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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

/x/ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2001

or

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

For the transition period from _____ to _____

Commission file number: 0-19311

IDEC PHARMACEUTICALS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**33-0112644**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3030 Callan Road, San Diego, CA 92121
(Address of principal executive offices) (Zip code)

(858) 431-8500
(Registrant's telephone number, including area code)

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

As of April 30, 2001 the Registrant had 149,243,323 shares of its common stock, $.0005 par value, issued and outstanding.

IDEC PHARMACEUTICALS CORPORATION
FORM 10-Q—QUARTERLY REPORT
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001

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Item 1. Financial Statements.

IDEC PHARMACEUTICALS CORPORATION AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thusands, except per share data)
(unaudited)

	Three months ended March 31,	
	2001	2000
		(Restated)
Revenues:		
Revenues from unconsolidated joint business	$ 48,558	$ 21,893
Contract revenues	1,355	3,504
License fees	6,625	1,625
Total revenues	56,538	27,022
Operating costs and expenses:		
Manufacturing costs	—	2,134
Research and development	22,094	14,722
Selling, general and administrative	11,080	6,077
Total operating costs and expenses	33,174	22,933
Income from operations	23,364	4,089
Interest income, net	9,723	1,876
Income before income tax provision	33,087	5,965
Income tax provision	12,280	1,018
Income before cumulative effect of accounting change	20,807	4,947
Cumulative effect of accounting change, net of income tax benefit of $487	—	(9,263)
Net income (loss)	$ 20,807	$ (4,316)
Basic earnings (loss) per share:		
Before cumulative effect of accounting change	$ 0.14	$ 0.04
Cumulative effect of accounting change	—	(0.07)
Basic earnings (loss) per share	$ 0.14	$ (0.03)
Diluted earnings (loss) per share:		
Before cumulative effect of accounting change	$ 0.12	$ 0.04
Cumulative effect of accounting change	—	(0.07)
Diluted earnings (loss) per share	$ 0.12	$ (0.03)
Shares used in calculation of earnings (loss) per share:		
Basic	147,842	130,347
Diluted	167,167	130,347

See accompanying notes to condensed consolidated financial statements.

IDEC PHARMACEUTICALS CORPORATION AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS
In thousands, except par value)

	March 31, 2001 (unaudited)	December 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 415,418	$ 401,052
Securities available-for-sale	220,445	180,286
Contract revenue receivables, net	1,479	1,697
Due from related parties, net	48,240	41,753
Prepaid expenses and other current assets	7,061	6,470
Total current assets	692,643	631,258
Long-term securities available-for-sale	145,351	169,188
Property and equipment, net	51,241	47,514
Investment and other assets	8,692	8,446
	$ 897,927	$ 856,406
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of notes payable	$ 373	$ 743
Accounts payable	1,503	1,737
Accrued expenses	18,477	16,071
Deferred revenue	3,051	4,494
Total current liabilities	23,404	23,045
Notes payable, less current portion	130,626	128,888
Deferred rent	2,786	2,752
Deferred taxes and other long-term liabilities	7,252	7,102
Commitments		
Stockholders' equity:		
Convertible preferred stock, $.001 par value	—	—
Common stock, $.0005 par value	74	73
Additional paid-in capital	698,633	680,602
Accumulated other comprehensive income — net unrealized gains on securities available-for-sale, net of taxes	918	517
Retained earnings	34,234	13,427
Total stockholders' equity	733,859	694,619
	$ 897,927	$ 856,406

See accompanying notes to condensed consolidated financial statements.

IDEC PHARMACEUTICALS CORPORATION AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Three months ended March 31, 2001	2000
Cash flows from operating activities:		
Net cash provided by operating activities	$ 32,752	$ 13,485
Cash flows from investing activities:		
Purchase of property and equipment	(5,081)	(3,860)
Purchase of securities available-for-sale	(157,293)	(39,317)
Sales and maturities of securities available-for-sale	138,661	47,927

Net cash provided by (used in) investing activities	(23,713)	4,750
Cash flows from financing activities:		
Payments on notes payable	(370)	(457)
Proceeds from issuance of common stock	5,697	9,862
Net cash provided by financing activities	5,327	9,405
Net increase in cash and cash equivalents	14,366	27,640
Cash and cash equivalents, beginning of period	401,052	61,404
Cash and cash equivalents, end of period	$ 415,418	$ 89,044

See accompanying notes to condensed consolidated financial statements.

IDEC PHARMACEUTICALS CORPORATION AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of Presentation: The information at March 31, 2001, and for the three months ended March 31, 2001 and 2000, is unaudited. In the opinion of management, these condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of results for the interim periods presented. Interim results are not necessarily indicative of results for a full year or for any subsequent interim period. These condensed consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2000.

Revenues from Unconsolidated Joint Business: Revenues from unconsolidated joint business consist of our share of the pretax copromotion profits generated from our copromotion arrangement with Genentech Inc., revenue from bulk Rituxan® sales to Genentech through March 2000, reimbursement from Genentech of our Rituxan-related sales force and development expenses and royalty revenue from F. Hoffmann-La Roche Ltd. on sales of Rituximab outside the United States. Revenue from bulk Rituxan sales was recognized when Genentech accepted the bulk Rituxan. Upon acceptance of bulk Rituxan by Genentech the right to return no longer existed and there were no further performance obligations related to bulk Rituxan. We record our royalty revenue from Roche with a one-quarter lag. Rituxan is the trade name in the United States for the compound Rituximab. Outside the United States, Rituximab is marketed as MabThera. In our notes to condensed consolidated financial statements, we refer to Rituximab, Rituxan and MabThera collectively as Rituxan, except where otherwise indicated. Under the copromotion arrangement we share responsibility with Genentech for selling and continued development of Rituxan in the United States. Continued development of Rituxan includes conducting supportive research on Rituxan, post approval clinical studies and obtaining potential approval of Rituxan for additional indications. Genentech provides the support functions for the commercialization of Rituxan in the United States including marketing, customer service, order entry, distribution, shipping and billing and, as of September 1999, all worldwide manufacturing responsibilities. Under the copromotion arrangement, all U.S. sales of Rituxan and associated costs and expenses are recognized by Genentech and we record our share of the pretax copromotion profits on a quarterly basis, as defined in our collaborative agreement with Genentech. Pretax copromotion profits under the copromotion arrangement are derived by taking the U.S. net sales of Rituxan to third-party customers less cost of sales, third-party royalty expenses, distribution, selling and marketing expenses and joint development expenses incurred by Genentech and us. Our profit-sharing formula with Genentech has two tiers; we earn a higher percentage of the pretax copromotion profits at the upper tier once a fixed pretax copromotion profit level is met. The profit-sharing formula resets annually at the beginning of each year to the lower tier. We began recording our profit share at the higher percentage during the first quarter of 2001 compared to the beginning of the second quarter of 2000.

Cumulative Effect of Accounting Change (Restatement): In the fourth quarter of 2000, we implemented the Securities and Exchange Commission's Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," or SAB No. 101, effective as of January 1, 2000. SAB No. 101 established new guidelines in applying generally accepted accounting principles to revenue recognition in financial statements. SAB No. 101 provides that nonrefundable up-front fees received under collaborative agreements be recorded as deferred revenue upon receipt and recognized as revenue over future periods. Prior to the implementation of SAB No. 101, we recognized certain nonrefundable up-front fees upon receipt as license fee revenue. The cumulative effect of this accounting change on

years prior to 2000 resulted in a charge of $9,263,000 (net of a $481,000 income tax effect), of which $3,300,000 was recorded as deferred revenue as of December 31, 2000. For the quarter ended March 31, 2001, we recognized $1,625,000 of the related deferred revenue. The results for the quarter ended March 31, 2000 have been restated to reflect the adoption of SAB No. 101 as of January 1, 2000 which resulted in $1,625,000 being recognized as license fee revenue for the quarter ended March 31, 2000. This accounting change is directly related to the $13,000,000 up-front license fee received from Schering Aktiengesellschaft and recognized as license fee revenue in 1999.

Earnings Per Share: Earnings per share are calculated in accordance with Statement of Financial Accounting Standards No. 128 "Earnings per Share." Basic earnings per share excludes the dilutive effects of options and other convertible securities compared to diluted earnings per share which reflects the potential dilution of options and other convertible securities that could share in our earnings. Calculations of basic and diluted earnings per share use the weighted average number of shares outstanding during the period. Diluted earnings per share for the three months ended March 31, 2001 includes the dilutive effect of 19,325,000 shares of common stock from options and convertible preferred stock and excludes 13,939,000 shares of common stock from the assumed conversion of our 20-year zero coupon subordinated convertible notes, or Notes and 1,810,000 shares of common stock from options because their effect is antidilutive. Diluted loss per share for the three months ended March 31, 2000 excludes the dilutive effect of 27,397,000 shares of common stock from options and convertible preferred

stock because their effect was antidilutive. All share and earnings per share amounts for the three months ended March 31, 2000 have been restated to reflect our three-for-one stock split effected in January 2001.

New Accounting Bulletin: In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", or Statement No. 133 as amended by Financial Accounting Standards No. 137 "Accounting for Derivative Investments and Hedging Activities" and Financial Accounting Standards No. 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities". Statement No. 133, requires companies to recognize all derivatives as either assets or liabilities with the instruments measured at fair value and is effective on January 1, 2001. The accounting for changes in fair value gains and losses depends on the intended use of the derivative and its resulting designation. Our adoption of statement No. 133 did not have a material impact on our condensed consolidated financial statements.

Note 2. Related Party Arrangements

In March 1995, we entered into a collaborative agreement for the clinical development and commercialization of our anti-CD20 monoclonal antibody, Rituxan, for the treatment of certain B-cell non-Hodgkin's lymphomas with Genentech. Concurrent with the collaborative agreement we also entered into an expression technology license agreement with Genentech for a proprietary gene expression technology developed by us and a preferred stock purchase agreement providing for certain equity investments in us by Genentech. Under the terms of these agreements, we have received payments totaling $58,500,000 for the attainment of product development objectives, product license rights and equity investments in us. Additionally, we may be reimbursed by Genentech for certain other development and regulatory approval expenses under the terms of the collaborative agreement.

Genentech may terminate this agreement for any reason, which would result in a loss of Genentech's Rituxan product rights.

In addition, we are copromoting Rituxan in the United States with Genentech under a joint business arrangement whereby we receive a share of the pretax copromotion profits. Under our collaborative agreement with Genentech, the sales price of bulk Rituxan sold to Genentech was capped at a price that was currently less than our cost to manufacture bulk Rituxan. In September 1999, we transferred all worldwide manufacturing responsibilities for bulk Rituxan to Genentech.

Revenues from unconsolidated joint business for the three months ended March 31, 2001 and 2000 consist of the following (table in thousands):

	2001	2000
Copromotion profits	$ 43,810	$ 15,548
Bulk Rituxan sales	—	2,078
Reimbursement of selling and development expenses	2,128	2,429
Royalty income on sales of Rituximab outside the U.S.	2,620	1,838
Total from unconsolidated joint business	$ 48,558	$ 21,893

Amounts due from related parties, net at March 31, 2001 and December 31, 2000 consist of the following (table in thousands):

	2001	2000
Due from Genentech, copromotion profits	$ 44,314	$ 37,459
Due from Genentech, bulk Rituxan sales	1,744	2,047
Due from Genentech, selling and development expenses	2,155	2,221
Due from Roche	27	26
Total due from related parties, net	$ 48,240	$ 41,753

During the first quarter of 2000, we recognized the remaining revenues and related manufacturing costs from bulk Rituxan sales to Genentech. Under the terms of separate agreements with Genentech, commercialization of Rituxan outside the United States is the responsibility of Roche, except in Japan where Zenyaku Kogyo Co. Ltd. will be responsible for product development, marketing and sales. We receive royalties on Rituxan sales outside the United States.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

OVERVIEW

We are primarily engaged in the commercialization, research and development of targeted therapies for the treatment of cancer and autoimmune and inflammatory diseases. In December 2000, the Food and Drug Administration, or FDA, accepted our filing of a Biological License Application, or BLA, seeking marketing approval for ZEVALIN™ (Ibritumomab Tiuxetan) radioimmunotherapy for the treatment of low grade, follicular, CD20 positive transformed, relapsed or refractory, B cell non-Hodgkin's lymphoma, or NHL. In May 2001 we received a Complete Review Letter from the FDA regarding our ZEVALIN BLA. In the Complete Review Letter the FDA outlined additional information and analysis we must submit as a result of their review. The information requested is related to two areas: Clinical and Chemistry, Manufacturing and Controls, or CMC. The FDA has also requested imaging with indium-111 as a part of the ZEVALIN commercial protocol. If approved, we now expect to market ZEVALIN as one product which will be composed of an imaging kit for use with indium-111 and a therapeutic kit for use with yttrium-90. Based on our review of the Complete Review Letter and subsequent discussions with the FDA, we believe we can address all of the FDA's questions in a responsive and comprehensive manner without the need to conduct any new or additional clinical trials prior to the completion of the BLA review by the FDA. We are working to compile the information and expect to summit our response documentation and analysis by the middle of July 2001. If the FDA determines that our resubmission is complete, the FDA will provide written notice acknowledging our resubmission and will establish a time period for review. The time period for review will be established based on applicable FDA regulations which we understand provide for a review period of either

up to two months or up to six months. The FDA's request from their CMC review includes, among other items, establishing an independent schedule for pre-approval inspecton of our ZEVALIN radioisotope supplier and fill/finish provider.

We have retained all U.S. marketing and distribution rights to ZEVALIN and have granted marketing and distribution rights outside the U.S. to Schering AG. In January 2001, Schering AG had its Marketing Authorization Application, or MAA, for ZEVALIN accepted for review by the European Medicines Evaluation Agency.

In November 1997, we received FDA approval to market our first product, Rituxan, in the United States. In May 2001, we announced that the FDA approved a supplemental BLA, or sBLA, for Rituxan. The new product labeling includes:

- retreatment with Rituxan after a prior course of Rituxan therapy;
- initial treatment with eight weekly infusions of Rituxan, compared to the prior approved labeling of four weekly infusions; and
- treatment of NHL patients with bulky diseases (tumors greater than 10 centimeters).

The sBLA also amended our package insert to update safety information. In addition a Dear Healthcare Provider letter was sent to physicians to enhance their understanding of adverse events that may be associated with Rituxan use.

In June 1998, Roche, our European marketing partner, was granted marketing authorization for Rituximab in all European Union countries. In May 2001, Roche submitted an application with the European drugs authorities, for use of Rituximab in combination with standard chemotherapy, or CHOP, to treat patients with aggressive NHL. In September 1999, Zenyaku, our Japanese marketing partner for Rituxan, submitted a BLA equivalent for Rituxan with the Ministry of Health and Welfare for Japan, which is currently pending approval in Japan. Rituxan is the trade name in the United States and Japan for the compound Rituximab. Outside the United States, Rituximab is marketed as

MabThera. In this Management's Discussion and Analysis section, we refer to Rituximab, Rituxan and MabThera collectively as Rituxan, except where we have otherwise indicated.

Rituxan is being copromoted in the United States under a joint business arrangement with Genentech, where we receive a share of the pretax copromotion profits. Under the copromotion arrangement we share responsibility with Genentech for selling and continued development of Rituxan in the United States. Continued development of Rituxan includes conducting supportive research on Rituxan, post-approval clinical studies and obtaining approval of Rituxan for potential additional indications. Genentech provides the support functions for the commercialization of Rituxan in the United States including marketing, customer service, order entry, distribution, shipping and billing. Since September 1999, Genentech has been responsible for all worldwide manufacturing. Under the terms of separate agreements with Genentech, commercialization of Rituxan outside the United States is the responsibility of Roche, except in Japan where Zenyaku will be responsible for product development, marketing and sales. We receive royalties on Rituxan sales outside the United States.

Our revenues include revenues from unconsolidated joint business, contract revenues and license fees. Until the commercialization of Rituxan, a substantial portion of our revenues had been derived from contract revenues and license fees. However, since the commercialization of Rituxan in November 1997, our revenues have depended primarily upon the sale of Rituxan.

Revenues from unconsolidated joint business include our share of the pretax copromotion profits generated from our copromotion arrangement with Genentech, revenue from bulk Rituxan sales to Genentech through March 2000, reimbursement from Genentech of our Rituxan-related sales force and development expenses and royalty revenue from Roche on sales of Rituximab outside the United States. Revenue from bulk Rituxan sales was recognized when Genentech accepted the bulk Rituxan. We record our royalty revenue from Roche with a one-quarter lag. Under the copromotion arrangement, all U.S. sales of Rituxan and associated costs and expenses are recognized by Genentech and we record our share of the pretax copromotion profits on a quarterly basis, as defined in our collaborative agreement with Genentech. Pretax copromotion profits under the copromotion arrangement are derived by taking U.S. net sales of Rituxan to third-party customers less cost of sales, third-party royalty expenses, distribution, selling and marketing expenses and joint development expenses incurred by Genentech and us. Our profit-sharing formula with Genentech has two tiers; we earn a higher percentage of the pretax copromotion profits at the upper tier once a fixed pretax copromotion profit level is met. The profit-sharing formula resets annually at the beginning of each year to the lower tier. We began recording our profit share at the higher percentage during the first quarter of 2001 compared to the beginning of the second quarter of 2000.

Contract revenues include nonrefundable research and development funding under collaborative agreements with our strategic partners and other funding under contractual arrangements with other parties. Contract research and development funding generally compensates us for discovery, preclinical and clinical expenses related to our collaborative development programs for our products and is recognized at the time research and development activities are performed under the terms of the collaborative agreements.

License fees include nonrefundable fees from product development milestone payments and nonrefundable fees from the sale of product rights under collaborative development and license agreements with our strategic partners. Nonrefundable up-front fees from the sale of product rights are recorded as deferred revenue upon receipt and recognized as revenue over future periods. Included in license fees are nonrefundable product development milestone payments which are recognized upon the achievement of product development milestone objectives as stipulated in agreements with our strategic partners. Product development milestone objectives vary in each of our agreements. The achievement

of product development milestone objectives that may lead to the recognition of license fee revenues include:

- the achievement of preclinical research and development objectives;

- the initiation of various phases of clinical trials;
- the filing of an Investigational New Drug application, or IND, BLA or New Drug Application, or NDA;
- the filing of drug license applications in foreign territories; and
- obtaining United States or foreign regulatory product approvals.

Contract revenues and license fees may vary from period to period and are in part dependent upon achievement of research and development objectives or the consummation of new corporate alliances. The magnitude and timing of contract revenues and license fees may influence our achievement and level of profitability.

The cost of bulk Rituxan sold to Genentech was recorded as manufacturing costs in our condensed consolidated statements of operations. Under our agreement with Genentech, the sales price of bulk Rituxan sold to Genentech was capped at a price that was less than our cost to manufacture bulk Rituxan. In September 1999, we transferred all worldwide manufacturing responsibilities for bulk Rituxan to Genentech. Since the transfer of bulk Rituxan manufacturing to Genentech in September 1999, we have been using our manufacturing capacity for production of specification-setting lots and pre-commercial inventory of ZEVALIN antibodies and production of other proteins for clinical trials.

We have incurred increasing annual operating expenses and, with the commercialization of Rituxan and preparation for potential commercialization of ZEVALIN, we expect such trends to continue. Since our inception in 1985, through 1997, we incurred annual operating losses. Our ongoing profitability will be dependent upon the continued commercial success of Rituxan, product development, revenues from the achievement of product development objectives and licensing transactions. As of March 31, 2001, we had retained earnings of $34.2 million.

RESULTS OF OPERATIONS

Revenues from unconsolidated joint business for the three months ended March 31, 2001 totaled $48.6 million, compared to $21.9 million for the comparable period in 2000. Revenues from unconsolidated joint business for the three months ended March 31, 2001 and 2000, consist of the following (table in thousands):

	2001	2000
Copromotion profit	$ 43,810	$ 15,548
Bulk Rituxan sales	—	2,078
Reimbursement of selling and development expenses	2,128	2,429
Royalty income on sales of Rituximab outside the U.S.	2,620	1,838
Total from unconsolidated joint business	$ 48,558	$ 21,893

Under our agreement with Genentech, our pretax copromotion profit-sharing formula has two tiers. We earn a higher percentage of the pretax copromotion profits at the upper tier once a fixed pretax copromotion profit level is met. The profit-sharing formula resets annually at the beginning of each year to the lower tier. We began recording our profit share at the higher percentage during the first quarter of 2001 compared to the beginning of the second quarter of 2000.

Rituxan net sales to third-party customers in the United States recorded by Genentech for the three months ended March 31, 2001 amounted to $168.0 million compared to $78.0 million for the comparable period in 2000. This increase was primarily due to increased market penetration in treatments of B-cell non-Hodgkin's lymphoma.

Our royalty revenue on sales of Rituximab outside the U.S. is based on Roche's end-user sales and is recorded with a one-quarter lag. For the three months ended March 31, 2001 we recognized $2.6 million in royalties from Roche's end-users sales compared to $1.8 million for the comparable period in 2000.

Contract revenues for the three months ended March 31, 2001 totaled $1.4 million compared to $3.5 million for the comparable period in 2000. The decrease in contract research revenues for the three months ended March 31, 2001 is primarily the result of decreased funding under a collaboration and license agreement with Schering AG offset by increased funding under a collaborative research and development agreement with Taisho Pharmaceuticals Co. Ltd. of Tokyo.

License fees for the three months ended March 31, 2001 totaled $6.6 million compared to $1.6 million for the comparable period in 2000. The increase in license fee revenue resulted primarily from the receipt of a $5.0 million milestone payment from Schering AG when the European Medicines Evaluation Agency accepted for filing the submission of a MAA for approval of ZEVALIN in Europe. Included in license fees for the three months ended March 31, 2001 and 2000 is $1.6 million recognized as a result of our adoption of SAB No. 101. The results for the quarter ended March 31, 2000 have been restated to reflect the adoption of SAB No. 101 as of January 1, 2000. This accounting change is directly related to the $13.0 million up-front license fee received from Schering AG and recognized as license fee revenue in 1999.

Contract revenues and license fees may vary from period to period and are, in part, dependent upon achievement of certain research and development objectives. The magnitude and timing of contract revenues and license fees may influence our achievement and level of profitability. We continue to pursue other collaborative and license arrangements, however, no assurance can be given that any such arrangements will be realized.

There were no manufacturing costs recorded for the three months ended March 31, 2001 compared to $2.1 million for the three months ended March 31, 2000. Our manufacturing costs relate to production of bulk Rituxan sold to Genentech. Manufacturing costs were recognized when Genentech accepted the bulk Rituxan inventory. The decrease in manufacturing costs from 2000 is due to the transfer of all worldwide manufacturing responsibilities for bulk Rituxan to Genentech in September 1999. The final lots of bulk Rituxan manufactured by us during the third quarter of 1999 were accepted by Genentech during the first quarter of 2000. Since the transfer of all worldwide manufacturing responsibilities for bulk Rituxan to Genentech, we have been using our manufacturing capacity for production of specification setting lots and pre-commercial inventory of ZEVALIN antibodies and production of other proteins for clinical trials. Those manufacturing expenses have been recorded as research and development expenses.

Research and development expenses totaled $22.0 million for the three months ended March 31, 2001 compared to $14.7 million for the comparable period in 2000. The increase in research and development expenses in 2001 is primarily due to increased clinical testing of our various products under development, development costs for ZEVALIN, personnel expenses and expansion of our facilities. We expect to continue incurring substantial manufacturing-related expenses as we have begun using our manufacturing capacity for production of pre-commercial inventory of ZEVALIN antibodies and production of other proteins for clinical trials. In the future we expect to continue incurring substantial additional research and development expenses due to:

- completion of our primary development program for ZEVALIN;

- the expansion or addition of research and development programs;
- technology in-licensing;
- regulatory-related expenses;
- facilities expansion; and
- preclinical and clinical testing of our various products under development.

Selling, general and administrative expenses totaled $11.1 million for the three months ended March 31, 2001 compared to $6.1 million for the comparable period in 2000. Selling, general and administrative expenses increased in 2001 primarily due to increased marketing and administrative expenses related to the potential commercialization of ZEVALIN, sales expenses to support Rituxan and general increases in general and administrative expenses to support overall organizational growth. Selling, general and administrative expenses are expected to increase in the foreseeable future to support the following:

- expanded growth of our sales force;
- marketing and administration related to the potential commercialization of ZEVALIN;
- manufacturing capacity;
- clinical trials; and
- research and development.

Interest income totaled $11.5 million for the three months ended March 31, 2001 compared to $3.6 million for the comparable period in 2000. The increase in interest income in 2001 is primarily due to higher average balances in cash, cash equivalents and securities available-for-sale resulting from the sale of 7.8 million shares of common stock in November 2000, cash provided by operations and higher interest rates realized on our cash, cash equivalents and securities available-for-sale. In the future, we expect the interest rate earned on our portfolio to decrease due to the recent decrease in overall interest rates.

Interest expense totaled $1.8 million for the three months ended March 31, 2001 compared to $1.7 million for the comparable period in 2000. The increase in interest expense in 2001 is primarily due to noncash interest charges relating to the Notes offering in February 1999. Interest expense is expected to increase in the future due to interest charges from the Notes.

Our effective tax rate for the three months ended March 31, 2001 was approximately thirty seven percent compared to seventeen percent in 2000. Our effective tax rate for the three months ended March 31, 2001 increased primarily due to the utilization of net operating loss carryforwards for financial reporting purposes in prior years. Our effective tax rate for 2000 results from the utilization of net operating loss carryforwards and the reduction of the valuation allowance against the related deferred tax assets. Our net operating loss carryforwards available to offset future taxable income at December 31, 2000 were approximately $211.0 million for federal income tax purposes and begin to expire in 2006. The utilization of our net operating loss carryforwards and tax credits may be subject to an annual limitation under the Internal Revenue Code due to a cumulative change of ownership of more than 50% in prior years. However, we anticipate this annual limitation to result only in a slight deferral in the utilization of our net operating loss carryforwards and tax credits. We expect that our effective tax rate in the future will continue to be closer to the maximum statutory tax rate.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our operating and capital expenditures since inception principally through the sale of equity securities, commercialization of Rituxan, license fees, contract revenues, lease financing

transactions, debt financing transactions and interest income. We expect to finance our current and planned operating requirements principally through cash on hand, anticipated funds from our copromotion arrangement with Genentech and with funds from existing collaborative agreements and contracts which we believe will be sufficient to meet our operating requirements for the foreseeable future. Existing collaborative research agreements and contracts, however, could

be canceled by the contracting parties. In addition, we may, from time to time seek additional funding through a combination of new collaborative agreements, strategic alliances and additional equity and debt financings or from other sources. There can be no assurance that additional funds will be obtained through these sources on acceptable terms, if at all. Should we not enter into any such arrangements, we anticipate our cash, cash equivalents and securities available-for-sale, together with the existing agreements and contracts and cash generated from our copromotion arrangement with Genentech, will be sufficient to finance our currently anticipated needs for operating and capital expenditures for the foreseeable future. If adequate funds are not available from the copromotion arrangement, operations or additional sources of financing, our business could be harmed. Our working capital and capital requirements will depend upon numerous factors, including:

- the continued commercial success of Rituxan;
- the progress of our preclinical and clinical testing;
- fluctuating or increasing manufacturing requirements and research and development programs;
- timing and expense of obtaining regulatory approvals;
- levels of resources that we devote to the development of manufacturing, sales and marketing capabilities, including resources devoted to the potential commercial launch of ZEVALIN;
- technological advances;
- status of competitors; and
- our ability to establish collaborative arrangements with other organizations.

Until required for operations, we invest our cash reserves in bank deposits, certificates of deposit, commercial paper, corporate notes, United States government instruments and other readily marketable debt instruments in accordance with our investment policy.

At March 31, 2001, we had $781.2 million in cash, cash equivalents and securities available-for-sale compared to $750.5 million at December 31, 2000. Sources of cash, cash equivalents and securities available-for-sale during the three months ended March 31, 2001, included $32.8 million from operations and $5.7 million from the issuance of common stock under employee stock option and purchase plans. Uses of cash, cash equivalents and securities available-for-sale during the three months ended March 31, 2001, included $5.1 million used to purchase capital equipment.

In September 2000, we purchased a 60-acre site in Oceanside for approximately $18.9 million in cash. We plan to build a large-scale manufacturing facility at the location, which we anticipate using to commercialize our products currently in clinical trials. Additional costs we expect to incur in connection with this facility include design, development and construction costs, as well as the purchase and installation of equipment and furnishings for the facility. We estimate these costs at $300 to $400 million over a four-year period. We expect to pay for these costs in part through our existing cash on hand and in part from our working capital. We also presently intend to finance this facility through a structured financing which will likely involve using cash on hand as collateral. In the first quarter of 2001, we began preliminary site preparations for the first phase of development, which is anticipated to be approximately 300,000 square feet. The first phase of the new facility in Oceanside is anticipated to be completed in early 2004. We expect the facility to be operating by the end of 2005. This expansion

will allow us to better control the manufacture of our products, reducing our reliance on contract manufacturers, as well as to reduce commercial risk.

In February 1999, we raised through the sale of Notes approximately $112.7 million, net of underwriting commissions and expenses of $3.9 million. The Notes are zero coupon and were priced with a yield to maturity of 5.5 percent annually. Upon maturity, the Notes will have an aggregate principal face value of $345.0 million. Each $1,000 aggregate principal face value Note is convertible at the holders' option at any time through maturity into 40.404 shares of our common stock at an initial conversion price of $8.36. We are required under the terms of the Notes, as of 35 business days after a change in control occurring on or before February 16, 2004, to purchase any Note at the option of its holder at a price equal to the issue price plus accrued original issue discount to the date of purchase. Additionally, the holders of the Notes may require us to purchase the Notes on February 16, 2004, 2009 or 2014 at a price equal to the issue price plus accrued original issue discount to the date of purchase with us having the option to repay the Notes plus accrued original issue discount in cash, our common stock or a combination thereof. We have the right to redeem the Notes on or after February 16, 2004.

In September 1997, we entered into a development and license agreement with Cytokine Pharmasciences, Inc. Under the terms of the development and license agreement with CPI, we may make payments to CPI totaling up to $10.5 million plus a share of future royalty and development milestone payments received by us from third parties, subject to attainment of product development milestone objectives, of which $3.5 million has been paid through March 31, 2001.

FORWARD-LOOKING INFORMATION AND RISK FACTORS THAT MAY AFFECT FUTURE RESULTS

This Form 10-Q contains forward-looking statements based on our current expectations. You should be aware that these statements are projections or estimates as to future events, and actual results may differ materially.

In addition to the other information contained in this Form 10-Q, you should consider the following risk factors which could affect our actual future results and could harm our business, financial condition and results of operations. The risks and uncertainties described below are not the only risks facing us and additional risks and uncertainties may also harm our business.

Our Revenues Rely Significantly on Rituxan Sales

Our revenues currently depend largely upon continued sales of a single commercialized product, Rituxan. For the quarter ended March 31, 2001, 86% of our revenues were derived from our Rituxan copromotion arrangement with Genentech. We cannot be certain that Rituxan will continue to be accepted in the United States or in any foreign markets or that Rituxan sales will continue to increase. A number of factors may affect the rate and level of market acceptance of Rituxan, including:

- the perception by physicians and other members of the healthcare community of its safety and efficacy or that of competing products, if any;
- the effectiveness of our and Genentech's sales and marketing efforts in the United States and the effectiveness of Roche's sales and marketing efforts outside the United States;
- unfavorable publicity concerning Rituxan or similar drugs;
- its price relative to other drugs or competing treatments;
- the availability and level of third-party reimbursement; and
- regulatory developments related to the manufacture or continued use of Rituxan.

We incurred annual operating losses from our inception in 1985 through fiscal 1997. Given our current reliance on Rituxan as the principal source of our revenue, any material adverse developments with respect to the commercialization of Rituxan may cause us to incur losses in the future.

Our Operating Results Are Subject to Significant Fluctuations

Our quarterly revenues, expenses and operating results have fluctuated in the past and are likely to fluctuate significantly in the future. Fluctuation may result from a variety of factors, including:

- our achievement of product development objectives and milestones;
- demand and pricing for Rituxan;
- timing and nature of contract manufacturing and contract research and development payments and receipts;
- hospital and pharmacy buying decisions;
- clinical trial enrollment and expenses;
- research and development and manufacturing expenses;
- physician acceptance of our products;
- government or private healthcare reimbursement policies;
- our manufacturing performance and capacity and that of our partners;

- the amount and timing of sales orders of Rituxan by Genentech for customers in the United States and by Roche for customers outside the United States;
- rate and success of product approvals;
-

timing of FDA approval, if any, of competitive products and the rate of market penetration of competing products;

- collaboration obligations and copromotion payments we make or receive;
- foreign currency exchange rates; and
- overall economic conditions.

Our operating results during any one quarter do not necessarily suggest the anticipated results of future quarters. These results fluctuate periodically because our revenues are driven by the occurrence of events, for example, the achievement of product development milestones and the applicable profit-sharing allocation between us and Genentech, based upon our copromotion arrangement.

We Face Uncertain Results of Clinical Trials of Our Potential Products

Our future success depends in large part upon the results of clinical trials designed to assess the safety and efficacy of our potential products. We cannot be certain that patients enrolled in our clinical trials will respond to our products, that any product will be safe and effective or that data derived from the trials will be suitable for submission to the FDA, satisfactorily support a BLA, sBLA, or NDA or be sufficient for approval.

The completion rate of clinical trials depends significantly upon the rate of patient enrollment. Factors that affect patient enrollment include:

- size of patient population for the targeted disease;
- eligibility criteria;
- proximity of eligible patients to clinical sites;
- clinical trial protocols; and
- the existence of competing protocols, including competitive financial incentives for patients and clinicians, and existing approved drugs, including Rituxan.

Our inability to enroll patients on a timely basis could result in increased expenses and product development delays, which could harm our business. Even if a trial is fully enrolled, significant uncertainties remain as to whether it will prove successful.

In addition, the length of time necessary to complete clinical trials and submit an application for marketing and manufacturing approvals varies significantly and may be difficult to predict. Failure to comply with extensive FDA regulations may result in delay, suspension or cancellation of a trial or the FDA's refusal to accept test results. The FDA may also suspend our clinical trials at any time if it concludes that the participants are being exposed to unacceptable risks. Consequently, we cannot ensure that Phase I, Phase II, Phase III or Phase IV post-marketing testing will be completed timely or successfully, if at all, for any of our potential or existing products. Furthermore, success in preclinical and early clinical trials does not ensure that later phase or large scale trials will be successful.

We May be Unable to Develop and Commercialize New Products

Our future results of operations will depend to a large extent upon our ability to successfully commercialize new products in a timely and competitive manner. As a result, we must continue to develop, test and manufacture new products and must meet regulatory standards and obtain regulatory

approvals for any new products. Our products currently in development may not receive the regulatory approvals necessary for marketing in a timely manner, if at all. We submitted a BLA for ZEVALIN on November 1, 2000. Additionally, a supplemental filing has been submitted by our third-party radioisotope supplier. In May 2001 we received a Complete Review Letter from the FDA regarding our ZEVALIN BLA. In the Complete Review Letter the FDA outlined additional information and analysis we must submit as a result of their review. We may not be able to address the FDA's questions in a timely, responsive and comprehensive manner, if at all. Moreover, the FDA may request additional information prior to final approval. The FDA may not approve our application in a timely manner, if at all, which would delay or preclude our ability to commercialize ZEVALIN in the United States.

The development and commercialization process is time-consuming and costly, and we cannot be certain that any of our products, if and when developed and approved, will be successfully commercialized or competitive in the marketplace. Delays or unanticipated costs in any part of the process, our inability to obtain regulatory approval for or effectively commercialize our products, especially ZEVALIN, or our inability to maintain manufacturing facilities in compliance with all applicable regulatory requirements could harm our business.

We Have Limited Manufacturing Experience and Rely Heavily On Contract Manufacturers

We rely heavily upon third-party manufacturers to manufacture significant portions of our products and product candidates. Our current manufacturing capacity is limited. Our manufacturing experience to date has been limited to the production of preclinical and clinical quantities of product candidates and to approximately three years of commercial production of bulk Rituxan. We have no fill/finish experience or capacity, and we do not have experience manufacturing in the field of chelates or radioisotopes, which are required for our production of ZEVALIN. Therefore, we rely entirely upon third parties for fill/finish services as well as the manufacture of product components. Consequently, we cannot ensure that either our manufacturing facilities or our ability to sustain ongoing

production of our products will be able to meet our expectations. Nor can we be certain that we will be able to enter into satisfactory agreements with third party manufacturers or service providers. Our failure to enter into agreements with such manufacturers or fill/finish service providers on reasonable terms, if at all, or poor performance or coordination on our part or that of our third-party manufacturers or fill/finish service providers could harm our business.

In September 1999, we transferred all manufacturing of bulk Rituxan to Genentech. We rely upon Genentech for all Rituxan manufacturing to meet worldwide requirements. We cannot ensure that Genentech will manufacture and fill/finish Rituxan in sufficient quantities and on a timely and cost-effective basis or that Genentech will obtain and maintain all required manufacturing approvals. Genentech's failure to manufacture and fill/finish Rituxan or obtain and maintain required manufacturing approvals could harm our business.

Since the completion in September 1999 of our obligation to manufacture bulk Rituxan, we have commenced conversion of our current manufacturing facility to a multi-product facility. From this facility, we have manufactured and will continue to manufacture our own commercial requirements of the antibody for ZEVALIN upon the receipt of approval, if any, from the FDA to manufacture and market the antibody. We cannot be certain that our manufacturing performance will meet our expectations. Also, we may not receive all necessary regulatory approvals for a multi-product facility, or, even if we do receive these approvals, they may not be obtained within our budgeted time and expense estimations. Our inability to receive FDA approval of our manufacturing facility for ZEVALIN would harm our ability to timely produce commercial supplies of the ZEVALIN antibody. To the extent we cannot produce our own biologics, we will need to rely on third-party manufacturers, of which there are only a limited number capable of manufacturing biologics products as contract suppliers. We cannot be certain that we could reach agreement on reasonable terms, if at all, with those manufacturers.

ZEVALIN has multiple components that require successful coordination among several third-party contract manufacturers and suppliers. We are currently negotiating with commercial contractors to meet our long-term manufacturing demands for fill/finish of ZEVALIN bulk product. We may not be able to reach agreement on reasonable terms, if at all, with our contract manufacturers and we may not be able to integrate and coordinate successfully our contract manufacturers and suppliers. In addition our contract manufacturers and suppliers are required to maintain compliance with cGMP. Their inability to receive and maintain FDA approval of their facilities could delay commercialization of ZEVALIN.

We Rely Heavily on a Limited Number of Suppliers

Some materials used in our products and potential products, including Rituxan and ZEVALIN, are currently available only from a single supplier or a limited number of suppliers. Some of these suppliers are subject to ongoing FDA approvals or other governmental regulations. Any interruption or delay in our supply of materials required to sell our products could harm our business if we were unable to obtain an alternative supplier for these materials in a cost-effective and timely manner. Additional factors that could cause interruptions or delays in our source of materials include limitations on the availability of raw materials or manufacturing performance experienced by our suppliers and a breakdown in our commercial relations with one or more suppliers. These factors may be completely out of our control.

In addition, we have entered into an agreement with a commercial supplier of the radioisotope for our product ZEVALIN. Prior to the commercialization of ZEVALIN, this supplier will be required to obtain FDA approvals. We rely upon this supplier to meet our clinical and commercial requirements. If this supplier were unable to obtain and maintain FDA approvals, or if we were unable to receive the supply of this radioisotope for any other reason, including those described above, we would be unable to commercialize ZEVALIN unless we were to obtain a new supplier. We are aware of other entities that can provide the radioisotope that we need for the commercialization of ZEVALIN and we believe that these suppliers would be required to apply for additional governmental approvals to provide this radioisotope to us. The process of establishing a relationship with another supplier and the process of obtaining the required governmental approvals would be time-consuming and uncertain. There is no guarantee that we could reach an agreement with another supplier, on commercially reasonable terms, or at all. As a result of these concerns, if we were to lose our supply or were unable to receive sufficient quantities of the radioisotope from our sole supplier, our ability to sell ZEVALIN could be harmed which, in turn, could significantly harm our business.

We Have Limited Sales and Marketing Experience

We have limited experience with commercial sales and marketing, based entirely upon our launch and subsequent sales of Rituxan. Outside the United States, our strategy is to pursue and to rely solely upon collaborations with established pharmaceutical companies for marketing, distribution and sale of our products. We currently have no plans to directly market outside the United States. Given that we currently rely upon our copromotional partner to market Rituxan in the United States and rely exclusively on a third party outside the United States, we cannot be certain that our products will be marketed and distributed in accordance with our expectations or that our market research or sales forecasts will be accurate. We also cannot be certain that we will ever be able to develop our own sales and marketing capabilities to an extent that we would not need to rely on third-party efforts, or that we will be able to maintain satisfactory arrangements with the third parties on whom we rely.

ZEVALIN, if approved, will be our first product to be marketed exclusively by us in the United States. We have no marketing support service experience and, therefore, we will be dependent on outside contractors to meet those needs. We are currently negotiating with a third-party logistics distributor to provide customer service, order entry, shipping, billing, customer reimbursement assistance and managed care sales support. We cannot be certain that we will reach agreement on

reasonable terms, if at all, with our third-party logistics distributor or that the integration of these marketing support services can be successfully coordinated.

Our Industry is Intensely Competitive

The biotechnology industry is intensely competitive and we may not be able to produce or acquire rights to new products with commercial potential. We compete with biotechnology and pharmaceutical companies that have been established longer than we have, have a greater number of products on the market, have greater financial and other resources and have other technological or competitive advantages. We also compete in the development of technologies and processes and in acquiring personnel and technology from academic institutions, government agencies, and other private and public research organizations. We cannot be certain that one or more of our competitors will not receive patent protection that dominates, blocks or adversely affects our product development or business; will benefit from significantly greater sales and marketing capabilities; or will not develop products that are accepted more widely than ours. We are aware that a competitor, Corixa Corporation, formerly Coulter Pharmaceuticals, Inc., filed a BLA in 2000, for Bexxar, (tositumomab, Iodine I 131 tositumomab)

a radiolabeled murine antibody product for the treatment of non-Hodgkin's lymphomas, which may compete with Rituxan and ZEVALIN, if approved. We are also aware of other potentially competitive biologic therapies for non-Hodgkin's lymphomas in development.

We May be Unable to Adequately Protect or Enforce Our Intellectual Property Rights or Secure Rights to Third-Party Patents

Our ability and the abilities of our partners to obtain and maintain patent and other protection for our products will affect our success. We are assigned, have rights to, or have exclusive licenses to a number of U.S. and foreign patents and patent applications. However, these patent applications may not be approved and, even if approved, our patent rights may not be upheld in a court of law if challenged. The patent positions of pharmaceutical and biotechnology companies can be highly uncertain and involve complex legal and factual questions. Our patent rights may not provide competitive advantages for our products and may be challenged, infringed upon or circumvented by our competitors.

Because of the large number of patent filings in the biopharmaceutical field, our competitors may have filed applications or been issued patents and may obtain additional patents and proprietary rights relating to products or processes competitive with or similar to ours. We cannot be certain that U.S. or foreign patents do not exist or will not issue that would harm our ability to commercialize our products and product candidates.

In September 1999, an interference to determine priority of inventorship was declared in the United States Patent and Trademark Office between Dartmouth University's patent application, which has been exclusively licensed to us, and Columbia University's patent, which we believe has been exclusively licensed to Biogen, Inc., relating to anti-CD40L antibodies. A hearing on motions to determine the scope of the interference was held in April 2001 with a decision on the motions expected by summer 2001. We, along with other companies, have filed oppositions to a Japanese patent assigned to Immunex Corporation relating to anti-CD40L antibodies. We are also aware that oppositions have been filed in the European Patent Office to granted European applications that have been licensed to us. Each of these applications contain claims relating to the use of anti-CD40L antibodies as a therapeutic. Also, we are aware of an opposition that was filed to a granted European patent application which names us as the applicant and which relates to PROVAX and therapeutic use thereof. If the outcome of the interference or any of the oppositions is adverse, in whole or in part, it could result in the scope of some or all of the granted claims being limited, some or all of the granted claims being lost, the granted patent application not proceeding to a patent or, our competitors having patent claims that may be asserted against us.

We are aware of several third-party patents and patent applications, to the extent they issue as patents, that if successfully asserted against us, may adversely affect our ability to make, use, offer to sell, sell and import our products. These third-party patents and patent applications may include:

- three U.S. patents assigned to Glaxo SmithKline plc, or Glaxo, and foreign counterparts relating to therapeutic uses of CHO-glycosylated human chimeric, CDR-grafted or bi-specific antibodies;
- two U.S. patents assigned to Glaxo and foreign counterparts relating to chelator-stabilized antibody preparations;
- two U.S. patents assigned to Glaxo and foreign counterparts directed to methods of growing CHO cells in media that is free from components obtained directly from an animal source;
- three U.S. patents assigned to Coulter Pharmaceutical, Inc. and the Regents of the University of Michigan; one that relates to compositions comprising radiolabeled antibodies directed to CD20 antigen which are administered at nonmyelosuppressive doses; a second which relates to methods of treating lymphoma with anti-CD20 antibodies in combination with an anti-CD20 radiolabeled antibody, an apoptosis-inducing agent, external beam radiation, or a chemotherapeutic agent; and a third directed to methods of treating lymphoma comprising imaging the distribution of a radiolabeled anti-CD20 antibody followed by the administration of radiolabeled antibodies directed to the CD20 antigen in non myelo suppressive doses.
- a U.S. patent and foreign counterparts filed by Bristol-Myers Squibb Company that relate to ligands to a B7.1 antigen;
- two U.S. patents assigned to Columbia University and a Japanese patent assigned to Immunex, which we believe have been exclusively licensed to Biogen, related to monoclonal antibodies to the 5C8 antigen found on T cells and methods of their use. We believe the 5C8 antigen and CD40L, the target for our IDEC-131 antibody, are both expressed on the surface of activated T cells; and
- a number of issued U.S. and foreign patents that relate to various aspects of radioimmunotherapy of cancer and to methods of treating patients with anti-CD4 antibodies.

The owners, or licensees of the owners of these patents, or any foreign patents, and patent applications, to the extent they issue as patents, may assert that one or more of our products infringe one or more claims of these patents. If legal action is commenced against us or our partners to enforce any of these patents and patent applications, to the extent they issue as patents, and the plaintiff in such action prevails, we could be prevented from practicing the subject matter claimed in such patents.

On May 28, 1999, Glaxo filed a patent infringement lawsuit against Genentech. On September 14, 2000, Glaxo filed a second patent infringement lawsuit against Genentech. These suits assert that the manufacture, use, and sale of Rituxan infringes U.S. patents owned by Glaxo. The trial for the first of these suits concluded on May 4, 2001 with the jury unanimously finding that Rituxan does not infringe patents held by Glaxo. The jury also unanimously found that all of the patent claims that Glaxo asserted against Genentech were invalid. Glaxo may elect to appeal the jury's verdict. The judge has scheduled the trial for the second suit to begin January 25, 2002. To date we have not been named in either of these suits.

If Glaxo were to prevail in the second suit or on appeal of the first suit, it could seek a variety of remedies, including seeking damages for past sales, requiring Genentech to obtain a license from Glaxo or obtaining an injunction against the sale of Rituxan. Because we rely on sales of Rituxan for substantially all of our

revenue, an injunction would significantly harm our business. Further, if Genentech were required to obtain a license from Glaxo, our operating results in a particular quarter could be harmed as a result of any payment required for past royalties. Additionally, our long-term

profitability could be harmed by reduced profit sharing under our collaboration agreement with our partner Genentech as a result of future royalties and other payments to Glaxo.

In addition, Glaxo has sued Roche in Germany asserting that Rituxan infringes Glaxo's patents. On October 26, 2000, a German court handling the infringement phase of the suit issued a decision holding that the manufacture, use and sale of Rituxan infringes patents held by Glaxo. Roche has appealed the decision and the appeal is pending before the Court of Appeal. If Glaxo elects to enforce the decision, it must post a $6.4 million bond. A second German court considering the validity of the Glaxo patents has to date not issued a decision. Additionally, Roche has filed oppositions in the European Patent Office to several of the Glaxo patents. Although we were not named in the suit, if Glaxo obtains an injunction precluding further sale of Rituxan, our business could be harmed.

In addition to patents, we rely on trade secrets and proprietary know-how that we seek to protect, in part, through confidentiality agreements with our partners, employees and consultants. These parties may breach our agreements and courts may not enforce the agreements, leaving us without adequate remedies. Further, our trade secrets may become known or be independently developed or patented by our competitors.

If it were ultimately determined that our claimed intellectual property rights are unenforceable, or that our use of our products infringes on the rights of others, we may be required or may desire to obtain licenses to patents and other intellectual property held by third parties to develop, manufacture and market our products. We may not be able to obtain these licenses on commercially reasonable terms, if at all, and any licensed patents or intellectual property that we may obtain may not be valid or enforceable. In addition, the scope of intellectual property protection is subject to scrutiny and change by courts and other governmental bodies. Litigation and other proceedings concerning patents and proprietary technologies can be protracted, expensive and distracting to management and companies may sue competitors as a way of delaying the introduction of competitors' products. Any litigation, including any interference proceeding to determine priority of inventions, oppositions to patents in foreign countries or litigation against our partners, may be costly and time-consuming and could harm our business.

Failure to Obtain Product Approvals or Comply with Government Regulations Could Harm Our Business

As pharmaceutical manufacturers, we as well as our partners, contract manufacturers and suppliers are subject to extensive, complex, costly and evolving governmental rules, regulations and restrictions administered by the FDA, by other federal and state agencies, and by governmental authorities in other countries. In the United States, our products cannot be marketed until they are approved by the FDA. Rituxan is our only product that has received FDA approval, and we cannot be certain that ZEVALIN or any of our product candidates will be approved either in the United States or in other countries in a timely fashion, if at all.

Obtaining FDA approval involves the submission, among other information, of the results of preclinical and clinical studies on the product, and requires substantial time, effort and financial resources. Before approval of an NDA or BLA, the FDA will also perform prelicensing inspections of our facility and our contract manufacturers, suppliers and fill/finish providers facilities to determine compliance with cGMP. For example, as part of the FDA Complete Review Letter received for ZEVALIN in May 2001, the FDA indicated that it will establish an independent schedule for pre-approval inspection of our ZEVALIN radioisotope supplier and fill/finish provider. Our failure or the failure of our partners, contract manufacturers or suppliers, in particular our radioisotope supplier or fill/finish provider, to meet FDA requirements would delay or preclude our ability to sell ZEVALIN which would harm our business.

Even assuming FDA approval, we, as well as our partners, contract manufacturers and suppliers, are subject to numerous FDA requirements covering, among other things, testing, manufacturing, quality control, labeling and continuing promotion of drugs, and to government inspection at all times. Failure to meet or comply with any rules, regulations or restrictions of the FDA or other agencies could result in:

- fines;
- unanticipated expenditures;
- product delays;
- non-approval or recall;
- interruption of production; and
- criminal prosecution.

Although we have instituted internal compliance programs and continue to address compliance issues raised from time to time by the FDA, we may not be able to meet regulatory agency standards and any lack of compliance may harm our business.

We May be Unable to Maintain Third-Party Research and Development Relationships

Funding of research and development efforts depends largely upon various arrangements with strategic partners and others who provide us with funding and who perform research and development with respect to our products. These strategic partners may generally terminate their arrangements with us at any time. These parties may develop products that compete with ours, and we cannot be certain that they will perform their contractual obligations or that any revenues will

be derived from such arrangements. If one or more of our strategic partners fail to achieve product development objectives, this failure could harm our ability to fund related programs and develop products.

Our Business Exposes Us to Product Liability Claims

Our design, testing, development, manufacture and marketing of products involve an inherent risk of exposure to product liability claims and related adverse publicity. Insurance coverage is expensive and difficult to obtain, and we may be unable to obtain coverage in the future on acceptable terms, if at all. Although we currently maintain product liability insurance for our products in the amounts we believe to be commercially reasonable, we cannot be certain that the coverage limits of our insurance policies or those of our strategic partners will be adequate. If we are unable to obtain sufficient insurance at an acceptable cost or if a successful product liability claim is made against us, whether fully covered by insurance or not, our business could be harmed.

Future Transactions May Harm Our Business or the Market Price of Our Securities

We regularly review potential transactions related to technologies, products or product rights and businesses complementary to our business. These transactions could include:

- mergers;
- acquisitions;
- strategic alliances;
- off-balance sheet financings;
- licensing agreements; and
- copromotion agreements.

We may choose to enter into one or more of these transactions at any time, which may cause substantial fluctuations to the market price of securities that we have issued. Moreover, depending upon the nature of any transaction, we may experience a charge to earnings, which could also harm the market price of securities that we have issued.

We May Not be Able to Successfully Develop and Commence Operations of Our New Manufacturing Facility

We have recently purchased a 60-acre parcel of land on which we intend to develop a manufacturing facility. We have limited experience in developing manufacturing facilities and may not be able to successfully develop or commence operations at this facility. We may encounter difficulties in designing, constructing and initiating our manufacturing facility, including:

- governmental regulation of our manufacturing facility, specifically, FDA approvals required for the commercial manufacture of our products currently in clinical trials;
- public opinion regarding the impact of the facility on nearby communities;
- construction delays, including obtaining necessary governmental approvals and permits;
- cost overruns;
- delays in design, shipment and installation of equipment for our facility;
- other unforeseeable factors inherent in the construction process; and
- obtaining financing we may need to complete the facility.

Even if we are able to successfully develop this manufacturing facility, we may not be able to do so in a cost-effective manner or in a time frame that is consistent with our expected future manufacturing needs.

Volatility of Our Stock Price

The market prices for our common stock and for securities of other companies engaged primarily in biotechnology and pharmaceutical development, manufacture and distribution are highly volatile. For example, the market price of our common stock fluctuated between $19.00 per share and $75.25 per share

during the twelve months ended April 30, 2001. The market price of our common stock will likely continue to fluctuate due to a variety of factors, including:

- material public announcements;
- the announcement and timing of new product introductions by us or others;
- technical innovations or product development by us or our competitors;
- regulatory approvals or regulatory issues;
- developments relating to patents, proprietary rights and orphan drug status;
- actual or potential clinical results with respect to our products under development or those of our competitors;
- political developments or proposed legislation in the pharmaceutical or healthcare industry;
- economic and other external factors, disaster or crisis;
- hedge and/or arbitrage activities by holders of our convertible notes;
- period-to-period fluctuations in our financial results; and

- market trends relating to or affecting stock prices throughout our industry, whether or not related to results or news regarding us or our competitors.

We are Subject to Uncertainties Regarding Healthcare Reimbursement and Reform

Our ability to commercialize products depends in part on the extent to which patients are reimbursed by governmental agencies, private health insurers and other organizations, such as health maintenance organizations, for the cost of such products and related treatments. Our business could be harmed if healthcare payers and providers implement cost-containment measures and governmental agencies implement healthcare reform.

Our Business Involves Environmental Risks

Our business and the business of several of our strategic partners, including Genentech, involve the controlled use of hazardous materials, chemicals, biologics and radioactive compounds. Biologics manufacture is extremely susceptible to product loss due to microbial or viral contamination, material equipment failure, or vendor or operator error. Although we believe that our safety procedures for handling and disposing of such materials complies with state and federal standards, there will always be the risk of accidental contamination or injury. In addition, microbial or viral contamination may cause the closure of the respective manufacturing facility for an extended period of time. By law, radioactive materials may only be disposed of at state-approved facilities. We currently store our radioactive materials on-site because the approval of a disposal site in California for all California-based companies has been delayed indefinitely. If and when a disposal site is approved, we may incur substantial costs related to the disposal of these materials. If we were to become liable for an accident, or if we were to suffer an extended facility shutdown, we could incur significant costs, damages and penalties that could harm our business.

We Face Increased Energy Costs and May Face Power Outages as a Result of the Energy Crisis Currently Being Experienced in California

In late 2000, and continuing into 2001, the State of California has been subject to a deterioration in the ability of major utilities to provide energy for the State's needs. Throughout California, the crisis has resulted in "rolling blackouts" where certain areas are not provided with any electricity for periods of up to two hours. To date the most immediate impact has been the significant increase in power rates for most users, including us. In addition, the loss of electrical power or "blackouts" for any significant periods could harm our ability to manufacture the clinical and commercial requirements of our products, including the ZEVALIN antibody, and could result in significantly higher manufacturing costs.

We Rely upon Key Personnel

Our success will depend, to a great extent, upon the experience, abilities and continued services of our executive officers and key scientific personnel. If we lose the services of any of these officers or key scientific personnel, our business could be harmed. Our success also will depend upon our ability to attract and retain other highly qualified scientific, managerial, sales and manufacturing personnel and our ability to develop and maintain relationships with qualified clinical researchers. Competition for these personnel and relationships is intense and we compete with numerous pharmaceutical and biotechnology companies as well as with universities and non-profit research organizations. We may not be able to continue to attract and retain qualified personnel or develop and maintain relationships with clinical researchers.

We May Be Unable to Raise Additional Capital or to Repurchase Our Convertible Notes

We expend and will likely continue to expend substantial funds to complete the research, development, manufacturing and marketing of our potential future products. Consequently, we may seek to raise capital through collaborative arrangements, strategic alliances or equity and debt financings or from other sources. We may need to raise additional funds or borrow funds to complete the construction of our planned Oceanside facility. We may be unable to raise additional capital on commercially acceptable terms, if at all, and if we raise capital through equity financing, existing stockholders may have their ownership interests diluted. Our failure to be able to generate adequate funds from operations or from additional sources would harm our business.

If we undergo events constituting a change of control prior to February 16, 2004, we will be obligated to repurchase all our outstanding Notes at the option of the holder. We may not have sufficient funds at that time or may not be able to raise sufficient funds to make these repurchases.

Our Convertible Notes Leverage Us Considerably

As a result of issuing our Notes in February 1999, we raised approximately $112.7 million, net of underwriting commissions and expenses of $3.9 million, by incurring indebtedness of $345.0 million at maturity in 2019. As a result of this indebtedness, our principal and interest obligations increased substantially. The degree to which we are leveraged could harm our ability to obtain future financing and could make us more vulnerable to industry downturns and competitive pressures. Our ability to meet our debt obligations will be dependent upon our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are beyond our control. The holders of the Notes may require us to purchase the Notes on February 16, 2004, 2009, 2014 at a price equal to the issue price plus accrued original issue discount to the date of purchase. We have the option to repay our Notes plus accrued original issue discount in cash, our common stock or a combination thereof. We have the right to redeem the notes on or after February 16, 2004.

In addition, in the event of our insolvency, bankruptcy, liquidation, reorganization, or dissolution or upon our default in payment with respect to any indebtedness or an event of default with respect to such indebtedness resulting in the acceleration thereof, our assets will be available to pay the amounts due on our Notes only after all our senior indebtedness has been paid in full. Moreover, holders of common stock would only receive the assets remaining after payment of all indebtedness and preferred stock, if any.

We Have Adopted Several Anti-takeover Measures and Our Convertible Notes May Have A Further Anti-takeover Effect

We have taken a number of actions that could discourage a takeover attempt that might be beneficial to stockholders who wish to receive a premium for their shares from a potential bidder. For example, we reincorporated into Delaware, which subjects us to Section 203 of the Delaware General Corporation Law, providing that we may not enter into a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in the manner prescribed in the code section. In addition, we have adopted a stockholder rights plan that would cause substantial dilution to a person who attempts to acquire us on terms not approved by our board of directors. In addition, our board of directors has the authority to issue, without vote or action of stockholders, up to 8,000,000 shares of preferred stock and to fix the price, rights, preferences and privileges of those shares. Any series of preferred stock could contain dividend rights, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences or other rights superior to the rights of holders of common stock. Although we currently have 148,014 shares of non-voting convertible preferred stock outstanding, which were convertible into 4,174,758 shares of common stock as of

March 31, 2001, the board of directors has no present intention of issuing any additional shares of preferred stock. However, the board of directors may issue additional series of preferred stock in the future. In addition, our copromotion arrangement with Genentech provides Genentech with the option to buy the rights to Rituxan in the event that we undergo a change of control, which may limit our attractiveness to potential acquirers.

We are required by the terms of our Notes, as of 35 business days after a change in control occurring on or before February 16, 2004, to purchase any Notes at the option of its holder and at a price equal to the issue price plus accrued original issue discount to the date of repurchase. This feature of our Notes may have an anti-takeover effect.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to a variety of risks, including changes in interest rates affecting the return on our investments and the cost of our debt.

At March 31, 2001, we maintained a portion of our cash and cash equivalents in financial instruments with original maturities of three months or less. We also maintained an investment portfolio containing financial instruments in which the majority have original maturities of greater than three months but less than twenty-four months. These financial instruments, principally comprised of corporate obligations and to a lesser extent foreign and U.S. government obligations, are subject to interest rate risk and will decline in value if interest rates increase. A hypothetical ten percent change in interest rates during the three months ended March 31, 2001, would have resulted in approximately a $1.1 million change in pretax income. We have not used derivative financial instruments in our investment portfolio.

Our long-term debt totaled $131.0 million at March 31, 2001 and was comprised principally of the Notes. Our long-term debt obligations bear interest at a weighed average interest rate of 5.5%. Due to the fixed rate nature of the Notes, an immediate ten percent change in interest rates would not have a material effect on our financial condition or results of operations.

Underlying market risk exists related to an increase in our stock price or an increase in interest rates which may make conversion of the Notes to common stock beneficial to the Notes holder. Conversion of the Notes would have a dilutive effect on our earnings per share and book value per common share.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are involved in certain legal proceedings generally incidental to our normal business activities. While the outcome of any such proceedings cannot be accurately predicted, we do not believe the ultimate resolution of any such existing matters would have a material adverse effect on our business or financial condition.

Item 2. Changes in Securities. None

Item 3. Defaults upon Senior Securities. None

Item 4. Submission of Matters to a Vote of Security Holders. None

Item 5. Other Information. None

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits referenced

Exhibit Number	Description
10.15*	Isotope Agreement between the Company and MDS Nordian Inc. as amended by a first amendment on January 21, 2000 and a second amendment on March 16, 2001.

* Confidential treatment requested.

(b) Reports on Form 8-K. None

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IDEC PHARMACEUTICALS CORPORATION

Date: May 15, 2001

By: /s/ William H. Rastetter

William H. Rastetter
Chairman of the Board, President and
Chief Executive Officer
(Principal Executive Officer)

Date: May 15, 2001

By: /s/ Phillip M. Schneider

Phillip M. Schneider
Senior Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

CONFIDENTIAL TREATMENT REQUESTED: PAGES WHERE CONFIDENTIAL TREATMENT HAS BEEN REQUESTED ARE MARKED "CONFIDENTIAL TREATMENT REQUESTED" AND APPROPRIATE SECTIONS, WHERE TEXT HAS BEEN OMITTED, ARE NOTED WITH "[CONFIDENTIAL TREATMENT REQUESTED]." AN UNREDACTED VERSION OF THIS DOCUMENT HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

THIS AGREEMENT made in duplicate as of this 14th day of May, 1999,

BETWEEN: MDS NORDION INC.
having a place of business at
447 March Road, Kanata
Ontario, Canada

("Nordion")

AND: IDEC PHARMACEUTICALS CORPORATION
having a place of business at
11011 Torreyana Road
San Diego, CA 92121

("IDEC")

(Nordion and IDEC are sometimes referred to in this Agreement individually as a "party" and collectively as the "parties").

WHEREAS:

I IDEC is the owner of a Monoclonal Antibody used in the treatment of non-Hodgkins lymphoma;

II Nordion has expertise in the manufacture and supply of Isotope;

III IDEC is the owner of labeling techniques and has demonstrated an ability to label its Monoclonal Antibody with the Isotope;

IV IDEC desires that Nordion establish a manufacturing facility to manufacture and supply Isotope [CONFIDENTIAL TREATMENT REQUESTED] in sufficient quantities for use in the Clinical Trial Phase, the Pre-Commercial Phase and the Commercial Phase.

NOW THEREFORE in consideration of the mutual covenants and agreements herein contained, and subject to the terms and conditions hereinafter set out, the parties agree as follows:

ARTICLE 1 - DEFINITIONS

For the purposes of this agreement:

1.1 "Affiliate" shall mean an entity or person which controls, is controlled by or is under common control with either party. For purposes of this Section 1.1 control shall mean (a) in the case of corporate entities, the direct or indirect ownership of more than one-half of the stock or participating shares entitled to vote for the election of directors, and (b) in the case of a partnership, the power to direct the management and policies of such partnership.

1.2 "Batch" shall mean a production batch of Isotope manufactured under this agreement.

1.3 "BLA" shall mean a Biologics License Application, as defined by the regulations promulgated under the United States FD&C Act and PHS Act and any supplements thereunder, as amended from time to time.

1.4 "Calibration" shall mean [CONFIDENTIAL TREATMENT REQUESTED] shipment of Isotope.

1.5 "Clinical Trials" shall mean human trials for clinical development of Labelled Drug in the United States, Europe and/or Canada.

1.6 "Clinical Trial Phase" shall mean the period of Isotope supply for use in Clinical Trials to the date of IDEC's BLA filing in the United States.

1.7 "Commercial Phase" shall mean the period of Isotope supply for use in Clinical Trials and for commercial sale commencing after BLA regulatory approval has been received in the United States by IDEC from the FDA.

1.8 "Current Good Manufacturing Practices" or "cGMP(s)" shall mean the good manufacturing practices required by the FDA and set forth in the FD&C Act or FDA regulations, policies or guidelines in effect at a particular time for the manufacturing, testing and quality control of pharmaceutical materials, except to the extent that Canadian or European standards for the manufacture, testing and quality control of

pharmaceutical materials are higher or more stringent than those required by the FDA, in which case such more stringent standards shall apply.

1.9 "Effective Date" shall mean the date first above written.

1.10 "FDA" shall mean the United States Food and Drug Administration.

1.11 "FD&C Act" shall mean the United States Federal Food, Drug and Cosmetic Act, as amended.

1.12 "Isotope" shall mean radiopharmaceutical grade yttrium-90 chloride sterile solution manufactured in accordance with the Specifications and cGMPs for use with Labelled Drug.

1.13 "Labelled Drug" shall mean IDEC's pharmaceutical/biological product containing Isotope labelled Monoclonal Antibody in therapeutic dosage form for use in the Clinical Trial Phase, Pre-Commercial Phase or Commercial Phase.

1.14 "Master Validation Plan" shall mean the program established by Nordion by which documented evidence provides a high degree of assurance that the Isotope will consistently be produced to meet Specifications.

1.15 "Monoclonal Antibody" shall mean IDEC's 2B8 monoclonal antibody for use in the treatment of non-Hodgkins lymphoma.

1.16 "NDA" shall mean a New Drug Application, as defined by the regulations promulgated under the United States FD&C Act and PHS Act and any supplements thereunder, as amended from time to time.

1.17 "Pre-Commercial Phase" shall mean the period of Isotope supply for use in Clinical Trials after completion of the Clinical Trial Phase and prior to commencement of the Commercial Phase.

1.18 "PHS Act" shall mean the United States Public Health Service Act, as amended.

1.19 "Specification(s)" shall mean the conditions, characteristics and specifications for Isotope, set out in Exhibit 2, as amended by written agreement between Nordion and IDEC from time to time.

ARTICLE 2 - PURPOSE

2.1 Scope and Object

The scope and object of this agreement is the development by Nordion of a process to manufacture Isotope in sufficient quantities to meet the supply needs of IDEC and to ship Isotope [CONFIDENTIAL TREATMENT REQUESTED] and under circumstances set out herein [CONFIDENTIAL TREATMENT REQUESTED]. The Project Schedule is set out in Exhibit 1. Both parties shall use commercially reasonable best efforts to meet their respective milestones set out in Exhibit 1. If either party, acting in good faith, materially fails to satisfy any milestone, such party shall provide written notice thereof to the other party and the parties shall determine a reasonable corrective action plan and revised milestone schedule. Both parties shall, in good faith, work together to develop a scale up strategy for the manufacturing of Isotope to meet requirements for the [CONFIDENTIAL TREATMENT REQUESTED] of Commercial Phase Isotope supply.

ARTICLE 3 - DEVELOPMENT/DOCUMENTATION OF MANUFACTURING PROCESS

3.1 Manufacturing Process

In accordance with Exhibit 1 and Exhibit 3 and as described in Section 2.1, Nordion will develop the process for the manufacture of Isotope in accordance with cGMPs at its facility in Kanata, Ontario. During the Clinical Trial Phase and subject to Section 21.2, Nordion may purchase radiochemical grade yttrium-90 from third parties as the raw material used in the manufacture of Isotope. In accordance with Exhibit 1, Nordion shall establish a facility and develop and implement a process for the manufacture of radiochemical yttrium-90 in-house at one of its facilities or such other

facility as Nordion deems fit for such purpose, using Nordion technology and personnel.

3.2 Documentation

Nordion shall generate all necessary cGMP documentation relating to the production of Isotope; procure, test, and release all raw materials relating to the Isotope; validate all necessary process equipment, and perform all necessary process validation according to the Master Validation Plan, which Master Validation Plan shall be prepared by Nordion. All documentation, facilities and raw material standards shall meet FDA regulatory requirements, and such other applicable regulatory requirements in the United States, Canada and Europe.

ARTICLE 4 - SUPPLY MANAGEMENT

4.1 Performance Status

Within ten (10) days after execution of this agreement, the parties shall each designate a Program Manager, who shall be responsible for coordinating communication between the parties. The Program Manager for Nordion shall respond to IDEC's reasonable inquiries regarding the status of Nordion's obligations under this Agreement on an ongoing basis and shall keep IDEC informed as to interim progress in periodic reports.

ARTICLE 5 - CONSIDERATION

5.1 Acknowledgement of Payment

[CONFIDENTIAL TREATMENT REQUESTED], IDEC has paid Nordion a lump sum amount of [CONFIDENTIAL TREATMENT REQUESTED], of which payment Nordion hereby acknowledges receipt, and which amount shall be non-refundable.

For the purposes of certainty all sums expressed in this agreement shall be in United States currency.

ARTICLE 6 - CLINICAL TRIAL PHASE AND PRE-COMMERCIAL PHASE

6.1 Clinical Trial Phase and Pre-Commercial Phase Supply

Subject to the terms set out in this Agreement, Nordion agrees to use commercially reasonable best efforts to commence supply of Isotope to IDEC in accordance with Exhibit 1 for use in the Clinical Trial Phase and Pre-Commercial Phase under IDEC's Investigational New Drug Applications ("IND(s)") in the United States and IDEC's or its designee's IND or equivalents in Europe and Canada. Isotope shall meet the Specifications and shall be manufactured by Nordion in accordance with cGMPs. Nordion shall manufacture [CONFIDENTIAL TREATMENT REQUESTED] of Isotope [CONFIDENTIAL TREATMENT REQUESTED] in accordance with Exhibit 3 and this Article 6, taking into account holiday periods and facility maintenance not to exceed in aggregate [CONFIDENTIAL TREATMENT REQUESTED] per year, which at Nordion's election, may be taken in [CONFIDENTIAL TREATMENT REQUESTED] periods. Nordion shall provide [CONFIDENTIAL TREATMENT REQUESTED] prior written notice to IDEC prior to incurring a facility maintenance or holiday period. Nordion shall ship Isotope to [CONFIDENTIAL TREATMENT REQUESTED]. IDEC acknowledges that delivery of Isotope is handled by third party carriers, however, Nordion will strive to meet delivery by its third party carriers [CONFIDENTIAL TREATMENT REQUESTED] at the destination on the day of delivery. Notwithstanding the foregoing IDEC acknowledges that as a result of carrier flight scheduling and/or customer location, that delivery of Isotope to certain customers may not be achievable [CONFIDENTIAL TREATMENT REQUESTED], or if achievable, at carrier rates in excess of those carrier rates that may be reasonably acceptable to IDEC. For such customer locations to which IDEC requests delivery, Nordion shall advise IDEC whether [CONFIDENTIAL TREATMENT REQUESTED] delivery is achievable by the carrier and IDEC shall provide instructions to Nordion.

In the event delivery of Isotope is delayed beyond its scheduled delivery time and is not used as a direct result of late delivery, Nordion will replace, [CONFIDENTIAL TREATMENT REQUESTED], such vial(s) of Isotope, within the [CONFIDENTIAL TREATMENT REQUESTED].

6.2 Production Planning for Clinical Trial Phase and Pre-Commercial Phase Supply

Subject to Section 6.3, during the [CONFIDENTIAL TREATMENT REQUESTED] of [CONFIDENTIAL TREATMENT REQUESTED], Nordion and IDEC will establish an Isotope production schedule for the Clinical Trial Phase and Pre-Commercial Phase supply, as the case may be, for the following [CONFIDENTIAL TREATMENT REQUESTED], taking into account holiday periods and facilities maintenance, not to exceed in aggregate [CONFIDENTIAL TREATMENT REQUESTED] per year. In addition, IDEC will provide an estimate of requirements for the [CONFIDENTIAL TREATMENT REQUESTED] through the [CONFIDENTIAL TREATMENT REQUESTED] following the date upon which such schedule is established. This approach to production planning may be modified as mutually agreed to by the parties based on IDEC's experience in conducting Clinical Trials and Nordion's experience in supplying Isotope for the Clinical Trials. Isotope may be shipped in as many as [CONFIDENTIAL TREATMENT REQUESTED] to be discussed by the parties and approved by IDEC, however it is anticipated by IDEC that [CONFIDENTIAL TREATMENT REQUESTED], will be required. Isotope shall be supplied in [CONFIDENTIAL TREATMENT REQUESTED] in an appropriate lead shield. [CONFIDENTIAL TREATMENT REQUESTED]

6.3 Purchase Price For Clinical Trial Phase and Pre-Commercial Phase Supply

During the Clinical Trial Phase and the Pre-Commercial Phase, IDEC shall purchase from Nordion [CONFIDENTIAL TREATMENT REQUESTED] of Isotope [CONFIDENTIAL TREATMENT REQUESTED], commencing within [CONFIDENTIAL TREATMENT REQUESTED] following notice from Nordion that it has established a reliable supply of Isotope and has filed an appropriate Drug Master File amendment with the FDA. The purchase price for [CONFIDENTIAL TREATMENT REQUESTED] of Isotope that is produced by Nordion as may be requested by IDEC for use in the Clinical Trial Phase and the Pre-Commercial Phase and that meets Specifications, shall be [CONFIDENTIAL TREATMENT REQUESTED]. IDEC shall provide to Nordion its Isotope supply requirements [CONFIDENTIAL TREATMENT REQUESTED] prior to the Isotope production date.

It is acknowledged by IDEC that during the period described in Section 3.1 of this agreement during which Nordion purchases radiochemical grade yttrium-90 from a

third party, IDEC may be required by Nordion to provide to Nordion its Isotope supply requirements up to [CONFIDENTIAL TREATMENT REQUESTED] prior to the Isotope production date. The exact number of days shall be mutually agreed upon by IDEC and Nordion after Nordion has identified such third party and ascertains such third party's scheduling requirements. The supply requirements will specify the number of doses of Isotope to be shipped [CONFIDENTIAL TREATMENT REQUESTED].

6.4 Clinical Trial Phase and Pre-Commercial Phase Batch Size

Each Batch shall contain [CONFIDENTIAL TREATMENT REQUESTED]. If additional Isotope is required in a particular Batch, IDEC may, at no additional charge to IDEC, request that Nordion produce [CONFIDENTIAL TREATMENT REQUESTED]. In addition, IDEC may request that Nordion increase the Batch size, provided further that the price of such additional Isotope supplied shall be [CONFIDENTIAL TREATMENT REQUESTED]. For validation purposes a maximum shall be set, which maximum shall not exceed [CONFIDENTIAL TREATMENT REQUESTED].

For the purposes of clarity, Exhibit 4 sets out IDEC's Isotope ordering options.

6.5 Regulatory Delay

The parties acknowledge that during the Clinical Trial Phase and Pre-Commercial Phase, IDEC's clinical development of Labelled Drug is subject to regulatory oversight and that regulatory requirements may result in delay or suspension of clinical development and patient treatment, while such matters are resolved. If such delay or suspension occurs or if there are no active Clinical Trial protocols and it is not then necessary for IDEC to receive its supply of Isotope [CONFIDENTIAL TREATMENT REQUESTED], IDEC shall promptly notify Nordion in writing to temporarily suspend manufacture of Isotope. During such suspension, Nordion shall remain in a state of readiness to recommence supply of Isotope upon [CONFIDENTIAL TREATMENT REQUESTED] written notice from IDEC. In consideration of Nordion maintaining the facility in a state of readiness

during such suspension, IDEC shall, in lieu of IDEC's purchase obligations set forth in Section 6.3, [CONFIDENTIAL TREATMENT REQUESTED] until such time as Isotope supply is resumed and shall [CONFIDENTIAL TREATMENT REQUESTED]. Nordion shall provide to IDEC reasonable documentation [CONFIDENTIAL TREATMENT REQUESTED]. In the event Nordion is sourcing radiochemical grade yttrium-90 in house, IDEC shall in lieu of [CONFIDENTIAL TREATMENT REQUESTED], until such time as Isotope supply is resumed. Except in the event that delay in Nordion obtaining its NDA for Isotope is caused by the acts or omissions of IDEC, if Nordion does not receive NDA approval in accordance with Exhibit 1, or if Nordion during Clinical Trials or Pre-Commercial Phase, is prevented from supplying Isotope due to FDA regulatory requirements, [CONFIDENTIAL TREATMENT REQUESTED] applicable under this section shall be suspended until such time as NDA approval is obtained by Nordion or the FDA lifts any requirement preventing Nordion from supplying Isotope, as the case may be.

ARTICLE 7 - COMMERCIAL PHASE SUPPLY

7.1 Commercial Phase Supply in the United States and Canada

(i) During the Commercial Phase Nordion shall manufacture and supply Isotope to IDEC for use in Clinical Trials under IDEC's IND in the United States and IDEC's or its designee's IND or equivalents in Canada and Europe, and for commercial sale in Canada and the United States. IDEC shall, during the Commercial Phase, purchase from Nordion [CONFIDENTIAL TREATMENT REQUESTED]. Except as otherwise set out in this agreement, during the Commercial Phase IDEC agrees that it shall not, [CONFIDENTIAL TREATMENT REQUESTED].

Nordion shall ship Isotope to [CONFIDENTIAL TREATMENT REQUESTED]. Isotope shall meet the Specifications and shall be manufactured in accordance with cGMPs. IDEC agrees to purchase from Nordion during the Commercial Phase for use with the Monoclonal Antibody in Canada and the United States, in aggregate, a minimum of [CONFIDENTIAL TREATMENT REQUESTED] of Isotope per [CONFIDENTIAL TREATMENT REQUESTED] period, commencing from the start of the Commercial Phase, prorated for any partial period. During the Commercial Phase, except as provided in Section 7.4, Nordion will manufacture [CONFIDENTIAL TREATMENT REQUESTED] ship Isotope [CONFIDENTIAL TREATMENT REQUESTED]. Each Batch shall contain such amount of Isotope to meet IDEC's requirements as set out in Section 7.4 below. IDEC acknowledges that delivery of Isotope is handled by third party carriers, however, Nordion will strive to meet delivery by its third party carriers [CONFIDENTIAL TREATMENT REQUESTED] at the destination on the day of delivery. Notwithstanding the foregoing IDEC acknowledges that as a result of carrier flight scheduling and/or customer location, that delivery of Isotope to certain customers may not be achievable [CONFIDENTIAL TREATMENT REQUESTED], or if achievable, at carrier rates in excess of those carrier rates that may be reasonably acceptable to IDEC. For such customer locations to which IDEC requests delivery, Nordion shall advise IDEC whether [CONFIDENTIAL TREATMENT REQUESTED] is achievable by the carrier and IDEC shall provide instructions to Nordion.

In the event delivery of Isotope is delayed beyond its scheduled delivery time and is not used as a direct result of late delivery Nordion shall [CONFIDENTIAL TREATMENT REQUESTED].

(ii) IDEC may, during the Commercial Phase, upon [CONFIDENTIAL TREATMENT REQUESTED] prior written notice to Nordion, request that Nordion [CONFIDENTIAL TREATMENT REQUESTED], for use with IDEC's Monoclonal Antibody. Nordion agrees, that upon expiry of the above stated notice period, it shall [CONFIDENTIAL TREATMENT REQUESTED],

in accordance with the [CONFIDENTIAL TREATMENT REQUESTED]. All costs of transport of Isotope shall be to [CONFIDENTIAL TREATMENT REQUESTED] and shall be shipped [CONFIDENTIAL TREATMENT REQUESTED].

Upon Nordion commencing to sell [CONFIDENTIAL TREATMENT REQUESTED], except as otherwise agreed or for the purpose of Clinical Trials, Nordion shall [CONFIDENTIAL TREATMENT REQUESTED].

Proceeding to sell Isotope in the manner contemplated in this section shall in no way affect payment made by IDEC under Section 5.1 of this agreement, nor shall it render invalid, as between IDEC and Nordion, any other term or condition set out in this agreement. In the event IDEC elects that Nordion sell [CONFIDENTIAL TREATMENT REQUESTED], IDEC agrees to [CONFIDENTIAL TREATMENT REQUESTED] as IDEC's minimum Isotope purchase commitment set out in Section 7.1 (i).

(iii) After each [CONFIDENTIAL TREATMENT REQUESTED] period during the Commercial Phase, [CONFIDENTIAL TREATMENT REQUESTED], pro-rated for such other partial period if this agreement is earlier terminated.

[CONFIDENTIAL TREATMENT REQUESTED]. Nordion shall invoice IDEC and IDEC shall forward payment to Nordion of such deficiency within [CONFIDENTIAL TREATMENT REQUESTED] of the date of invoice.

7.2 Commercial Phase Supply in Europe

Upon IDEC's written request, Nordion shall ship Isotope to IDEC or as directed by IDEC, for commercial sale in Europe with Monoclonal Antibody on the same terms and conditions set out in this Agreement, subject to and provided that:

(i) IDEC provides to Nordion written notice of its requirements for co-ordinated and concurrent regulatory filing with IDEC for marketing authorization for Isotope and Labelled Drug in Europe, which notice shall include a required filing date which shall not be earlier than [CONFIDENTIAL TREATMENT REQUESTED] from the date of receipt of notice by Nordion. If the submission for marketing authorization for Labelled Drug in Europe is not submitted by IDEC within the aforementioned time frame, or marketing authorization is not received by IDEC within [CONFIDENTIAL TREATMENT REQUESTED] of submission (provided such failure to receive marketing authorization is not due in whole or in part to the fault of Nordion with respect to Nordion's Isotope submission) IDEC agrees to [CONFIDENTIAL TREATMENT REQUESTED];

(ii) [CONFIDENTIAL TREATMENT REQUESTED];

(iii) IDEC agrees to purchase in the aggregate [CONFIDENTIAL TREATMENT REQUESTED] per [CONFIDENTIAL TREATMENT REQUESTED] for use in Europe, commencing from the date of receipt of marketing authorization with respect to Labelled Drug in Europe; and

(iv) [CONFIDENTIAL TREATMENT REQUESTED], and further provided [CONFIDENTIAL TREATMENT REQUESTED].

In addition, IDEC shall, with respect to Isotope supply in Europe, pay Nordion [CONFIDENTIAL TREATMENT REQUESTED].

7.3 Commercial Phase Isotope Supply in Asia

At IDEC's written request Nordion shall supply Isotope to IDEC for shipment to Asia for Clinical Trials and for commercial sale with Monoclonal Antibody, on the same terms and conditions set out in this agreement subject to and provided that:

(i) IDEC and Nordion agree on a schedule for regulatory filing of Isotope and Labelled Drug in specified Asian jurisdictions, for the purpose of seeking marketing approval;

(ii) [CONFIDENTIAL TREATMENT REQUESTED];

(iii) IDEC compensates Nordion for Isotope decay losses incurred by Nordion as a result of additional shipping time incurred in excess of the shipping time of Isotope to the United States.

(iv) [CONFIDENTIAL TREATMENT REQUESTED];

(v) [CONFIDENTIAL TREATMENT REQUESTED];

(vi) [CONFIDENTIAL TREATMENT REQUESTED]; and

(vii) IDEC and Nordion agree on the applicable [CONFIDENTIAL TREATMENT REQUESTED] Isotope purchase commitment in Asia.

7.4 Production Planning for Commercial Phase Supply

During the [CONFIDENTIAL TREATMENT REQUESTED] of the Commercial Phase, Nordion and IDEC will establish an Isotope production schedule and anticipated Batch sizes for Commercial Phase supply for the next [CONFIDENTIAL TREATMENT REQUESTED], taking into account holiday periods and facilities maintenance not to exceed in aggregate [CONFIDENTIAL TREATMENT REQUESTED] per year, which at Nordion's election may be taken in [CONFIDENTIAL TREATMENT REQUESTED]. Nordion shall provide [CONFIDENTIAL TREATMENT REQUESTED] days written notice to IDEC prior to incurring a facility maintenance or holiday period. Isotope shall be supplied in a [CONFIDENTIAL TREATMENT REQUESTED], as determined by IDEC and Nordion during Clinical Trials, in a [CONFIDENTIAL TREATMENT REQUESTED] in an appropriate lead shield. [CONFIDENTIAL TREATMENT REQUESTED]. IDEC shall provide Nordion with confirmation of IDEC's Labelled Drug orders no later than [CONFIDENTIAL TREATMENT REQUESTED] prior to a scheduled Batch completion date.

7.5 Purchase Price for Commercial Phase Supply

Subject to section 7.6, IDEC's purchase price for Isotope during the Commercial Phase shall be [CONFIDENTIAL TREATMENT REQUESTED].

7.6 PPI Increases and Pricing

On [CONFIDENTIAL TREATMENT REQUESTED], and on [CONFIDENTIAL TREATMENT REQUESTED], the purchase price of Isotope, established in section 7.5, and fees, prices and costs set out and or determined in accordance with sections 6.3, 6.4, 6.5, 7.2 and 7.3 shall be increased for the

[CONFIDENTIAL TREATMENT REQUESTED], respectively, if the United States Producer Price Index ("PPI") increases by more than [CONFIDENTIAL TREATMENT REQUESTED] in the prior calendar year, [CONFIDENTIAL TREATMENT REQUESTED]. [CONFIDENTIAL TREATMENT REQUESTED], during the term of this Agreement, the price of Isotope for such calendar year and fees, prices and costs above referenced, shall be adjusted [CONFIDENTIAL TREATMENT REQUESTED] PPI for the prior calendar year. Under the terms of this agreement, so long as IDEC is purchasing Isotope from Nordion for commercial sale, the purchase price to IDEC for Isotope in the United States shall [CONFIDENTIAL TREATMENT REQUESTED].

7.7 Expanded Commercial Supply Capability

Upon request by IDEC, Nordion shall consider in good faith the merits of establishing a second Isotope manufacturing facility at its site in Kanata, Ontario or at an alternative Nordion site, and shall reasonably and in good faith determine the price of Isotope to be supplied therefrom.

ARTICLE 8 - GENERAL MANUFACTURE AND SUPPLY OBLIGATIONS

8.1 Compliance with Law; Handling of Isotope

While the Isotope is in its possession or under its control, Nordion shall be responsible for complying with and shall comply with all applicable statutory and regulatory requirements of the United States, Canada and Europe regarding the manufacture, handling, storage, packaging, transportation, shipment and exporting of the Isotope. In performing its obligations under this agreement, Nordion shall comply with all applicable environmental and health and safety laws except where such failure to comply would have no material adverse effect on Nordion's ability to perform hereunder. Except as otherwise set forth in this agreement, Nordion shall be solely responsible for determining how to carry out these obligations. [CONFIDENTIAL TREATMENT REQUESTED].

8.2 Testing and Documentation

Nordion shall certify in writing that each Batch of Isotope shipped was produced and tested in compliance with the Specifications and cGMP requirements. Nordion shall notify IDEC immediately in writing of any Batch of Isotope that does not meet the Specifications and cGMPs, and include the probable cause for the failure and the proposed corrective actions.

8.3 Isotope Warranty/Recall

Nordion warrants that the Isotope will meet Specifications and be manufactured in accordance with cGMPs and be free from defects in material and workmanship for the period from the date of manufacture to the expiry date set out on each vial of Isotope.

If either party discovers that a Batch of Isotope does not meet the Specifications, then the discovering party shall promptly communicate with the other party to determine a mutually agreed course of action. Nordion shall notify IDEC if the Isotope is the subject of a recall, withdrawal or correction and Nordion shall have sole responsibility for the handling and disposition of such recall and shall notify IDEC of proposed corrective actions. [CONFIDENTIAL TREATMENT REQUESTED]. Nordion reserves the right to refuse to ship, for human use, a Batch of Isotope which fails to meet Specifications. If IDEC determines that the failure to meet Specifications results from an act, failure to act or other fault of Nordion, or agent of Nordion, Nordion [CONFIDENTIAL TREATMENT REQUESTED]:

(i) [CONFIDENTIAL TREATMENT REQUESTED], and

(ii) [CONFIDENTIAL TREATMENT REQUESTED].

In the event Nordion disputes IDEC's determination that the fault is due to Nordion and/or its agent, the parties will select a mutually agreeable outside consulting firm which will be instructed to review the applicable information and data and confirm or

dissent from IDEC's determination. If the consulting firm confirms IDEC's determination, Nordion will have the obligations set out in this section and Nordion will pay the fees of such consulting firm. If the consulting firm dissents from IDEC's determination, Nordion will not have the obligations set out in this section with respect to the disputed Batch and IDEC will pay the fees of such consulting firm. The decision of the consulting firm shall be final, and the provisions of sections 27.3 shall not apply.

8.4 Performance Standards

Without limiting Nordion's obligations under this Agreement, the parties agree as follows:

(a) If Nordion's carrier fails to deliver the [CONFIDENTIAL TREATMENT REQUESTED], Nordion will [CONFIDENTIAL TREATMENT REQUESTED].

(b) If Nordion is unable to supply the Isotope [CONFIDENTIAL TREATMENT REQUESTED] due to [CONFIDENTIAL TREATMENT REQUESTED], MDS Nordion will, [CONFIDENTIAL TREATMENT REQUESTED], (and in no event later than [CONFIDENTIAL TREATMENT REQUESTED] after failure to supply) either by [CONFIDENTIAL TREATMENT REQUESTED].

(c) [CONFIDENTIAL TREATMENT REQUESTED]

(i) Nordion is unable to supply Isotope due to [CONFIDENTIAL TREATMENT REQUESTED], and

(ii) Nordion is unable to [CONFIDENTIAL TREATMENT REQUESTED] in accordance with Section 8.4(b) for use in patient administration protocols,

IDEC shall be entitled on written notice, provided within [CONFIDENTIAL TREATMENT REQUESTED] of the failure, to notify Nordion of its intent [CONFIDENTIAL TREATMENT REQUESTED].

(d) In the event of an occurrence under Section 8.4(c) wherein Nordion remedies its failure to supply Isotope pursuant to 8.4(b) as referenced in 8.4(c)(ii) [CONFIDENTIAL TREATMENT REQUESTED], IDEC shall be entitled, on written notice, provided within [CONFIDENTIAL TREATMENT REQUESTED] of such failure, to notify Nordion of its intent to [CONFIDENTIAL TREATMENT REQUESTED].

ARTICLE 9 - ORDERS AND SHIPMENTS

9.1 Orders and Shipments

Subject to IDEC's election under 7.1(ii), during the term of this agreement, IDEC will [CONFIDENTIAL TREATMENT REQUESTED] or in an alternative manner acceptable to both parties; orders shall include [CONFIDENTIAL TREATMENT REQUESTED]; delivery of Isotope [CONFIDENTIAL TREATMENT REQUESTED]. All sums payable by IDEC to Nordion shall be paid within [CONFIDENTIAL TREATMENT REQUESTED] days of the date of invoice which invoice shall not be dated prior to the shipment of Isotope and shall be accompanied by an order schedule report itemizing shipment details.

Prior to first shipment of Isotope by Nordion to any third party site, Nordion shall obtain such third party's license evidencing proper legal authority for the receipt and possession of the Isotope by such third party. [CONFIDENTIAL TREATMENT REQUESTED]. Nordion shall ship Isotope [CONFIDENTIAL TREATMENT REQUESTED]. All shipping costs incurred to deliver Isotope shall be borne by [CONFIDENTIAL TREATMENT REQUESTED].

9.2 Shortage of Isotope

In the event of [CONFIDENTIAL TREATMENT REQUESTED] as a result of an event of Force Majeure, [CONFIDENTIAL TREATMENT REQUESTED], determined based on the worldwide supply to such customers over the previous [CONFIDENTIAL TREATMENT REQUESTED] period. In the event that Nordion cannot meet IDEC's requirements for Isotope in a timely manner, [CONFIDENTIAL TREATMENT REQUESTED].

ARTICLE 10 - REGULATORY MATTERS

10.1 IDEC Responsibilities

IDEC shall use commercially reasonable best efforts to complete its Labeled Drug development and Clinical Trials necessary for BLA filings and use good faith commercially reasonable best efforts to file a BLA for the Labeled Drug by [CONFIDENTIAL TREATMENT REQUESTED]. It shall be the responsibility of IDEC or its designee to file, obtain and maintain such licenses, including BLA, marketing authorizations, registrations, listings, authorizations and approvals as the FDA or any other applicable governmental entity may require to enable use and sale of the Labelled Drug in Clinical Trials, the Pre-Commercial Phase and Commercial Phase, in accordance with the timetable set out in Exhibit 1. IDEC shall at Nordion's request promptly supply Nordion on a confidential basis with any technical information which is in its possession and which may be legally disclosed, with respect to the Monoclonal Antibody and Clinical Trials which may assist Nordion in meeting its obligations under this Agreement.

10.2 Nordion Responsibilities

Nordion shall be responsible at its own expense for obtaining and maintaining all necessary licenses including, without limitation, facility licenses, registrations, authorizations and approvals, which are necessary to develop, manufacture, handle, store, label, package, and transport Isotope under cGMP conditions and other

regulatory requirements including, but not limited to, the use and handling of radioactive materials.

[CONFIDENTIAL TREATMENT REQUESTED], Nordion shall update its existing yttrium-90 bulk chemical and Isotope Type II Drug Master Files or equivalent with the FDA and shall file new ytttrium-90 bulk chemical and Isotope Type I Drug Master Files or equivalent with the FDA and as necessary in Canada and Europe in accordance with Exhibit 1 ("DMFs") as may be required for the chemistry, manufacture and control section of IDEC's IND in the United States and IDEC's or its designee's IND or equivalents in Europe or Canada for Labelled Drug and upon request shall provide letters of access allowing regulatory review of the DMFs.

Nordion shall use its best efforts, [CONFIDENTIAL TREATMENT REQUESTED], to submit a New Drug Application ("NDA") to the Health Authority in Canada and FDA with respect to Isotope, prior to or concurrently with IDEC's BLA submissions for the Labelled Drug and in accordance with Exhibit 1. Nordion hereby grants IDEC a right of reference to such NDA, and upon request shall provide letters of access allowing regulatory review of the DMFs and NDA by the FDA in conjunction with IDEC's BLA submissions for Labelled Drug. IDEC shall supply to Nordion upon request letters of access allowing regulatory review of IDEC's BLAs by the FDA in conjunction with Nordion's NDA.

Nordion shall provide directly to the regulatory authority or to IDEC, if required by the regulatory authority that such submission be through IDEC, all required information in its possession with respect to the Isotope necessary to assist IDEC in filing, obtaining and maintaining all licenses, registrations, listings, authorizations and approvals of any governmental entities necessary for the use of Labelled Drug in the Clinical Trials and in order to seek licenses and marketing authorization approval for the Labelled Drug.

10.3 Regulatory Status

Upon Nordion's reasonable request, and no less frequently than [CONFIDENTIAL TREATMENT REQUESTED], IDEC shall provide updates to Nordion on the progress of (i) Clinical Trials, and (ii) submissions to the FDA for BLA approval with respect to the Labelled Drug.

Upon IDEC's reasonable request, and no less frequently than [CONFIDENTIAL TREATMENT REQUESTED], Nordion shall provide updates to IDEC on the progress of submissions to the FDA for NDA approval of the Isotope.

10.4 Government Inspections, Compliance Review and Inquiries

Upon request of any governmental entity or any third party entity authorized by a governmental entity, such entity shall, for the purpose of regulatory review, have access to observe and inspect Nordion's Isotope manufacturing facility and procedures with respect to the manufacturing, testing, storage and shipping of Isotope, and to audit such facilities for compliance with cGMP and/or other applicable regulatory standards. Nordion shall give IDEC prompt notice of any upcoming inspections or audits by a governmental entity of the facility or procedures and shall provide IDEC with a written summary of such inspection or audit following completion thereof, purged of confidential information. Nordion agrees to use commercially reasonable best efforts to promptly rectify or resolve any deficiencies noted by a government entity in a report or correspondence issued to Nordion.

10.5 Access to Nordion's Facility

IDEC shall have reasonable access to Nordion's Isotope facility and procedures no more frequently than [CONFIDENTIAL TREATMENT REQUESTED] (except in the event of Isotope recall or safety concerns in which case as reasonably required) for the sole purpose of auditing Nordion's Isotope manufacturing process and its cGMP procedures. IDEC shall provide Nordion at least [CONFIDENTIAL TREATMENT REQUESTED] prior written notice of requested access to Nordion's Isotope facility for the purpose of this section.

All such information disclosed during such audit to IDEC or its employees or agents, shall be deemed to be Nordion's Confidential Information as such term is defined in this agreement.

10.6 Quality Assurance Program

Nordion shall maintain production and quality assurance activities materially consistent with cGMPs, as required by the FDA and other applicable government or regulatory bodies with respect to Nordion's manufacture of Isotope. It is acknowledged by Nordion and IDEC that as a result of out-sourcing of yttrium-90 radiochemical, and in-house manufacturing and testing of yttrium-90 radiochemical, in accordance with Exhibit 1, that the Specifications may require amendment or modification. IDEC and Nordion agree that any such amendment or modification shall be discussed in good faith, and shall be subject to the approval of IDEC which shall not be unreasonably withheld. Without limiting the foregoing it shall be reasonable to withhold approval in the event that such amendment or modification could impact the performance of the radiolabelling of Monoclonal Antibody with Isotope or the safe administration of Labelled Drug to patients.

10.7 Complaints and Adverse Reactions

Each party shall, within [CONFIDENTIAL TREATMENT REQUESTED], advise the other of any serious or life threatening events resulting from the use of Labelled Drug of which it becomes aware, regardless of the origin of such information. IDEC and Nordion agree to cooperate with any governmental entity in evaluating any complaint, claim, or adverse reaction report related to the Isotope and the Labelled Drug and except as regards the Isotope, IDEC shall have the lead role in interacting with such governmental entities.

10.8 Recalls

IDEC shall notify Nordion promptly if the Labelled Drug is the subject of a recall, market withdrawal or correction and IDEC [CONFIDENTIAL TREATMENT REQUESTED] shall have sole responsibility for the handling and disposition of such recall. IDEC [CONFIDENTIAL TREATMENT REQUESTED] shall bear the costs of any recall of Labeled Drug unless and to the extent

such recall shall have been the result of Nordion's employees or agents, acts or omissions or any defects in Isotope to meet Specification, in which case Nordion shall [CONFIDENTIAL TREATMENT REQUESTED]:

(i) [CONFIDENTIAL TREATMENT REQUESTED],

(ii) [CONFIDENTIAL TREATMENT REQUESTED], and

(iii) [CONFIDENTIAL TREATMENT REQUESTED].

In the event that Nordion disputes IDEC's determination that the fault is due to Nordion and/or its agent, the parties will select a mutually agreeable outside consulting firm which will be instructed to review the applicable information and data and to confirm or dissent from IDEC's determination. If the consulting firm confirms IDEC's determination, Nordion will pay the fees of such consulting firm. If the consulting firm dissents from IDEC's determination, Nordion will not have the obligations set forth herein with respect to the recall and IDEC will pay the fees of such consulting firm. The decision of the consulting firm shall be final and the provisions of Sections 27.3 shall not apply. For the period of time as required by applicable regulation, Nordion shall maintain records of all sales and shipments of Isotope and IDEC [CONFIDENTIAL TREATMENT REQUESTED] shall maintain records of all sales, shipping records of Labelled Drug and customers, sufficient to adequately administer a recall.

10.9 New Regulatory Requirements

Each party shall promptly notify the other of new regulatory requirements of which it may become aware which are relevant to the manufacture of the Isotope under this agreement and which are required by the FDA and other applicable governmental entities and the parties shall confer with each other with respect to the best means to comply with such requirements.

10.10 Records

Nordion shall, as applicable, maintain all records necessary to evidence compliance with (i) all applicable laws, regulations and other requirements of applicable governmental entities in the United States, Canada, Europe and Asia, relating to the

manufacture of Isotope (ii) the NDA, corresponding license registrations, authorizations or approvals in Canada, Europe, Asia and the United States, (iii) the Specifications and (iv) obligations under this Agreement. All such records shall be maintained by Nordion for at least [CONFIDENTIAL TREATMENT REQUESTED] and Nordion shall provide to IDEC reasonable access to such records upon request. Prior to destruction of any record after such time, Nordion shall give written notice to IDEC. IDEC shall have the right to request that Nordion maintain such records in an off-site storage facility for such longer period as IDEC requests, provided that IDEC pays all costs associated with such off-site storage.

ARTICLE 11 - AUDIT

11.1 Right of Audit

Nordion, at its sole expense and through an independent certified public accountant reasonably acceptable to IDEC, shall have the right to access the books and records of IDEC for the sole purpose of verifying whether IDEC is complying with its purchase obligations set out in this agreement. Such audit shall be conducted upon [CONFIDENTIAL TREATMENT REQUESTED] prior written notice to IDEC during ordinary business hours and may be conducted [CONFIDENTIAL TREATMENT REQUESTED] and no earlier than [CONFIDENTIAL TREATMENT REQUESTED] following [CONFIDENTIAL TREATMENT REQUESTED] and no later than [CONFIDENTIAL TREATMENT REQUESTED] following [CONFIDENTIAL TREATMENT REQUESTED]. Nordion agrees to keep in strict confidence all information learned in the course of such audit, except when it is necessary to reveal such information in order to enforce its rights under this agreement. Nordion's right to have such records examined shall survive termination or expiry of this agreement for a period of [CONFIDENTIAL TREATMENT REQUESTED]. In the event that IDEC did not comply with the purchase commitments in this agreement, IDEC shall promptly remit to Nordion any amount IDEC would have owed Nordion had IDEC complied in full. IDEC shall have a comparable right of audit for the purpose of verification of fulfillment of the obligations set out in sections 7.1(iii), 7.6, 9.1 and 9.2, and with respect to other amounts otherwise payable by IDEC hereunder, subject to Nordion's right to purge such books and records of customer identity information.

ARTICLE 12 - [CONFIDENTIAL TREATMENT REQUESTED]

12.1 [CONFIDENTIAL TREATMENT REQUESTED]

ARTICLE 13 - IDEC REPRESENTATIONS AND WARRANTIES

13.1 IDEC Warranties

IDEC represents, warrants and covenants that:

(i) it has full right, power and authority to enter into this agreement;

(ii) there is no action or proceeding pending or insofar as IDEC knows, threatened against IDEC before any court, administrative agency or other tribunal which might have an adverse material effect on its business;

(iii) it has not received any notice of adverse claim of infringement of any patent or other intellectual property right, including misappropriation of trade secrets in connection with the use and exploitation of the Monoclonal Antibody or Labelled Drug;

(iv) to the best of its knowledge and belief, it is the owner of or has the right to use all data, information, know-how, technology and intellectual property used by IDEC in the manufacturing of Monoclonal Anitbody; and

(v) to the best of its knowledge and belief, use or sale of the Monoclonal Antibody and Labelled Drug and the data, information and technology used in

the manufacture of the Monoclonal Antibody and Labelled drug do not infringe any valid third party patent or pending published patent application.

ARTICLE 14 - NORDION'S REPRESENTATIONS AND WARRANTIES

14.1 Nordion Warranties

Nordion represents, warrants and covenants that:

(i) it has full right, power and authority to enter into this agreement;

(ii) it has not received any notice of adverse claim of infringement of any patent or other intellectual property right, including misappropriation of trade secret, in connection with the use and sale of Isotope or the data, information and technology used with respect to the manufacture of Isotope;

(iii) to the best of its knowledge and belief (i) it is the owner or has the right to use all of the data, information, know-how, intellectual property and technology to be used by Nordion in carrying out its obligations hereunder, and (ii) development and implementation of the process used in the manufacture of Isotope, and the performance of Nordion's obligations hereunder, do not infringe any third party patent or pending published patent application or other intellectual property right;

(iv) there is no action or proceeding pending or insofar as Nordion knows or ought to know, threatened against Nordion before any court, administrative agency or other tribunal which might have a material adverse effect on Nordion's business.

ARTICLE 15 - INDEMNITY

15.1 Indemnification by IDEC

IDEC agrees to indemnify, defend and hold Nordion and its Affiliates and their respective directors, officers, employees and agents harmless from and against any

damages, claims, liabilities and expenses (including, but not limited to, reasonable attorney's fees) resulting from any third party claims or suits ("General Claims against Nordion") arising out of (a) the use, handling, shipment, marketing or sale of the Isotope, Monoclonal Antibody or Labelled Drug, (b) IDEC's breach of any of its obligations, warranties or representations hereunder, or (c) IDEC's negligent acts or omissions or willful misconduct. Notwithstanding the foregoing, IDEC will not be required to indemnify, defend and hold Nordion and its Affiliates and their respective directors, officers, employees and agents harmless from and against any General Claims against Nordion to the extent such claims arise out of (i) Nordion's breach of any of its obligations, warranties or representations hereunder; (ii) Nordion's negligent acts, omissions or willful misconduct; (iii) any failure of the Isotope to meet the Specifications; or (iv) any failure of Nordion to manufacture, handle, store, label, package, transport or ship the Isotope in accordance with cGMP or any other applicable laws, regulations, or other requirements of any applicable governmental entity. Notwithstanding anything in this Section 15.1, General Claims against Nordion shall not include intellectual property claims against Nordion as described in Section 15.3.

15.2 Indemnification by Nordion

Nordion agrees to indemnify, defend and hold IDEC and its Affiliates and their respective directors, officers, employees and agents harmless from and against any damages, claims, liabilities and expenses (including, but not limited to, reasonable attorney's fees) resulting from any third party claims or suits ("General Claims against IDEC") arising out of (a) Nordion's manufacture, handling, storage, labeling, packaging or delivery of the Isotope; (b) Nordion's breach of any of its obligations, warranties or representations hereunder; (c) Nordion's negligent acts or omissions or willful misconduct; (d) any failure of the Isotope to meet the Specifications; or (e) any failure of Nordion to manufacture, handle, store, label, package, transport or ship the Isotope in accordance with cGMPs or any other applicable laws, regulations or other requirements of any applicable governmental entity. Notwithstanding the foregoing, Nordion will not be required to indemnify, defend and hold IDEC and its Affiliates and their respective directors, officers, employees and agents harmless from and against

any General Claims against IDEC to the extent that such claims arise out of (i) IDEC's breach of any of its obligations, warranties or representations hereunder; or (ii) IDEC's negligent acts, omissions or willful misconduct. Notwithstanding anything in this Section 15.2 General Claims against IDEC shall not include intellectual property claims against IDEC as described in Section 15.4.

15.3 Intellectual Property Claims Against Nordion

IDEC agrees to indemnify, defend and hold Nordion and its Affiliates and their respective directors, officers employees and agents harmless from and against any damages, claims, liabilities and expenses (including, but not limited to, reasonable attorney's fees) resulting from any third party claims or suits arising out of any proceeding instituted by or on behalf of a third party based upon a claim that,

(i) the use or sale of the Monoclonal Antibody or Labelled Drug,

(ii) the process used in the manufacturing of the Monoclonal Antibody or radiolabelling of the Monoclonal Antibody, or

(iii) the performance of any of IDEC's obligations hereunder,

infringes any United States or other patent or any other proprietary rights of a third party. Notwithstanding the foregoing, IDEC shall not be required to indemnify, defend and hold harmless Nordion and its Affiliates and their respective directors, officers, employees and agents from and against any intellectual property claims against Nordion to the extent of Nordion's obligations in Section 15.4.

15.4 Intellectual Property Claims Against IDEC

Nordion agrees to indemnify, defend and hold IDEC and its Affiliates and their respective directors, officers, employees and agents harmless from and against any damages, claims, liabilities and expenses (including, but not limited to, reasonable attorney's fees) resulting from any third party claims or suits arising out of any proceeding instituted by or on behalf of a third party based upon a claim that the process used in manufacturing the Isotope or the performance of any of Nordion's obligations hereunder infringes a United States or other patent or any other

proprietary right of a third party. Notwithstanding the foregoing, Nordion shall not be required to indemnify, defend and hold harmless IDEC and its Affiliates from and against any intellectual property claims against IDEC to the extent of IDEC's obligations in Section 15.3.

15.5 Indemnification Procedures

A party (the "Indemnitee") which intends to claim indemnification under this Article 15 shall promptly notify the other party (the "Indemnitor") in writing of any action, claim or other matter in respect of which the Indemnitee or any of its directors, officers, employees or agents intend to claim such indemnification; provided, however, the failure to provide such notice within a reasonable period of time shall not relieve the Indemnitor of any of its obligations hereunder except to the extent the Indemnitor is prejudiced by such failure. The Indemnitee shall permit, and shall cause its directors, officers, employees and agents to permit the Indemnitor, at its discretion, to settle any such action, claim or other matter. The Indemnitee agrees to the complete control of such defense or settlement by the Indemnitor, provided, however, such settlement does not adversely affect the Indemnitee's rights hereunder, admit liability by Indemnitee or impose any obligations on the Indemnitee. No such action, claim or other matter shall be settled without the prior written consent of the Indemnitor, and the Indemnitor shall not be responsible for any attorney's fees or other costs incurred other than provided herein. The Indemnitee and its directors, officers, employees and agents shall co-operate fully with the Indemnitor and its legal representatives in the investigation and defence of any action, claim or other matter covered by this indemnification. The Indemnitee shall have the right, but not the obligation, to be represented by counsel of its own selection and at its own expense.

ARTICLE 16 - CONFIDENTIALITY

16.1 Confidentiality and Exceptions

During the term of this agreement and for a period of [CONFIDENTIAL TREATMENT REQUESTED] thereafter, each party hereto shall maintain in confidence the content of the transaction contemplated in this agreement, all know-how, technological information reports, data, processes, methods, techniques, formulas, and other proprietary information (collectively "Confidential Information") disclosed to such party by the other party which is identified as "Confidential Information" by the disclosing party. This obligation of confidentiality shall not apply to the extent that it can be established by the party in receipt of such information, that the information:

i) was already known to the receiving party at the time of disclosure;

ii) was generally available to the public or otherwise part of the public domain at the time of its disclosure;

iii) became generally available to the public or otherwise part of the public domain after its disclosure to the receiving party through no act or omission of the receiving party;

iv) was disclosed to the receiving party by a third party who had no obligation to restrict disclosure of such information; or

v) was independently developed by the receiving party without any use of Confidential Information of the disclosing party.

Each party agrees that it will take the same steps to protect the confidentiality of the other party's Confidential Information as it takes to protect its own proprietary and confidential information, which shall in no event be less than reasonable steps. Each party, and its employees and agents shall protect and keep confidential and shall not use, publish or otherwise disclose to any third party, except as permitted by this agreement, or with the other party's written consent, the other party's Confidential Information.

It is agreed that disclosure of data, information or technology by IDEC or Nordion to the other under this agreement shall not constitute any grant, option or license under any patent, technology or other rights, held by IDEC or Nordion. Any use of the data, information and technology provided by IDEC to Nordion which relates to the Monoclonal Antibody or labeling of Labelled Drug shall be for the limited purpose of assisting Nordion in carrying out its obligations under this Agreement. All data, information, or technology supplied by one party to the other to assist in carrying out the obligations hereunder shall remain the property of such party and shall be returned to the other party upon termination of this Agreement.

16.2 Authorized Disclosure

Notwithstanding Section 16.1 above, each party may disclose Confidential Information hereunder to the extent such disclosure is reasonably necessary for prosecuting or defending litigation, complying with applicable government laws or regulations or conducting Clinical Trials, provided that if a party is required by law or regulation to make any such disclosure of the other party's Confidential Information it will, except where impracticable for necessary disclosures, for example in the event of medical emergency, give reasonable advance notice to the other party of such disclosure requirement and will use its reasonable efforts to secure a protective order or confidential treatment of such Confidential Information required to be disclosed. In addition, upon written approval of Nordion, IDEC may disclose, under a comparable binder of confidentiality, and on a need-to-know basis, information related to or received under this Agreement to its other partners for the development of commercialization of Labelled Drug.

ARTICLE 17 - TERM AND TERMINATION

17.1 Initial Term

The term of this agreement shall commence upon the Effective Date and, unless terminated earlier pursuant to this agreement, or extended pursuant to section 17.2, shall expire upon the [CONFIDENTIAL TREATMENT REQUESTED] ("Initial Term").

17.2 Extension

The term of this agreement shall be automatically extended for an additional [CONFIDENTIAL TREATMENT REQUESTED] after expiration of the Initial Term unless at least [CONFIDENTIAL TREATMENT REQUESTED] year prior to expiration of the Initial Term (the "Notice Date") either party notifies the other party that it does not desire to extend the term of the agreement. At least [CONFIDENTIAL TREATMENT REQUESTED] prior to the Notice Date, the parties agree to meet to discuss, in good faith, their intentions with respect to whether to extend the term of this agreement.

17.3 Termination Without Cause

During the period of three (3) years from the Effective Date Nordion may terminate this agreement without cause or penalty upon twenty (20) months prior written notice to IDEC. Thereafter Nordion may terminate this agreement upon twenty-four (24) months prior written notice to IDEC.

IDEC may terminate this agreement without cause (i) upon six (6) months prior written notice to Nordion provided that such notice of termination is accompanied by a payment to Nordion in the amount of [CONFIDENTIAL TREATMENT REQUESTED] failing which such notice of termination shall be of no effect, or (ii) without such payment upon twenty-four (24) months prior written notice.

17.4 Termination for Breach

This agreement may be terminated by either party in the event of the material breach by the other party of the terms and conditions hereof; provided, however, the other party shall first give to the breaching party written notice of the proposed termination of this agreement (a "Breach Notice"), specifying the grounds therefor. Upon receipt of such Breach Notice, the breaching party shall have such time as necessary, but in any event not more than [CONFIDENTIAL TREATMENT REQUESTED] to cure such breach. Notwithstanding the foregoing, IDEC shall have [CONFIDENTIAL TREATMENT REQUESTED] following receipt of Breach Notice to cure a breach with respect to a failure by IDEC to pay any amounts hereunder when due, other than with respect to amounts which IDEC, in good faith, disputes are due to Nordion. If the breaching party does not cure such breach within such cure

period, the other party may terminate the agreement without prejudice to any other rights or remedies which may be available to the non-breaching party.

17.5 Bankruptcy

This agreement may be terminated by either party in the event the other party files a petition in bankruptcy, is adjudicated a bankrupt, or files a petition or otherwise seeks relief under or pursuant to any bankruptcy, insolvency or reorganization statute or proceeding, or if a petition in bankruptcy is filed against it which is not dismissed within [CONFIDENTIAL TREATMENT REQUESTED] days or proceedings are taken to liquidate the assets of such party.

17.6 Failure To Obtain NDA, BLA, Marketing Authorization

Provided IDEC's failure to obtain BLA approval for Labelled Drug is not due in whole or in part to the fault of Nordion with respect to Nordion's DMF/NDA submissions, Nordion may terminate this agreement upon thirty (30) days written notice to IDEC if (i) IDEC abandons Clinical Trials or suspends such trials prior to the Commercial Phase for a period in excess of one hundred and eighty (180) days, or (ii) does not receive BLA and marketing authorization for Labelled Drug from the FDA within three (3) years of the Effective Date of this agreement.

IDEC may terminate this agreement upon [CONFIDENTIAL TREATMENT REQUESTED] written notice to Nordion if Nordion does not receive NDA approval or marketing authorization from the FDA (provided such failure to obtain the NDA approval or marketing authorization is not due, in whole or in part, to the fault of IDEC with respect to IDEC's BLA or marketing authorization submission) with respect to the Isotope, within [CONFIDENTIAL TREATMENT REQUESTED] from the Effective Date of this agreement.

ARTICLE 18 - SURVIVAL

18.1 Consequences of Termination or Expiration

Upon expiration or termination of this agreement, the obligations of the parties under Articles 5,11,15,16,20,23,30 and Section 27.2, and any other section which by its nature is to survive, shall survive such expiration or termination.

ARTICLE 19 - NOTICES

19.1 Any notice to be sent to a party hereunder shall be forwarded to:

Nordion at: MDS Nordion Inc.
447 March Road
Kanata, ON
K2K 1X8

Attention: Senior Vice President, Nuclear Medicine

IDEC at: IDEC Pharmaceuticals Corporation
11011 Torreyana Road
San Diego, CA 92121
Attention: Secretary

Any notice required or authorized to be given by a party to the other in accordance with the provisions of this agreement shall, unless otherwise specifically stipulated, be in writing and delivered personally, by a nationally recognized overnight courier telegram or electronic facsimile confirmed by certified mail. Notice shall be deemed delivered upon receipt.

ARTICLE 20 - DISCLAIMER OF CONSEQUENTIAL DAMAGES

20.1 Disclaimer

In no event shall either party be liable to the other party for indirect, contingent, incidental, special or consequential damages, including, but not limited to, any claim for damages based on lost profits.

20.2 Limitation of Product Warranty

IDEC acknowledges that Nordion is manufacturing and supplying Isotope to meet Specification. Except as expressly set out in this agreement, Nordion hereby disclaims all other warranties or conditions, whether express or implied, statutory or otherwise, including but not limited to any implied warranties or conditions of merchantability or fitness for a particular purpose.

ARTICLE 21 - ASSIGNMENT AND SUBCONTRACTING

21.1 No Assignment

This agreement shall enure to the benefit of and shall be binding upon the heirs, executors, administrators, successors and permitted assigns of the parties. Neither Nordion nor IDEC shall assign any portion of this agreement without the written approval of the other party, which approval shall not be unreasonably withheld.

21.2 Subcontracting

To the extent Nordion subcontracts to third parties any of its obligations set out in this agreement, such subcontractor shall agree to be bound by the provisions hereof pertaining to ownership of work performed and confidentiality. Nordion shall not subcontract the manufacture of Isotope and shall remain responsible for the performance of its sub-contractors and shall indemnify IDEC and hold it harmless from and against any and all costs, claims, judgments or other expenses arising from any of its sub-contractor's actions or performance.

ARTICLE 22 - COMPLIANCE

22.1 Compliance with Laws

This agreement and Nordion's and IDEC's obligations hereunder shall be carried out in compliance with all applicable laws, by-laws, rules, regulations and orders of all applicable Federal, State, Provincial and Municipal governments.

ARTICLE 23 - NON-WAIVER

23.1 Non-Waiver of Rights

Failure by either party to enforce at any time any of the provisions of this agreement shall not be construed as a waiver of its rights hereunder. Any waiver of a breach of any provision hereof shall not be effective unless in writing and shall not affect either party's rights in the event of any additional breach.

ARTICLE 24 - FORCE MAJEURE

24.1 Force Majeure

Neither party shall be liable to the other for failure to perform or delay in performing its obligations under this agreement by virtue of the occurrence of an event of Force Majeure. In the event of Force Majeure, the party affected shall promptly notify the other and shall exert commercially reasonable efforts to eliminate, cure or overcome such event and to resume performance of its obligations. For such time as Nordion is affected by an event of Force Majeure, IDEC is relieved from its purchase obligations under this agreement. In the event such Force Majeure affecting either party continues for more than six (6) months the party not subject of the Force Majeure may terminate this agreement without further obligation. "Force Majeure" shall mean an occurrence which prevents, delays or interferes with the performance by a party of any of its obligations hereunder, if such event occurs by reason of any act of God, flood, power failure, fire, explosion, casualty or accident, or war, revolution, civil commotion, acts of public enemies, blockage or embargo, or any law, order or proclamation of any government, failure of suppliers or usual suppliers to provide materials, equipment or machinery, interruption of or delay in transportation, strike or labor disruption, or other cause, whether similar or dissimilar to those above enumerated, beyond the commercially reasonable control of such party.

ARTICLE 25 - INSURANCE

25.1 IDEC Product Liability Insurance

IDEC at its own expense shall provide and maintain a products liability insurance policy with respect to Labelled Drug, issued by a reputable insurance company. Such policy shall have a limit of liability of not less than [CONFIDENTIAL TREATMENT REQUESTED] per occurrence and in aggregate, during the Clinical Trials and Pre-Commercial Phase and [CONFIDENTIAL TREATMENT REQUESTED] per occurrence and in aggregate, during the Commercial Phase. IDEC shall be solely responsible for any [CONFIDENTIAL TREATMENT REQUESTED] associated with this policy and such shall not affect Nordion's interests. [CONFIDENTIAL TREATMENT REQUESTED] on such policy and IDEC shall deliver a certificate of insurance endorsing Nordion's inclusion as an additional insured on such insurance policy. The policy shall contain a [CONFIDENTIAL TREATMENT REQUESTED] and shall provide for severability of interest such that breach of a policy condition committed by any one insured shall not adversely affect the rights of the other insured. Nordion shall be provided [CONFIDENTIAL TREATMENT REQUESTED] prior written notice of any material change to the policy. Nothing contained in this section shall be deemed to limit in any way the indemnification provisions contained in this agreement.

25.2 Nordion Product Liability Insurance

Nordion at its own expense shall provide and maintain a products liability insurance policy with respect to Isotope issued by a reputable insurance company. Such policy shall have a limit of liability of not less than [CONFIDENTIAL TREATMENT REQUESTED] per occurrence and in aggregate, during the Clinical Trial Phase and Pre-Commercial Phase and [CONFIDENTIAL TREATMENT REQUESTED] per occurrence and in aggregate, during the Commercial Phase. Nordion shall be solely responsible for any [CONFIDENTIAL TREATMENT REQUESTED] associated with this policy, and such shall not affect IDEC's interests. [CONFIDENTIAL TREATMENT REQUESTED] on such policy and Nordion shall deliver a certificate of insurance endorsing [CONFIDENTIAL TREATMENT REQUESTED] on such insurance policy. The policy shall contain

[CONFIDENTIAL TREATMENT REQUESTED] and shall provide for severability of interest such that breach of a policy committed by one insured shall not adversely affect the rights of the other insured. IDEC shall be provided [CONFIDENTIAL TREATMENT REQUESTED] days prior written notice of any material change to the policy. Nothing contained in this section shall be deemed to limit in any way the indemnification provisions contained in this agreement.

ARTICLE 26 - SEVERABILITY

26.1 Invalid Provisions

If any provision or term of this agreement is found unenforceable under any of the laws or regulations applicable thereto, all other conditions and provisions of this agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this agreement to effect the original intent of the parties as closely as possible, in a mutually acceptable manner, in order that the transaction contemplated hereby be consummated as originally contemplated to the greatest extent possible.

ARTICLE 27 - GENERAL

27.1 Entire Agreement

This agreement, including the Exhibits attached hereto which are incorporated herein, constitute the entire agreement of the parties with respect to the subject matter hereof and supersedes all previous proposals, oral or written, and all previous negotiations, conversations, or discussions. This agreement may not be modified, amended, rescinded, canceled or waived, in whole or in part, except by written amendment signed by both parties hereto.

27.2 Publicity

The parties agree that except, as may otherwise be required by applicable laws, regulations, rules or orders, the content of the transactions contemplated herein shall

not be announced publicly by either party without the prior written consent of the other, and in the event a party is required to publicly disclose such information pursuant to securities law or otherwise, such party shall provide reasonable notice to the other party and consult the other party prior to any such disclosure in order that the content disclosed be purged by the other party of confidential, proprietary and commercially sensitive information to the extent permitted by applicable law.

27.3 Dispute Resolution

Except as otherwise set out, in the event that at any time during the term of this agreement, a disagreement, dispute, controversy or claim should arise relating to the (i) interpretation of or performance under this agreement or the attribution of liability or breach thereof, or (ii) scientific or technical issues in connection with Nordion or IDEC's performance under this agreement, the parties will attempt, in good faith, to resolve their differences for a period of [CONFIDENTIAL TREATMENT REQUESTED]. With respect to scientific or technical issues if, after [CONFIDENTIAL TREATMENT REQUESTED], the parties are unable to resolve such dispute, the parties shall refer the matter to a third party consultant with expertise in the scientific or technical area of dispute [CONFIDENTIAL TREATMENT REQUESTED]. If the matter includes issues described in both items (i) and (ii) above, the parties shall attempt to resolve their differences in good faith until the expiry of the latest dispute resolution period applicable. In the event the parties or such consultant, as the case may be, are unable to work out a resolution of the issue with the parties, either party shall be free to take any action and seek any remedy it may have at law or in equity including specific performance and injunctive relief.

ARTICLE 28 - INDEPENDANT CONTRACTOR

28.1 No Joint Venture

The parties agree that with respect to the transactions contemplated herein that they shall both be acting as independent contractors and nothing herein shall constitute the parties as entering into a joint venture or partnership, nor shall constitute either party as an agent of the other for any purpose whatsoever.

ARTICLE 29 - YEAR 2000

29.1 Y2K

Nordion will ensure that there will be no material failure or production of erroneous data as a consequence of the inability to receive, store, process or output date information regardless of the date(s) utilized (including, without limitation, relating to the change of the century) in any computer software, computer hardware, automation systems or other devices owned, licensed, or otherwise used by Nordion that would result in the inability of Nordion to successfully carry out its obligations hereunder.

ARTICLE 30 - LAW

30.1 Applicable law

This agreement shall be governed and construed in accordance with the laws of the State of New York, USA without reference to its principles on conflict of laws. The parties agree to attorn to the non-exclusive jurisdiction of the courts of New York. The application of the United Nations Convention for the International Sale of Goods is expressly excluded.

IN WITNESS WHEREOF the parties hereto have executed this agreement on the date first above written.

MDS NORDION INC.	IDEC PHARMACEUTICALS CORPORATION
by: /s/ Iain Trevena	by: /s/ William H. Rastetter
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EXHIBIT 1

Project Schedule

Activity	Party	[CONFIDENTIAL TREATMENT REQUESTED]
Completion of Pilot Isotope Facility (with out-sourced yttrium-90 radiochemical)	Nordion	[CONFIDENTIAL TREATMENT REQUESTED]
Commencement of Isotope Supply for Clinical Trials	Nordion	[CONFIDENTIAL TREATMENT REQUESTED]
Completion of In-house Production Facility for yttrium-90 radiochemical. Submission of NDA for Isotope from in-house yttrium-90 radiochemical	Nordion	[CONFIDENTIAL TREATMENT REQUESTED]
Completion of facility for FDA Inspection pursuant to NDA approval	Nordion	[CONFIDENTIAL TREATMENT REQUESTED]
Target date for BLA submission to FDA	IDEC	[CONFIDENTIAL TREATMENT REQUESTED]
Target date for BLA approval by FDA	IDEC	[CONFIDENTIAL TREATMENT REQUESTED]
Target date for NDA approval	Nordion	[CONFIDENTIAL TREATMENT REQUESTED]

* [CONFIDENTIAL TREATMENT REQUESTED].
** [CONFIDENTIAL TREATMENT REQUESTED].
*** [CONFIDENTIAL TREATMENT REQUESTED].

EXHIBIT 2

Specifications *

[CONFIDENTIAL TREATMENT REQUESTED]

Exhibit 3

[CONFIDENTIAL TREATMENT REQUESTED]

Exhibit 4

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Isotope Ordering Options for US Destinations

[CONFIDENTIAL TREATMENT REQUESTED]

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CONFIDENTIAL TREATMENT REQUESTED: PAGES WHERE CONFIDENTIAL TREATMENT HAS BEEN REQUESTED ARE MARKED "CONFIDENTIAL TREATMENT REQUESTED" AND APPROPRIATE SECTIONS, WHERE TEXT HAS BEEN OMITTED, ARE NOTED WITH "[CONFIDENTIAL TREATMENT REQUESTED]." AN UNREDACTED VERSION OF THIS DOCUMENT HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

Connie Matsui
VP, Planning & Resource Development
IDEC Pharmaceuticals,
11011 Torreyana Rd.,
San Diego, CA 92121

Dear Connie:

MDS Nordion offers the following proposal for an expedited schedule that we feel will meet the needs and expectations of both companies:

1. Initial upfront payment by IDEC of [CONFIDENTIAL TREATMENT REQUESTED] upon full execution of this letter agreement.

2. Additional payments based on the following flowchart:

[CONFIDENTIAL TREATMENT REQUESTED]

Milestone 1 is critical as it is the first quantifiable milestone which demonstrates whether or not MDS Nordion is meeting the expedited schedule. While material from this milestone may not be of clinical significance, it does increase the confidence level for completing the rest of the project according to the expedited schedule. It also gives IDEC the ability to gage when clinical material will be available.

Milestone 2 is important as this represents the moment when IDEC can begin testing MDS Nordion sterile Y-90 in patients.

3. Milestone definitions:

[CONFIDENTIAL TREATMENT REQUESTED]

4. In the event that MDS Nordion does not submit the DMF by [CONFIDENTIAL TREATMENT REQUESTED] and is not impeded from doing so in any way, directly or indirectly, by IDEC the initial upfront payment of [CONFIDENTIAL TREATMENT REQUESTED] and the [CONFIDENTIAL TREATMENT REQUESTED] Milestone 1 payment, if previously paid by IDEC to MDS Nordion, would be returned to IDEC.

If you are satisfied with this proposal, please execute this letter in the space provided below and return a fully executed copy to my attention. A fully executed copy shall be deemed an amendment to the Agreement dated May 14, 1999 and except as set forth in this amendment, the Agreement shall remain in full force and effect.

Sincerely,

MDS Nordion, Inc.

By: /s/ C.M. David

Its: Director, Therapeutics Products

Approved and Accepted:

IDEC Pharmaceuticals Corporation

By: /s/ Connie Matsui

Its: Vice President

Date: 1/28/00

CONFIDENTIAL TREATMENT REQUESTED: PAGES WHERE CONFIDENTIAL TREATMENT HAS BEEN REQUESTED ARE MARKED "CONFIDENTIAL TREATMENT REQUESTED" AND APPROPRIATE SECTIONS, WHERE TEXT HAS BEEN OMITTED, ARE NOTED WITH "[CONFIDENTIAL TREATMENT REQUESTED]." AN UNREDACTED VERSION OF THIS DOCUMENT HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

March 16, 2001

IDEC Pharmaceuticals Corporation
3030 Callan Road
San Diego, CA 92121

Attn: Mr. Mark Wiggins
Vice President
Marketing and Business Development

Re: Second Amendment to Isotope Agreement

Dear Mark:

MDS Nordion Inc. ("Nordion") and IDEC Pharmaceuticals Corporation ("IDEC") are parties to that certain Isotope Agreement dated May 14, 1999, as amended (the "Agreement"). The first amendment to the Agreement was effected January 21, 2000. The purpose of this letter is to set forth the terms of a second amendment to the Agreement ("Second Amendment"). This letter, when fully executed by IDEC and Nordion, shall become the Second Amendment to the Agreement.

1. Nordion shall use commercially reasonable best efforts to establish a second Isotope manufacturing facility ("New Facility") which is substantially similar to the facility currently used by Nordion in Kanata, Ontario to manufacture Isotope in accordance with the following project schedule:

[CONFIDENTIAL TREATMENT REQUESTED]

It is understood and acknowledged by the parties that the Completion Dates and the sequence for carrying out the above activities shall serve only as a guide. Nordion will use commercially reasonable best efforts to complete projects in advance of stated Completion Dates. IDEC, however, acknowledges that Nordion's ability to meet the Completion Dates above depends heavily on the ability of external vendors and consultants to complete projects in a timely manner.

2. (a) In consideration of Nordion's obligations in Section 1 above, IDEC agrees that it shall not exercise its termination rights set forth in Section 17.3 of the Agreement and such termination right, except as set out below, shall be suspended until such time as Nordion's cumulative gross revenues received during the Commercial Phase from the sale of Isotope under the Agreement reaches [CONFIDENTIAL TREATMENT REQUESTED]. Nordion shall notify IDEC as soon as Nordion becomes aware that the [CONFIDENTIAL TREATMENT REQUESTED] has been reached.

(b) In the event that Nordion does not submit the updated Drug Master File (DMF) for the New Facility on or prior to [CONFIDENTIAL TREATMENT REQUESTED], IDEC's right of termination under Section 17.3 of the Agreement shall revive. In the event IDEC exercises its termination right under the revived termination provisions of Section 17.3 of the Agreement prior to the [CONFIDENTIAL TREATMENT REQUESTED], IDEC [CONFIDENTIAL TREATMENT REQUESTED], pay to Nordion a lump sum amount equal to the [CONFIDENTIAL TREATMENT REQUESTED]. In the event that IDEC fails to make such payment in accordance with this paragraph, IDEC's termination notice shall be of no force and effect. For purposes of this Second Amendment, [CONFIDENTIAL TREATMENT REQUESTED].

(c) Notwithstanding Section 2(a) or (b), IDEC may terminate the Agreement pursuant to Section 17.3 of the Agreement at any time prior to BLA approval. In the event that IDEC exercises its right to terminate the Agreement, pursuant to this section 2(c) or Nordion terminates the Agreement pursuant to Section 17.6 of the Agreement, IDEC, [CONFIDENTIAL TREATMENT REQUESTED], shall pay Nordion a lump sum amount equal to [CONFIDENTIAL TREATMENT REQUESTED]. In the event IDEC fails to make such payment IDEC's termination notice shall be of no force and effect.

(d) IDEC acknowledges that the amount and payment of the foregoing is fair and reasonable. The parties further acknowledge that Nordion shall not be required to manufacture Isotope in the New Facility until immediately prior to such time as capacity of the initial facility is exceeded.

(e) In consideration of the payment set out in Section 2(b) or 2(c) above, Nordion agrees that IDEC may at any time within [CONFIDENTIAL TREATMENT REQUESTED] following the effective date of termination reinstate the Agreement upon [CONFIDENTIAL TREATMENT REQUESTED] prior written notice to Nordion, provided such notice of reinstatement is accompanied by a payment to Nordion of [CONFIDENTIAL TREATMENT REQUESTED]. Such payment of [CONFIDENTIAL TREATMENT REQUESTED] shall be reduced to [CONFIDENTIAL TREATMENT REQUESTED] if prior to such date of termination Nordion had yet to submit an updated DMF. It is acknowledged and agreed that the Agreement, as reinstated, shall apply to the New Facility only. Notwithstanding anything to the contrary set forth in this Section 2(e), in the event Nordion advises IDEC in writing during the [CONFIDENTIAL TREATMENT REQUESTED] that it has initiated negotiations with a third party regarding use of the New Facility, IDEC shall have [CONFIDENTIAL TREATMENT REQUESTED] from the date of such notification to elect to reinstate the Agreement in accordance with this Section 2(e) or waive such right of reinstatement. In the event IDEC waives such right of reinstatement and Nordion's negotiations with such third party fail to result in an agreement to utilize the New Facility, Nordion shall promptly notify IDEC and IDEC shall again have the right of reinstatement set forth in this Section 2(e) until expiration of the original [CONFIDENTIAL TREATMENT REQUESTED], subject to Nordion's continuing right to initiate negotiations with a third party and to require IDEC to elect to reinstate the Agreement or waive such right in [CONFIDENTIAL TREATMENT REQUESTED].

3. IDEC's right of audit set forth in Section 11.1 of the Agreement shall be extended for the purpose of verifying [CONFIDENTIAL TREATMENT REQUESTED] and fulfillment of Nordion's obligations described in Section 2.

4. IDEC and Nordion are contemplating the [CONFIDENTIAL TREATMENT REQUESTED] and a third amendment to the Agreement ("Third Amendment"). The Third Amendment shall delineate milestones and timelines related to the [CONFIDENTIAL TREATMENT REQUESTED]. The Third Amendment may also amend, among other things, dose size, purchase price, minimum purchase requirements, distribution obligations and termination rights set forth in the Agreement.

5. IDEC and Nordion agree to negotiate the terms and conditions of the Third Amendment in good faith and in an effort to enter into the Third Amendment on or before [CONFIDENTIAL TREATMENT REQUESTED].

6. In the event the parties are unable to agree upon the terms of and enter into the Third Amendment on or before [CONFIDENTIAL TREATMENT REQUESTED] (which date may be extended by the mutual agreement of the parties in writing), IDEC may at any time thereafter enter into an agreement with a third party Yttrium-90 isotope supplier and, as of the [CONFIDENTIAL TREATMENT REQUESTED], IDEC's obligation to purchase from Nordion [CONFIDENTIAL TREATMENT REQUESTED]

[CONFIDENTIAL TREATMENT REQUESTED], shall be null and void and of no further force or effect. In the event IDEC obtains supply of Yttrium-90 for commercial, as opposed to clinical, use from a third party as provided in this Section 6, and Nordion [CONFIDENTIAL TREATMENT REQUESTED] to continue to perform its obligations under the Agreement, Nordion shall be entitled to terminate the Agreement upon [CONFIDENTIAL TREATMENT REQUESTED] prior written notice to IDEC. IDEC agrees that it shall notify Nordion in writing in the event it obtains supply of Yttrium-90 from a third party for commercial use with the Monoclonal Antibody in the United States.

7. Notwithstanding anything to the contrary set forth in the Agreement, the purchase price for Isotope delivered during the Commercial Phase to radiopharmacies and other entities for the sole purpose of Isotope dose calibration shall be [CONFIDENTIAL TREATMENT REQUESTED] of the purchase price otherwise payable under Section 7.5 of the Agreement. To the extent IDEC requests that Nordion increase the Batch size during the Clinical Trial Phase or Pre-Commercial Phase to provide Isotope to radiopharmacies and other entities for the sole purpose of Isotope dose calibration, the price of such additional Isotope beyond the [CONFIDENTIAL TREATMENT REQUESTED] and required for dose calibration, shall be [CONFIDENTIAL TREATMENT REQUESTED] of the price payable under Section 6.4 of the Agreement.

8. Capitalized terms not defined in this Second Amendment shall have the meanings given them in the Agreement.

9. This Second Amendment shall be effective as of the 2nd day of January 2001. Except as amended by the first and Second Amendment, the Agreement shall remain in full force and effect.

Please confirm IDEC's agreement with the terms set forth above by executing this letter agreement in the space provided below and returning a fully executed copy to my attention.

Very truly yours,

/s/ Claudette David

Claudette David
Vice President, Therapeutic Products

The foregoing is approved and accepted by IDEC Pharmaceuticals Corporation this 22nd day of March, 2001

By: /s/ Mark Wiggins

Its: VP, Business Dev. & Marketing
