This Funding Agreement ("Agreement") is made as of December 18, 2006 (the "Effective Date") by and between The Stanley Medical Research Institute, a 501(c)(3) corporation organized under the laws of Connecticut and having a place of business at 8401 Connecticut Avenue, Suite 200 Chevy Chase, MD 20815 ("SMRI"), and Omeros Corporation, a corporation organized under the laws of Washington State and having its principal place of business at 1420 Fifth Avenue, Suite 2600 Seattle, WA 98101 ("Omeros") (together with SMRI, the "Parties" and each, a "Party").

WHEREAS, Omeros has a program for the development of a PDE10 inhibitor as a therapeutic candidate for the treatment of schizophrenia and/or other neuropsychiatric disorders; and

WHEREAS, SMRI desires to fund, with a combination of grant and equity financing, certain development work with respect to Omeros' PDE10 program on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained, the Parties agree as follows:

1 **Certain Definitions**.

1.1 Defined Terms. Following is a list of the defined terms used in this Agreement and, where applicable, the section references where they are defined.

"Administrative Expenses" shall have the meaning set forth on Exhibit A.

"Affiliate" means, with respect to a particular Party, a person, corporation, partnership, or other entity that controls, is controlled by or is under common control with such Party. For the

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purposes of the definition, the word "control" (including, with correlative meaning, the terms "controlled by" or "under common control with") means the actual power, either directly or indirectly through one or more intermediaries, to direct or cause the direction of the management and policies of such entity, whether by the ownership of at least fifty percent (50%) of the voting stock of such entity, or by contract or otherwise.

"Combination Product" means any product containing both (i) the Product, and (ii) one or more other therapeutically active ingredients.

"Commercialization Expenses" shall have the meaning set forth on Exhibit A.

"Commercially Reasonable Efforts" shall mean the application of a material level of effort, expertise and resources that is generally consistent with industry standards for companies of Omeros' size, capitalization and development stage to, as appropriate, research, develop and commercialize a Product where such research, development and commercialization are technically feasible, devoting the same degree of attention and diligence to such efforts that is substantially and materially consistent with industry standards for companies of Omeros' size, capitalization and development stage and for products at a comparable stage of development, with the objective of launching Products in one or more countries as soon as commercially practicable.

"Commercial Sale" means sale of the Product by Omeros, its Affiliates or licensees, following Regulatory Approval. Sales for test marketing, sampling, promotional uses, clinical trial purposes or compassionate or similar use shall not be considered to constitute a Commercial Sale.

"Confidentiality Agreement" shall have the meaning set forth in Section 3.2.

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"Cost of Goods Sold". shall have the meaning set forth on Exhibit A.

"Currency Adjustments" shall have the meaning set forth on Exhibit A.

"Direct Investment" means all internal and external expenses directly attributable to the Program, including, without limitation, all related research and development costs (including, without limitation, clinical, regulatory and Patents costs), program acquisition costs, FTE costs, dedicated equipment and laboratory supplies, and laboratory space.

"Early Royalties" shall have the meaning set forth in Section 2.6.

"FDA" means the United States Food and Drug Administration, or any successor entity.

"First Commercial Sale" means the first Commercial Sale to a third party.

"FTE" shall mean the equivalent of a full-time employee's working days over a twelve (12) month period (including normal vacations, sick days and holidays). The portion of an FTE devoted by an employee to a Program over a year shall be determined by dividing the number of full days during any twelve (12)-month period devoted by such employee to the program by the total number of working days during the twelve (12)-month period.

"Grant Funds" shall mean grant funds paid to Omeros under the Agreement by SMRI.

"Intellectual Property Rights" means all of the following, whether U.S. or non-U.S.: (a) Patents; (b) trademarks, service marks, trade dress, logos, tradenames, service names, domain names, Internet websites and corporate names and registrations and applications for registration thereof; (c) copyrights, copyrightable works, and registrations and applications for registration

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thereof, including copyrights relating to computer programs; (d) mask works and registrations and applications for registration thereof; (e) trade secrets; (f) computer programs; (g) biological materials, bioassays, cell lines, clones, molecules, protocols, reagents, experiments, lab results, tests and all other tangible or intangible proprietary information; and (h) other proprietary rights whether or not relating to any of the foregoing (including without limitation associated goodwill and remedies against infringements thereof and rights of protection of an interest therein under the laws of all jurisdictions).

"Interruption" shall occur if at any time before the First Commercial Sale of a Product, Omeros, its Affiliates, licensees, sublicensees, transferees and/or successors, all cease to conduct, or to cause to have conducted Commercially Reasonable Efforts with respect to the research, development and/or commercialization of a Product, including without limitation regulatory, patent and business partnering activities concerning a Product, for a period of [†] consecutive days; provided, however, that any cessation of such activities due to a regulatory process, availability of compounds, materials or necessary processes, the procurement of Intellectual Property Rights, any dispute or legal proceeding concerning third party Intellectual Property Rights that are necessary to the research, development and/or commercialization of a Product, or any other material factor not reasonably within Omeros', its Affiliates', licensees', transferees' and/or successors' control (e.g., strikes, terrorism, natural disasters, war), that renders the research, development and/or commercialization impracticable shall be excused and shall not constitute an Interruption.

"Interruption License" shall have the meaning set forth in Section 3.1.4.

"IPO" shall have the meaning set forth in Section 2.3.1.

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"JPAC" shall have the meaning set forth in Section 3.7.1.

"JPAC Reports" shall have the meaning set forth in Section 3.7.1.

"Milestone" shall have the meaning set forth in Section 2.2.2.

"Net Income" shall have the meaning set forth on Exhibit A.

"Net Program Conveyance Proceeds" shall have the meaning set forth in Section 2.6.

"Net Sales" shall have the meaning set forth in on Exhibit A.

"Omeros Designee" shall have the meaning set forth in Section 3.7.1.

"Patents" means inventions, patents, patent applications (including provisional applications), patent disclosures and all related continuation, continuation-in-part, divisional, reissue, re-examination, utility, model, certificate of invention and design patents, registrations, applications for registrations and any term extension or other governmental action which provides rights beyond the original expiration date of any of the foregoing.

"PDE10" means phosphodiesterase 10.

"Phase 2 Clinical Trial" means a human clinical trial evaluating the efficacy and safety of the Product in any country that would satisfy the requirements of 21 CFR §312.21(b).

"Phase 3 Clinical Trial" means a human clinical trial evaluating the efficacy and safety of the Product in any country that would satisfy the requirements of 21 CFR §312.21(c).

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"Product" means any therapeutic product developed under this Agreement that inhibits or modulates PDE10.

"Program" means research and development activities, including without limitation clinical and regulatory activities, relating to PDE10 and the development of the Product.

"Program IP" shall have the meaning set forth in Section 3.1.1.

"Program Conveyance" shall have the meaning set forth in Section 2.6.

"Regulatory Approval" means an approval, if any, by the health regulatory authority in a given country or jurisdiction, required for the sale/marketing and, if necessary, pricing of the Product for use in humans for a given indication.

"Royalties" shall have the meaning set forth in Section 2.5.

"SEC" means the United States Securities and Exchange Commission, or any successor entity.

"Series E Shares" shall have the meaning set forth in Section 2.2.1(b).

"SMRI Designee" shall have the meaning set forth in Section 3.7.1.

"SMRI Royalty Share" shall have the meaning set forth in Section 2.5.

"SPA" shall have the meaning set forth in Section 2.2.1(b).

"Third Party Expenses" shall have the meaning set forth in Section 5.9.

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"Third Party Royalties" shall have the meaning set forth on Exhibit A.

2 **The Funding.**

2.1 **The Funds**. SMRI shall provide Omeros with up to nine million dollars ($9,000,000) of combined equity and grant funding set forth below.

2.2 **Disbursement of Funds to Omeros**.

2.2.1 **Upfront Payment**. Upon execution of this Agreement, SMRI shall:

(a) make a cash payment of $1.3M to Omeros as Grant Funds; and

(b) purchase $1.3M of Omeros Series E preferred stock (the "Series E Shares") at a purchase price per share of $5.00, pursuant to the Series E Preferred Stock Purchase Agreement dated March 16, 2004 as attached hereto as Exhibit B including the most recent Addendum thereto substantially in the form included in Exhibit B (collectively the "SPA"). Upon the purchase of such Series E Shares, SMRI shall also execute and become a party to that certain Amended and Restated Investors' Rights Agreement, attached hereto as Exhibit C, by and among Omeros and certain investors named therein.

2.2.2 **Milestones**. In addition to the Upfront Payment set forth above, SMRI may at its option make the following additional payments: (i) further equity investments in Omeros in accordance with Section 2.3 below; and (ii) further grant funding upon achievement of the following milestones (the "Milestones").

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Stage	*Payment Milestone*	*Equity*	*Grant Funding*
Preclinical Development	Upon achievement of a Product candidate that meets the following preclinical criteria: [†]	Up to $1.2MM	Up to $1.9MM
Phase 1 Clinical Program	Upon filing of Investigational New Drug Application with the FDA	Up to $0.6MM	Up to $2.7MM
Totals (including Upfront Equity and Grant Payments)		***Up to $3.1MM***	***Up to $5.9MM***

2.2.3 **Achievement of Milestones**. Upon achievement of a Milestone, Omeros shall notify SMRI as set forth in Section 3.7.2 below. SMRI and Omeros shall meet promptly, in person or by teleconference, in order to determine whether SMRI will make and Omeros will accept a further equity investment plus associated grant funding with respect to such Milestone up to the amounts set forth in Section 2.2.2 as may be mutually agreed. SMRI shall make any agreed upon further payments of further equity investment plus associated grant funding to Omeros within thirty (30) days of determination of the JPAC that a Milestone has been satisfied and achieved. It is the intent of the Parties that the total equity investment(s) made by SMRI under this Agreement equal 34-35% of the total funding (including equity investments plus Grant Funds) provided by SMRI to Omeros under this Agreement.

2.3 **Equity for Milestone Payments**.

2.3.1 **Terms of Investment**. The equity purchased by SMRI for the Milestones shall be either (i) Series E Shares in accordance with the SPA, if purchased prior to Omeros' initial public offering ("IPO") or (ii) unregistered common stock of Omeros, registrable within 90 days of issuance and priced at the average closing ask price for Omeros' common stock for the five trading days

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preceding the closing of the equity investment, less a discount of 0 to 10%, such discount to be mutually agreed by Omeros and SMRI, if purchased after the IPO. Omeros shall provide SMRI written notice in the event that it files a Form S-1 with the United States Securities and Exchange Commission (the "SEC") within ten (10) days following such filing.

2.3.2 **Option to Purchase Equity Early**. During a thirty (30)-day period following receipt by SMRI of notification of Omeros' filing of Form S-1 with the SEC, SMRI shall have the right to purchase Series E Shares at a purchase price of five dollars ($5.00) per share, provided, such equity investment is made concurrent with payment by SMRI to Omeros of the corresponding grant funding.

2.4 **Additional Funding**. SMRI may optionally purchase additional equity in Omeros and/or provide Omeros with additional grant funding, subject to the mutual agreement of the Parties. Such additional investment may be in an amount equal to as much as [†] of the total costs associated with the Phase 2 Clinical Trials and Phase 3 Clinical Trials for the Product candidate. The parties agree to negotiate in good faith concerning such additional funding; provided, however, SMRI shall not be obligated to make such additional equity investment or pay such additional grant funding, and Omeros shall not be obligated to sell such additional equity or accept such additional grant funding.

2.5 **SMRI Royalty**. In consideration of SMRI's payment of the Grant Funds and its agreement to license Program IP to Omeros, except as provided in Section 2.6, beginning the first calendar year after the First Commercial Sale occurs, Omeros shall pay SMRI royalties ("Royalties") equal to [†] of Omeros' Net Income in any given year (the "SMRI Royalty Share") subject to maximum payment amounts as follows:

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Royalties	Royalty Equal to the following multiple of Grant Funds
1. For any portion of Grant Funds paid within [†] of date of receipt by Omeros of such portion of the Grant Funds	[†]
2. For any portion of the Grant Funds remaining after payments in subparagraph 1 above that are repaid within [†] of date of receipt by Omeros of such portion of the Grant Funds	[†]
3. For any portion of the Grant Funds remaining after payment in subparagraph 2 above that are repaid within [†] of the date of receipt by Omeros of such portion of the Grant Funds	[†]

Omeros shall pay the SMRI Royalty Share within sixty (60) days of the end of each calendar quarter. Omeros may prepay the royalty set forth in the table above, at any time, without penalty or premium, at its option. If there are no Commercial Sales of the Product, or if Omeros terminates the Program for any reason, Omeros shall have no obligation to pay Royalties thereafter.

SMRI shall have the right to audit Omeros' financial statements to the extent directly relevant to the computation of Omeros' Net Income and the SMRI Royalty, at reasonable times following advance request and no more frequently that once per year. SMRI shall bear the fees and expenses in connection with any such audit, except that if an error in Omeros' Net Income of more than five percent (5%) is discovered from any such audit, then Omeros shall bear the reasonable costs of such audit.

2.6 **Assignment and Sublicensing**. In the event that Omeros conveys to a third party all or substantially all of its rights to and title in the Program, by assignment, sale, exclusive license/sublicense or other conveyance, including all rights related to the Product and the Program IP

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(a "Program Conveyance") without reservation of any commercialization right, separate from and independently of the assignment, sale, exclusive license/sublicense or other conveyance of any other of Omeros' programs or assets, for a net amount after deducting (a) all of Omeros' costs associated with such sale and (b) Omeros' Direct Investment ("Net Program Conveyance Proceeds"), that exceeds Omeros' Direct Investment, Omeros shall make early payment of the SMRI Royalty up to a maximum amount equal to [†] of the total of the Net Program Conveyance Proceeds (the "Early Royalties"). The Early Royalties shall not exceed the total of the Grant Funds multiplied by the applicable multiple set forth in Section 2.5. The obligation to pay royalties remaining after any Early Royalty payment in accordance with the preceding sentence of this Section 2.6 shall be assumed by any third party assignee or other successor of title to the Program as provided in Sections 5.2 and 5.3, and shall be retained by Omeros in the case of any license/sublicense of the Program.

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3 **Intellectual Property; Confidentiality; Indemnification; Covenants**.

3.1 **Intellectual Property**.

3.1.1 **Ownership**. All Intellectual Property Rights created, conceived or reduced to practice in connection with the Program and during the course of this Agreement by Omeros and/or by SMRI (the "Program IP"), as well as all of Omeros' pre-existing Intellectual Property Rights related to PDE10, shall be owned by Omeros. SMRI shall, and hereby does, grant an exclusive license to Omeros to any and all of SMRI's other right, title and interest in and related to any Program IP (and shall require and cause SMRI's employees and contractors to assign all of their rights, title and interest in and to any Program IP to SMRI. Further, SMRI shall execute and deliver (and shall require and cause its employees and contractors to execute and deliver), upon the request of Omeros, any assignments, powers of attorney, declarations or other instruments, and take any actions, as may be necessary or desirable to confirm Omeros' ownership of the Program IP and to assist Omeros in applying for, prosecuting, maintaining and enforcing the Program IP including any Patent included therein.

3.1.2 **No Rights in Omeros' Intellectual Property**. Except as provided in Section 3.1.4, there shall be no license, express or implied, granted to SMRI in connection with this Agreement to any of Omeros' Intellectual Property, including without limitation, the Program IP.

3.1.3 **Abandonment**. Notwithstanding any contrary provision contained herein, prior to Omeros (or any Affiliate, licensee, sublicensee, transferee or successor of Omeros) abandoning any Patent or patent application related to the Program IP (including abandonment for failure to pay any required

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fees), Omeros shall promptly notify SMRI, or cause SMRI to be notified, of such pending abandonment, whereupon SMRI shall have the right and opportunity to assume title to the applicable Patent and/or patent application and to maintain the issued patent or continue the prosecution of the patent application at SMRI's own expense. Omeros hereby agrees to exercise its good faith efforts to obtain such consents, on SMRI's behalf, as may be necessary, advisable and/or appropriate for SMRI to exercise its rights under this Section 3.1.3. Thereafter, prior to SMRI (or any Affiliate, licensee, sublicensee, transferee or successor of SMRI) abandoning any such assumed Patent or patent application related to the Program and any Product, Omeros shall have the right and opportunity to reassume title to such assumed Patent or patent application under the same conditions as provided for SMRI above in this subsection 3.1.3.

3.1.4 **Interruption License**. Effective as of the Effective Date, Omeros hereby grants to SMRI with respect to the Program the following option to take a license (the "Interruption License"), which shall become exercisable by SMRI in the event of an Interruption:

(a) An exclusive (even as to Omeros except for research purposes) worldwide license, with the right to sublicense, under the Program IP to develop, manufacture, have manufactured, use, sell, offer to sell and import Products, together with a nonexclusive worldwide license, with the right to sublicense, to any other Intellectual Property Right in the Program solely to the extent necessary for SMRI to develop, manufacture, have manufactured, use, sell, offer to sell and import Products.

(b) In the event that Omeros transfers all or substantially all of its rights and obligations to develop and commercialize a Product to a third party by virtue of a Program Conveyance, Omeros shall use reasonable good faith efforts to obtain reversion rights from the third party. The time

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required for such rights to revert to Omeros shall be excused and shall not constitute an Interruption. Upon reversion to Omeros of such rights in the Product, the Interruption License shall again become exercisable by SMRI in the event of an Interruption, in which case such reversion rights shall flow to the benefit of SMRI. Except for such reversion rights that Omeros might obtain from any third party, such third party shall not be subject to the obligations of the Interruption License.

(c) The Interruption License shall be deemed to constitute intellectual property as defined in Section 365(n) of the U.S. Bankruptcy Code. Omeros agrees that SMRI, as a licensee of such rights, shall retain and may exercise all of its rights and elections under the U.S. Bankruptcy Code; provided, however, that nothing in this Agreement shall be deemed to constitute a present exercise of such rights and elections.

(d) In connection with this Section 3.1.4, Omeros shall deliver to SMRI, within thirty (30) days of the occurrence of an Interruption, all materials and data generated in the performance of the Program, and all other materials and data that Omeros may own and/or control that are required by SMRI to use and practice and applicable technology.

(e) In the event that the Interruption License becomes effective, in lieu of any other royalties pursuant to this Agreement (other than royalties or payments under Sections 2.5 and 2.6 previously paid by Omeros to SMRI in accordance with this Agreement), the Parties shall share equally any amount SMRI receives with respect to the Program or any Product (including amounts received in connection with sublicenses of the Interruption License), provided that, SMRI's share shall increase and Omeros' share shall decrease by [†] SMRI spends in addition to the Grant Funds and equity investment pursuant to this Agreement with respect to the research, development and/or

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commercialization of the Product after the effective date of the Interruption License, except that, in no event shall Omeros' share decrease below [†]. Thus, for example, if SMRI's expenditures after the effective date of the Interruption License are [†], SMRI's share will increase to [†] and Omeros' share will decrease to [†].

3.2 **Confidentiality; Use of Names**. The terms and existence of this Agreement, as well as any information disclosed to SMRI by Omeros in connection with this Agreement and the Program, including without limitation the Program reporting pursuant to Section 3.7, shall be considered "Confidential Information" and subject to, and governed by, the terms of that certain Confidentiality Agreement by and between SMRI and Omeros dated August 8, 2006 (the "Confidentiality Agreement"); provided, however, that each party shall be permitted to disclose the terms and existence of this Agreement to its respective employees, officers, directors, consultants and professional advisors, and Omeros shall be permitted to disclose the terms and existence of this Agreement to its current and prospective shareholders, investors and commercial partners. Except as permitted above in this Section 3.2 with respect to disclosure of the existence and terms of this Agreement, neither party shall use the other party's name without the other party's written consent, including without limitation for any promotional or marketing purposes.

3.3 **Indemnification**. Omeros agrees to indemnify, defend, and hold SMRI harmless from and against any liability, losses, damages, and expense (including reasonable attorney's fees and costs) arising from any third party claim, action or proceeding to the extent shown by a court of competent jurisdiction to have arisen from: (a) injuries to persons or damages which occur on Omeros' premises, (b) the negligence or intentional misconduct of Omeros, except in each of (a) and (b), to

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the extent caused by the negligence or intentional misconduct of SMRI, and (c) the knowing infringement of any patent by Omeros. In the event of an Interruption and exercise by SMRI of its option to take an Interruption License under Section 3.1.4 herein, SMRI agrees to indemnify, defend, and hold Omeros harmless from and against any liability, losses, damages, and expense (including reasonable attorney's fees and costs) arising from any third party claim, action or proceeding to the extent shown by a court of competent jurisdiction to have arisen from: (a) injuries to persons or damages which occur on SMRI's premises, (b) the negligence or intentional misconduct of SMRI, except in each of (a) and (b), to the extent caused by the negligence or intentional misconduct of Omeros, and (c) the knowing infringement of any patent by SMRI.

3.4 **Insurance**. Omeros shall maintain at its own expense, with a reputable insurance carrier reasonably acceptable to SMRI, coverage for Omeros, its Affiliates, and their respective employees written on a per occurrence basis, commensurate with a reasonable assessment of the risks associated with the research efforts being conducted by Omeros, which insurance will name SMRI as an additional insured. Such insurance shall include without limitation errors and omissions insurance encompassing claims relating to the performance and lack of performance of Omeros' obligations under this Agreement and comprehensive general liability insurance for claims relating to the performance and lack of performance of Omeros' obligations under this Agreement and comprehensive general liability insurance for claims for damages arising from bodily injury (including death) and property damages arising out of acts or omissions of an Omeros Party which will be specifically endorsed to cover Omeros' indemnification obligations under Section 3.3. Maintenance of such insurance coverage will not relieve Omeros of any responsibility under this Agreement for damages in excess of insurance limits or otherwise. On or prior to the Effective Date,

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Omeros shall provide SMRI with an insurance certificate from the insurer(s) evidencing each insurance coverage and the insurer's agreement to notify SMRI at least sixty (60) days in advance of any cancellation or modification of such insurance coverage. At its request, SMRI may review Omeros' insurance coverage with relevant Omeros officials from time to time.

3.5 **DISCLAIMER OF WARRANTY; LIMITATION OF LIABILITY**. THE PARTIES RECOGNIZE THAT RESEARCH AND DEVELOPMENT IS INHERENTLY UNCERTAIN AND NONE OF THE PARTIES HERETO MAKE ANY REPRESENTATIONS, WARRANTIES, OR GUARANTIES OF ANY KIND WITH RESPECT TO THE SUCCESS OF THE PROGRAM OR THE PRODUCT. EXCEPT WITH RESPECT TO BREACHES OF THE CONFIDENTIALITY AGREEMENT OR THE INTELLECTUAL PROPERTY PROVISIONS OF SECTION 3.1 ABOVE, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY HERETO, OR TO ANY THIRD PARTY, FOR ANY LIABILITY, DAMAGES, OR EXPENSE INCLUDING SPECIAL, DIRECT, INDIRECT, CONSEQUENTIAL DAMAGES OR OTHER ECONOMIC LOSS IN CONNECTION WITH THIS AGREEMENT.

3.6 **Operation of the Program**.

3.6.1 **General**. Subject to Section 3.6.2 below, Omeros shall (i) use Commercially Reasonable Efforts to achieve the milestones set forth herein and ultimately commercialize a Product, (ii) use the Grant Funds furnished by SMRI solely for the Program in Omeros' sole discretion; provided that, it is Omeros' intention to expend amounts on the Program that exceed the Grant Funds and amounts of SMRI's equity investment under this Agreement.

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3.6.2 **Personnel; Outsourcing**. Omeros will maintain an in-house chemist to supervise, and consulting chemists to assist with, the Program, which chemists shall be reasonably acceptable to and approved by SMRI, such approval not to be unreasonably conditioned, withheld or delayed. SMRI agrees that [†], Omeros' Senior Group Leader, Medicinal Chemistry, with support from consultants [†], are acceptable to SMRI for purposes of this Section 3.6.2. Further, SMRI shall have the right to approve contract research organizations and consultants selected for outsourced chemistry work, such approval not to be unreasonably conditioned, withheld or delayed.

3.7 **Joint Program Advisory Committee; Program Reporting**.

3.7.1 **Composition and Purposes**. During the term of the Research Program, a Joint Program Advisory Committee ("JPAC") shall facilitate communication between the Parties, and make recommendations, with respect to the Program. The JPAC shall consist of four (4) members, two (2) of whom shall be designated by Omeros (the "Omeros Designees"), and two (2) of whom shall be designated by SMRI (the "SMRI Designees"). Each party (a) shall select a Program Coordinator from among its designees to the JPAC (who may be changed at any time or from time to time by such Party), and (b) may change any of its designees to the JPAC at any time or from time to time. The Program Coordinator of Omeros shall serve as the Chairperson of the JPAC. The initial Omeros Designees and the initial SMRI Designees shall be identified by the respective Parties within thirty (30) days of the execution of this Agreement.

Without limiting the generality of the foregoing, the JPAC shall:

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(a) consider, review, reevaluate and discuss the research plan, evaluate any proposed revisions to the research plan, and give its recommendations regarding any proposed amendments to the research plan;

(ii) monitor the progress of the Program, and make recommendations to Omeros' research team as needed on next steps to implement the Program;

(iii) determine whether the Milestones have been satisfied and achieved; and

(iv) provide periodic meeting reports on the status of the Program to SMRI (the "JPAC Reports"), which JPAC Reports shall not include the chemical structure of any Products or Product candidates in recognition of the serious harm to the Program and Omeros that could result from the disclosure of such structures.

3.7.2 **Meetings**. The JPAC shall meet no less frequently than once in each six (6) month period during the Research Program; provided, however, that the JPAC shall meet more frequently if requested by either Program Coordinator. The first meeting of the JPAC shall be held within ninety (90) days of the Effective Date. Meetings of the JPAC shall be held at such times and locations as may be mutually agreed upon by the Program Coordinators, which times and locations shall be communicated in writing (including, without limitation, by email) to the other members of the JPAC with reasonable advance notice of the meeting. Members of the JPAC may attend each meeting either in person or by means of telephone or other telecommunications device that allows all participants to hear and speak at such meeting simultaneously. At least ten (10) business days prior to each meeting, Omeros shall deliver (including by email) to SMRI a written report detailing the

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progress made on the Program since the last meeting of the JPAC. Within twenty (20) days after the date of each meeting, the Omeros Designees shall prepare and deliver (including by email) to the SMRI Designees written minutes of such meeting setting forth in detail all discussions and/or recommendations of the JPAC made at such meeting, which such minutes shall be subject to the prior approval of SMRI's Program Coordinator, but which minutes shall not include the chemical structure of any Products or Product candidates.

3.7.3 **Expenses**. Each Party shall pay its own expenses (including travel and lodging expenses) incurred in connection with its participation on the JPAC.

3.7.4 **Reporting**. After the completion of the Program and until the First Commercial Sale, Omeros shall report in writing on an annual basis on the progress of the Program.

3.8 **Board**. At Omeros' request and discretion, [†], will join Omeros' Board of Directors. It is understood that, if [†] joins Omeros' Board, he would attend some Board Meetings by videoconference or teleconference. Omeros would provide [†] with Directors' and Officers' liability coverage and an indemnification agreement (attached hereto as Exhibit D) consistent with coverage and indemnification provided to other members of Omeros' Board. Such coverage and/or indemnification agreement may be amended in connection with Omeros' IPO. In keeping with legal requirements for Washington corporations, [†] will be subject to the normal fiduciary and confidentiality obligations of a board member. It is anticipated that Omeros will keep SMRI informed of the progress of the Program through the JPAC Reports.

4 **Term and Termination**.

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4.1 **Term**. The term of this Agreement shall commence on the Effective Date and shall extend, unless sooner terminated in accordance with the provisions of this Section 4, until the date that Omeros has fulfilled its Grant Funds repayment obligations, if any, pursuant to this Agreement.

4.2 **Mutual Agreement**. The Parties may terminate this Agreement at any time by written agreement of Omeros and SMRI.

4.3 **Termination for Breach**.

4.3.1 In the event that Omeros shall be in material breach or default of a material obligation under this Agreement or the Confidentiality Agreement and shall fail to remedy such breach or default within sixty (60) days after receipt of written notice thereof given by SMRI, SMRI shall be entitled to terminate this Agreement upon written notice to Omeros at any time after such sixty (60) day period.

4.3.2 In the event that SMRI shall be in material breach or default of a material obligation under this Agreement or the Confidentiality Agreement and shall fail to remedy such breach or default within sixty (60) days after receipt of written notice thereof given by Omeros, Omeros shall be entitled to terminate this Agreement upon written notice to SMRI at any time after such sixty (60) day period.

4.4 **Survival**. Termination of this Agreement for any reason shall not release a Party from any liability which at the time of such termination has already accrued to the other Party, including Omeros' remaining obligations, if any, to complete repayment of the Grant Funds pursuant to this Agreement. The terms of Sections 2.5, 2.6, 3.1, 3.2, 3.4, Section 5 and this Section 4.4 shall survive

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any termination or expiration of this Agreement, except that the terms of Subsection 3.1.4 (Interruption License) shall not survive the termination of this Agreement under Section 4.3.2 of this Agreement due to SMRI's material breach or default. Except as otherwise provided in this Section 4.4, all rights and obligations of the Parties under this Agreement shall terminate upon the expiration or termination of this Agreement.

5 **Miscellaneous**.

5.1 **Notice**. Any notice or other communication required by this Agreement shall be made in writing and given by prepaid, first class, certified mail, return receipt requested, and shall be deemed to have been served on the date received by the addressee at the following address or such other address as may from time to time be designated by the recipient Party in writing:

If to SMRI:
The Stanley Medical Research Institute
8401 Connecticut Avenue, Suite 200
Chevy Chase, MD 20815
Attn: Executive Director

With copies to:
Bingham McCutchen
3000 K Street, N.W., Suite 300
Washington, DC 20007
Attn: Kenneth I. Schaner, Esq.

If to Omeros:
Omeros Corporation
1420 Fifth Avenue, Suite 2600
Seattle, WA 98101
Attn: Chief Executive Officer

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With copies to:
Omeros Corporation
1420 Fifth Avenue, Suite 2600
Seattle, WA 98101
Attn: General Counsel

5.2 **Assignment**. This Agreement may not be assigned by either Party without the prior written consent of the other Party, except that Omeros may assign this Agreement, without such prior written consent, to a third party that succeeds to all or substantially all of Omeros' business and assets relating to this Agreement whether by sale, merger, acquisition, change of control, operation of law or otherwise; provided that any such permitted assignee or transferee shall be bound by the terms and conditions of this Agreement except as provided in Subsection 3.1.4(b) above.

5.3 **License**. Omeros may, at its sole discretion, license any or all of the rights in the Product and/or the Program to any third party. Should Omeros choose to enter into such a licensing arrangement, the Parties shall remain bound to the terms and conditions of this Agreement.

5.4 **Disclosure**. In the event that Omeros terminates the Program due to lack of commercial viability of the Product, Omeros shall, subject to applicable legal and regulatory requirements, disclose such termination to its shareholders.

5.5 **Entire Agreement**. This Agreement together with the Confidentiality Agreement set forth the entire agreement between the Parties with respect to the subject matter herein and replace and supersede all prior discussions and agreements between them with respect to such subject matter hereof. This Agreement and the Confidentiality Agreement may not be changed or modified except by written agreement of the Parties.

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5.6 **Relationship of the Parties**. Nothing in this Agreement shall be construed to create a partnership or joint venture between the Parties, nor shall any Party's employees or agents be considered the employees or agents of any other. Neither Party shall have any express or implied right or authority to assume or create any obligation on behalf of, or in the name of, the other Party or to bind the other Party to any contract, agreement or other obligation with any third party.

5.7 **Governing Law**. This Agreement and performance by the parties hereunder shall be construed in accordance with the laws of the State of Washington, U.S.A., without regard to provisions on the conflicts of laws.

5.8 **Publicity**. Omeros shall have the sole right to issue a press release announcing the transactions contemplated by this Agreement, subject to SMRI's prior approval of the text of such press release, which shall not be unreasonably conditioned, withheld or delayed.

5.9 **Expenses**. All fees and expenses incurred in connection with this Agreement, including all legal, accounting, financial advisory, consulting and all other fees and expenses of third parties ("Third Party Expenses") incurred by a party in connection with the negotiation and effectuation of the terms and conditions of this Agreement and the transactions contemplated hereby, shall be the obligation of the respective party incurring such fees and expenses, [†]. No broker fees shall be paid in connection with any funding provided to Omeros by SMRI.

5.10 **Headings; Signatures**. Headings included herein are for convenience only, do not form a part of this Agreement and shall not be used in any way to construe or interpret this Agreement. Any reference to "third party" in this Agreement shall mean any person or entity which is not a

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Party, including, without limitation, any affiliate of any Party. This Agreement may be executed in counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile signature.

5.11 **Waiver**. No waiver by a Party of any right or remedy hereunder shall be valid unless the same shall be in writing and signed by the Party giving such waiver. No waiver by a Party with respect to any default, misrepresentation, or breach of warranty or covenant hereunder shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

5.12 **Validity of Agreement**. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction declares that any term or provision hereof is invalid or unenforceable, the Parties agree that the court making the determination of invalidity or unenforceability shall have the power to limit the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified.

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IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute this Agreement.

THE STANLEY MEDICAL RESEARCH INSTITUTE		OMEROS CORPORATION	
By:	/s/ Michael B. Knable	By:	/s/ Gregory A. Demopulos
Name:	Michael B. Knable, DO	Name:	Gregory A. Demopulos, M.D.
Title:	Executive Director	Title:	Chairman & CEO
Date:	12/18/06	Date:	12/15/06

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Exhibit Index

Exhibit	Description
Exhibit A	Certain Defined Terms
Exhibit B	Form of Stock Purchase Agreement
Exhibit C	Form of Investors' Rights Agreement
Exhibit D	Form of Indemnification Agreement

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Exhibit Index to Funding Agreement

EXHIBIT A

DEFINED TERMS RELATING TO NET INCOME AND COMMERCIALIZATION EXPENSES

"Net Income" means income resulting from the Commercial Sale of the Product by Omeros, or its Affiliate or sublicensee, and shall be equal to Net Sales minus Commercialization Expenses minus an assumed income tax rate of thirty percent (30%) after taking into account the deduction accorded Omeros for purposes of calculating taxable income for royalties payable to SMRI pursuant to this Agreement.

"Net Sales" means the amount invoiced or otherwise billed by Omeros or its Affiliates or its licensees for sales of the Product to a third party purchaser, less the following to the extent included in such billing or otherwise actually allowed or incurred with respect to such sales:

(a) trade and quantity discounts other than early pay cash discounts and which effectively reduce the selling price and are appropriately deducted from sales under appropriate accounting principles, consistently applied;

(b) returns, rebates, chargebacks and other allowances;

(c) retroactive price reductions that are actually allowed or granted;

(d) sales commissions paid to third party distributors and/or selling agents, in amounts customary to the trade;

(e) a fixed amount equal to [†] of the amount invoiced to cover bad debt, sales or excise taxes, early payment cash discounts, transportation and insurance, custom duties, and other governmental charges; and

(f) the standard inventory cost of devices or delivery systems used for dispensing or administering the Product (such as syringes and inhalation devices, but excluding packaging).

With respect to sales of Combination Products, Net Sales in any country shall be calculated on the basis of the gross invoice price of the Product sold in that country in the absence of the one or more additional therapeutically active ingredients contained in the Combination Products. In the event that the Product is sold in a country only as a Combination Product, Net Sales shall be calculated on the basis of the gross invoice price of the Combination Product multiplied by a fraction, the numerator of which shall be the average gross invoice price (converted to United States Dollars) of the Product in any country(ies) in which the Product is sold in the absence of the one or more additional therapeutically active ingredients contained in the Combination Product and the denominator of which shall be the average gross invoice price (converted to United States Dollars) of the Combination Product in those same countries. In the event that the Product is sold only as the Combination Product in a country and only as the Product alone in any and all other countries in which the Product is sold, the Net Sales for the Combination Product shall be calculated based on the

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average gross invoice price (converted to United States Dollars) of the Product sold in such other country(ies). The deductions set forth in paragraphs (a) through (f) above will be applied in calculating Net Sales for a Combination Product. In the event that the Product is not sold anywhere in the world as the Product alone and is sold only as a Combination Product, Omeros shall reasonably determine the value of the Product relative to the other therapeutically active ingredients contained in the Combination Product.

"Commercialization Expenses" means Cost of Goods Sold, plus Marketing Expenses plus Administrative Expenses, plus Third Party Royalties plus Currency Adjustments.

"Cost of Goods Sold" If the Product is manufactured by one or more third parties, The Cost of Goods Sold shall equal the actual costs incurred and payable to such third part(ies) by Omeros for such manufacture (including importation, transportation, handling and logistic charges for delivery to Omeros to the extent incurred by Omeros and any applicable royalties, other than Third Party Royalties, payable by Omeros). Cost of Goods Sold shall also include any inventory-related costs incurred prior to First Commercial Sale to ensure supply of the Product for First Commercial Sale. If the Product is manufactured by Omeros, then the "Cost of Goods Sold" shall mean Omeros' actual fully burdened cost for manufacturing the Product, determined in accordance with generally accepted accounting principles, consistently applied.

"Marketing Expenses" means all direct selling, promotional and medical expenses (including costs of post-approval clinical studies of the Product) incurred with respect to detailing, distribution and sampling and marketing of the Product.

"Administrative Expenses" means indirect expenses incurred in supporting the commercialization of the Product following commercial launch of the Product.

"Third Party Royalties" means any royalty or other fee payments to any third party paid directly on the manufacture, importation, use, offer for sale or sale of the Product in order to avoid infringement of any third party right with respect to the manufacture, importation, use, offer for sale or sale of the Product.

"Currency Adjustments" means quarterly adjustments to actual amounts received by Omeros for that portion of Net Sales of the Product received in currencies other than United States Dollars.

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Exhibit 10.34

DATED 20 April 2007

Scottish Biomedical Limited
Telford Pavilion, Todd Campus,
West of Scotland Science Park,
Glasgow, G20 0XA, Scotland, U.K.

"Scottish Biomedical" or "SB"

and

Omeros Corporation
1420 Fifth Avenue, Suite 2600
Seattle, WA 98101, U.S.A.

"Omeros"

SERVICES AND MATERIALS AGREEMENT

---

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BUSINESS TERMS AND CONDITIONS / MATERIAL TRANSFER AND USE AGREEMENT

1 BASIS OF THE SALE

1.1 SB shall provide the Services and Materials as set out in the attached Schedules A and B (and C if mutually agreed), subject to these conditions, which shall govern the contract for the provision of the Services and Materials to the exclusion of any other terms and conditions subject to which any request or provision for the Services and Materials is made or purported to be made by Omeros or Scottish Biomedical.

1.2 Whereas nura, inc. and Scottish Biomedical entered into agreements on the 25th February 2005 and 8th August 2005, some of which terms continue to apply to the parties and their work under this agreement, as modified by an amendment referenced in the following Section 1.3.

1.3 Whereas Omeros and SB agree to execute, concurrent with execution of this Services and Material Agreement, the Assignment and Amendment to the prior agreement of 25th February 2005, attached hereto as Exhibit I.

1.4 Whereas Omeros acquired nura, inc. on 7th September 2006

1.5 These parties, SB and Omeros, now wish to extend their work together as outlined with this Agreement.

1.6 No variation to these conditions shall be binding unless agreed in writing between the authorised representatives of Scottish Biomedical and Omeros.

1.7 Scottish Biomedical's employees or agents are not authorised to make any representations concerning the Services unless confirmed by an authorized official of Scottish Biomedical in writing.

1.8 Omeros' employees or agents are not authorised to make any representations concerning the Services unless confirmed by the Chief Executive Officer of Omeros in writing.

WARRANTIES

1.9 Scottish Biomedical warrants that it will perform the Services and supply the Materials in accordance with this Agreement including all attached Schedules and with reasonable care and skill, and in accordance with all applicable laws and regulations for the location of the provision of such Services and Materials, but does not guarantee, except where described herein, any particular outcome or results will arise as a result of the provision of the Services or that the Materials will be fit for any specific purpose.

1.10 Save as set out in Clause 2 Scottish Biomedical neither gives nor makes any express warranty to Omeros.

1.11 EXCEPT AS EXPRESSLY PROVIDED HEREIN, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAWS, SCOTTISH BIOMEDICAL AND OMEROS EACH DISCLAIMS ALL IMPLIED REPRESENTATIONS, WARRANTIES, CONDITIONS, OBLIGATIONS OR DUTIES OF EVERY NATURE (INCLUDING, WITHOUT LIMITATION, ANY EQUITABLE, COMMON LAW OR STATUTORY WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE, QUALITY, MERCHANTABILITY AND / OR SATISFACTORINESS) IN RESPECT OF THE SERVICES AND MATERIALS, ON THE PART OF SCOTTISH BIOMEDICAL, AND IN RESPECT OF ANY COMPOUNDS PROVIDED FOR ANALYSIS, ON THE PART OF OMEROS. ACCORDINGLY, ALL SUCH IMPLIED REPRESENTATIONS, WARRANTIES, CONDITIONS, OBLIGATIONS OR DUTIES ARE EXCLUDED TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAWS. NOTHING IN THIS

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AGREEMENT SHALL HOWEVER OPERATE TO LIMIT OR EXCLUDE ANY LIABILITY FOR FRAUD OR DEATH OR PERSONAL INJURY CAUSED BY EITHER PARTY'S NEGLIGENCE.

1.12 Each party agrees that the foregoing exclusions of express and/or implied warranties and the limitations and exclusions of liability set out in Clause 2 are in all respects fair and reasonable having regard to:-

(a) the complexity and novelty of the Services and/or the Materials;

(b) the price / fees to be paid pursuant to this Agreement; and

(c) the relative resources of the parties.

2 LIMITATION OF LIABILITY

2.1 The following provisions set out Scottish Biomedical's entire liability (including any liability for the acts and omissions of its employees, agents or sub-contractors) to Omeros in respect of:

2.2 any breach of its contractual obligations arising under this Agreement;

2.2.1 any indemnity granted by Scottish Biomedical under this Agreement; and

2.2.2 any representation (other than fraudulent misrepresentation), statement or delictual or tortious act or omission including negligence arising under or in connection with this Agreement.

2.3 Other than in respect of death and personal injury caused by Scottish Biomedical's negligence, or in relation to any liability which by law may not be limited or excluded, or in relation to any liability due to Scottish Biomedical's gross negligence or wilful misconduct, Scottish Biomedical's liability with regard to any other matter, aspect, fact or thing arising from or relating to this Agreement shall in no event exceed the sums paid and due to be paid hereunder as at the date of the matter giving rise to the claim under the Schedules attached to this Agreement.

2.4 Other than in respect of death and personal injury caused by a party's negligence, or in relation to any other liability which by law may not be limited or excluded, or in relation to any liability due to a party's gross negligence or wilful misconduct, each party shall not be liable to the other party for any consequential or indirect loss or loss of profit, business, data, revenue, goodwill or anticipated savings which arises out of or in connection with this Agreement.

3 INTELLECTUAL PROPERTY

3.1 Omeros acknowledges that the background know-how, production and assay methodology supplied by Scottish Biomedical under this Agreement is the property of Scottish Biomedical.

3.2 Scottish Biomedical and Omeros each agree and acknowledge that any and all Results or other intellectual property generated or created under this Agreement are the sole and exclusive property of Omeros. Scottish Biomedical agrees to execute any assignments and declarations or render such other assistance as may be necessary to confirm Omeros' ownership of such Results and intellectual property, including any patents filed for or obtained based thereon. Such reasonable time (charged at [†]) and

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costs expended on Omeros' behalf in this regard shall be reimbursed to Scottish Biomedical through payment of invoices raised at the end of each month where there is such activity by Scottish Biomedical.

3.3 Scottish Biomedical agrees and acknowledges that all compounds and derivatives generated or provided by Scottish Biomedical under this Agreement or provided by Omeros for Scottish Biomedical's analysis under this Agreement are the sole and exclusive property of Omeros.

3.4 Scottish Biomedical agrees to transfer to Omeros, at no additional charge, all know-how, techniques, synthesis methods and materials developed by Scottish Biomedical for Omeros under this or any prior Agreement to enable Omeros to synthesis or cause to be synthesized all compounds and derivatives made by Scottish Biomedical for Omeros under this or any prior Agreement; provided, however, that if any of Scottish Biomedical's pre-existing proprietary know-how, techniques, methods or materials that were not developed for Omeros under this or any prior agreement are reasonably necessary to permit Omeros to carry out or cause such synthesis, then Omeros' right to use such pre-existing proprietary know-how, techniques, methods or materials shall be limited to a non-exclusive license for purposes of carrying out or causing such synthesis.

4 CONFIDENTIAL INFORMATION

4.1 The parties acknowledge and agree to observe their respective obligations of Confidentiality as included in their Mutual Confidentiality Agreement of October 4, 2006 ("Mutual CDA"), which Mutual CDA is hereby expressly incorporated into this Agreement. The parties shall, in accordance with the terms of the Mutual CDA, treat as secret and confidential, and take all proper precautions to protect any information disclosed by each of them to the other in connection with the provision of the Services / Materials including but not limited to any Results and the subject matter of any Patent or Know-how as well as information concerning the parties, this Agreement, and either of their businesses and activities generally or any such information which may come to its knowledge in whatever form or manner imparted or received. Subject as herein provided, and except as provided in the Mutual CDA, any disclosure of such information shall be limited to those employees, agents, servants or staff of both parties who need the information for the purposes of the provision of the Services / Materials and any such disclosures shall be on such terms as to preserve the effect of this Clause (Confidential Information). All compounds and derivatives generated or provided by Scottish Biomedical under this Agreement, or provided by Omeros for Scottish Biomedical's analysis under this Agreement, and all data and results generated under this Agreement shall be considered and treated as Omeros' Confidential Information.

5 TERMINATION

5.1 This Agreement shall terminate upon completion of eighteen months from commencement, commencement date being the date when this Agreement has been signed by both parties, subject always to any extension to the duration of the provision of the Services / Materials and License agreed between the parties in writing and subject to the provisions of the contract surviving termination including Warranties

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(Sections 1.9-1.12), Limitation of Liability (Section 2), Intellectual Property (Section 3), Confidential Information (Section 4), Governing Law (Section 7), Assignment (Section 9), Records Maintenance (Section 10) and the provisions of Sections 13-15. Termination of this Agreement shall not affect the status of all prior agreements between Omeros and Scottish Biomedical or any continuing obligations thereunder, including the Mutual CDA and the prior agreements dated 25th February 2005 (as amended by Exhibit I hereto) and 8th August 2005.

5.2 Either party may terminate this Agreement forthwith:

5.3 if the other party has a winding up order made against it or, except for the purposes of reconstruction, has a resolution for voluntary winding up passed in respect of it, or has a liquidator, receiver or administrator appointed over it;

5.4 in the event of non-performance or breach by the other party of any of its obligations in respect of the Services / Material provision after the giving of written notice by the party not in default to the defaulting party requiring performance of the obligations and the defaulting party remaining in breach of its obligations one (1) month after the receipt thereof.

5.5 Omeros may terminate this Agreement, with or without cause, upon forty-five (45) days prior written notice to Scottish Biomedical. Provided no other Service and Materials Module is ongoing, either party may terminate this agreement upon written notice to the other party or at the end of any Service and Materials Module described in the Schedules attached hereto. In the case of receipt of a notice of termination from Omeros, Scottish Biomedical shall stop work, and Omeros shall be responsible for payment of all Services and Materials performed, and all noncancellable obligations, as of the date of receipt of notice.

6 PAYMENT TERMS

As full and complete consideration for all Materials and Services provided and obligations undertaken in accordance with this Agreement, SB shall issue an invoice at the end of each month for the value of work completed as agreed for that month in the Schedules attached hereto.

All invoices shall be payable by Omeros within thirty (30) days of the date of receipt of invoice from SB, which “receipt” includes faxed copies of invoices.

Payment shall be deposited by electronic transfer to Scottish Biomedical’s bank account, without deduction of charges:

[†]

Or such other bank account as may be nominated in writing by Scottish Biomedical to Omeros.

7 GOVERNING LAW

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This Agreement shall be governed and construed in accordance with the law of the state of Delaware, USA. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the US Federal courts located in the State of Delaware, USA, as regards any claim, dispute or matter arising out of or relating to this Agreement and its implementation and effect.

8 SUBCONTRACTING

Scottish Biomedical shall not subcontract out any of the Services under this Agreement without Omeros' written consent. Omeros hereby consents to Scottish Biomedical's subcontracting of certain PDE10 screening work to [†] as described in the attached schedules; provided, however, that Scottish Biomedical (i) receives [†]'s written agreement and undertaking to comply with the obligations of Sections 3 and 4 and other sections, as may be applicable, of this Agreement to the same extent as such obligations apply to Scottish Biomedical, (ii) provides Omeros with a copy of such written undertaking, and (iii) shall be responsible for all consideration owed to [†] and for [†]'s performance of its obligations in accordance with this Agreement.

9 ASSIGNMENT

Neither party may assign this Agreement, or any obligation or right under this Agreement, in whole or in part, without the other party's prior written consent, which consent will not be unreasonably withheld. Scottish Biomedical consents to Omeros' assignment of this Agreement in whole or in part in connection with the merger, acquisition consolidation or transfer of all or substantially all of that portion of Omeros' assets to which this Agreement relates. Subject to these restrictions, this Agreement will be binding upon and will inure to the benefit of the parties' permitted successors and assignees.

10 RECORDS MAINTENANCE

Scottish Biomedical will maintain complete and accurate written and electronic records, accounts, notes, reports and data relating to its performance of the Services and provision of the Materials (the "Records"). Scottish Biomedical will without added charge retain all of the Records after Scottish Biomedical completes all Services performed and Materials provided for a period of five (5) years. Scottish Biomedical will notify Omeros at least two months before any Records are to be disposed. If at any time Omeros requests receipt of the original Records, Scottish Biomedical will send the original Records to Omeros at Omeros' expense.

11 AUDITS AND ANSPECTIONS

Omeros' representatives may visit Scottish Biomedical's facilities at reasonable times and with reasonable frequency during normal business hours to observe the progress of the Services and to examine documents, facilities, Records, equipment, and any other relevant resources pertaining to the Services and Materials. If Scottish Biomedical receives a request from any regulatory agency to inspect any portion of Scottish Biomedical's facilities related to the performance of the Services or provision of the Materials, or receives any notice of deficiency from a regulatory agency, Scottish Biomedical will notify Omeros in advance and shall fully inform Omeros of the results of such inspection or notice.

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12 INDEPENDENT CONTRACTORS

The relationship of the parties under this Agreement is that of independent contractors, and this Agreement will not be construed to imply that either party is the agent, employee, or joint venture partner of the other.

13 USE OF NAMES

Except as may be required by law or regulation after first providing reasonable advance notice to the other party, neither party may disclose the existence of this Agreement or its terms, or use the other party's name in any promotional, advertising or other materials without the prior written consent of the other party. Scottish Biomedical hereby consents to Omeros' disclosure of this Agreement and Scottish Biomedical's name to Omeros' current and potential employees, consultants, directors, shareholders, investors and partners as having provided the Services and Materials.

14 THIRD PARTY INTELLECTUAL PROPERTY

Each party undertakes and agrees to respect the valid intellectual property rights of any third party that relates to the Services and the Materials, and will notify the other party if they are aware that the provision of any proposed Services or Materials infringes any known third party intellectual property rights.

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15 CONSTRUCTION

If any provision of this Agreement is held to be unenforceable, that provision will be construed and reformed to permit enforcement to the maximum extent permissible consistent with the parties' original intent, and the remainder of this Agreement will continue in full force and effect. Either party's failure to enforce any provision of this Agreement will not be considered a waiver of future enforcement of that or any other provision.

SUBSCRIBED for and on behalf of
SCOTTISH BIOMEDICAL LIMITED at Glasgow on the 24th day of April 2007 by Stephen Hammond its Director before the following witness:
Witness Name:
Eric Smith
Occupation:
Chartered Accountant

/s/ Stephen Hammond

/s/ Eric Smith
Witness

SUBSCRIBED for and on behalf of OMEROS CORPORATION, 1420 Fifth Avenue, Suite 2600, Seattle, WA 98101, at Seattle on the 20th day of April 2007 by Gregory A. Demopulos, M.D., its Chairman and Chief Executive Officer (authorised official), before the following witness:
Witness Name:
Marcia S. Kelbon
Address: 1420 Fifth Avenue, Suite 2600, Seattle, WA 98101**...**
Occupation:
Vice President, General Counsel
Omeros Corporation

/s/ Gregory A. Demopulos

/s/ Marcia S. Kelbon
Witness

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SCHEDULE A
PROJECT SPECIFICATION

Detailed within is the project outline to be implemented for a lead optimization programme to identify novel PDE10 inhibitors for Omeros.

SB will undertake a PDE10 medicinal chemistry programme to identify potent and bio available PDE10 inhibitors which are specifically aimed at the generation of a Phase I clinical candidate (the "Project"). To achieve this SB aims to produce a compound that has:

- [†]

SB shall provide written monthly reports to Omeros summarizing [†]. The reports also shall summarize chemical routes used.

The Project activity will last for a minimum of 3 months, this being the duration of Module 1, unless terminated in accordance with the provisions of this Agreement.

[†]

[†]

Each subsequent "Module" shall be undertaken only upon mutual agreement in advance, including a monetary value computed in accordance with Schedule B, by a Module Schedule setting out the details, expected duration and deliverables (template at Schedule C). Each Module Schedule shall be signed by an authorised official of each party, preferably before the end of the current Module, but in any event before commencement of that subsequent Module for which fees will be paid by Omeros.

Unless otherwise agreed between Omeros and Scottish Biomedical, should there be any gap of greater than thirty (30) days between (i) Omeros' receipt from Scottish Biomedical and [†] of all final data, compounds and derivatives deliverable for any module and (ii) Omeros' execution of a Services and Materials Module (Schedule C) authorizing the commencement of the next module, then Scottish Biomedical reserves the right to re-state timescales and re-allocate / change the personnel it allocates to Omeros' work, depending on its other resource and business requirements. Any changes of personnel shall be with scientists with similar skill levels.

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Module	Description	Scheduled Duration	Comments
All	**Project Manager: Colin Dick.**	**throughout**	
[†]	**[†]**	**[†]**	**[†]**

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SCHEDULE B

PROJECT PLAN AND FEES

I. Project Plan

The previous collaboration between Nura and Scottish Biomedical resulted in the identification of novel patentable compounds that [†]. As described in greater detail in Schedule A, to optimise this advanced lead series we will begin to synthesise the [†] compounds, listed in Appendix 1 attached hereto, that will address the issues of metabolic stability and solubility.

A. Communication

[†] will resume as Project Leader and will head Scottish Biomedical's Project Team with [†] as lead chemist. During the project, at the end of each week, photocopies of all chemistry lab books will be sent to Omeros as a pdf together with a summary of work completed and in progress.

The Project Team at SB will review the data and discuss future plans at a weekly teleconference with Omeros ([†]).

However, lines of communication are open between Omeros and Scottish Biomedical on an *ad hoc* basis.

B. Assay Specifications

[†]

C. Compound Purity Checks on SB Synthesized Compounds

[†]

II. Chemistry

A. Description

Scottish Biomedical's chemists will re-commence the project. [†]

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B. Monthly resource / fees

1. Module 1

[†]

2. Subsequent Modules

If subsequent modules are agreed, it is anticipated that chemistry staffing for the Service will be continuing at that level of resource. Therefore, unless otherwise agreed, the SB fee for chemistry work during any agreed modules after module 1 will be [†] per month, or a pro-rated portion of this fee for periods of less than a full month.

The above monthly fee for Module 1 and any subsequent modules includes, in addition to the SB chemists, all standard materials and consumables, plus appropriate Project Management of this element. This provision includes production of compounds / [†] where ordered by Omeros / teleconferences etc.

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III. Biology

A. General Description

PDE Selectivity Testing at SB, PDE10 screening at [†], as described below.

SB has allowed for the equivalent of 1 full-time SB biologist to undertake all this work at SB, plus additional SB biology resources/personnel for [†].

B. Specific Description and Monthly resource / fees

1. PDE Selectivity Testing

a. Specific Description

[†]

b. Monthly resource / fees

i. Module 1

[†]

ii. Subsequent Modules

Thereafter – pricing on per compound / per well basis for any agreed subsequent modules, as follows:

The fee for select [†] testing per well is:

per batch* of :	
[†] wells	$ [†] per well
[†] wells	$ [†] per well
[†] wells	$ [†] per well

* SB shall await Omeros instructions prior to commencing testing so as to control batch size, subject to any mutually agreed time constraints. Such instruction shall be issued by e-mail from [†] or such other Omeros personnel as may be subsequently designated by Omeros in writing.

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2. PDE10 Screening at [†]

a. Specific Description

PDE10 screening will be carried out at [†], with SB to Project Manage the Collaboration.

Scottish Biomedical will assist the [†] in setting up and validating the reconstructed vector and subsequent protein production as well as instruction on the PDE assay.

b. Monthly resource / fees

i. Module 1:

[†]

ii. Subsequent Modules

Thereafter – pricing on per compound / per well basis for any agreed subsequent modules, as follows:

The fee for [†] testing per well is:

per batch* of :	
[†] wells	$ [†] per well
[†] wells	$ [†] per well
[†] wells	$ [†] per well

* SB shall await Omeros instructions prior to commencing testing so as to control batch size, subject to any mutually agreed time constraints.

IV. Total fees (Chemistry + Biology)

A. Module 1 = 3 months

[†]

B. Subsequent Modules: Monthly fees from month 4 onwards:

The fee for each month from month 4 onwards, that may be agreed for any subsequent modules, is Chemistry at [†] (or pro-rated for any period of less than a full month) plus an invoice for all agreed PDE selectivity testing at SB per the above pricing and PDE10 screening at [†] per the above pricing completed during such month.

Should the Project continue beyond 1st April 2008 then all SB /[†]prices will increase for inflation by [†]with effect from that date.

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V. Testing of Compounds Supplied by Omeros

A. [†] Testing for compounds supplied by Omeros

Should Omeros wish to have [†] carried out by Scottish Biomedical separately from compound production then the fee is $ [†]. This fee would cover an SB chemist to spend time to provide [†] knowledge to the project. Looking at synthetic feasibility/literature searching/patents for potential compounds

B. PDE Selectivity Testing by SB of Omeros supplied Compounds

1) The fee for PDE IC_{50} testing, for select PDEs* per well is:

per batch** of :	
[†] wells	$ [†] per well
[†] wells	$ [†] per well
[†] wells	$ [†] per well

* IC_{50} testing for selected PDE1-5, 7-9, 11 to be completed at SB.

** SB shall await Omeros instructions prior to commencing testing so as to control batch size, subject to any mutually agreed time constraints.

C. PDE10 Screening at [†]of Omeros supplied Compounds

The fee for PDE10 IC_{50} testing, per well is:

per batch* of :	
[†] wells	$ [†] per well
[†] wells	$ [†] per well
[†] wells	$ [†] per well

* SB shall await Omeros instructions prior to commencing testing so as to control batch size, subject to any mutually agreed time constraints.

This rate is offered to Omeros whilst the project is ongoing as part of the overall project for simplicity. However should Omeros require such PDE10 screening following completion of the overall SB work then SB reserves the right to re-quote for this testing.

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SCHEDULE C

MODULE TEMPLATE

OMEROS CORPORATION

MODULE X

under the terms and conditions of

SERVICES AND MATERIALS AGREEMENT dated 20 April 2007

Module Title: _____

Module Initiation Date: _____

Service Provider: Scottish Biomedical Limited

1. Scope of Work. Scottish Biomedical will

2. Deliverables. Scottish Biomedical will, for each compound, deliver to Omeros: (a) a report summarizing the results of all testing completed; and (b) a copy of all original data.

3. Timeline. Scottish Biomedical will use reasonable efforts to provide test results within xxxxx weeks of receipt of compounds for testing from Omeros.

4. Compensation. As full and complete consideration for all Services provided and obligations undertaken under this Task Order, Omeros shall pay Scottish Biomedical US $ _____ .

Final payment shall be due upon _____ . Where the module duration is > 1 month then SB shall invoice at the end of each month for the appropriate portion of the agreed fee within the module, and invoice the balance due for the module upon completion. All SB invoices shall be paid within thirty (30) days of receipt.

_____

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The above Module is accepted and acknowledged by each party through the signature of its authorized representative below, and is effective as of (date) _____

SCOTTISH BIOMEDICAL LIMITED	OMEROS CORPORATION
By: _____	By: _____
Name: _____	Name: Gregory A. Demopulos, M.D.
Title: _____	Title: Chairman & CEO

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Appendix 1

Proposed alterations to current [†].

[†].

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EXHIBIT I

ASSIGNMENT AND AMENDMENT dated 20 April 2007

of the

SERVICES AND MATERIALS AGREEMENT dated 25 February 25 2005

By and between

SCOTTISH BIOMEDICAL LIMITED T/A "SCOTTISH BIOMEDICAL"

and NURA, INC.

This is an assignment and amendment (this "Amendment") effective 20 April 2007, between Scottish Biomedical Limited T/A "Scottish Biomedical" ("Scottish Biomedical"), Omeros Corporation ("Omeros") and nura, inc. ("Nura") of the Services and Material Agreement dated February 25, 2005 ("this Agreement", which term shall not be construed herein to refer to any former or subsequent agreement between any of the parties) between Scottish Biomedical and Nura, a copy of which is attached hereto as Exhibit A, related to Nura's PDE10 program.

Whereas Omeros acquired Nura effective August 11, 2006, with Nura now being a wholly owned subsidiary of Omeros and all of Nura's research programs having been transferred to Omeros; and

Whereas Omeros and Scottish Biomedical wish to have Scottish Biomedical provide additional services to Omeros related to Omeros' PDE10 program on a fee basis under a separate agreement, and Omeros and Scottish Biomedical wish to amend this Agreement to clarify and provide for continuing obligations there under;

Therefore, in consideration of the above and other good and valuable consideration, the parties hereby agree as follows:

Assignment:

Nura hereby assigns to Omeros all of Nura's rights and obligations under this Agreement, to be enjoyed by and binding on Omeros to the same extent as enjoyed by and binding on Nura, Omeros hereby accepts such assignment, and Scottish Biomedical hereby consents to and acknowledges such assignment. Nura shall have no further right or obligation under this Agreement or this Amendment.

Amendment:

Scottish Biomedical and Omeros agree that this Agreement is hereby amended as follows:

All references to Nura are to be understood and interpreted as referring to Omeros.

Subsection 5.1 of Section 5 (Termination) of this Agreement is amended to read as follows:

† DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

5.1 This Agreement shall terminate upon completion of twelve months from commencement, commencement date being the date when this Agreement was signed by both parties, subject always to any extension to the duration of the provision of the Services / Materials and License agreed between the parties and subject to the following provisions of this Agreement that shall survive termination: Section 3 (Intellectual Property); Section 4 (Confidential Information), Section 7 (Governing Law), Section 8 (Assignment) and the Module 2 Milestone and Royalty provisions (patent filings, clinical development, regulatory approval, commercial sales) set forth in the Project Specification Schedule to this Agreement.

Section 7 (Governing Law) of this Agreement is amended to read as follows:

7 GOVERNING LAW

This Agreement shall be governed and construed in accordance with the law of the state of Delaware, USA. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the US Federal courts located in the State of Delaware, USA, as regards any claim, dispute or matter arising out of or relating to this Agreement and its implementation and effect.

The following new **Section 8 (Assignment)** is added to this Agreement:

8 ASSIGNMENT

Neither party may assign this Agreement, or any obligation or right under this Agreement, in whole or in part, without the other party's prior written consent, which consent will not be unreasonably withheld. Scottish Biomedical consents to Omeros' assignment of this Agreement in whole or in part in connection with the merger, acquisition consolidation or transfer of all or substantially all of that portion of Omeros' assets to which this Agreement relates. Subject to these restrictions, this Agreement will be binding upon and will inure to the benefit of the parties' permitted successors and assignees.

The **Project Specification Schedule, Module 2, Milestone and Royalty Table** of this Agreement is replaced with the following definitions and amended table to read as follows:

The costs for provision of this library are set forth in the following table, in which terms used are defined as follows:

"Scottish Biomedical Library Compound" refers to a compound screened and selected during the performance of this Agreement from Scottish Biomedical's compound library pre-existing prior to this Agreement.

"Scottish Biomedical Series" means a series of structurally related novel compounds initially synthesized by Scottish Biomedical during the performance of this Agreement which are derivatives of a Scottish Biomedical Library Compound.

"Derivative" means a novel compound initially synthesized by Scottish Biomedical, during the performance of this Agreement or during the performance of a separate agreement between Scottish Biomedical and Omeros, which is a chemical derivative of a Scottish Biomedical Library Compound.

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“Subject Patent Application” means, for each unrelated Scottish Biomedical Series, the first patent application filed by Omeros anywhere in the world claiming as novel chemical entities such Scottish Biomedical Series or a subset of such Scottish Biomedical Series.

“Net Revenue” means revenue received by Omeros (cash or monetary equivalents) less the sum of the following actual and customary deductions where applicable: cash, trade, or quantity discounts; sales, use, tariff, import/export duties or other excise taxes, and any other governmental taxes imposed on particular sales; transportation charges and allowances; commissions to third party sales agents; and credits to customers because of rejections or returns.

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[†]	[†]
Royalties	[†]

For purposes of clarity, not withstanding anything to the contrary above, Omeros and Scottish Biomedical agree that the above milestone and royalty payment provisions shall not apply to any compound synthesized or developed by [†] for which Omeros is required to pay milestones and/or royalties to [†] or [†]'s successor-in-interest.

Continued Agreement

All other provisions of this Agreement including all attachments thereto, as amended herein above, shall continue in full force and effect during the term of this Agreement.

This Amendment is accepted and acknowledged by each party, as of the Effective Date set forth herein above, through the signature of its authorized representative(s) below:

SCOTTISH BIOMEDICAL LIMITED

By: /s/ Stephen Hammond

Name: Stephen Hammond

Title: Chief Executive

OMEROS CORPORATION

By: /s/ Gregory A. Demopulos

Name: Gregory A. Demopulos, M.D.

Title: Chairman & CEO

NURA, INC.

By: /s/ Gregory A. Demopulos

Name: Gregory A. Demopulos, M.D.

Title: President

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EXHIBIT A

Copy of SERVICES AND MATERIALS AGREEMENT dated 25 February 2005

By and between

SCOTTISH BIOMEDICAL LIMITED TIA "SCOTTISH BIOMEDICAL"

and NURA, INC.

† DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

DATED (February 25/2005)

SCOTTISH BIOMEDICAL LIMITED TIA "SCOTTISH BIOMEDICAL"

and

Nura Inc. "The Client"

SERVICES AND MATERIALS AGREEMENT

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SCOTTISH BIOMEDICAL
BUSINESS TERMS AND CONDITIONS / MATERIAL TRANSFER AND USE AGREEMENT

1 BASIS OF THE SALE

1.1 Scottish Biomedical shall provide the Services and Materials as set out in the Schedule, subject to these conditions, which shall govern the contract for the provision of the Services and Materials to the exclusion of any other terms and conditions subject to which any request for the Services and Materials is made or purported to be made by The Client.

1.2 No variation to these conditions shall be binding unless agreed in writing between the authorised representatives of Scottish Biomedical and The Client.

1.3 Scottish Biomedical's employees or agents are not authorised to make any representations concerning the Services unless confirmed by Scottish Biomedical in writing.

1.4 Scottish Biomedical shall grant a 12-month non-exclusive licence to The Client to use its production and assay methodology under the terms and conditions of this Agreement.

1.5 The Client shall not provide any Material originating from Scottish Biomedical to any third party whatsoever and shall not grant any sub-licenses over the assay methodology licensed to it by Scottish Biomedical, without the specific written permission of Scottish Biomedical. Scottish Biomedical hereby gives permission as part of these Terms that it or The Client shall supply Materials from Scottish Biomedical as part of this Agreement to ComGenex of Hungary.

WARRANTIES

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1.6 Scottish Biomedical warrants that it will perform the Services and supply the Materials with reasonable care and skill but does not guarantee any particular outcome or results will arise as a result of the provision of the Services or that the Materials will be fit for any specific purpose.

1.7 Save as set out in Clause 2 Scottish Biomedical neither gives nor makes any express warranty to The Client.

1.8 TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAWS, SCOTTISH BIOMEDICAL DISCLAIMS ALL IMPLIED REPRESENTATIONS, WARRANTIES, CONDITIONS, OBLIGATIONS OR DUTIES OF EVERY NATURE (INCLUDING, WITHOUT LIMITATION, ANY EQUITABLE, COMMON LAW OR STATUTORY WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE, QUALITY, MERCHANTABILITY AND/OR SATISFACTORINESS) IN RESPECT OF THE SERVICES AND MATERIALS. ACCORDINGLY, ALL SUCH IMPLIED REPRESENTATIONS, WARRANTIES, CONDITIONS, OBLIGATIONS OR DUTIES ARE EXCLUDED TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAWS. NOTHING IN THIS AGREEMENT SHALL HOWEVER OPERATE TO LIMIT OR EXCLUDE ANY LIABILITY FOR FRAUD OR DEATH OR PERSONAL INJURY CAUSED BY SCOTTISH BIOMEDICAL'S NEGLIGENCE.

1.9 The Client agrees that the foregoing exclusions of express and/or implied warranties and the limitations and exclusions of liability set out in Clause 2 are in all respects fair and reasonable having regard to:

(a) the complexity and novelty of the Services and/or the Materials;

(b) the price / fees to be paid pursuant to this Agreement; and

(c) the relative resources of the parties.

2 LIMITATION OF LIABILITY

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2.1 The following provisions set out Scottish Biomedical's entire liability (including any liability for the acts and omissions of its employees, agents or sub-contractors) to The Client in respect of:

2.2 any breach of its contractual obligations arising under this Agreement;

2.2.1 any indemnity granted by Scottish Biomedical under this Agreement; and

2.2.2 any representation (other than fraudulent misrepresentation), statement or delictual or tortious act or omission including negligence arising under or in connection with this Agreement.

2.3 Other than in respect of death and personal injury caused by Scottish Biomedical's negligence, or in relation to any liability which by law may not be limited or excluded, Scottish Biomedical's liability with regard to any other matter, aspect, fact or thing arising from or relating to this Agreement shall in no event exceed the sums paid [and due to be paid] hereunder as at the date of the matter giving rise to the claim under the Final Proposal Document [or, where the Proposal consists of a series of Tasks, only in respect of the sums paid [and due to be paid] for the relevant Task(s)].

2.4 Other than in respect of death and personal injury caused by Scottish Biomedical's negligence, or in relation to any other liability which by law may not be limited or excluded, Scottish Biomedical shall not be liable for any consequential or indirect loss or loss of profit, business, data, revenue, goodwill or anticipated savings which arises out of or in connection with this Agreement.

3 INTELLECTUALPROPERTY

3.1 The Client acknowledges that the production and assay methodology supplied under this Agreement is the property of Scottish Biomedical.

Scottish Biomedical

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3.2 Scottish Biomedical and The Client each agree and acknowledge that any Results or other intellectual property generated or created under this Agreement are the property of The Client; provided, however that all such Results and other intellectual property shall be subject to a first position security interest in favour of Scottish Biomedical securing The Client's payment obligations under this Agreement.

4 CONFIDENTIAL INFORMATION

4.1 The parties acknowledge and agree to observe their respective obligations of Confidentiality. The parties shall treat as secret and confidential, and take all proper precautions to protect, any information disclosed by each of them to the other in connection with the provision of the Services / Materials including but not limited to any Results and the subject matter of any Patent or Know-how as well as information concerning the parties, this Agreement, and either of their businesses and activities generally or any such information which may come to its knowledge in whatever form or manner imparted or received. Subject as herein provided, any disclosure of such information shall be limited to those employees, agents, servants or staff of both parties who need the information for the purposes of the provision of the Services / Materials and any such disclosures shall be on such terms as to preserve the effect of this Clause (Confidential Information).

4.2 The Client shall ensure that [†] observes these Confidentiality provisions.

5 TERMINATION

5.1 This Agreement shall terminate upon completion of twelve months from commencement, commencement date being the date when the Agreement has been signed by both parties, subject always to any extension to the duration of the provision of the Services / Materials and License agreed between the parties and subject to the provisions of the contract surviving

Scottish Biomedical

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termination including Confidential Information / Confidentiality / Milestone Payments and Royalty Fees.

5.2 Either party may terminate this Agreement forthwith:

5.3 if the other party has a winding up order made against it or, except for the purposes of reconstruction, has a resolution for voluntary winding up passed in respect of it, or has a liquidator, receiver or administrator appointed over it;

5.4 in the event of non-performance or breach by the other party of any of its obligations in respect of the Services / Material provision after the giving of written notice by the party not in default to the defaulting party requiring performance of the obligations and the defaulting party remaining in breach of its obligations one (1) month after the receipt thereof.

5.5 Upon termination The Client shall return to Scottish Biomedical all copies of the methodologies supplied to it under the Agreement and cease to use them.

6 PAYMENT TERMS

The Client shall be issued with an initial invoice on signing of the agreement to the value of 30% of the total due under the Agreement or 30% of the total initial order placed by The Client.

The Client shall be issued with a second invoice to the value of 30% of the total due mid-way through the agreed work programme, and then a final invoice shall be issued for the balance due under the Agreement (or total initial order) once all the Services and Materials have been completed / provided.

Each invoice shall be payable by The Client within 30 days of the date of invoice from Scottish Biomedical.

Payment shall be deposited by electronic transfer to Scottish Biomedical's bank account: [†]

Scottish Biomedical

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GOVERNING LAW

This Agreement shall be governed and construed in accordance with the law of Scotland. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the Scottish courts as regards any claim, dispute or matter arising out of or relating to this Agreement and its implementation and effect.

Scottish Biomedical

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SUBSCRIBED for and on behalf of SCOTTISH BIOMEDICAL LIMITED at Glasgow on the __ day of 2005 by its Director before the following witness:

/s/ Stephen Hammond

Witness Name
Occupation: Principal Scientist

/s/ illegible signature Witness

SUBSCRIBED for and on behalf of Nura Inc. at Seattle on the 25th day of February, 2005 by Patrick Gray its Chief Executive Officer before the following witness:-

/s/ Patrick Gray

Witness Name: Mark Benjamin Witness

/s/ Mark Benjamin

Address 1124 Columbia Street, Seattle,
WA, 98034 USA

Occupation Chief Business Officer, Nura Inc.

Scottish Biomedical

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SCHEDULE

PROJECT SPECIFICATION

Module 1 **Provision of Purified Human PDE10Al, Assay Details and Technical Support**

[†]

Module 2 **Provision of Scottish Biomedical's [†] Compound PDE10 Enriched Library**

[†]

Module 3 **Human PDE1-11 Profiling, Single Point Screens**

[†]

Module 4 **Human PDE1-11 profiling, Comprehensive IC_{50} Determination**

[†]

Module 5 **Purchase of Scottish Biomedical's [†] Compound PDE10 Enriched Library**

[†]

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AMENDMENT dated 30 April 2007

of the

SERVICES AND MATERIALS AGREEMENT dated 20 April 2007

By and between

SCOTTISH BIOMEDICAL LIMITED T/A "SCOTTISH BIOMEDICAL"

and OMEROS CORPORATION

This is an amendment (this "Amendment") effective 30 April 2007, between Scottish Biomedical Limited T/A "Scottish Biomedical" ("Scottish Biomedical") and Omeros Corporation ("Omeros") of the Services and Materials Agreement dated 20 April 2007 ("the Agreement") related to Omeros' PDE10 program.

The Agreement is hereby amended to replace original Appendix 1 (pages 20-22 of the Agreement) with the corrected Appendix 1 attached hereto (amended pages 20-22).

All other terms of the Agreement remain unchanged and in force. This Amendment is accepted and acknowledged by each party, as of the effective date set forth herein above, through the signature of its authorized representatives below:

SCOTTISH BIOMEDICAL LIMITED		OMEROS CORPORATION	
By:	/s/ Eric Smith	By:	/s/ Gregory A. Demopulos
Name:	Eric Smith	Name:	Gregory A. Demopulos, M.D.
Title:	Finance Director	Title:	Chairman & CEO

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Appendix 1

Proposed alterations to current catechols.

[†]

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Exhibit 10.36

Drug Product Development and Clinical Supply Agreement

THIS AGREEMENT ("Agreement") is effective as of the 20th day of January 2006 ("Effective Date").

BY AND BETWEEN:

OMEROS CORPORATION, a corporation organized and existing under the laws of Washington, with its principal offices located at 1420 Fifth Avenue, Suite 2600, Seattle, Washington 98101 (hereinafter referred to as "CLIENT")

AND:

ALTHEA TECHNOLOGIES, INC., a Delaware corporation, with a place of business located at 11040 Roselle Street, San Diego, CA 92121 (hereinafter referred to as "ALTHEA");

WHEREAS CLIENT has formulations and/or know-how related to each Drug Product, as defined below;

WHEREAS ALTHEA has the expertise and the manufacturing facility suitable for the Production of Drug Product;

WHEREAS, CLIENT wishes to have ALTHEA Produce Drug Product and ALTHEA wishes to Produce Drug Product for CLIENT;

NOW, THEREFORE, in consideration of the premises and the undertakings, terms, conditions and covenants set forth below, the parties hereto agree as follows:

Article 1, DEFINITIONS.

1.1 **AFFILIATE** of a party hereto shall mean any entity that controls or is controlled by such party, or is under common control with such party. For purposes of this definition, an entity shall be deemed to control another entity if it owns or controls, directly or indirectly, at least fifty percent (50%) of the voting equity of another entity (or other comparable interest for an entity other than a corporation).

1.2 **APPLICABLE LEGAL REQUIREMENTS** shall mean all laws, rules, regulations, ordinances, guidance, guidelines, and standards of any international, national, state, or local governmental authority that are applicable to the Development, Production, or other services described in a particular Project Plan or to other activities or obligations under this Agreement, including without limitation (a) cGMP, to the extent applicable as set forth in a Project Plan, (b) all

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other applicable regulations and regulatory guidance promulgated by the FDA and (c) applicable International Conference on Harmonisation Guidance.

1.3 **BATCH** shall mean a specific quantity of a Drug Product comprising a number of units mutually agreed upon between CLIENT and ALTHEA, and that (a) is intended to have uniform character and quality within specified limits, and (b) is produced according to a single manufacturing order during the same cycle of manufacture.

1.4 **APIs** shall mean the active pharmaceutical ingredients, as set forth in the Project Plan, to be supplied by CLIENT for use in Production of Drug Product.

1.5 **cGMP** shall mean current Good Manufacturing Practices as defined in the FDA rules and regulations, 21 CFR Parts 210-211.

1.6 **CANCELLATION FEES** shall mean the fees that may be payable by CLIENT in the event that CLIENT cancels the Production of any Batch of Drug Product set forth in the Project Plan, as further described and set forth in Section 3.3.

1.7 **COMPONENTS** shall mean all Components used by ALTHEA in Production of Drug Product under this Agreement. Components are listed in the Project Plan and are identified as Components supplied by CLIENT ("CLIENT Supplied Components") or Components supplied by ALTHEA ("ALTHEA Supplied Components").

1.8 **CONFIDENTIAL INFORMATION** shall mean all information and data provided by one party to the other party except any portion of such information and data which:

(i) is known to the recipient as evidenced by its written records before receipt thereof from the disclosing party;

(ii) is disclosed to the recipient by a third person who has the legal right to make such disclosure;

(iii) is or becomes part of the public domain through no fault of the recipient; or

(iv) the recipient can reasonably establish by its written records is independently developed by recipient without use of the information disclosed by the disclosing party.

1.9 **ALTHEA SOPs** shall mean ALTHEA's applicable Standard Operating Procedures which shall be reviewed and approved by CLIENT prior to entering into each Project Plan.

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1.10 **DEVELOPMENT** shall mean studies conducted by ALTHEA to develop a process to Produce Drug Product, in accordance with the Specifications and cGMP. Development activities shall be identified in the Project Plan.

1.11 **DRUG PRODUCT** shall mean each of CLIENT's pharmaceutical product(s) for which CLIENT is engaging ALTHEA hereunder to Produce bulk or finished dosage form, as further set forth in an applicable Project Plan, for development and/or clinical use only by CLIENT or its designees.

1.12 **FDA** shall mean the United States Food and Drug Administration or any successor entity thereto.

1.13 **FD&C ACT** shall mean the United States Federal Food, Drug and Cosmetic Act, 21 U.S.C. Section 301, et seq., as may be amended from time to time.

1.14 **IND** shall mean an Investigational New Drug Application for Drug Product, as defined in the rules and regulations promulgated by FDA, including without limitation 21 CFR 312.3.

1.15 **LABELING** shall mean all labels and other written, printed, or graphic matter upon: (i) Drug Product or any container, carton, or wrapper utilized with Drug Product or (ii) any written material accompanying Drug Product.

1.16 **MASTER BATCH RECORD (MBR)** shall mean the formal set of instructions for Production of Drug Product. The MBR shall be developed and maintained in ALTHEA's standard format by ALTHEA, using CLIENT's master formula and technical support, and shall be approved in writing by CLIENT.

1.17 **PRODUCTION or PRODUCE** shall mean the formulation, filling, packaging, inspection, labeling, and/or testing of Drug Product by ALTHEA, as further set forth in the applicable Project Plan and as the context requires.

1.18 **PRODUCT SPECIFICATION SHEET** shall mean a listing of the analytical testing and corresponding Specifications, to be performed on the APIs and/or Drug Product in connection with the stability program and as further described in the applicable Project Plan.

1.19 **PROJECT PLAN** shall mean each document agreed upon by the parties from time to time that contains the parameters for Production of a Drug Product by ALTHEA hereunder. Each Project Plan shall be initially developed by ALTHEA and, if acceptable to CLIENT, agreed to in writing by CLIENT. Each Project Plan shall include the details of the project relating to a particular Drug Product, including without limitation (a) the scope of work to be performed and deliverables to be delivered by ALTHEA, (b) the Purchase Price that CLIENT will pay for the work to be performed by ALTHEA, (c) the timeline for performance of work by ALTHEA, and (d) the Quality Management Agreement applicable to the work to be performed by ALTHEA under the Project Plan.

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Prior to commencing Production of any Drug Product, ALTHEA shall deliver two (2) signed originals of the Project Plan to CLIENT. CLIENT shall review the Project Plan and, if CLIENT finds the Project Plan acceptable, shall sign both originals of the Project Plan and return one (1) fully executed original to ALTHEA. Each fully executed Project Plan shall be incorporated herein by reference and made a part of this Agreement. In the event of any inconsistency between the terms within the body of this Agreement and the terms contained in any Project Plan, including without limitation any Quality Management Agreement within any such Project Plan, the terms within the body of this Agreement shall govern. ALTHEA shall have no obligation for Production of a Drug Product until CLIENT has executed and returned the Project Plan for such Drug Product to ALTHEA.

1.20 **PURCHASE PRICE** shall mean the amount to be paid by CLIENT for Development, Production, and any other services to be performed by ALTHEA as specified in each Project Plan.

1.21 **REGULATORY AUTHORITY** shall mean those agencies or authorities responsible for regulation of Drug Product in the United States and overseas, including without limitation FDA. ALTHEA shall have no obligation to Produce Drug Product in compliance with the requirements of a Regulatory Authority other than FDA unless specified in the applicable Project Plan or the other terms of this Agreement.

1.22 **RELEASED EXECUTED BATCH RECORD** shall mean the completed batch record and associate deviation reports, investigation reports, and Certificates of Analysis created for each Batch of Drug Product.

1.23 **SPECIFICATIONS** shall mean those specifications set forth in the Product Specification Sheet and the Master Batch Record for Drug Product, and to the extent that ALTHEA is required to test the APIs, for the APIs.

Article 2, DEVELOPMENT AND PRODUCTION OF DRUG PRODUCT.

2.1 **General, Initiation:**

(a) ALTHEA shall, and shall cause all permitted Subcontractors to, perform all Development, Production, and other services hereunder (i) in a professional manner and in accordance with high standards of care and diligence consistent with industry practices, (ii) in compliance with the terms and conditions of this Agreement, including without limitation the applicable Project Plans and the schedules included therein, (iii) in compliance with all Applicable Legal Requirements, and (iv) in compliance with the applicable ALTHEA SOPs, and (e) in compliance with all reasonable direction and requests of CLIENT.

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(b) Upon execution of this Agreement and the corresponding Project Plan for each Drug Product, ALTHEA shall, to the extent set forth in the Project Plan, commence Development of such Drug Product pursuant to the timeline set forth in the Project Plan. Upon execution of this Agreement and the corresponding Project Plan for each Drug Product, ALTHEA shall commence Production of such Drug Product pursuant to the Project Plan.

2.2 **Documentation:** The Master Batch Record shall be reviewed and approved by ALTHEA and by CLIENT in writing (including by letter, e-mail or by signing the Master Batch Record) prior to commencement of Production. Any material change to an approved Master Batch Record will be reviewed and approved by ALTHEA and by CLIENT in writing (including by letter, e-mail or by signing a change order) prior to said change being implemented. Each Batch of Drug Product shall be Produced by using a copy of the Master Batch Record. Each copy of the Master Batch Record for such Batch of Drug Product shall be assigned a unique batch number. Any deviation from the manufacturing process specified in the Master Batch Record must be documented in the copy of the Master Batch Record for that Batch. ALTHEA shall provide CLIENT in a timely manner with required supporting Development and Production documentation and any other information required for regulatory filings related to the Drug Product in a form reasonably suitable for CLIENT's submission to the FDA or other Regulatory Authority, including without limitation Master Batch Records, other batch records, protocols, other written processes and procedures directly related to the CLIENT's Drug Product and any other documents that are reasonably necessary or useful for CLIENT to use and/or transfer all methods and other work product resulting from the Development and Production services performed by ALTHEA under this Agreement. Employees, consultants, agents or contractors of CLIENT or CLIENT's Affiliates shall have the right to reference or submit the foregoing to the applicable Regulatory Authorities in support of an IND or other regulatory filing related to the Drug Product, or otherwise in support of CLIENT's efforts to develop, conduct clinical trials for, formulate, manufacture, test, and seek regulatory approval for the Drug Product.

2.3 **APIs and Components Supply:** CLIENT, at its sole cost and expense (including, without limitation, shipping costs), shall supply to ALTHEA, in a timely manner, (a) all APIs required to satisfy the terms of this Agreement and (b) any other CLIENT Supplied Components, all to be delivered to ALTHEA as set forth in the applicable Project Plan for Production of such Drug Product. Except as may specifically be set forth in the Project Plan, on receipt of the APIs and CLIENT Supplied Components as set forth above, ALTHEA's sole obligation with respect to evaluation of the APIs and CLIENT Supplied Components shall be to review the accompanying certificate of analysis to confirm that the APIs and CLIENT Supplied Components (if applicable) conform with the Specifications and component specifications, respectively.

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2.4 **APIs and Component Delivery Delays**: ALTHEA shall have no responsibility for delays in delivery of Drug Product caused by delays in receipt of APIs to be supplied by CLIENT under a Project Plan or other CLIENT Supplied Components. Notwithstanding anything in this Agreement to the contrary, in the event that ALTHEA receives the APIs for Production of Drug Product from CLIENT with less time than set forth in the applicable Project Plan prior to the scheduled date of Production of such Drug Product, but within sufficient time to Produce such Drug Product on such scheduled date as determined by ALTHEA in its reasonable discretion, ALTHEA may charge CLIENT up to an additional fee of [†] for labor or expenses resulting from such delay incurred by ALTHEA, which shall be paid promptly to ALTHEA prior to Production, and ALTHEA shall Produce such Drug Product as per the original schedule. Notwithstanding anything in this Agreement to the contrary, in the event that ALTHEA receives the APIs for Production of Drug Product from CLIENT with less time than set forth in the applicable Project Plan prior to the scheduled date of Production of such Drug Product, and without sufficient time to Produce such Drug Product on the scheduled date as determined by ALTHEA in its reasonable discretion, ALTHEA shall reschedule Production of such Drug Product and shall charge CLIENT the applicable Cancellation Fee, if any, as further set forth in Section 3.3.

2.5 **Importer of Record:** In the event any material or equipment to be supplied by CLIENT, including without limitation CLIENT Supplied Components and APIs, is imported into the United States for delivery to ALTHEA ("Imported Goods"), CLIENT shall be the "Importer of Record" of such Imported Goods. As the Importer of Record, CLIENT shall be responsible for all aspects of the Imported Goods including, without limitation (a) customs and other regulatory clearance of Imported Goods, (b) payment of all tariffs, duties, customs, fees, expenses and charges payable in connection with the importation and delivery of the Imported Goods, and (c) keeping all records, documents, correspondence and tracking information required by applicable laws, rules and regulations arising out of or in connection with the importation or delivery of the Imported Goods.

2.6 **Material Safety Data Sheet**: CLIENT shall provide ALTHEA a Material Safety Data Sheet for APIs and, if available, for each Drug Product. ALTHEA shall immediately notify CLIENT of any unusual health or environmental occurrence relating to Drug Product, including, but not limited to any claim or complaint by any employee of ALTHEA or any of its Affiliates or third party that the operations of ALTHEA pursuant to this Agreement have resulted in any adverse health or safety effect on an employee or third party. ALTHEA agrees to advise CLIENT immediately of any unexpected safety or toxicity problems of which it becomes aware regarding the Drug Product.

2.7 **Vendor and Supplier Audit and Certification**: CLIENT shall be provided the opportunity to and shall have the right to certify and audit all Drug Product- related vendors and suppliers, the identity of which shall be provided to CLIENT by ALTHEA upon request by CLIENT, and if CLIENT does not so certify and audit such vendors and suppliers, shall be deemed to have approved ALTHEA'S

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selection of vendors and suppliers by way of signing this agreement. If CLIENT has a reasonable objection to any of ALTHEA's vendors or suppliers, CLIENT shall so inform ALTHEA and the parties shall work together in good faith to identify an alternate supplier or otherwise resolve the issue. ALTHEA shall inform CLIENT in writing of any change in ALTHEA's suppliers and vendors used in the Production of Drug Product. Except for the CLIENT Supplied Components identified in a Project Plan, the cost for all materials and ALTHEA Supplied Components, including any required testing and evaluation, which shall be performed by ALTHEA, shall be included in the Purchase Price.

2.8 **Storage; Delivery Terms:** ALTHEA shall store all APIs and all Drug Product under conditions that comply with the Specifications, any requirements set forth in the Project Plan, and any other reasonable written instructions of CLIENT, as applicable. Notwithstanding anything herein seemingly to the contrary, ALTHEA shall be liable for risk of loss of APIs, CLIENT Supplied Components and Drug Product while in the possession of ALTHEA. ALTHEA shall ship all Drug Product to CLIENT or to CLIENT's designated consignee under conditions that comply with the Specifications, any requirements set forth in the Project Plan, and any other reasonable written instructions of CLIENT, as applicable. All shipments shall be shipped FOB ALTHEA, by a common carrier designated by CLIENT, at CLIENT's expense; provided, however, ALTHEA shall be responsible for the loading of the Drug Product on departure and shall bear risk of loss and all costs of such loading. CLIENT shall procure, at its cost, insurance covering damage or loss of Drug Product during shipping. All shipping instructions of CLIENT shall be accompanied by the name and address of the recipient and the shipping date.

2.9 **Exporter of Record:** CLIENT shall be the exporter of record for any Drug Product shipped out of the United States, as CLIENT shall be and shall remain the owner of the Drug Product, as between the parties. CLIENT warrants that all shipments of Drug Product exported from the United States will be made in compliance with all applicable United States export laws and regulations and all applicable import laws and regulations into the country of importation.

CLIENT shall be responsible for obtaining and paying for any licenses or other governmental authorization(s) necessary for the exportation from the United States. CLIENT shall select and pay the freight forwarder who shall solely be CLIENT's agent. CLIENT and its freight forwarder shall be solely responsible for preparing and filing the Shipper's Export Declaration and any other documentation required for the export.

2.10 **Foreign Corrupt Practices Act**. CLIENT acknowledges that it is not the agent of ALTHEA and represents and warrants that it has not, and covenants that it will not, pay anything of value to any government employee in connection with the resale of the Product.

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2.11 **Deposits and Payment for Drug Product and Development:** Promptly upon execution of each Project Plan, CLIENT shall pay to ALTHEA [†] of the total fees of each Project Plan, unless otherwise set forth in the Project Plan. Thereafter, ALTHEA will invoice CLIENT monthly based on the specific services completed and/or milestones met during the month. A payment schedule may be set forth in each Project Plan. CLIENT shall pay all invoices within thirty (30) days of receipt by CLIENT. Any payment due under this Agreement not received within the times noted above shall bear interest at the lesser of (a) the maximum rate permitted by law, and (b) 1.5% per month on the outstanding balance compounded monthly. Not withstanding the above provisions of this Section 2.11, CLIENT may withhold until resolved payment of any invoices that are disputed in good faith due to any Drug Product or other deliverable failing to meet standards set forth in the applicable Project Plan.

2.12 **Default in Payment Obligations:** In addition to all other remedies available to ALTHEA in the event of a CLIENT default, if CLIENT fails to make payments as required hereunder, ALTHEA may take appropriate measures to assure prompt and full payment, including any one of the following measures: refuse to Produce any Drug Product until CLIENT's account is paid in full; modify the foregoing terms of payment; place the account on a letter of credit basis; require full or partial payment in advance; suspend deliveries of Drug Product until CLIENT provides assurance of performance reasonably satisfactory to ALTHEA, or take other reasonable means as ALTHEA may determine.

2.13 **Returns:** Drug Product returned by third parties is the responsibility of CLIENT.

2.14 **Subcontractors.** ALTHEA shall not subcontract to any third parties (in such capacity, "Subcontractors") any Development, Production, or other services that ALTHEA is obligated to perform under this Agreement without, in each case, CLIENT's prior written approval, at CLIENT's sole discretion. If ALTHEA proposes use of Subcontractors for particular services, CLIENT may require access to such Subcontractors for audit purposes. If CLIENT preapproves a Subcontractor in writing, (a) ALTHEA shall enter into an agreement with such Subcontractor that requires Subcontractor to meet all performance standards hereunder, that contains confidentiality and non-use terms at least as strict as those set forth in Article 9 below, that includes intellectual property rights and obligations consistent with those set forth in Article 10 below, and that includes any other terms necessary to ensure that ALTHEA meets its obligations under this Agreement, and (b) no such subcontracting by ALTHEA shall relieve ALTHEA of, and ALTHEA shall remain primarily liable for, its obligations under this Agreement. The parties may, at their discretion, designate in a Project Plan certain Subcontractors approved by CLIENT for services to be performed under that particular Project Plan.

2.15 **Drug Product Substitution.** At CLIENT's request, from time to time, ALTHEA shall substitute for Production that has been scheduled under a Project Plan another Drug Product of CLIENT or its designee. ALTHEA shall accept each such

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substitution unless CLIENT and ALTHEA agree, in their reasonable discretion and after a good-faith discussion and reasonable evaluation of relevant factors, that such particular substitution is not feasible for technical reasons. In the event of any such substitution, the parties shall negotiate in good faith to amend the Project Plan as appropriate, including without limitation by adjusting the dates, deadlines and Purchase Price set forth in the Project Plan to the extent impacted by such Drug Product substitution.

Article 3, TERM AND TERMINATION.

3.1 **Term:** Unless sooner terminated pursuant to Section 3.2 herein, this Agreement shall commence on the date first above written and will continue until one (1) year after the satisfactory completion of Development and Production and all other services set forth in all outstanding Project Plans, as well as the satisfactory delivery of all deliverables set forth in all outstanding Project Plans (the "Term"). Notwithstanding the foregoing, the parties shall be free to extend the Term by mutual written agreement even if no Project Plans are outstanding, in contemplation of entering into Project Plans in the future.

3.2 **Termination:** This Agreement may be terminated at any time upon the occurrence of any of the following events:

3.2.1 **Termination for Breach:** Either party may terminate this Agreement upon the breach of any provision of this Agreement by the other party if such breach is not cured by the breaching party within thirty (30) calendar days (or such additional time reasonably necessary to cure such default provided the breaching party has commenced a cure within the thirty (30) day period and is diligently pursuing completion of such cure) after receipt by the breaching party of written notice of such default. At the option of the non-breaching party, such termination may be with respect to the entire Agreement, or only with respect to the Project Plan that is subject to the breach.

3.2.2 **Termination for Financial Matters**: This Agreement may be terminated immediately by either party by giving the other party written notice thereof in the event such other party makes a general assignment for the benefit of its creditors, or proceedings of a case are commenced in any court of competent jurisdiction by or against such party seeking (a) such party's reorganization, liquidation, dissolution, arrangement or winding up, or the composition or readjustment of its debts, (b) the appointment of a receiver or trustee for or over such party's property, or (c) similar relief in respect of such party under any law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debt, and such proceedings shall continue undismissed, or

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an order with respect to the foregoing shall be entered and continue unstated, for a period of more than sixty (60) days without the entry of an order by a court of competent jurisdiction or other action by a duly appointed receiver or trustee that will ensure performance by such other party.

3.2.3 **Termination by Omeros**: This Agreement or any Project Plan may by terminated by CLIENT without cause by providing written notice of termination to Althea, which action shall subject Omeros to the payment of any penalties that may be applicable for any uncompleted Project Plan(s) as provided in Section 3.3(b) below.

3.3 Payment on Termination; Cancellation Fees:

(a) In the event of the termination of this Agreement, CLIENT shall reimburse ALTHEA for (a) its documented, reasonable out-of-pocket costs for all ALTHEA Supplied Components ordered prior to termination and not cancelable at no cost to ALTHEA, (b) all work-in-process commenced by ALTHEA that has been performed in accordance with the terms of this Agreement and applicable Project Plan(s), and (c) all finished Drug Product produced and delivered in accordance with the terms of this Agreement and applicable Project Plan(s) that is delivered to CLIENT.

(b) In the event of cancellation by CLIENT of the Production of any Batch set forth in a Project Plan that has been scheduled by written agreement of ALTHEA and CLIENT or in the event of termination of this Agreement prior to completion of any such scheduled Batch, ALTHEA shall use its best efforts to sell the manufacturing time and capacity created as a result of such cancellation or termination to another customer and otherwise mitigate ALTHEA's losses. In the event that the manufacturing time and capacity created as a result of CLIENT's cancellation of Production of any such scheduled Batch or the termination of this Agreement prior to completion of any such scheduled Batch has not been sold by ALTHEA, except for any cancellation or termination by CLIENT pursuant to Section 3.2.1, ALTHEA may at its option charge CLIENT and CLIENT shall then pay the Cancellation Fees as hereinafter set forth: (i) CLIENT is subject to a charge of [†] of the budgeted Batch price if the Batch is canceled less than [†] from the scheduled fill date, (ii) a charge of [†] of the budgeted Batch price if the Batch is canceled less than [†] from the scheduled fill date, and (iii) a charge of [†] of the budgeted Batch price if the Batch is canceled less than [†] from the scheduled fill date. In addition, CLIENT must compensate ALTHEA for any documented, reasonable out-of-pocket costs for all ALTHEA Supplied Components ordered by ALTHEA prior to termination and not cancelable at no cost to ALTHEA, non-cancelable materials ordered or testing completed by ALTHEA, except to any extent such costs have been paid in accordance with Section 3.3.(a) above. For

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purposes of the foregoing, one (1) week is equivalent to seven (7) days. Following termination or upon notice that CLIENT has cancelled Production of a Batch, as applicable, ALTHEA shall ship all completed Drug Product and all Components and other materials for which CLIENT is obligated to reimburse ALTHEA pursuant to the foregoing, to CLIENT at CLIENT's cost and per CLIENT's instructions. CLIENT shall make payment for all expenses described in Section 3.3 thirty (30) days from receipt of the invoice. Notwithstanding anything herein to the contrary, CLIENT shall have no obligation to pay any Cancellation Fees or other amounts to ALTHEA in the event that this Agreement is terminated by CLIENT pursuant to Section 3.2.1 above.

3.4 **Survival:** Termination, expiration, cancellation or abandonment of this Agreement through any means or for any reason shall be without prejudice to the rights and remedies of either party with respect to any antecedent breach of any of the provisions of this Agreement. The provisions of Sections 3, 6, 9, 10, 11, 12, 13, 14, and 15 hereof shall survive expiration or termination of this Agreement for the time period set forth therein, or if no time period is set forth therein, then indefinitely.

Article 4, CERTIFICATES OF ANALYSIS AND MANUFACTURING COMPLIANCE.

4.1 **Certificates of Analysis:** At CLIENT's cost and expense, as set forth in the applicable Project Plan, ALTHEA shall test, or cause to be tested by third parties, in accordance with the Specifications, each Batch of Drug Product Produced pursuant to this Agreement before delivery to CLIENT. A certificate of analysis for each Batch delivered shall set forth the items tested, Specifications, and test results. ALTHEA shall also ensure that all batch Production and control records have been reviewed and approved by the appropriate quality control unit and shall so indicate on the final page of the Released Executed Batch Record. ALTHEA shall send, or cause to be sent, such certificates and the Released Executed Batch Record to CLIENT prior to the shipment of Drug Product (unless Drug Product is shipped under quarantine). Unless otherwise set forth in the applicable Project Plan, ALTHEA shall also provide samples of all Batches of Drug Product Produced under this Agreement, as further described in Section 5.1 below. Unless otherwise set forth in the Project Plan, CLIENT shall test, or cause to be tested, for final release, each Batch of Drug Product as meeting the Specifications. As required by the FDA (see Section 5.2 below), CLIENT assumes full responsibility for final release of each Batch of Drug Product. All costs associated with ALTHEA performing testing and providing certificates of analysis and other documentation as set forth in this Section 5.1 shall be deemed included within the Purchase Price set forth in the applicable Project Plan and Client shall pay no additional amounts therefore.

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4.2 **Manufacturing Compliance:** ALTHEA shall advise CLIENT immediately if an authorized agent of FDA or any other Regulatory Authority visits ALTHEA's manufacturing facility and makes an inquiry regarding ALTHEA's Production of Drug Product for CLIENT or otherwise communicates orally or in writing with ALTHEA about any Drug Product for which services are performed hereunder. In the event of an inspection of an ALTHEA facility relating to a Drug Product or any services performed for CLIENT hereunder, CLIENT may send, at its own expense, representatives to the ALTHEA Facility to participate in any portion of such inspection directed to the Drug Product or the services performed under this Agreement. ALTHEA shall supply CLIENT with copies of any written communications from any Regulatory Authority that relate to the Drug Product or the services performed hereunder, whether such communications arise out of a facility inspection or otherwise. ALTHEA shall provide CLIENT with a copy of each proposed written response to a Regulatory Authority for CLIENT's review and comment prior to ALTHEA's submission of such response. ALTHEA shall give all due consideration to any CLIENT comments to each such proposed ALTHEA response, provided CLIENT responds in a timely fashion. Manufacturing deviations and investigations which occur during Production of Drug Product and which are not reasonably likely, in CLIENT's reasonable discretion, to cause the Production to be non-compliant with cGMP, shall not be deemed to cause such Drug Product to be non-conforming.

4.3 **Reserve Samples:** CLIENT shall be responsible for obtaining and maintaining sufficient quantities of APIs and Drug Product reserve samples pursuant to cGMP.

4.4 **Annual Quality Review:** CLIENT shall be responsible for evaluating, at least annually, the quality standards of Drug Product to determine the need for changes in Specifications, manufacturing processes, and/or controlled documents. CLIENT shall supply ALTHEA a copy of the evaluation and recommendations, if any.

4.5 **Retention of Records:** ALTHEA shall maintain complete and accurate distribution and shipment, manufacturing, analytical, validation, and other records as specified in cGMP related to the Development, Production, and any other services performed hereunder (collectively, the "Production Records"). ALTHEA shall retain all Production Records in accordance with Applicable Legal Requirements, including without limitation cGMP. ALTHEA shall, upon CLIENT's reasonable request and at CLIENT's expense, make all Production Records available to CLIENT for inspection and, for Production Records directly pertaining to CLIENT's Drug Products, copying. ALTHEA shall, prior to destroying any Production Records, provide written notice to CLIENT and permit CLIENT the opportunity to take possession of such records, at CLIENT's expense.

4.6 **Customer Complaints:** CLIENT, as required by cGMP, shall maintain complaint files. All specific CLIENT Drug Product-related complaints received by ALTHEA shall be forwarded to CLIENT. CLIENT shall be responsible for

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the review of the complaint to determine the need for an investigation or the need to report to the FDA as required by cGMP. CLIENT shall send to ALTHEA all Drug Product performance or manufacturing-related complaints which require investigation. ALTHEA shall conduct an investigation for each Drug Product performance or manufacturing-related complaint and shall report findings and follow-up of each investigation to CLIENT in a timely manner. CLIENT shall make these complaint files available to ALTHEA in the event they are required during an FDA inspection.

4.7 Audits:

CLIENT, upon prior written notice and during normal business hours, shall have the right to inspect ALTHEA Batch records, Production Records, and any other written and electronic files and documentation related to Development, Production, and/or other services performed hereunder and the portions of ALTHEA's facility used for Production of Drug Product. CLIENT may conduct routine audits once annually and audits for reasonable cause with appropriate prior notice and consideration of ALTHEA's schedule as frequently as CLIENT reasonably deems necessary. Each party shall bear its own costs associated with all such CLIENT audits. The Quality Management Agreement set forth in the applicable Project Plan shall govern the parties' obligations with respect to the results of such audits.

4.8 Regulatory Compliance: Unless otherwise stated, ALTHEA is responsible for compliance with all Applicable Legal Requirements related to Production of pharmaceutical products, Development and Production of Drug Product, and any other services performed by ALTHEA under this Agreement. CLIENT shall be responsible for compliance with all Applicable Legal Requirements related to the use of Drug Product after it has been Produced and delivered by ALTHEA to CLIENT hereunder, which responsibility shall include, without limitation, all contact with the FDA regarding the such use.

4.9 Person in the Plant. CLIENT shall have the right to designate one representative of CLIENT to be present at any time in the ALTHEA facility during normal business hours during the Term of this Agreement to observe the Production of Drug Product. While at the facility, such representative of CLIENT shall be restricted to such areas as are directly relevant to the manufacture of the Drug Product and such other areas as may be otherwise authorized by ALTHEA, and shall comply with all applicable ALTHEA policies and procedures and may, at ALTHEA's option, be escorted by ALTHEA personnel.

Article 5, ACCEPTANCE OF DRUG PRODUCT.

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5.1 **Non-Conforming Drug Product**: Within fifteen (15) calendar days from the date of Production of any Batch pursuant to the Project Plan, ALTHEA shall promptly forward to CLIENT, or CLIENT's designee, samples of such Batch. Within sixty (60) calendar days after receipt by CLIENT of the samples of the Batch and the Released Executed Batch Record for the Batch, CLIENT shall determine whether Drug Product conforms to the Drug Product Specifications, the Master Batch Record, ALTHEA's current SOPs, and the Project Plan (collectively the "Product Requirements").

5.1.1 If (a) any Batch of Drug Product is approved by CLIENT as conforming to the Product Requirements, or (b) CLIENT fails to notify ALTHEA within the applicable time period set forth above, or such longer period as may be agreed, that any Batch of Drug Product does not conform to the Product Requirements, then CLIENT shall be deemed to have accepted the Drug Product and waived its right to revoke acceptance.

5.1.2 If CLIENT believes any Batch of Drug Product does not conform to the Product Requirements, it shall notify ALTHEA by telephone, including a detailed explanation of the non-conformity, and shall confirm such notice in writing via overnight delivery to ALTHEA. Upon receipt of such notice, ALTHEA will investigate such alleged non-conformity, and (i) if ALTHEA agrees such Drug Product is non-conforming, deliver to CLIENT a corrective action plan within thirty (30) calendar days after receipt of CLIENT's written notice of non-conformity, or such additional time as is reasonably required if such investigation or plan requires data from sources other than CLIENT or ALTHEA, or (ii) if ALTHEA disagrees with CLIENT's determination that the Batch of Drug Product is non-conforming, ALTHEA shall so notify CLIENT by telephone within the thirty (30) calendar day period and confirm such notice in writing by overnight delivery.

5.1.3 If the parties dispute whether a Batch of Drug Product is conforming or non-conforming, samples of the Batch of Drug Product will be submitted to a mutually acceptable laboratory or consultant for resolution, whose determination of conformity or non-conformity, and the cause thereof if non-conforming, shall be binding upon the parties. Unless the Batch is determined to be non-conforming as set forth in this Section 5. 3 due to the fault of ALTHEA, CLIENT shall bear the costs of such laboratory or consultant.

5.2 **Remedies for Non Conforming Product:** In the event ALTHEA agrees, or the laboratory described in Section 5.1.3 above determines, that the Batch of Drug Product is non-conforming as a result of the negligent or willful act or omission of ALTHEA, [†] or ALTHEA's breach of this Agreement, then ALTHEA, at CLIENT's option, shall either (i) at ALTHEA's expense, and subject to CLIENT, at CLIENT's expense, supplying the replacement APIs, replace such non-conforming Drug Product within sixty (60) calendar days from receipt of replacement APIs from CLIENT, or (ii) refund the Purchase Price of the non-

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conforming Drug Product to CLIENT (provided that CLIENT has made payment for the non-conforming Drug Product). The remedies described in this Section 5.2 shall not act to limit ALTHEA's indemnification obligations to the extent provided in Section 13.2 of this Agreement.

5.3 **Non-conforming APIs**: If Drug Product is rejected by CLIENT, and such Drug Product's failure to meet the Product Requirements is the result of non-conforming APIs, then such non-conformity shall be deemed not to be non-conforming solely as a result of the negligence of ALTHEA.

Article 6, DRUG PRODUCT RECALLS.

6.1 **Drug Product Recalls:** In the event CLIENT shall be required to recall any Drug Product because such Drug Product may violate local, state or federal laws or regulations, the laws or regulations of any applicable foreign government or agency or the Drug Product Specifications, or in the event that CLIENT elects to institute a voluntary recall, CLIENT shall be responsible for coordinating such recall. CLIENT promptly shall notify ALTHEA if any Drug Product is the subject of a recall and the basis for such recall. CLIENT shall provide ALTHEA with a copy of all documents concerning such recall that are related to the Development or Production services provided by ALTHEA to CLIENT. ALTHEA shall cooperate with CLIENT in connection with any recall, at CLIENT's expense. CLIENT shall be responsible for all of the costs and expenses of such recall, except to any extent that ALTHEA may have an obligation to indemnify CLIENT in accordance with the provisions of Section 13.2.

Article 7, FORCE MAJEURE; FAILURE TO SUPPLY.

7.1 **Force Majeure Events:** Failure of either party to perform under this Agreement (except the obligation to make payments) shall not subject such party to any liability to the other if such failure is caused by any cause beyond the reasonable control of the affected party, including without limitation acts of God, acts of terrorism, fire, explosion, flood, drought, war, riot, sabotage, embargo, strikes or other labor trouble, or compliance with any new order or regulation of any government entity that could not reasonably be anticipated, provided that written notice of such event is promptly given to the other party and that the affected party resumes performance hereunder as soon as reasonably possible.

7.2 **Failure to Supply:** If ALTHEA fails to supply all or any material part of Drug Product ordered by CLIENT, CLIENT may require ALTHEA to supply the undelivered Drug Product or a lesser quantity at a future date agreed upon by ALTHEA and CLIENT, at no additional cost to CLIENT. The provisions of this Section 7.2 shall be without prejudice to CLIENT's rights under Section 3.2 and 13.2 and remedies provided for thereunder.

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Article 8, CHANGES IN PRODUCTION.

8.1 **Changes to Master Batch Records and Product Specifications**: ALTHEA agrees to inform CLIENT within fifteen (15) days of the result of any regulatory development or changes to Drug Product-specific SOPs that materially affect the Production of Drug Product. ALTHEA shall notify CLIENT of and receive written approval from CLIENT for changes to Master Batch Records and Drug Product Specifications prior to the Production of subsequent Batches of Drug Product.

8.2 **Product-Specific Changes**: If facility, equipment, process or system changes are required of ALTHEA as a result of new requirements that FDA or any other Regulatory Authority promulgates after initiation of the Project Plan, and such regulatory changes apply primarily to the Production and supply of one or more Drug Products, then CLIENT and ALTHEA will review such requirements and agree in writing to such facility, equipment, process or system changes, and CLIENT shall bear 100% of the reasonable costs thereof. In the event that CLIENT chooses not to bear the costs of such changes, then CLIENT may cancel any uninitiated Production of Drug Product without incurring any Cancellation Fees or other penalties hereunder.

Article 9, CONFIDENTIALITY.

9.1 **Confidentiality**: It is contemplated that in the course of the performance of this Agreement each party may, from time to time, disclose its Confidential Information to the other party. Except as otherwise set forth herein, (a) neither party shall disclose the other party's Confidential Information to any third party, and (b) neither party shall use the other party's Confidential Information except for purposes consistent with this Agreement. Each party agrees to take the same measures that it takes to protect its own Confidential Information, and at a minimum all reasonable steps, to prevent disclosure of the other party's Confidential Information to third parties. No provision of this Agreement shall be construed so as to preclude disclosure of Confidential Information as may be reasonably necessary to secure from any governmental agency or Regulatory Authority approvals or licenses or to obtain patents with respect to the Drug Product.

9.2 **Prior Confidentiality Agreement**: This Agreement, by reference, incorporates the Confidentiality Agreement signed by CLIENT and ALTHEA on June 14, 2005, which is made a part hereof as though fully set forth herein.

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9.3 **Third Party Disclosure**: ALTHEA shall be permitted to disclose Drug Product information to Subcontractors approved by CLIENT in accordance with Section 2.14 above in connection with performance of by Subcontractors of their obligations with respect to Drug Product, provided that such Subcontractors shall be subject to confidentiality obligations at least as stringent as those set forth herein. In addition, either party may disclose Confidential Information of the other party to those Affiliates, agents and consultants who need to know such information to accomplish the purposes of this Agreement (collectively, "Permitted Recipients"); provided such Permitted Recipients are bound to maintain such Confidential Information in confidence under written agreements with confidentiality obligations at least as stringent as those set forth herein. Nothing in this Section 9 shall be construed to limit CLIENT's ability to use and disclose Confidential Information related to its Drug Product(s) as part of any submission to FDA or other regulatory authority.

9.4 **Litigation and Governmental Disclosure**: Each party may disclose Confidential Information hereunder to the extent such disclosure is reasonably necessary for (a) prosecuting or defending litigation, (b) complying with applicable governmental statutes or regulations or with judicial or administrative process, or (c) CLIENT's conduct of pre-clinical or clinical trials of Drug Product, provided that if a party is required by law, regulation, or judicial or administrative process, or as a result of litigation, to make any such disclosure of the other party's Confidential Information, the party subject to such legal requirement or litigation will, when reasonably practicable, give reasonable advance notice to the other party of such disclosure requirement and will use good faith efforts to assist such other party to secure a protective order or confidential treatment of such Confidential Information required to be disclosed.

9.5 **Limitation of Disclosure:** The parties agree that, except as otherwise may be required by applicable laws, regulations, rules or judicial or administrative orders, including without limitation the rules and regulations promulgated by the United States Securities and Exchange Commission, and except as may be authorized in Sections 9.4 or 9.6, no information concerning this Agreement and the transactions contemplated herein shall be made public by either party without the prior written consent of the other.

9.6 **Publicity.** Except as part of any regulatory submission by CLIENT, or except as may be otherwise required by law or regulation after first providing reasonable advance notice to the other party, or except as otherwise expressly set forth herein, neither party may use the other party's name in any promotional material, advertising, press releases, or other materials without in each case the prior written consent of the other party. ALTHEA hereby consents to CLIENT's disclosure of this Agreement and ALTHEA's name to CLIENT's current and potential employees, consultants, directors, professional advisors, shareholders, investors and business partners.

9.7 **Return of Confidential Information.** Upon the expiration or any termination of this Agreement, each party shall, upon the request of the other party, return such

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other party's Confidential Information to such other party, provided, however, that the party returning such Confidential Information shall be entitled to retain one copy of all such Confidential Information to ensure its compliance with this Agreement and/or any Applicable Legal Requirements.

9.8 **Duration of Confidentiality**: All obligations of confidentiality and non-use imposed upon the parties under this Agreement shall expire ten (10) years after the expiration or earlier termination of this Agreement.

Article 10, INTELLECTUAL PROPERTY.

10.1 **Existing Intellectual Property**: Except as the parties may otherwise expressly agree in writing or as set forth herein, each party shall continue to own its patents, trademarks, service marks, trade dress, copyrights, trade secrets, proprietary methods, discoveries, inventions, compositions, products, procedures, know-how, data, reports, programs, processes, protocols, written or electronic writings, illustrations, images, and any other form of proprietary rights (collectively, "Intellectual Property") that exist as of the Effective Date, without conferring any interests therein on the other party, except as expressly provided herein. Without limiting the generality of the preceding sentence, CLIENT shall retain all right, title and interest arising under the United States Patent Act, the United States Trademark Act, the United States Copyright Act and all other applicable laws, rules and regulations in and to all Intellectual Property of Client (collectively, "CLIENT's Existing Intellectual Property"), including without limitation all Drug Products, APIs (where applicable), all Labeling and trademarks associated therewith. Neither ALTHEA nor any third party shall acquire any right, title or interest in CLIENT's Intellectual Property by virtue of this Agreement or otherwise. ALTHEA shall retain all right, title and interest in and to all Intellectual Property owned by ALTHEA ("ALTHEA's Existing Intellectual Property"), except as provided in Section 10.2 below.

10.2 **New ALTHEA Inventions:** ALTHEA shall own all right, title and interest in and to Inventions that are conceived, reduced to practice, or created solely by ALTHEA's Representatives during the course of performance under this Agreement if such Inventions are not specific to CLIENT's Drug Products and are generally applicable to products that are not competitive with (i.e., do not directly or indirectly reduce the market for) CLIENT's pharmaceutical products ("ALTHEA Inventions"). ALTHEA hereby grants CLIENT a fully paid-up, irrevocable non-exclusive license to (a) all ALTHEA Inventions solely to the extent necessary or beneficial for CLIENT to develop, manufacture, commercialize and market its pharmaceutical products and (b) any of ALTHEA's Existing Intellectual Property that ALTHEA incorporates into the Development or Production of CLIENT's Drug Products, solely to the extent necessary or beneficial for CLIENT to develop, manufacture, commercialize and market CLIENT's Drug Products.

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10.3 **New CLIENT Inventions:** For purposes of this Agreement, "Invention" shall mean information relating to any innovation, improvement, development, discovery, computer program, device, trade secret, method, know-how, process, technique or the like, whether or not written or otherwise fixed in any form or medium, regardless of the media on which contained and whether or not patentable or copyrightable. CLIENT shall own all right, title and interest in and to Inventions that are conceived, reduced to practice, or created solely by CLIENT's employees, officers, consultants or agents ("Representatives") during the course of performance under this Agreement. CLIENT shall also own all right, title and interest in and to (a) Inventions that are conceived, reduced to practice, or created by ALTHEA's Representatives, solely or jointly with CLIENT's Representatives or third parties, during the course of performance under this Agreement or as a result of receiving CLIENT's Confidential Information, including without limitation all such Inventions that relate to any improvement, modification or advancement of CLIENT's Drug Products and all methods and procedures for analyzing, testing, formulating, manufacturing, packaging or using CLIENT's Drug Products, but excluding all ALTHEA Inventions (as defined below), and (b) all other work product, methods, procedures, reports and data resulting from ALTHEA's performance under this Agreement that directly relate to CLIENT's Drug Products.

10.4 **Rights in Intellectual Property**: The party owning Inventions or other Intellectual Property as set forth herein above shall have the world wide right to control the drafting, filing, prosecution, maintenance and enforcement of patents covering the Inventions and Intellectual Property, including decisions about the countries in which to file patent applications. Patent costs associated with the patent activities described in this Section shall be borne by the sole owner. Each party will cooperate with the other party in the filing and prosecution of patent applications, including the execution of assignments to confirm title as set forth above and further including but not be limited to, furnishing supporting data and affidavits for the prosecution of patent applications and completing and signing forms needed for the prosecution, assignment and maintenance of patent applications.

10.5 **Confidentiality of Intellectual Property**: Each Party's Inventions and Intellectual Property shall be deemed to be the Confidential Information of the party owning such Intellectual Property as provided herein above. The protection of each party's Confidential Information is described in Article 9. Any disclosure of information by one party to the other under the provisions of this Section 10 shall be treated as the disclosing party's Confidential Information under this Agreement. It shall be the responsibility of the party preparing a patent application to obtain the written permission of the other party to use or disclose the other party's Confidential Information in the patent application before the application is filed and for other disclosures made during the prosecution of the patent application.

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Article 11, REPRESENTATIONS AND WARRANTIES.

11.1 **Mutual Representations**: Each party hereby represents and warrants that (a) the person executing this Agreement on behalf of such party is authorized to execute this Agreement; (b) this Agreement is legal and valid and the obligations binding upon such party are enforceable by their terms; and (c) the execution, delivery and performance of this Agreement does not conflict with any agreement, instrument or understanding, oral or written, to which such party may be bound, nor violate any law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

11.2 **ALTHEA Warranty**: ALTHEA represents and warrants that Drug Product shall be Produced in accordance with cGMP. ALTHEA further represents and warrants that it has obtained (or will obtain prior to Producing Drug Product), and will remain in compliance with during the term of this Agreement, all permits, licenses and other authorizations (the "Permits") which are required under Applicable Legal Requirements or as specified in the Project Plan, the Master Batch Records, the Specifications or the ALTHEA SOPs; provided, however, ALTHEA shall have no obligation to obtain Permits relating to the sale, marketing, commercial distribution or use of APIs or Drug Product or with respect to the Labeling of Drug Product. ALTHEA further represents and warrants that the Drug Product supplied hereunder shall not be adulterated or misbranded within the meaning of the FD&C Act or comparable law, provided, however, that the warranty in this sentence shall not apply to any such adulteration or misbranding that occurred due to information provided by CLIENT or that occurred after the Drug Product leaves ALTHEA's control. ALTHEA further represents and warrants that it shall perform all Development, Production, and other services hereunder in full compliance with all Applicable Legal Requirements and all other requirements of this Agreement. ALTHEA makes no representation or warranty with respect to the sale, marketing, commercial distribution or use of the APIs or as to printed materials supplied by CLIENT or its consignee. ALTHEA further represents and warrants that all Drug Product supplied hereunder shall be transferred free and clear of any liens or encumbrances of any kind arising through ALTHEA or its Affiliates or their respective agents. ALTHEA further represents and warrants that it has no knowledge of any patents or other Intellectual Property rights that would be violated by ALTHEA's performance hereunder.

11.3 **Disclaimer of Warranties**: Except for those warranties set forth in Sections 11.1 and 11.2 of this Agreement, neither party makes any warranties, written, oral, express or implied, with respect to Drug Product or the Development and Production of Drug Product. ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT HEREBY ARE DISCLAIMED BY ALTHEA AND BY CLIENT. NO WARRANTIES OF EITHER PARTY MAY BE CHANGED BY THE

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ORAL STATEMENT OF ANY REPRESENTATIVE OF SUCH PARTY. CLIENT accepts Drug Product subject to the terms hereof.

11.4 **CLIENT Warranties**: CLIENT warrants that (a) it has the right to give ALTHEA any information provided by CLIENT hereunder, and that ALTHEA has the right to use such information for the Production of Drug Product, and (b) CLIENT has no knowledge of any (i) patents or other Intellectual Property rights that would be infringed by ALTHEA's performance hereunder. CLIENT further warrants that the APIs provided to ALTHEA hereunder (c) conforms to the APIs Specifications and (d) is not adulterated or misbranded within the meaning of the FD&C Act.

Article 12, LIMITATION OF LIABILITY AND WAIVER OF SUBROGATION.

12.1 **Limitation of Liability**: CLIENT's sole and exclusive remedy for breach of this Agreement is limited to those remedies set forth in Article 5, at CLIENT's election, to either replace the non-conforming Drug Product or reimburse CLIENT for the Purchase Price for the non-conforming Drug Product and as provided in Article 6, [†] (b) ALTHEA's grossly negligent act or omission or willful misconduct, or (c) any breach by ALTHEA of the Applicable Legal Requirements. Under no circumstances shall either party be liable hereunder to the other party for the other party's loss of use or profits or other incidental, indirect, special, punitive, or consequential damages, losses or expenses suffered by the other party, including but not limited to the cost of cover or the cost of a recall (except as provided in Article 6) in connection with, or by reason of the Production and delivery of Drug Product under this Agreement whether such claims are founded in tort or contract.

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12.2 **Waiver of Subrogation**: All ALTHEA Supplied Components and equipment used by ALTHEA in the Production of Drug Product (collectively, "ALTHEA Property") shall remain the property of ALTHEA and ALTHEA assumes risk of loss for such property until delivery of Drug Product to a common carrier as specified under Section 2.8, at which point the ALTHEA Supplied Components that have been incorporated into the Drug Product shall be deemed owned by CLIENT as further described in Section 2.8 above. ALTHEA hereby waives any and all rights of recovery against CLIENT and its Affiliates, and against any of their respective directors, officers, employees, agents or representatives, for any loss or damage to ALTHEA Property to the extent the loss or damage is covered or could be covered by insurance (whether or not such insurance is described in this Agreement). CLIENT assumes all risk of loss for all CLIENT Supplied Components, all APIs supplied by CLIENT, and all Drug Product (collectively, "CLIENT Property") while such CLIENT Property is in CLIENT's possession. CLIENT hereby waives any and all rights of recovery against ALTHEA and its Affiliates, and against any of their respective directors, officers, employees, agents or representatives, for any loss or damage to the CLIENT Property to the extent the loss of damage is covered or could be covered by insurance (whether or not such insurance is described in this Agreement).

12.3 **Waiver of Claims:** In connection with providing Development services, ALTHEA represents only that it will use reasonable care and will comply fully with the terms hereof in providing information solely as it relates to development studies, formulation, primary packaging and manufacturing process development. Except as otherwise expressly set forth herein, ALTHEA makes no representation or warranty relating to the stability, efficacy, safety, or toxicity of Drug Product developed, formulated, packaged or manufactured in accordance with the Development services provided by ALTHEA.

Article 13, INDEMNIFICATION.

13.1 **CLIENT Indemnification**: CLIENT shall indemnify, defend and hold harmless ALTHEA and its Affiliates, and any of their respective directors, officers, employees, subcontractors and agents (collectively the "ALTHEA Indemnified Parties") from and against any and all liabilities, obligations, penalties, claims, judgments, demands, actions, disbursements of any kind and nature, suits, losses, damages, costs and expenses (including, without limitation, reasonable attorney's fees) arising out of or in connection with property damage or personal injury (including without limitation death) suffered by any third party (collectively "Claims") arising directly out of (a) CLIENT's storage, promotion, labeling, marketing, distribution, use or sale of APIs or Drug Product, (b) CLIENT's negligence or willful misconduct or omission, or (c) CLIENT's breach of this Agreement. Notwithstanding the foregoing, CLIENT shall have no obligations under this Section 13.1 to the extent that any such Claim arises out of the negligence or willful misconduct or omission of any of the ALTHEA Indemnified Parties or the breach by ALTHEA of its obligations under this Agreement.

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13.2 **ALTHEA Indemnification**: ALTHEA shall indemnify, defend and hold harmless CLIENT and its Affiliates and any of their respective directors, officers, employees, subcontractors and agents (collectively the "CLIENT Indemnified Parties") from and against any and all Claims arising directly out of (a) the negligent act or omission of any of the ALTHEA Indemnified Parties (provided that ALTHEA's liability under this subsection (a) only shall be limited to the amounts paid to ALTHEA by Omeros under this Agreement), (b) the grossly negligent act or omission or intentional misconduct of any of the ALTHEA Indemnified Parties, (c) the breach by any of the ALTHEA Indemnified Parties of any of the Applicable Legal Requirements or (d) the breach by any of the ALTHEA Indemnified Parties of Article 9 (Confidentiality) or Article 10 (Intellectual Property) above. Notwithstanding the foregoing, ALTHEA shall have no obligations under this Section 13.2 to the extent that any such Claim arises out of (i) the negligence or willful misconduct or omission of any of the CLIENT Indemnified Parties, or (ii) the breach by CLIENT of any of its obligations under this Agreement.

13.3 **Indemnitee Obligations**: A party (the "Indemnitee") which intends to claim indemnification under this Article 13 shall promptly notify the other party (the "Indemnitor") in writing of any action, claim or other matter in respect of which the Indemnitee or any of its Affiliates, or any of their respective directors, officers, employees, subcontractors, or agents, intend to claim such indemnification; provided, however, that failure to provide such notice within a reasonable period of time shall not relieve the Indemnitor of any of its obligations hereunder except to the extent the Indemnitor is prejudiced by such failure. The Indemnitee shall permit, and shall cause its Affiliates, and their respective directors, officers, employees, subcontractors and agents to permit, the Indemnitor, at its discretion, to settle any such action, claim or other matter, and the Indemnitee agrees to the complete control of such defense or settlement by the Indemnitor. Notwithstanding the foregoing, the Indemnitor shall not enter into any settlement that would adversely affect the Indemnitee's rights hereunder, or impose any obligations on the Indemnitee in addition to those set forth herein, in order for it to exercise such rights, without Indemnitee's prior written consent, which shall not be unreasonably withheld or delayed. No such action, claim or other matter shall be settled without the prior written consent of the Indemnitor, which shall not be unreasonably withheld or delayed. The Indemnitee, its Affiliates, and their respective directors, officers, employees, subcontractors and agents shall fully cooperate with the Indemnitor and its legal representatives in the investigation and defense of any action, claim or other matter covered by the indemnification obligations of this Article 13. The Indemnitee shall have the right, but not the obligation, to be represented in such defense by counsel of its own selection and at its own expense.

13.4 **Injunction**: In the event that the Production or sale of a Drug Product is enjoined due to alleged infringement by either party of the proprietary rights of a third party, such action shall be deemed a breach of this Agreement by CLIENT and subject to the terms of Article 3, except to the extent that any such injunction

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arises out of ALTHEA's use of its standard methods, techniques, and processes that ALTHEA uses generally in performing services for its customers.

Article 14, INSURANCE.

14.1 **CLIENT Insurance**: CLIENT shall procure and maintain, during the Term of this Agreement and for a period one (1) year beyond the expiration date of Drug Product, Commercial General Liability Insurance, including without limitation, Product Liability and Contractual Liability coverage (the "CLIENT Insurance"). The CLIENT Insurance shall cover amounts not less than [†] combined single limit and shall be with an insurance carrier reasonably acceptable to ALTHEA. ALTHEA shall be named as an additional insured on the CLIENT Insurance and, upon ALTHEA's written request, CLIENT promptly shall deliver a certificate of CLIENT Insurance and endorsement of additional insured to ALTHEA evidencing such coverage. If CLIENT fails to furnish such certificates or endorsements, or if at any time during the Term of this Agreement ALTHEA is notified of the cancellation or lapse of the CLIENT Insurance, and CLIENT fails to rectify the same within ten (10) calendar days after notice from ALTHEA, in addition to all other remedies available to ALTHEA hereunder, ALTHEA, at its option, may obtain the CLIENT Insurance and CLIENT promptly shall reimburse ALTHEA for the cost of the same. Any deductible and/or self insurance retention shall be the sole responsibility of CLIENT.

14.2 **ALTHEA Insurance**: ALTHEA shall procure and maintain, during the Term of this Agreement and for a period of one (1) year beyond the expiration date of Drug Product, Commercial General Liability Insurance, including without limitation, Product Liability and Contractual Liability coverage (the "ALTHEA Insurance"). The ALTHEA Insurance shall cover amounts not less than [†] combined single limit. CLIENT shall be named as an additional insured on the ALTHEA Insurance and, upon CLIENT's written request, ALTHEA promptly shall deliver a certificate of ALTHEA Insurance and endorsement of additional insured to CLIENT evidencing such coverage. If ALTHEA fails to furnish such certificates or endorsements, or if at any time during the Term of this Agreement CLIENT is notified of the cancellation or lapse of the ALTHEA Insurance, and ALTHEA fails to rectify the same within ten (10) calendar days after notice from CLIENT, in addition to all other remedies available to CLIENT hereunder, CLIENT, at its option, may obtain the ALTHEA Insurance and ALTHEA promptly shall reimburse CLIENT for the cost of the same. Any deductible and/or self insurance retention shall be the sole responsibility of ALTHEA.

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Article 15, GENERAL PROVISIONS.

15.1 **Notices:** All notices hereunder shall be delivered by facsimile (confirmed by overnight delivery), or by overnight delivery with a reputable overnight delivery service, to the following address of the respective parties:

If to CLIENT:

Omeros Corporation
1420 Fifth Avenue, Suite 2600
Seattle, WA 98101
Attention: Chairman & CEO

And copy to: General Counsel

Fax: (206) 264.7856
Phone: (206) 623.4688

If to ALTHEA:

Althea Technologies, Inc.
11040 Roselle Street
San Diego, CA 92121
Attn: Alan Moore
Executive Vice President and Chief Business Officer

Telephone: (858) 882-0123
Facsimile: (858) 882-0133

For specific inquiries, the following ALTHEA responsible parties may be contacted directly:

Project Manager	Rick Hancock
Quality Control and Quality Assurance Manager	Roy Musil
Materials Manager	Melissa Rosness

For specific inquiries, the following CLIENT responsible parties may be contacted directly:

Project Manager

Quality Control Manager

Materials Manager

Quality Assurance Manager

Notices shall be effective on the day following the date of transmission if sent by facsimile, and on the second business day following the date of delivery to the overnight delivery service if sent by overnight delivery. A party may change its address listed above by notice to the other party given in accordance with this section.

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15.2 **Entire Agreement; Amendment:** The parties hereto acknowledge that this Agreement, including any Project Plans executed in accordance with the terms hereof and any other documents expressly incorporated by reference, sets forth the entire agreement and understanding of the parties and supercedes all prior written or oral agreements or understandings with respect to the subject matter hereof. No modification of any of the terms of this Agreement, or any amendments thereto, shall be deemed to be valid unless in writing and signed by an authorized agent or representative of both parties hereto. No course of dealing or usage of trade shall be used to modify the terms and conditions herein. In the event of any inconsistency between the terms within the body of this Agreement and the terms contained in any Project Plan, including without limitation any Quality Management Agreement within any such Project Plan, the terms within the body of this Agreement shall govern.

15.3 **Waiver:** None of the provisions of this Agreement shall be considered waived by any party hereto unless such waiver is agreed to, in writing, by authorized agents of both parties. The failure of a party to insist upon strict conformance to any of the terms and conditions hereof, or failure or delay to exercise any rights provided herein or by law shall not be deemed a waiver of any rights of any party hereto.

15.4 **Obligations to Third Parties:** Each party warrants and represents that this Agreement is not inconsistent with any contractual obligations, expressed or implied, undertaken with any third party.

15.5 **Assignment:** This Agreement shall be binding upon and inure to the benefit of the successors or permitted assigns of each of the parties and may not be assigned or transferred by either party without the prior written consent of the other, which consent will not be unreasonably withheld or delayed, except that no consent shall be required in the case of a transaction involving the merger, consolidation or sale of all or substantially all of that portion of the assigning party's business assets to which this Agreement relates and the resulting entity assumes all the obligations under this Agreement. ALTHEA may, without such consent, assign this Agreement to an Affiliate of ALTHEA, provided that all Development, Production, and other services to be performed hereunder shall continue to be performed at the same facility at which they were previously performed or at which it was contemplated by the parties that they would be performed, and provided further that the assignee assumes all obligations of ALTHEA under this Agreement. No assignment shall relieve any party of responsibility for the performance of its obligations hereunder.

15.6 **Successors and Assigns:** This Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their successors and permitted assigns.

15.7 **Taxes:** CLIENT shall pay all national, state, municipal or other sales, use, excise, import, property, value added, or other similar taxes, assessments or tariffs assessed upon or levied against the sale of Drug Product to CLIENT

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pursuant to this Agreement or the sale or distribution of Drug Product by CLIENT (or at CLIENT's sole expense, defend against the imposition of such taxes and expenses). ALTHEA shall notify CLIENT of any such taxes that any governmental authority is seeking to collect from ALTHEA, and CLIENT may assume the defense thereof in ALTHEA's name, if necessary, and ALTHEA agrees to fully cooperate in such defense to the extent of the capacity of ALTHEA, at CLIENT's expense. Any such taxes, assessment, or tariffs to be paid by CLIENT hereunder shall be separately itemized on invoices provided to CLIENT. ALTHEA shall pay all national, state, municipal or other taxes on the income resulting from the sale by ALTHEA of the Drug Product to CLIENT under this Agreement, including but not limited to, gross income, adjusted gross income, supplemental net income, gross receipts, excess profit taxes, or other similar taxes.

15.8 **Independent Contractor:** ALTHEA shall act as an independent contractor for CLIENT in providing the services required hereunder and shall not be considered an agent of, or joint venturer with, CLIENT. Unless otherwise provided herein to the contrary, ALTHEA shall furnish all expertise, labor, supervision, machining and equipment necessary for performance hereunder and shall obtain and maintain all building and other Permits and licenses required by public authorities.

15.9 **Governing Law:** This Agreement is being delivered and executed in the State of California. In any action brought regarding the validity, construction and enforcement of this Agreement, it shall be governed in all respects by the laws of the State of California, without regard to the principals of conflicts of laws.

15.10 **Attorney's Fees:** The successful party in any litigation or other dispute resolution proceeding to enforce the terms and conditions of this Agreement shall be entitled to recover from the other party reasonable attorney's fees and related costs involved in connection with such litigation or dispute resolution proceeding.

15.11 **Severability:** In the event that any term or provision of this Agreement shall violate any applicable statute, ordinance, or rule of law in any jurisdiction in which it is used, or otherwise be unenforceable, such provision shall be ineffective to the extent of such violation without invalidating any other provision hereof.

15.11 **Headings, Interpretation:** The headings used in this Agreement are for convenience only and are not part of this Agreement.

15.12 **Facsimile Copies, Counterparts:** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute the same instrument. This Agreement shall be effective upon full execution by facsimile or original, and a facsimile signature shall be deemed to be and shall be as effective as an original signature.

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IN WITNESS WHEREOF, the parties hereto have each caused this Drug Product Development and Clinical Supply Agreement to be executed by their duly-authorized representatives as of the Effective Date above written.

OMEROS CORPORATION

By: /s/ Gregory A. Demopulos
Name: Gregory A. Demopulos, M.D.
Title: Chairman & CEO

ALTHEA TECHNOLOGIES, INC

By: /s/ W. Alan Moore
Name: W. Alan Moore
Title: Executive VP and CBO

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Project Plan for cGMP Fill and Finish and Stability Testing

Prepared for:

Wayne Gombotz, Ph.D.
Vice President, Pharmaceutical Operations
Omeros Corporation
1420 Fifth Avenue, Suite 2600
Seattle, WA 98101
206-623-4688 (phone)
206-264-7856 (fax)

Prepared by:

Althea Technologies 11040
Roselle Street San Diego,
CA 92121 858-882-0123
858-882-0133 (fax)

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1. Outline of Deliverables

A. Timing of Deliverables

[†]

B. Summary of Deliverables to Omeros Corporation

[†]

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2. Detailed Description of Deliverables and Pricing Summary

A. Detailed Description of Fill and Finish Deliverables and Pricing Summary

Service Description	Units	Unit Price	Total Price
[†]	[†]	[†]	[†]
[†]	[†]	[†]	[†]

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A. Detailed Description of Fill and Finish Deliverables and Pricing Summary continued

Service Description	Units	Unit Price	Total Price
[†]	[†]	[†]	[†]
FILL AND FINISH TOTAL			[†]

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B. Detailed Description of Stability Testing and Analytical Transfer Deliverables and Pricing Summary

Service Description	Units	Unit Price	Total Price
[†]	[†]	[†]	[†]
[†]	[†]	[†]	[†]
[†]	[†]	[†]	[†]
Stability and Analytical Transfer Total			**[†]**

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C. Payment Schedule

[†]

Milestone	Invoice Amount
[†]	[†]
[†]	

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3. Specifications

Assay	Test	Specification
[†]	[†]	[†]

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Stability Testing Outlines

[†]

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4. Quality Agreement

[†]

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5. Summary Pricing

[†] **[†]**

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6. Authorizations

IN WITNESS WHEREOF, the parties hereto have each caused this Project Plan to be executed by their duly-authorized representatives as of January 20, 2006.

OMEROS CORPORATION		**ALTHEA TECHNOLOGIES, INC**	
By:	/s/ Gregory A. Demopulos	By:	/s/ Rick Hancock
Name:	Gregory A. Demopulos, M.D.	Name:	Rick Hancock
Title:	Chairman & CEO	Title:	COO

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Exhibit 10.37

Project Plan for
Non-GMP and cGMP
Fill and Finish of OMS302

Prepared for:

Wayne Gombotz, Ph.D.
Vice President, Pharmaceutical Operations
Omeros Corporation
1420 Fifth Avenue, Suite 2600
Seattle, WA 98101
206-623-4688 (phone)
206-264-7856 (fax)

Prepared by:

Althea Technologies
11040 Roselle Street
San Diego, CA 92121
858-882-0123
858-882-0133 (fax)

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1. Outline of Deliverables

A. Timing of Deliverables

1. Contract Approval (May 31, 2007)
2. Initial HPLC Assay Transfer (May-July 2007)
3. Non-GMP API Delivered to Althea (July 2007)
4. Non-GMP OMS302 Product, [†] **and Placebo Fills (July 16-20, 2007)**
5. Non-GMP Product Released (6 weeks after completion of the fill)
6. GMP Documentation Preparation (Product Batch Records) (September 2007)
7. GMP API Delivered to Althea (September 2007)
8. GMP OMS302 Product Fill (October 8-9, 2007)
9. GMP [†] **Product Fill (October 10-11, 2007)**
10. Released GMP Product Lot, C of A and Audited Batch Records (6 weeks after completion of the fill)

B. Summary of Deliverables to Omeros Corporation

This is a Project Plan dated May 31, 2007 under the Drug Product Development and Supply Agreement dated January 20, 2006 between Althea Technologies, Inc. and Omeros Corporation

Project: Non-GMP and cGMP Production of OMS302 ("Product") per cGMP Master Batch Record to be developed by Althea and approved by Omeros.

Non-GMP OMS302 Product Vials	1 x 400
Non-GMP [†]Product Vials	1 x 400
Non-GMP Placebo Vials	1 x 400
cGMP OMS302 Product Vials	1 x 3,000
cGMP [†] Product Vials	1 x 3,000
Audited Batch Records	2
Audited Test Results	2
Cs of A	5
DMF Reference Letter	1

Miscellaneous

2 Site Visits for Inspection/Audit, 2 auditors at a time.

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2. Detailed Description of Deliverables and Pricing Summary

A. Detailed Description of Fill and Finish Deliverables and Pricing Summary

Service Description	Units	Unit Price	Total Price
Media Fill Validation	**3 x 3000**	[†]	[†]
- Media fill validation performed in accordance with ICH guidelines of 3 x 3000 2 mL glass vials.			
Non-GMP Aseptic Fill and Finish (Product and Placebo)	**~400 vials/fill (OMS302 Product)**	[†] **Per Fill**	[†]
- Omeros to supply all released API- [†]		**Discounted Unit Price:**	
- Althea to purchase and release citric acid monohydrate, sodium citrate and WFI.	**~400 vials/fill** [†]		
- Althea to purchase and release vials, stoppers and seals as specified in completed product survey	**~400 vials per fill (Placebo)**	[†] **Per Fill**	
- Non-GMP batch record preparation for product and placebo fills			
- Non-GMP filling of formulated bulk and placebo into 5 mL glass vials			
- Standard label preparation- *additional charges may apply for non-standard labels.*			
- Release testing to include sterility, Endotoxin, pH, appearance, osmolality, potency, purity, identity and USP particulate. Samples of the product will be sent to Omeros for potency testing.			
- Fill may be performed in either Althea's clean room filling suites or in a hood in a Class 10,000 room			
- Two domestic shipments			

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A. Detailed Description of Fill and Finish Deliverables and Pricing Summary continued

Service Description	Units	Unit Price	Total Price
GMP Aseptic Fill and Finish (OMS302 Product)	**3000 Vials**	[†]	[†]
- Omeros to supply all released APIs - Althea to purchase and release citric acid monohydrate and sodium citrate dihydrate buffer. - Althea to purchase and release vials, stoppers and seals as specified in completed product survey - GMP batch record preparation - GMP aseptic filling of formulated bulk into 2 mL clear glass vials - Standard label preparation- additional charges may apply for non-standard labels. - Release testing to include sterility (Nelson or Northview Labs), Endotoxin, pH, appearance, osmolality, potency, purity, identity and USP particulate (Quadrants). Samples will be sent to Omeros for potency testing.			
GMP Aseptic Fill and Finish ([†] Product)	**3000 Vials**	[†]	[†]
- Omeros to supply all released API - Althea to purchase and release citric acid monohydrate and sodium Citrate dihydrate buffer. - Althea to purchase and release vials, stoppers and seals as specified in completed product survey - GMP batch record preparation - GMP aseptic filling of formulated bulk into 2 mL clear glass vials - Standard label preparation- additional charges may apply for non-standard labels. - Release testing to include sterility (Nelson or Northview Labs), Endotoxin, pH, appearance, ,osmolality, potency, purity, identity and USP particulate (Quadrants). Samples will be sent to Omeros for potency testing.			
Fill and Finish Total			**[†]**

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B. Detailed Description of Stability Testing and Analytical Transfer Deliverables and Pricing Summary

Service Description	Units	Unit Price	Total Price
HPLC Transfer and Qualification - Transfer of HPLC method, including all SOPs and protocols. Assay qualification.	**1**	[†]	[†]
Final Product (Non-GMP OMS302 Product Only- No Placebo) Stability Program Setup and Maintenance Includes storage, execution and management of a 18 month stability program described below at two temperatures with the option of extending the program to 24 months. Also includes the issuance of a C of A at each time interval and stability condition.	**2 Storage Conditions**	[†]	[†]
Final Product (Non-GMP [†] **Only- No Placebo) Stability Program Setup and Maintenance** Includes storage, execution and management of an 18 month stability program described below at two temperatures with the option of extending the program to 24 months. Also includes the issuance of a C of A at each time interval and stability condition.	**2 Storage Conditions**	[†]	[†]
Final Product (GMP Product OMS302) Stability Program Setup and Maintenance Includes storage, execution and management of an 18 month stability program described below at two temperatures with the option of extending the program to 24 months. Also includes the issuance of a C of A at each time interval and stability condition.	**2 Storage Conditions**	[†]	[†]

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B. Detailed Description of Stability Testing and Analytical Transfer Deliverables and Pricing Summary Continued

Service Description	Units	Unit Price	Total Price
Final Product (GMP Product [†] **Only- No Placebo) Stability Program Setup and Maintenance** Includes storage, execution and management of an 18 month stability program described below at two temperatures with the option of extending the program to 24 months. Also includes the issuance of a C of A at each time interval and stability condition.	**2 Storage Conditions**	[†]	[†]
Stability and Analytical Transfer Total			**[†]**

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C. Payment Schedule

The above Fill and Finish and Stability and Analytical Transfer pricing will be [†]. The total budgeted [†] shall be payable in accordance with the following schedule in response to invoices to be submitted by Althea monthly for milestones completed during the month. Invoices will be paid by Omeros in accordance with Section 2.11 of the Development and Supply Agreement.

Milestone	Invoice Amount
Execution of Project Plan (advance payment — [†] of Fill and Finish)*	[†]
Completion of HPLC Transfer and Qualification	[†]
Completion of Non-GMP OMS302 Product Fill and Finish	[†]
Completion of Non-GMP Placebo Product Fill and Finish	[†]
Completion of Non-GMP [†] Product Fill and Finish	[†]
Setup of Non-GMP Product Stability Program ([†] of Stability Program Price for OMS302)	[†]
Delivery of Stability Data for Each Time Point (1, 3, 6, 9, 12 and 18 Month) for the Non-GMP OMS203 a Product Stability Program (each at [†] of Program Price)	[†]/timepoint
Setup of Non-GMP Product Stability Program ([†] of Stability Program Price for [†])	[†]
Delivery of Stability Data for Each Time Point (1, 3, 6, 9, 12 and 18 Month) for the Non-GMP [†]Product Stability Program (each at [†] of Program Price)	[†]/timepoint
Completion of GMP OMS302 Product Fill ([†] of batch price)	[†]
Approval of Released cGMP OMS302 Product by Omeros within the timeframe described in section 5.1, Non-Conforming Drug Product in the Development and Supply Agreement ([†] of batch price)	[†]
Completion of GMP [†] Product Fill ([†] of batch price)	[†]
Approval of Released cGMP [†] Product by Omeros within the timeframe described in section 5.1, Non-Conforming Drug Product in the Development and Supply Agreement ([†] of batch price)	[†]
Setup of cGMP OMS302 Product Stability Program ([†] of Stability Program Price)	[†]
Setup of cGMP [†] Product Stability Program ([†] of Stability Program Price)	[†]
Delivery of Stability Data for Each Time Point (1, 3, 6, 9, 12 and 18 Month) for the GMP OMS302 Product Stability Program (each at [†] of Program Price)	[†]/timepoint
Delivery of Stability Data for Each Time Point (1, 3, 6, 9, 12 and 18 Month) for the GMP [†] Product Stability Program (each at [†] of Program Price)	[†]/timepoint

* In the event that the Project Plan is terminated early, any portion of the advance payment remaining (less any penalties that may be due in accordance with Section 3.3(b) of the Development and Supply Agreement) shall be promptly refunded to Omeros.

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3. Specifications and Components

Assay	Test	Specification
Purity	HPLC	Report Result; % area of each individual Related Substances peak and total % Related Substances
Potency	HPLC	Report Result; % Label claim [†] HCL and % Label claim [†]
Identity	HPLC	Retention time of parent compound matches retention time of drug substance reference standards
Appearance	Visual per Althea SOP	Clear colorless solution free of visible particulates
pH	USP [†]	[†]
Osmolality	USP [†]	Report Result
Sterility	USP [†]	Sterile
Particulate Count	USP [†]	Particulates >/= [†]/Unit Particulates >/= [†]/Unit
Endotoxin	LAL USP [†]	[†]/mL

Component Specifications

Component	Description	Althea Part Number
Vial	West 5 mL, 20 mm opening-68000318,	RM-551
Stopper	West 20 mm Daikyo Fluortec D777-1 Gray-19500120	RM-512
Seal	20 mm Purple Flip-Off Truedge West-542027	RM-711
Filter		

Excipients

Excipients	Catalog Number
Citric acid Monohydrate USP	EM Science — EM-0002425B
Sodium Citrate (Dihydrate USP)	EM Science — EM-SX0442-1

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Stability Testing Outlines

Proposed Stability Program (Non-GMP Product Only- No Placebo)- Two Storage Conditions

Assay	1	3	6	9	12	18
HPLC	X	X	X	X	X	X
Appearance	X	X	X	X	X	X
pH	X	X	X	X	X	X
USP Particulates						X
Sterility						X
Endotoxin						X

Proposed Stability Program (Product)- Two Storage Conditions

Assay	1	3	6	9	12	18
HPLC	X	X	X	X	X	X
Appearance	X	X	X	X	X	X
pH	X	X	X	X	X	X
USP Particulates						X
Sterility						X
Endotoxin						X

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4. Quality Agreement

Purpose

The Quality Management Agreement has been developed to define the regulatory compliance roles and responsibilities of Omeros Corporation (Omeros) and Althea Technologies (Althea). The Quality Management Agreement shall constitute part of the agreement between Omeros and Althea and may be revised from time to time on the basis of mutual agreement of the parties. In the event of a conflict between the provisions of the Drug Product Development and Clinical Supply Agreement and Quality Management Agreement, the provisions of the Drug Product Development and Clinical Supply Agreement shall prevail.

Definitions

"Agreement" shall mean the Drug Product Development and Clinical Supply Agreement executed between Omeros and Althea on January 20, 2006.

"cGMP" shall mean Current Good Manufacturing Practices as promulgated under the US Federal Food Drug and Cosmetic Act and 21 CFR sections 210, 211, 600 and 610

"Party" means either Omeros or Althea

"Parties" means both Omeros and Althea

"Products" shall mean Omeros drug products and all intermediate precursors

Regulatory Activities

Roles of the parties

Omeros will be the holder the IND or equivalent and the holder of the registration submission and subsequent license. Althea will support these submissions as a contract manufacturer under the direction of Omeros.

Regulatory submissions

Omeros will be responsible for the submission of documentation to regulatory authorities in support of the Products. Althea will provide Omeros with the information necessary to complete regulatory submissions in a timely and effective manner.

Althea and Omeros will mutually agree upon responses, which Omeros will make, to FDA questions and requests regarding production processes and product testing relevant to Althea.

Inspections

Omeros will inform Althea in a timely fashion when regulatory agencies are seeking to schedule

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inspections concerning the Products at Althea's facilities.

Omeros will be permitted two representatives during the opening, closing and daily wrap up portions of the inspection at Althea's facilities.

Althea's communication and commitments with regulatory inspectors will be limited to matters outside of Omeros' regulatory submissions, and Omeros will be informed of all such communication and commitments that could impact Omeros' regulatory submissions. Althea and Omeros will mutually agree upon responses, which Omeros will make, to FDA questions and requests regarding production processes and product testing. Omeros will determine and make all other responses to regulatory authorities.

Compliance

Roles of the parties

Althea, in its activities under the Agreement, is responsible for cGMP, other applicable guidelines and Althea SOPs.

Omeros, in its activities under the Agreement, is responsible for cGMP and applicable guidelines and with confirming Althea's cGMP, other applicable guidelines and Althea SOPs.

Audits

In addition to other audit rights provided for in Section 4.7 of the Agreement, Omeros has the right to perform one audit of Althea facilities, laboratories and warehouses each year for the purposes of confirming Althea's compliance with cGMP, applicable guidelines and Althea SOPs in the manufacture, testing and validation of the Product. The audit will be limited to 2 business days to occur on mutually agreed upon dates.

Omeros may also perform an annual audit of each Althea subcontractor involved in the manufacture, testing and validation of the Product, providing that Omeros provides Althea with prior written notification of its intent to audit. Althea will provide commercially reasonable efforts to facilitate the scheduling and execution of Omeros' audits of subcontractors.

In addition to the annual compliance audit, Omeros may also audit Althea and its subcontractors in the event of failure or recall of a product lot.

At the conclusion of each audit, Omeros will hold a wrap up meeting with Althea and/or its subcontractors to review all significant audit observations.

Within 60 days of each audit it performs at Althea and its subcontractors, Omeros will provide Althea with a written report of its observations and recommendations. Within 60 days of receipt of Omeros' audit report, Althea and/or its subcontractors will provide a written response to Omeros including a response to all Omeros observations and details regarding corrective actions.

Documentation

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Althea is responsible for generating and maintaining records of equipment usage, cleaning and maintenance.

Althea is responsible for developing documentation to support the manufacturing, testing and validation of the Product. All documents and procedures which are specific to the product must be approved by Omeros prior to implementation. Althea will provide Omeros with copies of all documents used in the production, testing and validation of the Product.

Changes to documentation will be implemented according to the Change Control section of this document.

Althea is responsible for maintaining Product batch production and testing records for the period of product expiry plus one year. Written authorization from Omeros QA is required prior to the movement or destruction of Product records. When Althea is no longer willing or able to store Product records, Omeros may have the records destroyed, or transferred to an alternate storage location at Omeros' expense.

Product Release

Althea and Omeros will each identify a Quality Assurance representative who will function as the points of contact between the companies for the purposes of communication regarding product release and regulatory compliance activities.

Althea will propose sources and specifications for raw materials and components to be used in the manufacture of the Product. Omeros will be responsible for approving all sources for raw materials and components used in the manufacture of the Product.

Althea and Omeros will mutually agree upon testing specifications for the Product. The parties will mutually agree in writing to all changes to specification prior to implementation.

Althea may subcontract some or all of the Product testing subject to prior written approval by Omeros.

Althea is responsible for control and monitoring of the Product manufacturing process and production facility.

Althea is responsible for reviewing product lot records, test results and specifications and determining whether to reject the lot or issue Althea's release to Omeros QA. Omeros QA is responsible for the formal release of each Product lot.

Althea will issue a Certificate of Analysis and Certification of Compliance to Omeros for each lot that receives Althea's release. The Certificate of Analysis will contain a summary of the product test results, specifications and test methods. The Certificate of Compliance will contain a statement signed by Althea's QA representative stating that the lot has been manufactured and tested in compliance with cGMP, Althea procedures and applicable guidelines.

Omeros may request additional documentation to support its review and release of Product lots,

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including but not limited to copies of Batch Production Records, testing results, raw data from Product testing and in-process test results.

Omeros will make reasonable efforts to release each lot within 90 days of receipt of the Certificate of Analysis, Certificate of Compliance and requested documents.

Althea will store and ship the Product according to written Omeros instructions and in compliance with cGMP.

Product Recall

Omeros is responsible for instituting and facilitating a Product recall.

Omeros will notify Althea in a timely fashion when a Product recall may be due to issues related to the manufacturing of the Products.

In the event that a Product recall may be due to manufacture of the Products, Althea will provide Omeros complete information regarding the relevant Product lots including, but not limited to trace trees, equipment and facility data, etc. Althea will provide this information to Omeros within 10 business days of receipt of the request from Omeros.

At Omeros' request and under Omeros' direction, Althea will support communication with regulatory authorities.

Change Control

All changes to procedures, documents and equipment used in the manufacture, testing and validation of the Product must be mutually approved by Althea and Omeros in writing prior to implementation.

Validation

All validation specific to the Product must be executed according to protocols approved prior to execution by Omeros.

Althea will provide Omeros with copies of all validation reports used to support manufacture and testing of the Product, upon request.

Investigations

Althea will notify Omeros of all excursions, deviations, observations and investigations which could impact past, current or future lots of the Product.

Althea will notify Omeros of all Product testing failures within 2 business days, and prior to initiating retesting.

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All investigations concerning the Product and conducted at Althea will be reviewed and approved by Althea and Omeros.

Product Supply *Roles of the parties*

Althea will perform manufacture, testing and validation of the Products in its facilities.

Omeros is authorized to have 2 representatives present at Althea's manufacturing facilities during Product manufacture, testing and/or validation. Additional Omeros representatives may be permitted when mutually agreed with Althea.

Authorization of production

Manufacture of the Product at Althea will be authorized in accordance with the Agreement

Lot numbers

Althea is responsible for assigning and tracking unique identifier numbers to each lot of raw material, component, product intermediate and Product.

Dates of production and expiration

The dates of manufacture will be determined by, and documented in, the Batch Production Records. The expiration date of the Product will be determined by Omeros.

Dispute Resolution

Disputes concerning the acceptability of Product lots or general compliance issues will be resolved by the Quality Assurance representatives of the Parties. If the dispute is not resolved after 30 days, either Party may upon written notification to the other request that the dispute be resolved according to the provisions of the Agreement.

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5. Summary Pricing

Fill and Finish Total	[†]
Stability and Analytical Transfer Total	[†]
Project Total	[†]
Discounted Project Total	[†]

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6. Authorizations

IN WITNESS WHEREOF, the parties hereto have each caused this Project Plan to be executed by their duly-authorized representatives as of June 4, 2007.

OMEROS CORPORATION		**ALTHEA TECHNOLOGIES, INC**	
By:	/s/ Gregory A. Demopulos	By:	/s/ Melissa Rosness
Name:	Gregory A. Demopulos, M.D.	Name:	Melissa Rosness
Title:	Chairman & CEO	Title:	Director, Contract Management

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Exhibit 10.38

MASTER SERVICES AGREEMENT

THIS MASTER SERVICES AGREEMENT ("Agreement") is made and entered into effective January 27th, 2005 (the "Effective Date"), by and between **NURA, Inc.** (hereinafter "Nura"), having a place of business at 1124 Columbia Street, Seattle WA, 98104, USA, and **ComGenex, Inc.** (hereinafter "ComGenex" or "CGX), having a place of business at Zahony u 7, H-1031 Budapest, Hungary, altogether referred to as Parties.

WHEREAS, Nura is engaged in the discovery and development of active substances against diseases of the central nervous system and is planning to outsource a specific project that involves the molecular target of Phosphodiesterase enzyme 10 ("PDE10" or "PDE10a") as described in Appendix A, and

WHEREAS, ComGenex is engaged in the business of providing complex drug discovery services including but not limited to molecular biology, protein expression, assay development and high throughput screening, chemical research and analysis, chemistry consulting, chemical synthesis, manufacturing of specialty chemical products, chemoinformatics and related services, and undertakes such as an independent company, understanding that neither ComGenex nor its employees or agents shall be considered an employee of Nura; nor a participant in any programs, insurance or other benefits extended to Nura's employees; and,

NOW, THEREFORE, in consideration of the mutual covenants set forth below, the Parties hereby agree as follows:

A. ComGenex Services: ComGenex shall provide to Nura complex drug discovery research services ("Services"), including as detailed above and as agreed upon in writing from time to time by the parties and set forth in Appendix B for each such project (the "Projects"). The parties acknowledge and accept that successful completion of all projects is not guaranteed but shall be completed by ComGenex on a best efforts basis. Nura and ComGenex shall agree upon, and specify in the Appendix B the parameters of the Projects, the compensation to be paid for the Services, and the time frame in which the Services are to be provided, subject to the terms of this Agreement. Such Services may include, but are not limited to, the following:

1. Molecular Biology Services: ComGenex shall provide to Nura at Nura's request and as described in Appendix B, cloning and protein expression, assay development, high throughput screening, and protein structure determination.

2. Medicinal Chemistry Research Services: ComGenex shall provide to Nura at Nura's request advice on design and synthesis of organic compounds, and for the completion of the manufacture of such organic compounds.

3. Technical Assistance: ComGenex shall provide to Nura, at Nura's request synthetic chemical research, chemical library preparation, hit/lead evolution and/or optimization chemistry, analysis and analytical method development, process development and process optimization studies, and manufacturing of specialty chemicals.

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4. Technical Consultations: ComGenex shall be available to Nura via telephone at such times as are requested by Nura and are mutually agreeable to ComGenex for technical consultations with Nura's research and development personnel.

B. Specific Duties of ComGenex:

1. In assuming responsibility for undertaking this Agreement, ComGenex will, on a best efforts basis:

a) Perform molecular biology, chemistry and complex drug discovery services including protein expression, assay development, high throughput screening, medicinal chemistry, chemistry consulting, synthetic chemical research, combinatorial chemical synthesis, hit/lead evolution and optimization chemistry, process development and process optimization studies, and manufacturing of specialty chemicals for any Projects entered into, as described in Appendix B attached hereto.

b) Provide technical consultation, technical assistance and product development assistance, as defined, for any Projects entered into.

c) Develop or utilize existing analytical methods that will allow determination of the identity and quantification of the purity of any compounds delivered.

d) Provide compounds in the time frame set forth in Appendix B attached hereto, and immediately notify Nura if any delays are encountered.

2. In assuming responsibility for undertaking this Agreement, ComGenex will:

a) Interact with Nura's scientists as is deemed by ComGenex reasonably necessary and appropriate in the conduct of the Projects outlined in Appendix B.

b) Provide as part of the Project research reports to Nura describing the results upon the completion of individual Projects.

C. Specific Duties of Nura: Nura will:

1. Provide assistance such as is deemed reasonable and appropriate by Nura in the conduct of a fully integrated research project team effort.

2. Interact with and communicate with ComGenex reasonably and respond to all reasonable requests to provide necessary and appropriate Project guidance.

3. Agree to pay ComGenex for the Services to be performed by ComGenex as set forth in the schedule of payments as shown in Appendix C.

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D. Term and Termination:

1. This Agreement shall commence on the Effective Date and shall terminate eighteen months after the Effective Date; provided however that Nura may elect to extend this Agreement for up to an additional 18 months by written notification to ComGenex. Extension of this Agreement shall be subject to future written Agreement.

2. The representations and warranties contained in this Agreement, as well as those rights and/or obligations contained in the terms of this Agreement which by their intent or meaning have validity beyond the term hereof, including without limitation Sections D, E, H, and I hereof, shall survive the expiration or termination of this Agreement.

E. Financials:

1. Nura will pay to ComGenex the amount set forth, and at the indicated times set forth in Appendix C. Nura will pay to ComGenex a first installment to help to cover the running cost of Projects ("Cost Coverage"), and Nura will pay a milestone fee ("Milestone Fee') upon completion of each individual subprojects — both as described in Appendix C.

2. The Cost Coverage component in each Project will be paid in monthly installments as listed in the Appendix C. Unless otherwise agreed in writing by the parties, Nura will not be obliged to pay any Cost Coverage beyond that specified in Appendix C, including those cases in which a project is not completed within the period shown in Appendix B. However once a milestone is reached and achieved, Nura shall pay the milestone fee ("Milestone Fee") as set forth in Appendix C.

3. To cover the start and initiation of the Projects, Nura will pay a down-payment of [†] within 15 days of the Effective Date. This down-payment will be credited using the following payment schedule: Each invoice issued by ComGenex will be reduced by 25% until the down-payment is fully eliminated, as described in Appendix C.

4. In addition to the above payment obligations Nura or any of its licensees will pay to ComGenex the following development related milestone fees for any and each compounds, chemical entity or active substance, specifically developed under this Agreement that enters preclinical or clinical development or any of the above representing the therapeutically active part of an experimental pharmaceutical product developed under this Agreement that enters preclinical or clinical development. For clarity, for any single compound, chemical entity or active substance that reaches the listed milestone below, the associated fee shall be paid only once to ComGenex, by either Nura or a licensee of Nura, whichever shall achieve such milestone first.

[†]	[†]
[†]	[†]
[†]	[†]
[†]	[†]
[†]	[†]
[†]	[†]

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Royalty payment by Nura or any of its licensees will be due to ComGenex in the event of any and each compound, chemical entity or active substance specifically developed under this Agreement representing the therapeutically active part of a product is marketed by Nura and/or a licensee or any other third party. The resulting royalty rate will be [†].

5. Outsourced projects that are outlined in Appendix D will be reimbursed to ComGenex by Nura. These payments are in addition to the payments detailed in Appendix C.

6. Except as set otherwise all payments will be 15 days from the date of invoice.

Notices:

All notices associated with this Agreement shall be by first class mail or courier, addressed to the respective parties as follows:

To ComGenex:

ComGenex, Inc.
Attn: Laszlo Urge, Ph.D. CEO
Zahony u. 7.
Budapest, Hungary H-1031

To Nura:

Nura, Inc.
Attn: Patrick W. Gray, Ph.D., CEO
1124 Columbia Street
Seattle WA, 98104

The above named persons are acting on behalf of their respective organizations and may be changed on an as needed basis.

F. Assignment: This Agreement may not be assigned or otherwise transferred by either party without the prior written consent of the other party, with such consent not to be unreasonably withheld; provided, however, that Nura or ComGenex may, without such consent, assign this Agreement and its rights and obligations hereunder to its Affiliates and parent corporations, or in connection with the transfer or sale of all or substantially all of the business to which this Agreement pertains, or in the event of its merger or consolidation or change in control or similar transaction. Any purported assignment in violation of the preceding sentences shall be void. Any permitted assignee shall assume all obligations of its assignee under this Agreement. “Affiliate” shall mean any company which directly or indirectly controls or is controlled by or is under common control with a party hereto by means of ownership of more than fifty percent (50%) of the voting stock or similar interest in said company.

G. Safety: Each of the parties agrees that if it becomes aware of any safety hazard relating to any compound supplied or developed under this Agreement that it shall promptly notify

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the other party with all information in its possession or control concerning such safety hazard. Nura recognizes that the toxic effect of the compounds supplied or developed under this Agreement is not known and it may be toxic or harmful to human health. Nura agrees to take reasonably necessary precautions when handling such compounds. ComGenex will not be held responsible in any form if after delivery of such compounds to Nura the compounds cause harmful effects to any of Nura's employees, contractors, consultants or any other parties.

H. Entire Agreement:

1. Except as provided herein with respect to the Appendices affixed hereto and the obligations provided in the CONFIDENTIAL DISCLOSURE AGREEMENT dated as of December 13, 2004 between parties, this Agreement represents the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior communications, understandings and agreements with respect thereto.

2. No waiver, change or modification of the provisions of this Agreement shall be effective unless it is in writing and signed by a duly authorized officer of ComGenex and Nura. Additional Appendices describing Projects in writing and signed by a duly authorized officer of ComGenex and Nura shall constitute part of this Agreement.

I. Miscellaneous:

1. The Parties agree that from time to time they may make public announcement relating to the collaboration, where certain information pertaining to the collaboration is disclosed in the form of a press release, press conference, an announcement associated with trade show, or reports for television or other media. No such public announcements are permitted under this Agreement without the express written approval of the other party.

2. ComGenex represents and warrants that it will render the services hereunder in accordance with prevailing high professional standards and will make all reasonable efforts to produce consistently high levels of accuracy and expertise and to meet timetables set forth under this Agreement, and as described in Appendices B and C for completion of services. ComGenex further represents and warrants that ComGenex and any third party personnel assigned to perform services under this Agreement shall, in the opinion of ComGenex, have the skills necessary to efficiently perform such services and produce chemicals, data and/or reports, as the case may be, in a form and of a quality reasonably suitable to Nura.

3. ComGenex is an independent company and nothing in this Agreement shall be construed to create a partnership, joint venture or employment relationship between the parties.

4. If any provision hereof shall be determined to be invalid or unenforceable, such determination shall not affect the validity of the other provisions of this Agreement.

5. This Agreement shall be governed in accordance with the laws of the State of Washington, USA, without regard to the conflicts of law provisions thereof.

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6. Waiver by either party or the failure by either party to claim a breach of any provision of this Agreement shall not be deemed to constitute a waiver or estoppel with respect to any subsequent breach of any provision hereof.

7. If any dispute arises with regard to the performance of this contract by either party, a good faith effort will be made by the parties to resolve such dispute by negotiation. If the parties fail to resolve the dispute through negotiation, each party shall have the right to pursue any other remedies legally available to resolve the dispute. The substantially prevailing party in any proceeding conducted to interpret or enforce this Agreement shall be entitled to be reimbursed by the other party for its reasonable attorneys' fees and costs.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the date first written above.

COMGENEX, INC.	NURA. INC.
By: /s/ Dr. Laszlo Urge	By: /s/ Patrick W. Gray
Name: Laszlo Urge	Name: Patrick W. Gray
Title: CEO, Director	Title: CEO
Date: 07 Feb 2005	Date: 27 Jan 2005

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Appendix A

To that certain Master Services Agreement by and between Nura Inc., and ComGenex Inc.

Materials Provided by Nura to ComGenex

[†]

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Appendix B

To that certain Master Services Agreement by and between Nura Inc., and ComGenex Inc.

To the extent that any term or provision set forth in this Appendix B is inconsistent with any term or provision set forth in the Master Services Agreement, the Master Agreement shall be controlling.

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Table of Contents

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Objective

The objective is to create a potent, selective PDE10a inhibitor with drug-like properties that crosses the blood brain barrier. Potency should be less than [†] and selectivity greater than [†] fold against other PDEs.

Definitions

- Patentable Lead Candidate

  Biologically active chemical entities, which are not covered by patent, and which may be transformed into a clinically useful drug by subsequent modification/optimization.

- Focused library

  A set of compounds *in silico* selected or screened for binding preferably to a specific biological target. The compounds are prepared by individual or parallel synthesis where the building blocks are connected to each other in many possible variations.

- Advanced Lead

  Compounds that possess desired properties (potency, selectivity, physicochemical, pharmacokinetic and toxicological characteristics) set by the Lead Criteria against the particular target.

- Lead Criteria

  A set of criteria, mutually agreed to by the parties and included as Annex 3.

- Target

  The biological target (binding partner) of the lead compounds to be developed (PDE10a).

Background

Following the ongoing communication with **Nura Inc.**, the above objectives were defined. In order to achieve these objectives three parallel approaches were discussed:

[†]

According to the discussions the following division of responsibility was defined:

Nura responsibility:

[†]

ComGenex:

[†]

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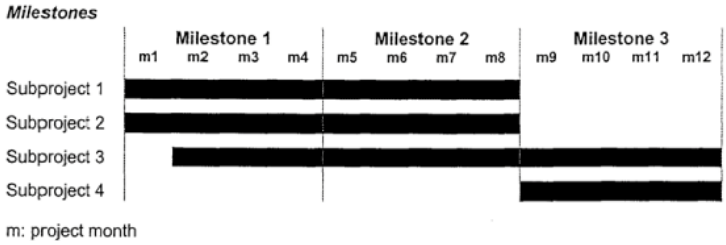
† DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

Project Summary



Subproject 1: Lead Candidate Generation

[†]

Subproject 2: Provision of human PDE1Oa. Cloning and expression

[†]

Subproject 3: Assay development, HTS

[†]

Subproject 4: Compound Optimization

[†]

Terms

Intellectual Property Rights

ComGenex shall retain no rights to any compound delivered to Nura. ComGenex shall have sole ownership of all right, title, and interest in and to ComGenex patent rights and ComGenex technology as well as any invention arising from ComGenex' platform or technology that are not specific to the compounds or the related chemistry applied under this project.

No conflict

During the term of this Agreement, ComGenex will not participate in any program which has, as its goal, the development of compounds which target PDE10.

[†]

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Subproject 1: Lead Candidate Generation

[†]

Subproject 2: Provision of human PDE10a. Cloning and expression

[†]

Subproject 3: Assay development, HTS

[†]

Subproject 4: Compound Optimization

[†]

Annex 2: Definitions of the targeted Lead Criteria

Potent, selective PDE10a inhibitors with drug-like properties that cross the blood brain barrier. [†]

The above definitions are subjected to change during the whole project upon agreement of the Parties.

Annex 3: Initial Target information

cAMP and cAMP-inhibited cGMP 3',5'-cyclic phosphodiesterase 10A (PDE10a) belongs to the cyclic nucleotide phosphodiesterase family. It plays a role in signal transduction by regulating the intracellular concentration of cyclic nucleotides. This enzyme can hydrolyze both cAMP and cGMP, having a higher affinity for cAMP.

PDE10a is abundant in the putamen and caudate nucleus regions of brain and testis, it is moderately expressed in the thyroid gland, pituitary gland, thalamus and cerebellum. The protein is composed of a C-terminal catalytic domain containing two putative divalent metal sites and an N-terminal regulatory domain, which contains one putative cGMP-binding region. Several members of the PDE family were crystallized and a there is a wide range of known substrates and inhibitors.

Annex 4: CGX' Know-how

Genetic engineering, protein expression and renaturation.

At ComGenex we have extensive experience in genetic engineering and expressing sequences across various expression systems. We have developed unique protein renaturation capabilities for high yielding expression of functional proteins of your choice. We are active in the field of assay development and high-throughput screening.

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RefoldAll™ is modular protein production service from subcloning and fermentation to protein purification, where renaturation is the key element of the process. With the integration of a combinatorial approach and sophisticated parameter optimization, we offer fast and efficient renaturation screens for your proteins.

XpressXpert™ is a comprehensive modular protein expression service which delivers purified recombinant proteins according to client supplied DNA sequence data. We provide the following discrete modules:

- cloning, subcloning
- target oriented choice of expression system
- protein expression in: E. coli, insect cells, mammalian cells
- protein purification development
- production scale-up

Darvas F., Dorman G., Papp A., Urge L., Molnár T., Borbola I., Lorincz Z. and Ambrus G. Development of a High-throughput Cytotoxicity Screening Method for Early Compound Filtering. 2004. *Society for Biomolecular Screening 10th Anniversary Conference and Exhibition, Orlando, USA* (September 11-15, 2004)

Narayan M., Welker E. and Scheraga H.A. 2003. Native Conformational Tendencies in Unfolded Polypeptides: Development of a Novel Method To Assess Native Conformational Tendencies in the Reduced Forms of Multiple Disulfide-Bonded Proteins. *J. Am. Chem. Soc.* 125 (8); 2036-2037.

Ambrus G., Gal P., Kojima M., Szilagyi K., Balczer J., Antal J., Graf L., Laich A., Moffatt B. E., Schwaeble W., Sim R. B. and Zavodszky P. 2003. Natural Substrates and Inhibitors of Mannan-Binding Lectin-Associated Serine Protease-1 and -2: A Study on Recombinant Catalytic Fragments. *J. Immunol.* 170, 1374-1382.

Welker E., Narayan M., Wedemeyer W. J. and Scheraga H. A. 2001. Structural determinants of oxidative folding in proteins. *PNAS*, 98, 2312-2316.

Kardos J., Gal P., Szilagyi L., Thielens N. M., Szilagyi K., Lorincz Z., Kulcsar P., Graf L., Arlaud G. J. and Zavodszky P. 2001. The role of the individual domains in the structure and function of the catalytic region of a modular serine protease, C1r *J. Immunol* 167, 5202-5208.

Scheraga H. A., Wedemeyer, W. J. and Welker E. 2001. Bovine Pancreatic Ribonuclease A: Oxidative and Conformational Folding Studies. *Methods in Enyzmology*, 341: 189-221.

EMIL™ -based analogue generation

ComGenex has developed a knowledge base and software with Prof. Toshio Fujita (Kyoto) for bioanalogous lead evolution. The entry structures (validated hits, initial leads) are first imported into our EMIL software to create the bioanalogous expansion of the chemical space defined by the original hit molecules.

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EMIL (Example Mediated Innovation for Lead Evolution) incorporates a knowledge base (collection of structural “evolution” examples) and an interactive search engine. By analyzing large number of biologically active compounds, several thousand structural “evolution” examples (from simple bioisosteric structural replacements to bioanalogous drastic skeletal changes) were identified and collected from literature into the EMIL database as virtual transformation rules. The resulting candidate lead structures could exhibit improved pharmacological/ pharmacokinetic characteristics, and help to reach novel intellectual property (IP) position.

Fujita T., Adachi M., Akamatsu M., Asao M. and Fukami H. Background and Features of EMIL, A System for Database-aided Bioanalogous Structural Transformation of Bioactive Compounds. 1995. *QSAR and Drug Design: New Developments and Applications*, *Pharmacochemistry Library*, Vol. 23 (Ed. Fujita T), pp. 235-273. Elsevier, Amsterdam, 1995.

Papp A., Fujita T. and Darvas F. The implementation of an expert system for evolving pharmaceutical leads. *Eurocombi 1*, Budapest, July 1-5, 2001.

Darvas F, Fujita T. and Papp A. A Web-based Tool for Building Bioanalogous Libraries, DDJ Japan, Tokyo, Jan 28, 2002.

EMIL™-Select™ for target family-based drug design

In the post-genomic drug discovery large enzyme families are investigated parallel in order design selective inhibitors for many related isoforms in one combined research effort. Chemogenomics is a bioinformatics-driven approach to explore the ligand-target knowledge space based on the genetic (sequence homology) divergence of target family members.

This design approach identifies the major molecular determinants of the target-family (privileged structures/ special recognition features) and virtual transformations leading selectivity within the family. Using the knowledge base, which is an extension of the original EMIL™ concept (EMIL-Select™) scaffolds or robust inhibitors can be transformed into selective inhibitors (‘selectivity jumping’).

Darvas F., Dorman G., Papp A., Szommer T., Ambrus G., Fujita T., Urge L. Novel chemogenomics approach to design selective MMP inhibitors, *Society for Biomolecular Screening 10th Anniversary Conference and Exhibition*, Orlando, USA (September 1115, 2004).

Darvas F., Dorman G., Krajcsi P., Puskas L., Kovari Z., Lorincz Z. and Urge L. 2004. Recent advances in chemical genomics. *Curr. Med. Chem*. (in press).

Lead Multiplier™ technology

ComGenex’ Lead Multiplier™ technology is designed to integrate proprietary chemoinformatics tools in order to select, optimize and prioritize novel chemically distinct lead classes (*de novo* focused libraries) against particular targets for hit validation and lead explosion.

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The program utilizes a unique medicinal chemistry knowledge based expert system, a proprietary similarity search tool, *in silico* pharmacokinetic filtering and diversity assessing methods. *Lead Multiplier™ Focused Library* demonstrates pharmaceutically relevant structural complexity and at the same time remains chemically distant from the original lead structures.

Successful applications:

Dorman G, Gulyas-Forro A, Darvas G, Urge L, Sasvari-Szekely M, Sziraki M. Bioanalogous structure evolution for new lead generation. Design and discovery of novel dopamine transporter inhibitors. *ISMC2004*, Copenhagen, August 15-1 9, 2004.

Patents:

Development of novel compounds for reversing Multi-Drug Resistance, (ComGenex with Solvo Biotech), Hung Pat Appl. P01-05401; 2001.

Compounds having inhibitive activity of phosphatidylinositol 3-kinase and methods of use thereof. (ComGenex with Echelon Bioscience, Salt Lake City, UT, two joint patents filed in 2004 for two separate compound series, PCT 21958.PROV, PCT 21780.PROV).

CMT™ (ComGenex Matrix Technology)

ComGenex has developed its proprietary HT parallel chemistry platform, referred to as ComGenex Matrix Technology (CMT™). It utilizes manual and robotized parallel synthesis stations of different size that reflects the cascading diversity building approach. CMT™ is practically a technological line that also contains state-of-the-art selection methods database management, reaction piloting, HT purification and analytics.

Examples for successful application of CMT™:

Varga L, Nagy T, Kovesdi I, Benet-Buchholz J, Dorman D, Urge L. and Darvas F. 2003. Solution-phase parallel synthesis of 4,6-diaryl-pyrimidine-2-ylamines and 2-amino-5,5-disubstituted-3,5-dihydro-imidazol-4-ones via a rearrangement, *Tetrahedron*, 59 (5) 655-662.

Gerencser J., Panka G., Nagy T., Egyed O., Dorman G., Urge L. and Darvas F. 2004. A versatile procedure for the parallel preparation of 3-imidazo[l,2-a]pyridin-3-yl-propionic acid derivatives involving Meldrum's acid, *J. Comb. Chem*. (in press).

Innovative chemical technologies:

—H-Cube: A microfluidics-based continuous flow hydrogenation device

This novel device, which is co-developed with Thales Nanotechnologies, (www.thalesnano.com) enables high-yield hydrogenation with improved selectivity.

Darvas F., Godorhazy L., Panka G., Bucsai A. and Dorman G. Development and application of microchannel flowreactor for parallel hydrogenation. *ACS*, Philadelphia, August 22-28, 2004.

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Jones R., Godorhazy L., Panka G., Szalay D., Dorman G., Urge L. and Darvas F. A compact, continuous flow device for high-pressure heterogeneous hydrogenation, *J. Comb. Chem*. (in press).

—MW: microwave heating

Integration of microwave heating into CMT enables to perform difficult chemical transformations, multicomponent reactions that are typically carried out in low yield and long reaction time.

Urge L. Integration of Microwave assisted chemistry into high-throughput chemistry platform. The Pros and Cons. *Conference on Microwave-Assisted Organic Synthesis*, Boston, Nov. 11-13, 2004.

In silico ADME (BBB penetration, CNS likeness) prediction

ComGenex together with CompuDrug has developed a software family (Pallas™), which helps to filter out, compounds early in the drug discovery pipeline, practically in the design phase. The software allows the prediction of physicochemical parameters (pKa, LogP, LogD), metabolism, and toxicity.

Darvas F., Keseru G., Papp A., Dorman G., Urge I., Krajcsi P. 2002. *In silico* and *Ex Silico* ADME Approaches for Drug Discovery, *Current Topics in Medicinal Chemistry*, 2, 1269-1277.

Dorman G. and Darvas F. 2002. HT Prediction, Virtual and Experimental Screening of Drug Absorption, In: *HT ADMETox estimation based on in vitro and in silico approaches*, F. Damas, G. Dorman (Eds.), BioTechniques Press, Eaton Publishing, Westborough, MA, USA. 25-40pp.

Molnar L.., Keseru G., Papp A., Gulyas Z. and Darvas F. 2004. A Neural Network Based Prediction of Octanol-Water Partition Coefficients Using Atomic5 Fragmental Descriptors, Bioorg. Med. Chem. Letters, 14(4), 851 -853

ChemprobeTM tethering strategy

ComGenex has developed a novel tethering strategy where a representative subset is designed around the core structure of known active compounds or combinatorial compound libraries with appropriate terminal functional groups.

Dorman G., Reynolds D., Puskas L., Urge L. and Damas F. Immobilized surrogate compound libraries for rapid affinity profiling Eurocombi-2, Copenhagen, Jun 29-July 3,2003

Hackler L., Dorman G., Kele Z., Urge L., Damas F. and Puskas L. 2003. Development of chemicaly modified glass surfaces for nucleic acid, protein and small molecule microarrays, Mol. Div. 7, 25-36

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FlashTag™ covalent labeling strategy

The major feature of covalent-bond forming libraries is a creation of a stable linkage between small molecules and biopolymers targeted by the ligand or substrate toward the active site. As the stable covalent linkage survives proteolysis, chemical fragmentation and sequencing, and the small molecule trapped within the active site during the entire manipulation, this technique enables the identification of the binding site. Combining with chemprobe™ combinatorial tethering approach the architecture of the binding site can be investigated.

Dorman G. and Prestwich G.D. 2000. Using Photolabile Ligands in Drug Discovery and Development. Trends in Biotech. 18(2): 64-77

Dorman G., Krajcsi P. and Damas F. 2001. Chemical Library Approaches to Target Validation in the Post-Genomic Era. Current Drug Discovery (October 2001), pp 21-24

Dorman G. and Damas F.2004. Utilizing small molecules in chemical genomics: toward HT approaches, In: Chemical Genomics, Eds. Ferenc Darvas, Andras Gut™ Gyogy Dorman, Marcel Dekker, New York, Basel, 2004, pp. 137-197

Diversity selection: the ED1 concept

ComGenex developed and employ for selection and library characterization a novel diversity assessing approach, the Explicit Diversity Index (EDI). It combines structural dissimilarity and core representativeness.

Gulyas-Forro A., Dorman G., Papp A., Gulyas Z., Urge L. and Darvas F. Explicit Diversity Index (EDI): A Novel Measure for Assessing the Diversity of Compound Databases, J. Chem. Inf Comp. Sci. (in press)

Multiparametric QSAR approach

Ferenc Darvas developed a multiparametric QSAR design approach and successfully employed in the area of CNS active drug design which lead to the development of deramciclane (The compound is presently in Phase-IV at Orion, Pfizer — Pharmacia Upjohn.)

Darvas F., Lopata A., Budai Z. and Petocz L. 1984. Computer Assisted Design of a Novel Type of Tranquillant. QSAR and Strategies in the Design of Bioactive Compounds, 5th European Symp. on QSAR, Bad Segeberg,l984 (Ed. Seydal JK), pp. 324-327. VCH, Weinheim, Germany.

Darvas F., Lopata A., Budai Z. and Petocz L. 1984. Prediction of Therapeutical lndex for a Novel Type of Tranquillant. QSAR in Toxicology and Xenobiochemistry, Bad Segeberg, Germany,1985 (Ed. Tichy M), pp. 324-327. Elsevier, Amsterdam.

Parallel Lead Optimization Approach

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The core of the ComGenex' Parallel Lead Optimization Program is HT medicinal chemistry supported by QSAR modeling and EMIL™ (example-Mediated Innovation for Lead Evolution). Other supporting elements are: broad spectrum of in silico and in vitro ADMETox methods; complementing with ADMETox prefiltered screening libraries; ActiVerse™, prescreened targeted libraries; FlashTag™, a photomarker library for covalent protein tagging; HT Analytical services. ComGenex integrated these approaches into a service package, allowing the R&D activities to proceed simultaneously shortening the average preclinical development phase.

Krajcsi P., Dorman G., Karancsi T., Papp A., Kalman F., Nagy T., Szabo I., Urge L. and Darvas F. Parallel Lead Optimization Program Supported by EMIL Expert System — SBS, Den Haag, Sept 23-26, 2002

Darvas F., Krajcsi P., Urge L., Dorman G., Karancsi T., Papp A., and Fujita T. Lead Optimization Program with Parallel Design — DDJapan, Jan 28-31, 2002

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Confidential

Appendix C

To that certain Master Services Agreement by and between Nura Inc., and ComGenex Inc.

To the extent that any term or provision set forth in this Appendix C is inconsistent with any term or provision set forth in the Master Services Agreement, the Master Agreement shall be controlling.

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Payments

Down Payment

Amount due	Amount to be paid
January 27, 2005	[†]

Cost Coverage Payments

Amount due	Amount billed	Amount to be paid
Milestone 1		
February 15, 2005	[†]	[†]
March 15, 2005	[†]	[†]
April 15, 2005	[†]	[†]
Subtotal		[†]
Milestone 2		
May 15, 2005	[†]	[†]
June 15, 2005	[†]	[†]
July 15, 2005	[†]	[†]
August 15, 2005	[†]	[†]
Subtotal		[†]
Milestone 3		
September 15, 2005	[†]	[†]
October 15, 2005	[†]	[†]
November 15, 2005	[†]	[†]
December 15, 2005	[†]	[†]
Subtotal		[†]
Total	**[†]**	**[†]**

Down Payment and Cost Coverage Payments are due within 15 days after receipt by Nura of the appropriate invoice from ComGenex.

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Milestone fees

Milestone Fee Payments are due within 15 days after receipt by Nura of the appropriate invoice from ComGenex. Each invoice shall be accompanied by a report from ComGenex detailing the particular tasks relating to the invoice and accomplished by ComGenex according to the "Project" plan pursuant to Appendix B.

Milestone 1

Subproject 1	If CGX delivers to Nura	Fee Due
[†]	[†]	[†]
Subproject 2	**If CGX delivers to Nura**	**Fee Due**
[†]	[†]	[†]

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Milestone 2

Subproject 1	If CGX delivers to Nura	Fee Due
[†]	[†]	[†]
Subproject 2	**If CGX delivers to Nura**	**Fee Due**
[†]	[†]	[†]
Subproject 3	**If CGX delivers to Nura**	**Fee Due**
[†]	[†]	[†]

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Optional items to Milestone 2

To be paid as Milestone Fee only (cost coverage is incorporated in the Milestone Fee). Optional items to be performed only at the written request of Nura.

Optional	If CGX delivers to Nura	Fee Due
[†]	[†]	[†]

The cost and the fee for the following optional items will be determined later

Preliminary biological screening

***in vitro* screening**

- [†]

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Milestone 3

Subproject 3	If CGX delivers to Nura	Fee Due
[†]	[†]	[†]

Subproject 4	If CGX delivers to Nura	Fee Due
[†]	[†]	[†]

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Optional items to Milestone 3

To be paid as Milestone Fee only (costTo be paid as Milestone Fee only (cost coverage is incorporated in the Milestone Fee).

Optional items to be performed only at the written request of Nura.

Optional	If CGX delivers to Nura	Fee Due
[†]	[†]	[†]

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Appendix D
To that certain Master Services Agreement by and between Nura Inc.,
and ComGenex Inc.

Confidential

Parties agree that the following costs will be reimbursed to ComGenex by Nura Inc:

1, Reasonable costs for obtaining commercially available recombinant PDE10a that is supplied to facilitate early stage assay development. This cost incurs until sufficient amounts of recombinant PDE10a from internal sources become available for assay development and screening.

2, If Nura requests optional selectivity screening as described in Appendix B; the costs of selectivity studies to be performed on various PDE isotypes with ComGenex compounds.

3, If Nura requests real time PCR experiments, or other cell based assays that are not detailed in Appendix B, the cost of these studies are borne by Nura.

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Exhibit 21.1

Subsidiaries of the Registrant

Subsidiary	**Jurisdiction of Incorporation**
nura, inc.	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated July 20, 2007, with respect to the consolidated financial statements of Omeros Corporation included in the Registration Statement (Form S-1) and related Prospectus of Omeros Corporation for the registration of shares of its common stock.

/s/ Ernst & Young LLP

Seattle, Washington
January 8, 2008

Exhibit 23.2

Consent of Independent Auditors

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated July 20, 2007, with respect to the financial statements of nura, inc. included in the Registration Statement (Form S-1 No) and related Prospectus of Omeros Corporation for the registration of shares of its common stock.

/s/ Ernst & Young LLP

Seattle, Washington
January 8, 2008

Exhibit 23.3

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of Omeros Corporation of our report dated December 2, 2005 relating to the financial statements of nura, inc., which appears in such Registration Statement. We also consent to the reference to us under the heading “Experts” in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

Seattle, Washington
January 8, 2008

January 9, 2008

VIA OVERNIGHT MAIL
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington DC 20549

Re: Registration Statement on Form S-1 for Omeros Corporation

Ladies and Gentlemen:

Transmitted herewith is the Registration Statement on Form S-1 (the "**Registration Statement**"), together with certain exhibits thereto, filed pursuant to the Securities Act of 1933, as amended (the "**Act**"), by Omeros Corporation, a Washington corporation ("**Omeros**"). The Registration Statement registers shares of Omeros' Common Stock to be offered in an initial public offering. Manually executed signature pages and consents have been executed prior to the time of this electronic filing and will be retained by Omeros for five years. Please be advised that the $4,519.50 registration fee for the Registration Statement was previously transferred to the Commission's account by federal wire transfer as required pursuant to Rule 13(c) of Regulation S-T.

We respectfully request that you provide us with a letter of comments (if any) regarding the Registration Statement at your earliest convenience. Please note that Omeros intends to include the numbers in the 2007 Director Compensation, Summary Compensation and Grant of Plan-Based Awards tables now designated by asterisks in the first amendment to the Form S-1 after completion of the audit of Omeros' 2007 Financial Statements.

Please note that, concurrently with this filing, Omeros has submitted a request for confidential treatment pursuant to Rule 406 relating to an exhibit to the Registration Statement.

If you should have any questions regarding the above or the Registration Statement, please do not hesitate to call the undersigned or Mark J. Handfelt of this office at (206) 883-2500. We look forward to hearing from you soon.

Very truly yours,

WILSON SONSINI GOODRICH & ROSATI,
Professional Corporation

/s/ Craig Sherman

Craig Sherman, Esq.

cc: Gregory A. Demopulos, M.D.
Omeros Corporation

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