Appendix II

Bio-Electro Systems

Various legally operative instruments are required to be filed with the SEC prior to the Initial Public Offering (IPO). Inspection of the Exhibit-Index on file with the SEC[170] discloses that the BES SWORD is comprised of the following Exhibits:

3.1 -- Certificate of Incorporation of BES.

3.2 -- Form of Restated Certificate of Incorporation of BES.

3.3 -- Bylaws of BES.

4.1 -- Purchase Option (included in Exhibit 3.2).

4.2 -- Form of Rights Certificate.

4.5 -- Form of Warrant Agreement.

4.6 -- Form of Warrant (included in Exhibit 4.5).

10.1 -- Form of Technology License Agreement.

10.2 -- Form of Research and Development Agreement.

10.3 -- Form of License Option Agreement.

24.2 -- Consent of Arthur Young & Co. re ALZA Financial Statements.

24.3 -- Consent of Arthur Young & Co. re BES Financial Statements.

25.1 -- Power of Attorney (included on the Signature Pages).

[170] SEC Abstracted Filings, Form S-1, Registration Number 33-24909, Bio-Electro Systems, Inc., Filing Date October 12, 1988.

EXHIBIT 3.2

FORM OF
RESTATED
CERTIFICATE OF INCORPORATION
OF
BIO-ELECTRO SYSTEMS, INC.

FIRST: The name of the corporation is Bio-Electro Systems, Inc. (the "corporation").

SECOND: The original Certificate of Incorporation of the corporation was filed with the Delaware Secretary of State on October 3, 1988.

THIRD: The Certificate of Incorporation of the corporation is amended and restated to read as follows:

1. Name. The name of the corporation is Bio-Electro Systems, Inc. (the "corporation").

2. Registered Office. The address of the registered office of the corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of the registered agent of the corporation at such address is The Corporation Trust Company.

3. Purpose. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

4. Authorized Capital Stock.

(a) This corporation is authorized to issue two classes of shares, which shall be known as Class A Common Stock and Class B Common Stock. The total number of shares of stock of all classes that this corporation is authorized to issue is 5,000,100. Each share of each class of stock of this corporation shall have a par value of $.01. The total number of shares of Class A Common Stock which this corporation is authorized to issue is 5,000,000. The total number of shares of Class B Common Stock which this corporation is authorized to issue is 100.

(b) Each share of the Common Stock authorized in the original Certificate of Incorporation filed with the Delaware Secretary of State on October 3, 1988 which is issued and outstanding as of the date that this Restated Certificate of Incorporation is filed in the office of the Delaware Secretary of State shall be automatically converted into one share of Class B Common Stock as of such date.

(c) The rights, preferences, privileges and restrictions granted to or imposed upon the Class A Common Stock and Class B Common Stock and the respective holders thereof are as follows:

1. Dividends. The holders of shares of Class A Common Stock and Class B Common Stock shall be entitled to receive per share and without preference such dividends as may be declared by the Board of Directors from time to time out of funds legally available therefor.

2. Liquidation. In the event of voluntary or involuntary liquidation of the corporation, the holders of the Class A Common Stock and Class B Common Stock of the corporation shall be entitled to receive, pro rata, all of the remaining assets of the corporation available for distribution to its stockholders.

3. Voting Rights. Except as otherwise required by law or provided herein the holders of Class A Common Stock and Class B Common Stock shall vote together as a single class. Each holder of Class A Common Stock and Class B Common Stock shall have one vote for each share standing in his name on all matters submitted to a vote of holders of the common shares. The determination of a quorum shall be based upon the presence of common shares representing a majority of the voting power of all of the common shares. Subject to the provisions of Section 6(c), this corporation shall not, without the affirmative vote of the holders of a majority of the issued and outstanding shares of Class B Common Stock, voting separately and as a class (i) alter or change the rights, powers, preferences, privileges and restrictions of Class B Common Stock, (ii) alter or change Sections 4, 5 or 6 of Article Third of this Restated Certificate of Incorporation, (iii) undertake the voluntary dissolution or liquidation of the corporation, (iv) merge, consolidate or reorganize the corporation with or into any other corporation, or (vi) sell all or substantially all of the assets of the corporation.

4. Conversion. The Class B Common Stock shall automatically convert into fully paid and non-assessable shares of Class A Common Stock of the corporation upon the earlier of (i) January 31, 1998 and (ii) the 91st day after this corporation provides ALZA Corporation ("ALZA") with quarterly financial statements showing stockholders' equity of the corporation of less than $4 million. The Class B Common Stock shall convert into Class A Common Stock at the rate of one share of Class A Common Stock for every share of Class B Common Stock.

5. Purchase Option.

(a) Grant of Option. ALZA is hereby granted an exclusive irrevocable purchase option to purchase all issued and outstanding shares of Class A Common Stock of this corporation (the "Purchase Option"). The Purchase Option, if exercised, must be exercised as to all issued and outstanding shares of Class A Common Stock only. At any time during the period beginning on the earlier of (i) February 1, 1991 and (ii) the day this corporation provides ALZA with quarterly financial statements of this corporation showing stockholders' equity of less than $4 million, and ending on the earlier of (i) January 31, 1995 and (ii) the 90th day after this corporation provides ALZA with quarterly financial statements of this corporation showing stockholders' equity of less than $4 million (the "Expiration Date"). The Purchase Option may, at ALZA's option, be transferred to this corporation.

(b) Purchase Option Exercise Price. ALZA shall pay a per share exercise price (the "Purchase Option Exercise Price") in accordance with the following:

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If the Purchase Option is Exercised	Purchase Option Exercise Price Per Share of Class A Common Stock
On any date prior to February 1, 1991	$23
On or after February 1, 1991 and on or before January 31, 1992	$23
On or after February 1, 1992 and on or before January 31, 1993	$31
On or after February 1, 1993 and on or before January 31, 1994	$42
On or after February 1, 1994 and on or before January 31, 1995	$57

(c) Manner of Payment. The Purchase Option Exercise Price calculated in accordance with Section 5(b) may be paid all in cash, all in ALZA Class A Common Stock, or any stock into which such Class A Common Stock is converted ("ALZA Stock") or in any combination of cash and ALZA Stock, in ALZA's sole discretion. The number of shares of ALZA Stock to be delivered in payment of all or a portion of the Purchase Option Exercise Price shall be determined by dividing the portion of the Purchase Option Exercise Price to be paid in ALZA Stock by the average of the closing prices of ALZA Stock on the American Stock Exchange or such other principal exchange on which ALZA Stock is then traded (or if there is no such exchange, the average of the last sales prices quoted on the NASDAQ National Market System or if ALZA Stock is not quoted on the NASDAQ National Market System, the average of the bid prices quoted on NASDAQ) over the five trading days immediately preceding the date of exercise of the Purchase Option. If the ALZA Stock is not listed on a national securities exchange or admitted to unlisted trading privileges or listed on NASDAQ, the number of shares of ALZA Stock to be delivered in payment of all or a portion of the Purchase Option Exercise Price to be paid in ALZA Stock shall be such number of shares of ALZA Stock as represents the fair market value equivalent of the portion of the Purchase Option Exercise Price as determined in good faith by the Board of Directors of ALZA.

(d) Manner of Exercise. The Purchase Option shall be exercised on or before the Expiration Date by written notice from ALZA to the corporation and each record holder of Class A Common Stock stating that the Purchase Option is being exercised and setting forth (i) the Purchase Option Exercise Price of Class A Common Stock, as determined in accordance with Section 5(b); (ii) the portion, if any, of the Purchase Option Exercise Price to be paid in cash and the portion, if any, of the Purchase Option

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Exercise Price to be paid in ALZA Stock, (iii) a closing date, not less than 10, nor more than 90 days after the date of the notice (or such later date as the registration statement described in Section 5(f) is declared effective) (the "Closing Date") on which all of the issued and outstanding shares of Class A Common Stock will be purchased, and (iv) the place at which holders of shares of Class A Common Stock may obtain payment of the Purchase Option Exercise Price for their shares of Class A Common Stock and any instructions for obtaining such payment. The Purchase Option shall be deemed to be exercised as of the date of mailing by first class mail of the written notice to the corporation and each record holder of Class A Common Stock.

(e) Closing. On or before the Closing Date, ALZA shall deposit the full amount of the Purchase Option Exercise Price for all of the issued and outstanding shares of Class A Common Stock with a bank or similar entity designated by ALZA to pay, on ALZA's behalf, the Purchase Option Exercise Price (the "Payment Agent"). Funds and ALZA Stock, if any, deposited with the Payment Agent shall be delivered in trust for the benefit of the holders of Class A Common Stock, and ALZA shall provide the Payment Agent with irrevocable instructions to pay, on or after the Closing Date, the Purchase Option Exercise Price for the shares of Class A Common Stock to the respective holders upon surrender of their certificates. Payment for shares of Class A Common Stock shall be mailed to each holder at the address set forth in the corporation's records or at the address provided by each holder or, if no address is set forth in the corporation's records for a holder or provided by such holder, to such holder at the address of the corporation, but only upon receipt from each holder of certificates evidencing such shares of Class A Common Stock. Any funds or ALZA Stock deposited with the Payment Agent pursuant to this Section 5(e) remaining unclaimed for two years following the Closing Date shall be returned to ALZA at its request. At ALZA's request, the corporation shall provide, or shall cause its transfer agent to provide, to ALZA or to the Payment Agent, free of charge, a complete list of the record holders of shares of Class A Common Stock, including the number of shares of Class A Common Stock held of record and the address of each record holder.

(f) Registration of ALZA Stock. On or before the Closing Date, ALZA shall have registered with the Securities and Exchange Commission any ALZA Stock to be delivered as payment of all or a portion of the Purchase Option Exercise Price unless, in the opinion of ALZA's counsel satisfactory to the corporation, such registration is not necessary for the issuance of such ALZA Stock.

(g) Legend. Any certificates evidencing shares of Class A Common Stock issued by or on behalf of the corporation shall bear a legend substantially as set forth in Section 6(a).

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(h) Transfer of Title. Transfer of title to all of the issued and outstanding shares of Class A Common Stock shall be deemed to occur automatically on the Closing Date and thereafter the corporation shall be entitled to treat ALZA as the sole holder of all of the issued and outstanding shares of its Class A Common Stock, notwithstanding the failure of any holder of Class A Common Stock to tender the certificates representing such shares to the Payment Agent. The corporation shall instruct its transfer agent not to accept any shares of Class A Common Stock for transfer on and after the Closing Date, except for the shares of Class A Common Stock transferred to ALZA. The corporation shall take all actions reasonably requested by ALZA to assist in effectuating the transfer of shares of Class A Common Stock in accordance with this Section 5.

6. Protective Provisions.

(a) Any certificates evidencing shares of Class A Common Stock issued by or on behalf of the corporation shall bear a legend in substantially the following form:

> "The shares of Bio-Electro Systems, Inc. evidenced hereby are subject to an option of ALZA Corporation as described in the Restated Certificate of Incorporation of Bio-Electro Systems, Inc. to purchase such securities at a purchase price determined in accordance with Section 5 of Article Third thereof exercisable by notice at any time during the period beginning on the earlier of (i) February 1, 1991 and (ii) the day that Bio-Electro Systems, Inc. provides ALZA Corporation with quarterly financial statements of Bio-Electro Systems, Inc. showing stockholders' equity of less than $4 million, and ending on the earlier of (i) January 31, 1995 and (ii) the 90th day after Bio-Electro Systems, Inc. provides ALZA Corporation with quarterly financial statements of Bio-Electro Systems, Inc. showing stockholders' equity of less than $4 million. Copies of the Restated Certificate of Incorporation are available at the principal place of business of Bio-Electro Systems, Inc. at 950 Page Mill Road, P. O. Box 10950, Palo Alto, California 94303-0802 and will be furnished to any stockholder on request and without cost."

(b) No Conflicting Action. The corporation shall not take, nor permit any other person or entity within its control to take, any action inconsistent with ALZA's rights under Section 6. The corporation shall not enter into any arrangement, agreement or

understanding, whether oral or in writing, that is inconsistent with the rights of ALZA and the obligations of the corporation hereunder.

(c) No Additional Capital Stock. After the issuance of shares of Class A Common Stock in connection with the unit offering by the corporation and ALZA covered by the Registration Statement on Form S-1/S-3 (File No. 33-24904), the corporation shall not, without the affirmative vote of the holders of a majority of all of the issued and outstanding shares of Class B Common Stock, issue any shares of capital stock prior to the Expiration Date.

7. Limitation of Liability and Indemnification of Directors.

(a) Elimination of Certain Liability of Directors. No director of the corporation shall be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit.

(b) Indemnification and Insurance.

(1) Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), because he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise (including service with respect to employee benefit plans), whether the basis of the proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than that law permitted the corporation to provide before such amendment), against all expense, liability and loss (including attorney's fees, judgments, penalties, fines, Employee Retirement Income Security Act of 1974 excise taxes or penalties, and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith; provided, however, that the corporation shall indemnify any such person seeking indemnification in

connection with a proceeding (or part thereof) initiated by such person only if the proceeding (or part thereof) was authorized by the Board of Directors of the corporation. Such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators. The right to indemnification conferred by this Section shall be a contract right which may not be retroactively amended and shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service with respect to an employee benefit plan) in advance of the final disposition of the proceeding shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if ultimately it shall be determined that such director or officer is not entitled to be indemnified under this Section or otherwise. The corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the corporation with the same scope and effect as the indemnification of directors and officers.

(2) Nonexclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of this Certificate of Incorporation, bylaw, agreement, vote of stockholders or disinterested directors, or otherwise.

(3) Insurance. The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expenses, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

8. Amendments. The corporation reserves the right to amend and repeal any provision contained in this Restated Certificate of Incorporation, and to take other corporate action to the extent and in the manner now or hereafter permitted or prescribed by the laws of the State of Delaware subject to the provisions of Sections 4(C)(3) and 6(C) of Article Third of this Restated Certificate of Incorporation. All rights herein conferred are granted subject to this reservation.

26.

FOURTH: The foregoing Restated Certificate of Incorporation of the corporation which restates and integrates and also further amends the Certificate of Incorporation of the corporation was duly adopted by the Board of Directors and sole stockholder of the corporation in accordance with Sections 245 and 242 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, the undersigned have executed this Restated Certificate of Incorporation this _____ day of November, 1988.

Peter F. Carpenter, President

ATTEST

Mary M. Boansch, Secretary

EXHIBIT 10.1

FORM OF
TECHNOLOGY LICENSE AGREEMENT

AGREEMENT made as of the ____ day of October, 1988 between ALZA CORPORATION, a Delaware corporation ("ALZA"), and Bio-Electro Systems, Inc., a Delaware corporation ("BESI").

RECITALS:

A. ALZA has proprietary rights to the Licensed Technology.

B. BESI proposes to undertake further research and development of the Licensed Technology and to develop products utilizing the Licensed Technology and expects to develop or acquire and own certain technology in connection therewith.

C. As of the date hereof, ALZA and BESI are entering into a License Option Agreement and a Research and Development Agreement, among other things.

D. In consideration of the foregoing agreements, ALZA is willing to grant to BESI a license to practice the Licensed Technology in the Field under certain circumstances as hereinafter set forth.

NOW, THEREFORE, the parties agree as follows:

Definitions.

For purposes of this Agreement, the following terms shall have the respective meanings set forth below:

1.1 "ALZA Proprietary Rights" shall mean all Proprietary Rights of ALZA to the extent now or hereafter owned and controlled by ALZA and which ALZA has or will have the right to license.

1.2 "[illegible]" Bioerodible Polymers" shall mean the family of PA[illegible]-Doctor bioerodible polymers disclosed and patented by ALZA in U.S. Patent No. 4,180,646, when used to deliver a compound.

1.3 "BESI Technology" shall mean technology necessary or useful in the Field developed by or on behalf of BESI or acquired or licensed by BESI from third parties, in each case on or before January 31, 1995 (or such earlier date on which the Development Contract is terminated).

1.4 "Confidential Information" shall mean, without limitation, the originals or copies of all information, data documents, inventions, laboratory notebooks, drawings, specifications, bills of materials, devices, equipment, prototype models and tangible manifestations relating to or embodying any Licensed Technology disclosed hereunder except any of the foregoing which:

(a) is known to or used by BESI prior to the time of disclosure hereunder as evidenced by its written records;

(b) lawfully is disclosed to BESI by a third party having the right to disclose them to BESI; or

(c) either before or after the time of disclosure to BESI becomes known to the public other than by an unauthorized act or omission of BESI or any of its employees or agents.

1.5 "Development Contract" shall mean the Research and Development Agreement dated as of the date hereof between ALZA and BESI.

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1.6 "Electrotransport Systems" shall mean systems for the transport of compounds across a biological membrane such as skin, nails or mucosal surface for local or systemic therapy, under the influence of an electric potential gradient across such membrane.

1.7 "Field" shall mean all applications of ALKAMER® Bioerodible Polymers or Electrotransport Systems for use in the prevention, treatment or cure of illness, disease or other medical condition in humans, but not the diagnosis thereof.

1.8 "License Option Agreement" shall mean the License Option Agreement dated the date hereof between ALZA and BESI.

1.9 "Licensed Technology" shall mean ALZA Proprietary Rights developed on or before January 31, 1995 (or such earlier date on which the Development Contract is terminated as provided therein) which are necessary or useful for research in the Field or for the development, manufacture or sale of Products.

1.10 "Preexisting Rights" shall mean the rights of the entities listed on Exhibit A hereto to use the Licensed Technology in the Field.

1.11 "Products" shall mean all products in the Field developed by ALZA and Affiliates utilizing or based upon or arising out of the Licensed Technology or BESI Technology.

1.12 "Purchase Option" shall mean the option granted to ALZA to purchase all BESI Class A Common Stock under BESI's Restated Certificate of Incorporation.

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1.13 All other capitalized terms used in this Agreement shall have the same meanings as in the Development Contract.

2. License of ALZA Technology.

2.1 Grant of License. ALZA hereby grants to BESI, on the terms and conditions of this Agreement and subject to the Preexisting Rights, a worldwide, royalty-free, exclusive license, in perpetuity, to practice the Licensed Technology in the Field, but for no other purpose whatsoever. Except as provided in other agreements between the parties, BESI shall not sublicense the Licensed Technology to, or enter into other arrangements with respect to the Licensed Technology with, any third party for any purpose before January 31, 1995 (or such earlier date on which the Purchase Option terminates) without the prior written consent of ALZA.

2.2 Prior Grants. BESI understands and acknowledges that ALZA has, prior to the date hereof, licensed the Licensed Technology to the entities listed on Exhibit A hereto, to the extent set forth in the agreements listed on Exhibit A hereto.

3. Efforts of BESI.

BESI promptly shall commence to use the Licensed Technology and shall use its diligent efforts to continue Systems Research and Development in the Field and to develop Products, in each case under the Development Contract.

4. Patents.

BESI shall notify ALZA of any infringement or alleged infringement known to BESI of any patent rights included in the

Licensed Technology or of any unauthorized or alleged unauthorized use known to BESI of the Licensed Technology by the manufacture, use or sale by a third party of any product in the Field. In the event of any such alleged infringement or unauthorized use, ALZA shall have the right, at its own expense and with the right to all recoveries, to take appropriate action to restrain such alleged infringement or unauthorized use. If ALZA takes any such action, BESI shall cooperate fully with ALZA in its pursuit thereof, at ALZA's expense, to the extent reasonably requested by ALZA. If, within six months after written notice from BESI, ALZA has not commenced any action to restrain such alleged infringement or unauthorized use, and if, at such time, the annualized unit sales volume of such infringing product equals or exceeds ten percent of the unit sales volume of the related Product, BESI shall have the right, at its own expense and with the right to all recoveries, to take such action as it deems appropriate to restrain such alleged infringement or unauthorized use. If BESI takes any such action, ALZA shall cooperate fully with BESI in its pursuit thereof, at BESI's expense, as reasonably may be requested by BESI. BESI shall not settle any such action relating to any alleged infringement or unauthorized use without the prior written consent of ALZA.

5. Confidentiality.

Subject to the other provisions of this Agreement, during the term of this Agreement and for a period of five years following its termination, BESI shall maintain in confidence all Confidential Information; provided, however, that nothing contained herein shall

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prevent BBSI from disclosing any Confidential Information to the extent that such Confidential Information is required to be disclosed (i) in connection with the securing of necessary governmental approvals for the marketing of products, (ii) for the purpose of complying with governmental regulations, (iii) for the purpose of any sublicense to ALZA under the Development Contract or (iv) for the purpose of any other sublicense permitted hereunder after ALZA's rights under the License Option Agreement have terminated. The obligations pursuant to this Section 5 shall survive the termination of this Agreement for any reason.

6. Disclaimers.

ALZA DISCLAIMS ANY EXPRESS OR IMPLIED WARRANTY (i) THAT THE LICENSED TECHNOLOGY, OR THE USE THEREOF, OR ANY PRODUCTS INCORPORATING OR MANUFACTURED BY THE USE THEREOF, WILL BE FREE FROM CLAIMS OF PATENT INFRINGEMENT, INTERFERENCE OR UNLAWFUL USE OF PROPRIETARY INFORMATION OF ANY THIRD PARTY OR (ii) OF THE ACCURACY, RELIABILITY, TECHNOLOGICAL OR COMMERCIAL VALUE, COMPREHENSIVENESS OR MERCHANTABILITY OF THE LICENSED TECHNOLOGY OR ITS SUITABILITY OR FITNESS FOR ANY PURPOSE WHATSOEVER INCLUDING, WITHOUT LIMITATION, THE DESIGN, DEVELOPMENT, MANUFACTURE, USE OR SALE OF PRODUCTS. ALZA DISCLAIMS ALL OTHER WARRANTIES OF WHATEVER NATURE, EXPRESS OR IMPLIED.

7. Termination.

Either party may terminate this Agreement effective upon the giving of written notice of such termination to the other party in the event such other party:

(a) breaches any of its material obligations hereunder and such breach continues for a period of 60 days after written notice thereof by the other party; or

(b) enters into any proceeding, whether voluntary or otherwise, in bankruptcy, reorganization, arrangement for the appointment of a receiver or trustee to take possession of such other party's assets or any other proceeding under any law for the relief of creditors, or makes an assignment for the benefit of such other party's creditors.

This Agreement shall automatically terminate upon the termination by PRSI of the Development Contract or any other agreement between the parties without the consent of ALZA, other than due to a breach thereof by ALZA.

8. Counterparts.

This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute this Agreement.

9. Notices.

Any notice or other communication required or permitted to be given by either party under this Agreement shall be given in writing and shall be delivered by hand or by registered or certified mail, postage prepaid and return receipt requested, addressed to each party at the following addresses or such other address as may be designated by notice pursuant to this Section 9:

If to BESI: BIO-ELECTRO SYSTEMS, INC.
950 Page Mill Road
P.O. Box 10950
Palo Alto, California 94303-0802
Attention: President

If to ALZA: ALZA CORPORATION
950 Page Mill Road
P.O. Box 10950
Palo Alto, California 94303-0802
Attention: President

Any notice or communication given in conformity with this Section 9 shall be deemed to be effective when received by the addressee, if delivered by hand, or five days after mailing, if mailed.

10. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the state of California as applied between residents of that state entering into contracts wholly to be performed in that state.

11. Severability.

If any provision of this Agreement is deemed to be, or becomes invalid, illegal or unenforceable in any jurisdiction, (i) such provision shall be deemed amended in such jurisdiction to conform to applicable laws of such jurisdiction so as to be valid and enforceable or, if it cannot be so amended without materially altering the intention of the parties, it will be stricken, (ii) the validity, legality and enforceability of such provision will not in any way be affected or impaired thereby in any other jurisdiction and (iii) the remainder of this Agreement shall

continue in full force without being impaired or invalidated in any way.

12. Amendments; Binding Effect.

No amendment, modification or addition to this Agreement shall be effective or binding on either party unless set forth in writing and executed by a duly authorized representative of such party. Before January 31, 1995 (or such earlier date on which the Purchase Option terminates), neither party may assign this Agreement or its rights hereunder, by operation of law or otherwise, without the prior written consent of the other party. Subject to the foregoing, this Agreement shall be binding upon the successors and assigns of the parties.

13. Waiver.

No waiver of any right under this Agreement shall be deemed effective unless contained in a writing signed by the party charged with such waiver, and no waiver of any breach or failure to perform shall be deemed to be a waiver of any future breach or failure to perform or of any other right arising under this Agreement.

14. Headings.

The section headings contained in this Agreement are included for convenience only and form no part of the agreement between the parties.

15. No Effect on Other Agreements.

No provision of this Agreement shall be construed so as to negate, modify or affect in any way the provisions of any other

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agreement between the parties unless specifically referred to, and to the extent specifically provided, in any such other agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

BIO-ELECTRO SYSTEMS, INC.

By _____

Its _____

ALZA CORPORATION

By _____

Its _____

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EXHIBIT A

Ciba-Geigy Limited and its affiliates -- those certain agreements dated as of May 2, 1982 between ALZA and Ciba-Geigy or one of its affiliates.

DNAX - License Agreement dated as of March 25, 1981 between ALZA Corporation and DNAX Limited, as amended.

Research Medical, Inc. - License Agreement dated October 16, 1986 between ALZA Corporation and Research Medical, Inc.

Osteotech Corporation - Development Agreement and Patent License Agreement each effective September 1, 1987 between ALZA Corporation and Osteotech Corporation.

EXHIBIT 10.2

FORM OF
RESEARCH AND DEVELOPMENT AGREEMENT

AGREEMENT made as of the ____ day of October, 1988, between ALZA CORPORATION a Delaware corporation ("Contractor"), and Bio-Electro Systems, Inc., a Delaware corporation ("Client").

RECITALS:

A. Client is a corporation organized for the purpose of developing and commercializing products in the Field utilizing the Licensed Technology.

B. Contractor is engaged in the business of research and development of pharmaceutical products.

C. Client desires to have Contractor perform, on behalf of Client, further research and development activities using the Licensed Technology.

NOW, THEREFORE, the parties agree as follows:

1. Definitions.

1.1 "Affiliate" shall mean a corporation or any other entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the designated party. "Control" shall mean ownership of at least 50% of the shares of stock entitled to vote for the election of directors in the case of a corporation, and at least 50% of the interests in profits in the case of a business entity other than a corporation.

1.2 "ALZA Proprietary Rights" shall mean Proprietary Rights of Contractor to the extent now or hereafter owned or controlled by Contractor and existing during the term of this

Agreement other than the Developed Technology, and which Contractor has or will have the right to license.

1.3 "Available Funds" shall mean the sum of (a) net proceeds to Client from the offering described in the Prospectus; and (b) interest and other income earned through temporary investment of such Client funds pending their application to Client's business; and (c) revenues received by Client from Contractor under any agreements between Client and Contractor; less (d) all necessary or appropriate expenses of operating the business of Client (other than amounts paid under this Agreement), including legal and administrative expenses and reasonable reserves for present and future obligations.

1.4 "ALZAMER® Bioerodible Polymers" shall mean the family of polyorthoester bioerodible polymers disclosed and patented by Contractor in U.S. Patent No. 4,180,646, when used to deliver a drug compound.

1.5 "Developed Technology" shall mean Proprietary Rights in the Field that (i) are generated, developed, conceived or first reduced to practice, as the case may be, by Contractor under this Agreement; (ii) are acquired by or on behalf of Client from persons other than Contractor; or (iii) are (a) generated, developed, conceived or first reduced to practice, as the case may be, by Contractor during the term of this Agreement pursuant to an agreement providing for the development or commercialization of a product in the Field with an unrelated third party, (b) are not related to a proprietary drug compound owned by or licensed to such

third party, and (c) which Contractor has or will have the right to license to Client hereunder.

1.6 "Development Cost(s)" shall mean Contractor's Direct Expenses and Indirect Charges (as defined on Schedule A hereto) and all other expenses incurred by Contractor in the performance of its duties hereunder, determined in accordance with Schedule A hereto.

1.7 "Electrotransport Systems" shall mean systems for the transport of compounds across a biological membrane such as the skin, nails or mucosal surface for local or systemic therapy, under the influence of an electric potential gradient across such membrane.

1.8 "FDA" shall mean the United States Food and Drug Administration or any successor agency whose approval is necessary to market a Product in the United States.

1.9 "Field" shall mean all applications of ALZAMER® Biocrodible Polymers and Electrotransport Systems for the prevention, treatment or cure of illness, disease or other medical condition in humans, but not the diagnosis thereof.

1.10 "Final Product Development" shall mean continued development of a Product from completion of Initial Product Development until the receipt of marketing approval from the FDA.

1.11 "Initial Product Development" shall mean the development of a Product Candidate after completion of a Screening Evaluation through (i) Phase I safety testing and (ii) initial Phase II efficacy testing on up to 40 patients.

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1.12 "License Option" shall mean the option granted to Contractor under the License Option Agreement to obtain a license to certain products, as described in the License Option Agreement.

1.13 "License Option Agreement" shall mean the License Option Agreement between Contractor and Client dated as of the date hereof.

1.14 "Licensed Technology" shall mean ALZA Proprietary Rights existing during the term of this Agreement which are necessary or useful for the research and development, manufacture or sale of products in the Field.

1.15 "Preexisting Rights" shall mean the rights granted prior to the date hereof to certain third parties listed on Schedule B hereto to use the Licensed Technology.

1.16 "Product" shall mean a Product Candidate designated for Final Product Development under a Product Development Program in accordance with Section 2.4 or Section 2.5 hereof.

1.17 "Product Candidate" shall mean an ALZAMER® Bioerodible Polymer or Electrotransport System in combination with a Screening Candidate, accepted by Client or designated by Contractor for Initial Product Development pursuant to Section 2.3 or Section 2.5 hereof. Each such Product Candidate shall be listed on Schedule D hereto at such time as it is designated as a Product Candidate.

1.18 "Product Development Program" shall mean a program to be carried out by Contractor on behalf of Client to develop a

Product Candidate into a Product, and shall include Initial Product Development and Final Product Development.

1.19 "Proprietary Rights" shall mean data, inventions, information, processes, know how and trade secrets, and patents or patent applications for any of the foregoing, owned or licensed to a party and which such party has the right to license hereunder.

1.20 "Prospectus" shall mean the Prospectus (as amended and supplemented) covering a proposed offering of Class A common stock of Client and warrants to acquire Class A Common Stock of Contractor.

1.21 "Screening Candidate" shall mean a drug compound selected for a Screening Evaluation in accordance with this Agreement.

1.22 "Screening Evaluation" shall mean a project to be carried out by Contractor on behalf of Client for the evaluation of the economic and technical feasibility of development of a Screening Candidate into a Product Candidate.

1.23 "Systems Research and Development" shall mean work performed under Section 2.1 hereof to further develop the Licensed Technology in the Field to enable such technology to form the basis for the development of Products.

1.24 "Technology License Agreement" shall mean the Technology License Agreement dated as of the date hereof between Contractor and Client.

2. Systems Research and Development; Screening Evaluations; Product Development Programs.

2.1 Systems Research and Development. Within 30 days after the closing of the offering described in the Prospectus, Contractor shall provide Client with initial work plans and budgets for Systems Research and Development covering the period ending on December 31, 1993, including a list of potential Screening Candidates. Contractor shall diligently perform or cause to be performed the activities thereunder. Such work plans and budgets may be amended from time to time by Contractor so as to remain a best estimate of the Systems Research and Development to be performed.

2.2 Screening Evaluations. From time to time hereunder, Contractor shall designate to Client in writing Screening Candidates for screening hereunder at Client's expense, subject to the remainder of this Section 2.2. All Screening Candidates designated by Contractor shall be the subject of Screening Evaluations hereunder; provided, however, that in no event shall Client be required to pay more than ten percent of Available Funds (calculated for this purpose without regard to any reduction pursuant to Section 1.3(d) hereof) for all Screening Evaluations hereunder without the written consent of Client. Costs of Screening Evaluations in excess of the foregoing shall be paid for with funds other than Client funds. Each Screening Candidate designated by Contractor hereunder (regardless of whether the Screening Evaluation costs are paid by Client) shall be listed on

Schedule E hereto, and Contractor shall diligently perform or cause to be performed the Screening Evaluation therefor.

2.3 Acceptance of Product Development Programs. Within 60 days after Contractor notifies Client of the completion and results of the Screening Evaluation for any Screening Candidate, Client shall notify Contractor in writing of its acceptance or rejection of the Screening Candidate for Initial Product Development. If the Screening Candidate is accepted by Client for Initial Product Development, Contractor promptly shall submit to Client a Product Development Program therefor, divided into Initial Product Development and Final Product Development. Upon acceptance of a Product Development Program by Client, or the designation of a Product Candidate by Contractor in accordance with Section 2.5 hereof, the Screening Candidate so accepted will become a Product Candidate and will be listed on Schedule D hereto, and Contractor shall diligently perform or cause to be performed the Initial Product Development activities under the Product Development Program.

2.4 Final Product Development. Within 60 days after Contractor notifies Client of the completion and results of Initial Product Development for any Product Candidate, Client shall notify Contractor in writing of its acceptance or rejection of the Product Candidate for Final Product Development. If the Product Candidate is accepted by Client for Final Product Development, Contractor promptly shall submit to Client a work plan and budget for the Final Product Development thereof. Upon acceptance of such work

plan and budget by Client, or the designation by Contractor of such Product Candidate for Final Product Development in accordance with Section 2.5 hereof, the Product Candidate shall become a Product and shall be listed on Schedule C hereto, and Contractor shall diligently perform or cause to be performed the Final Product Development activities therefor.

2.5 Designation of Product Development Program by Contractor. Notwithstanding the other provisions of this section, Contractor shall be entitled to designate to Client in writing, for development hereunder, one Electrotransport Product Candidate (or Product) and one ALZAMER® Bioerodible Polymer Product Candidate (or Product). Each such Product Candidate (or Product) shall be determined in the sole discretion of Contractor, and, if in the sole discretion of Contractor work thereon is discontinued, may be substituted for by another Product Candidate or Product designated in writing by Contractor. Such Product Candidates (or Products) shall be treated, for all purposes of this Agreement, as Product Candidates (or Products) accepted by Client for development, except that Contractor shall have the sole authority to determine whether development will commence or continue and whether the Product Candidates will enter and/or complete Final Product Development. Notwithstanding the foregoing, Client shall not be required to spend more than the sum of (a) $4 million and (b) 35 percent of the gross proceeds of the offering described in the Prospectus in excess of $30 million on Product Candidates and Products designated by Contractor under this Section 2.5 unless Client consents in

writing. Development Costs for such Product Candidates and Products in excess of such amount shall be paid for with funds other than Client funds.

2.6 Later Requests. If Client fails to accept a Screening Candidate as a Product Candidate, or otherwise fails to approve Initial Product Development or Final Product Development, or both, for any Product Candidate or Product, as the case may be, Client may, at any time during the term of this Agreement, request Contractor to perform a Product Development Program for such Screening Candidate, Product Candidate or Product, as the case may be, all in accordance with this Section 2, unless, at the time of such request, Contractor has exercised its License Option as to such Screening Candidate, Product Candidate or Product and is then continuing the development thereof.

2.7 Discontinuation of Development Programs. If Client authorizes a Product Development Program for any Product Candidate and later determines not to complete development thereof for any reason, Client immediately shall so notify Contractor in writing.

2.8 Third Party Agreements. Client understands, acknowledges and agrees that Contractor may perform research and development work in the Field for third parties, or for Contractor's own account, in either case paid for with funds other than Client funds; provided, however, that (i) any Proprietary Rights arising from such work and falling within the definition of Developed Technology under Section 1.5 of this Agreement shall be treated as Developed Technology for all purposes of this Agreement

and (ii) Contractor shall not be entitled to commercialize or have commercialized any resulting products in the Field unless Contractor has exercised its License Option therefor.

3. Research and Development; Services; Budgets.

3.1 Hiring of Contractor. Client hereby hires Contractor to perform all research, development and experimentation activities to conduct Systems Research and Development, to conduct Screening Evaluations, and to develop Products in accordance with this Agreement and to undertake such other activities as the parties may agree. Client and Contractor shall cooperate in good faith with respect to mutually acceptable work plans and budgets for Systems Research and Development, Screening Evaluations and Product Development Programs and for such other activities as the parties may agree. Each party shall diligently execute such work plans and shall report significant deviations therefrom in a timely manner. Contractor shall have discretion to attempt to obtain, on behalf of and at the expense of Client, any patent or technology license from any third party that Contractor reasonably determines to be necessary or useful to enable Client to conduct Systems Research and Development and Product Development Programs under this Agreement.

3.2 Priorities. The parties recognize that technological and commercial uncertainties make it extremely difficult to predict the relative priorities that should be assigned to Systems Research and Development and among Screening Evaluations and Product Development Programs. For this reason,

Contractor shall have full discretion, subject to Section 2 hereof, to determine from time to time (i) the resources to be devoted to Systems Research and Development; (ii) the priority of Screening Evaluations and Product Development Programs and the order in which they are selected for commencement and completion; (iii) the allocation of resources of Contractor (facilities, equipment and personnel) that are available to Client for Systems Research and Development and for each Screening Evaluation and Product Development Program; and (iv) the portion of Available Funds allocated to each activity under this Agreement.

4. Payment for Services; Timing of Payments.

4.1 Payment of Development Costs. In consideration of the work to be carried out by Contractor hereunder, Client shall reimburse Contractor for all of its Development Costs, but not in excess of Available Funds. Client agrees to expend all Available Funds for activities under this Agreement, including those described in Section 4.2 below.

4.2 Certain Other Development Payments. In addition to the amounts described in Section 4.1, Client shall reimburse Contractor for amounts that Contractor is required to pay under the agreements with Research Medical, Inc. and Osteotech Corporation described on Schedule B hereto. For purposes of this Agreement, such amounts shall be deemed "Development Costs."

4.3 Timing of Payments. Client shall pay to Contractor monthly, in arrears, all Development Costs incurred during the preceding calendar month, within 30 days after Contractor's invoice

thereafter. In addition, upon delivery of an appropriate invoice by Contractor, within fifteen days after the closing of the offering described in the Prospectus, Client shall pay to Contractor an amount equal to all funds actually expended by Contractor (calculated on a Development Cost basis) in the Field from January 1, 1988 through the date of such closing.

4.4 Sufficiency of Funds. Neither Client nor Contractor makes any warranty, express or implied, that Available Funds will be sufficient for the completion of Systems Research and Development or of any Products.

5. Report and Records.

5.1 Quarterly Reports. Within 45 days after the end of each calendar quarter, Contractor shall provide to Client a reasonably detailed report setting forth (a) the total Development Costs incurred during such quarter; (b) a summary of the work performed hereunder by Contractor and its employees and agents during such quarter; and (c) the status of all Systems Research and Development, Screening Evaluations and Product Development Programs at the end of the quarter.

5.2 Final Report. Within 90 days after the termination of this Agreement, Contractor shall provide to Client a reasonably detailed final report setting forth a reconciliation of all Development Costs paid by Client through the termination of this Agreement.

5.3 Records. Contractor shall keep and maintain, in accordance with generally accepted accounting principles, proper

and complete records and books of account documenting all Development Costs. Client shall have the right, at all reasonable times and at its own expense, to examine or to have examined by a certified public accountant or similar person reasonably acceptable to Contractor, pertinent books and records of Contractor, for the sole purpose of determining the correctness of Development Costs invoiced hereunder. Such examination shall take place not later than two years following the year in question.

6. License of Technology For Development.

6.1 License to Licensed Technology. Client hereby grants to Contractor a sublicense to practice Licensed Technology and the Developed Technology solely for purposes of performing its duties hereunder and the activities contemplated hereby, including the activities contemplated in Section 2.8 hereof.

6.2 Termination of License. Termination of the License granted under the Technology License Agreement automatically shall terminate the sublicenses granted to Contractor under this Agreement.

7. Ownership and License of Developed Technology; Patents.

7.1 License to Developed Technology. Contractor shall own all Developed Technology; provided, however, that Contractor hereby grants to Client, subject to the Preexisting Rights, a worldwide, exclusive, royalty-free license (with the right to sublicense), in perpetuity, to the Developed Technology. There shall, however, be excluded from the license granted above and specifically retained by Contractor all of the right, title and

interest in and to all Proprietary Rights and all physical manifestations or embodiments thereof, generated, developed, conceived or first reduced to practice during the term of this Agreement and that are not included within Developed Technology.

7.2 Patents. Contractor shall cause appropriate United States patent applications to be prepared and prosecuted with respect to inventions included in Developed Technology and licensed to Client pursuant to Section 7.1 above and which Contractor believes to be patentable and commercially and technically significant, and to cause such patents to be maintained, as Client shall request in writing, all at Client's expense; provided, however, that to the extent and with respect to inventions which have substantial application beyond Developed Technology or outside the Field, the expenses of preparing, prosecuting and maintaining such patents shall be shared equally by the parties, unless agreed otherwise. Subject to Section 7.2, Contractor further agrees to use its diligent efforts to cause each of its employees and agents to do all such acts and to execute, acknowledge and deliver all instruments or writings reasonably requested and necessary for the perfection of patent rights to Developed Technology in the Field for license to Client.

7.3 Delivery of Technology. Upon the request of Client at any time, and in any event upon the receipt of FDA approval to market a Product in the United States, Contractor shall deliver to Client or its designee all Developed Technology and other property related to the completed Product held by or under the control of

Contractor to which Client has license rights pursuant to Section 7.1. Within 60 days after the termination of this Agreement for any reason, Contractor shall deliver to Client all Developed Technology and other property held by or under the control of Contractor in which Client has license rights pursuant to Section 7.1.

8. Confidentiality.

8.1 Obligation of Confidentiality. Subject to the other provisions of this Agreement, during the term of this Agreement and for a period of five years following its termination, Contractor shall maintain in confidence all Developed Technology, shall not disclose it to any third party (except as otherwise provided herein or in any other agreement between the parties), and shall use it only to perform its obligations under this Agreement or in connection with the activities contemplated by Section 2.8, unless such technology:

(a) is known to or used by Contractor prior to its development or disclosure under this Agreement or any other agreement between the parties.

(b) lawfully is disclosed to Contractor by a third party having the right to disclose it; or

(c) either before or after the time of disclosure to Contractor becomes known to the public other than by an unauthorized act or omission of Contractor or its employees or agents.

8.2 Exceptions. Nothing contained in Section 8.1 shall prevent Contractor from disclosing any Developed Technology to the extent that such Developed Technology is required to be disclosed (i) in connection with the securing of necessary governmental authorization for the marketing of Products, (ii) by law for the purpose of complying with governmental regulations, (iii) in connection with any sublicense permitted under this Agreement or (iv) in connection with the activities contemplated by Section 2.8 hereof under confidentiality agreements similar to those between Contractor and Client.

8.3 Survival. The obligations of Contractor pursuant to this Section 8 shall survive the termination of this Agreement for any reason.

9. Access to Information.

Subject to the terms of this Agreement, Client shall be permitted access to the premises of Contractor during normal business hours, for the purpose of monitoring the progress of Contractor's activities under this Agreement. Contractor shall keep full and complete records and notebooks containing all experiments performed during its work under this Agreement and the results thereof. Such items and copies of all documentation shall be available during normal business hours for inspection by Client. In addition, Contractor shall provide to Client such other information as Client reasonably may request.

10. Disclaimers.

CONTRACTOR DISCLAIMS ANY EXPRESS OR IMPLIED WARRANTY (i) THAT DEVELOPED TECHNOLOGY OR LICENSED TECHNOLOGY, OR THE USE THEREOF, OR ANY PRODUCT CANDIDATES AND PRODUCTS INCORPORATING OR MANUFACTURED BY THE USE THEREOF, WILL BE FREE FROM CLAIMS OF PATENT INFRINGEMENT, INTERFERENCE OR UNLAWFUL USE OF PROPRIETARY INFORMATION OF ANY THIRD PARTY AND (ii) OF THE ACCURACY, RELIABILITY, TECHNOLOGICAL OR COMMERCIAL VALUE, COMPREHENSIVENESS OR MERCHANTABILITY OF DEVELOPED TECHNOLOGY AND LICENSED TECHNOLOGY OR THEIR SUITABILITY OR FITNESS FOR ANY PURPOSE WHATSOEVER INCLUDING, WITHOUT LIMITATION, THE DESIGN, DEVELOPMENT, MANUFACTURE, USE OR SALE OF PRODUCT CANDIDATES OR PRODUCTS. CONTRACTOR DISCLAIMS ALL OTHER WARRANTIES OF WHATEVER NATURE, EXPRESS OR IMPLIED.

11. Term and Termination.

11.1 Automatic Termination. This Agreement shall terminate and its term shall end upon the earlier of:

(a) payment to ALZA of all Available Funds (calculated for this purpose without regard to any reduction pursuant to Section 1.3(d) hereof); and

(b) January 31, 1995.

11.2 Termination by Client. Client may, in its discretion, terminate this Agreement and its term in the event that Contractor:

(a) breaches any material obligation hereunder or under the Technology License Agreement, License Option Agreement or

any license thereunder and such breach continues for a period of 60 days after written notice thereof by Client to Contractor; or

(b) enters into any proceeding, whether voluntary or otherwise, in bankruptcy, reorganization or arrangement for the appointment of a receiver or trustee to take possession of Contractor's assets or any other proceeding under any law for the relief of creditors, or makes an assignment for the benefit of its creditors.

11.3 Termination by Contractor. Contractor may, at its sole discretion, terminate this Agreement and its term if Client fails to pay any amounts due from Client hereunder for sixty days after written notice from Contractor that such amounts are overdue.

12. Force Majeure.

Neither party to this Agreement shall be liable for delay in the performance of any of its obligations hereunder if such delay is due to causes beyond its reasonable control including, without limitation, acts of God, fires, strikes, acts of war, or intervention of any governmental authority, but any such delay or failure shall be remedied by such party as soon as possible.

13. Relationship of the Parties.

Nothing contained in this Agreement is intended or is to be construed to constitute Client and Contractor as partners or joint venturers or Contractor as an employee of Client. Neither party hereto shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of the

other party or to bind the other party to any contract, agreement or undertaking with any third party.

14. Counterparts.

This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute this Agreement.

15. Notices.

Any notice or other communication required or permitted to be given to either party under this Agreement shall be given in writing and shall be delivered by hand or by registered or certified mail, postage prepaid and return receipt requested, addressed to each party at the following addresses or such other address as may be designated by notice pursuant to this Section 15:

If to Client:

Bio-Electro Systems, Inc.
950 Page Mill Road
P.O. Box 10950
Palo Alto, California 94303
Attention: President

If to Contractor:

ALZA Corporation
950 Page Mill Road
P. O. Box 10950
Palo Alto, California 94303
Attention: President

Any notice or communication given in conformity with this Section 15 shall be deemed to be effective when received by the addressee, if delivered by hand, and five days after mailing, if mailed.

16. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the state of California as applied to residents of that state entering into contracts wholly to be performed in that state.

17. Severability.

If any provision in this Agreement is deemed to be or becomes invalid, illegal or unenforceable in any jurisdiction, (i) such provision will be deemed amended in such jurisdiction to conform to applicable laws of such jurisdiction so as to be valid and enforceable or, if it cannot be so amended without materially altering the intention of the parties, it will be stricken, (ii) the validity, legality and enforceability of such provision will not in any way be effected or impaired thereby in any other jurisdiction and (iii) the remaining provisions of this Agreement shall continue in full force without being impaired or invalidated in any way.

18. Amendments.

No amendment, modification or addition hereto shall be effective or binding on either party unless set forth in writing and executed by a duly authorized representative of both parties.

19. Waiver.

No waiver of any right under this Agreement shall be deemed effective unless contained in a writing signed by the party charged with such waiver, and no waiver of any breach or failure to perform

shall be deemed to be a waiver of any future breach or failure to perform or of any other right arising under this Agreement.

20. Headings.

The section headings contained in this Agreement are included for convenience only and form no part of the agreement between the parties.

21. Assignment.

Neither party may assign its rights and obligations hereunder without the prior written consent of the other party, which consent may not be unreasonably withheld; provided, however, that Contractor may assign such rights and obligations hereunder to any person or entity with which Contractor is merged or consolidated or which purchases all or substantially all of the assets of Contractor. Contractor may subcontract all or any portion of its duties hereunder to third parties, in its sole discretion; provided, however, that any such subcontractor shall be bound by the terms of this Agreement.

22. No Effect on Other Agreements.

No provision of this Agreement shall be construed so as to negate, modify or effect in any way the provisions of any other agreement between the parties unless specifically referred to, and solely to the extent provided, in any such other agreement.

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IN WITNESS WHEREOF, the parties have executed this Agreement on the date first set forth above.

BIO-ELECTRO SYSTEMS, INC.

By_____

Its_____

ALZA CORPORATION

By_____

Its_____

SCHEDULE A

ALZA CORPORATION

Invoicing for Research and Development Costs

Research and Development Costs are equal to the sum of Research Expenses plus General and Administrative Overhead Expenses plus Capital Asset Costs

"Research Expenses" include all Direct and Indirect Research Expenses of product development, including clinical testing, with cost elements as outlined on Exhibit I. Direct Expenses are Direct Research Salaries and Supplies acquired and other Expenses incurred specifically for purposes of carrying out the Agreement. Indirect Research Expenses include General Research Management and Support Costs of the Product Development and Research Organization. Indirect Research Expenses are allocated to all projects and are billed to Client at a fixed rate of 160% of Direct Research Salary Expense.

"General and Administrative Overhead Expense" includes cost elements outlined on Exhibit II. Total General and Administrative Overhead is allocated to the two operating divisions of the Contractor: the Product Development and Research Division and the Commercial Operations Division. The portion of General and Administrative Overhead Expense which is allocated to the Product Development and Research Division is then allocated to all projects and billed to clients at a fixed rate of 80%* of Direct Research Salary Expense.

"Capital Asset Costs" are the amounts expended for equipment, technology, or licenses, capitalized either as "Property, Plant and Equipment" or "Intangible Amortizable Assets".

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* These fixed billing rates will not be changed prior to January 1, 1990, and if changed on or after January 1, 1990, such changes (a) will be limited to not more than one per calendar year, (b) shall be a maximum of 10% of the rate in effect at the time of the increase and (c) will be increased only if increased in other recently executed or modified agreements between Contractor and other third party clients.

Exhibit I
Research Expenses

Direct Research Expenses

- Direct Research Salaries*
- Project Clinical Expenses and Outside Services
- Project Specific Supplies
- Project Travel Expense
- Miscellaneous Project Expenses, if any
- Royalties and Fees to Third Parties, if any

Indirect Research Expenses

- Research Management and Indirect Salaries*
- Research Supplies and Materials
- Research Consulting and Outside Services
- Facilities Expenses
- Telephone and Communications
- Equipment Depreciation, Rent, Maintenance and Services
- Research Travel Expenses
- Patent and Trademark Expenses
- Miscellaneous Indirect Research Expenses

Exhibit II
General and Administrative Overhead Expenses

- Corporate Management, Administrative, and Indirect Salaries*
- Telephone and Communications
- Equipment Depreciation, Rent, Maintenance and Services
- Board of Directors and Corporate Consulting
- Annual Audit and Independent Accounting
- General Corporate Legal Expense
- Shareholder Reports
- Facilities Expenses
- Interest Expense
- Miscellaneous General and Administrative Overhead Expenses

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* Salaries include Fringe Benefits

SCHEDULE B

Preexisting Rights

These certain agreements dated as of May 2, 1982 between ALZA Corporation and Ciba-Geigy Limited or one of its affiliates.

License Agreement dated as of March 25, 1981 between ALZA Corporation and DYAX Limited, as amended.

License Agreement dated October 16, 1986 between ALZA Corporation and Research Medical, Inc.

Development Agreement and Patent License Agreement, each effective as of September 1, 1987 between ALZA Corporation and Osteotech Corporation.

SCHEDULE C

Products

[This schedule intentionally has been left blank.]

SCHEDULE D
Product Candidates

[This schedule intentionally has been left blank.]

SCHEDULE E

Screening Candidates

[This schedule intentionally has been left blank.]

EXHIBIT 10.3

FORM OF

LICENSE OPTION AGREEMENT

AGREEMENT made as of the ____ day of October, 1988 by and between ALZA Corporation, a Delaware corporation ("ALZA") and Bio-Electro Systems, Inc. ("BESI"), a Delaware corporation.

RECITALS:

A. As of the date hereof, ALZA and BESI have entered into a Technology License Agreement and a Development Contract.

B. Pursuant to the Development Contract, BESI will employ ALZA to perform the research and development work described therein, which is anticipated to result in Products.

C. The parties expect that ALZA will also conduct research and development work to develop products for its own account or for third parties using BESI Technology, subject to the terms of this Agreement.

D. In order to carry out the commercial exploitation of Products and in consideration of the agreements described above, BESI desires to grant to ALZA an option as set forth herein.

NOW, THEREFORE, the parties agree as follows:

1. Definitions.

For purposes of this Agreement, the following terms shall have the meanings set forth below:

1.1 "BESI Technology" shall mean Proprietary Rights in the Field that are (i) generated, developed, conceived or first reduced to practice, as the case may be, by ALZA on or before January 31, 1995 (or such earlier date on which the Development

Contract terminates), under the Development Contract, (ii) are acquired by or on behalf of BESI from persons other than ALZA, or (iii) are (a) generated, developed, conceived or reduced to practice by ALZA during the term of this Agreement pursuant to an agreement providing for the development or commercialization of Product with an unrelated third party, (b) are not related to a proprietary drug compound owned or licensed by such third party and (c) which ALZA has or will have the right to license to BESI.

1.2 "Confidential Information" shall mean without limitation, the originals or copies of all information, data, documents, inventions, laboratory notebooks, drawings, specifications, bills of materials, devices, equipment, prototype models and tangible manifestations relating to or embodying any technology disclosed hereunder except any of the foregoing which:

(a) is known to or used by ALZA prior to the time of disclosure hereunder;

(b) lawfully is disclosed to ALZA by a third party having the right to disclose it; or

(c) either before or after the time of disclosure to ALZA becomes known to the public other than by an unauthorized act or omission of ALZA or its employees or agents.

1.3 "Development Contract" shall mean the Research and Development Agreement dated as of the date hereof between BESI and ALZA.

1.4 "FDA" shall mean the United States Food and Drug Administration or any successor agency whose approval is

necessary to market pharmaceutical products in the United States.

1.5 "License Agreement" shall mean an exclusive license agreement between ALZA and BESI in the form of Exhibit A to this Agreement.

1.6 "License Option" shall mean the option granted to ALZA, pursuant to Section 2 of this Agreement, to use the BESI Technology to develop, make, have made, use or sell the Licensed Product.

1.7 "FDA" shall mean a new drug application as that term is defined in the Federal Food, Drug and Cosmetic Act or any successor application filed with the FDA requesting permission to market a product.

1.8 "Product" shall mean (i) any product for which a Screening Evaluation is performed under the Development Contract, or (ii) any product in the Field using or incorporating BESI Technology or Licensed Technology which is the subject of research and/or development work by ALZA performed for a third party or for its own account or (iii) any product useful in the Field acquired by BESI.

1.9 "Technology License Agreement" shall mean the Technology License Agreement dated as of the date hereof between ALZA and BESI.

1.10 All other capitalized terms used herein shall have their respective meanings set forth in the Development Contract.

2. License Option.

2.1 Grant of License Option. On the terms and subject to the conditions of this Agreement, BESI hereby grants to ALZA a License Option with respect to each Product.

2.2 Time For Exercise. ALZA may exercise the License Option with respect to each Product, on a Product by Product basis, at any time during the period beginning upon the completion of the Screening Evaluation therefor under the Development Contract (or comparable activity under any agreement with a third party or undertaken by ALZA for its own account) and ending 90 days after FDA approval to market the Product. With respect to any Product acquired by BESI after FDA approval to market the Product has already been obtained, the License Option shall be exercisable for 90 days after BESI has notified ALZA in writing that the Product has been acquired, which notice shall provide a detailed description of the Product and the underlying technology. Notwithstanding the foregoing, in no event shall the License Option be exercisable after the earlier of (i) January 31, 1995 and (ii) the date that is 60 days after termination of the Development Contract. The License Option for any Product automatically will expire if not exercised within the foregoing time period. BESI promptly will notify ALZA in writing upon the completion of the Screening Evaluation for each Product for which work is performed under the Development Contract and the receipt of FDA approval to market each such Product, and ALZA promptly will notify BESI in writing upon the completion of and the

receipt of FDA approval to market each other Product. If ALZA exercises its License Option for any Product but then elects to discontinue its further development or commercialization in accordance with Section 10.2 of the License Agreement therefor, ALZA may again exercise its License Option for such Product in accordance with this Section 2.

2.3 Manner of Exercise. ALZA shall exercise its License Option by delivering to BESI, within the time period described in Section 2.2 above, a notice of exercise specifying the Product as to which the License Option is exercised. A License Agreement for such Product shall be deemed to be effective as of the date of such notice of exercise without the necessity of any additional action by the parties. For the convenience of the parties, however, BESI shall, upon receipt of ALZA's notice, forward to ALZA two executed copies of a License Agreement dated the effective date; ALZA shall execute both copies and return one to BESI as soon as possible. Failure of either or both of the parties to execute such License Agreement shall not, however, affect the effectiveness of the license granted thereby. The parties shall enter into a separate License Agreement for each Product as to which ALZA elects to exercise a License Option.

3. No Conflict.

BESI agrees that no license, sale or other commercial exploitation of any Product has been or shall be made or offered to any person or entity on any basis that is or will be in

conflict with this Agreement or any License Agreement, unless or until the applicable period of time described in Section 2.2 has elapsed. BESI will not enter into any arrangement with any third party for any research or product development in the Field, before January 31, 1995 or such earlier date that is 60 days after the date on which the Development Contract terminates.

4. Access to Information.

4.1 Information Available. Subject to the restrictions on disclosure of Confidential Information set forth in Section 6 below, BESI shall make available to ALZA, at all reasonable times, all BESI Technology.

4.2 Consultation. BESI shall consult with ALZA and inform it on a continuing basis of developments and the current state of all BESI Technology and will review from time to time with ALZA the progress towards completion of the Products.

5. Certain Payments.

For each Product described in Section 1.8(ii) of this Agreement, during the term of this Agreement when no License Agreement is in effect for such Product, ALZA shall make the payments described in Section 3.1(e) of Exhibit A hereto.

6. Confidentiality.

6.1 Use of Confidential Information. During the term of this Agreement, and for a period of five years following its termination in the case of ALZA, each party shall maintain in confidence all Confidential Information; provided, however, that nothing contained herein shall prevent either party from

disclosing any Confidential Information to the extent that such Confidential Information (i) is required to be disclosed in connection with the further development of Products or the securing of necessary governmental authorization for the marketing of Products or (ii) is required to be disclosed by law for the purpose of complying with governmental regulations or (iii) is disclosed to third parties in connection with the development of Products, subject to similar obligations of confidentiality on the part of such third parties.

6.2 Survival of Terms. The obligations of this pursuant to Section 6.1 shall survive the termination for any reason of this Agreement.

7. Disclaimers.

BESI DISCLAIMS ALL EXPRESS OR IMPLIED WARRANTY (i) THAT BESI TECHNOLOGY OR LICENSED TECHNOLOGY OR THE USE THEREOF, OR ANY PRODUCT CANDIDATES OR PRODUCTS INCORPORATING OR MANUFACTURED BY THE USE THEREOF, WILL BE FREE FROM CLAIMS OF PATENT INFRINGEMENT, INTERFERENCE OR UNLAWFUL USE OF PROPRIETARY INFORMATION OF ANY THIRD PARTY AND (ii) OF THE ACCURACY, RELIABILITY, TECHNOLOGY OR COMMERCIAL VALUE, COMPREHENSIVENESS OR MERCHANTABILITY OF THE BESI TECHNOLOGY OR LICENSED TECHNOLOGY OR THEIR SUITABILITY OR THE FITNESS THEREOF FOR ANY PURPOSE WHATSOEVER INCLUDING, WITHOUT LIMITATION, THE DESIGN, DEVELOPMENT, MANUFACTURE, USE OR SALE OF PRODUCT CANDIDATES OR PRODUCTS. BESI DISCLAIMS ALL OTHER WARRANTIES OF WHATEVER NATURE, EXPRESS OR IMPLIED.

8. Termination.

This Agreement shall terminate on January 31, 1995.

9. Miscellaneous.

9.1 Waiver. No waiver of any right under this Agreement shall be deemed effective unless contained in a writing signed by the party charged with such waiver, and no waiver of any right arising from any breach or failure to perform shall be deemed to be a waiver of any future breach or failure to perform or of any other right arising under this Agreement.

9.2 Notices. Any notice or other communication required or permitted to be given to either party under this Agreement shall be given in writing and shall be delivered by hand or by registered or certified mail, postage prepaid and return receipt requested, addressed to each party at the following addresses or such other address as may be designated by a notice pursuant to this Section 9.2:

If to BESI: Bio-Electro Systems, Inc.
950 Page Mill Road
P.O. Box 10950
Palo Alto, California 94303-0802
Attention: President

If to ALZA: ALZA Corporation
950 Page Mill Road
P.O. Box 10950
Palo Alto, California 94303-0802
Attention: President

Any notice or communication given in conformity with this Section 9.2 shall be deemed effective when received by the addressees, if delivered by hand, and five days after mailing, if mailed.

9.3 Headings. The section headings contained in this Agreement are included for convenience only and form no part of the Agreement between the parties.

9.4 Severability. If any provision of this Agreement is deemed to be or becomes invalid, illegal or unenforceable in any jurisdiction, (i) such provision will be deemed amended to conform to applicable laws of such jurisdiction so as to be valid and enforceable or, if it cannot be so amended without materially altering the intention of the parties, it will be stricken, (ii) the validity, legality and enforceability of such provision will not in any way be affected or impaired thereby in any other jurisdiction and (iii) the remainder of this Agreement shall continue in full force without being impaired or invalidated in any way.

9.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute this Agreement.

9.6 Amendments. No amendment, modification or addition hereto shall be effective or binding on either party unless set forth in writing and executed by a duly authorized representative of each party.

9.7 No Effect on Other Agreements. No provision of this Agreement shall be construed so as to negate, modify or affect in any way the provisions of any other agreement between

the parties except as specifically provided in such other agreements.

9.8 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the state of California as applied to residents of that state entering into contracts wholly to be performed in that state.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

BIC-ELECTRO SYSTEMS, INC.

By _____

Its _____

ALZA Corporation

By _____

Its _____

Appendix III

Tocor II

Various legally operative instruments are required to be filed with the SEC prior to the Initial Public Offering (IPO). Inspection of the Exhibit-Index on file with the SEC[56] discloses that the Tocor II SWORD is comprised of the following Exhibits:

3.1 -- Certificate of Incorporation of Tocor II.

3.2 -- Form of Restated Certificate of Incorporation of Tocor II.

3.3 -- Bylaws of Tocor II.

4.1 -- Purchase Option (included in Exhibit 3.2).

4.2 -- Form of Rights Certificate.

4.5 -- Form of Warrant Agreement.

4.6 -- Form of Warrant (included in Exhibit 4.5).

10.1 -- Form of Technology License Agreement.

10.2 -- Form of Research and Development Agreement.

10.3 -- Form of License Option Agreement.

24.2 -- Consent of Arthur Young & Co. re Centocor Financial Statements.

24.3 -- Consent of Arthur Young & Co. re Tocor II Financial Statements.

25.1 -- Power of Attorney (included on the Signature Pages).

[56] SEC Abstracted Filings, Form S-1, Registration Number 33-24909, Tocor II., Filing Date October 12, 1992.

TERRITORY OF THE BRITISH VIRGIN ISLANDS

THE INTERNATIONAL BUSINESS COMPANIES ORDINANCE (NO. 8 OF 1984)

AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION OF TOCOR II, INC.

FIRST: The name of the Company is Tocor II, Inc. (the "Company").

SECOND: The original Memorandum of Association of the Company was filed with the Registrar of International Business Companies on November 6, 1991.

THIRD: The Memorandum of Association of the Company is amended and restated to read in its entirety as follows:

1. The name of the Company is Tocor II, Inc. (the "Company").

2. The Registered Office of the Company is Todman Building, Main Street, P.O. Box 3140, Road Town, Tortola, British Virgin Islands or such other place within the British Virgin Islands as the Company may from time to time by a resolution of directors determine.

3. The Registered Agent of the Company is Codan Trust Company (B.V.I.) Ltd., or such other qualified person in the British Virgin Islands as the Company may from time to time by a resolution of directors determine.

4. General objectives and powers:

(a) The object of the Company is to engage in any act or activity that is not prohibited under any law for the time being in force in the British Virgin Islands.

(b) The Company may not

(1) carry on business with persons resident in the British Virgin Islands;

(2) own an interest in real property situate in the British Virgin Islands, other than a lease referred to in paragraph (5) of subclause (c);

(3) carry on banking or trust business, unless it is licensed under the Banks and Trust Companies Act, 1990;

(4) carry on business as an insurance or reinsurance company, insurance agent or insurance broker, unless it is licensed under an enactment authorizing it to carry on that business;

(5) carry on the business of company management unless it is licensed under the Company Management Act, 1990;

(6) carry on the business of providing the registered office or the registered agent for companies incorporated in the British Virgin Islands.

(c) For purposes of paragraph (1) of subclause (b), the Company shall not be treated as carrying on business with persons resident in the British Virgin Islands if

(1) it makes or maintains deposits with a person carrying on banking business within the British Virgin Islands;

(2) it makes or maintains professional contact with solicitors, barristers, accountants, bookkeepers, trust companies, administration companies, investment advisers or other similar persons carrying on business within the British Virgin Islands;

(3) it prepares or maintains books and records within the British Virgin Islands;

(4) it holds, within the British Virgin Islands, meetings of its directors or members;

(5) it holds a lease of property for use as an office from which to communicate with members or where books and records of the Company are prepared or maintained;

(6) it holds shares, debt obligations or other securities in a company incorporated under the International Business Companies Act or under the Companies Act; or

(7) shares, debt obligations or other securities in the Company are owned by any person resident in the British Virgin Islands or by any company

incorporated under the International Business Companies Act or under the Companies Act.

(d) The Company shall have all such powers as are permitted by law for the time being in force in the British Virgin Islands which are necessary or conducive to the conduct, promotion or attainment of the object of the Company.

5. Shares in the Company shall be issued in the currency of the United States of America.

6. The authorized capital of the Company is U.S. $3,000,000.00.

7. The authorized capital is made up of one class of callable common stock ("Callable Common Stock") divided into 3,000,000 shares of U.S. $1.00 par value with one vote for each share.

8. (a) Centocor, Inc., a Pennsylvania corporation ("Centocor"), holds an exclusive, irrevocable purchase option (the "Purchase Option") as described in the Purchase Option Agreement (the "Purchase Option Agreement") dated as of _____. _____, by and among Centocor and the other parties thereto to purchase all of the then issued and outstanding shares of Callable Common Stock issued by or on behalf of the Company in connection with the unit offering by the Company and Centocor, each unit consisting of one share of Callable Common Stock, one Series T Warrant to purchase one share of common stock, par value $.01 per share, of Centocor ("Centocor Common Stock") and one Callable Warrant to purchase one share of Centocor Common Stock covered by the Registration Statement on Form S-1/S-3 (the "Registration Statement") filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended. The Purchase Option, if exercised, may be exercised only as to all of the then issued and outstanding shares of Callable Common Stock, at any time during the period beginning on January 1, 1993 and ending on December 31, 1995 (the "Expiration Date"); provided that if the Research and Development Agreement (the "Development Agreement") dated as of _____ between Centocor and the Company is terminated prior to January 1, 1993, Centocor may exercise the Purchase Option for a period of thirty (30) days after such termination.

(b) Upon exercise of the Purchase Option, Centocor is required to make a payment for each share of Callable Common Stock (the "Purchase Option Exercise Price"), in accordance with the following schedule:

If the Purchase Option is Exercised	Purchase Option Exercise Price Per Share
From January 1, 1993 through December 31, 1993	U.S. $58.00
From January 1, 1994 through December 31, 1994	U.S. $76.00
From January 1, 1995 through December 31, 1995	U.S. $107.00

; provided that if the Development Agreement is terminated prior to January 1, 1993, Centocor may exercise the Purchase Option for a period of thirty (30) days after such termination at a Purchase Option Exercise Price per share of U.S. $58.00.

(c) The Purchase Option Exercise Price calculated in accordance with Section 2.2 of the Purchase Option Agreement may be paid all in cash, all in shares of Centocor Common Stock, or in any combination thereof, at Centocor's discretion. The number of shares of Centocor Common Stock to be delivered in payment of all or a portion of the Purchase Option Exercise Price will be determined by dividing the portion of the Purchase Option Exercise Price to be paid in Centocor Common Stock by the average of the closing prices quoted on the National Association of Securities Dealers Automated Quotation System ("NASDAQ") National Market System (or if then traded on a national securities exchange, the closing prices of Centocor Common Stock on the principal national securities exchange on which listed, or if quoted on NASDAQ, the average of the closing bid and asked prices) on each of the twenty (20) trading days immediately preceding the Record Date (as hereinafter defined). If Centocor Common Stock is not listed on a national securities exchange or quoted on NASDAQ, the number of shares of Centocor Common Stock to be delivered in payment of all or a portion of the Purchase Option Exercise Price to be paid in shares of Centocor Common Stock will be the number of shares of Centocor Common Stock that represents the fair market value equivalent of the portion of the Purchase Option Exercise Price to be paid in shares of Centocor Common Stock, determined in good faith by the Board of Directors of Centocor.

(d) The Purchase Option shall be exercised on or before the Expiration Date by written notice from Centocor to each holder of record of Callable Common Stock fixing a record date (the "Record Date") no earlier than ten (10) nor later than twenty (20) days after the date of such notice and in no event shall such record date be later than the Expiration Date stating that the Purchase Option is being exercised and setting forth:

(i) the Purchase Option Exercise Price, determined in accordance with Section 2.2 of the Purchase Option Agreement; (ii) the portion, if any, of the Purchase Option Exercise Price to be paid in cash and the portion, if any, of the Purchase Option Exercise Price to be paid in shares of Centocor Common Stock (including the number thereof), provided, however, that at any time prior to the Closing Date (as hereinafter defined), Centocor may make payment of the Purchase Option Exercise Price all in cash on the Closing Date and such action shall not require another notice to be given in accordance with Section 2.4 of the Purchase Option Agreement; (iii) a closing date, not less than ten (10) nor more than forty (40) days after the Record Date (the "Closing Date"), on which date all of the Callable Common Stock will be purchased; and (iv) any instructions that such holders will require to obtain such payment. The Purchase Option will be deemed to be exercised on the Record Date, at which time the decision to exercise the Purchase Option will be deemed irrevocable.

(e) On or before the Closing Date, Centocor is required to deposit the full amount of the Purchase Option Exercise Price for all of the Callable Common Stock with a bank or similar entity (the "Payment Agent") which has been designated by Centocor to pay, on Centocor's behalf, the Purchase Option Exercise Price. Cash, if any, and shares of Centocor Common Stock, if any, deposited with the Payment Agent are to be delivered in trust for the benefit of the holders of record of the Callable Common Stock on the Record Date and Centocor shall provide the Payment Agent with irrevocable instructions to pay, on or after the Closing Date, the Purchase Option Exercise Price for the Callable Common Stock to such record holders upon surrender of their certificates representing shares of the Callable Common Stock. Payment for shares of Callable Common Stock is required to be mailed to each such record holder at the address set forth in the Company's records or at the address provided by each such record holder or, if no address is set forth in the Company's records for any such record holder or provided by any such record holder, to such record holder at the address of the Company, but only upon receipt from each such record holder of certificates evidencing shares of Callable Common Stock. Any cash or shares of Centocor Common Stock deposited with the Payment Agent pursuant to Section 2.5 of the Purchase Option Agreement that remains unclaimed for two (2) years following the Closing Date will be returned to Centocor at its request.

(f) Centocor is obligated to make payment of the Purchase Option Exercise Price all in cash on the Closing Date unless both: (i) a registration statement has been declared effective under the United States Securities Act of 1933, as amended, with respect to the shares of Centocor Common Stock, if any, to be delivered as payment pursuant to the exercise of the

Purchase Option, and (ii) the shares of Centocor Common Stock to be issued in connection therewith have been (a) listed on the principal national securities exchange on which Centocor Common Stock is then listed or (b) if Centocor Common Stock is not then listed on a national securities exchange, listed on the NASDAQ National Market System if Centocor Common Stock is traded thereon, or (c) if Centocor Common Stock is not traded as provided in either of (a) or (b), qualified for inclusion in the NASDAQ over the counter system.

(g) Transfer of title to all of the Callable Common Stock will be deemed to occur automatically on the Closing Date, subject to the payment by Centocor on the Closing Date of the amount owing to the record holders of Callable Common Stock as determined in accordance with Section 2.2 of the Purchase Option Agreement, and thereafter the Company shall be entitled to treat Centocor as the sole holder of all Callable Common Stock, notwithstanding the failure of any holder of shares of Callable Common Stock to tender certificates representing such shares to the Payment Agent. After the Closing Date, the record holders of Callable Common Stock as determined in accordance with Section 2.2 of the Purchase Option Agreement shall have no rights in connection with such Callable Common Stock other than the right to receive the Purchase Option Exercise Price.

9. Upon the assignment, sale or other transfer by any record holder of Callable Common Stock, (i) the Purchase Option Agreement shall automatically be assigned to, assumed by and binding upon such record holder's assignee, purchaser or transferee and all subsequent assignees, purchasers and transferees, and (ii) such shares of Callable Common Stock shall automatically be subject to the Purchase Option and the other terms and conditions of the Purchase Option Agreement.

10. The Purchase Option Agreement terminates on the earlier of (i) the Closing Date, (ii) if the Purchase Option is not exercised, the Expiration Date, (iii) the occurrence of any event of default (as defined below), or (iv) thirty (30) days after the termination of the Development Agreement. The events set forth below shall constitute "events of default": (i) the entering into by Centocor of any voluntary proceeding in bankruptcy, reorganization or arrangement for the appointment of a receiver or trustee to take possession of Centocor's assets or any other voluntary proceeding under any law, (ii) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (A) relief in respect of Centocor or of a substantial part of the property or assets of Centocor under Title 11 of the United States Code, as now constituted or hereafter amended, or any other United States Federal or state bankruptcy, insolvency, receivership or similar law, (B) the appointment of a receiver, trustee, custodian,

sequestrator, conservator or similar official for Centocor or for a substantial part of the property or assets of Centocor or (C) the winding-up or liquidation of Centocor; and such proceeding or petition shall continue undismissed for sixty (60) days (exclusive of any period during which a stay is in effect) or an order or decree approving or ordering any of the foregoing shall be entered, or (iii) the failure of Centocor to make the payment described in Section 2.2 of the Purchase Option Agreement on the Closing Date. Centocor shall promptly notify each holder of record of Callable Common Stock in writing upon the occurrence of any event of default.

11. An[illegible] tificates e[illegible]dencing shares of Callable Common Stock shall b[illegible] legend in substantially the following form:

> "The shares of Tocor II, Inc. evidenced hereby are subject to an option, held by Centocor, Inc. as described in a Purchase Option Agreement (the "Purchase Option Agreement") dated _____, 1992 by and among Centocor, Inc. and the other parties thereto, to purchase such shares at a purchase price determined pursuant to Section 2.2 of the Purchase Option Agreement, exercisable by written notice at any time during the period set forth therein. Copies of the Purchase Option Agreement are available at the principal place of business of Tocor II, Inc. at Todman Building, Main Street, Road Town, Tortola, British Virgin Islands, and will be furnished to any shareholder upon written request without cost."

12. The Company and its shareholders shall not take, or permit any other person or entity within its control to take, any action inconsistent with Centocor's rights under the Purchase Option Agreement. The Company shall not enter into any arrangement, agreement or understanding, either oral or written, that is inconsistent with the rights of Centocor and the obligations of the Company hereunder.

13. (a) In any election of directors of the Company, the holder of the Company's Class A Note, dated as of ____, 1992, in the principal amount of U.S. $100,000 (the "Class A Note"), voting as a separate class, shall be entitled to elect that number of directors which is the maximum number of directors constituting a minority of the then authorized number of members of the board of directors of the Company. The right of the holder of the Class A Note, voting separately as a class, to elect members of the board of directors of the Company as

aforesaid shall continue until the Class A Note is satisfied in full, at which time such right shall terminate.

(b) Upon any termination of the right of the holder of the Class A Note as a class to vote for directors pursuant to this Section 13 of Article THIRD, the term of office of all directors then in office elected by the holder of the Class A Note voting as a class ("Class A Directors") shall terminate immediately. If the office of any Class A Director becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, the remaining Class A Directors shall have the sole right to choose a successor who shall hold office for the unexpired term in respect of which such vacancy occurred.

(c) After the issuance of shares of Callable Common Stock in connection with the unit offering by the Company and Centocor pursuant to the Registration Statement, the Company shall not, without the affirmative vote or consent of the holder of the Class A Note while the Class A Note is outstanding, (i) issue any shares of capital stock (ii) alter or change Sections 8, 9, 10, 11, 12 and 13(a), (b) or (c) of Article THIRD of this Amended and Restated Memorandum of Association, (iii) undertake the voluntary dissolution or liquidation of the Company, (iv) merge, consolidate or reorganize the Company with or into any other Company, or (v) sell all or substantially all of the assets of the Company, (vi) declare or pay dividends, or (vii) borrow any funds in the aggregate in excess of U.S. $1,000,000.

(d) Except as set forth in this Section 13 of Article THIRD, the holder of the Class A Note shall have no special voting rights and its consent shall not be required for taking any corporate action.

(e) So long as the Class A Note is outstanding, this Section 13 of Article THIRD may not be amended by the shareholders without such amendment first being approved by the holder of the Class A Note.

14. If at any time the authorized capital is divided into different classes or series of shares, the rights attached to any class or series (unless otherwise provided by the terms of issue of the shares of that class or series) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or series and of the holders of not less than three-fourths of the issued shares of any other class or series of shares which may be affected by such variation.

15. Rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

16. Shares in the Company shall be issued as registered shares.

17. The Company may amend its Memorandum of Association and Articles of Association by a resolution of either the directors or the members.

18. The meanings of words in this Memorandum of Association are as defined in the Articles of Association annexed hereto.

FOURTH: The foregoing Amended and Restated Memorandum of Association of the Company which restates and integrates and also further amends the Memorandum of Association of the Company was duly adopted by the Board of Directors of the Company.

We, the undersigned, being the Directors of the Company hereby declare and certify that this is our act and deed and the facts herein stated are true, and accordingly have hereunto set our hands this 21st day of January, 1992.

Hubert J.P. Schoemaker

James E. Wavle, Jr.

A3170.A(BF)
01/02/92

TECHNOLOGY LICENSE AGREEMENT

AGREEMENT made as of the ____ day of _____, 1991 between Centocor, Inc., a Pennsylvania corporation ("Centocor"), and Tocor II, Inc., an International Business Company incorporated in the British Virgin Islands ("Tocor").

RECITALS:

A. As of the date hereof, Centocor and Tocor have entered into the Development Agreement and other agreements.

B. As of the date hereof, Centocor and the other parties thereto have entered into the Purchase Option Agreement.

C. Centocor is the owner or licensee of the Licensed Technology.

D. Tocor proposes to engage Centocor to undertake further research and development of the Licensed Technology and to develop products utilizing the Licensed Technology and expects to develop or acquire and own certain technology in connection therewith.

E. Tocor desires to acquire from Centocor a license or sublicense, as the case may be, for the Licensed Technology, and Centocor is willing to grant such a license or sublicense to Tocor.

F. Centocor has rights to certain materials that may be useful in the Field and is willing to furnish such materials to Tocor along with a license to use such materials in the Field, and Tocor desires to receive such materials and acquire such license.

G. Tocor may develop certain inventions, processes and know-how and acquire certain patent rights useful outside of the Field.

H. Centocor desires to acquire a license or sublicense, as the case may be, under said inventions, processes, know-how and patent rights useful outside of the Field, and Tocor is willing to grant such license or sublicense to Centocor.

NOW, THEREFORE, in consideration of the foregoing agreements, mutual covenants expressed herein and for other good and valuable consideration, the receipt and adequacy of which are

hereby acknowledged, and intending to be legally bound, the parties agree as follows:

1. Definitions.

1.1 Unless otherwise provided, each capitalized term used herein shall have the meaning assigned to it in the Glossary attached hereto as Schedule I.

1.2 "Centocor Confidential Information" shall mean, without limitation, all information, data, documents, inventions, laboratory notebooks, drawings, specifications, bills of materials, devices, equipment, prototype models and tangible manifestations relating to or embodying any Licensed Technology disclosed to Tocor hereunder, except any of the foregoing which:

(a) lawfully is disclosed to Tocor by a third party having the right to disclose it to Tocor; or

(b) either before or after the time of disclosure to Tocor becomes known to the public, other than by an act or omission of Tocor or its employees or agents.

1.3 "Tocor Confidential Information" shall mean, without limitation, all information, data, documents, inventions, laboratory notebooks, drawings, specifications, bills of materials, devices, equipment, prototype models and tangible manifestations relating to or embodying any Licensed Technology or Developed Technology (except outside the Field) disclosed to Centocor hereunder, except any of the foregoing which either before or after the time of disclosure to Centocor hereunder becomes known to the public, other than by an act or omission of Centocor or its employees or agents.

2. Licenses Granted and Payment.

2.1 Grant of License to Tocor. (a) Centocor hereby grants to Tocor, on the terms and conditions of this Agreement, a worldwide, exclusive (even as to Centocor and its Affiliates), royalty-free, fully-paid up right and license, in perpetuity, to the Licensed Technology in order to engage in any and all uses of the Licensed Technology; provided, however, that the foregoing license grant with respect to any Centocor Proprietary Rights controlled by Centocor pursuant to any given applicable Field License Agreement shall be subject to the execution and terms, which terms shall include the assumption by Tocor of any obligations, including royalty payments, due by Centocor under any such Field License Agreement relating to the Licensed Technology, of a sublicense with respect to such Field License Agreement as it relates to the Field on mutually acceptable terms between Centocor and Tocor and the receipt of any consent from

any third party required under the applicable Field License Agreement. Except as provided in other agreements between the parties, Tocor, without the prior written consent of Centocor, shall not sublicense the Licensed Technology to, or enter into other arrangements with respect to the Licensed Technology with, any third party (other than pursuant to the Development Agreement) for any purpose before the termination of the Purchase Option Agreement. During the term of this Agreement and thereafter, Tocor shall maintain in confidence Developed Technology outside the Field.

(b) Centocor and Tocor agree to use all reasonable efforts to enter into mutually acceptable sublicense agreements with respect to Field License Agreements, if any, as they relate to the Field; and Centocor further agrees to use all reasonable efforts to obtain any necessary waivers or consents required under such Field License Agreements in order to enter into the sublicense agreements described in this Section 2.1(b).

(c) Tocor shall promptly reimburse Centocor for any amounts paid by Centocor as a result of sales by Tocor of products competitive with products developed by Centocor Partners II, L.P. ("CPII") and Centocor Partners III, L.P. ("CPIII"), which sales give rise to Centocor's obligations to pay such amounts pursuant to agreements entered into between or among Centocor and CPII, CPIII, CPII's limited partners and/or CPIII's limited partners prior to the date hereof.

2.2 Grant of License to Centocor. Tocor hereby irrevocably grants to Centocor a worldwide, exclusive (even as to Tocor and its Affiliates), royalty-free, fully-paid up right and license (with the right to sublicense), in perpetuity, to engage in any and all uses of the Developed Technology outside of the Field.

2.3 Use of Technology. Except as expressly authorized by this Agreement or by other prior written consent of Centocor, until the termination of the Purchase Option Agreement, Tocor shall not deliver, transmit, provide, assign or otherwise transfer to any party, and shall not use, any of the Licensed Technology or Developed Technology or authorize, cause or aid anyone else to do so, except to (a) Centocor or third parties performing Research and Development pursuant to Section 2.1(a) of the Development Agreement and (b) Centocor with respect to the Developed Technology outside the Field pursuant to this Agreement. In addition, after a termination of the Development Agreement pursuant to Section 12.4 thereof, Tocor shall not deliver, transmit, provide, assign or otherwise transfer to any party, and shall not use, any of the Licensed Technology or Developed Technology (outside the Field) and, in any event, during the term of this Agreement and thereafter, Tocor shall

maintain in confidence Developed Technology outside the Field. Except as otherwise provided in the Development Agreement, until the termination of the Purchase Option Agreement, nothing in this Agreement shall be deemed to give Tocor or any other party any right or license to use, modify, improve, replicate or reproduce any of the Licensed Technology or Developed Technology or to authorize, aid or cause others to do so. In addition, after a termination of the Development Agreement pursuant to Section 12.4 thereof, Tocor shall not use, modify, improve, replicate or reproduce any of the Licensed Technology or Developed Technology (outside the Field).

2.4 Payment. Within two (2) days following the first purchase and sale of the securities comprising the Units pursuant to the Prospectus, Tocor shall make a nonrefundable payment to Centocor in the amount of $2,500,000 in consideration of Centocor's entering into this Agreement and in recognition of Centocor's expertise which it has developed over a period of years through its research and development expenditures directly or indirectly related to activities in the Field and otherwise.

The parties understand and agree that no future performance is required by Centocor during the term of this Agreement or otherwise in order to earn the fee paid pursuant to this Section 2.4.

3. Efforts.

(a) Upon execution of this Agreement, Tocor promptly shall commence use of the Licensed Technology and shall use its reasonable efforts to continue Research and Development in the Field and to develop Products, in each case under and during the term of the Development Agreement.

(b) In the event of termination of this Agreement by Centocor pursuant to Section 8(a) hereof, during the one hundred twenty (120) day period following such termination, the parties shall use their reasonable efforts to reach a mutually acceptable agreement with respect to the development and commercialization of the Licensed Technology and the Developed Technology.

4. Patents.

(a) Tocor shall promptly notify Centocor of any infringement or alleged infringement which is or becomes known to Tocor of any patent rights included in the Licensed Technology or of any unauthorized or alleged unauthorized use which is or becomes known to Tocor of the Licensed Technology by the manufacture, use or sale by a third party of any product in the Field. In the event of any such alleged infringement or

unauthorized use, Centocor shall have the right, but not the obligation, at its own expense, to take appropriate action to restrain such alleged infringement or unauthorized use and/or seek damage for such alleged infringement or unauthorized use; in such event twenty-five percent (25%) of any amount recovered, whether by judgment or settlement, after repayment of all reasonable expenses of Centocor incurred in connection with such action, shall be paid to Tocor, and seventy-five percent (75%) of any such net amount shall be paid to or retained by Centocor. If Centocor takes any such action, Tocor shall cooperate fully with Centocor in its pursuit thereof, at Centocor's expense, to the extent reasonably requested by Centocor. If, within six (6) months after written notice from Tocor, Centocor has not commenced any action to restrain such alleged infringement or unauthorized use, and if, at such time, Tocor reasonably believes that the annualized unit sales volume of such infringing product equals or exceeds ten percent (10%) of the unit sales volume of the related Product, Tocor shall have the right, at its own expense, to take such action as it deems appropriate to restrain such alleged infringement or unauthorized use; twenty-five percent (25%) of any amount recovered in any such action relating to infringement or unauthorized use, whether by judgment or settlement, after repayment of all reasonable expenses of Tocor incurred in connection with such action, shall be paid to Centocor, and seventy-five percent (75%) of any such net amount shall be paid to or retained by Tocor. If Tocor takes any such action, Centocor shall cooperate fully with Tocor in its pursuit thereof, at Tocor's expense, to the extent reasonably requested by Tocor.

(b) Each party agrees not to settle any action it may bring hereunder in a manner that is prejudicial to any patent owned or licensed by the other party without such other party's prior written approval.

5. Representations, Warranties and Covenants of Centocor and Tocor.

(a) Centocor represents and warrants to and covenants with Tocor as follows:

(i) Centocor is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania with corporate powers adequate for executing, delivering and performing its obligations under this Agreement;

(ii) The execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on the part of Centocor;

(iii) This Agreement has been duly executed and delivered by Centocor and is a legal, valid and binding obligation of Centocor, enforceable against Centocor in accordance with its terms;

(iv) The execution, delivery and performance of this Agreement do not and will not conflict with or contravene any provision of the Articles of Incorporation or By-laws of Centocor or any agreement, document, instrument, indenture or other obligation of Centocor, or any applicable law except to the extent that the violation thereof would not have a material adverse effect on Centocor or Centocor's ability to perform its obligations hereunder;

(v) Centocor shall not enter into any agreement or make any commitment that would contravene any material provision of, or materially derogate from any of the rights of Tocor under, this Agreement;

(vi) Upon execution of this Agreement by the parties hereto and subject to Section 2.1 hereof, Tocor will have all right, power and authority owned, licensed or otherwise held by Centocor or its Affiliates immediately before execution of this Agreement and necessary or materially useful for Tocor to engage in the Field and to use the Licensed Technology pursuant to Section 2.1 of this Agreement; and

(vii) Centocor covenants and agrees as follows with respect to any Field License Agreements for which sublicense agreements will be entered into in accordance with Section 2.1(b) hereof:

(A) not to take, suffer or permit any action or fail to act, if such action or failure to act would cause Tocor to suffer the loss of all or part of any right under any Field License Agreement;

(B) to provide Tocor and its permitted sublicensees and assignees of which Centocor has knowledge with any notices received by Centocor or any Affiliate of Centocor under any such Field License Agreement; and

(C) to use its reasonable efforts to prevent any Field License Agreement entered into hereafter from containing any provision that would operate to restrict, qualify or otherwise limit any right, license or sublicense granted or contemplated to be granted by Centocor or by any other person to Tocor pursuant to the terms of this Agreement or the Development Agreement.

(b) Tocor represents and warrants to and covenants with Centocor as follows:

(i) Tocor is an International Business Company duly organized, validly existing and in good standing under the laws of the British Virgin Islands with corporate powers adequate for executing, delivering and performing its obligations under this Agreement;

(ii) The execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on the part of Tocor;

(iii) ~~This Agreement has been duly executed~~ and delivered by Tocor and is a legal, valid and binding obligation of Tocor, enforceable against Tocor in accordance with its terms;

(iv) The execution, delivery and performance of this Agreement do not and will not conflict with or contravene any provision of the memorandum of association or articles of association of Tocor or any agreement, document, instrument, indenture or other obligation of Tocor, or any applicable law except to the extent that the violation thereof would not have a material adverse effect on Tocor or Tocor's ability to perform its obligations hereunder; and

(v) Tocor shall not enter into any agreement or make any commitment that would contravene any material provision of, or materially derogate from any of the rights of Centocor under, this Agreement.

6. Confidentiality; Remedies and Return of Materials, Etc.

(a) Confidentiality of Centocor Confidential Information. Subject to the other provisions of this Agreement, Tocor shall maintain in confidence all Centocor Confidential Information; provided, however, that nothing contained herein shall prevent Tocor from disclosing any Centocor Confidential Information to the extent that such Centocor Confidential Information is required to be disclosed (i) in connection with the securing of necessary governmental approvals for the marketing of Products, (ii) for the purpose of complying with applicable laws and regulations, or (iii) in connection with any sublicense to Centocor under this Agreement and the Development Agreement and provided further that after the termination of the Purchase Option Agreement, Tocor shall not be obligated to maintain in confidence the Centocor Confidential Information. In addition, after the termination of the Development Agreement pursuant to Section 12.4 thereof, Tocor shall maintain in

confidence all Centocor Confidential Information. During the term of this Agreement and thereafter, Tocor shall maintain in confidence Developed Technology outside the Field.

(b) Confidentiality of Tocor Confidential Information. Subject to the other provisions of this Agreement, during the term of this Agreement and thereafter, Centocor shall maintain in confidence all Tocor Confidential Information; provided, however, that nothing contained herein shall prevent Centocor from disclosing any Tocor Confidential Information to the extent that such Tocor Confidential Information is required to be disclosed for the purpose of complying with applicable laws and regulations, and provided further that if this Agreement is terminated by Centocor pursuant to Section 8(a) hereof, Centocor shall not be obligated to maintain in confidence the Licensed Technology.

(c) Return of Materials. Within thirty (30) days after the termination of this Agreement by Centocor pursuant to Section 8(a), Tocor shall deliver to Centocor or its designee all Licensed Technology and all Developed Technology outside the Field but shall retain all Developed Technology in the Field.

7. Disclaimers.

(a) CENTOCOR DISCLAIMS ANY EXPRESS OR IMPLIED WARRANTY (i) THAT THE LICENSED TECHNOLOGY, OR THE USE THEREOF, OR ANY PRODUCTS INCORPORATING OR MANUFACTURED BY THE USE THEREOF, WILL BE FREE FROM CLAIMS OF PATENT INFRINGEMENT, INTERFERENCE OR UNLAWFUL USE OF PROPRIETARY INFORMATION OF ANY THIRD PARTY OR (ii) OF THE ACCURACY, RELIABILITY, TECHNOLOGICAL OR COMMERCIAL VALUE, COMPREHENSIVENESS OR MERCHANTABILITY OF THE LICENSED TECHNOLOGY OR ITS SUITABILITY OR FITNESS FOR ANY PURPOSE WHATSOEVER INCLUDING, WITHOUT LIMITATION, THE DESIGN, DEVELOPMENT, MANUFACTURE, USE OR SALE OF PRODUCTS. CENTOCOR DISCLAIMS ALL OTHER WARRANTIES OF WHATEVER NATURE, EXPRESS OR IMPLIED OTHER THAN THOSE SET FORTH IN SECTION 5 HEREOF.

(b) TOCOR DISCLAIMS ANY EXPRESS OR IMPLIED WARRANTY (i) THAT THE DEVELOPED TECHNOLOGY, OR THE USE THEREOF, OR ANY PRODUCTS INCORPORATING OR MANUFACTURED BY THE USE THEREOF, WILL BE FREE FROM CLAIMS OF PATENT INFRINGEMENT, INTERFERENCE OR UNLAWFUL USE OF PROPRIETARY INFORMATION OF ANY THIRD PARTY OR (ii) OF THE ACCURACY, RELIABILITY, TECHNOLOGICAL OR COMMERCIAL VALUE, COMPREHENSIVENESS OR MERCHANTABILITY OF THE DEVELOPED TECHNOLOGY OR ITS SUITABILITY OR FITNESS FOR ANY PURPOSE WHATSOEVER INCLUDING, WITHOUT LIMITATION, THE DESIGN, DEVELOPMENT, MANUFACTURE, USE OR SALE OF PRODUCTS. TOCOR DISCLAIMS ALL OTHER WARRANTIES OF WHATEVER NATURE, EXPRESS OR IMPLIED OTHER THAN THOSE SET FORTH IN SECTION 5 HEREOF.

8. Termination and Survival.

(a) Centocor may terminate this Agreement, without prejudice to any rights that Centocor may have hereunder or otherwise, effective upon the giving of written notice of such termination to Tocor in the event:

(i) Centocor terminates the Development Agreement pursuant to Section 12.4 thereof;

(ii) Tocor breaches any of its material obligations hereunder or under the Purchase Option Agreement and such breach continues for a period of sixty (60) days after written notice thereof by the other party;

(iii) Tocor enters into any voluntary proceedings in bankruptcy, reorganization or arrangement for the appointment of a receiver or trustee to take possession of Tocor's assets or any other voluntary proceeding under any law for the relief of creditors or makes an assignment for the benefit of creditors; or

(iv) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (A) relief in respect of Tocor, or of a substantial part of the property or assets of Tocor, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law, (B) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Tocor or for a substantial part of the property or assets of Tocor or (C) the winding-up or liquidation of Tocor; and such proceeding or petition shall continue undismissed for sixty (60) days (exclusive of any period during which a stay is in effect) or an order or decree approving or ordering any of the foregoing shall be entered.

(b) In the event that Centocor terminates this Agreement pursuant to Section 8(a) hereof, then the license granted under Section 2.1(a) hereof shall terminate, but the license granted under Section 2.2 hereof shall not terminate.

(c) Other than due to a termination in accordance with Section 8(a) hereof, this Agreement and the licenses granted hereunder shall not terminate and shall remain in full force and effect.

(d) Except as otherwise provided therein, Section 6 shall not terminate upon the termination of this Agreement and shall survive for an indefinite period of time thereafter.

9. Counterparts.

This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute this Agreement.

10. Notices.

Any notice or other communication required or permitted to be given by either party under this Agreement shall be given in writing and shall be delivered by hand or by registered or certified mail, postage prepaid and return receipt requested, addressed to each party at the following addresses or such other address as may be designated by notice pursuant to this Section 10:

If to Tocor: Tocor II, Inc.
Todman Building
Main Street
Road Town, Tortola
British Virgin Islands
Attention: Secretary

If to Centocor: Centocor, Inc.
200 Great Valley Parkway
Malvern, Pennsylvania 19355
Attention: Secretary

Any notice or communication given in conformity with this Section 10 shall be deemed to be effective when received by the addressee, if delivered by hand, or five (5) days after mailing, if mailed.

11. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

12. Severability.

If any provision of this Agreement is deemed to be or becomes invalid, illegal or unenforceable in any jurisdiction, (a) such provision shall be deemed amended in such jurisdiction to conform to applicable laws of such jurisdiction so as to be valid and enforceable or, if it cannot be so amended without materially altering the intention of the parties, it will be stricken, (b) the validity, legality and enforceability of such provision will not in any way be affected or impaired thereby in any other jurisdiction, and (c) the remaining provisions of this

Agreement shall continue in full force without being impaired or invalidated in any way.

13. Amendments; Binding Effect and Assignment.

No amendment, modification or addition hereto shall be effective or binding on either party unless set forth in writing and executed by a duly authorized representative of both parties.

Tocor may not, prior to the termination of the Purchase Option, and Centocor may not, during the term of this Agreement, assign any of its rights or delegate any of its obligations, in whole or in part, without the prior written consent of the other, except that Centocor may, without the prior written consent of Tocor, assign its rights and delegate its obligations hereunder, by operation of law or otherwise, (a) to any person or entity to which Centocor has assigned, sold, leased, transferred or otherwise disposed of all or substantially all of the assets of Centocor, (b) to any successor corporation resulting from any merger or consolidation of Centocor with or into another corporation or (c) to any wholly-owned subsidiary of Centocor; provided, however, that with respect to Sections 13(a) and 13(b), Centocor will not, without such consent, merge or consolidate with any person or entity or sell, lease, transfer or otherwise dispose of all or substantially all of its assets to any person or entity, unless (i) the person or entity formed by or surviving such consolidation or merger or to which Centocor effects such sale, lease, transfer or other disposition shall be a solvent corporation organized and existing under the laws of the United States of America or a State thereof; and (ii) such successor or transferee corporation shall have immediately after such merger, consolidation, sale, lease, transfer or other disposition, a tangible net worth (determined in accordance with generally accepted accounting principles then in effect) at least equal to the tangible net worth (as so determined) of Centocor immediately prior thereto; and provided, further, that in the event of any assignment or delegation under Section 13(c), this Agreement shall remain binding upon Centocor. If no written consent of Tocor is required pursuant to this Section, Centocor shall provide written notice to Tocor of any such assignment or delegation not later than ten (10) days before such assignment or delegation setting forth the identity and address of the assignee and summarizing the terms of the assignment or delegation. Subject to the foregoing, this Agreement shall be binding upon the successors and assigns of the parties.

14. Relationship of the Parties.

Nothing contained in this Agreement is intended or is to be construed to constitute Tocor and Centocor as partners or joint venturers or Centocor as an employee of Tocor. Neither

party hereto shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other party or to negotiate or conclude any contract, agreement or undertaking with any third party on behalf of the other party.

15. Waiver.

No waiver of any right under this Agreement shall be deemed effective unless contained in a writing signed by the party charged with such waiver, and no waiver of any right arising from breach or failure to perform shall be deemed to be a waiver of any future breach or failure to perform or of any other right arising under this Agreement.

16. Entire Agreement.

This Agreement sets forth and constitutes the entire agreement among the parties hereto with respect to the subject matter hereof, and supersedes any and all prior agreements, understandings, promises and representations made by either party to the other concerning the subject matter hereof and the terms applicable hereto.

17. Headings.

The section headings contained in this Agreement are included for convenience only and form no part of the agreement between the parties.

18. No Effect on Other Agreements.

No provision of this Agreement shall be construed so as to negate, modify or affect in any way the provisions of any other agreements between the parties unless specifically referred to, and to the extent specifically provided, in any such other agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

TOCOR II, Inc.

By _____
Name:
Title:

CENTOCOR, Inc.

By _____
Name:
Title:

GLOSSARY

"Affiliate" shall mean a corporation or any other entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the designated party.

"Centocor" shall mean Centocor, Inc., a Pennsylvania corporation.

"Centocor Common Stock" shall mean the common stock, $.01 par value per share, of Centocor or such security that Centocor shareholders receive in connection with any consolidation, merger or sale of all or substantially all of the assets of Centocor or, if no such securities were received, the common stock of the person surviving any consolidation of Centocor with or merger of Centocor with or into any other person or any sale, lease or other transfer of all or substantially all of the assets of Centocor to any other person (including any individual, partnership, joint venture, corporation, trust or group thereof).

"Centocor's Costs" shall mean Centocor's direct and indirect expenses incurred pursuant to Section 2 of the Services Agreement, determined using Centocor's internal financial and accounting systems; provided that Centocor's Costs shall not include any costs which are paid or payable to Centocor pursuant to the Development Agreement.

"Centocor Proprietary Rights" shall mean Proprietary Rights to the extent now or during the term of the Development Agreement owned or controlled by Centocor, other than the Developed Technology, and which Centocor has or will, during such term, have the right to license or sublicense.

"Development Agreement" shall mean the Research and Development Agreement dated as of _____, 1992 between Tocor II and Centocor, as amended or modified from time to time.

"Development Costs" shall mean Centocor's costs in conducting Research and Development determined by using Centocor's internal financial and accounting systems, plus a management fee equal to ten percent (10%) of the total amount of such costs. Allocation of all indirect costs, including general and administrative costs, will be made by Centocor on a reasonable basis and will be calculated as described in Schedule A to the Development Agreement. Development Costs shall not include any costs which are paid or payable to Centocor pursuant to the Services Agreement.

"Developed Technology" shall mean Proprietary Rights that (a) are generated, developed, conceived or first reduced to practice, as the case may be, by Centocor under the Development Agreement or (b) are acquired by or on behalf of Tocor from persons other than Centocor during the term of the Development Agreement.

"Field" shall mean Products for the treatment of any human disease and, if not otherwise excluded, shall specifically exclude the use of Monoclonal Antibodies and Monoclonal Antibody Technology.

"Field License Agreements" shall mean collectively any license or licenses or rights therein now owned or hereafter acquired by Centocor, or any Affiliate of Centocor, that is necessary or useful to engage in the Field.

"FDA" shall mean the United States Food and Drug Administration or any successor agency whose approval is necessary to market pharmaceutical products in the United States.

"Force Majeure" shall mean any occurrence that prevents or substantially interferes with the performance by a party of any of its obligations hereunder, if such occurs by reason of any act of God, flood, fire, explosion, breakdown of plant, strike, lockout, labor dispute, casualty or accident, or war, revolution, civil commotion, acts of public enemies, blockage or embargo, or any injunction, law, order, proclamation, regulation, ordinance, demand or requirement of any government or of any subdivision, authority or representative of any such government (other than action pursuant to 35 U.S.C. § 203), inability to procure or use materials, labor, equipment, transportation, or energy sufficient to meet manufacturing needs without the necessity of allocation, or any other cause whatsoever, whether similar or dissimilar to those above enumerated, beyond the reasonable control of such party, if and only if the party affected shall have used reasonable efforts to avoid such occurrence and to remedy it promptly if it shall have occurred.

"Licensed Technology" shall mean Centocor Proprietary Rights which are necessary or useful for the research and development, manufacture or sale of products in the Field and, if not otherwise excluded, shall specifically exclude Monoclonal Antibody Technology.

"Monoclonal Antibodies" shall mean an antibody of any animal species (including, but not limited to, murine and human) homogeneous as to antigen binding specificity, however so produced, including, but not limited to, antibody fragments greater than 100 amino acids and antibody chimeras.

"Monoclonal Antibody Technology" shall mean Monoclonal Antibodies and all Proprietary Rights related specifically thereto, including without limitation all related cell lines and shall include without limitation all Proprietary Rights related to Centocor's manufacture, use or sale of its Monoclonal Antibody based products including, but not limited to, all Centocor in-vitro diagnostic products, and Centoxin, CentoRx, Centamo, Centara, Myoscint, Fibriscint, Capiscint and CenTNF.

"NASDAQ" shall mean the National Association of Securities Dealers Automated Quotation System.

"Products" shall mean all pharmaceutical products based on Small Molecules in the Field developed by Centocor and its Affiliates utilizing, based upon or arising out of, the Licensed Technology and/or Developed Technology in the Field.

"Proprietary Rights" shall mean technical information, whether tangible or intangible, including all data, inventions, information, pre-clinical and clinical results, techniques, discoveries, inventions, ideas, processes, know how and trade secrets, and any physical, chemical or biological material, and patents or patent applications for any of the foregoing, owned or licensed to a party and which such party has the right to license or sublicense.

"Prospectus" shall mean the Prospectus (as amended and supplemented) contained in the Registration Statement.

"Purchase Option" shall mean the option granted to Centocor to purchase Tocor II Common Stock pursuant to Section 2.1 of the Purchase Option Agreement.

"Purchase Option Agreement" shall mean the Purchase Option Agreement dated as of _____, 1992 among Centocor and the Underwriters, as amended or modified from time to time.

"Registration Statement" shall mean the Registration Statement on Form S-1/S-3, Registration No. 33-44072, of Tocor II and Centocor, covering a proposed offering of Units.

"Research and Development" shall mean the research, development and experimentation activities related to the Field.

"Services Agreement" shall mean the Services Agreement dated as of _____, 1992 between Centocor B.V. and Tocor II, as amended or modified from time to time.

"Small Molecules" shall mean peptides, specifically excluding Monoclonal Antibodies, which are less than 100 amino acids.

"Technology License Agreement" shall mean the Technology License Agreement dated as of _____, 1992 between Centocor and Tocor II, as amended or modified from time to time.

"Tocor II" shall mean Tocor II, Inc., an International Business Company organized under the laws of the British Virgin Islands.

"Tocor II Common Stock" shall mean the callable common stock, $1.00 par value per share, of Tocor.

"Tocor II Technology" shall mean Proprietary Rights related to the Field, to the extent owned, licensed or controlled by Tocor.

"Underwriters" shall mean the several underwriters named in Schedule I to the Underwriting Agreement, dated January __, 1992 among Centocor, Tocor II and such several underwriters.

"Units" shall mean units, each consisting of one share of Tocor Common Stock, one Series T warrant to purchase one share of Centocor Common Stock and one callable warrant to purchase one share of Centocor Common Stock.

EXHIBIT 10.2

A3122.A(BF)
12/31/91

RESEARCH AND DEVELOPMENT AGREEMENT

AGREEMENT made as of the ____ day of _____, 1991, between Centocor Inc., a Pennsylvania corporation ("Centocor"), and Tocor II, Inc., an International Business Company incorporated in the British Virgin Islands ("Tocor").

RECITALS:

A. As of the date hereof, Centocor and Tocor have entered into the Technology License Agreement, among other agreements.

B. As of the date hereof, Centocor and the other parties thereto have entered into the Purchase Option Agreement.

C. Tocor is in the business of developing and commercializing products in the Field utilizing the Licensed Technology.

D. Centocor, directly or through its Affiliates, is engaged in, inter alia, the business of research and development of human health care products.

E. Tocor desires to have Centocor perform, on behalf of Tocor, certain research and development activities.

NOW, THEREFORE, in consideration of the foregoing agreements, mutual covenants expressed herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the parties agree as follows:

1. Definitions.

1.1 Unless otherwise provided, each capitalized term used herein shall have the meaning assigned to it in the Glossary attached hereto as Schedule I.

1.2 "Centocor Confidential Information" shall mean, without limitation, all information, data, documents, inventions, laboratory notebooks, drawings, specifications, bills of materials, devices, equipment, prototype models and tangible manifestations relating to or embodying any Licensed Technology or Developed Technology disclosed to Tocor hereunder, except any of the foregoing which:

(a) lawfully is disclosed to Tocor by a third party having the right to disclose it to Tocor; or

(b) either before or after the time of disclosure to Tocor becomes known to the public, other than by an act or omission of Tocor or its employees or agents.

1.3 "Tocor Confidential Information" shall mean, without limitation, all information, data, documents, inventions, laboratory notebooks, drawings, specifications, bills of materials, devices, equipment, prototype models and tangible manifestations relating to or embodying any Licensed Technology or Developed Technology (except Developed Technology outside the Field) disclosed to Centocor hereunder, except any of the foregoing which:

(a) lawfully is disclosed to Centocor by a third party having the right to disclose it to Centocor (other than pursuant to a Field License Agreement); or

(b) either before or after the time of disclosure to Centocor becomes known to the public, other than by an act or omission of Centocor or its employees or agents.

2. Research and Development.

2.1 Research and Development.

(a) (i) Tocor hereby engages Centocor to perform (itself or through its Affiliates, agents or subcontractors selected by Centocor, subject to Section 2.1(a)(ii) hereof) all of Tocor's research, development and experimentation activities, including but not limited to, Research and Development.

(ii) Tocor and Centocor acknowledge and agree that Centocor, in performing Research and Development, may, without the prior consent of Tocor, contract or otherwise collaborate with third parties, including but not limited to, Affiliates of Centocor and any research institutions performing Research and Development; provided that expenditures for Research and Development actually paid or payable by Centocor to any one third party, other than Affiliates of Centocor, shall not, without the prior written consent of Tocor, exceed in the aggregate $1,000,000.

(b) Within sixty (60) days from the date hereof for the calendar year period ending on December 31, 1992 and prior to December 1, 1992 and December 1 of each year thereafter during the term of this Agreement for the calendar year period following each such date, Centocor shall provide Tocor with a

workplan and budget which shall set forth, in reasonable detail, the activities to be conducted by Centocor on behalf of Tocor pursuant to this Agreement for such period. The Board of Directors of Tocor, within thirty (30) days following the receipt of such workplan and budget, shall determine whether Tocor shall approve such workplan and budget. If not so approved, Centocor and Tocor shall promptly negotiate mutually acceptable modifications thereto. Centocor shall use its reasonable efforts to perform or cause to be performed the activities described therein (as so modified, if applicable) pursuant to the budget set forth therein. Notwithstanding the foregoing, expenditures made on behalf of Tocor by Centocor pursuant to this Agreement for which Centocor is to be reimbursed pursuant to Section 4 hereof, in each calendar year period, shall not exceed 115% of the amount allocated in accordance with such workplan and budget for such in the then current budget for Research and Development provided hereunder to Tocor by Centocor, unless otherwise approved by Tocor.

Prior to December 1, 1992 and December 1 of each year thereafter during the term of this Agreement, Centocor shall report to the Board of Directors of Tocor with respect to the progress of the Research and Development during the preceding twelve months.

(c) If at any time Tocor determines, in its reasonable judgment, that Research and Development should be discontinued with respect to the development of all Products because the continuance thereof is infeasible or uneconomic (whether or not such determination is based on a report prepared in accordance with Section 2.1(b) hereof), then Tocor and Centocor shall use their best efforts to agree on further research and development on which amounts remaining to be paid by Tocor to Centocor pursuant to Section 4.1 hereof shall be spent.

2.2 Reasonable Efforts.

(a) Centocor shall use its reasonable efforts to conduct Research and Development on behalf of Tocor in accordance with the work plans referred to in Section 2.1(b) during the term of this Agreement and, further, shall promptly notify Tocor in writing if Centocor ceases to use such efforts hereunder.

(b) Centocor does not guarantee that Research and Development will be successful in whole or in part. To the extent that Centocor has used its reasonable efforts hereunder pursuant to Section 2.2(a) hereof, the failure of Centocor to develop successfully any Product will not constitute a breach by Centocor in the performance of its obligations under this Agreement.

2.3 Centocor Funding and Undertakings.

(a) Centocor may, at its option, fund Research and Development hereunder at its own expense.

(b) Except as otherwise provided for herein, Centocor shall not initiate any research and development in the Field during the term of this Agreement and for a period of two (2) years thereafter; provided that if Centocor terminates this Agreement pursuant to Section 12.4 hereof, then this Section 2.3(b) shall not survive the date of such termination and Centocor may initiate any research and development in the Field.

(c) Tocor shall not initiate any research and development or undertake, or cause any other parties to undertake, any activities relating to Monoclonal Antibodies and/or Monoclonal Antibody Technology during the term of this Agreement and for a period of (2) years thereafter.

3. Research and Development; Services; Budgets.

3.1 Engagement of Centocor. Tocor hereby engages Centocor to perform Research and Development in accordance with this Agreement and to undertake such other activities as the parties may agree. Tocor shall not enter into any arrangement with any third party for any research or development during the term of this Agreement, other than pursuant to this Agreement. Centocor shall use its reasonable efforts to attempt to obtain, on behalf of and at the expense of Tocor to the extent that such patent or technology license has application within the Field, any patent or technology license from any third party that Centocor reasonably determines to be necessary or useful to enable Centocor to conduct Research and Development under this Agreement.

3.2 Priorities. The parties recognize that technological and commercial uncertainties make it extremely difficult to predict the relative priorities that should be assigned to Research and Development. For this reason, Centocor shall have sole discretion, subject to Section 2 hereof, to determine from time to time the allocation of resources of Centocor (facilities, equipment and personnel) that are available to Tocor for Research and Development.

3.3 Non-Employment. Tocor hereby covenants and agrees that Tocor shall not, for a period of one (1) year after the termination or expiration of this Agreement, without the prior written consent of Centocor, solicit the employment of or employ any person who shall have been an employee of Centocor during the twelve months immediately preceding such termination or expiration.

4. Payment for Services; Timing of Payments.

4.1 Payments. In consideration of the work to be carried out by Centocor hereunder, Tocor shall reimburse Centocor for all of its Development Costs invoiced to Tocor during the term of this Agreement, provided that such Development Costs shall not exceed the sum (such sum, the "Available Funds") of (i) the net proceeds to Tocor from the sale of the Units, plus (ii) interest on other income earned through temporary investment of the amounts described in clause (i) pending their expenditure, less (a) all general and administrative expenses of Tocor, including but not limited to those paid pursuant to the Services Agreement, (b) any amounts paid to Centocor under the Technology License Agreement, (c) $1,000,000 to be retained by Tocor as working capital and (d) any costs and expenses incurred by Tocor in the defense or settlement of any action or claim or in respect of a judgment thereon. The Available Funds shall be retained by Tocor in an account separate from all accounts containing any other funds, to the extent reasonably possible.

4.2 Timing of Payments. Subject to Section 4.1 hereof, Tocor shall pay to Centocor monthly, in advance, all estimated Development Costs to be incurred during the following calendar month, within ten (10) days after Centocor's invoice therefor. Within thirty (30) days after the end of each calendar quarter beginning with the calendar quarter ending March 31, 1992, Centocor shall deliver a statement to Tocor for the Development Costs actually incurred in such calendar quarter and Tocor shall pay to Centocor any additional Development Costs not included in Centocor's monthly invoices. If the amount reflected in the quarterly statement is less than the Development Costs paid by Tocor to Centocor in such calendar quarter, Centocor shall apply such excess against the Development Costs invoiced for the next month or, if none, shall promptly refund such amount to Tocor.

4.3 Sufficiency of Funds. Neither Tocor nor Centocor makes any warranty, express or implied, that amounts to be paid to Centocor pursuant to Sections 4.1 and 4.2 hereof will be sufficient to complete development of or commercialize any Products.

5. Report and Records.

5.1 Quarterly Reports. Within thirty (30) days after the end of each calendar quarter beginning with the calendar quarter ending March 31, 1992, Centocor shall provide to Tocor a reasonably detailed report setting forth (a) the total Development Costs incurred during such quarter; (b) a summary of the work performed hereunder by Centocor and its employees and

agents during such quarter; and (c) any material developments with respect to the Licensed Technology and Developed Technology during such quarter.

5.2 Records. Centocor shall keep and maintain, in accordance with generally accepted accounting principles, proper and complete records and books of account documenting all Development Costs. At Tocor's request and expense, Centocor shall permit an independent public accountant selected by Tocor to have access, once in each calendar year during regular business hours and upon reasonable notice to Centocor, to such records and books for the sole purpose of determining the correctness of Development Costs invoiced hereunder. The right of access shall terminate three years after termination of this Agreement.

6. License of Technology For Development.

Tocor hereby grants to Centocor a worldwide, royalty-free sublicense to engage in any and all uses of Licensed Technology and a worldwide, royalty-free license to engage in any and all uses of Developed Technology solely for purposes of performing its duties hereunder and the activities contemplated hereby, including but not limited to, the activities contemplated in Section 2.1 hereof, except as otherwise provided in Section 2.2 of the Technology License Agreement.

7. Patents, Insurance and Third Party Claims.

7.1 Patents. Centocor, at Tocor's expense, shall cause appropriate United States and foreign patent applications to be prepared and prosecuted with respect to inventions included in Developed Technology and which Centocor believes to be patentable and commercially and technically significant, and to cause such patents to be maintained, as Tocor shall request in writing, provided, however, that to the extent and with respect to inventions which have substantial application beyond Developed Technology or outside the Field, the allocation between Centocor and Tocor of the expenses of preparing, prosecuting and maintaining such patents shall be based upon an allocation negotiated on a case by case basis between Centocor and the Tocor II Board of Directors. Subject to this Section 7.1, Centocor shall also use its reasonable efforts to cause each of its employees and agents to do all such acts and to execute, acknowledge and deliver all instruments or writings reasonably requested and necessary for the perfection of patent rights to Developed Technology in the Field.

7.2 Insurance. Centocor shall, to the extent available at commercially reasonable rates, maintain, with

insurers or underwriters of good repute, such insurance relating to Research and Development as is customary for comparable businesses undertaking research programs of a similar nature to maintain against such risks and pursuant to such terms (including deductible limits or self-insured retentions) as are customary and reasonable for such businesses.

7.3 Third Party Claims. Each party shall promptly notify the other party of any claim, suit, action or proceeding against it, and to the extent known by it, arising from Research and Development conducted by Centocor, its Affiliates, agents or subcontractors under this Agreement. Centocor shall have the right to assume the sole control of the defense, on behalf of the parties, of any such claim, suit, action or proceeding, but shall consult with Tocor with respect to such defense. Centocor shall pay any damages and costs finally awarded in connection with, and any amounts paid in settlement of, any such claim, suit, action or proceeding, provided, however, that Centocor shall only be liable hereunder for such expenses, damages, costs and amounts in connection with any such claims, suits, actions or proceedings resulting, directly or indirectly, from Research and Development conducted by Centocor, its Affiliates, agents or subcontractors under this Agreement, and provided that if any payments made hereunder by Centocor do not result from such Research and Development, Tocor shall promptly refund to Centocor such payments. Tocor shall have the right to employ its own counsel in any such action, but the fees, expenses and other charges of such counsel will be at the expense of Tocor unless Centocor has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees, disbursements and other charges of counsel will be at the expense of Centocor. It is understood that Centocor shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one separate firm admitted to practice in such jurisdiction at any one time for Tocor. All such fees, disbursements and other charges will be reimbursed by Centocor promptly as they are incurred. Tocor shall not settle any such claim, suit, action or proceeding without the prior written consent of Centocor.

8. Confidentiality of Centocor Confidential Information and Tocor Confidential Information.

8.1 Centocor Confidential Information. Subject to the other provisions of this Agreement and the Technology License Agreement, during the term of this Agreement, Tocor shall maintain in confidence all Centocor Confidential Information and shall not disclose it to any third party (except as provided

herein or in any other agreement between the parties); provided, however, that nothing contained herein shall prevent Tocor from disclosing any Centocor Confidential Information to the extent that such Centocor Confidential Information is required to be disclosed for the purpose of complying with applicable laws and regulations, provided further, however, that upon termination of the Purchase Option Agreement, Tocor shall not be required to maintain in confidence any Centocor Confidential Information. Notwithstanding the foregoing, if the Technology License Agreement is terminated by Centocor pursuant to Section 8(a) thereof, Tocor shall maintain in confidence all Centocor Confidential Information (excluding Developed Technology within the Field), and provided further, in any event, that Tocor shall for an indefinite period of time maintain in confidence the Developed Technology outside of the Field.

8.2 Tocor Confidential Information. Subject to the other provisions of this Agreement and the Technology License Agreement, during the term of this Agreement and thereafter for an indefinite period of time, Centocor shall maintain in confidence all Tocor Confidential Information, shall not disclose it to any third party (except as otherwise provided herein or in any other agreement between the parties), and shall use it only to perform its obligations under this Agreement, unless and to the extent that such Tocor Confidential Information is required to be disclosed during the term of this Agreement (i) in connection with the securing of necessary governmental approvals for the marketing of Products on behalf of Tocor; (ii) in connection with any sublicense permitted under this Agreement provided that such sublicensee enters into confidentiality agreements similar to those between Centocor and Tocor; or (iii) in connection with the activities contemplated by Section 2.1 hereof under confidentiality agreements similar to those between Centocor and Tocor; provided, however, that nothing contained herein shall prevent Centocor from disclosing any Tocor Confidential Information to the extent that such Tocor Confidential Information is required to be disclosed for the purpose of complying with applicable laws and regulations, and provided further that if the Technology License Agreement is terminated by Centocor pursuant to Section 8(a) thereof, Centocor shall not be obligated to maintain in confidence the Licensed Technology after the date of such termination.

8.3 Return of Materials. Within thirty (30) days after the termination of this Agreement other than a termination pursuant to Section 12.4(a) hereof, Centocor shall deliver to Tocor or its designee all Licensed Technology and all Developed Technology within the Field, but shall retain all Developed Technology outside of the Field.

9. Ownership and Access to Information.

(a) Property Rights. Subject to the Technology License Agreement, Tocor shall have the sole and exclusive right, title and interest to all Developed Technology. Subject to the Technology License Agreement and any sublicenses granted thereunder, Centocor shall have sole and exclusive right, title and interest to all Licensed Technology.

(b) Access. Subject to the terms of this Agreement, Tocor shall be permitted access to the premises of Centocor during normal business hours, for the purpose of monitoring the progress of Centocor's activities under this Agreement. Centocor shall provide to Tocor such other information as Tocor reasonably may request.

10. Representations, Warranties and Covenants.

10.1 Representations, Warranties and Covenants of Centocor. Centocor represents, warrants and covenants to Tocor as follows:

(a) Centocor is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania with corporate powers adequate for executing, delivering and performing its obligations under this Agreement;

(b) The execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on the part of Centocor;

(c) This Agreement has been duly executed and delivered by Centocor and is a legal, valid and binding obligation of Centocor, enforceable against Centocor in accordance with its terms;

(d) The execution, delivery and performance of this Agreement do not and will not conflict with or contravene any provision of the Articles of Incorporation or By-laws of Centocor or any agreement, document, instrument, indenture or other obligation of Centocor, or any applicable law except to the extent that the violation thereof would not have a material adverse effect on Centocor or Centocor's ability to perform its obligations hereunder; and

(e) Centocor shall not enter into any agreement or make any commitment that would contravene any material provision of, or materially derogate from any of the rights of Tocor under, this Agreement.

10.2 Representations, Warranties and Covenants of Tocor. Tocor represents, warrants and covenants to Centocor as follows:

(a) Tocor is an International Business Company duly organized, validly existing and in good standing under the laws of the British Virgin Islands with corporate powers adequate for executing, delivering and performing its obligations under this Agreement;

(b) The execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on the part of Tocor;

(c) This Agreement has been duly executed and delivered by Tocor and is a legal, valid and binding obligation of Tocor, enforceable against Tocor in accordance with its terms;

(d) The execution, delivery and performance of this Agreement do not and will not conflict with or contravene any provision of the charter documents or by-laws of Tocor or any agreement, document, instrument, indenture or other obligation of Tocor, or any applicable law except to the extent that the violation thereof would not have a material adverse effect on Tocor or Tocor's ability to perform its obligations hereunder; and

(e) Tocor shall not enter into any agreement or make any commitment that would contravene any material provision of, or materially derogate from any of the rights of Centocor under, this Agreement.

11. Disclaimers.

CENTOCOR DISCLAIMS ANY EXPRESS OR IMPLIED WARRANTY (a) THAT DEVELOPED TECHNOLOGY OR LICENSED TECHNOLOGY, OR THE USE THEREOF, AND PRODUCTS INCORPORATING OR MANUFACTURED BY THE USE THEREOF, WILL BE FREE FROM CLAIMS OF PATENT INFRINGEMENT, INTERFERENCE OR UNLAWFUL USE OF PROPRIETARY INFORMATION OF ANY THIRD PARTY AND (b) OF THE ACCURACY, RELIABILITY, TECHNOLOGICAL OR COMMERCIAL VALUE, COMPREHENSIVENESS OR MERCHANTABILITY OF DEVELOPED TECHNOLOGY AND LICENSED TECHNOLOGY OR THEIR SUITABILITY OR FITNESS FOR ANY PURPOSE WHATSOEVER, INCLUDING BUT NOT LIMITED TO THE DESIGN, DEVELOPMENT, MANUFACTURE, USE OR SALE OF PRODUCTS. CENTOCOR DISCLAIMS ALL OTHER WARRANTIES OF WHATEVER NATURE, EXPRESS OR IMPLIED.

12. Term, Termination and Survival.

12.1 This Agreement shall continue in full force and effect unless terminated pursuant to Sections 12.2, 12.3 or 12.4 hereof.

12.2 Automatic Termination. This Agreement shall automatically terminate, without prejudice to any rights that the other party may have hereunder or otherwise, upon the termination of the Purchase Option Agreement or the Technology License Agreement.

12.3 Termination by Tocor. Tocor may, in its discretion, terminate this Agreement, without prejudice to any rights that Tocor may have hereunder or otherwise, in the event that:

(a) Centocor breaches any material obligation hereunder, including, but not limited to, the obligation of Centocor pursuant to Section 2.2(a) hereof, or under the Technology License Agreement and such breach continues for a period of sixty (60) days after written notice thereof by Tocor to Centocor;

(b) Centocor enters into any voluntary proceeding in bankruptcy, reorganization or arrangement for the appointment of a receiver or trustee to take possession of Centocor's assets or any other voluntary proceeding under any law for the relief of creditors;

(c) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Centocor, or of a substantial part of the property or assets of Centocor, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Centocor or for a substantial part of the property or assets of Centocor or (iii) the winding-up or liquidation of Centocor; and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered; or

(d) following payment of the Available Funds by Tocor to Centocor hereunder, Centocor fails to fund Research and Development pursuant to Section 2.3(a).

12.4 Termination by Centocor. Centocor may, at its discretion, terminate this Agreement, without prejudice to any

rights against Tocor that Centocor may have hereunder or otherwise, in the event that:

(a) Tocor breaches any material obligation hereunder, including, but not limited to, the obligation of Tocor to pay Centocor at least the amount set forth in Section 4.1 hereof, or under the Technology License Agreement and such breach continues for a period of sixty (60) days after written notice thereof by Centocor to Tocor;

(b) Tocor enters into any voluntary proceeding in bankruptcy, reorganization or arrangement for the appointment of a receiver or trustee to take possession of Tocor's assets or any other voluntary proceeding under any law for the relief of creditors;

(c) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Tocor, or of a substantial part of the property or assets of Tocor, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Tocor or for a substantial part of the property or assets of Tocor or (iii) the winding-up or liquidation of Tocor; and such proceeding or petition shall continue undismissed for sixty (60) days (exclusive of any period during which a stay is in effect) or an order or decree approving or ordering any of the foregoing shall be entered; or

(d) Tocor fails to pay amounts due to Centocor from Tocor hereunder for sixty (60) days after written notice from Centocor that such amounts are overdue.

(e) following payment of the Available Funds by Tocor to Centocor hereunder, Centocor fails to fund Research and Development pursuant to Section 2.3(a).

12.5 Survival. The last sentence of Section 7.1, Sections 7.3, 8.1, 8.2, 8.3 and 9(a) hereof shall not terminate upon the termination of this Agreement and shall survive for an indefinite period of time. Except as otherwise provided therein, Sections 2.3(b), 2.3(c) and 5.2 hereof shall not terminate upon the termination of this Agreement and shall survive for two (2) years, two (2) years and three (3) years, respectively, after such termination.

13. Force Majeure. Each of the parties hereto shall be excused from performing such acts required hereunder which are prevented by, or whose purpose is frustrated by, Force Majeure.

14. Relationship of the Parties.

Nothing contained in this Agreement is intended or is to be construed to constitute Tocor and Centocor as partners or joint venturers or Centocor as an employee of Tocor. Neither party hereto shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other party or to negotiate or conclude any contract, agreement or undertaking with any third party on behalf of the other party.

15. Counterparts.

This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute this Agreement.

16. Notices.

Any notice or other communication required or permitted to be given to either party under this Agreement shall be given in writing and shall be delivered by hand or by registered or certified mail, postage prepaid and return receipt requested, addressed to each party at the following addresses or such other address as may be designated by notice pursuant to this Section 16:

If to Tocor:
Tocor II, Inc.
Todman Building
Main Street
Road Town, Tortola
British Virgin Islands
Attention: Secretary

If to Centocor:
Centocor, Inc.
200 Great Valley Parkway
Malvern, Pennsylvania 19355
Attention: Secretary

Any notice or communication given in conformity with this Section 16 shall be deemed to be effective when received by the addressee, if delivered by hand, and five (5) days after mailing, if mailed.

17. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

18. Severability.

If any provision in this Agreement is deemed to be or becomes invalid, illegal or unenforceable in any jurisdiction, (a) such provision will be deemed amended in such jurisdiction to conform to applicable laws of such jurisdiction so as to be valid and enforceable or, if it cannot be so amended without materially altering the intention of the parties, it will be stricken, (b) the validity, legality and enforceability of such provision will not in any way be affected or impaired thereby in any other jurisdiction and (c) the remaining provisions of this Agreement shall continue in full force without being impaired or invalidated in any way.

19. Entire Agreement.

This Agreement sets forth and constitutes the entire agreement among the parties hereto with respect to the subject matter hereof, and supersedes any and all prior agreements, understandings, promises and representations made by either party to the other concerning the subject matter hereof and the terms applicable hereto.

20. Amendments; Binding Effect and Assignment.

No amendment, modification or addition hereto shall be effective or binding on either party unless set forth in writing and executed by a duly authorized representative of both parties.

Neither this Agreement nor any right or obligation arising hereunder may be assigned or delegated, in whole or in part, by either party without the prior written consent of the other, except that Centocor may, without the prior written consent of Tocor, assign its rights and delegate its obligations hereunder, by operation of law or otherwise, (a) to any person or entity to which Centocor has assigned, sold, leased, transferred or otherwise disposed of all or substantially all of the assets of Centocor, (b) to any successor corporation resulting from any merger or consolidation of Centocor with or into another corporation or, (c) to any wholly-owned subsidiary of Centocor; provided, however, that with respect to Sections 20(a) and 20(b) hereof, Centocor will not, without such consent, merge or consolidate with any person or entity or sell, lease, transfer or otherwise dispose of all or substantially all of its assets to any person or entity, unless (i) the person or entity formed by or surviving such consolidation or merger or to which Centocor effects such sale, lease, transfer or other disposition shall be a solvent corporation organized and existing under the laws of the United States of America or a State thereof; and (ii) such successor or transferee corporation shall have immediately after

such merger, consolidation, sale, lease, transfer or other disposition, a tangible net worth (determined in accordance with generally accepted accounting principles then in effect) at least equal to the tangible net worth (as so determined) of Centocor immediately prior thereto; and provided, further, that in the event of any assignment or delegation under Section 20(c) hereof, this Agreement shall remain binding upon Centocor. If no written consent of Tocor is required pursuant to this Section, Centocor shall provide written notice to Tocor of any such assignment or delegation not later than ten (10) days before such assignment or delegation setting forth the identity and address of the assignee and summarizing the terms of the assignment or delegation. Subject to the foregoing, this Agreement shall be binding upon the successors and assigns of the parties.

21. Waiver.

No waiver of any right under this Agreement shall be deemed effective unless contained in a writing signed by the party charged with such waiver, and no waiver of any right arising from breach or failure to perform shall be deemed to be a waiver of any future breach or failure to perform or of any other right arising under this Agreement.

22. Headings.

The section headings contained in this Agreement are included for convenience only and form no part of the agreement between the parties.

23. No Effect on Other Agreements.

No provision of this Agreement shall be construed so as to negate, modify or affect in any way the provisions of any other agreement between the parties unless specifically referred to, and solely to the extent provided, in any such other agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

TOCOR II, INC.

By _____
Name:
Title:

CENTOCOR, INC.

By _____
Name:
Title:

Schedule A

Overhead costs will be allocated to Centocor departments on a reasonable and consistent basis using appropriate standards such as square foot occupancy or number of departmental personnel. These costs will then be included with the direct costs allocated to Tocor based on departmental percentage levels of Tocor-related activities.

Administrative costs less any direct charges for specific Tocor-related activities by the Administrative Department personnel of Centocor (which will be directly allocated to Tocor) will be allocated to Tocor based on the percentage of Tocor expenses (including overhead costs as allocated in the first paragraph hereof) to total Centocor expenses.

GLOSSARY

"Affiliate" shall mean a corporation or any other entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the designated party.

"Centocor" shall mean Centocor, Inc., a Pennsylvania corporation.

"Centocor Common Stock" shall mean the common stock, $.01 par value per share, of Centocor or such security that Centocor shareholders receive in connection with any consolidation, merger or sale of all or substantially all of the assets of Centocor or, if no such securities were received, the common stock of the person surviving any consolidation of Centocor with or merger of Centocor with or into any other person or any sale, lease or other transfer of all or substantially all of the assets of Centocor to any other person (including any individual, partnership, joint venture, corporation, trust or group thereof).

"Centocor's Costs" shall mean Centocor's direct and indirect expenses incurred pursuant to Section 2 of the Services Agreement, determined using Centocor's internal financial and accounting systems; provided that Centocor's Costs shall not include any costs which are paid or payable to Centocor pursuant to the Development Agreement.

"Centocor Proprietary Rights" shall mean Proprietary Rights to the extent now or during the term of the Development Agreement owned or controlled by Centocor, other than the Developed Technology, and which Centocor has or will, during such term, have the right to license or sublicense.

"Development Agreement" shall mean the Research and Development Agreement dated as of _____, 1992 between Tocor II and Centocor, as amended or modified from time to time.

"Development Costs" shall mean Centocor's costs in conducting Research and Development determined by using Centocor's internal financial and accounting systems, plus a management fee equal to ten percent (10%) of the total amount of such costs. Allocation of all indirect costs, including general and administrative costs, will be made by Centocor on a reasonable basis and will be calculated as described in Schedule A to the Development Agreement. Development Costs shall not include any costs which are paid or payable to Centocor pursuant to the Services Agreement.

"Developed Technology" shall mean Proprietary Rights that (a) are generated, developed, conceived or first reduced to practice, as the case may be, by Centocor under the Development Agreement or (b) are acquired by or on behalf of Tocor from persons other than Centocor during the term of the Development Agreement.

"Field" shall mean Products for the treatment of any human disease and, if not otherwise excluded, shall specifically exclude the use of Monoclonal Antibodies and Monoclonal Antibody Technology.

"Field License Agreements" shall mean collectively any license or licenses or rights therein now owned or hereafter acquired by Centocor, or any Affiliate of Centocor, that is necessary or useful to engage in the Field.

"FDA" shall mean the United States Food and Drug Administration or any successor agency whose approval is necessary to market pharmaceutical products in the United States.

"Force Majeure" shall mean any occurrence that prevents or substantially interferes with the performance by a party of any of its obligations hereunder, if such occurs by reason of any act of God, flood, fire, explosion, breakdown of plant, strike, lockout, labor dispute, casualty or accident, or war, revolution, civil commotion, acts of public enemies, blockage or embargo, or any injunction, law, order, proclamation, regulation, ordinance, demand or requirement of any government or of any subdivision, authority or representative of any such government (other than action pursuant to 35 U.S.C. § 203), inability to procure or use materials, labor, equipment, transportation, or energy sufficient to meet manufacturing needs without the necessity of allocation, or any other cause whatsoever, whether similar or dissimilar to those above enumerated, beyond the reasonable control of such party, if and only if the party affected shall have used reasonable efforts to avoid such occurrence and to remedy it promptly if it shall have occurred.

"Licensed Technology" shall mean Centocor Proprietary Rights which are necessary or useful for the research and development, manufacture or sale of products in the Field and, if not otherwise excluded, shall specifically exclude Monoclonal Antibody Technology.

"Monoclonal Antibodies" shall mean an antibody of any animal species (including, but not limited to, murine and human) homogeneous as to antigen binding specificity, however so produced, including, but not limited to, antibody fragments greater than 100 amino acids and antibody chimeras.

"Monoclonal Antibody Technology" shall mean Monoclonal Antibodies and all Proprietary Rights related specifically thereto, including without limitation all related cell lines and shall include without limitation all Proprietary Rights related to Centocor's manufacture, use or sale of its Monoclonal Antibody based products including, but not limited to, all Centocor in-vitro diagnostic products, and Centoxin, CentoRx, Centamo, Centara, Myoscint, Fibriscint, Capiscint and CenTNF.

"NASDAQ" shall mean the National Association of Securities Dealers Automated Quotation System.

"Products" shall mean all pharmaceutical products based on Small Molecules in the Field developed by Centocor and its Affiliates utilizing, based upon or arising out of, the Licensed Technology and/or Developed Technology in the Field.

"Proprietary Rights" shall mean technical information, whether tangible or intangible, including all data, inventions, information, pre-clinical and clinical results, techniques, discoveries, inventions, ideas, processes, know how and trade secrets, and any physical, chemical or biological material, and patents or patent applications for any of the foregoing, owned or licensed to a party and which such party has the right to license or sublicense.

"Prospectus" shall mean the Prospectus (as amended and supplemented) contained in the Registration Statement.

"Purchase Option" shall mean the option granted to Centocor to purchase Tocor II Common Stock pursuant to Section 2.1 of the Purchase Option Agreement.

"Purchase Option Agreement" shall mean the Purchase Option Agreement dated as of _____, 1992 among Centocor and the Underwriters, as amended or modified from time to time.

"Registration Statement" shall mean the Registration Statement on Form S-1/S-3, Registration No. 33-44072, of Tocor II and Centocor, covering a proposed offering of Units.

"Research and Development" shall mean the research, development and experimentation activities related to the Field.

"Services Agreement" shall mean the Services Agreement dated as of _____, 1992 between Centocor B.V. and Tocor II, as amended or modified from time to time.

"Small Molecules" shall mean peptides, specifically excluding Monoclonal Antibodies, which are less than 100 amino acids.

"Technology License Agreement" shall mean the Technology License Agreement dated as of _____, 1992 between Centocor and Tocor II, as amended or modified from time to time.

"Tocor II" shall mean Tocor II, Inc., an International Business Company organized under the laws of the British Virgin Islands.

"Tocor II Common Stock" shall mean the callable common stock, $1.00 par value per share, of Tocor.

"Tocor II Technology" shall mean Proprietary Rights related to the Field, to the extent owned, licensed or controlled by Tocor.

"Underwriters" shall mean the several underwriters named in Schedule I to the Underwriting Agreement, dated January __, 1992 among Centocor, Tocor II and such several underwriters.

"Units" shall mean units, each consisting of one share of Tocor Common Stock, one Series T warrant to purchase one share of Centocor Common Stock and one callable warrant to purchase one share of Centocor Common Stock.

A3131.A(BF)
12/30/91

SERVICES AGREEMENT

Services Agreement made as of the ____ day of _____, 1991 between Centocor B.V., a Dutch corporation ("CBV"), and Tocor II, Inc., an International Business Company incorporated in the British Virgin Islands ("Tocor").

RECITALS:

Tocor desires that CBV provide certain services to Tocor and CBV desires to provide such services, on the terms set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants expressed herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the parties agree as follows:

1. Definitions. Unless otherwise provided, each capitalized term used herein shall have the meaning assigned to it in the Glossary attached hereto as Schedule I.

2. Services. Tocor hereby engages CBV to supply or arrange to supply Tocor with the services set forth on Schedule A attached hereto. Such services will be provided by CBV at reasonable times and upon reasonable notice, as mutually agreed. The list of services set forth on Schedule A may be amended by mutual agreement of the parties from time to time.

3. Compensation. Tocor shall pay to CBV one hundred ten percent (110%) of CBV's Costs (with the exception of any out-of-pocket expenses as to which Tocor shall pay one hundred percent (100%) of CBV's Costs) of providing services pursuant to Section 2 hereunder, monthly in arrears, within ten (10) days of the date an invoice for such services is received from CBV. In addition, Tocor shall reimburse CBV for one hundred percent (100%) of CBV's out-of-pocket expenses actually incurred in connection with the offering of Units pursuant to the Prospectus. The allocation of all indirect costs will be made by CBV on a reasonable basis and will be calculated as described in Schedule B attached hereto. In performing the services hereunder, CBV will use the same degree of skill and care that it uses in conrection with its own work.

4. Term and Termination. This Agreement shall terminate upon the termination of the Purchase Option Agreement.

5. Subcontractors. Subject to Tocor's written consent, which consent shall not be unreasonably withheld, CBV may subcontract all or any portion of its duties hereunder to third parties; provided, however, that any such subcontractor shall be bound by the terms of this Agreement, provided, further, however, that for those services usually performed for CBV by third parties, no such consent shall be required, and provided, further, however, that for services performed for CBV by its Affiliates, no such consent shall be required.

6. Non-Employment. Tocor shall not, for a period of one (1) year after the termination or expiration of this Agreement, without the prior written consent of CBV, solicit the employment of or employ any person who shall have been an employee of CBV during the twelve months immediately preceding such termination or expiration.

7. Indemnification of CBV. Tocor shall, and hereby agrees to, indemnify, protect and hold CBV harmless from and agairst any and all liabilities, costs or expenses incurred by CBV as a result of services rendered by it under this Agreement, including lawsuits of and claims by third parties, except for liabilities, costs or expenses resulting from CBV's or any of its employees' or agents' negligence or willful misconduct.

8. Force Majeure. Each of the parties hereto shall be excused from performing such acts required hereunder which are prevented by, or whose purpose is frustrated by, Force Majeure.

9. Relationship of the Parties. Nothing contained in this Agreement is intended or is to be construed to constitute CBV and Tocor as partners or joint venturers or CBV as an employee of Tocor. Neither party hereto shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other party or to bind the other party to any contract, agreement or undertaking with any third party.

10. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute this Agreement.

11. Notices. Any notice or other communication required or permitted to be given to either party under this Agreement shall be given in writing and shall be delivered by hand or by registered or certified mail, postage prepaid and

return receipt requested, addressed to each party at the following addresses or such other address as may be designated by notice pursuant to this Section 11:

If to Tocor:
Tocor II, Inc.
Todman Building
Main Street
Road Town, Tortola
British Virgin Islands
Attention: Secretary

If to CBV:
Centocor B.V.
P. O. Box 251
2300 AG Leiden
The Netherlands
Attention: Secretary

Any notice or communication given in conformity with this Section 11 shall be deemed to be effective when received by the addressee, if delivered by hand, and five (5) days after mailing, if mailed.

12. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

13. Severability. If any provision in this Agreement is deemed to be or becomes invalid, illegal or unenforceable in any jurisdiction, (a) such provision will be deemed amended in such jurisdiction to conform to applicable laws of such jurisdiction so as to be valid and enforceable or, if it cannot be so amended without materially altering the intention of the parties, it will be stricken, (b) the validity, legality and enforceability of such provision will not in any way be affected or impaired thereby in any other jurisdiction and (c) the remaining provisions of this Agreement shall continue in full force without being impaired or invalidated in any way.

14. Amendments; Binding Effect and Assignment. No amendment, modification or addition hereto shall be effective or binding on either party unless set forth in writing and executed by a duly authorized representative of both parties.

Neither this Agreement nor any right or obligation hereunder may be assigned or delegated, in whole or in part, by either party without the prior written consent of the other, which consent shall not be unreasonably withheld, except that CBV may, without the prior written consent of Tocor, assign its rights and delegate its obligations hereunder, by operation of law or otherwise, (a) to any person or entity to which CBV has

assigned, sold, leased, transferred or otherwise disposed of all or substantially all of the assets of CBV, (b) to any successor corporation resulting from any merger or consolidation of CBV with or into another corporation or (c) to any wholly-owned subsidiary of CBV; provided, however, that with respect to Sections 14(a) and 14(b), CBV will not, without such consent, merge or consolidate with any person or entity or sell, lease, transfer or otherwise dispose of all or substantially all of its assets to any person or entity, unless (i) the person or entity formed by or surviving such consolidation or merger or to which CBV effects such sale, lease, transfer or other disposition shall be a solvent corporation organized and existing under the laws of the United States of America or a State thereof; and (ii) such successor or transferee corporation shall have immediately after such merger, consolidation, sale, lease, transfer or other disposition, a tangible net worth (determined in accordance with generally accepted accounting principles then in effect) at least equal to the tangible net worth (as so determined) of CBV immediately prior thereto; and provided, further, that in the event of any assignment or delegation under Section 14(c), this Agreement shall remain binding upon CBV. If no written consent of Tocor is required pursuant to this Section, CBV shall provide written notice to Tocor of any such assignment or delegation not later than ten (10) days before such assignment or delegation setting forth the identity and address of the assignee and summarizing the terms of the assignment or delegation. Subject to the foregoing, this Agreement shall be binding upon the successors and assigns of the parties.

15. Waiver. No waiver of any right under this Agreement shall be deemed effective unless contained in a writing signed by the party charged with such waiver, and no waiver of any breach or failure to perform shall be deemed to be a waiver of any future breach or failure to perform or of any other right arising under this Agreement.

16. Headings. The section headings contained in this Agreement are included for convenience only and form no part of the agreement between the parties.

17. No Effect on Other Agreements. No provision of this Agreement shall be construed so as to negate, modify or affect in any way the provisions of any other agreement between the parties unless specifically referred to, and solely to the extent provided, in any such other agreement.

18. Entire Agreement. This Agreement sets forth and constitutes the entire agreement among the parties hereto with respect to the subject matter hereof, and supersedes any and all prior agreements, understandings, promises and representations

made by either party to the other concerning the subject matter hereof and the terms applicable hereto.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

TOCOR II, INC.

By _____
Name:
Title:

CENTOCOR B.V.

By _____
Name:
Title:

Schedule A

- Advice and services on accounting and financial matters, marketing, government and public relations, procurement, purchasing, inventory control, planning and investigation, management information systems, legal, tax, insurance and administrative matters, including, without limitation, maintenance of books and records, bank accounts, and preparation of budgets, forecasts and financial statements.

- Treasury services, including cashier, payment, payroll, credit and collections and money management.

- Recordkeeping services, including accounting, tax records, audit, director, stockholder and committee records and sales records.

- Handling of regulatory and related matters as required.

Schedule B

Overhead costs will be allocated to CBV departments on a reasonable and consistent basis using appropriate standards such as square foot occupancy or number of departmental personnel. These costs will then be included with the direct costs allocated to Tocor under this Agreement based on departmental percentage levels of Tocor-related activities pursuant hereto.

Administrative costs, less any direct charges for specific Tocor-related activities by the Administrative Department personnel of CBV (which will be directly allocated to Tocor), will be allocated to Tocor based on the percentage of Tocor expenses including overhead costs as allocated in the first paragraph to total CBV expenses.

GLOSSARY

"Affiliate" shall mean a corporation or any other entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the designated party.

"Centocor" shall mean Centocor, Inc., a Pennsylvania corporation.

"Centocor Common Stock" shall mean the common stock, $.01 par value per share, of Centocor or such security that Centocor shareholders receive in connection with any consolidation, merger or sale of all or substantially all of the assets of Centocor or, if no such securities were received, the common stock of the person surviving any consolidation of Centocor with or merger of Centocor with or into any other person or any sale, lease or other transfer of all or substantially all of the assets of Centocor to any other person (including any individual, partnership, joint venture, corporation, trust or group thereof).

"Centocor's Costs" shall mean Centocor's direct and indirect expenses incurred pursuant to Section 2 of the Services Agreement, determined using Centocor's internal financial and accounting systems; provided that Centocor's Costs shall not include any costs which are paid or payable to Centocor pursuant to the Development Agreement.

"Centocor Proprietary Rights" shall mean Proprietary Rights to the extent now or during the term of the Development Agreement owned or controlled by Centocor, other than the Developed Technology, and which Centocor has or will, during such term, have the right to license or sublicense.

"Development Agreement" shall mean the Research and Development Agreement dated as of _____, 1992 between Tocor II and Centocor, as amended or modified from time to time.

"Development Costs" shall mean Centocor's costs in conducting Research and Development determined by using Centocor's internal financial and accounting systems, plus a management fee equal to ten percent (10%) of the total amount of such costs. Allocation of all indirect costs, including general and administrative costs, will be made by Centocor on a reasonable basis and will be calculated as described in Schedule A to the Development Agreement. Development Costs shall not include any costs which are paid or payable to Centocor pursuant to the Services Agreement.

"Developed Technology" shall mean Proprietary Rights that (a) are generated, developed, conceived or first reduced to practice, as the case may be, by Centocor under the Development Agreement or (b) are acquired by or on behalf of Tocor from persons other than Centocor during the term of the Development Agreement.

"Field" shall mean Products for the treatment of any human disease and, if not otherwise excluded, shall specifically exclude the use of Monoclonal Antibodies and Monoclonal Antibody Technology.

"Field License Agreements" shall mean collectively any license or licenses or rights therein now owned or hereafter acquired by Centocor, or any Affiliate of Centocor, that is necessary or useful to engage in the Field.

"FDA" shall mean the United States Food and Drug Administration or any successor agency whose approval is necessary to market pharmaceutical products in the United States.

"Force Majeure" shall mean any occurrence that prevents or substantially interferes with the performance by a party of any of its obligations hereunder, if such occurs by reason of any act of God, flood, fire, explosion, breakdown of plant, strike, lockout, labor dispute, casualty or accident, or war, revolution, civil commotion, acts of public enemies, blockage or embargo, or any injunction, law, order, proclamation, regulation, ordinance, demand or requirement of any government or of any subdivision, authority or representative of ary such government (other than action pursuant to 35 U.S.C. § 203), inability to procure or use materials, labor, equipment, transportation, or energy sufficient to meet manufacturing needs without the necessity of allocation, or any other cause whatsoever, whether similar or dissimilar to those above enumerated, beyond the reasonable control of such party, if and only if the party affected shall have used reasonable efforts to avoid such occurrence and to remedy it promptly if it shall have occurred.

"Licensed Technology" shall mean Centocor Proprietary Rights which are necessary or useful for the research and development, manufacture or sale of products in the Field and, if not otherwise excluded, shall specifically exclude Monoclonal Antibody Technology.

"Monoclonal Antibodies" shall mean an antibody of any animal species (including, but not limited to, murine and human) homogeneous as to antigen binding specificity, however so produced, including, but not limited to, antibody fragments greater than 100 amino acids and antibody chimeras.

"Monoclonal Antibody Technology" shall mean Monoclonal Antibodies and all Proprietary Rights related specifically thereto, including without limitation all related cell lines and shall include without limitation all Proprietary Rights related to Centocor's manufacture, use or sale of its Monoclonal Antibody based products including, but not limited to, all Centocor in-vitro diagnostic products, and Centoxin, CentoRx, Centamo, Centara, Myoscint, Fibriscint, Capiscint and CenTNF.

"NASDAQ" shall mean the National Association of Securities Dealers Automated Quotation System.

"Products" shall mean all pharmaceutical products based on Small Molecules in the Field developed by Centocor and its Affiliates utilizing, based upon or arising out of, the Licensed Technology and/or Developed Technology in the Field.

"Proprietary Rights" shall mean technical information, whether tangible or intangible, including all data, inventions, information, pre-clinical and clinical results, techniques, discoveries, inventions, ideas, processes, know how and trade secrets, and any physical, chemical or biological material, and patents or patent applications for any of the foregoing, owned or licensed to a party and which such party has the right to license or sublicense.

"Prospectus" shall mean the Prospectus (as amended and supplemented) contained in the Registration Statement.

"Purchase Option" shall mean the option granted to Centocor to purchase Tocor II Common Stock pursuant to Section 2.1 of the Purchase Option Agreement.

"Purchase Option Agreement" shall mean the Purchase Option Agreement dated as of _____, 1992 among Centocor and the Underwriters, as amended or modified from time to time.

"Registration Statement" shall mean the Registration Statement on Form S-1/S-3, Registration No. 33-44072, of Tocor II and Centocor, covering a proposed offering of Units.

"Research and Development" shall mean the research, development and experimentation activities related to the Field.

"Services Agreement" shall mean the Services Agreement dated as of _____, 1992 between Centocor B.V. and Tocor II, as amended or modified from time to time.

"Small Molecules" shall mean peptides, specifically excluding Monoclonal Antibodies, which are less than 100 amino acids.

"Technology License Agreement" shall mean the Technology License Agreement dated as of _____, 1992 between Centocor and Tocor II, as amended or modified from time to time.

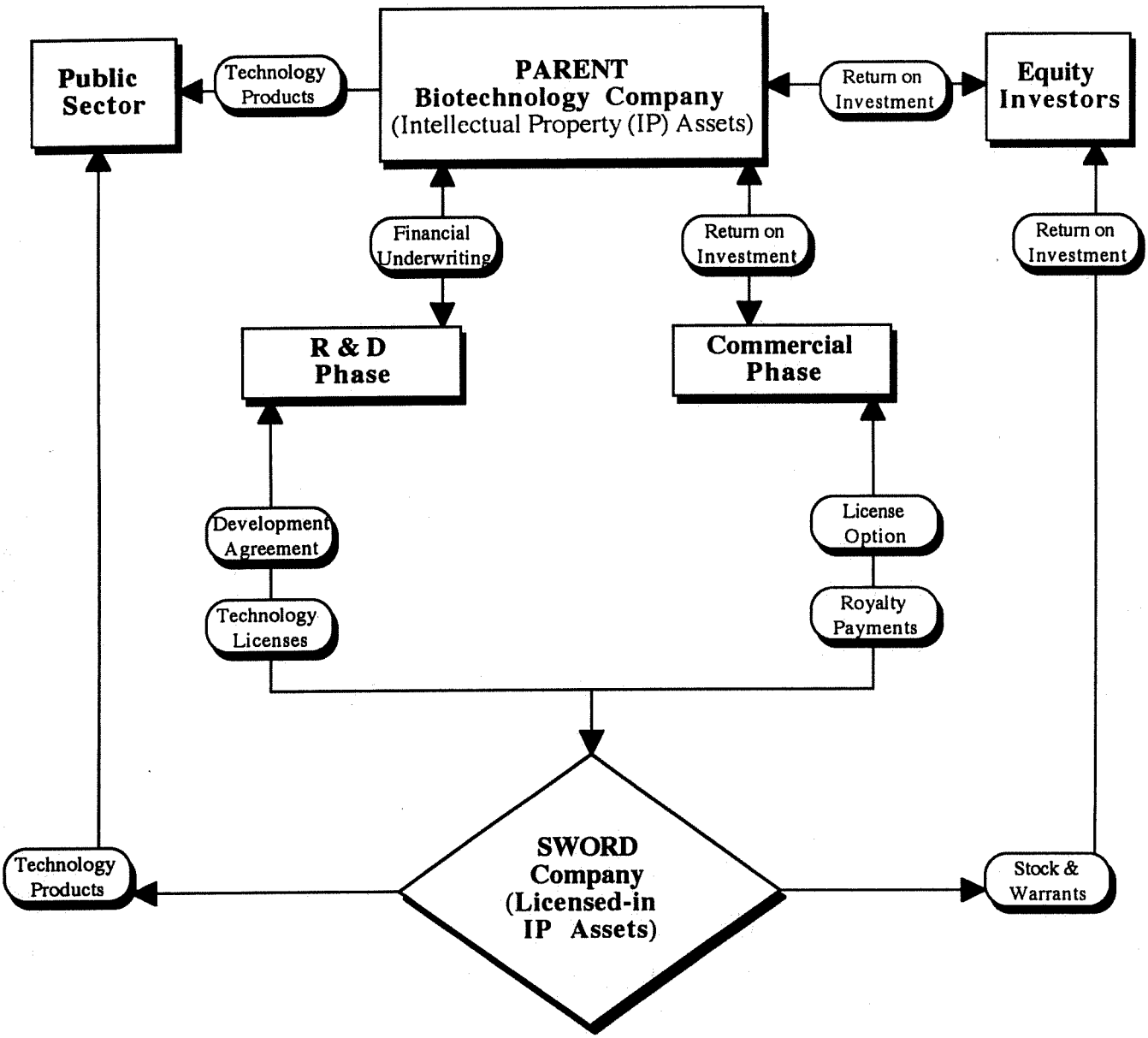
"Tocor II" shall mean Tocor II, Inc., an International Business Company organized under the laws of the British Virgin Islands.

"Tocor II Common Stock" shall mean the callable common stock, $1.00 par value per share, of Tocor.

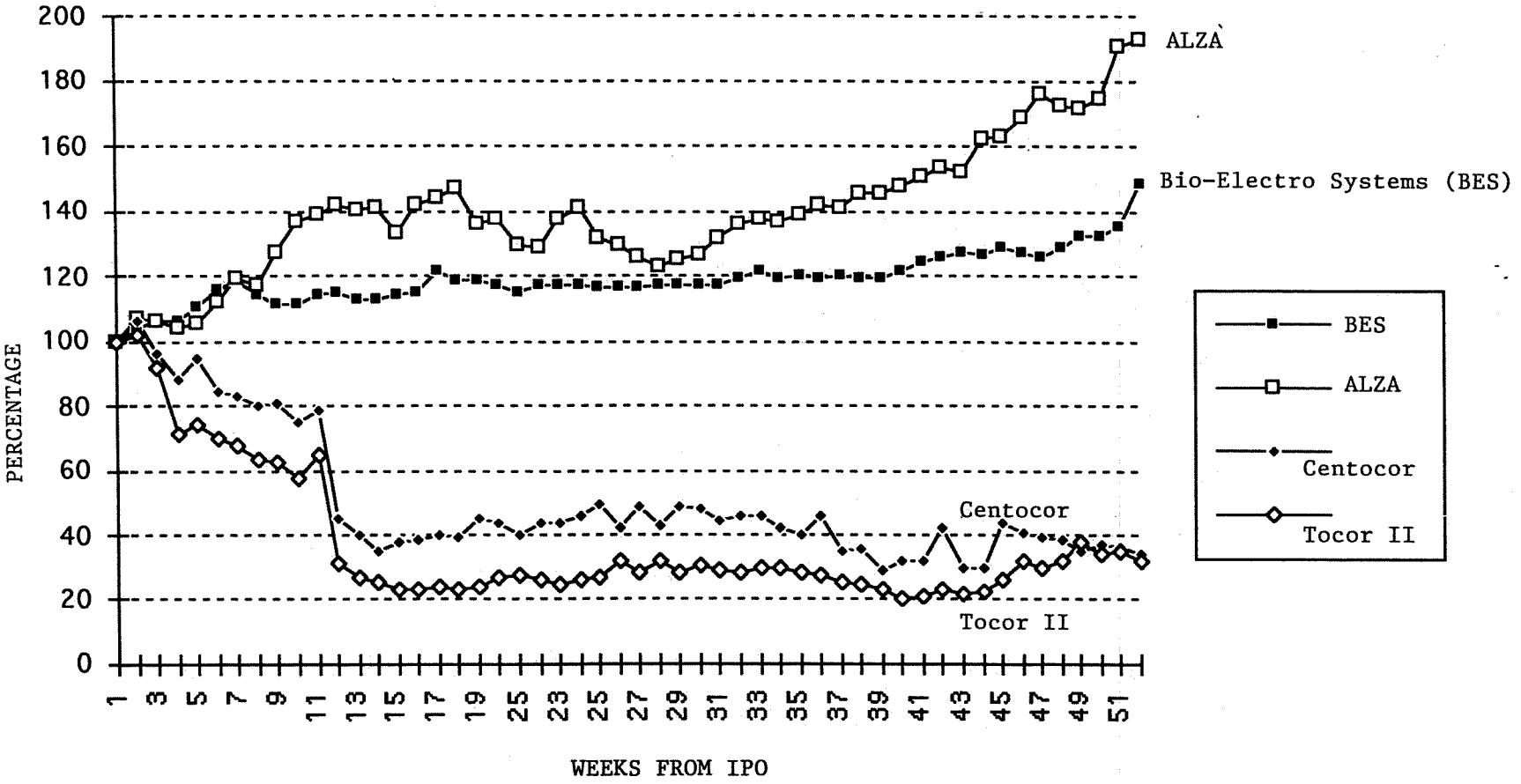
"Tocor II Technology" shall mean Proprietary Rights related to the Field, to the extent owned, licensed or controlled by Tocor.

"Underwriters" shall mean the several underwriters named in Schedule I to the Underwriting Agreement, dated January __, 1992 among Centocor, Tocor II and such several underwriters.

"Units" shall mean units, each consisting of one share of Tocor Common Stock, one Series T warrant to purchase one share of Centocor Common Stock and one callable warrant to purchase one share of Centocor Common Stock.



SCHEMATIC OF BIOTECHNOLOGY PARENT-SWORD COMPANY INTERACTION


200
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140
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PERCENTAGE
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WEEKS FROM IPO
ALZA
Bio-Electro Systems (BES)
Centocor
Tocor II
BES
ALZA
Centocor
Tocor II

Appendix V

SWORD Company (Parent Company)	Bio-Electro Systems [BES] (ALZA)	Tocor II (Centocor)
Characteristics:		
Articles of Incorporation	Delaware - 1988	British Virgin Islands - 1992
Technology License Agreement	Exclusive Licensee - royalty-free, No reservation of use of technology by parent. No right to sublicense technology.	Exclusive Licensee only for some of parent's technology. Royalty-free. Reservation of use of technology by parent. Rights granted to sublicense parent's technology.
Research and Development (R & D) Agreement	Retains parent as contractor to perform all R & D, with all decision-making rights retained by parent. License to parent contractor to practice the technology, but not for its own use.	Retains parent as contractor to perform all R & D. Only some decision-making rights retained by parent. Parent retains right to contract with third-parties for more R & D, and to use for its own needs.
Services Agreement	Use of parent company to perform general business administrative services in conjunction with parent's company. No compensation to parent provision provided for services rendered.	Use of foreign corporation - C.B.V. (Netherlands, incorp.) to perform all business administrative services. Tocor II agrees to pay 110% of all costs to this foreign company.
Purchase Option Agreement	Drafted into articles of incorporation. Grants to parent right to purchase all outstanding shares of BES no later than 01/01/95 (7 yrs from IPO). Provides a sliding scale of purchase prices ranging from $23 to $57 for the outstanding shares. No express provision that directors shall act in accordance with the terms of this provision.	Drafted into the articles of incorporation. Grants to parent right to purchase all outstanding shares of Tocor II no later than 12/031/1995 (3 yrs from IPO). Provides a sliding scale of purchase prices ranging from $58 to $107 for the outstanding shares. Contains express provision that the directors of Tocor II will not act contrary to the Purchase Option Agreement.
Technology Licensed	*All* of the parent's technology	Only some of parent's technology. Contains provision that excludes parent's primary (monoclonal antibodies) technology from Tocor II.
Financing Arrangements [UNIT]	4,150,000 units offered at $11 per unit. Each unit consists of one share of BES Class A Common Share and one Warrant to purchase one ALZA Class A Common Share. The stock and warrants trade as a unit for two years, with the warrants set to expire five years after the closing of the offering.	2,250,000 units offered at $15 per unit. Each unit consists of one share of callable common Class A of Tocor II and one series T warrant and one callable warrant. Each warrant entitles the holder to purchase one share of Centocor stock. The series T warrant is exercisable at $64.50 per share. The stock and warrants trade as a unit for one year, then the series T warrant and the callable warrant will separate.
Tax Liabilities	BES is subject to federal and state taxes on corporations.	No corporate income tax liabilities, as Tocor II incorporated under the laws of the British Virgin Islands.

Appendix VI