SUPERGEN INC

FORM 10-K
(Annual Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996

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 0-21074

SUPERGEN, INC.

(Exact name of registrant as specified in its charter)

CALIFORNIA	94-3132190
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

TWO ANNABEL LANE, SUITE 220, SAN RAMON, CA 94583
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (510) 327-0200

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, $0.001 PAR VALUE PER SHARE
COMMON STOCK PURCHASE WARRANTS

(Title of Class)

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

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant (based on the closing sale price the Common Stock as

reported on the Nasdaq National Market on March 25, 1997) was approximately $85,694,273. For purposes of this determination, shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates of the Registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The number of outstanding shares of the Registrant's Common Stock as of the close of business on March 25, 1997 was 16,952,292.

DOCUMENTS INCORPORATED BY REFERENCE

Items 10, 11, 12 and 13 of Part III incorporate information by reference from the definitive proxy statement for the Registrant's Annual Meeting of Shareholders to be held on May 27, 1997.

PART I

ITEM 1. BUSINESS.

THIS "ITEM 1--BUSINESS" AND OTHER PARTS OF THIS REPORT CONTAIN FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THESE FORWARD-LOOKING STATEMENTS REPRESENT THE COMPANY'S EXPECTATIONS OR BELIEFS CONCERNING FUTURE EVENTS AND INCLUDE STATEMENTS, AMONG OTHERS, REGARDING THE TIMING AND PROGRESS OF THE DEVELOPMENT OF THE COMPANY'S PROPOSED PRODUCTS, FILING FOR AND RECEIVING REGULATORY APPROVALS, ACQUIRING ADDITIONAL PRODUCTS AND TECHNOLOGIES, SOURCING OF BULK GENERICS AND THE MANUFACTURING OF FINISHED PRODUCTS, ANTICIPATING THE MARKET OPPORTUNITIES FOR ITS EXTRA-TM- AND PROPRIETARY PRODUCTS, MARKETING CURRENT AND PROPOSED PRODUCTS TO HOSPITAL BUYING GROUPS AND OTHERS, DEVELOPING DISTRIBUTOR RELATIONSHIPS, FORMING STRATEGIC MARKETING RELATIONSHIPS, INCURRING OPERATING LOSSES AND REQUIRING ADDITIONAL CAPITAL, REDUCING INVENTORY LEVELS AND COSTS PER UNIT, AND INCURRING CAPITAL EXPENDITURES. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE PROJECTED IN THE FORWARD-LOOKING STATEMENTS AS A RESULT OF THE FAILURE TO RECEIVE APPROPRIATE REGULATORY APPROVALS OF MARKETING OR MANUFACTURING ACTIVITIES ON A TIMELY BASIS, LACK OF MARKET ACCEPTANCE OF AND DEMAND FOR THE COMPANY'S PRODUCTS, INTENSE PRICE OR PRODUCT COMPETITION, LACK OF AVAILABLE SUPPLY OF BULK GENERICS, FAILURE TO SELL EXISTING INVENTORIES AT PRICES SUFFICIENT TO COVER RELATED COSTS, FAILURE TO OBTAIN ADDITIONAL FINANCING AND OTHER FACTORS SET FORTH UNDER "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS-- FACTORS AFFECTING FUTURE OPERATING RESULTS" AND ELSEWHERE IN THIS REPORT.

OVERVIEW

SuperGen, Inc. (the "Company" or "SuperGen") is a pharmaceutical company dedicated to the acquisition, development and commercialization of products intended to treat life-threatening diseases, particularly cancer and blood cell (hematological) disorders, and other serious conditions such as obesity. SuperGen is developing its portfolio of anticancer drugs through the development of its generic, proprietary and Extra-TM- products (its enhanced line of patented products) and through the acquisition of certain anticancer products which complement its portfolio and provide the Company with market opportunities. In September 1996, SuperGen acquired the inventory and all rights in the U.S., Canada and Mexico to the proprietary anticancer drug Nipent-Registered Trademark- (Pentostatin) which is indicated for hairy cell leukemia. Nipent-Registered Trademark- has also received Orphan Drug Designation for the treatment of chronic lymphocytic leukemia ("CLL"). In January 1997, the Company acquired the inventory, the abbreviated New Drug Application and all related records and know-how pertaining to Etoposide, a generic anticancer product. In late 1996 and early 1997 the Company began to actively market these products, along with the inventory of certain other generic products acquired in 1996. The Company intends to continue to seek other promising anticancer drugs to complement its portfolio. In addition, SuperGen has filed for governmental approval for its first generic product, Mitomycin. It intends to file for governmental approval in 1997 for its first Extra-TM- product, Mitomycin Extra-TM-, currently in Phase I/II trials, and several of its other potential anticancer products. The Company has also continued to develop a group of proprietary blood cell disorder products for the treatment of anemia associated with chemotherapy, radiotherapy, renal failure and aplastic anemia. SuperGen's proprietary obesity pill, which has shown promise in early preclinical and human studies for general obesity, is currently in Phase II clinical trials. To date, the Company has received Orphan Drug Designations for its aplastic anemia agent and for its obesity pill in the treatment of a genetic disorder leading to chronic obesity. The Company has also received a grant from the U.S. government for aplastic anemia clinical trials.

The Company was founded in March 1991. Its corporate headquarters are located at Two Annabel Lane, Suite 220, San Ramon, CA 94583.

THE DRUG DEVELOPMENT AND APPROVAL PROCESS

NEW DRUG DEVELOPMENT APPROVAL. The U.S. system of new drug approvals is the most rigorous in the world. According to a February 1993 report by the Congressional Office of Technology Assessment, it costs an average of $359 million and takes an average of 12 years from discovery of a compound to bring a single new pharmaceutical to market. Only approximately one in 1,000 compounds that enter the preclinical testing stage eventually makes it to human testing, and only one-fifth of those are ultimately approved for commercialization. Yet, in recent years, societal and governmental pressures have created the expectation that drug discovery and development costs can be reduced without sacrificing safety, efficacy and innovation. The need to significantly improve or provide alternative strategies for successful pharmaceutical discovery, research and development remains a major health care industry challenge.

The following chart(1) illustrates the typical stages of the new drug development and approval process:

[CHART]

DRUG DISCOVERY. In the initial stages of drug discovery before a compound reaches the laboratory, typically tens of thousands of potential compounds are randomly screened for activity against an assay assumed to be predictive for particular disease targets. This drug discovery process can take several years. Once a "screening lead" or starting point for drug development is found, isolation and structural determination is initiated. Numerous chemical modifications are made to the screening lead (called "rational synthesis") in an attempt to improve the drug properties of the lead. After a compound emerges from the above process it is subjected to further preliminary studies on the mechanism of action, further IN VITRO screening against particular disease targets and finally, some IN VIVO animal screening (called "pharmacology"). If the compound passes these barriers, preliminary exploratory animal toxicology is performed to begin to analyze the toxic effects of the compound, and if the results are positive, the compound emerges from the basic research mode and moves into the preclinical phase.

PRECLINICAL TESTING. During the preclinical testing stage, laboratory and animal studies are conducted to show biological activity of the compound against the targeted disease, and the compound is evaluated for safety. These tests typically take approximately three and one-half years to complete.

INVESTIGATIONAL NEW DRUG APPLICATION (IND). During the preclinical testing, an IND is filed with the FDA to begin human testing of the drug. The IND becomes effective if the FDA does not reject it within 30 days. The IND must indicate the results of previous experiments, how, where and by whom the new studies will be conducted, how the chemical structure of the compound is manufactured, the method by which it is believed to work in the human body, and any toxic effects of the compound found in the animal studies. In addition, the IND must be reviewed and approved by an Institutional Review Board comprised

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(1) Source: "The Drug Development and Approval Process" by Dale E. Wierenga, Ph.D. and John Beary, III, M.D., NEW MEDICINES IN DEVELOPMENT FOR CANCER, 1995.

of physicians at the hospital or clinic where the proposed studies will be conducted. Progress reports on detailing the results of the clinical trials must be submitted at least annually to the FDA.

Some limited human clinical testing may be done under a Physician's IND in support of an IND application and prior to receiving an IND. A Physician's IND is an IND application that allows a single individual to conduct a clinical trial under less rigorous standards with a shorter FDA review process. A Physician's IND does not replace the more formal IND process, but can provide a preliminary indication as to whether further clinical trials are warranted, and can, on occasion, facilitate the more formal IND process (sometimes referred to as the "Company-sponsored INDs").

PHASE I CLINICAL TRIALS. After an IND becomes effective, Phase I human clinical trials can begin. These tests, involving usually between 20 and 80 healthy volunteers, typically take approximately one year to complete. The tests study a drug's safety profile, including the safe dosage range. The Phase I clinical studies also determine how a drug is absorbed, distributed, metabolized and excreted by the body, and the duration of its action.

PHASE II CLINICAL TRIALS. In Phase II clinical trials, controlled studies of approximately 100 to 300 volunteer patients with the targeted disease assess the drug's effectiveness. These tests are designed primarily to evaluate the effectiveness of the drug on the volunteer patients as well as to determine if there are any side effects on these patients. These studies generally take approximately two years, and may be conducted concurrently with Phase I clinical trials. In addition, Phase I/II clinical trials may be conducted to evaluate not only the efficacy of the drug on the patient population, but also the safety of the drug on the patient population.

PHASE III CLINICAL TRIALS. This phase typically lasts about three years and usually involves 1,000 to 3,000 patients. During the Phase III clinical trials, physicians monitor the patients to determine efficacy and to observe and report any reactions that may result from long-term use of the drug.

NEW DRUG APPLICATION (NDA). After the completion of all three clinical trial phases, the Company analyzes the data and, if the data indicates that the drug is safe and effective, files an NDA with the FDA. The NDA must contain all of the information on the drug that the company has gathered to date, including the data from the clinical trials. NDAs are often over 100,000 pages in length. The average NDA review time for new pharmaceuticals approved in 1994 was 19.7 months.

APPROVAL. If the FDA approves the NDA, the drug becomes available for physicians to prescribe. The Company must continue to submit periodic reports to the FDA, including descriptions of any adverse reactions reported. For certain medicines, the FDA may request additional studies (Phase IV) to evaluate long-term effects.

PHASE IV CLINICAL TRIALS AND POST MARKETING STUDIES. In addition to studies requested by the FDA after approval, these trials and studies are conducted to explore new indications. Such trials and studies and the publication of the resulting data are designed primarily to broaden the application and use of the drug and its acceptance in the medical community.

ORPHAN DRUG DESIGNATION. The Orphan Drug Act provides incentives to manufacturers to develop and market drugs for rare diseases and conditions affecting fewer than 200,000 persons in the United States. The first developer to receive FDA marketing approval for an orphan drug is entitled to a seven-year exclusive marketing period in the United States for that product. However, a drug that is considered by the FDA to be clinically superior to or different from another approved orphan drug, even though for the same indication, is not barred from sale in the United States during the seven year exclusive marketing period.

GENERIC AND EXTRA-TM- DRUG DEVELOPMENT AND APPROVAL PROCESS.

GENERIC DRUGS. The development of a generic drug is significantly abbreviated from that of a new drug. Once all applicable patents for a particular drug expire, the drug is available for generic formulations. Development of a generic drug requires identification of a source for the active ingredient of the generic drug (the "bulk source"), as well as demonstrated chemical equivalence of the generic formulation with the patented drug. Obtaining an FDA-approved bulk source for anticancer drugs is usually very difficult and time-consuming, and may significantly delay the development of a generic drug. Once a bulk source is identified, the Company must obtain FDA approval for the bulk source (which typically takes approximately eighteen months) and FDA approval for the final formulation ("Marketing Approval") of the generic drug (which typically takes approximately eighteen months). The governmental approval process for a generic drug may be shortened to the extent that there is overlap between the approvals for the two phases (which can run concurrently).

The following graph illustrates the typical stages of the generic drug development and approval process:

[CHART]

EXTRA-TM- DRUGS. The Company believes that development of enhanced formulations of generic anticancer drugs (e.g. where the formulation is improved from a powder to a liquid form or more soluble form) using a patented technology, will also be significantly abbreviated from that of a new drug. Governmental approval of a Extra-TM- drug is expected to be similar to that of a generic drug with a slightly longer approval process for Marketing Approval (approximately 24 months), due to the additional requirement of some preclinical and clinical testing relating to the new formulation. As part of this process, prior to conducting clinical testing, the Company files an IND with the FDA.

STRATEGY

A key element of the Company's strategy is to identify, acquire and develop pharmaceutical products in the later stages of development in order to shorten the research and development cycle and thereby minimize the time and expense associated with drug development. The Company believes that this approach differs from that adopted by most pharmaceutical companies. Instead of engaging in pure discovery research to obtain lead compounds, the Company licenses or acquires the rights to compounds typically at the late preclinical or early clinical stage of development that have shown efficacy in humans or in a model relevant to a particular clinical disease. The Company then seeks to enhance and complete the product development and bring the product to market. In its generic and Extra-TM- drug development program, the Company targets and develops off-patent products that have already been commercialized by others but nevertheless offer the Company attractive market opportunities. The Company also seeks to acquire rights from third parties to products which have already been fully developed, FDA approved and marketed by such third parties but which the Company believes have strong market positions or potential. The Company believes that its approach minimizes the significant financial investment required by pure discovery research and reduces the risk of failure in developing a commercially viable product.

SuperGen's objective is to become a leading supplier of pharmaceuticals for life-threatening diseases, including cancer and blood cell disorders, and other serious conditions such as obesity. The Company focuses its product development efforts where the Company believes there are significant market opportunities, such as in the treatment of cancer and other blood cell disorders and in obesity as well as in smaller

niche markets where the Company believes there is limited competition, such as certain anticancer drug markets. The Company seeks to develop a diversified pharmaceutical offering within its focused anticancer blood cell disorder market, including generic, Extra-TM- and proprietary drugs, and seeks to implement a staged strategy for bringing products to market. The Company believes that the early commercialization of its acquired anticancer products, such as Nipent-Registered Trademark-, Etoposide and its other anticancer drugs, is assisting the Company in developing its reputation and presence in the market while it continues to develop its Extra-TM- and proprietary products, which have a longer development cycle but may offer the Company a more significant market opportunity.

The Company has a highly experienced management team and maintains an operation focused primarily on product development and clinical registration. The Company currently outsources its manufacturing to avoid the high fixed costs of plant, equipment and large manufacturing staff. The Company has established a highly skilled sales and marketing organization, which it is expanding as it brings its products to market. The Company contracts out its inventory control function to an established third party who handles warehousing, invoicing and product delivery. The Company believes that this operating strategy enables it to keep its costs relatively low while maintaining high technical and operational standards.

PRODUCTS AND PRODUCTS IN DEVELOPMENT

The Company's current products and its products in development include its generic and Extra-TM- anticancer drugs, proprietary compounds for blood cell and other disorders and its obesity pill. Each of such products and potential products is described below. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Factors Affecting Future Operating Results."

SUPERGEN PRODUCTS AND PRODUCTS IN DEVELOPMENT

DRUG	POTENTIAL INDICATIONS	STATUS
MARKETED PRODUCTS(1)		
Nipent-Registered Trademark-	Hairy cell leukemia	Currently marketed in the United States
Etoposide	Refractory testicular tumors, small cell lung cancer	Currently marketed in the United States
Methotrexate	Breast, head, neck and lung cancer, acute leukemia	Currently marketed in the United States
Megestrol Acetate	Breast and endometrial cancer	Currently marketed in the United States
Leucovorin Calcium	Rescue treatment for methotrexate	Currently marketed in the United States
GENERIC		
Mitomycin	Gastric, pancreatic, breast, lung and colorectal cancer	Bulk source approved; Awaiting Marketing Approval from the FDA
Bleomycin	Head and neck cancer, Hodgkin's disease, reticulum cell sarcoma, lymphosarcoma, testicular cancer	Bulk source identified; Plan to file for Marketing Approval in 1997
Paclitaxel (Taxol-Registered Trademark-)	Various solid tumors	Preliminary formulation and bulk sourcing under evaluation
Vincristine	Hodgkin's disease, leukemia, rhabdomyosarcoma, neuroblastoma, Wilms' tumor	Bulk source approved; Plan to file for Marketing Approval in 1998
Vinblastine	Hodgkin's disease, Kaposi's sarcoma, testicular cancer, lymphomas	Bulk source approved; Plan to file for Marketing Approval in 1998
EXTRA-TM-		
MitomycinExtra-TM-	Gastric, pancreatic, breast, lung and colorectal cancer	Bulk source approved; Currently in Phase I/II studies in cancer patients; Plan to file NDA in 1997
PentostatinExtra-TM-	Hairy cell leukemia, chronic lymphocytic leukemias	Approved bulk source owned; Formulation in process and preclinical testing to be initiated in 1997; Plan to file IND in 1998
PacilitaxelExtra-TM-	Various solid tumors	Preliminary formulation and bulk sourcing under evaluation; Plan to file IND in 1997

(1) The Company acquired these products from third parties in late 1996 and early 1997.

DRUG	POTENTIAL INDICATIONS	STATUS
EtoposideExtra-TM-	Refractory testicular tumors, small cell lung cancer	Bulk source approved; Formulation in process and preclinical testing to be initiated upon completion of formulation; Plan to file IND in 1997
DoxorubicinExtra-TM-	Major cancers, including leukemia, lymphoma, soft tissue sarcomas, neuroblastoma osteosarcoma Wilms' tumor	Bulk source approved; Formulation completed; Preclinical testing in process; Plan to file IND in 1997
DaunorubicinExtra-TM-	Leukemia	Bulk source approved; Formulation completed; Preclinical testing in process; Plan to file IND in 1997
PROPRIETARY COMPOUNDS		
Chemoprotective and Radioprotective Agent	Anemia associated with anticancer treatment	Completed Phase I studies with normal subjects; Currently in Phase I/II studies with patients
Renal Agent	Anemia associated with kidney disease	Completed Phase I studies with normal subjects; Currently in Phase I/II studies with patients
Aplastic Anemia Agent	Aplastic Anemia	Completed Phase I studies with normal subjects; Currently in Phase I/II studies with patients, Received Orphan Drug Designation and grant
Obesity Pill	Chronic genetic obesity, General obesity	Completed Phase I studies with normal subjects; Currently in Phase II studies with patients

CURRENTLY MARKETED PRODUCTS.

The Company is currently marketing its anticancer products, Nipent-Registered Trademark- and Etoposide. In September 1996, the Company acquired the inventory and all rights, including its Orphan Drug Designations, in the U.S., Canada and Mexico to Nipent-Registered Trademark-. In January 1997, the Company acquired the inventory, the abbreviated New Drug Application and all related records and know-how pertaining to Etoposide. In addition, the Company is currently marketing the acquired inventory of three other anticancer generic products. The Company believes that the acquisition of inventory, know-how and/or other rights to anticancer products which have already been commercialized offers the Company market opportunities while assisting it to develop its reputation and presence in the market.

The Company is currently marketing the following products:

NIPENT-REGISTERED TRADEMARK-. On September 30, 1996, the Company acquired finished goods and bulk crude concentrate inventory and all rights to Nipent-Registered Trademark- in the U.S., Canada and Mexico.
Nipent-Registered Trademark- has Orphan Drug Designation for hairy cell leukemia until October 1998 and for CLL. In 1995, Nipent-Registered Trademark-, which is indicated to treat hairy cell leukemia, had sales of approximately $2 million in the U.S. and $6 million in Europe, as represented by the third party from whom Nipent-Registered Trademark- was acquired. The Company is currently selling the purchased inventory and expects to file for FDA approval to begin manufacturing Nipent-Registered Trademark-. The Company has entered into a manufacturing contract with a third party. The Company also expects to enter into a

supply agreement pursuant to which a third party will purchase from the Company its total requirements for sales in Europe for at least seven years.

ETOPOSIDE. In January 1997, the Company acquired the inventory, the abbreviated New Drug Application and related records and know-how pertaining to Etoposide, which is indicated for refractory testicular tumors and small cell lung cancer. Sales of Etoposide in the U.S. were estimated to be $50 million in 1996 and $105 million in 1995(1). There are currently six generic versions of Etoposide that have been approved for commercial sale, in addition to the original version produced by Bristol-Myers Squibb Company ("Bristol-Myers Squibb"). The Company is currently selling the purchased inventory and expects to file for FDA approval to begin manufacturing.

OTHER GENERIC PRODUCTS. In 1996, the Company purchased Methotrexate, Megestrol Acetate and Leucovorin Calcium inventory. Methotrexate is indicated for breast, head, neck and lung cancers and acute leukemias and Megestrol Acetate is used to treat breast and endometrial cancer. Leucovorin Calcium is primarily used in rescue treatment for methotrexate. The Company is currently selling the inventory as part of its complement of anticancer drugs. These products were acquired to establish the Company's presence in the oncology market. The Company does not intend to further develop these products or acquire further supplies of finished goods.

OTHER PRODUCTS. The Company currently intends to continue to evaluate and seek other anticancer products which complement the Company's anticancer portfolio and which may offer the Company attractive market opportunities.

GENERIC AND EXTRA-TM- ANTICANCER PHARMACEUTICALS.

GENERIC ANTICANCER PHARMACEUTICALS. In addition to the marketing of Etoposide, the Company is currently developing five generic drugs. The Company believes that early commercialization of its generic drugs will further assist it in developing its reputation and presence in the market while it continues to develop its Extra-TM- and proprietary products. These Extra-TM- and proprietary products have a longer development process but may offer the Company a more significant market opportunity.

The Company's generic drugs currently under development are as follows:

MITOMYCIN. Mitomycin, with estimated sales in the U.S. of approximately $34 million in 1996 and $36 million in 1995 has primary indications in gastric and pancreatic carcinoma and medically accepted indications in breast, lung and colorectal cancer. The patent for Mitomycin expired in 1987, and as of December 31, 1996, only two generic versions of Mitomycin had been approved for commercial sale in addition to the original version produced by Bristol-Myers Squibb. The Company expects to receive Marketing Approval on its generic version of Mitomycin in late 1997.

BLEOMYCIN. Bleomycin is indicated for the treatment of head and neck cancer, Hodgkin's disease, reticulum cell sarcoma, lymphosarcoma and testicular cancer. Sales of Bleomycin in the U.S. were estimated to be approximately $41 million in 1996 and $44 million in 1995. The patent for Bleomycin expired in 1989. Only one generic version of Bleomycin has been approved for commercial sale to date. The Company has a generic version of Bleomycin currently under development.

PACLITAXEL (TAXOL-REGISTERED TRADEMARK-). Paclitaxel

(Taxol-Registered Trademark-), which is indicated for the treatment of a variety of solid tumors, is currently the most successful anti-cancer drug, with sales in the U.S. of approximately $400 million in 1996 and $387 million in 1995. Bristol-Myers Squibb's patent for Paclitaxel (Taxol-Registered Trademark-) expires in 1997. The Company expects to file for Marketing Approval on its generic version of Paclitaxel (Taxol-Registered Trademark-) in late 1997.

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(1) Unless otherwise indicated, product sales and market size information cited in this Report consist of data provided by International Marketing Service.

VINCRISTINE. Vincristine is used to treat Hodgkin's disease, leukemia, rhabdomyosarcoma, neuroblastoma, and Wilms' tumor. Sales of Vincristine in the U.S. were estimated to be approximately $6.0 million in both 1996 and 1995. The Company believes that, while Vincristine offers a limited market opportunity, its generic version of Vincristine currently under development will complement the Company's anticancer drug product portfolio by broadening its product line. The patent for Vincristine expired in 1982. There are currently three generic versions of Vincristine that have been approved for commercial sale, in addition to the original version produced by Eli Lilly and Company. The Company expects to file for Marketing Approval for its generic version of Vincristine in 1998.

VINBLASTINE. Vinblastine is indicated for a variety of malignant diseases including Hodgkin's disease, Kaposi's sarcoma, testicular cancer and lymphoma. While sales in the U.S. in 1996 were estimated to be approximately $2 million, the Company believes that its generic version of Vinblastine will complement the Company's anticancer drug portfolio by broadening its product line. The patent for Vinblastine expired in 1985, and there are currently five generic versions of Vinblastine approved for commercial sale. The Company expects to file for Marketing Approval in 1998.

The Company believes that the total estimated U.S. sales for Mitomycin and Etoposide decreased from 1995 to 1996 due to increased competition and that sales for these generics (as well as its other proposed generic products) may continue to decrease in the future as a result of competitive factors, including reductions in the per unit sales price, the introduction of additional generics as well as other cancer drugs, new formulations for these drugs and the use of different therapies.

EXTRA-TM- ANTICANCER PHARMACEUTICALS. The Company has developed applications for its "Extra-TM-" encapsulation technology which it believes significantly improves the safety profile and handling characteristics of certain generic anticancer drugs currently on the market (the "Extra-TM- technology"). Many anticancer generic drugs are available only in a powder form and have to be mixed and dissolved in the correct liquid prior to administration. The Company's Extra-TM- technology enables certain anticancer drugs to be made in ready-to-inject, stable solutions. The ready-to-inject stable solution not only increases the ease of administration and saves time by eliminating the mixing procedure, but also increases the safety for the person administering the dose by minimizing the risk of exposure to the toxins in the drug. Moreover, the Company believes that certain of its ready-to-inject stable solutions have a significantly longer shelf-life at room-temperature than the mixed generic solutions, and can potentially be administered from a multidose vial.

In addition, the Company believes that its Extra-TM- technology may increase the safety of certain existing anticancer drugs by minimizing the problem of ulceration associated with extravasation without altering potency or activity. Extravasation is accidental leakage of the drug into a patient's muscle or skin from a blood vessel. Many existing anticancer pharmaceuticals, including those under development by the Company, are potent toxins and cause serious ulceration if extravasated. The resulting damage can be extensive and can require plastic surgery to repair. Furthermore, because of the decrease in the ulceration risk, the Company believes that its Extra-TM- technology can be expanded to apply to many cancer drugs which, due to their toxicity, currently cannot be administered locally. Such applications include intravesicular application in bladder cancer, inperioneal application in ovarian and other cancers, intraprostate, intracranial application for brain tumors, and intraarterial applications for tumors accessible by the circulatory route. As a result, the Company believes that its Extra-TM- products may have a significant competitive advantage over their generic counterparts currently on the market.

The Company has filed an application for worldwide patent protection for its anticancer Extra-TM- technology and in February 1997 was issued its Extra-TM- patent in the U.S. In addition, the Company has licensed the rights to the excipient used for the Extra-TM- technology from certain third parties. At the time the Company acquired the licenses to this excipient, the excipient was in its later stages of development and had already undergone extensive animal toxicology and human testing in areas other than anticancer drugs. The Company applied the Extra-TM- technology to anticancer drugs and has developed proprietary

formulations of the generic drugs Mitomycin, Pentostatin, Paclitaxel, Etoposide, Doxorubicin and Daunorubicin with improved handling characteristics and safety profiles.

The Company's Extra-TM- drugs currently under development are as follows:

MITOMYCIN EXTRA-TM-. Mitomycin is currently available commercially in powder form only and has indications in gastric, pancreatic, breast, lung and colorectal cancer. The Company has completed its formulation and preclinical testing for its Mitomycin Extra-TM- for injection and is currently conducting Phase I/II trials.

PENTOSTATIN EXTRA-TM-. Pentostatin (Nipent-Registered Trademark-) is indicated to treat hairy cell leukemia and has a potential application to treat
CLL. The Company believes that there is a potential for expanded oncology markets and for non-oncology markets and has initiated preclinical studies with Pentostatin Extra-TM-. The Company plans to file an IND application with the FDA relating to its potential Pentostatin Extra-TM- product in 1998.

PACLITAXEL EXTRA-TM-. Paclitaxel (Taxol-Registered Trademark-) is indicated to treat ovarian cancer and is being used experimentally to treat numerous cancers including breast cancer. It is the fastest growing anticancer agent, with sales in the U.S. of approximately $400 million in 1996 and $387 million in 1995. The current Paclitaxel formulation has numerous problems because the Cremophor-Registered Trademark- EL solvent used for the injection concentrate causes hypersensitivity reactions, leaching of plasticizer from PVC infusion bags, haziness of diluted solutions and the need for in-line filters. The Company believes that its potential Paclitaxel Extra-TM- product would reduce these problems. In addition, enhanced solubility in aqueous solutions could expand the market to direct application and create new therapy markets. The Company expects to file an IND application with the FDA relating to its potential Paclitaxel Extra-TM- product in 1998.

ETOPOSIDE EXTRA-TM-. Etoposide is a currently marketed product of SuperGen with wide application against refractory testicular tumors and small cell lung cancer. Current formulations of Etoposide have limited stability and limited solubility. Etoposide Extra-TM- formulations would decrease such limitations. Formulation and preclinical evaluation are currently in process, and it is anticipated that an IND will be filed in 1998.

DOXORUBICIN EXTRA-TM-. Doxorubicin is indicated to treat every major cancer, as well as leukemia, lymphoma, soft tissue sarcomas, neuroblastoma osteosarcoma, and Wilms' tumor. Doxorubicin is currently sold as a powder by four companies, and in solution form by two of these companies. Sales of Doxorubicin in the U.S. were estimated to be approximately $75 million in 1996 and $55 million in 1995, of which sales of the solution form represented approximately 75% and 77%, respectively. The Company has commenced preclinical testing for its proprietary liquid reformulation of Doxorubicin and expects to file an IND application with the FDA for its potential Doxorubicin Extra-TM- product in 1997.

DAUNORUBICIN EXTRA-TM-. Daunorubicin is indicated to treat leukemia. Sales of Daunorubicin in the U.S. were estimated to be approximately $11 million in both 1996 and 1995. Daunorubicin is currently sold in powder form only. The Company believes that Daunorubicin represents a niche market with limited competition from large pharmaceutical companies due to its relatively small market size. However, the Company believes the use of Daunorubicin may increase substantially in the future, as recent experimental studies suggest that Daunorubicin may be used in an increasing number of combination drug protocols treating a number of cancers. The Company has commenced preclinical testing for its potential Daunorubicin Extra-TM- product and expects to file an IND application with the FDA for such product in 1997.

OTHER PRODUCTS. The Company currently intends to develop other Extra-TM- products to complement its anticancer product portfolio. The Company continues to research other applications to use its Extra-TM- technology to enhance existing anticancer drugs.

PROPRIETARY PRODUCTS

PROPRIETARY BLOOD CELL DISORDER PRODUCTS. The Company is developing a series of proprietary blood cell disorder products to treat various forms of anemia. Anemia is the destruction of white and/or red blood cells, which weakens the immune system, leaving patients susceptible to infection that could result in serious illness or death. Anemia frequently results as a side effect of existing anticancer therapies, including chemotherapy and radiation, and from renal failure. The Company believes that its products under development may have improved therapeutic benefits relative to existing drugs available commercially, and may be used in conjunction with existing drugs or, in certain cases, may replace existing drugs.

The Company acquired the rights to the compounds (together with eight associated patents) relating to its blood cell disorder agents in 1992 from a privately-held company after the compounds had undergone extensive preclinical laboratory and animal tests and a successful efficacy trial under a Physician's IND unrelated to blood cell disorders. The Company refocused development of the compounds on the treatment of blood cell disorders, continued extensive testing of the compounds, and obtained Company-sponsored INDs for its chemotherapy and radioprotective agent, renal agent and aplastic anemia agent. The Company has commenced Phase I/II clinical trials for each of these potential products, and received an Orphan Drug Designation from the FDA in November 1995 for its aplastic anemia agent.

The Company's products under development in this area consist of the following:

CHEMOPROTECTIVE AND RADIOPROTECTIVE AGENT. Chemotherapy and radiation, used in the treatment of cancer, deplete the patient's white blood cell supply, thereby weakening the patient's immune system. This side effect, which can be life-threatening itself, requires the extension of the period between chemotherapy and radiation treatments, which may reduce their effectiveness in combating the cancer. As a result, therapeutic agents that effectively and speedily treat the side effect of anemia may significantly enhance the effectiveness of anticancer treatments. Sales in the U.S. of such drugs, estimated to be approximately $617 million in 1994, as reported by Medical Advertising News, are dominated by Amgen, Inc.'s ("Amgen's") product GCSF/Neupogen. Patients using this product typically require 14 to 21 days to recover in the hospital, and, until they have recovered, are generally not able to have another treatment of chemotherapy or radiation.

The Company's preclinical tests indicate that its proprietary chemoprotective and radioprotective agent can reduce the patient recovery period, and can also reduce the side effects associated with existing drugs. As a result, the Company believes that its product has significant market potential and that its use may enhance or replace existing drugs. The Company has received an IND and is conducting Phase I/II clinical trials on this potential product.

RENAL AGENT. Anemia associated with kidney disease is the depletion of red blood cells. The market for U.S. sales of therapeutic agents treating anemia associated with renal failure, estimated to be approximately $721 million in 1994, as reported by Medical Advertising News, is dominated by Amgen's EPO/Epogen. Current therapeutic agents do not result in complete patient recovery of the red blood cell supply and further have the negative side effect of depleting white blood cells, rendering the patient more susceptible to infection.

The Company's preclinical tests indicate that its proprietary renal agent may enable complete patient recovery of the red blood cell supply and does not have the negative side effect of depleting white blood cells. As a result, the Company believes that its renal agent may offer significant benefits over existing

therapies. The Company has received an IND and recently commenced Phase I/II clinical trials on this potential product.

APLASTIC ANEMIA AGENT. Aplastic anemia is a disease that depletes white and red blood cells, platelets and neutrophils. The disease affects an estimated patient population of 2,000 people per year. No current therapeutic agent in the market effectively treats all symptoms of aplastic anemia.

The Company believes that its proprietary aplastic anemia agent will be the first therapeutic agent to treat all symptoms of aplastic anemia. The Company believes that the potential market size opportunity for such a product is $20 million. The Company received an Orphan Drug Grant for its potential aplastic anemia product from the FDA in June 1995 and an Orphan Drug Designation for this product in November 1995. The Company has received an IND and a grant from the FDA to conduct Phase I/II clinical trials on this potential product.

OBESITY PILL

Obesity is a disorder with significant mortality and morbidity due to heart, joint or respiratory problems. The U.S. Department of Health and Human Services has estimated that 28% or 36 million of U.S. adults (20-74 years of age) are defined as obese and that effective prevention of obesity could save $50 billion annually in health care costs. Obesity drugs currently on the market are dependent on targeting the brain for their mode of action which is to suppress the appetite or accelerate the metabolism by amphetamine-like activity. While many of these drugs have demonstrated an ability to assist short-term weight loss, the long-term effects of their use have been less satisfactory as users tend to regain the weight initially lost ("bounce back effect").

The Company is developing a proprietary product in pill form for the treatment of obesity. Based on preliminary results from animal studies, the Company believes that the product's activity is not based on appetite suppression or on stimulating increased metabolic activity but on modification of the energy balance equation. This means that for the same amount of food intake, the body may store less fat in the presence of the product. Additionally, the product may also increase the amount of fat used to produce a given amount of energy. In animal studies conducted at The Jackson Laboratory, genetically obese
(OB/OB) and diabetic (DB/DB) mice were given the Company's proprietary product and were compared against a control group which was not given the product. Both groups ate the same amount of food. Test results showed that the mice that were given the product appeared normal (no longer obese) while the control group remained obese.

Under a Physician's IND, in a randomized, double-blind crossover study with 17 obese human subjects over a 20-week period, subjects lost significantly more weight when given the Company's obesity pill than during placebo administration, and preliminary results indicated that the subjects maintained such weight loss over an extended period (10 weeks).

In 1994 the Company completed, under its own company-sponsored IND, a Phase I tolerance and safety study that showed no adverse effects resulting from the obesity pill. The Company is augmenting significant existing animal and human data by sponsoring several additional animal studies and Phase II clinical studies for general obesity and Phase I/II clinical studies for related genetic diseases in which the major cause of morbidity and mortality is massive obesity. The Company has received Orphan Drug Designation for its obesity pill in the treatment of Prader-Willi Syndrome, a type of genetic obesity.

CLINICAL DEVELOPMENT AND REGISTRATIONS

The Company believes that in-house management of clinical development and registrations is central to the Company's strategy for the accelerated, cost-effective commercialization of drugs. The Company has assembled a team comprised of seasoned professionals with significant industry experience to coordinate and manage clinical development and registrations of all Company products.

MANUFACTURING

The Company currently outsources its manufacturing for the bulk generics used in its generic and Extra-TM- compounds under agreements with U.S. and foreign suppliers acceptable to the FDA and expects to continue to outsource manufacturing. Once a bulk generic, or proprietary compound is manufactured in an FDA approved facility, it is sent to one or more domestic manufacturers that process the bulk compound into the finished generic, proprietary or Extra-TM- formulations of the Company's compounds. The Company believes it has acquired sufficient bulk inventory for the manufacture of Nipent-Registered Trademark- to meet its clinical and commercial needs for the foreseeable future. The Company's finished generic and Extra-TM- products will then be shipped to an outside vendor for distribution to the Company's customers. The Company has also entered into agreements with domestic entities for the future production of certain of its bulk generics as well as the initial production of its finished cytotoxic agents required for its Extra-TM- compounds. Before production of bulk generics can commence at this facility, however, the manufacturer must be deemed acceptable by the FDA under the current Good Manufacturing Practices standards, of which there can be no assurance. The Company has licensed from this manufacturer, on an exclusive basis, proprietary fermentation technology for anticancer agents and has filed an application with the FDA for the production of bulk Mitomycin using this technology. In the future, the Company may adapt its proprietary fermentation technology to produce its other bulk generics. The Company believes its current suppliers will be able to manufacture its bulk generics in sufficient quantities and on a timely basis, while maintaining product quality and acceptable manufacturing costs.

The Company's proprietary blood cell disorder products and obesity pill are in clinical trials and therefore manufacturing has occurred solely for the continued study of these products. In order to manufacture its proprietary blood cell disorder products and obesity pill, the Company initially obtains the raw materials from a major domestic pharmaceutical company. These raw materials then go to three different manufacturers, each performing a different step in the overall process, in order to create the final product. The first performs a chemical procedure on the raw materials, the next alters the particle size of the compound and the third turns the product into a tablet form. The Company intends to outsource the commercial manufacturing of its blood disorder products and obesity pill if and when such products receive final governmental approval.

The Company believes that its strategy of outsourcing manufacturing is cost-effective since it avoids the high fixed costs of plant, equipment and large manufacturing staff, and thereby enables the Company to conserve its resources. The Company seeks to maintain quality control over manufacturing through ongoing inspections, rigorous review, control over documented operating procedures, and thorough analytical testing by outside laboratories.

The Company intends to continue evaluating its manufacturing requirements and may in the long-term establish or acquire its own manufacturing facilities to manufacture its products for commercial distribution to improve control and flexibility of product supply and cost. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Factors Affecting Future Operating Results."

MARKETING AND SALES

The Company has begun to market its anticancer products to hospitals and private practice/oncology clinics. In the hospital market, the Company has focused on obtaining winning bids from hospital buying groups, since they control a significant majority of the hospital business in the oncology and blood disorder pharmaceutical market. Since acceptance from each buying group can be time consuming, there may be significant delays before the Company can win bids and generate sales revenues. However, the Company has taken significant steps toward such acceptance. The Company has gained recognition as an approved vendor in each state which requires registration or licensing prior to bidding for those customers and has bid aggressively to win contracts with the largest buying groups in its product line. It intends to continue to

target the largest buying groups and as it attains market share, bid with other buying groups, while seeking to minimize any price erosion that may occur.

In the private practice/oncology clinic market, due to the large number of private practice/oncology clinics in the United States, the Company intends to develop distributor relationships. The Company will initially focus on developing distributor relationships with the six major oncology distributors in the United States who control approximately 60% of the approximately 1,700 private practice/oncology clinics, which represent approximately 30% of the oncology-related pharmaceutical market.

The Company's sales and marketing effort is under the direction of Frank Brenner, Vice President of Sales and Marketing. Mr. Brenner has 20 years of experience in pharmaceutical sales and marketing. The Company's sales and marketing group also currently includes three regional managers who have extensive industry experience, and the Company plans to increase its sales force upon receipt of Marketing Approval for additional generic and Extra-TM- products. The Company's sales and marketing group conducts direct sales, works with distributors, performs market research analysis, develops marketing strategies, creates and implements educational and promotional programs, establishes pricing and product advertising, and maintains compliance with hospital and other buying groups. The Company contracts its customer service, warehouse and shipping responsibilities with an established outside vendor.

The Company may enter into strategic marketing arrangements with third parties particularly with respect to its obesity pill. No such strategic arrangements exist as of the date of this Report. The Company has granted certain marketing rights to Israel Chemicals, Ltd. ("ICL") in Israel, India, China and South Korea with respect to all of its current potential products, subject to the negotiation and execution of acceptable agreements.

PATENTS AND LICENSES

The Company actively pursues a policy of seeking patent protection for its proprietary products and technologies whether developed in-house or from outside acquisition. The Company has acquired licenses to or assignments of numerous U.S. Patents covering the Company's principal proprietary drugs and in February, 1997 was issued its Extra-TM- patent relating to its Extra-TM- products. The Company entered into Patent Royalty Agreements with Progenics, Inc. ("Progenics") and The Jackson Laboratory under which Progenics and The Jackson Laboratory assigned to the Company an exclusive license for certain patents and patent applications (which are important to the Company's blood cell disorder and obesity product development programs) under the condition that SuperGen pay certain fees and royalties and take reasonable steps to achieve certain milestones such as to file an IND, to file a NDA if commercially reasonable and to use diligent efforts to commence a marketing program after marketing approval. SuperGen further has a Worldwide License Agreement with Janssen Biotech, N.V. ("Janssen") related to certain patent rights and know-how regarding hydroxypropyl-beta-cyclodextrin ("HPBCD")(which is important to the Company's Extra-TM- development program) which gives the Company an exclusive license worldwide (outside the United States) in return for the payment of certain royalties, down payments and milestone payments. In addition, the Company has a Patent License Agreement with Cyclex, Inc. ("Cyclex") to license a certain patent (which is important to the Company's Extra-TM- development program) and to make and sell certain licensed products for cytotoxic anticancer formulations containing HPBCD in the United States in return for payments of certain royalties to Cyclex. The Company also has a License Agreement with Pharmos Corporation ("Pharmos") to license certain licensed products under a licensed patent right (which is important to the Company's Extra-TM- development program) in return for which the Company will pay certain royalties and payments after the filing of an NDA by the Company.

In addition to pursuing patent protection in appropriate cases, the Company relies on trade secret protection for its unpatented proprietary technology. The Company also pursues a policy of having its employees and consultants execute proprietary information agreements upon commencement of employment or consulting relationships with the Company, which agreements provide that all confidential

information developed or made known to the individual during the course of the relationship shall be kept confidential except in specified circumstances. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Factors Affecting Future Operating Results."

COMPETITION

Competition in the area of pharmaceutical products is intense. There are many companies, both public and private, including well-known pharmaceutical companies, that are engaged in the development and sales of pharmaceutical products for certain of the applications being pursued by the Company. SuperGen's competitors and probable competitors include Amgen, Chiron Corp. ("Chiron"), Gensia, Inc. ("Gensia"), Bristol-Myers Squibb and Immunex Corp. ("Immunex"), among others. Most of these companies have substantially greater experience and financial, research and development, manufacturing and marketing resources than the Company does and represent substantial long term competition for the Company. Such companies may succeed in developing pharmaceutical products that are more effective or less costly than any that may be developed or marketed by the Company.

Factors affecting competition in the pharmaceutical industry vary depending on the extent to which the competitor is able to achieve a competitive advantage based on proprietary technology. If the Company is able to establish and maintain a significant proprietary position with respect to its blood cell disorder compounds, its obesity pill and, to a lesser extent, its Extra-TM- products, competition will likely depend primarily on the effectiveness of the product and the number, gravity and severity of its unwanted side effects as compared to alternative products. Competition with respect to generic products is based primarily on price and, to a lesser extent, on name recognition and the reputation of the manufacturer in its target markets. Moreover, the number of competitors offering a particular generic product can dramatically affect price and gross margin for that product. The Company may be at a disadvantage in competing with more established companies on the basis of price or market reputation. Moreover, increased competition in a particular generic market would likely lead to significant price erosion which would have a negative effect on the Company's gross profit margins. The Company believes that the total estimated U.S. sales for Mitomycin and Etoposide, as well as other of the Company's proposed generic products, have decreased in recent years due to increased competition and that sales of these generics may continue to decrease as a result of competitive factors, including the introduction of additional generics and other cancer drugs, new formulations for those drugs and the use of different therapies.

The industry in which the Company competes is characterized by extensive research and development efforts and rapid technological progress. Although the Company believes that its proprietary position may give it a competitive advantage with respect to its proposed nongeneric drugs, new developments are expected to continue and there can be no assurance that discoveries by others will not render the Company's current and potential products noncompetitive. The Company's competitive position also depends on its ability to attract and retain qualified scientific and other personnel, develop effective proprietary products, implement development and marketing plans, obtain patent protection and secure adequate capital resources. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Factors Affecting Future Operating Results."

EMPLOYEES

As of December 31, 1996, the Company had 30 full-time employees. The Company uses consultants and temporary employees to complement its staffing. There can be no assurance that the Company will be able to continue to attract and retain qualified personnel in sufficient numbers to meet its needs. The Company's employees are not subject to any collective bargaining agreements, and the Company regards its relations with employees to be good. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Factors Affecting Future Operating Results."

MANAGEMENT

DIRECTORS AND OFFICERS

The directors and officers of the Company and their ages as of December 31, 1996 are as follows:

NAME	AGE	POSITION
Joseph Rubinfeld.....	64	Chief Executive Officer, President, Chief Scientific Officer and Director
Frank Brenner.....	49	Vice President of Sales and Marketing
Christine A. Carey.....	38	Vice President of Business Development
Frederick L. Grab.....	55	Vice President of Pharmaceutical Operations
R. David Lauper.....	52	Vice President of Professional Services
Francis H. Lee.....	48	Vice President of Clinical Development and Registrations
Henry C. Settle, Jr.....	48	Chief Financial Officer
Simeon M. Wrenn.....	52	Vice President of Biotechnology
Denis Burger (1)(2).....	53	Director
David M. Fineman.....	53	Director and Secretary
J. Gregory Swendsen.....	44	Director
Julius A. Vida.....	68	Director
Daniel Zurr (1)(2).....	48	Director

(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

JOSEPH RUBINFELD, PH.D., co-founded the Company in 1991. He has served as Chief Executive Officer, President, Chief Scientific Officer and a director of the Company since its inception. Dr. Rubinfeld was one of the four initial founders of Amgen in 1980 and served as Vice President and Chief of Operations until 1983. From 1987 to 1990, he was a Senior Director at Cetus Corporation. From 1968 to 1980, Dr. Rubinfeld was employed at Bristol-Myers Squibb (formerly Bristol-Myers International Corporation ("Bristol-Myers")) in a variety of positions, most recently as Vice President and Director of Research and Development. While at Bristol-Myers, Dr. Rubinfeld was instrumental in licensing the original anticancer line of products for Bristol-Myers, including Mitomycin and Bleomycin. Prior to that time, Dr. Rubinfeld was a research scientist with several pharmaceutical and consumer product companies including Schering-Plough Corporation and Colgate-Palmolive Co. He received his B.S. in chemistry from C.C.N.Y., and his M.A. and Ph.D. in chemistry from Columbia University. Dr. Rubinfeld has numerous patents and/or publications on a wide range of inventions and developments including the 10-second developer for Polaroid film, manufacture of cephalosporins (the next generation of antibiotics following penicillin) and the first commercial synthetic biodegradable detergent. In 1984 Dr. Rubinfeld received the Commonwealth Award for Invention.

FRANK BRENNER joined the Company as Vice President of Sales and Marketing in January 1994. Prior to joining the Company, he was an independent management consultant for various biotechnology and pharmaceutical companies from September 1991 to January 1994. From December 1987 to September 1991 Mr. Brenner was Senior Director of National Sales for Cetus Corporation and was a Regional Sales Manager from October 1986 to December 1987. Prior to that time, he served in a variety of positions at Lederle International, including as Senior Product Manager. Mr. Brenner received his B.S. from California State University at Dominguez Hills.

CHRISTINE A. CAREY, PHARM.D., J.D., has served as Vice President of Business Development since November 1996 and as Senior Director, Marketing and Business Development, from January 1995 to October 1996. Dr. Carey was a consultant to the Company in the areas of marketing, FDA regulatory

affairs, licensing and business development from March 1993 to December 1994. Prior to joining SuperGen, she worked in the specialized cytokine development unit of Sandoz Pharmaceutical Corporation from 1992 to 1993. From 1990 to 1991, she was Manager, Business Development, at Cetus Corporation. From 1986 to 1989, she served as Pharmaceutical Sales Representative for Schering Corporation. Dr. Carey received her B.S. from the University of Pittsburgh, her J.D. from Golden Gate University School of Law and her Pharm.D. from the State University of New York in Buffalo.

FREDERICK L. GRAB joined the Company as Vice President of Pharmaceutical Operations in July 1996. From April 1989 to July 1996, Dr. Grab was Director, Regulatory Affairs, Generic Drugs for Pharmacia Inc., a developer and manufacturer of pharmaceuticals. From August 1982 to April 1988, Dr. Grab served as Manager, Pharmaceutical Product Development at Pharmacia Inc. Dr. Grab received his B.S. in Pharmacy from Columbia University, College of Pharmacy and his Ph.D. in pharmaceutical chemistry from the University of California, San Francisco Medical Center.

R. DAVID LAUPER, PHARM. D., has served as Vice President of Professional Services since December 1996 and as Vice President of Oncology Product Development from August 1995 to November 1996. Dr. Lauper joined SuperGen from Chiron where he served as Director of Professional Services, Chiron Therapeutics from 1994 to 1995. Prior to that time, from 1986 to 1993, Dr. Lauper served in the same capacity at Cetus Corporation. From 1980 to 1986, Dr. Lauper was with Bristol-Myers Squibb as Assistant Director of Medical Information Oncology. He received his Pharm.D. in pharmacy from the University of California School of Pharmacy.

FRANCIS H. LEE, PH.D., has served as Vice President of Clinical Development and Registrations since February 1994. Dr. Lee was a consultant to the Company in the capacity of director of clinical development and registrations from January 1993 to January 1994. Prior to joining the Company, Dr. Lee worked at the Clinical Research and Development Department of Fujisawa Pharmaceutical Company, Ltd. from 1988 to 1992, where he was Director of Clinical Research and Development. From 1987 to 1988, Dr. Lee served as Director of the Clinical Oncology group at Warner-Lambert Company. From 1983 to 1987, he served as Associate Medical Director of Oncology and Infectious Diseases at DuPont Corporation. Dr. Lee received his B.A. in chemistry from the University of Oregon, and his Ph.D. in biopharmaceuticals and clinical pharmacology from the State University of New York in Buffalo.

HENRY C. SETTLE has served as the Chief Financial Officer since May 1996. Prior to joining the Company, Mr. Settle was a consultant from February 1996 to May 1996 and was a partner at Ernst & Young LLP from October 1986 to June 1995. He received his B.A. in economics from the University of California, Santa Barbara and his M.B.A. from the University of California, Los Angeles. He is a C.P.A.

SIMEON M. WRENN, PH.D., joined SuperGen in January 1996 as Vice President of Biotechnology. From September 1995 to January 1996 he was a consultant to The Purdue Frederick Company, a privately held manufacturer and distributor of drug products. From 1983 to 1995, Dr. Wrenn served in several senior research and product development positions at Lederle Laboratories. He also was a founding scientist of Centocor, Inc. Dr. Wrenn has been an Assistant Professor of Medicine at Baylor College and the University of Pennsylvania and an Associate Professor of Medicine at Johns Hopkins University. He received his Ph.D. from Emory University in Atlanta, Georgia and completed his Postdoctoral Fellowship at Harvard Medical School and Massachusetts General Hospital in Boston, Massachusetts.

DENIS BURGER, PH.D., has served as a director of the Company since January 1996. Dr. Burger has served as President and Chief Operating Officer of AntiVirals, Inc., a biotechnology company specializing in gene-targeted therapeutic and diagnostic products since February 1992 and as Chief Executive Officer since February 1996. Dr. Burger was a co-founder of Epitope, Inc., a biotechnology company, and served as its Chairman from 1981 until 1990. He has also been the general partner of Sovereign Ventures, LLC, a biotechnology consulting and merchant banking venture since 1991. Dr. Burger is a member of the Board of Directors of Cellegy Pharmaceuticals, Inc., AntiVirals Inc., and Trinity Biotech, PLC. He received his

B.A. in Bacteriology and Immunology from the University of California, Berkeley and his M.S. and Ph.D. in Microbiology and Immunology from the University of Arizona, Tucson.

DAVID M. FINEMAN, a co-founder of the Company, has served as a director of the Company since its inception and has served as Acting Chief Financial Officer from December 1995 to March 1996. Mr. Fineman served as Secretary from the Company's inception until December 1996. He served as a General Partner of Strategic Pharmaceutical Partners I & II, the California limited partnerships which provided the initial funding for the Company. He received his B.A. from the University of Maryland and an M.A. from the Graduate Faculty of the New School for Social Research in New York, where he also completed his Ph.D. course work.

J. GREGORY SWENDSEN, a co-founder of the Company, has served as a director of the Company since its inception. Mr Swendsen was the Treasurer of the Company from its inception until December 1995. He is President of Swendsen & Company, a management company founded in 1984 that specializes in venture capital in applied technology industries. Mr. Swendsen was a General Partner of Strategic Pharmaceutical Partners I & II, which provided the initial funding for the Company.

JULIUS A. VIDA, PH.D., has served as a director of the Company since January 1996. Since June 1993, Dr. Vida has served as President of Vida International Pharmaceutical Consultants. From 1976 to May 1993, Dr. Vida worked at Bristol-Myers Squibb, where he served as Vice President of Business Development, Licensing and Strategic Planning from 1991 to 1993, as Vice President of Licensing from 1985 to 1991 and as Director of Licensing from 1982 to 1985. Dr. Vida is a member of the Board of Directors of Biomatrix, Inc., Medarex, Inc., FibroGen, Inc., Codon Pharmaceuticals, Inc., and Drug Innovation and Design, Inc., all biotechnology companies. Dr. Vida received his Ph.D. in Chemistry from Carnegie Mellon University and his M.B.A. from Columbia University.

DANIEL ZURR, PH.D., has been a director of the Company since January 1994. Dr. Zurr currently serves as Chief Executive Officer of Expression Systems, Inc. Dr. Zurr served as Scientific Director and Business Development Director of the Pharmaceutical Division of ICL from 1984 to 1995. He also served as Director of Licensing at G.D. Searle & Company, Limited, from 1980 to 1983. He was Chief Executive Officer of Plantex-Ikapharm, an Israeli pharmaceutical company, from 1975 to 1980. Dr. Zurr received his M.Sc. at the Hebrew University of Jerusalem and his Ph.D. from the Imperial College University of London in 1972.

SCIENTIFIC ADVISORY BOARD

The Company has established relationships with a group of scientific advisors with expertise in their respective fields that align with Company sponsored programs. Each scientific advisory board member is responsible for a study or program relevant to the Company's data generation for FDA filings and approval. The Company holds formal semi-annual scientific advisory board meetings to review ongoing studies and exchange ideas. The Company's scientific advisors consult with management of the Company regarding the status of the Company's work in progress and the evaluation of prospective opportunities for the Company.

The Company pays certain of its scientific advisors consulting fees or salaries and provides reimbursement for expenses incurred in connection with service to the Company.

The Company's scientific advisors include the following persons:

JOSEPH RUBINFELD, PH.D. Dr. Rubinfeld is Chairman of the Scientific Advisory Board. See "Directors and Officers."

H. LEON BRADLOW, PH.D. Dr. Bradlow is currently President of Amur Research Corp. and the Director of Laboratories at the Murray Raeburn Laboratory of Biochemistry and Endocrinology at Strang-Cornell Research Laboratory, as well as a Professor of Biochemistry in Surgery and Pediatrics at Cornell

Medical School and Professor Emeritus at Rockefeller University and Albert Einstein College of Medicine. Dr. Bradlow served as editor of STEROIDS and has numerous publications in the fields of biochemistry, steroids, and the etiology of breast cancer. Since April 1992, in addition to serving on the Company's Scientific Advisory Board, Dr. Bradlow served as a Consulting Director of Natural Product Research from the Company's inception until December 1995. Dr. Bradlow received his Ph.D. from the University of Kansas.

FRED I. CHASALOW, PH.D. Dr. Chasalow is currently the Scientific Director of Amur Research Corp. Previously, he served as Professor of Biochemistry in Pediatrics at the State University of New York (SUNY), Downstate, and Director of the Endocrine Laboratory and Chief of Pediatric Endocrine Research at Maimonides Medical Center in Brooklyn, New York. He is a current member of the Society for the Study of Reproduction, the Endocrine Society, the Clinical Ligand Assay Society, the American Society for Biological Chemistry and Molecular Biology, the Society for Pediatric Research, the International Growth Hormone Research Society and the Lawson Wilkins Pediatric Endocrine Society. Dr. Chasalow received his Ph.D. from Brandeis University.

FRANK H. GARDNER, M.D. Dr. Gardner is a Clinical Professor of Medicine, Hematology and Oncology at the University of Texas Medical Branch in Galveston, Texas. He is a past Director of Medicine and of the Hematology Research Laboratory at the University of Pennsylvania Presbyterian Medical Center, has served as Associate Clinical Professor of Medicine at Harvard Medical School, and has been a Consultant in Medicine to the Surgeon General of the United States Army. Dr. Gardner has participated in numerous task forces, studies and committees, including the protocol studies of the Southwest Oncology Group, the Panel of Hematologic Agents, Drug Efficacy Study of the National Academy of Sciences and the National Breast Cancer Task Force of the National Cancer Institute. He is a former Scientific Counselor at the National Cancer Institute. Dr. Gardner received his M.D. from Northwestern University Medical School.

HARINDER S. JUNEJA, M.D. Dr. Juneja is an Associate Professor of Medicine at the University of Texas Health Science Center at Houston. He has extensive clinical and laboratory experience related to the Company's blood cell disorder projects, and his background is based in hematological diseases, and in particular leukemia and the bone marrow micro-environment. Dr. Juneja's current and past research support includes both the National Institutes of Health ("NIH") and the FDA. Dr. Juneja is a graduate of the All India Institute of Medical Sciences, New Delhi, India.

JOSEPH KAPLAN, M.D. Dr. Kaplan is a Professor of Pediatrics, Immunology, Microbiology and Medicine at Wayne State University School of Medicine, as well as being Director of Research at Children's Hospital of Michigan and Director of Clinical Immunology, Division of Hematology-Oncology at Wayne State University School of Medicine. He has served on several NIH committees. Dr. Kaplan's research has been focused on leukemia, bone marrow transplants and sickle cell anemia. He received his M.D. from Johns Hopkins School of Medicine.

GERALD SCHOCHETMAN, PH.D. Dr. Schochetman is the Chief of the HIV Laboratory Investigations Branch, Division of AIDS, STD and TB Laboratory Research at the Centers for Disease Control and Prevention ("CDC"), Atlanta, Georgia and Adjunct Associate Professor of Pediatrics at Emory University School of Medicine. He was Department Head of Cell Biology and Immunology at Amgen, and he was Vice President for Scientific Affairs at IGEN, Inc. Dr. Schochetman's current committee membership includes the World Health Organization ("WHO") Working Group on Vaccine Development, the National Institute of Allergies and Infectious Diseases ("NIAID") HIV Genetics Variation Committee, and the U.S. Public Health Service AIDS Vaccine Research and Development Subgroup. He received a B.S. from the City College of New York and his Ph.D. in Molecular Biology from the University of Pennsylvania.

DIRECTOR COMPENSATION

All non-employee directors of the Company other than David M. Fineman and J. Gregory Swendsen (the "Outside Directors") will receive $1,000 in compensation for attendance at each meeting of the Board of Directors and for each Board Committee meeting held on a different day and will be reimbursed for all reasonable expenses incurred by them in attending Board and Committee meetings. The Company has adopted the 1996 Directors' Stock Option Plan providing for stock options to be granted to certain non-employee directors.

ITEM 2. PROPERTIES.

The Company's principal administrative facility is currently located in approximately 9,247 square feet of leased space in San Ramon, California, under a lease which expires on February 1, 2002. The Company also leases approximately 2,248 and 2,527 square feet of office and laboratory space in Des Plaines, Illinois, under leases which expire on October 9, 1997 and October 9, 2000 respectively, and approximately 3,217 square feet of office space in Parsippany, New Jersey under a lease which expires on September 1, 2001. The Company has entered into an agreement to purchase an industrial condominium building containing approximately 9,600 square feet in Pleasanton, California, and will be moving its Illinois office and laboratory operation to the Pleasanton location upon completion of the improvements. The Company believes that such facilities will be adequate to meet its current and reasonably anticipated needs for the next year. The Company plans to sublease its prior business offices located in Emeryville, California, to a third party sublessee for the balance of the lease term, which extends until August 31, 1998.

ITEM 3. LEGAL PROCEEDINGS

There are currently no pending or threatened material legal actions against the Company.

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

No matters were submitted to a vote of the Company's shareholders during the fiscal quarter ended December 31, 1996.

PART II

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

SHAREHOLDER MATTERS.

MARKET FOR COMMON STOCK

Pursuant to the Company's initial public offering, the Company's Common Stock commenced trading on the Nasdaq National Market on March 13, 1996. The Company's Common Stock is listed on the Nasdaq National Market under the symbol "SUPG." The Company's Common Stock Purchase Warrants are listed on the Nasdaq National Market under the symbol "SUPGW." The following table sets forth for the periods indicated the high and low closing sales prices for the Common Stock as reported on the Nasdaq National Market.

	HIGH	LOW
FISCAL 1996		
From March 13, 1996 through March 31, 1996	$ 5.25	$ 4.25
Quarter ended June 30, 1996	$ 16.13	$ 4.44
Quarter ended September 30, 1996	$ 14.50	$ 9.25
Quarter ended December 31, 1996	$ 15.56	$ 11.63
FISCAL 1997		
Quarter ended March 31, 1997 (through March 25, 1997)	$ 14.06	$ 10.00

HOLDERS OF RECORD

As of March 25, 1997, there were approximately 249 holders of record of the Common Stock.

DIVIDENDS

The Company has never paid cash dividends on its capital stock and does not expect to pay any dividends in the foreseeable future. The Company intends to retain future earnings, if any, for use in its business.

RECENT SALES OF UNREGISTERED SECURITIES

On September 30, 1996, the Company issued $1,000,000 in unregistered restricted shares of the Company's Common Stock to a third party in connection with the Company's purchase of certain assets pertaining to Nipent-Registered Trademark-, including all of the crude concentrate and certain of the finished goods inventory, trademarks, patents and know-how, the NDA (including two Orphan Drug Designations), Canadian New Drug Submission and certain clinical studies. In addition to the unregistered Common Stock, the Company paid $2,073,000 in cash and agreed to pay an additional $500,000 in cash upon the earlier of the date of FDA manufacturing approval or December 31, 1997. The Shares were issued in reliance of Section 4(2) of the Securities Act. There was no public solicitation in connection with the issuance of the Shares nor were there any other offerees. The Company relied on representations from the third party that it purchased the Shares for investment for its own account and not with a view to, or for resale in connection with, any distribution thereof and that it was aware of the Company's business affairs and financial condition and had sufficient information to reach an informed and knowledgeable decision regarding the acquisition of the Shares.

On February 6, 1996, the Company issued 26,800 Units, with each Unit selling for $5.00 cash and consisting of one share of Common Stock and one warrant to purchase an additional share of Common Stock. The warrants are exercisable at any time prior to February 6, 2001, at an exercise price of $5.00 per share and are redeemable by the Company at $.25 per warrant upon 30 days written notice, provided that the closing price of the Common Stock for each of the ten consecutive trading days immediately preceding the date of such notice exceeded $10.00. The Units were issued in reliance of Rule 506 of the Securities Act in a private offering to accredited investors. The Company relied on representations from each of the investors that he acquired the Units for investment for his own account and not with a view to, or for resale in connection with, any distribution thereof.

ITEM 6. SELECTED FINANCIAL DATA.

The information set forth below is not necessarily indicative of results of future operations and should be read in conjunction with the financial statements and notes thereto appearing in Item 14 of Part IV of this Report.

	YEAR ENDED DECEMBER 31, 1996	NINE MONTHS ENDED DECEMBER 31, 1995	YEAR ENDED MARCH 31, 1995	YEAR ENDED MARCH 31, 1994	YEAR ENDED MARCH 31, 1993
Net sales and other operating revenue.....	$ 263,677	$ 12,574	$ 168,628	$ --	$ --
Net loss.....	(8,757,635)	(2,728,687)	(3,638,947)	(7,462,576)	(1,253,560)
Total assets.....	17,873,416	2,161,583	2,440,114	2,110,021	113,528
Net loss per common share.....	$ (0.55)	$ (0.22)	$ (0.31)	$ (0.89)	$ (0.19)

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

THE FOLLOWING DISCUSSION CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THESE FORWARD-LOOKING STATEMENTS REPRESENT THE COMPANY'S EXPECTATIONS OR BELIEFS CONCERNING FUTURE EVENTS AND INCLUDE STATEMENTS, AMONG OTHERS, REGARDING THE TIMING AND PROGRESS OF THE DEVELOPMENT OF THE COMPANY'S PROPOSED PRODUCTS, FILING FOR AND RECEIVING REGULATORY APPROVALS, ACQUIRING ADDITIONAL PRODUCTS AND TECHNOLOGIES, SOURCING OF BULK GENERICS AND THE MANUFACTURING OF FINISHED PRODUCTS, MARKETING CURRENT PRODUCTS, INCURRING OPERATING LOSSES AND REQUIRING ADDITIONAL CAPITAL, REDUCING INVENTORY LEVELS AND COSTS PER UNIT, AND INCURRING CAPITAL EXPENDITURES. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE PROJECTED IN THE FORWARD-LOOKING STATEMENTS AS A RESULT OF THE FAILURE TO RECEIVE APPROPRIATE REGULATORY APPROVALS OF MARKETING OR MANUFACTURING ACTIVITIES ON A TIMELY BASIS, LACK OF MARKET ACCEPTANCE OF AND DEMAND FOR THE COMPANY'S PRODUCTS, INTENSE PRICE OR PRODUCT COMPETITION, LACK OF AVAILABLE SUPPLY OF BULK GENERICS, FAILURE TO SELL EXISTING INVENTORIES AT PRICES SUFFICIENT TO COVER RELATED COSTS, FAILURE TO OBTAIN ADDITIONAL FINANCING AND OTHER FACTORS SET FORTH IN "--FACTORS AFFECTING FUTURE OPERATING RESULTS" AND ELSEWHERE IN THIS REPORT.

OVERVIEW

The Company commenced operations in 1991 and is engaged in the acquisition, development and commercialization of pharmaceutical products intended to treat life-threatening diseases, particularly cancer, blood cell (hematological) disorders and other serious conditions such as obesity. As of December 31, 1996, the Company is in the development stage and has generated only limited product sales to date, and there can be no assurance that substantial additional revenues from product sales will be achieved. The Company has incurred losses since its inception and expects to continue to incur significant operating losses.

From its inception through May 1993, the Company's principal operations involved conducting research and development relating to its generic and Extra-TM- products under contractual agreements with two affiliated limited partnerships (the "Affiliated Partnerships"). Under these agreements, the Company received cash funding of $2.1 million for work performed for the Affiliated Partnerships. In May 1993, the Company issued 1.1 million shares of its Common Stock in exchange for the rights to the in-process research and development and $570,000 of cash of one of the Affiliated Partnerships and, in January 1994, the Company issued 1.6 million shares of its Common Stock and paid $470,000 of cash in exchange for the rights to the in-process research and development of the second Affiliated Partnership. In connection with these transactions, SuperGen recorded non-cash charges to operations of $4.9 million for the acquisitions of the in-process research and development from the Affiliated Partnerships.

The Company historically had a fiscal year ending March 31. Effective January 1996, the Company changed its fiscal year to end on December 31 of each year by reporting a nine-month fiscal period commencing April 1, 1995 and ending December 31, 1995. The Company's historical operations and the financial information included in this Report are not necessarily indicative of its future operating results, financial condition, or cash flows.

RESULTS OF OPERATIONS

Total operating expenses increased from $487,000 during the year ended March 31, 1992 to $1.3 million, $7.5 million, and $3.9 million in the years ended March 31, 1993 and 1994 and 1995, respectively, reflecting growth in internal research and support staff, the use of research and development consultants and subcontractors, and increased facilities costs due to expanded research and development work for the two Affiliated Partnerships. Total operating expenses in fiscal 1994 included a non-cash charge of $4.9 million for the acquisition of in-process research and development from the Affiliated Partnerships, as described above.

Management believes that the comparison between the year ended December 31, 1996, the nine months ended December 31, 1995, and the year ended March 31, 1995 is not meaningful because of the difference in the length of the reported periods. Therefore, the discussion and analysis of the results of operations below describes the amounts and nature of the operations in each of those periods.

YEAR ENDED DECEMBER 31, 1996

Net sales of approximately $226,000 and related cost of sales resulted from the introduction of the Company's first four products in the fourth quarter and were principally due to sales of finished vials of Nipent-Registered Trademark- acquired from a third party. However, until manufacturing approval is obtained from the FDA, sales of Nipent-Registered Trademark- are limited to supplies on hand. See "--Factors Affecting Future Operating Results-- Limited Supply; Manufacturing Limitations." Grant revenues of $37,715 relate to a U.S. Government grant for the study of one of the Company's proprietary compounds in the treatment of aplastic anemia.

Research and development expense of $6.6 million was due to substantial activity following the Company's initial public offering in March 1996, primarily in pursuing Marketing Approval for Mitomycin; development of the Extra-TM- product line, and clinical and preclinical studies for the propriety compounds such as the obesity pill and aplastic anemia agent. Approximately 19% of such costs related to salaries, 36% to amounts paid to outside contractors and 11% to the purchase of in-process technology. The Company expects its research and development expense to continue to increase as it expands its product development activities.

Sales and marketing expense resulted primarily from establishing a core sales force to coincide with the product introductions discussed above. Of the total expense of $982,000, approximately 36% was due to salaries; 22% to outside services for marketing surveys, trade shows, and demographic studies; and 13% to related publications and promotional materials. The Company expects sales and marketing expense to increase in support of current products and as other products, if any, are introduced.

General and administrative expense totaled approximately $1.9 million and was comprised of costs to support the Company's expansion in research and development, sales and marketing and other operational areas; activities associated with the increased administrative requirements of a public company and related personnel costs. Of the total general and administrative cost, approximately 19% was due to salaries; 27% was related to consulting and other outside services, primarily business development activities; 16% was for legal, audit and accounting services; and 11% was for insurance. The Company expects general and administrative expense to increase in support of expected increases in research and development and product introduction activities.

Interest income of approximately $750,000 resulted from investing available cash balances in a money market fund subsequent to receiving the net proceeds of $21.5 million from the Company's initial public offering in March 1996.

NINE MONTHS ENDED DECEMBER 31, 1995 AND THE YEAR ENDED MARCH 31, 1995

The Company had no sales revenues for these periods. Other revenues were immaterial during the nine months ended December 31, 1995 and were $169,000 during the year ended March 31, 1995, all of which related to research and development work performed for ICL.

Research and development expenses of $2.2 million and $3.0 million during the nine months ended December 31, 1995 and the year ended March 31, 1995, respectively, were due primarily to the Company's expansion of its clinical trials and regulatory operations in Illinois. The Company hired additional personnel and leased its Illinois facility in October 1994. The increase in costs related to the Illinois operation was partially offset by a decrease in amounts paid to research consultants and contractors.

Sales and marketing expenses of $161,000 and $198,000 in the nine months ended December 31, 1995 and the year ended March 31, 1995 respectively, were primarily salaries for a small core marketing staff.

General and administration expenses were approximately $482,000 and $735,000 for the nine months ended December 31, 1995 and the year ended March 31, 1995, respectively, and were incurred in support of research and development and sales and marketing activities. The decrease was primarily due to the expiration of a financial consulting arrangement in December 1994.

As of December 31, 1996, the Company had federal net operating loss carryforwards of approximately $16.4 million expiring in various years from 2009 through 2011. Annual utilization of the Company's tax carryforwards may be partially limited due to certain ownership changes.

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations since inception primarily through private equity sales totaling $10.4 million, contract research funding of $2.1 million from research and development agreements with its Affiliated Partnerships and net proceeds of $21.5 million from the sale of Common Stock and Warrants in its initial public offering in March 1996. Through December 31, 1996, the Company had incurred a cumulative net loss of $24.3 million, of which $4.9 million related to the non-cash charges to operations for the acquisition of in-process research and development.

The Company's cash and cash equivalents were $1.8 million at December 31, 1995 and $13.9 million at December 31, 1996. The increase of $12.1 million is primarily due to the net proceeds from sales of the Company's Common Stock and Warrants of $21.5 million partially offset by the use of $9.4 million for operations for the year.

Cash and cash equivalents used in the Company's operations increased from $2.5 million for the nine months ended December 31, 1995, to $9.4 million for the year ended December 31, 1996. This cash was used primarily to fund increasing levels of research and development of clinical and preclinical trials, the initial marketing and inventory purchases of the Company's first four commercial products, and increased general and administrative expenses to support these increased operations. The Company has not made significant outlays for capital expenditures. The capital expenditures of $400,000 in 1996 were substantially in support of increased marketing and administrative activities, since much of the research and development activities are performed by outside contractors. The increase in inventories has been financed principally by cash. However, the Company anticipates that inventory levels of products on hand at December 31, 1996, will decrease substantially in 1997 as the Company sells the units on hand of the acquired Nipent-Registered Trademark- finished goods prior to obtaining FDA approval of the Company's designated manufacturing facilities. Should FDA approval be obtained in 1997, and manufacturing successfully commence, the Company expects the cost per unit to be substantially less than the unit cost of the purchased inventory. However, until that approval occurs, if ever, or other sources are located, the Company's sales of Nipent-Registered Trademark- will be limited to inventory on hand.

Cash and cash equivalents provided by financing activities increased from $2.3 million for the nine months ended December 31, 1995, to $22.0 million for the year December 31, 1996, which was primarily due to the sale of 4,024,302 shares of Common Stock and Warrants to purchase an additional 4,024,302 shares of Common Stock at an exercise price of $9.00 per share for total net proceeds of $21.5 million in the Company's initial public offering. Interest income increased to $750,000 in 1996 from $75,000 in 1995, due to larger invested cash and cash equivalents balances following the initial public offering.

The Company believes that the cash and cash equivalents on hand at December 31, 1996, are sufficient to meet its requirements through at least the next twelve months, based on the Company's current operating plan. This plan includes the effects of the payment of $500,000 by December 1997 related to the Company's acquisition of Nipent-Registered Trademark-, as well as the acquisition of finished goods and the abbreviated New Drug Application for Etoposide for $1.3 million in January 1997. (See notes 5 and 9 of the Notes to Consolidated Financial Statements.) Although the Company has no material commitments for capital expenditures at December 31, 1996, the Company anticipates capital expenditures of approximately $2 million during 1997. The Company's current operating plan shows that the Company will require substantial additional capital not later than early 1998. Moreover, if the Company experiences unanticipated cash requirements, the Company could require additional capital to fund operations, continue research and development programs and preclinical and clinical testing of its potential generic, Extra-TM- and proprietary products and commercialize and market any products that may be developed. The Company may seek such additional funding through public or private financings or collaborative or other arrangements with third parties. The Company has no credit facility or other committed sources of capital. There can be no assurance that additional funds will be available on acceptable terms, if at all. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Factors Affecting Future Operating Results."

FACTORS AFFECTING FUTURE OPERATING RESULTS

THE FOLLOWING DISCUSSION CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THESE FORWARD-LOOKING STATEMENTS REPRESENT THE COMPANY'S EXPECTATIONS OR BELIEFS CONCERNING FUTURE EVENTS AND INCLUDE STATEMENTS, AMONG OTHERS, REGARDING THE TIMING AND PROGRESS OF THE DEVELOPMENT OF THE COMPANY'S PROPOSED PRODUCTS, RECEIVING REGULATORY APPROVALS, ACQUIRING ADDITIONAL PRODUCTS AND TECHNOLOGIES, SOURCING OF BULK GENERICS AND THE MANUFACTURING OF FINISHED PRODUCTS, INCURRING OPERATING LOSSES AND REQUIRING ADDITIONAL CAPITAL, REDUCING INVENTORY LEVELS AND COSTS PER UNIT, AND INCURRING CAPITAL EXPENDITURES. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE PROJECTED IN THE FORWARD-LOOKING STATEMENTS AS A RESULT OF THE FAILURE TO RECEIVE APPROPRIATE REGULATORY APPROVALS OF MARKETING OR MANUFACTURING ACTIVITIES ON A TIMELY BASIS, LACK OF MARKET ACCEPTANCE OF AND DEMAND FOR THE COMPANY'S PRODUCTS, INTENSE PRICE OR PRODUCT COMPETITION, LACK OF AVAILABLE SUPPLY OF BULK GENERICS, FAILURE TO SELL EXISTING INVENTORIES AT PRICES SUFFICIENT TO COVER RELATED COSTS, FAILURE TO OBTAIN ADDITIONAL FINANCING AND OTHER FACTORS SET FORTH BELOW AND ELSEWHERE IN THIS REPORT.

HISTORY OF OPERATING LOSSES; FUTURE PROFITABILITY UNCERTAIN. Since its inception in 1991 through December 31, 1996, the Company incurred losses of approximately $24.3 million (including non-cash charges of approximately $4.9 million for the acquisition of in-process research and development), substantially all of which consisted of research and development and general and administrative expenses. Although the Company acquired the right to distribute four products in the third quarter of 1996 and an additional product in the first quarter of 1997, sales of these products have been minimal to date, and there can be no assurance that such sales will exceed the related product and selling expenses due to the intense competition and potential for significant selling price and gross margin erosion. The Company expects to continue to incur substantial operating losses. The Company's ability to achieve a profitable level of operations in the future will depend in large part on its completing product development and obtaining regulatory approval of its proprietary (including Extra-TM-) products, and bringing several of these products to market. The likelihood of the long-term success of the Company must be considered in light of the expenses, difficulties and delays frequently encountered in the development and commercialization of new pharmaceutical products, competition, as well as the burdensome regulatory environment in which the Company operates. There can be no assurance that the Company will ever achieve significant revenues or profitable operations.

GENERIC AND EXTRA-TM- PHARMACEUTICAL PRODUCT DEVELOPMENT. The Company's success is dependent upon the successful commercialization of its potential generic and Extra-TM- products. However, there can be

no assurance that government approvals will be obtained or, if obtained, that the Company will successfully commercialize its generic or Extra-TM- products. While the Company has obtained bulk source approvals from the FDA for certain of its generic and Extra-TM- products, it has yet to receive marketing approval for any of its internally developed products, and there can be no assurance that any such marketing approval will be obtained. As a result, there can be no assurance that any of the Company's potential generic or Extra-TM- products will ever be brought to market. In the event any of the Company's generic and Extra-TM- products are brought to market, such products will face intense competition and the potential for significant price and gross profit margin erosion.

A significant number of products currently in development by the Company consist of generic products for which patent protection has expired. Both the price at which the Company can expect to sell such products and the volume of any such sales are expected to depend to a significant degree on the number of competitors at any time. There can be no assurance that the prices or volumes achieved by the Company for any such products will meet the Company's expectations that formed the basis for its decision to proceed with development or will justify production of such products.

EARLY STAGE OF DEVELOPMENT OF PROPRIETARY PRODUCTS; UNCERTAINTY OF FINAL PRODUCT DEVELOPMENT. While the Company's proposed proprietary products are in the development rather than the research stage, significant development remains prior to the time any of these proposed products may be brought to market. The Company believes that results obtained to date in its preclinical and pilot clinical studies support further development of its potential proprietary products, but are not necessarily indicative of results that will be obtained in further testing, including controlled human clinical testing. All of the potential proprietary products currently under development by the Company will require extensive clinical testing prior to submission of any regulatory application for commercial use. Such proposed proprietary products as well as the Company's proposed generic and Extra-TM- products are subject to the risks of failure inherent in the development of pharmaceutical products, including the possibilities that some of the Company's potential products will be found to be unsafe or ineffective or otherwise fail to receive necessary regulatory clearances; that the products, if safe and effective, will be difficult to manufacture on a large scale or uneconomical to market; that the proprietary rights of third parties will preclude the Company from marketing such products; or that third parties will market superior or equivalent products. As a result, there can be no assurance that any of the Company's products will be successfully developed, receive required governmental regulatory approvals, become commercially viable or achieve market acceptance.

ADDITIONAL FINANCING REQUIREMENTS. The Company's need for additional funding is expected to be substantial and will be determined by the progress and cost of the development and commercialization of its products and other activities. Based on the Company's current operating plan, additional funds will be needed after approximately twelve months. Moreover, if the Company experiences unanticipated cash requirements during the interim period, the Company could require additional funds much sooner. The source, availability and terms of such funding have not been determined. Although funds may be received from the sale of equity securities or the exercise of outstanding warrants and options to acquire common stock of the Company, there is no assurance any such funding will occur. Failure to obtain adequate financing in a timely manner would have a material adverse effect on the Company's business, results of operations and cash flows.

NEED TO COMPLY WITH GOVERNMENTAL REGULATION AND TO OBTAIN PRODUCT APPROVALS. The research, testing, manufacture, labeling, distribution, marketing and advertising of products such as the Company's existing and proposed products and its ongoing research and development activities are subject to extensive regulation by governmental regulatory authorities in the U.S. and other countries. The FDA and comparable agencies in foreign countries impose substantial requirements on the introduction of new pharmaceutical products through lengthy and detailed clinical testing procedures, sampling activities and other costly and time consuming compliance procedures. The Company's generic drugs require approval of

the bulk source of the drug and FDA approval of the final formulation. The Company's proposed Extra-TM- drugs require the approvals required for a generic drug but will further require additional preclinical and clinical testing relating to the proposed new formulation of the Extra-TM- drug. The Company's proprietary nongeneric drugs require substantial clinical trials and FDA review as new drugs. The Company cannot predict with certainty when it might submit many of its proprietary nongeneric products currently under development for regulatory review. Once the Company submits its potential products for review, there can be no assurance that FDA or other regulatory approvals for any pharmaceutical products developed by the Company will be granted on a timely basis or at all. A delay in obtaining or failure to obtain such approvals would have a material adverse effect on the Company's business, results of operations and cash flows. Failure to comply with regulatory requirements could subject the Company to regulatory or judicial enforcement actions, including, but not limited to, product recalls or seizures, injunctions, civil penalties, criminal prosecution, refusals to approve new products and withdrawal of existing approvals, as well as potentially enhanced product liability exposure. Sales of the Company's products outside the U.S. will be subject to regulatory requirements governing clinical trials and marketing approval. These requirements vary widely from country to country and could delay introduction of the Company's products in those countries.

PATENTS AND PROPRIETARY TECHNOLOGY. The Company actively pursues a policy of seeking patent protection for its proprietary products and technologies. The Company has licenses to or assignments of numerous issued U.S. patents. However, there can be no assurance that the Company's patent position will provide it with significant protection against competitors. Litigation could be necessary to protect the Company's patent position, and there can be no assurance that the Company will have the required resources to pursue such litigation or otherwise to protect its patent rights. In addition to pursuing patent protection in appropriate cases, the Company also relies on trade secret protection for its unpatented proprietary technology. However, trade secrets are difficult to protect. There can be no assurance that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to the Company's trade secrets, that such trade secrets will not be disclosed or that the Company can effectively protect its rights to unpatented trade secrets.

The Company's rights to its potential proprietary products are dependent upon compliance with certain licenses and agreements which require, among other things, certain royalty and other payments, the Company reasonably exploiting the underlying technology of the applicable patents, as well as compliance with certain regulatory filings. Failure to comply with such licenses and agreements could result in loss of the Company's underlying rights to one or more of these potential products, which would have a material adverse effect on the Company's business, results of operations and cash flows.

There can be no assurance that claims against the Company will not be raised in the future based on patents held by others or that, if raised, such claims will not be successful. Such other persons could bring legal actions against the Company claiming damages and seeking to enjoin clinical testing, manufacturing and marketing of the affected product. If any actions are successful, in addition to any potential liability for damages, the Company could be required to obtain a license in order to continue to manufacture or market the affected product. There can be no assurance that the Company would prevail in any such action or that any license required under any such patent would be made available on acceptable terms, if at all. There has been, and the Company believes that there will continue to be, significant litigation in the pharmaceutical industry regarding patent and other intellectual property rights. If the Company becomes involved in any litigation, it could consume a substantial portion of the Company's resources regardless of the outcome of such litigation.

COMPETITION. Competition in the area of pharmaceutical products is intense. There are many companies, both public and private, including well-known pharmaceutical companies, that are engaged in the development and sale of products for certain of the applications being pursued by the Company. The Company's competitors include Amgen, Chiron, Gensia, Bristol-Myers Squibb and Immunex, among

others. Most of these companies have substantially greater financial, research and development, manufacturing and marketing experience and resources than the Company does and represent substantial long-term competition for the Company. Such companies may succeed in developing pharmaceutical products that are more effective or less costly than any that may be developed or marketed by the Company.

Factors affecting competition in the pharmaceutical industry vary depending on the extent to which the competitor is able to achieve a competitive advantage based on proprietary technology. If the Company is able to establish and maintain a significant proprietary position with respect to its proprietary products, competition will likely depend primarily on the effectiveness of the product and the number, gravity and severity of its unwanted side effects as compared to alternative products. Competition with respect to generic products is based primarily on price and, to a lesser extent, on name recognition and the reputation of the manufacturer in its target markets. Moreover, the number of competitors offering a particular generic product can dramatically affect price and gross margin for that product. The Company may be at a disadvantage in competing with more established companies on the basis of price or market reputation. In addition, increased competition in a particular generic market would likely lead to significant price erosion which would have a negative effect on the Company's potential gross profit margins. For example, the Company believes that the total estimated U.S. sales for Mitomycin and Etoposide, as well as other of the Company's proposed generic products, have decreased in recent years due to increased competition and that sales for these generics may continue to decrease in the future as a result of competitive factors, including the introduction of additional generics as well as other cancer drugs, new formulations for these drugs and the use of different therapies.

The industry in which the Company competes is characterized by extensive research and development efforts and rapid technological progress. Although the Company believes that its proprietary position may give it a competitive advantage with respect to its proposed non-generic drugs, new developments are expected to continue and there can be no assurance that discoveries by others will not render the Company's current and potential products noncompetitive. The Company's competitive position also depends on its ability to attract and retain qualified scientific and other personnel, develop effective proprietary products, implement development and marketing plans, obtain patent protection and secure adequate capital resources.

LIMITED SUPPLY; MANUFACTURING LIMITATIONS. The Company currently has a limited supply of the products it is marketing. While the Company is seeking to enter into manufacturing agreements to provide adequate supplies to meet market demand, there is no assurance that the Company will be able to replenish its supplies on a timely basis. Failure to obtain or retain third party manufacturing capability or obtain necessary FDA approvals would have a material adverse effect on the Company's revenues, results of operations and cash flows.

The Company currently relies on foreign manufacturers for the production of certain of its bulk generics and Extra-TM- formulations and on domestic manufacturers to supply sufficient quantities of compounds to conduct clinical trials on its proposed proprietary products. If the Company is unable to contract for or obtain a sufficient supply of its potential pharmaceutical products on acceptable terms, or such supplies are delayed or contaminated, there could be significant delays in bringing the Company's proposed generic and Extra-TM- products to market, as well as delays in the Company's preclinical and human clinical testing schedule, and delays in submission of products for regulatory approval and initiation of new development programs, any of which could have a material adverse effect on the Company's business and results of operations. If the Company should encounter delays or difficulties in establishing relationships with manufacturers to produce, package and distribute its finished pharmaceutical products, market introduction and subsequent sales of such products would be adversely affected. Moreover, contract manufacturers that the Company may use must adhere to current Good Manufacturing Practices ("cGMP") regulations enforced by the FDA through its facilities inspection program. These facilities must pass a pre-approval plant inspection before the FDA will issue a pre-market approval of the products. If the Company is unable to obtain or retain third party manufacturing on commercially acceptable terms or

obtain necessary FDA approvals to manufacture the products currently being sold, it may not be able to commercialize pharmaceutical products as planned. The Company's dependence upon third parties for the manufacture of pharmaceutical products may adversely affect the Company's profit margins and its ability to develop and deliver pharmaceutical products on a timely and competitive basis.

The Company does not currently intend to manufacture any pharmaceutical products itself, although it may choose to do so in the future. The Company has no experience in the manufacture of pharmaceutical products in clinical quantities or for commercial purposes. Should the Company determine to manufacture products itself, the Company would be subject to the regulatory requirements described above, would be subject to similar risks regarding delays or difficulties encountered in manufacturing any such pharmaceutical products and would require substantial additional capital. In addition, there can be no assurance that the Company would be able to manufacture any such products successfully and in a cost-effective manner.

LIMITED EXPERIENCE. The Company has only limited experience in procuring products in commercial quantities, selling pharmaceutical products and negotiating, setting up or maintaining strategic relationships and conducting clinical trials and other late stage phases of the regulatory approval process. There can be no assurance that the Company will successfully engage in any of these activities. In addition, with respect to certain of the Company's proposed products, such as the Company's obesity pill, the Company may seek to enter into joint venture, sublicense or other marketing arrangements with another party that has an established marketing capability. There can be no assurance that the Company will be able to enter into any such marketing arrangements with third parties, or that such marketing arrangements would be successful. In addition, the Company has no current joint venture, strategic partnering or other similar agreements with more established pharmaceutical companies, and there can be no assurance that the Company could negotiate any such arrangements, on an acceptable basis or at all, if it chose to do so. Accordingly, the viability of the Company's proposed products has not been independently evaluated by any independent pharmaceutical company.

DEPENDENCE ON KEY PERSONNEL. The Company's success is dependent on certain key management and scientific personnel, including Dr. Joseph Rubinfeld, the loss of whose services could significantly delay the achievement of the Company's planned development objectives. The Company currently maintains a key man life insurance policy in the amount of $2.6 million on Dr. Rubinfeld. Competition for qualified personnel among pharmaceutical companies is intense, and the loss of key personnel, or the inability to attract and retain the additional, highly skilled personnel required for the expansion of the Company's activities, could have a material adverse effect on the Company's business, results of operations and cash flows.

HEALTH CARE REFORM AND POTENTIAL LIMITATIONS ON THIRD-PARTY REIMBURSEMENT RELATED MATTERS. The levels of revenues and profitability of pharmaceutical companies may be affected by the continuing efforts of governmental and third-party payors to contain or reduce the costs of health care through various means. The Company cannot predict the effect health care reforms may have on its business, and there can be no assurance that any such reforms will not have a material adverse effect on the Company. In addition, in both the U.S. and elsewhere, sales of prescription pharmaceuticals are dependent in part on the availability of reimbursement to the consumer from third-party payors, such as government and private insurance plans. Third-party payors are increasingly challenging the prices charged for medical products and services. There can be no assurance that the Company's current and proposed products will be considered cost effective and that reimbursement to the consumer will be available or will be sufficient to allow the Company to sell its products on a competitive basis.

RISK OF PRODUCT LIABILITY. Clinical trials or marketing of any of the Company's current and potential pharmaceutical products may expose the Company to liability claims from the use of such pharmaceutical products. The Company currently carries product liability insurance; however, there can be no assurance that the Company will be able to maintain insurance on acceptable terms for its clinical and commercial

activities or that such insurance would be sufficient to cover any potential product liability claim or recall. Failure to have sufficient coverage could have a material adverse effect on the Company's business and results of operations.

HAZARDOUS MATERIALS; ENVIRONMENTAL MATTERS. The Company is subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of hazardous materials and certain waste products. The Company currently maintains a supply of several hazardous materials at the Company's facilities. While the Company currently outsources its research and development programs involving the controlled use of biohazardous materials, if in the future the Company conducts such programs itself, there can be no assurance that the Company would not be required to incur significant cost to comply with environmental laws and regulations. In the event of an accident, the Company could be held liable for any damages that result, and such liability could exceed the resources of the Company.

ANTI-TAKEOVER EFFECTS OF CERTAIN CHARTER PROVISIONS. Certain provisions of the Company's Articles of Incorporation and Bylaws could discourage potential acquisition proposals, could delay or prevent a change in control of the Company and could make removal of management more difficult. Such provisions could diminish the opportunities for a shareholder to participate in tender offers, including tender offers that are priced above the then-current market value of the Common Stock. The provisions may also inhibit increases in the market price of the Common Stock and warrants that could result from takeover attempts. For example, the Board of Directors of the Company, without further shareholder approval, may issue up to 2,000,000 shares of Preferred Stock, in one or more series, with such terms as the Board of Directors may determine, including rights such as voting, dividend and conversion rights which could adversely affect the voting power and other rights of the holders of Common Stock. Preferred Stock thus may be issued quickly with terms calculated to delay or prevent a change in control of the Company or make removal of management more difficult. Additionally, the issuance of Preferred Stock may have the effect of decreasing the market price of the Common Stock. The Company's Bylaws also provide that so long as the Company has a class of stock registered pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), shareholder action can be taken only at an annual or special meeting of shareholders and may not be taken by written consent.

CONTROL BY EXISTING SHAREHOLDERS. The Company's officers, directors and five-percent shareholders and their affiliates beneficially own approximately 56% of the Company's outstanding shares of Common Stock. Accordingly, these shareholders, if they were to act as a group, may be able to elect all of the Company's directors, and otherwise control matters requiring approval by the shareholders of the Company, including approval of significant corporate transactions. Such concentration of ownership and the lack of cumulative voting may also have the effect of delaying or preventing a change in control of the Company.

POSSIBLE VOLATILITY OF COMMON STOCK PRICE. The trading prices of the Company's Common Stock and Warrants are subject to significant fluctuations in response to such factors as, among others, variations in the Company's anticipated or actual results of operations, announcements of new products or technological innovations by the Company or its competitors and changes in earnings estimates by analysts. Moreover, the stock market has from time to time experienced extreme price and volume fluctuations which have particularly affected the market prices for emerging growth companies and which have often been unrelated to the operating performance of such companies. These broad market fluctuations may adversely affect the market price of the Company's Common Stock and Warrants. In the past, following periods of volatility in the market price of a company's common stock, securities class action litigations have occurred against the issuing company. There can be no assurance that such litigation will not occur in the future with respect to the Company. Such litigation could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on the Company's business and results of operations. Any adverse determination in such litigation could also subject the Company to significant liabilities.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

All information required by this item is included on pages [F-1] to [F-14] in Item [14] of Part IV of this Report and is incorporated into this item by reference.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information regarding the executive officers and directors of the Company is incorporated by reference to the information set forth under the caption "Proposal One: Election of Directors" in the Company's Proxy Statement for the Annual Meeting of Shareholders to be filed with the Commission within 120 days after the end of the Company's fiscal year ended December 31, 1996.

ITEM 11. EXECUTIVE COMPENSATION.

Information regarding executive compensation is incorporated by reference to the information set forth under the caption "Executive Compensation" in the Company's Proxy Statement for the Annual Meeting of Shareholders to be filed with the Commission within 120 days after the end of the Company's fiscal year ended December 31, 1996.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Information regarding security ownership of certain beneficial owners and management is incorporated by reference to the information set forth under the caption "Voting Securities of Principal Shareholders and Management" in the Company's Proxy Statement for the Annual Meeting of Shareholders to be filed with the Commission within 120 days after the end of the Company's fiscal year ended December 31, 1996.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information regarding certain relationships and related transactions is incorporated by reference to the information set forth under the caption "Executive Compensation--Certain Transactions" in the Company's Proxy Statement for the Annual Meeting of Shareholders to be filed with the Commission within 120 days after the end of the Company's fiscal year ended December 31, 1996.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) The following documents are filed as part of this Report:

1. FINANCIAL STATEMENTS. The following financial statements of the Company and the Report of Ernst & Young LLP, Independent Auditors, are included in Part IV of this Report on the pages indicated:

2. FINANCIAL STATEMENT SCHEDULES.

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or the notes thereto.

3. EXHIBITS:

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
(a) 3.2	Restated Articles of Incorporation of the Registrant, as currently in effect.
(b) 3.3	Bylaws, as amended, of the Registrant.
(a)10.1	Form of Indemnification Agreement between the Registrant and each of its directors and officers.
(a)10.2	1993 Stock Plan, as amended and restated, and forms of stock option agreements thereunder.
(a)10.3	1996 Directors Stock Option Plan and form of stock option agreements thereunder.
(a)10.4	Sublease Agreement dated March 25, 1991 between the Registrant and Jelly Bean Square, a California general partnership, as amended.
(a)10.5	Sublease Agreement dated June 29, 1993 between the Registrant and Jelly Bean Square, a California general partnership, as amended.
(a)10.6	Lease Agreement dated September 26, 1994 between the Registrant and Arthur J. Rogers & Co., as amended.
(b)(d)10.7	Patent Royalty Agreement dated June 30, 1992 between the Registrant and Progenics, Inc.
(b)(d)10.8	Patent License and Royalty Agreement dated August 30, 1993 between the Registrant and The Jackson Laboratory.
(b)(d)10.9	Worldwide License Agreement dated March 1, 1994 between the Registrant and Janssen Biotech, N.V.

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
(b)(d)10.10	Patent License Agreement dated March 1, 1994 between the Registrant and Cyclex Inc.
(b)(d)10.11	Patent License and Royalty Agreement dated November 15, 1993 between the Registrant and The Long Island Jewish Medical Center.
(b)(d)10.12	License Agreement dated February 1, 1995 between the Registrant and Pharmos Corporation.
(b)10.13	Research and License Agreement dated August 1, 1993 between the Registrant and Amur Research Corp.
(b)10.14	Amended and Restated Stock Purchase Agreement dated May 30, 1995 between Israel Chemicals, Ltd. and the Registrant and the related Amended and Restated Shareholders Agreement dated June 2, 1995.
(b)10.15	Employment, Confidential Information and Invention Assignment Agreement dated January 1, 1994 between the Registrant and Joseph Rubinfeld and form of amendment.
(b)10.16	Employment, Confidential Information and Invention Assignment Agreement dated February 1, 1994 between the Registrant and Francis H. Lee.
(b)10.17	Employment, Confidential Information and Invention Assignment Agreement dated February 1, 1994 between the Registrant and Frank Brenner.
(b)10.19	Form of Consulting Agreement between the Registrant and J. Gregory Swendsen and David M. Fineman.
(b)10.20	Consulting Agreement between the Registrant and Vida International Pharmaceutical Consultants.
(c)10.21	Purchase and Sale Agreement dated as of September 30, 1996 between the Registrant and Warner-Lambert Company, a Delaware corporation.
(e)10.22	Asset Purchase Agreement dated January 15, 1997 between the Registrant and Immunex Corporation, a Washington corporation.
10.23	Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate (Non-Residential) dated December 11, 1996 between the Registrant and The Ashwill Trust, established November 8, 1989.
(e)10.24	Bishop Ranch Business Park Building Lease dated October 14, 1996 between the Registrant and Annabel Investment Company, a California partnership.
23.1	Consent of Ernst & Young LLP, Independent Auditors.
24.1	Power of Attorney (see page S-1).

(a) Incorporated by reference from the Registrant's Registration Statement on Form SB-2 (Reg. No. 33-476-LA). Except as noted, each exhibit listed is incorporated by reference to the exhibit of the same number.

(b) Incorporated by reference from Amendment No. 1 to the Registrant's Registration Statement on Form SB-2 (Reg. No. 33-476-LA). Except as noted, each exhibit listed is incorporated by reference to the exhibit of the same number.

(c) Incorporated by reference from the Registrant's Report on Form 8-K filed with the Securities and Exchange Commission on October 15, 1996. The exhibit listed is incorporated by reference to Exhibit 2.1 of Registrant's Report on Form 8-K.

(d) Confidential treatment has been previously granted for certain portions of these exhibits.

(e) Confidential treatment requested for certain portions of this exhibit.

(b) REPORTS ON FORM 8-K.

(1) Form 8-K dated September 30, 1996, filed on October 15, 1996.

(c) EXHIBITS. See Item 14(a) above.

(d) FINANCIAL STATEMENT SCHEDULES. See Item 14(a) above.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

Board of Directors and Shareholders

SuperGen, Inc.

We have audited the accompanying consolidated balance sheets of SuperGen, Inc. as of December 31, 1996 and 1995, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year ended December 31, 1996, the nine months ended December 31, 1995, the year ended March 31, 1995, and the period from March 1, 1991 (inception) through December 31, 1996. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of SuperGen, Inc. at December 31, 1996 and 1995 and the consolidated results of its operations and its cash flows for the year ended December 31, 1996, the nine months ended December 31, 1995, the year ended March 31, 1995, and the period from March 1, 1991 (inception) through December 31, 1996, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Palo Alto, California
January 15, 1997, except as to the third paragraph of Note 2 as to which the date is January 24, 1997

SUPERGEN, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	1996	1995
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,914,863	$ 1,815,420
Accounts receivable, net of allowances of $72,400	120,440	--
Inventories	1,573,951	--
Prepaid expenses and other current assets	540,376	134,452
Total current assets	16,149,630	1,949,872
Property and equipment, at cost:		
Research and development equipment	83,546	81,894
Office furniture, fixtures and equipment	517,859	148,932
Leasehold improvements	53,578	47,208
	654,983	278,034
Less accumulated depreciation and amortization	243,500	127,713
Net property and equipment	411,483	150,321
Developed technology, net of amortization of $3,317	1,266,683	--
Other assets	45,620	61,390
Total assets	$ 17,873,416	$ 2,161,583
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 836,534	$ 223,828
Clinical trials accrual	205,620	--
Accrued compensation and related expenses	290,350	81,016
Due to related parties	334,074	205,750
Amount due under asset purchase agreement	500,000	--
Total current liabilities	2,166,578	510,594
Commitments and contingency		
Shareholders' equity:		
Preferred stock, $.001 par value; 2,000,000 shares authorized; none outstanding	--	--
Common stock, $.001 par value; 40,000,000 shares authorized; 16,930,292 and 12,752,427 shares issued and outstanding at December 31, 1996 and 1995, respectively	40,026,551	17,213,067
Deficit accumulated during the development stage	(24,319,713)	(15,562,078)
Total shareholders' equity	15,706,838	1,650,989
Total liabilities and shareholders' equity	$ 17,873,416	$ 2,161,583

See accompanying notes.

SUPERGEN, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31, 1996	NINE MONTHS ENDED DECEMBER 31, 1995	YEAR ENDED MARCH 31, 1995	PERIOD FROM MARCH 1, 1991 (INCEPTION) THROUGH DECEMBER 31, 1996
Net sales	$ 225,962	$ --	$ --	$ 225,962
Grant revenues	37,715	--	--	37,715
Contract revenues from related party	--	12,574	168,628	181,202
Total revenues	263,677	12,574	168,628	444,879
Operating expenses:				
Cost of sales	282,777	--	--	282,777
Research and development	6,593,590	2,173,332	2,986,202	15,251,632
Sales and marketing	982,168	160,966	197,760	1,535,839
General and administrative	1,912,279	482,280	734,968	3,803,285
Non-cash charges for acquisition of in-process research and development	--	--	--	4,867,645
Total operating expenses	9,770,814	2,816,578	3,918,930	25,741,178
Loss from operations	(9,507,137)	(2,804,004)	(3,750,302)	(25,296,299)
Interest income	749,502	75,317	111,355	976,586
Net loss	$ (8,757,635)	$ (2,728,687)	$ (3,638,947)	$ (24,319,713)
Net loss per share	$ (0.55)	$ (0.22)	$ (0.31)	
Shares used in net loss per share calculation	15,960,872	12,628,982	11,907,593	

See accompanying notes.

SUPERGEN, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	COMMON STOCK		DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT		
Founder capital contribution in 1991	6,500,000	$ 6,500	$ --	$ 6,500
Issuance of common stock to investors for cash in 1993 and 1994	305,500	652,500	--	652,500
Issuance of common stock to consultants for services in 1993	10,000	1,000	--	1,000
Exercise of stock options by employees and consultants for cash or services in 1993 and 1994	59,000	10,645	--	10,645
Issuance of common stock for cash and in-process research and development from affiliated limited partnerships in 1994	2,720,127	7,060,381	--	7,060,381
Issuance of common stock for cash to Israel Chemicals, Ltd., net of offering costs of $304,502 in 1994	1,150,000	3,145,498	--	3,145,498
Net loss through March 31, 1994	--	--	(9,194,444)	(9,194,444)
Balances at March 31, 1994	10,744,627	10,876,524	(9,194,444)	1,682,080
Issuance of common stock for cash to Israel Chemicals, Ltd	1,330,000	3,990,000	--	3,990,000
Net loss	--	--	(3,638,947)	(3,638,947)
Balances at March 31, 1995	12,074,627	14,866,524	(12,833,391)	2,033,133
Issuance of common stock for cash to Israel Chemicals, Ltd	500,000	1,500,000	--	1,500,000
Issuance of common stock and warrants for cash, net of offering costs of $42,457	177,800	846,543	--	846,543
Net loss	--	--	(2,728,687)	(2,728,687)
Balances at December 31, 1995	12,752,427	17,213,067	(15,562,078)	1,650,989
Issuance of common stock and warrants for cash	26,800	134,000	--	134,000
Issuance of common stock and warrants in connection with the initial public offering, net of offering costs of $2,615,052	4,024,302	21,530,760	--	21,530,760
Issuance of common stock upon exercise of warrants and stock options	54,950	325,524	--	325,524
Issuance of common stock for acquisition of developed technology	71,813	700,000	--	700,000
Compensation expense from grant of options to vendors and acceleration of option vesting	--	123,200	--	123,200
Net loss	--	--	(8,757,635)	(8,757,635)
Balances at December 31, 1996	16,930,292	$ 40,026,551	$ (24,319,713)	$ 15,706,838

See accompanying notes.

SUPERGEN, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 1996	NINE MONTHS ENDED DECEMBER 31, 1995	YEAR ENDED MARCH 31, 1995	PERIOD FROM MARCH 1, 1991 (INCEPTION) THROUGH DECEMBER 31, 1996
OPERATING ACTIVITIES				
Net loss	$ (8,757,635)	$ (2,728,687)	$ (3,638,947)	$ (24,319,713)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	119,104	41,827	48,775	248,980
Non-cash charges for acquisition of in-process research and development	--	--	--	4,867,645
Stock options granted to vendors	123,200	--	--	123,200
Changes in operating assets and liabilities:				
Accounts receivable	(120,440)	--	--	(120,440)
Inventory	(1,573,951)	--	--	(1,573,951)
Prepaid expenses and other current assets	(405,924)	77,598	(152,779)	(540,376)
Other assets	15,770	(35,233)	(5,644)	(45,620)
Accounts payable and other accrued liabilities	822,040	(102,137)	(20,960)	1,126,884
Clinical trials accrual	205,620	--	--	205,620
Due to related parties	128,324	205,750	--	334,074
Net cash used in operating activities	(9,443,892)	(2,540,882)	(3,769,555)	(19,693,697)
INVESTING ACTIVITIES				
Purchase of property and equipment, net	(376,949)	(4,547)	(99,553)	(657,146)
Acquisition of developed technology	(70,000)	--	--	(70,000)
Net cash used in investing activities	(446,949)	(4,547)	(99,553)	(727,146)
FINANCING ACTIVITIES				
Issuance of common stock and warrants	21,990,284	2,346,543	3,990,000	32,248,961
Contract research funding from affiliated partnerships	--	--	--	2,086,745
Net cash provided by financing activities	21,990,284	2,346,543	3,990,000	34,335,706
Net increase (decrease) in cash and cash equivalents	12,099,443	(198,886)	120,892	13,914,863
Cash and cash equivalents at beginning of period	1,815,420	2,014,306	1,893,414	--
Cash and cash equivalents at end of period	$ 13,914,863	$ 1,815,420	$ 2,014,306	$ 13,914,863

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

SuperGen, Inc. (the "Company"), which was incorporated in California in March 1991, is a development stage pharmaceutical company that is dedicated to the acquisition, development and commercialization of products to treat life-threatening diseases, particularly cancer and blood cell (hematological) disorders and other serious conditions such as obesity. The Company began marketing acquired products in late 1996 and is developing its portfolio of drugs, many of which are proprietary. The Company is also developing a group of proprietary blood cell disorder products for the treatment of anemia associated with renal failure, chemotherapy, radiotherapy, and aplastic anemia. The Company's proprietary obesity pill, which is being developed for chronic genetic obesity and general obesity, is in Phase II clinical studies.

By resolution of the Company's Board of Directors, effective January 17, 1996, the Company's fiscal year end was changed from March 31 to December 31.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of a wholly-owned Israeli subsidiary, Rubicon Pharmaceuticals, Ltd., formed in June 1996. The result of the subsidiary's operations to date have been immaterial.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

REVENUE RECOGNITION

Revenues related to pharmaceutical product sales are recognized upon shipment to customers. Product sales are made principally to clinics, drug distributors and hospitals in the United States. The Company does not require collateral from its customers.

Contract revenues are related to research performed on behalf of Israel Chemicals, Ltd., a shareholder. Contract revenues and grant revenues generally relate to the reimbursement of costs incurred for research and development as specified in the related agreements and are recorded as earned.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include bank demand deposits and an interest in a money market fund which invests primarily in U.S. government obligations and commercial paper. These investments are highly liquid and are subject to insignificant risk. The Company has not experienced any realized or unrealized gains or losses related to these investments. The Company has classified its investments in money market funds as available-for-sale.

INVENTORIES

Inventories are stated at the lower of cost (using first-in, first-out method) or market value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost and are depreciated over their estimated useful lives, using the straight-line method. Leasehold improvements are amortized over the shorter of the life of the lease or their estimated useful lives using the straight-line method.

DEVELOPED TECHNOLOGY

Developed technology is being amortized to cost of sales on a units-sold basis over a period expected to approximate six years.

NET LOSS PER SHARE

Net loss per share is computed using the weighted average number of shares of common stock outstanding during each period. Common equivalent shares issuable upon the exercise of outstanding options and warrants to purchase shares of the Company's common stock (using the treasury stock method) have been excluded from the computation because their impact is antidilutive. In accordance with Securities and Exchange Commission Staff Accounting Bulletins, common and common equivalent shares issued by the Company at prices below the public offering price during the period beginning one year prior to the initial filing of the registration statement for the Company's initial public offering have been included in the calculation as if they were outstanding for all periods presented (using the treasury stock method and the initial public offering price).

STOCK-BASED COMPENSATION

In October 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation," which is effective for 1996. As permitted by Statement No. 123, the Company accounts for stock options under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, the Company does not record compensation expense for stock option grants when the exercise price equals or exceeds the market price of the Company's common stock on the date of grant.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year's presentation.

2. RELATED PARTY TRANSACTIONS

The Company entered into consulting agreements with two shareholders, both of whom are directors of the Company. Payments under these agreements totaled $127,000 for the year ended December 31, 1996, $91,000 for the nine months ended December 31, 1995, and $160,000 for the year ended March 31, 1995, all of which are included in general and administrative expenses in the accompanying statements of operations.

Three shareholders and directors are directors of a company conducting research and development work partially funded by SuperGen. SuperGen has provided approximately $248,000 in research funding for the year ended December 31, 1996, $182,000 during the nine months ended December 31, 1995 and

2. RELATED PARTY TRANSACTIONS (CONTINUED) $300,000 for the year ended March 31, 1995. In addition, SuperGen holds an 11% ownership interest in this company at December 31, 1996, which is carried at no value.

At December 31, 1995, the Company owned 5% of another company performing research and development work for SuperGen as well as selling SuperGen certain research supplies. Research payments to this company totaled $287,000 for the year ended December 31, 1996, $131,250 for the nine months ended December 31, 1995, and $288,000 for the year ended March 31, 1995. Amounts due of $175,000 and $62,500 at December 31, 1996 and 1995, respectively, are included in "Due to related parties" in the accompanying balance sheets. SuperGen acquired an additional 5% ownership interest in this company on January 24, 1997, for $150,000. The Company's entire investment is carried at no value.

Four directors and shareholders are directors and shareholders of another company performing research for SuperGen in Israel. Payments to this company totaled $43,500 for the year ended December 31, 1996, $-- for the nine months ended December 31, 1995 and $-- for the year ended March 31, 1995. Amounts due of $156,500 and $-- at December 31, 1996 and 1995 respectively, are included in "Due to related parties" in the accompanying balance sheets.

Two directors and a shareholder are directors of a privately held development stage biopharmaceutical company. In November 1996, the Company paid $250,000 for approximately 4% of the ownership interest in this company, which is carried at no value. The companies have agreed to enter into a strategic collaboration aimed at the discovery and development of new anticancer drugs based on natural products.

In connection with the resignation of one of its officers and founders, the Company recorded $187,500 in general and administrative expenses in the accompanying statement of operations for the nine months ended December 31, 1995, of which $131,250 was included in "Due to related parties" as of December 31, 1995 and paid in 1996.

Certain shareholders and founders of the Company were also general partners in two research and development partnerships. These partnerships were formed to finance the research and development of certain generic drugs. The partnerships subsequently entered into research and development agreements with SuperGen to perform specified research and development activities. In May 1993 and January 1994, the Company purchased all of the technology under development by both of these partnerships (Note 3).

3. SHAREHOLDERS' EQUITY

COMMON STOCK

In May 1993, the Company issued 1.1 million shares of common stock to the general and limited partners of an affiliated research and development partnership in exchange for the rights to technology currently under development and cash of $570,000. The Company's founders and shareholders were general partners in the partnership. In connection with this transaction, the Company recorded a charge to operations of $1.1 million for the acquisition of in-process research and development.

In January 1994, the Company acquired technology under development by another affiliated research and development partnership in exchange for 1.6 million shares of common stock and a net cash payment of $470,000. The Company's founders and shareholders were general partners in the partnership. The Company recorded another charge to operations totaling $3.8 million in connection with the acquisition of this in-process research and development.

3. SHAREHOLDERS' EQUITY (CONTINUED) In March 1996, the Company completed an initial public offering and issued 3,500,000 shares of common stock, raising net proceeds of approximately $18.6 million. Additional net proceeds of approximately $2.9 million were received in April 1996 from the exercise of the underwriters' overallotment option.

WARRANTS

At December 31, 1996, warrants to purchase the following shares of the Company's common stock were outstanding:

NUMBER OF SHARES	EXERCISE PRICE	ISSUE DATE	EXPIRATION DATE
203,600	$ 5.00	1995	2000
4,003,802	9.00	1996	2001
350,000	7.20	1996	2001

In addition, upon exercise, the holders of the warrants to purchase 350,000 shares will receive an additional warrant to acquire 350,000 shares at $9.00 per share, which warrant will expire in 2001. The $5.00 and $9.00 warrants are redeemable by the Company for $0.25 upon thirty days written notice, if the closing bid price exceeds $10.00 and $18.00, respectively, for specified periods of time. The Company has reserved 203,600 shares of common stock for issuance upon exercise of the $5.00 warrants.

4. STOCK OPTION PLANS

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related Interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under FASB Statement No. 123, "Accounting for Stock-Based Compensation," requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee and director stock options equals the market price of the underlying stock on the date of grant for all options granted, no compensation expense has been recognized. The fair value of the options granted to vendors and certain consultants, amounting to $123,200 in 1996, is expensed as earned.

The Company has established stock option plans, and 2,550,000 shares of common stock have been authorized for issuance upon the grant of incentive stock options or nonstatutory stock options to employees, directors, and consultants. The number of shares to be purchased, their price, and the terms of payment are determined by the Company's Board of Directors, provided that the exercise price for incentive stock options cannot be less than the fair market value on the date of grant. The options granted generally expire ten years after the date of grant and become exercisable at such times and under such conditions as determined by the Board of Directors (generally over a four or five year period). At December 31, 1996, the Company has reserved 2,216,550 shares of common stock for future issuance in connection with stock option plans.

Pro forma information regarding net loss and net loss per share is required by Statement 123 and has been determined as if the Company had accounted for its employee stock options under the fair value

4. STOCK OPTION PLANS (CONTINUED) method of that Statement. The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for 1996: a risk-free interest rate of 6.02%; no dividend yield; a volatility factor of the expected market price of the Company's common stock of 0.712; and an expected life of the options of 8.6 years. The minimum value method was used for grants made prior to the date of the initial filing of the registration statement for the Company's initial public offering.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting requirements and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

	YEAR ENDED DECEMBER 31, 1996	NINE MONTHS ENDED DECEMBER 31, 1995
Pro forma net loss	$ (10,292,557)	$ (3,013,306)
Pro forma loss per share	$ (0.64)	$ (0.24)

As the Company adopted Statement No. 123 in 1996, it has only reflected the pro forma effect on net loss for options granted after March 31, 1995. Accordingly, the effects of applying Statement No. 123 for providing pro forma disclosures are not indicative of future amounts until the Statement has been applied to all outstanding, non vested awards.

A summary of the Company's stock option activity and related information for 1996 follows:

	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding-beginning of year	792,450	$ 2.80
Granted	1,178,000	7.21
Exercised	(8,450)	1.30
Forfeited	(56,000)	5.17
Outstanding-end of year	1,906,000	5.46

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. STOCK OPTION PLANS (CONTINUED)

	OPTIONS	WEIGHTED-AVERAGE FAIR VALUE
Options granted during the year:		
At fair value	1,058,000	$ 4.45
At greater than fair value	120,000	2.80

Information concerning the options outstanding at December 31, 1996 is as follows:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$.0135 to $3.00	549,000	$ 1.75	7.93	363,667	$ 1.59
3.01 to 6.00	1,064,000	5.47	8.22	459,063	5.51
6.01 to 15.00	293,000	12.12	8.61	59,332	12.33
$0.0135 to $15.00	1,906,000	5.46	8.20	882,062	4.73

5. ACQUISITION OF DEVELOPED TECHNOLOGY AND RELATED ASSETS

On September 30, 1996, the Company purchased from Warner-Lambert Company ("Warner Lambert") the exclusive rights to the anticancer drug Pentostatin (the "Drug"--trade name Nipent-Registered Trademark-) for the United Stated, Canada and Mexico. The Company also acquired certain assets pertaining to the Drug, including all of Warner-Lambert's crude concentrate form of the Drug and certain of its finished goods inventory; the trademarks, patents and data relating to the manufacture of the Drug; the U.S. New Drug Application relating to the Drug (including two Orphan Drug Designations); the Canadian New Drug Submission; and certain clinical studies. On September 30, 1996, the Company paid consideration of $2,073,000 in cash and $1,000,000 in unregistered restricted shares of common stock of the Company (which constituted 71,813 shares of such stock, and which was valued at $700,000 for accounting purposes). Furthermore, the Company agreed to pay an additional $500,000 in cash upon the earlier of the date of FDA approval (permitting the Company to purify the Drug from the crude concentrate at the Company's designated manufacturing facilities) or December 31, 1997. Of the total consideration of $3,273,000, $1,561,000 has been allocated to inventory, including $250,000 to raw materials inventory, $1,270,000 to developed technology, which is being amortized to cost of sales of the Drug, and $442,000 as a charge for the acquisition of in-process technology.

6. COMMITMENTS AND CONTINGENCY

The Company leases its facilities under noncancelable operating leases, each of which may be renewed for one period of three to five years. In October 1996, the Company entered into a new noncancelable five-year operating lease for its corporate offices, which commences in February 1997. Payments subsequent to that date, through August 1998, under the lease for the previous corporate office,

6. COMMITMENTS AND CONTINGENCY (CONTINUED) totaling approximately $170,000, have been expensed as of December 31, 1996. Future minimum rentals under all other noncancelable operating leases with terms greater than one year are as follows:

YEAR ENDING DECEMBER 31,	
1997	$ 281,900
1998	295,400
1999	268,000
2000	268,600
2001	225,200
Thereafter	7,200
	$ 1,346,300

Rent expense was $335,000, $83,000 and $71,200 for the year ended December 31, 1996, the nine months ended December 31, 1995, and the year ended March 31, 1995, respectively.

The Company has entered into employment contracts with three of its key employees requiring payments of $492,000 in 1997.

The Company also has entered into technology license agreements allowing the Company access to certain technology. These agreements generally require royalty payments based upon the sale of approved products incorporating the technology under license. No sales of such products have occurred as of December 31, 1996.

The Company has also entered into manufacturing and service agreements for the supply of research materials and the performance of specified research studies. These agreements require certain payments based upon the delivery of the research materials and the completion of the studies.

The Company has agreed to invest up to $1,000,000 of the proceeds from the sale of stock to Israel Chemicals, Ltd. in projects in Israel on or prior to December 31, 1997, subject to certain conditions. Approximately $250,000 had been expensed related to such projects as of December 31, 1996.

7. INCOME TAXES

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

	DECEMBER 31, 1996	DECEMBER 31, 1995
Deferred tax assets:		
Net operating loss carryforwards	$ 5,875,000	$ 3,280,000
Credit carryforwards	425,000	265,000
Accruals not currently recognized for tax purposes	125,000	152,000
Capitalized research and development	450,000	55,000
Other	475,000	78,000
Total deferred tax assets	7,350,000	3,830,000
Valuation allowance	(7,350,000)	(3,830,000)
Net deferred tax assets	$ --	$ --

The valuation allowance increased by $1,072,000 during the nine months ended December 31, 1995 and by $1,613,000 during the year ended March 31, 1995.

As of December 31, 1996 the Company has net operating loss carryforwards for federal income tax purposes of approximately $16,400,000 expiring in the years 2009 through 2011, and net operating losses for state income tax purposes of $5,200,000 expiring in the years 1997 through 2001. Because of the "change in ownership" provisions of the Tax Reform Act of 1986, utilization of the Company's tax net operating loss carryforwards and tax credit carryforwards may be subject to an annual limitation in future periods. As a result of the annual limitation, a portion of these carryforwards may expire before ultimately becoming available to reduce future income tax liabilities.

8. EMPLOYEE BENEFIT PLAN

On December 1996, the Company adopted a 401(k) Profit Sharing Plan (the "401(k) Plan") for all eligible employees with over six months of service. Voluntary employee contributions to the 401(k) Plan may be matched 50% by the Company, up to 3% of each participant's annual compensation. The Company's expense under the 401(k) Plan was approximately $24,000 for 1996.

9. SUBSEQUENT EVENT

On January 15, 1997, the Company purchased all the finished goods, the abbreviated New Drug Application, and related records and know-how pertaining to the generic drug Etoposide from Immunex Corporation for cash consideration of $1,260,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. UNAUDITED STATEMENT OF OPERATIONS AND STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED DECEMBER 31, 1994

STATEMENT OF OPERATIONS

	NINE MONTHS ENDED DECEMBER 31, 1994
	(UNAUDITED)
Contract revenues from related parties	$ 95,129
Operating expenses:	
Research and development	2,016,596
Sales and marketing	144,016
General and administrative	511,321
Total operating expenses	2,671,933
Loss from operations	(2,576,804)
Interest income	75,892
Net loss	$ (2,500,912)
Net loss per share	$(.21)
Shares used in net loss per share calculation	11,796,760

STATEMENT OF CASH FLOWS

	NINE MONTHS ENDED DECEMBER 31, 1994
	(UNAUDITED)
Operating activities	
Net loss	$ (2,500,912)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	32,564
Changes in operating assets and liabilities:	
Prepaid expenses and other current assets	(247,728)
Other assets	(30,644)
Accounts payable and accrued liabilities	(6,916)
Net cash used in operating activities	(2,753,636)
Investing activities	
Purchase of property and equipment, net	(76,747)
Financing activities	
Issuance of common stock	3,990,000
Net increase in cash	1,159,617
Cash at beginning of period	1,893,414
Cash at end of period	$ 3,053,031

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 26th day of March, 1997.

SUPERGEN, INC.

By: /s/ JOSEPH RUBINFELD
Joseph Rubinfeld
PRESIDENT, CHIEF EXECUTIVE OFFICER, CHIEF SCIENTIFIC OFFICER AND DIRECTOR

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each such person whose signature appears below constitutes and appoints, jointly and severally, Joseph Rubinfeld and Henry C. Settle, Jr., his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
/s/ JOSEPH RUBINFELD (Joseph Rubinfeld)	President, Chief Executive Officer, Chief Scientific Officer and Director (Principal Executive Officer)	March 26, 1997
/s/ HENRY C. SETTLE, JR. (Henry C. Settle, Jr.)	Chief Financial Officer (Principal Financial and Accounting Officer)	March 26, 1997
/s/ DAVID M. FINEMAN (David M. Fineman)	Director	March 26, 1997
/s/ J. GREGORY SWENDSEN (J. Gregory Swendsen)	Director	March 26, 1997
/s/ DENIS BURGER (Denis Burger)	Director	March 26, 1997
/s/ JULIUS A. VIDA (Julius A. Vida)	Director	March 26, 1997
/s/ DANIEL ZURR (Daniel Zurr)	Director	March 26, 1997

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
SUPERGEN, INC.
DECEMBER 31, 1996

COL. A	COL. B	COL. C		COL. D	COL. E
		ADDITIONS			
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS-DESCRIBE	DEDUCTIONS-DESCRIBE	BALANCE AT END OF PERIOD
Year ended December 31, 1996:					
Deducted from asset accounts--					
Allowance for doubtful accounts....	$ --	$ 10,000	$ --	$ --	$ 10,000
Reserve for product returns.....	--	--	62,400(1)	--	62,400
	$ --	$ 10,000	$ 62,400	$ --	$ 72,400

(1) Charged to sales

SUPERGEN, INC.

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT	SEQUENTIALLY NUMBERED PAGE
(a) 3.2	Restated Articles of Incorporation of the Registrant, as currently in effect.	
(b) 3.3	Bylaws, as amended, of the Registrant.	
(a)10.1	Form of Indemnification Agreement between the Registrant and each of its directors and officers.	
(a)10.2	1993 Stock Plan, as amended and restated, and forms of stock option agreements thereunder.	
(a)10.3	1996 Directors Stock Option Plan and form of stock option agreements thereunder.	
(a)10.4	Sublease Agreement dated March 25, 1991 between the Registrant and Jelly Bean Square, a California general partnership, as amended.	
(a)10.5	Sublease Agreement dated June 29, 1993 between the Registrant and Jelly Bean Square, a California general partnership, as amended.	
(a)10.6	Lease Agreement dated September 26, 1994 between the Registrant and Arthur J. Rogers & Co., as amended.	
(b)(d)10.7	Patent Royalty Agreement dated June 30, 1992 between the Registrant and Progenics, Inc.	
(b)(d)10.8	Patent License and Royalty Agreement dated August 30, 1993 between the Registrant and The Jackson Laboratory.	
(b)(d)10.9	Worldwide License Agreement dated March 1, 1994 between the Registrant and Janssen Biotech, N.V.	
(b)(d)10.10	Patent License Agreement dated March 1, 1994 between the Registrant and Cyclex Inc.	
(b)(d)10.11	Patent License and Royalty Agreement dated November 15, 1993 between the Registrant and The Long Island Jewish Medical Center.	
(b)(d)10.12	License Agreement dated February 1, 1995 between the Registrant and Pharmos Corporation.	
(b)10.13	Research and License Agreement dated August 1, 1993 between the Registrant and Amur Research Corp.	
(b)10.14	Amended and Restated Stock Purchase Agreement dated May 30, 1995 between Israel Chemicals, Ltd. and the Registrant and the related Amended and Restated Shareholders Agreement dated June 2, 1995.	
(b)10.15	Employment, Confidential Information and Invention Assignment Agreement dated January 1, 1994 between the Registrant and Joseph Rubinfeld and form of amendment.	
(b)10.16	Employment, Confidential Information and Invention Assignment Agreement dated February 1, 1994 between the Registrant and Francis H. Lee.	
(b)10.17	Employment, Confidential Information and Invention Assignment Agreement dated February 1, 1994 between the Registrant and Frank Brenner.	
(b)10.19	Form of Consulting Agreement between the Registrant and J. Gregory Swendsen and David M. Fineman.	
(b)10.20	Consulting Agreement between the Registrant and Vida International Pharmaceutical Consultants.	

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT	SEQUENTIALLY NUMBERED PAGE
(c)10.21	Purchase and Sale Agreement dated as of September 30, 1996 between the Registrant and Warner-Lambert Company, a Delaware corporation.	
(e)10.22	Asset Purchase Agreement dated January 15, 1997 between the Registrant and Immunex Corporation, a Washington corporation.	
10.23	Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate (Non-Residential) dated December 11, 1996 between the Registrant and The Ashwill Trust, established November 8, 1989.	
(e)10.24	Bishop Ranch Business Park Building Lease dated October 14, 1996 between the Registrant and Annabel Investment Company, a California partnership.	
23.1	Consent of Ernst & Young LLP, Independent Auditors.	
24.1	Power of Attorney.	

(a) Incorporated by reference from the Registrant's Registration Statement on Form SB-2 (Reg. No. 33-476-LA). Except as noted, each exhibit listed is incorporated by reference to the exhibit of the same number.

(b) Incorporated by reference from Amendment No. 1 to the Registrant's Registration Statement on Form SB-2 (Reg. No. 33-476-LA). Except as noted, each exhibit listed is incorporated by reference to the exhibit of the same number.

(c) Incorporated by reference from the Registrant's Report on Form 8-K filed with the Securities and Exchange Commission on October 15, 1996. The exhibit listed is incorporated by reference to Exhibit 2.1 of Registrant's Report on Form 8-K.

(d) Confidential treatment has been previously granted for certain portions of these exhibits.

(e) Confidential treatment requested for certain portion of this exhibit.

Exhibit 10.22
REDACTED
CONFIDENTIAL TREATMENT REQUESTED

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT is made and entered into as of January 15, 1997 (the "Agreement") by and between Immunex Corporation, a Washington corporation ("Immunex"), and SuperGen, Inc., a California corporation ("SuperGen").

W I T N E S S E T H:

WHEREAS, Immunex desires to sell to SuperGen and SuperGen desires to purchase from Immunex the Purchased Assets (hereinafter defined) upon the terms and conditions and for the Purchase Price (hereinafter defined) as set forth in this Agreement;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants herein contained, SuperGen and Immunex hereby agree as follows:

ARTICLE 1: DEFINITIONS

As used in this Agreement the following defined terms shall have the meanings set forth below:

1.1 "Affiliate" means any corporation or business entity of which a party owns directly or indirectly, fifty percent (50%) or more of the assets or outstanding stock, or any corporation which a party directly or indirectly controls, or any parent corporation that owns, directly or indirectly, fifty percent (50%) or more of the assets or outstanding stock of a party or directly or indirectly controls a party.

1.2 "ANDA" means the Abbreviated New Drug Application No. 74-513, filed with the United States Food and Drug Administration for Etoposide injection, which is owned/sponsored by Immunex, including all information therein.

1.3 "Applicable Laws" means all laws, treaties, statutes, ordinances, judgments, decrees, directives, rules, injunctions, writs, regulations, binding arbitration rulings, orders, judicial or administrative interpretations or authorization of, any Governmental Authority having jurisdiction over the Purchased Assets in the Territory, as may be in effect on the Closing Date.

1.4 "Closing" shall have the meaning set forth in Section 2.4.

1.5 "Closing Date" means January 15, 1997 or such other date as is determined in accordance with Section 2.4.

1.6 "Encumbrances" mean all claims, security interests, liens, pledges, charges, escrows, options, proxies, rights of first refusal, preemptive rights, mortgages, hypothecations, prior assignments, title retention agreements, indentures, security agreements or any other encumbrances of any kind.

1.7 "Etoposide" means the pharmaceutical compound 4'- demethylepipodophyllotoxin 9-[4,6-0-(R)-ethylidene-B-D-glucopyranoside].

1.8 "FDA" means the United States Food and Drug Administration.

1.9 "Governmental Authority" means any governmental department, commission, board, bureau, agency, court or other instrumentality of the United States including but not limited to federal, state, district or commonwealth thereof, any foreign government or any jurisdiction, municipality or other political subdivision thereof.

1.10 "Inventory" means Immunex's Etoposide inventory of Product set forth on Exhibit A.

1.11 "Know-How" means all data, information, know-how (including without limitation, processes and methods) relating to the manufacture, testing, storage, or regulatory status of the Product.

1.12 "Losses" means any and all damages, fines, liabilities, fees, penalties, deficiencies, losses and expenses (including, without limitation interest, court costs, fees of attorneys, accountants and other experts and other expenses of litigation or other proceedings or of any claim, default or assessment).

1.13 "Master Production Records" means those records relating to the production of Etoposide as identified in the ANDA.

1.14 "Person" means an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

1.15 "Product" means the Etoposide injection product in vialed dosage form currently manufactured for and sold by Immunex. As used herein, Product shall refer interchangeably to Etoposide injection in the 5 ml. multiple dose vial containing 100 mg. Etoposide (NDC #58406-711-12) and the 12.5 ml. multiple dose vial containing 250 mg. Etoposide (NDC #58406-714-18).

1.16 "Purchase Price" shall have the meaning set forth in Section 2.2.

1.17 "Purchased Assets" shall mean all of the (i) ANDA, (ii) Inventory, (iii) Records and (iv) Know-How.

1.18 "Records" means the stability reports, Master Production Records, adverse reaction reports, material documents and correspondence with any Governmental Authority relating to the Purchased Assets, and other records identified on Exhibit A.

1.19 "Termination Date" shall have the meaning set forth in Section 7.1.

1.20 "Territory" means the United States of America including its territories and possessions.

1.21 "United States" means the United States of America, its territories and possessions, the Commonwealth of Puerto Rico and the District of Columbia.

ARTICLE 2: PURCHASE AND SALE; CLOSING

2.1 CONVEYANCE. On the Closing Date, subject to the terms and conditions set forth in this Agreement, Immunex shall sell, transfer, assign, convey and deliver to SuperGen good and marketable title to the Purchased Assets free and clear of any Encumbrances of any kind and SuperGen shall purchase good and marketable title to the Purchased Assets from Immunex free and clear of any Encumbrances of any kind ("Closing Date"). Immunex shall execute and deliver such documents of conveyance and take any other action as may be necessary to transfer the Purchased Assets to SuperGen as set forth in the preceding sentence.

2.2 PURCHASE PRICE.

(a) In full consideration for transfer of the Purchased Assets, SuperGen shall pay in cash $1,260,000 (the "Purchase Price") as follows: [*] for the ANDA and [*] for the Inventory.

(b) The cash payments of the Purchase Price shall be made in United States dollars by bank wire transfer in immediately available funds to an account designated in writing by Immunex.

(c) The amount of the cash payment to be made on the Closing Date is based in part upon the Inventory including no less than [*] vials of Product as shown on Exhibit A. Should the Inventory as actually delivered include less than [*] vials of Product, then Immunex shall promptly upon written notice from SuperGen, refund to SuperGen in cash the amount of (i) [*] multiplied by the difference between [*] vials of 5 ml. Product and the actual number of vials delivered, and (ii) [*] multiplied by the difference between [*] vials of 12.5 ml. Product and the actual number of vials delivered.

In the event Immunex possess any additional Product on the Closing Date over and above the quantities identified in Exhibit A, SuperGen shall have the right to purchase such additional inventory at the cost of [*] per vial for the 5 ml Product and [*] per vial for the 12.5 ml Product.

SuperGen shall pay for all shipping costs in connection with the delivery of the Inventory to SuperGen.

2.3 ASSUMPTION OF LIABILITIES. SuperGen will assume at the Closing and subsequently, in due course, pay, honor and discharge (except where it is contesting in good faith) all liabilities and responsibilities relating to the Purchased Assets arising after the Closing (except as set forth in
Section 6.1(a)(i)(d)), including, but not limited to all regulatory responsibilities and obligations related to the ANDA arising after the Closing and, with respect to the Product, all responsibilities under the Applicable Laws relating to the use, manufacture, promotion, sale, and distribution thereof arising after the Closing ("Assumed Liabilities"). Except as set forth in the preceding sentence, SuperGen shall not assume, and Immunex shall retain and be responsible for, any and all liabilities and obligations of Immunex of any kind whatsoever, including, but not limited to, any liability relating to the Purchased Assets arising on or before the Closing or in connection therewith, (the "Non-Assumed Liabilities"). Without limiting the generality of the foregoing, SuperGen shall not assume (a) liabilities of Immunex for occupation or similar taxes and related filing fees or charges, if any, arising out of or in connection with the sale, assignment, transfer or conveyance of the Purchased Assets hereunder to SuperGen or (b) liabilities for federal, state, local or foreign income or other taxes of, or due or to become due from, Immunex with respect to any period ending on or before the Closing Date or events that occurred on or before the Closing Date or arising out of, or resulting from the sale of the Purchased Assets hereunder to SuperGen on or before the Closing Date. Notwithstanding the foregoing, SuperGen will assume all liability for sales tax on the ANDA as a result of the purchase.

2.4 THE CLOSING. The closing of the sale and purchase of the Purchased Assets and the consummation of the transactions contemplated hereby (the "Closing") shall take place at the offices of Wilson Sonsini Goodrich & Rosati on January 15, 1997 or at such other time, date or place as the parties may mutually agree upon in writing (the "Closing Date"). At the Closing, the parties to this Agreement will exchange funds, certificates and other documents specified in this Agreement. For purposes of this Agreement the Closing will be treated as if it occurred at 9:00 a.m. PST on the Closing Date.

2.5 CLOSING TRANSACTIONS. At the Closing, and as a condition thereof (provided any condition for the benefit of either party hereto may be waived by such party):

(a) Immunex shall cause to be delivered to SuperGen the Purchased Assets and all documents necessary to transfer, assign, convey and deliver good and marketable title to the Purchased Assets;

(b) Immunex shall provide to SuperGen all necessary and applicable notifications of change to the relevant Governmental Authorities respecting the change in the ownership of the Purchased Assets, which notifications shall be promptly delivered subsequent to the Closing;

(c) Immunex shall cause to be delivered [*] vials of Product;

(d) SuperGen shall deliver $1,260,000 in cash to Immunex;

(e) SuperGen will deliver such instruments of assumption and other certificates, instruments or documents, in form and substance reasonably acceptable to Immunex, as may be necessary to effect SuperGen's assumption under Applicable Laws of the Assumed Liabilities;

(f) Each of Immunex and SuperGen shall deliver to the other party a certificate in which an officer of each respective company certifies the truth and accuracy of its representations and warranties set forth in Section
3 (with respect to Immunex) and Section 4 (with respect to SuperGen) as of the Closing Date.

2.6 Immunex reserves the right, for itself and on behalf of its Affiliates, at any time after the Closing Date to reference the ANDA for purposes of obtaining any registration or governmental approvals needed to manufacture, test, sell or distribute Etoposide in any country outside of the Territory or, subject to Section 5.5 to make Etoposide, or to have Etoposide made in the United States solely for export and final sale outside the United States.

ARTICLE 3: REPRESENTATIONS AND WARRANTIES OF IMMUNEX

Immunex hereby represents and warrants to SuperGen as follows:

3.1 ORGANIZATION, GOOD STANDING, POWER, ETC. Immunex is a corporation duly organized, validly existing and in good standing under the laws of the state of Washington and has all requisite power and authority to own, operate and lease its properties and to carry on its business as now being conducted. Immunex has full corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereunder, and the execution, delivery and performance of this Agreement and the transactions contemplated hereby by Immunex have been duly and validly authorized by proper corporate action, and no other proceedings on the part of Immunex are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly executed and delivered by Immunex and constitutes a legal, valid and binding obligation of Immunex enforceable against Immunex in accordance with its terms, subject to general principles of equity and except as enforceability hereof may be limited by applicable bankruptcy, insolvency, reorganization or other laws of general application relating to creditors' rights. There are no outstanding agreements, assignments, licenses or Encumbrances inconsistent with the provisions of this Agreement or which may prevent or hinder Immunex from consummating the transactions contemplated by this Agreement or may prevent or hinder SuperGen from sponsoring the ANDA.

3.2 NO CONFLICT. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will: (i) conflict with the articles of incorporation or by-laws of Immunex; (ii) violate any order, writ, injunction or decree applicable to Immunex; (iii) violate any provisions of laws, rules or regulations to which Immunex is subject; (iv) violate, conflict with or result in any breach of or default under any mortgage, indenture, contract, agreement, license, permit, instrument or trust to which Immunex is a party or by which its properties are bound; or (v) result in the creation or imposition of any Encumbrance of any kind whatsoever upon, or give to any person other than SuperGen any interest or right in the Purchased

Assets or give any right of acceleration, termination or cancellation in or with respect to, any of the ANDA or the rights of SuperGen to be the sponsor thereof.

3.3 CONSENTS AND APPROVALS. Immunex has obtained all necessary consents, approvals, orders or authorizations of, and has performed all necessary registrations, declarations or filings with any Governmental Authority required by or with respect to Immunex in connection with the execution and delivery of this Agreement by Immunex or the consummation by Immunex of the transactions contemplated hereby. Immunex is conducting, and has conducted, its business and operations as it relates directly or indirectly to the Purchased Assets in compliance in all material respects with all governmental laws, rules and regulations applicable thereto and is not in violation or default in any material respect under any statute, regulation, order, decree or governmental authorization applicable to it or any of its properties or business as presently conducted or proposed to be conducted as it relates directly or indirectly to the Purchased Assets, including without limitation laws, rules and regulations administered or issued by the FDA and any environmental laws, rules and regulations. Immunex is not subject to any order or consent decree of any court or administrative body that relates in any way, directly or indirectly, to the Purchased Assets.

3.4 PURCHASED ASSETS. Immunex has full right, title and interest to, and at the Closing will sell, convey, assign, transfer and deliver to SuperGen good title to all Purchased Assets. The Purchased Assets are free and clear of any Encumbrance of any party. There are no material problems or defects in any of the Purchased Assets which would directly or indirectly adversely affect such Purchased Assets or SuperGen's ability to sell Product after the Closing or, as a direct or indirect result of such defects, would render the Product unmarketable for the purposes for which they were intended. All material adverse experiences associated with the Immunex labeled product and known to Immunex are included in the ANDA. To the best of Immunex's knowledge, there is no infringement by any third party of its title to the Purchased Assets.

3.5 LEGAL PROCEEDINGS. There are no adverse third party actions or claims pending against Immunex in any court or by or before any Governmental Authority with respect to the Purchased Assets. There are no other actions, suits, proceedings, claims or, to the best knowledge of Immunex, investigations pending against Immunex, nor has Immunex received notice of any of the foregoing, with respect to the transactions contemplated hereby or materially affecting the value of the Purchased Assets or which, if adversely determined, would prevent Immunex from consummating the transactions contemplated hereby. There is no reason that could preclude SuperGen from marketing and selling the Purchased Assets in the Territory after the Closing.

3.6 INVENTORY. As of the Closing Date (i) all the Inventory is in good and merchantable condition; (ii) all of the Inventory was prepared in compliance with current good manufacturing practice regulations for pharmaceuticals, and (iii) all finished Inventory which has been released meets all applicable specifications and legal requirements and may be lawfully sold in the Territory. The expiration date on all such Inventory is as set forth on Exhibit A.

3.7 TAXES. Immunex has duly paid all taxes and other governmental charges, if any, due and payable upon the Purchased Assets and any income or sales tax, if any, relating to the Purchased Assets prior to the Closing Date. Neither the Internal Revenue Service nor any other taxing authority has in the past asserted or is now asserting or, to the best knowledge of Immunex, is threatening to assert against Immunex, any deficiency or claim for additional taxes or interest thereon or penalties in connection therewith with respect to the Purchased Assets.

3.8 RECORDS. Immunex has delivered to SuperGen true and complete copies of all Records. The Records include all documents (other than marketing projections and routine correspondence between Immunex and its Affiliates regarding the Product) of any kind whatsoever which are directly or indirectly material to the Purchased Assets.

3.9 AGREEMENTS. There are no outstanding contracts, leases, instruments, obligations, commitments, understandings and agreements, whether written or oral, to which Immunex is a party and to which the Purchased Assets will be subject subsequent to the Closing. Immunex has no material agreement with any third party which will obligate SuperGen to make any payments to such third parties with respect to any of the Purchased Assets.

3.10 FDA MATTERS. The Product now being commercially distributed by Immunex in the Territory meets the applicable legal requirements of the applicable jurisdiction in all material respects and all requisite governmental approvals have been duly obtained and are in full force and effect. There is no action or proceeding by the FDA or any other Governmental Authority, including, but not limited to, recall procedures, pending or, to the knowledge of Immunex, threatened against Immunex relating to safety or efficacy of any of the Purchased Assets.

3.11 FULL DISCLOSURE. No representation, warranty or statement of Immunex in this Agreement contains or will contain at the Closing Date any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained herein, in light of the circumstances under which made, not misleading.

ARTICLE 4: REPRESENTATIONS AND WARRANTIES OF SUPERGEN

SuperGen hereby represents and warrants to Immunex as follows:

4.1 CORPORATE ORGANIZATION. SuperGen is a corporation duly organized, validly existing and in good standing under the laws of California. SuperGen has the requisite power and authority to own, operate and lease its properties and carry on its business as now being conducted.

4.2 AUTHORITY RELATIVE TO THIS AGREEMENT. SuperGen has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery by SuperGen of this Agreement and the consummation by SuperGen of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of SuperGen and no other corporate proceeding is necessary

for the execution and delivery of this Agreement, the performance by SuperGen of its obligations hereunder and the consummation by SuperGen of the transactions contemplated hereby. This Agreement has been duly executed and delivered by SuperGen and constitutes a legal, valid and binding obligation of SuperGen, enforceable against SuperGen in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws of general applicability relating to or affecting the enforcement of creditor's rights and general principles of equity.

4.3 NO CONFLICT. The execution, delivery and performance of this Agreement by SuperGen shall not (i) conflict with or result in any breach of any provision of the certificate of incorporation or bylaws of SuperGen; or
(ii) violate any order, writ, injunction, decree, or any statute, rule or regulation applicable to SuperGen or its Affiliates or any of its properties or assets.

4.4 FINANCING. SuperGen has sufficient funds available to purchase the Purchased Assets and to pay all related fees and expenses for which SuperGen is responsible pursuant to the terms hereof.

4.5 NO OTHER REPRESENTATIONS OR WARRANTIES. Except for the representations and warranties of SuperGen expressly set forth in this Agreement, neither SuperGen nor any other Person makes any other express or implied representation or warranty on behalf of SuperGen.

ARTICLE 5: COVENANTS

Immunex covenants and agrees with SuperGen and SuperGen covenants and agrees with Immunex as follows:

5.1 POST-CLOSING ORDERS. After the Closing Date, Immunex agrees to forward to SuperGen all unfilled orders for Product received after the Closing Date.

5.2 SALE OF THE PRODUCT. Immunex hereby agrees that SuperGen shall have the right to sell in the Territory any Inventory bearing the "Immunex" trademark which may be included in the Purchased Assets. SuperGen agrees to maintain any such Inventory under conditions required by the ANDA and any other applicable laws and regulations in order to assure that the Product meets all approved specifications at the time of distribution.

5.3 FURTHER ASSURANCES. From time to time, without further consideration, each party, at its own expense, shall execute and deliver such documents to the other party and shall take such further actions as such other party may reasonably request in order more effectively to consummate the transactions contemplated hereby. In addition, without limiting and subject to the indemnification set forth in Section 6.1(b), Immunex agrees that it will reasonably cooperate, at SuperGen's request, in the event of any litigation regarding the Purchased Assets, provided that SuperGen agrees to pay Immunex's out-of-pocket expenses relating thereto.

5.4 NOTICES OF CERTAIN EVENTS. Immunex and SuperGen covenant and agree that, pending the Closing, each shall notify the other of any fact or condition, including but not limited to any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement, any notice or communication from any Governmental Authority in connection with the Purchased Assets or the transactions contemplated by this Agreement, or, with respect to SuperGen, any condition which may effect its ability to pay the Purchase Price, which could delay or otherwise prevent the Closing.

5.5 IMMUNEX'S COVENANT NOT TO COMPETE.

(a) In furtherance of the transactions contemplated by this Agreement and in order to secure the interests of the parties hereto, Immunex agrees that it will not, for a period of six years from the Closing Date, for any reason whatsoever, directly or indirectly, for itself or on behalf of or in conjunction with any other Person sell Product anywhere in the Territory or have any ownership interest in, or participate in the financing, operation, management or control of any Person selling Product in the Territory or enter into any partnership, joint venture or similar collaborative arrangement with any Person to sell Product in the Territory, or transfer Product to a third person with the intent to sell Product in the Territory. Notwithstanding the foregoing, in the event that Immunex is acquired by a company that prior to the time of the acquisition is in the business of selling the Etoposide, the acquisition of Immunex by such company (and such parent company's subsequent continued sale of the Etoposide) shall not constitute a breach of this covenant not to compete.

(b) It is expressly understood and agreed that, if any of the agreements contained in this Section 5.5 are for any reason found to be unreasonably broad, oppressive or unenforceable in an action, suit or proceeding before any federal or state court, such court (i) shall narrow the covenant not to compete or shall otherwise endeavor to reform the scope of such agreements in order to ensure that the application thereof is not unreasonably broad, oppressive or unenforceable and (ii) to the fullest extent permitted by law, shall enforce such agreements as so reformed.

(c) All of the covenants in this Section 5.5 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Immunex against SuperGen, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by SuperGen of such covenants. It is specifically agreed that the period of six years stated at the beginning of this Section 5.5, during which the agreements and covenants of Immunex made in this
Section 5.5 shall be effective, shall be computed by excluding from such computation any time during which Immunex is found by a court of competent jurisdiction to have been in violation of any provision of this Section 5.5. The covenants contained in Section 5.5 shall not be affected by any breach of any other provision hereof by an party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

(d) Immunex and SuperGen hereby agree that the covenants set forth in this Section 5.5 are a material and substantial part of the transactions contemplated by this Agreement.

(e) Because of the difficulty of measuring economic losses to SuperGen as a result of a breach of the restrictive covenants set forth in this Section 5.5, and because of the immediate and irreparable damage that would be caused to SuperGen for which monetary damages would not be a sufficient remedy, it is hereby agreed that in addition to all other remedies that may be available to SuperGen at law or in equity, SuperGen shall be entitled to specific performance and any injunctive or other equitable relief as a remedy for any breach or threatened breach of the aforementioned restrictive covenants.

ARTICLE 6: INDEMNIFICATION

6.1 INDEMNIFICATION

(a) INDEMNIFICATION BY IMMUNEX. Immunex covenants and agrees to indemnify, defend, protect and hold harmless SuperGen and its officers, directors, employees, stockholders, assigns, successors and Affiliates (individually, a "SuperGen Indemnified Party" and collectively, "SuperGen Indemnified Parties") from, against and in respect of:

(i) all Losses suffered, sustained, incurred or paid by any SuperGen Indemnified Party in connection with, resulting from or arising out of or relating to, directly or indirectly:

(a) any breach of any representation or warranty of Immunex set forth in this Agreement or any certificate, document or instrument delivered by or on behalf of Immunex in connection herewith;

(b) any nonfulfillment of any covenant or agreement on the part of Immunex in this Agreement;

(c) claims or causes of actions (including but not limited to for injuries or death of persons or damage to property) relating in any way to the Purchased Assets arising prior to the Closing, including but not limited to claims or causes of action relating to the manufacture, promotion, use, sale or distribution of Product;

(d) claims or causes of actions (including but not limited to for injuries or death of persons or damage to property) arising subsequent to the Closing relating to the manufacture of Product (including Inventory) prior to the Closing;

(e) any negligent or reckless actions by Immunex or its employees in connection with the fulfillment of its obligations set forth in this Agreement;

(f) any other Non-Assumed Liabilities;

(g) non-compliance with the terms and conditions of any bulk sales laws with respect to the transactions contemplated by this Agreement; and

(ii) any and all Losses arising from the foregoing or to the enforcement of this Section 6.1(a).

(b) INDEMNIFICATION BY SUPERGEN. SuperGen covenants and agrees to indemnify, defend, protect and hold harmless Immunex and its officers, directors, employees, stockholders, assigns, successors and Affiliates (individually, a "Immunex Indemnified Party" and collectively, the "Immunex Indemnified Parties") from, against and in respect of:

(i) all Losses suffered, sustained, incurred or paid by any Immunex Indemnified Party in connection with, resulting from or arising out of or relating to, directly or indirectly:

(a) any breach of any representation or warranty of SuperGen set forth in this Agreement or any certificate or other writing delivered by SuperGen in connection herewith;

(b) any nonfulfillment of any covenant or agreement on the part of SuperGen set forth in this Agreement;

(c) subject to Section 6.1(a)(i)(d), SuperGen's promotion, use, sale or distribution of Product after the Closing Date; and

(d) any other Assumed Liability.

(ii) any and all Losses arising from the foregoing or to the enforcement of this Section 6.1(b).

(c) All Claims for indemnification under this Section 6.1 shall be asserted and resolved as follows:

(i) Any party that may be entitled to indemnification under this Agreement, (an "Indemnified Party") shall send a Claim Notice (as defined below) to the party obligated to indemnify it (an "Indemnifying Party") with reasonable promptness upon becoming aware of any claim or other facts upon which a claim for indemnification might be based. If the Indemnifying Party does not notify the Indemnified Party within 30 days from the date of receipt of such Claim Notice that the Indemnifying Party disputes such claim, the amount of such claim shall be conclusively deemed a liability of the Indemnifying Party hereunder. In case the Indemnifying Party shall object in writing to any claim made in accordance with this Section 6.1(c), the Indemnified Party shall have fifteen (15) days to respond in a written statement to the objection of the Indemnifying Party. If after such fifteen
(15) day period there remains a dispute as to any claims, the parties shall attempt in good faith for sixty (60) days to agree upon the rights of the respective parties with respect to each of such

claims. If the parties should so agree, a memorandum setting forth such agreement shall be prepared and signed by both parties. If no such agreement can be reached by Immunex or SuperGen, then either party may, by written notice to the other, demand arbitration of the matter in accordance with the arbitration provision set forth in Section 8.10.

(ii) In the event that any claim for which an Indemnifying Party would be liable to an Indemnified Party hereunder is asserted against an Indemnified Party by a third party, the Indemnified Party shall with reasonable promptness notify the Indemnifying Party of such claim, including a copy of the claim made if the claim was made in writing, specifying the nature of such claim and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such claim) (the "Claim Notice"). The Indemnifying Party shall have 30 days from the receipt of the Claim Notice (the "Notice Period") to notify the Indemnified Party (i) whether or not the Indemnifying Party disputes the Indemnifying Party's liability to the Indemnified Party hereunder with respect to such claim and (ii) if the Indemnifying Party does not dispute such liability, whether or not the Indemnifying Party desires, at the sole cost and expense of the Indemnifying Party, to defend against such claim, provided that the Indemnifying Party is hereby authorized (but not obligated) prior to and during the Notice Period to file any motion, answer or other pleading and to take any other action which the Indemnifying Party shall deem necessary or appropriate to protect the Indemnifying Party's interests. In the event that the Indemnifying Party notifies the Indemnified Party within the Notice Period that the Indemnifying Party does not dispute the Indemnifying Party's obligation to indemnify hereunder and desires to defend the Indemnified Party against such claim and except as hereinafter provided, the Indemnifying Party shall have the right to defend by appropriate proceedings, which proceedings shall be diligently settled or prosecuted by the Indemnifying Party to a final conclusion; PROVIDED that, unless the Indemnified Party otherwise agrees in writing, the Indemnifying Party may not settle any matter (in whole or in part) unless such settlement includes a complete and unconditional release of the Indemnified Party. If the Indemnified Party desires to participate in, but not control, any such defense or settlement the Indemnified Party may do so at the Indemnified Party's sole cost and expense. If the Indemnifying Party elects not to defend the Indemnified Party against such claim, whether by failure of the Indemnifying Party to give the Indemnified Party timely notice as provided above or otherwise, then the Indemnified Party, without waiving any rights against the Indemnifying Party, may settle or defend against any such claim in the Indemnified Party's sole discretion and the Indemnified Party shall be entitled to recover from the Indemnifying Party the amount of any settlement or judgment and, on an ongoing basis, all indemnifiable costs and expenses of the Indemnified Party with respect thereto, including interest from the date such costs and expenses were incurred.

(iii) Nothing herein shall be deemed to prevent an Indemnified Party from making a claim, and an Indemnified Party may make a claim hereunder, for potential or contingent claims or demands provided the Claim Notice sets forth the specific basis for any such potential or contingent claim or demand to the extent then feasible and an Indemnified Party has reasonable grounds to believe that such a claim or demand may be made.

(iv) The Indemnified Party's failure to give reasonably prompt notice to the Indemnifying Party of any actual, threatened or possible claim or demand which may give rise to a

right of indemnification hereunder shall not relieve the Indemnifying Party of any liability which the Indemnifying Party may have to the Indemnified Party unless the failure to give such notice materially and adversely prejudiced the Indemnifying Party.

6.2 INDEMNIFICATION FOR BROKERAGE CLAIMS. Immunex and SuperGen each represents that no broker or finder has been used in connection with the transactions contemplated by this Agreement and Immunex and SuperGen shall mutually indemnify the other against any claim for brokerage or like commission arising from each other's conduct or alleged conduct.

6.3 SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS. All representations, warranties and covenants (except for Section 5.5 which shall survive for six years) contained in this Agreement shall survive for a period of four years from the date hereof and thereafter shall be of no force or effect. Any claim for indemnification with respect thereto must be asserted by written notice to the Indemnifying Party prior to such date.

ARTICLE 7: TERMINATION, AMENDMENT AND WAIVER

7.1 TERMINATION. This Agreement may be terminated at any time prior to the Closing Date:

(a) by mutual written consent of SuperGen and Immunex;

(b) by SuperGen or Immunex if the Closing shall not have occurred on or prior to February 1, 1997, provided, however, that a party shall not have the right to terminate under this Section 7.1(b) if such party's (or such party's Affiliates) failure to fulfill any obligation under this Agreement has been the cause of, or resulted in the failure of the Closing to occur on or before such date of any liability of such party to the other party hereunder for such failure;

The date on which this Agreement is terminated pursuant to any of the foregoing subsections of this Section 7.1 is herein referred to as the "Termination Date."

7.2 EFFECT OF TERMINATION. Upon the termination of this Agreement pursuant to Section 7.1, this Agreement shall forthwith become null and void, except that nothing herein shall relieve any party from liability for breach of this Agreement prior to such termination.

ARTICLE 8: GENERAL PROVISIONS

8.1 PUBLIC STATEMENTS. Except as may be required to comply with the requirements of applicable law, no press release or similar public announcement or communication will be made or caused to be made by the parties concerning the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, unless specifically approved in advance by the other party hereto.

8.2 NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, mailed by reputable overnight courier or certified mail (return receipt requested) or sent by telecopier (confirmed thereafter by certified mail) to the parties at the following addresses or at such other addresses as shall be specified by the parties by like notice:

(a) if to Immunex:

51 University Street
Seattle, Washington 98101 Attention: Director of New Business Telecopier Number: [206] 587-0606

with a copy to:

Law Department
51 University Street
Seattle, Washington 98101 Attention: General Counsel Telecopier Number: [206] 233-0644

(b) if to SuperGen addressed to:

SuperGen, Inc.
6450 Hollis Street
Emeryville, California 94608 Attention: Chief Executive Officer Telecopier Number: (510) 655-1098

with a copy to:

John V. Roos, Esq.

Wilson Sonsini Goodrich & Rosati

Two Palo Alto Square
Palo Alto, California 94306

Notice so given shall (in the case of notice so given by mail) be deemed to be given and received on the third calendar day after mailing or the next business day if sent by a reputable overnight courier and (in the case of notice so given by telecopier or personal delivery) on the date of actual transmission or (as the case may be) personal delivery.

8.3 RETURNS. Any returns of the Product sold before the Closing Date in the Territory, whether returned to SuperGen or Immunex, shall be for the account of Immunex. Any returns of the Product sold after the Closing Date in the Territory, whether returned to SuperGen or Immunex, shall

be for the account of SuperGen. Any returns of the Product received by Immunex shall be promptly destroyed by Immunex, and Immunex shall notify SuperGen in writing within 30 days of its receipt and destruction of such returns with respect to Product owned by SuperGen. Any returns of the Product received by SuperGen shall be promptly destroyed by SuperGen, and SuperGen shall notify Immunex in writing within 30 days of its receipt and destruction of such returns with respect to Product owned by Immunex.

8.4 WAIVER. Any waiver must be explicitly in writing. A waiver of any breach or failure to enforce any of the terms or conditions of this Agreement shall not in any way affect, limit, or waive a party's rights at any time to enforce strict compliance thereafter with every term or condition of this Agreement.

8.5 PARTIES IN INTEREST. This Agreement shall not run to the benefit of or be enforceable by any person other than a party to this Agreement and, subject to Section 8.8, its successors and assigns provided, however, the persons entitled to indemnification under Article 6 shall be beneficiaries of such provisions.

8.6 ENTIRE AGREEMENT; GOVERNING LAW; MISCELLANEOUS. This Agreement (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof; is not intended to confer upon any other person any rights or remedies hereunder; and shall be governed in all respects, including validity, interpretation and effect, by the internal laws of the State of California without giving effect to the principles of conflicts of laws thereunder. This Agreement may be executed in one or more counterparts which together shall constitute a single agreement. If any provision of this Agreement shall be held to be illegal, invalid or unenforceable under any applicable law, then such contravention or invalidity shall not invalidate the entire Agreement. Such provision shall be deemed to be modified to the extent necessary to render it legal, valid and enforceable, and if no such modification shall render it legal, valid and enforceable, then this Agreement shall be construed as if not containing the provision held to be invalid, and the rights and obligations of the parties shall be construed and enforced accordingly.

8.7 EXPENSES. All expenses, including the fees of any attorneys, accountants, investment bankers or others engaged by a party, incurred in connection with this Agreement and the transactions contemplated hereby, shall be paid by the party incurring such expenses whether or not the transactions contemplated by this Agreement are consummated.

8.8 ASSIGNABILITY AND AMENDMENTS. This Agreement may not be assigned by either party without the prior written consent of the other party, which consent shall not be unreasonably withheld, except that, subsequent to the Closing Date, either party may assign this Agreement to any of its Affiliates, provided, that such Affiliates agree to be bound by the provisions of this Agreement. No such assignment will relieve the assigning party of any of its liabilities hereunder. This Agreement cannot be altered or otherwise amended except pursuant to an instrument in writing signed by each of the parties.

8.9 CONFIDENTIALITY. Each party hereby agrees, and shall cause its Affiliates to agree, that after the Closing Date, such party and its Affiliates shall hold in confidence and not disclose to any third Person, nor use for its own benefit any confidential or proprietary information of the other party or its Affiliates that is disclosed to or discovered by such party or its Affiliates in connection with the transactions contemplated hereby, unless (i) such information becomes known to the public generally through no fault of such party or its Affiliates or (ii) disclosure is required by law or the order of any Governmental Authority under color of law.

8.10 ARBITRATION. All disputes or controversies (whether of law or fact) of any nature whatsoever arising from or relating to this Agreement and the transactions contemplated hereby shall be decided by the American Arbitration Association in accordance with the rules and regulations of that association. The arbitrators shall be selected as follows: SuperGen and Immunex shall, within 30 days of the date of demand by either party for arbitration, each select one independent, qualified arbitrator and the two arbitrators so selected shall select the third arbitrator within 30 days after their appointment as party arbitrators. Each party reserves the right to object to any individual arbitrator who shall be employed by or affiliated with a competing organization. In the event objection is made, the American Arbitration Association (the "Association") shall resolve any dispute regarding the propriety of an individual arbitrator acting in that capacity. The parties shall each bear the expenses of the arbitrator chosen by it, and shall bear one-half the expenses of the independent arbitrator. Hearings in the proceeding shall commence within 120 days of the selection of the neutral arbitrator. Arbitration shall take place in Alameda County, California. At the request of either party, arbitration proceedings will be conducted confidentially; in such case all documents, testimony and records shall be received, heard and maintained by the arbitrators in confidence under seal, available for the inspection only by the Association, SuperGen and Immunex and their respective attorneys and their respective experts who shall agree in advance and in writing to receive all such information confidentially and to maintain such information in confidence. The arbitrators, who shall act by majority vote, shall be able to decree any and all relief of an equitable and legal nature, including but not limited to such relief as a temporary restraining order, a temporary and/or a permanent injunction, and shall also be able to award damages, with or without an accounting and costs. The decree or award rendered by the arbitrators may be entered as a final and binding judgment in any court having jurisdiction thereof. Reasonable notice of the time and place of arbitration shall be given to all persons, other than the parties, as shall be required by law, in which case such persons or those authorized representatives shall have the right to attend and/or participate in all the arbitration hearings in such manner as the law shall require. The resolution of conflicts procedures set forth in this Section 8.10 are the parties' sole and exclusive methods for resolving disputes arising out of this Agreement. Except as expressly set forth above, the parties agree to waive all rights to commence any action in law or equity arising out of this Agreement.

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

IMMUNEX CORPORATION

By: /s/ Edward V. Fritzky
Name: Edward V. Fritzky
Title: Chairman, Chief Executive Officer

SUPERGEN INC.

By: /s/ Hank Settle
Name: Hank Settle
Title: Chief Financial Officer

CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT A

INVENTORY

PRODUCT:

NDC #	Description	Lot #	Quantity	Expiration Date
58406-711-12	5ml multiple dose	EP10020	[*]	02/98
		EP10030	[*]	02/98
		EP10050	[*]	02/98
		EP10060	[*]	03/98
		EP10070	[*]	03/98
		EP10080	[*]	03/98
		EP10090	[*]	03/98
		Total	[*]	
58406-714-18	12.5ml multiple dose	EP20020	[*]	02/98
		EP20030	[*]	02/98
		Total	[*]	

RECORDS

Signed Application Form FDA 356h

Basis for ANDA Submission

Patent Certification and Exclusivity Statement

Comparison Between Generic Drug and Reference Listed Drug:

1. Conditions of Use

2. Active Ingredient(s)

3. Route of Administration, Dosage Form, and Strength

Labeling

Bioavailability/Bioequivalence

1. IN VIVO Study Protocol(s) (N/A)

2. IN VIVO Study (N/A)

3. Request for Waiver of In Vivo Study(ies)

4. IN VITRO Dissolution Data (N/A)

5. Formulation Data (Comparison of all Strengths)

Components and Composition Statements

Raw Materials Controls

1. Active Ingredient(s)

a. Synthesis Listing Manufacturer/Supplier (Type II DMF authorization Letters)

b. Certificate(s) of Analysis specifications and test results from Drug Substance Manufacturer(s) (Including Material Safety Data Sheet)

c. Testing specifications and data (Lederle Monograph and COAs)

d. Spectra and Chromatograms for reference standards and test samples

e. Approved application for bulk antibiotic

2. Inactive Ingredients

a. Testing Specifications (Lederle Monographs)

b. Suppliers' & Lederle's Certificates of Analysis
(Specifications and Results)

3. Standard Operating Procedures (SOPs)

a. Qualification of vendors

b. Acceptance Criteria

c. Retest Schedule

d. Storage

Description of Manufacturing Facility

1. Full address(es) of the Facility(ies) for the Manufacturing Process, Testing, and Stability Testing

2. Brief Description of the Facility Including Sito Plan

3. eGMP Certification

4. Debarment Statement

Outside Firms Including Contract Testing Laboratories

1. Full Address

2. Functions

3. cGMP Certification/GLP (DMF Letters)

Manufacturing and Processing Instructions

1. Description of Manufacturing Process
- Aseptic Validation Package
- Process Flow Chart

2. Blank Batch Record(s) for Intended Production Runs with Equipment Specified

3. Reprocessing Statement

In-Process Controls

1. Copy of Executed Batch Record (AADA/Three Batches) with Equipment Specified, Including Packaging Records Reconciliation and Label Reconciliation

2. In Process

a. Sampling Plans and Testing Procedures

b. Specifications and Data (Including In-Process Sampling Report)

Packaging and Labeling Procedures

Container

1. Summary of Container/Closure System

2. Components Specification and Test Data

a. Packaging Specification

b. Type III DMF References

3. Packaging Configurations and Sizes

4. Container/Closure Testing

Controls for the Finished Dosage Form

1. Sampling Plans and Test Procedures

2. Testing Specifications and Data (Including Monograph and COAs)

Analytical Methods (Three Additional Separate Bound Copies if the Drug Substance and/or Drug Product are not USP Articles)

1. Methods for Drug Substance

a. Method Validation

b. Test Specifications and Data

2. Methods for Drug Product

a. Method Validation (Including APRs)

b. Stability-indicating test data of samples undergone various stress conditions

c. Test Specifications and Data

Stability of Finished Dosage Form

1. Protocol

2. Post Approval Commitments

3. Expiration Dating Period

4. Stability Data Submitted

Control Numbers

1. For Raw Materials

2. For Production Batches

Samples - Sample Availability and Identification of:

1. Drug Substance

2. Finished Dosage Form

Environmental Impact Analysis Statement

Other

1. Reference to Previously Submitted Information (N/A)

2. Literature Publication for Which English Translation is Submitted (N/A)

3. Letters of Authorization (N/A)

4. DEA Statement (N/A)

Exhibit 10.23

STANDARD OFFER, AGREEMENT AND ESCROW
INSTRUCTIONS FOR PURCHASE OF REAL ESTATE
(Non-Residential)

December 11, 1996
(Date for Reference Purposes)

1. BUYER.

1.1 Supergen, Inc., (the "Buyer") hereby offers to purchase the real property, hereinafter described, from the owner thereof (the "Seller") (collectively, the "Parties" or individually, a "Party"), through an escrow (the "Escrow") to close on as provided in Paragraph "D" of Addendum "A" attached, (the "Expected Closing Date") to be held by First American Title Guaranty (the "Escrow Holder"), Escrow No. _____, whose address is 5199 Johnson Drive, Suite 120, Pleasanton, CA 94588, Telecopier No. (510) 463-9683, upon the terms and conditions set forth in this agreement (the "Agreement"). Buyer shall have the right to assign Buyer's rights hereunder, but any such assignment shall not relieve Buyer of Buyer's obligations herein unless the Seller expressly releases Buyer.

1.2 The term "Date of Agreement" as used herein shall be the date when by execution and delivery (as defined in Paragraph 20.2) of this document or a subsequent counter-offer thereto, Buyer and Seller have reached Agreement in writing whereby Seller agrees to sell, and Buyer agrees to purchase, the Property upon terms accepted by both Parties.

2. BROKER.

2.1 The real estate broker or brokers presenting this Agreement to Seller are: (Check applicable box(es).)

Lee & Associates C.R.E.S. - Bob Kumnick, who, with respect to this Agreement, represents:

/ / the Buyer exclusively ("Buyer's Broker")
/ / both Buyer and Seller,

and , who, with respect to this Agreement represents:

/ / the Seller exclusively (the "Seller's Broker")
/ / both the Seller and Buyer,

(the "Broker(s)"), all such named Broker(s) being the procuring cause(s) of this Agreement. See Paragraph 26 for Disclosures Regarding the Nature of a Real Estate Agency Relationship. Buyer shall use the services of Buyers' Broker exclusively in connection with any and all negotiations and offers with respect to the property described in Paragraph 3.1 for a period of one year from the date above.

2.2 Buyer and Seller each represent and warrant to the other that he/she/it has had no dealings with any person, firm, broker or finder in connection with the negotiation of this Agreement and/or the consummation of the purchase and sale contemplated herein, other than the Broker(s) named in Paragraph 2.1, and no broker or other person, firm or entity, other than said Broker(s) is/are entitled to any commission or finder's fee in connection with this transaction as the result of any dealings or acts of such Party. Buyer and Seller do each hereby agree to indemnify, defend, protect and hold the other harmless from and against any costs, expenses or liability for

compensation, commission, or charges which may be claimed by any broker, finder, or other similar party, other than said named Broker(s) by reason of any dealings or act of the indemnifying Party.

3. PROPERTY.

3.1 The real Property (the "Property") that is the subject of this offer consists of 9,600+ square foot shell building (Refer to Exhibit A, attached), is located in the City of Pleasanton, County of Alameda, State of California, and is commonly known by the street address of 1059 Serpentine Lane, and is legally described as industrial condominium, as described in Condominium Plan in Exhibits "A" and "B" (Building "B"; Unit "B").

3.2 If the legal description of the Property is not complete or is inaccurate, this Agreement shall not be invalid and the legal description shall be completed or corrected to meet the requirements of First American Title Guaranty (the "Title Company"), which Title Company shall issue the title policy hereinafter described.

3.3 The Property includes, at no additional cost to Buyer, the permanent improvements thereon, including those items which the law of the state in which the Property is located provides is part of the Property, as well as the following items, if any, owned by Seller and presently located in the Property: electrical distribution systems (power panels, buss ducting, conduits, disconnects, lighting fixtures), telephone distribution systems (lines, jacks and connections), space heaters, air conditioning equipment, air lines, carpets, window coverings, wall coverings, and none other (collectively, the "Improvements").

3.4 If the Property is located in the State of California, the Broker(s) is/are required under the Alquist-Priolo Special Studies Zones Act, to disclose to a prospective purchaser of real property whether the property being purchased is located within a delineated special studies zone (a zone that encompasses a potentially or recently active trace of an earthquake fault that is deemed by the State Geologist to be sufficiently active and well defined enough to constitute a potential hazard to structures from surface faulting or fault creep). If the Property is located within such a special studies zone, its development may require a geologic report from a state registered geologist. In accordance with such law, the Broker (s) hereby inform(s) Buyer that the Property:

(a) is not within such a special studies zone.
(b) is within such a special studies zone.

4. PURCHASE PRICE.

4.1 The purchase price (the "Purchase Price") to be paid by Buyer to Seller for the Property shall be $744,000.00 payable as follows:

**to be determined between Buyer and bank

	(a) Cash down payment, including the Deposit as defined in paragraph 5.3 or if an all cash transaction, the Purchase Price):	$114,000.00*
(Strike if not applicable)	(b) Amount of "New Loan" as defined in paragraph 6.1 if any:	$630,000.00

4.2 If an Existing Deed of Trust permits the beneficiary thereof to require payment of a transfer fee as a condition to the transfer of the Property subject to such Existing Deed of Trust, Buyer agrees to pay transfer fees and costs of up to one and one-half percent (1-1/2%) of the unpaid principal balance of the applicable Existing Note.

5. DEPOSITS.

5.1 Buyer hereby delivers a check in the sum of $10,000.00, payable to First American Title, to be (CHECK APPLICABLE BOX) / / forthwith deposited in the payee's trust account or / / held uncashed until the Date of Agreement. When cashed, the check shall be deposited into the payee's trust account to be applied toward the Purchase Price of the Property at the Closing, as defined in Paragraph 7.3 Should Buyer and Seller not enter into an agreement for purchase and sale, Buyer's check or funds shall, upon request by Buyer, be promptly returned to Buyer.

5.2 Within five (5) business days after the Date of Agreement, Buyer shall deposit with Escrow Holder the additional sum of $0.00*, to be applied to the Purchase Price at the Closing. *See Addendum A for additional deposit information.

5.3 The funds deposited with Escrow Holder by or on behalf of Buyer under Paragraphs 5.1 and 5.2 above (collectively the "Deposit"), shall be deposited by Escrow Holder in such State or Federally chartered bank as Buyer may select and in such interest-bearing account or accounts as Escrow Holder or Broker(s) deem appropriate and consistent with the timing requirements of this transaction. The interest therefrom shall accrue to the benefit of Buyer, who hereby acknowledges that there may be penalties or interest forfeitures if the applicable instrument is redeemed prior to its specified maturity. Buyer's Federal Tax Identification Number is to be provided later.

6. FINANCING CONTINGENCY. (STRIKE IF NOT APPLICABLE)

6.1 This offer is contingent upon Buyer obtaining from an insurance company, bank, savings and loan association or other financial institution, or from any correspondent or agent thereof, a commitment to lend to Buyer a sum not less than $630,000.00 at a fixed interest rate not to exceed 10% per annum, payable in equal monthly installments, including interest, amortized over a period of not less than 20 years and all due in not less than 10 years, or at a variable interest rate commencing at an interest rate not to exceed ___ per annum, amortized over a period of not less than ___ years and all due in not less than ___ years, and in either case, with loan fees not to exceed ___ of the amount of the new loan (the "New Loan"). The New Loan shall be secured by a first deed of trust upon the Property and shall be upon the following additional terms and conditions: None other than above, and upon such other terms and conditions as are usually required by such lender.

6.2 Buyer hereby agrees to diligently pursue obtaining the New Loan. If Buyer shall fail to notify its Broker, Escrow Holder and Seller, in writing within 60 days following the Date of Agreement, that the New Loan has not been obtained, it shall be conclusively presumed that Buyer has either obtained said New Loan or has waived this New Loan contingency.

6.3 If, after due diligence, Buyer shall notify its Broker, Escrow Holder and Seller, in writing, within the time specified in Paragraph 6.2 hereof, that Buyer has not obtained said new Loan, this Agreement shall be terminated, and Buyer shall be entitled to the prompt return of Buyer's Deposit and any other funds deposited by or for Buyer with Escrow Holder or Seller, plus any interest earned thereon, less only Escrow Holder and Title Company cancellation fees and costs, which Buyer shall pay.

7. ESCROW AND CLOSING

7.1 Upon acceptance hereof by Seller, this Agreement, including any counter-offers incorporated herein by the Parties, shall constitute not only the agreement of purchase and sale between Buyer and Seller, but also instructions to Escrow Holder for the consummation of the Agreement through the Escrow. Escrow Holder shall not

prepare any further escrow instructions restating or amending this Agreement unless specifically so instructed by the Parties of a Broker herein.

7.2 Escrow Holder is hereby authorized and instructed to conduct the Escrow in accordance with this Agreement, applicable law, custom and practice of the community in which Escrow Holder is located, including any reporting requirements of the Internal Revenue Code. In the event of a conflict between the law of the state where the Property is located and the law of the state where the Escrow Holder is located, the law of the state where the Property is located shall prevail.

7.3 Subject to satisfaction of the contingencies herein described, Escrow Holder shall close this escrow (the "Closing") by recording the grant deed and other documents required to be recorded and by disbursing the funds and documents in accordance with this Agreement.

7.4 If this transaction is terminated for non-satisfaction and non-waiver of a Buyer's Contingency, as defined in Paragraph 8.4, then neither of the Parties shall thereafter have any liability to the other under this Agreement, except to the extent of the breach of any affirmative covenant or warranty in this Agreement that may have been involved. In the event of such termination, Buyer shall be promptly refunded all funds deposited by or on behalf of Buyer with a Broker, Escrow Holder or Seller, less only Title Company and Escrow Holder cancellation fees and costs, all of which shall be Buyer's obligation.

7.5 The Closing shall occur on the Expected Closing Date, or as soon thereafter as the Escrow is in condition for Closing; provided, however, that if the Closing does not occur by the Expected Closing Date and the Expected Closing Date is not extended by mutual instructions of the Parties, a Party hereto not then in default under this Agreement may notify the other Party, Escrow Holder, and Broker(s) in writing that, unless the Closing occurs within five (5) business days following said notice, the Escrow and this Agreement shall be deemed terminated without further notice or instructions.

7.6 Should the Closing not occur during said five (5) day period, this Agreement and Escrow shall be deemed terminated and Escrow Holder shall forthwith return all monies and documents, less only Escrow Holder's reasonable fees and expenses, to the Party who deposited them. Such Party shall indemnify and hold Escrow Holder harmless in connection with such return. However, no refunds or documents shall be returned to a party claimed by written notice to Escrow Holder to be in default under this Agreement.

7.7 Except as otherwise provided herein, the termination of Escrow and this Agreement and/or the return of deposited funds or documents shall not relieve or release either Buyer or Seller from any obligation to pay Escrow Holder's fees and costs or constitute a waiver, release or discharge of any breach or default that has occurred in the performance of the obligations, agreements, covenants or warranties contained herein.

7.8 If this Agreement terminates for any reason other than Seller's breach or default, then at Seller's request, and as a condition to the return of Buyer's deposit, Buyer shall within five (5) days after written request deliver to Seller, at no charge, copies of all surveys, engineering studies, soil reports, maps, master plans, feasibility studies and other similar items prepared by or for Buyer that pertain to the Property.

8. CONTINGENCIES TO CLOSING.

8.1 The Closing of this transaction is contingent upon the satisfaction or waiver of the following contingencies:

(a) DISCLOSURE. Buyer's receipt and written approval, within ten
(10) days after delivery to Buyer, of a completed Property Information Sheet (the "Property Information Sheet"), concerning the Property, duly executed by or on behalf of Seller in the current form or equivalent to that published by the American Industrial Real Estate Association (the "A.I.R."). Seller shall provide Buyer with the Property Information Sheet within ten (10) days following the Date of Agreement.

(b) PHYSICAL INSPECTION. Buyer's written approval, within ten (10) days following the later of the Date of Agreement or receipt by Buyer of the Property Information Sheet, of an inspection by Buyer, at Buyer's expense, of the physical aspects of the Property.

(c) HAZARDOUS SUBSTANCE CONDITIONS REPORT. Buyer's written approval, within thirty (30) days following the later of the Date of Agreement or receipt by Buyer of the Property Information Sheet, of a Hazardous Substance Conditions report concerning the Property and relevant adjoining properties. Such report will be obtained at Buyer's direction and expense. A "Hazardous Substance" for purposes of this Agreement is defined as any substance whose nature and/or quantity of existence, use, manufacture, disposal or effect, render it subject to Federal, state or local regulation, investigation, remediation or removal as potentially injurious to public health or welfare. A "Hazardous Substance Condition" for purposes of this Agreement is defined as the existence on, under or relevantly adjacent to the Property of a Hazardous Substance that would require remediation and/or removal under applicable Federal, state or local law.

(d) SOIL INSPECTION. Buyer's written approval, within thirty (30) days after the later of the Date of Agreement or receipt by Buyer of the Property Information Sheet, of a soil test report concerning the Property. Said report shall be obtained at Buyer's direction and expense. Seller shall promptly provide to Buyer copies of any existing soils reports that Seller may have.

(e) CONDITION OF TITLE. Buyer's written approval of a current preliminary title report concerning the Property (the "PTR") issued by the Title Company, as well as all documents (the "Underlying Documents") referred to in the PTR, and the issuance by the Title Company of the title policy described in Paragraph 9.1. Seller shall cause the PTR and all Underlying Documents to be delivered to Buyer promptly after the Date of Agreement. Buyer's approval is to be given within ten (10) days after receipt of said PTR and legible copies of all Underlying Documents. The disapproval by Buyer of any monetary encumbrance, which by the terms of this Agreement is not to remain against the Property after the Closing, shall not be considered a failure of this condition, as Seller shall have the obligation, at Seller's expense, to satisfy and remove such disapproved monetary encumbrance at or before the Closing.

(f) SURVEY. Buyer's written approval, within thirty (30) days after receipt of the PTR and Underlying Documents, of an ALTA title supplement based upon a survey prepared to American Land Title Association (the "ALTA") standards for an owner's policy by a licensed surveyor, showing the legal description and boundary lines of the Property, any easements of record, and any improvements, poles, structures, and things located within ten feet (10') either side of the Property boundary lines. The survey shall be prepared at Buyer's direction and expense. If Buyer has obtained a survey and approved the ALTA title supplement, Buyer may elect within the period allowed for Buyer's approval of a survey to have an ALTA extended coverage owner's form of title policy, in which event Buyer shall pay any additional premium attributable thereto.

(g) EXISTING LEASES AND TENANCY STATEMENTS. Buyer's written approval, within ten (10) days after receipt of legible copies of all leases, subleases or rental arrangements (collectively, the "Existing Leases") affecting the Property, and a statement (the "Tenancy Statement") in the latest form or equivalent to that published

by the A.I.R., executed by Seller and each tenant and subtenant of the Property. Seller shall use its best efforts to provide Buyer with said Existing Leases and Tenancy Statements promptly after the Date of Agreement.

(h) OTHER AGREEMENTS. Buyer's written approval, within ten (10) days after receipt, of a copy of any other agreements ("Other Agreements") known to Seller that will affect the Property beyond the Closing. Seller shall cause said copies to be delivered to Buyer promptly after the Date of Agreement.

(i) FINANCING. If Paragraph 6 hereof dealing with a financing contingency has not been stricken, the satisfaction or waiver of such New Loan contingency.

(j) EXISTING NOTES. If Paragraph 4.1(c) has not been stricken, Buyer's written approval, within ten (10) days after receipt, of conformed and legible copies of the Existing Notes, Existing Deeds of Trust and related agreements (collectively, the "Loan Documents") to which the Property will remain subject after the Closing, including a beneficiary statement (the "Beneficiary Statement") executed by the holders of the Existing notes confirming: (1) the amount of the unpaid principal balance, the current interest rate, and the date to which interest is paid, and (2) the nature and amount of any impounds held by the beneficiary in connection with said loan. Seller shall use its best efforts to provide Buyer with said Loan Documents and Beneficiary Statement promptly after the Date of Agreement. Buyer's obligation to close is further conditioned upon Buyer's being able to purchase the Property without acceleration or change in the terms of any Existing Notes or charges to Buyer except as otherwise provided by this Agreement or approved by Buyer, provided, however, Buyer shall pay the transfer fee referred to in Paragraph 4.2 hereof.

(k) DESTRUCTION, DAMAGE OR LOSS. There shall not have occurred prior to the Closing, a destruction of, or damage or loss to, the Property or any portion thereof, from any cause whatsoever, which would cost more than $10,000.00 to repair or cure. If the cost of repair or cure is $10,000.00 or less Seller shall repair or cure the loss prior to the Closing. Buyer shall have the option, within ten (10) days after receipt of written notice of a loss costing more than $10,000.00 to repair or cure, to either terminate this transaction or to purchase the Property notwithstanding such loss, but without deduction or offset against the Purchase Price. If the cost to repair or cure is more than $10,000.00, and Buyer does not elect to terminate this transaction, Buyer shall be entitled to any insurance proceeds applicable to such loss. Unless otherwise notified in writing by either Party or Broker, Escrow Holder shall assume no destruction, damage or loss costing more than $10,000.00 to repair or cure has occurred prior to Closing.

(l) MATERIAL CHANGE. No Material Change, as hereinafter defined, shall have occurred with respect to the Property that has not been approved in writing by Buyer. For purposes of this Agreement, a "Material Change" shall be a change in the status of the use, occupancy, tenants or condition of the Property as reasonably expected by the Buyer, that occurs after the date of this offer and prior to the Closing. Buyer shall have ten (10) days following receipt of written notice from any source of any such Material Change within which to approve or disapprove same. Unless otherwise notified in writing by either Party or Broker, Escrow Holder shall assume that no Material Change has occurred prior to the Closing.

(m) SELLER PERFORMANCE. The delivery of all documents and the due performance by Seller of each and every undertaking and agreement to be performed by Seller under this Agreement.

(n) BREACH OF WARRANTY. That each representation and warranty of Seller herein be true and correct as of the Closing. Escrow Holder shall assume that this condition has been satisfied unless notified to the contrary in writing by Buyer or Broker(s) prior to the Closing.

(o) BROKER'S FEE. Payment at the Closing of such Broker's Fee as is specified in this Agreement or later written instructions to Escrow Holder executed by Seller and Broker(s). It is agreed by Buyer, Seller and Escrow Holder that Broker(s) is/are a third party beneficiary of this Agreement insofar as the Broker's fee is concerned, and that no change shall be made by Buyer, Seller or Escrow Holder with respect to the time of payment, amount of payment, or the conditions to payment of the Broker's fee specified in this Agreement, without the written consent of Broker(s).

8.2 All of the contingencies specified in Subparagraphs (a) through (n) of Paragraph 8.1 are for the benefit of, and may be waived by, Buyer, and may be elsewhere herein referred to as "Buyer Contingencies."

8.3 If Buyer shall fail, within the applicable time specified, to approve or disapprove in writing to Escrow Holder, Seller and the other Party's Broker(s), any item, matter or document subject to Buyer's approval under the terms of this Agreement, it shall be conclusively presumed that Buyer has approved such item, matter or document. Buyer's conditional approval shall constitute a disapproval, unless provision is made by Seller within the time specified therefor by the Buyer in the conditional approval, or by this Agreement, whichever is later, for the satisfaction of the condition imposed by the Buyer.

8.4 If any Buyer's Contingency is not satisfied, or if Buyer disapproves any matter subject to its approval within the time period applicable thereto ("Disapproved Item"), Seller shall have the right within ten (10) days following the expiration of the time period applicable to such Buyer Contingency or receipt of notice of Buyer's disapproval, as the case may be, to elect to cure such Disapproved Item prior to the Expected Closing Date
("Seller's Election"). Seller's failure to give to Buyer within said ten (10) day period, written notice of Seller's commitment to cure such Disapproved Item on or before the Expected Closing Date shall be conclusively presumed to be Seller's Election not to cure such Disapproved Item. If Seller elects, either by written notice or failure to give written notice, not to cure a Disapproved Item, Buyer shall have the election, within ten (10) days after Seller's election, to either accept title to the Property subject to that Disapproved Item, or to terminate this transaction. Buyer's failure to elect termination by written notice to Seller within said ten (10) day period shall constitute Buyer's election to accept title to the Property subject to that Disapproved Item without deduction or offset. Unless expressly provided otherwise herein, Seller's right to cure shall not apply to Hazardous Substance Conditions referenced in Paragraph 8.1(c) or to the Financing Contingency set forth in Paragraph 6. Unless the parties mutually instruct otherwise, if the time periods for the satisfaction of contingencies or for Seller's and Buyer's said Elections would expire on a date after the Expected Closing Date, the expected Closing Date shall be deemed extended to coincide with the expiration of three (3) business days following the expiration of:
(a) the applicable contingency period(s); (b) the period within which Seller may elect to cure the Disapproved Item; or (c) if Seller elects not to cure, the period within which Buyer may elect to terminate this transaction, whichever is later.

8.5 Buyer understands and agrees that until such time as all Buyer's Contingencies have been satisfied or waived, Seller and/or its agents may solicit, entertain and/or accept back-up offers to purchase the subject Property in the event the transaction covered by this Agreement is not consummated.

8.6 As defined in Subparagraph 8.1(c), Buyer and Seller acknowledge that extensive local, state and Federal legislation establish broad liability upon owners and/or users of real property for the investigation and remediation of a Hazardous Substance Condition. The determination of the existence of a Hazardous Substance Condition and the evaluation of the impact of such a condition are highly technical and beyond the expertise of Broker(s). Buyer and Seller acknowledge that they have been advised by Broker(s) to consult their own technical and legal experts with respect to the possible Hazardous Substance Condition aspects of this Property or adjoining properties, and Buyer and Seller are not relying upon any investigation by or statement of Broker(s) with respect

thereto. Buyer and Seller hereby assume all responsibility for the impact of such Hazardous Substance Conditions upon their respective interests herein.

9. DOCUMENTS REQUIRED AT CLOSING.

9.1 Escrow Holder shall cause to be issued to Buyer a standard coverage (or ALTA extended, if so elected under Paragraph 8.1(f)) owner's form policy of title insurance effective as of the Closing, issued by the Title Company in the full amount of the Purchase Price, insuring title to the Property vested in Buyer, subject only to the exceptions approved by Buyer. In the event there is a Purchase Money Deed of Trust in this transaction, the policy of title insurance shall be a joint protection policy insuring both Buyer and Seller.

9.2 Seller shall deliver or cause to be delivered to Escrow Holder in time for delivery to Buyer at the Closing, an original ink-signed:

(a) Grant deed (or equivalent), duly executed and in recordable form, conveying fee title to the Property to Buyer.

(b) If Paragraph 4.1(c) has not been stricken, the Beneficiary Statements concerning Existing Note(s).

(c) If applicable, the Existing Leases and Other Agreements together with duly executed assignments thereof by Seller and Buyer. The assignment of Existing Leases shall be on the most recent Assignment and Assumption of Lessor's Interest in Lease form published by the A.I.R. or its equivalent.

(d) If applicable, the Tenancy Statements executed by Seller and the Tenant(s) of the Property.

(e) An affidavit executed by Seller to the effect that Seller is not a "foreign person" within the meaning of Internal Revenue Code Section 1445 or successor statutes. If Seller does not provide such affidavit in form reasonably satisfactory to Buyer at least three (3) business days prior to the Closing, Escrow Holder shall at the Closing deduct from Seller's proceeds and remit to Internal Revenue Service such sum as is required by applicable Federal law with respect to purchases from foreign sellers.

9.3 Buyer shall deliver or cause to be delivered to Seller through escrow:

(a) The cash portion of the Purchase Price and such additional sums as are required of Buyer under this Agreement for prorations, expenses and adjustments. The balance of the cash portion of the Purchase Price, including Buyer's escrow charges and other cash charges, if any, shall be deposited by Buyer with Escrow Holder, by cashier's check drawn upon a local major banking institution, federal funds wire transfer, or any other method acceptable to Escrow Holder as immediately collectable funds, no later than 11:00 A.M. on the business day prior to the Expected Closing Date.

(b) If a Purchase Money Note and Purchase Money Deed of Trust are called for by this Agreement, the duly executed originals of those documents, the Purchase Money Deed of Trust being in recordable form, together with evidence of fire insurance on the improvements in the amount of the full replacement cost naming Seller as a mortgage loss payee, and a real estate tax service contract (at Buyer's expense), assuring Seller of notice of the status of payment of real property taxes during the life of the Purchase Money Note.

(c) The assumption portion of the Assignment and Assumption of Lessor's Interest In Lease form specified in Paragraph 9.2(c) above, duly executed by Buyer with respect to the obligations of the Lessor accruing after the Closing as to each Existing Lease.

(d) Assumptions duly executed by Buyer of the obligations of Seller that accrue after Closing under any Other Agreements.

(e) If applicable, a written assumption duly executed by Buyer of the loan documents with respect to Existing Notes.

10. PRORATIONS, EXPENSES AND ADJUSTMENTS.

10.1 TAXES. Real property taxes payable by the owner of the Property shall be prorated through Escrow as of the date of the Closing, based upon the latest tax bill available. The Parties agree to prorate, as of the Closing, any taxes assessed against the Property by supplemental bill levies by reason of events occurring prior to the Closing. Payment shall be made promptly in cash upon receipt of a copy of any such supplemental bill of the amount necessary to accomplish such proration.

10.2 INSURANCE. If Buyer elects to take an assignment of the existing casualty and/or liability insurance that is maintained by Seller, the current premium therefor shall be prorated through Escrow as of the date of Closing.

10.3 RENTALS, INTEREST AND EXPENSES. Collected rentals, interest on Existing Notes, utilities, and operating expenses shall be prorated as of the date of Closing. The Parties agree to promptly adjust between themselves, outside of Escrow, any rents received after the Closing.

10.4 SECURITY DEPOSIT. Security Deposits held by Seller shall be given to Buyer by a credit to the cash required of Buyer at the Closing.

10.5 POST CLOSING MATTERS. Any item to be prorated that is not determined or determinable at the Closing shall be promptly adjusted by the Parties by appropriate cash payment outside of the Escrow when the amount due is determined.

10.6 VARIATIONS IN EXISTING NOTE BALANCES. In the event that Buyer is taking title to the Property subject to an Existing Deed of Trust(s), and in the event that a Beneficiary Statement as to the applicable Existing Note(s) discloses that the unpaid principal balance of such Existing Note(s) at the Closing will be more or less than the amount set forth in paragraph 4.1(c) hereof (the Existing Note Variation), then the Purchase Money Note(s) shall be reduced or increased by an amount equal to such Existing Note Variation. If there is to be no Purchase Money Note, the cash required at the Closing per Paragraph 4.1(a) shall be reduced or increased by the amount of such Existing Note Variation.

10.7 VARIATIONS IN NEW LOAN BALANCE. In the event Buyer is obtaining a New Loan and in the event that the amount of the New Loan actually obtained is greater than the amount set forth in Paragraph 6.1 hereof, the Purchase Money Note, if one is called for in this transaction, shall be reduced by the excess of the actual face amount of the New Loan over such amount as designated in Paragraph 6.1 hereof.

11. REPRESENTATION AND WARRANTIES OF SELLER AND DISCLAIMER.

11.1 Seller's warranties and representations shall survive the Closing and delivery of the deed, and, unless otherwise noted herein, are true, material and relied upon by Buyer and Broker(s) in all respects, both as of the Date of Agreement, and as of the date of Closing. Seller hereby makes the following warranties and representations to Buyer and Broker(s):

(a) AUTHORITY OF SELLER. Seller is the owner of the Property and/or has the full right, power and authority to sell, convey and transfer the Property to Buyer as provided herein, and to perform Seller's obligations hereunder.

(b) MAINTENANCE DURING ESCROW AND EQUIPMENT CONDITION AT CLOSING. Except as otherwise provided in Paragraph 7.1 (k) hereof dealing with destruction, damage or loss, Seller shall maintain the Property until the Closing in its present condition, ordinary wear and tear excepted. The heating, ventilating, air conditioning, plumbing, loading doors and electrical systems shall be in good operating order and condition at the time of Closing.

(c) HAZARDOUS SUBSTANCES/STORAGE TANKS. Seller has no knowledge, except as otherwise disclosed to Buyer in writing, of the existence or prior existence on the Property of any Hazardous Substance (as defined in Paragraph 8.1(c)), nor of the existence or prior existence of any above or below ground storage tank or tanks.

(d) COMPLIANCE. Seller has no knowledge of any aspect or condition of the Property which violates applicable laws, rules, regulations, codes, or covenants, conditions or restrictions, or of improvements or alterations made to the Property without a permit where one was required, or of any unfulfilled order or directive of any applicable governmental agency or casualty insurance company, that any work of investigation, remediation, repair, maintenance or improvement is to be performed on the Property.

(e) CHANGES IN AGREEMENTS. Prior to the Closing, Seller will not violate or modify, orally or in writing, any Existing Lease or Other Agreement, or create any new leases or other agreements affecting the Property, without Buyer's written approval, which approval will not be unreasonably withheld.

(f) POSSESSORY RIGHTS. Seller has no knowledge that anyone will, at the Closing, have any right to possession of the Property, except as disclosed by this Agreement or otherwise in writing to Buyer.

(g) MECHANICS' LIENS. There are no unsatisfied mechanics' or materialmans' lien rights concerning the Property.

(h) ACTIONS, SUITS OR PROCEEDINGS. Seller has no knowledge of any actions, suits or proceedings pending or threatened before any commission, board, bureau, agency, instrumentality, arbitrator(s) court or tribunal that would affect the Property or the right to occupy or utilize same.

(i) NOTICE OF CHANGES. Seller will promptly notify Buyer and Broker(s) in writing of any Material Change (as defined in Paragraph 8.1 (l)) affecting the Property that becomes known to Seller prior to the Closing.

(j) NO TENANT BANKRUPTCY PROCEEDINGS. Seller is not the subject of a bankruptcy or insolvency proceeding.

(k) NO SELLER BANKRUPTCY PROCEEDINGS. Seller is not the subject of a bankruptcy, insolvency or probate proceeding.

11.2 Buyer hereby acknowledges that, except as otherwise stated in this Agreement, Buyer is purchasing the Property in its existing condition and will, by the time called for herein, make or have waived all inspections of the Property Buyer believes are necessary to protect its own interest in and its contemplated use of, the Property. The Parties acknowledge that, except as otherwise stated in this Agreement, no representations, inducements, promises, agreements, assurances, oral or written, concerning the Property, or any aspect of the Occupational Safety and Health Act, hazardous substance laws, or any other act, ordinance or law, have been made by either Party or Broker, or relied upon by either Party hereto.

12. POSSESSION.

12.1 Possession of the Property shall be given to Buyer at the Closing subject to the rights of tenants under Existing Leases.

13. BUYERS' ENTRY.

13.1 At any time during the Escrow period, Buyer, and its agents and representatives, shall have the right at reasonable times and subject to rights of tenants under Existing Leases, to enter upon the Property for the purpose of making inspections and tests specified in this Agreement. Following any such entry or work, unless otherwise directed in writing by Seller, Buyer shall return the Property to the condition it was in prior to such entry or work, including the recompaction or removal of any disrupted soil or material as Seller may reasonably direct. All such inspections and tests and any other work conducted or materials furnished with respect to the Property by or for Buyer shall be paid for by Buyer as and when due and Buyer shall indemnify, defend, protect and hold harmless Seller and the Property of and from any and all claims, liabilities, demands, losses, costs, expenses (including reasonable attorneys' fees), damages or recoveries, including those for injury to person or property, arising out of or relating to any such work or materials or the acts or omissions of Buyer, its agents or employees in connection therewith.

14. FURTHER DOCUMENTS AND ASSURANCES.

14.1 Buyer and Seller shall each, diligently and in good faith, undertake all actions and procedures reasonably required to place the Escrow in condition for Closing as and when required by this Agreement. Buyer and Seller agree to provide all further information, and to execute and deliver all further documents and instruments, reasonably required by Escrow Holder or the Title Company.

15. ATTORNEYS' FEES.

15.1 In the event of any litigation or arbitration between the Buyer, Seller, and Broker(s), or any of them, concerning this transaction, the prevailing party shall be entitled to reasonable attorneys' fees and costs. The attorneys' fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys fees reasonably incurred in good faith.

16. PRIOR AGREEMENTS/AMENDMENTS.

16.1 The contract in effect as of the Date of Agreement supersedes any and all prior agreements between Seller and Buyer regarding the Property.

16.2 Amendments to this Agreement are effective only if made in writing and executed by Buyer and Seller.

17. BROKER'S RIGHTS.

17.1 If this sale shall not be consummated due to the default of Buyer, the Buyer shall not be liable to and shall not have to pay to Broker(s) the commission that Broker(s) would have received had the sale been consummated. This obligation of Buyer is not in addition to any obligation with respect to liquidated damages.

17.2 Upon the Closing, Broker(s) is/are authorized to publicize the facts of this transaction.

18. NOTICES.

18.1 Whenever any Party hereto, Escrow Holder or Broker(s) herein shall desire to give or serve any notice, demand, request, approval, or other communication, each such communication shall be in writing, and delivered personally by messenger or by mail, postage prepaid addressed as set forth adjacent to that partys' or Brokers' signature on this Agreement or by telecopy with receipt confirmed by telephone. Service of any such communication shall be deemed made on the date of actual receipt at such address.

18.2 Any Party or Broker hereto may from time to time by notice in writing served upon the other Party as aforesaid designate a different address to which or a different person or additional persons to whom all communications are thereafter to be made.

19. DURATION OF OFFER.

19.1 If this offer shall not be accepted by Seller on or before 5:00 P.M. according to the time standard applicable to the city of Pleasanton, on the date of December 18, 1996, it shall be deemed automatically revoked.

19.2 The acceptance of this offer or of any subsequent counter-offer hereto that creates an agreement between the Parties as described in Paragraph 1.2 shall be deemed made upon delivery to the other Party or either Broker herein of a duly executed writing unconditionally accepting the last outstanding offer or counter-offer.

20. LIQUIDATED DAMAGES. (THIS LIQUIDATED DAMAGES PARAGRAPH IS APPLICABLE ONLY IF INITIALED BY BOTH PARTIES).

20.1 THE PARTIES AGREE THAT IT WOULD BE IMPRACTICABLE OR EXTREMELY DIFFICULT TO FIX, PRIOR TO SIGNING THIS AGREEMENT, THE ACTUAL DAMAGES WHICH WOULD BE SUFFERED BY SELLER IF BUYER FAILS TO PERFORM ITS OBLIGATIONS UNDER THIS AGREEMENT. THEREFORE, IF, AFTER THE SATISFACTION OR WAIVER OF ALL CONTINGENCIES PROVIDED FOR THE BUYER'S BENEFIT, BUYER BREACHES THIS AGREEMENT, SELLER SHALL BE ENTITLED TO LIQUIDATED DAMAGES IN THE AMOUNT OF $25,000 PLUS INTEREST, IF ANY, ACCRUED THEREON. UPON PAYMENT OF SAID SUM TO SELLER, BUYER SHALL BE RELEASED FROM ANY FURTHER LIABILITY TO SELLER, AND ANY ESCROW CANCELLATION FEES AND TITLE COMPANY CHARGES SHALL BE PAID BY SELLER.

Buyer Initials Seller Initials

21. ARBITRATION OF DISPUTES. THIS ARBITRATION OF DISPUTES PARAGRAPH IS APPLICABLE ONLY IF INITIALED BY BOTH PARTIES AND IS SUBJECT TO PARAGRAPH 22 BELOW).

21.1 ANY CONTROVERSY AS TO WHETHER SELLER IS ENTITLED TO THE LIQUIDATED DAMAGES AND/OR BUYER IS ENTITLED TO THE RETURN OF DEPOSIT MONEY, SHALL BE DETERMINED BY BINDING ARBITRATION BY, AND UNDER THE COMMERCIAL RULES (the "COMMERCIAL RULES") OF, THE AMERICAN ARBITRATION ASSOCIATION. HEARINGS ON SUCH ARBITRATION SHALL BE HELD IN THE COUNTY WHERE THE PROPERTY IS LOCATED. ANY SUCH CONTROVERSY SHALL BE ARBITRATED BY THREE (3) ARBITRATORS WHO SHALL BE IMPARTIAL REAL ESTATE BROKERS WITH AT LEAST FIVE (5) FULL TIME YEARS OF EXPERIENCE IN THE AREA WHERE THE PROPERTY IS LOCATED, IN THE TYPE OF REAL ESTATE THAT IS THE SUBJECT OF THIS AGREEMENT AND SHALL BE APPOINTED UNDER THE COMMERCIAL RULES. THE ARBITRATORS SHALL HEAR AND DETERMINE SAID CONTROVERSY IN ACCORDANCE WITH APPLICABLE LAW AND THE INTENTION OF THE PARTIES AS EXPRESSED IN THIS AGREEMENT, AS THE SAME MAY HAVE BEEN DULY MODIFIED IN WRITING BY THE PARTIES PRIOR TO THE ARBITRATION, UPON THE EVIDENCE PRODUCED AT AN ARBITRATION HEARING SCHEDULED AT THE REQUEST OF EITHER PARTY. SUCH PRE-ARBITRATION DISCOVERY SHALL BE PERMITTED AS IS AUTHORIZED UNDER THE COMMERCIAL RULES OR STATE LAW APPLICABLE TO ARBITRATION PROCEEDINGS. THE AWARD SHALL BE EXECUTED BY AT LEAST TWO (2) OF THE THREE (3) ARBITRATORS, BE RENDERED WITHIN THIRTY (30) DAYS AFTER THE CONCLUSION OF THE HEARING, AND MAY INCLUDE ATTORNEYS' FEES AND COSTS TO THE PREVAILING PARTY PER PARAGRAPH 15 HEREOF. JUDGMENT MAY BE ENTERED ON THE AWARD IN ANY COURT OF COMPETENT JURISDICTION NOTWITHSTANDING THE FAILURE OF A PARTY DULY NOTIFIED OF THE ARBITRATION HEARING TO APPEAR THEREAT.

21.2 BUYER'S RESORT TO OR PARTICIPATION IN SUCH ARBITRATION PROCEEDINGS SHALL NOT BAR SUIT IN A COURT OF COMPETENT JURISDICTION BY THE BUYER FOR DAMAGES AND/OR SPECIFIC PERFORMANCE UNLESS AND UNTIL THE ARBITRATION RESULTS IN AN AWARD TO THE SELLER OF LIQUIDATION DAMAGES, IN WHICH EVENT SUCH AWARD SHALL ACT AS A BAR AGAINST ANY ACTION BY BUYER FOR DAMAGES AND/OR SPECIFIC PERFORMANCE.

21.3 NOTICE BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS SUCH RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

Buyer Initials Seller Initials

22. APPLICABLE LAW.

22.1 This Agreement shall be governed by, and Paragraph 21.3 amended to refer to, the laws of the state in which the Property is located.

23. TIME OF ESSENCE.

23.1 Time is of the essence of this Agreement.

24. COUNTERPARTS.

24.1 This Agreement may be executed by Buyer and Seller in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Escrow Holder, after verifying that the counterparts are identical except for the signatures, is authorized and instructed to combine the signed signature pages on one of the counterparts, which shall then constitute the Agreement.

25. DISCLOSURES REGARDING THE NATURE OF A REAL ESTATE AGENCY RELATIONSHIP.

25.1 The Parties and Broker(s) agree that their relationship(s) shall be governed by the principles set forth in California Civil Code, Section 2375, as summarked in the following Paragraph 25.2.

25.2 When entering into a discussion with a real estate agent regarding a real estate transaction, a Buyer or Seller should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Buyer and Seller acknowledge being advised by the Broker(s) in this transaction, as follows:

(a) SELLER'S AGENT. A Seller's agent under a listing agreement with the Seller acts as the agent for the Seller only. A Seller's agent or subagent has the following affirmative obligations: (1) TO THE SELLER: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Seller. (2) TO THE BUYER AND THE SELLER: (a) Diligent exercise of reasonable skill and care in performance of the agent's duties, (b) A duty of honest and fair dealing and good faith, (c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(b) BUYER'S AGENT. A selling agent can, with a Buyer's consent, agree to act as agent for the Buyer only. In these situations, the agent is not the Seller's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Seller. An agent acting only for a Buyer has the following affirmative obligations. (1) TO THE BUYER: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Buyer. (2) TO THE BUYER AND THE SELLER: (a) Diligent exercise of reasonable skill and care in performance of the agent's duties, (b) A duty of honest and fair dealing and good faith (c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(c) AGENT REPRESENTING BOTH SELLER AND BUYER. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Seller and the Buyer in a transaction, but only with the knowledge and consent of both the Seller and the Buyer. (1) in a dual agency situation, the agent has the following affirmative obligations to both the Seller and the Buyer: (a) A fiduciary duty of utmost care, integrity,

honesty and loyalty in the dealings with either Seller or the Buyer, (b) Other duties to the Seller and the Buyer as stated above in their respective sections (a) or (b) of this paragraph 25.2 (2). In representing both Seller and Buyer, the agent may not without the express permission of the respective Party, disclose to the other Party that the Seller will accept a price less than the listing price or that the Buyer will pay a price greater than the price offered. (3) The above duties of the agent in a real estate transaction do not relieve a Seller or Buyer from the responsibility to protect their own interests. Buyer and Seller should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(d) FURTHER DISCLOSURES. Throughout this transaction Buyer and Seller may receive more than one disclosure, depending upon the number of agents assisting in the transaction. Buyer and Seller should each read its contents each time it is presented, considering the relationship between them and the real estate agent in this transaction and that disclosure.

25.3 CONFIDENTIAL INFORMATION. Buyer and Seller agree to identify to Broker(s) as "Confidential" any communication or information given Broker(s) that is considered by such Party to be confidential.

26. ADDITIONAL PROVISIONS:

Additional provisions of this offer, if any, are as follows or are attached hereto by an addendum consisting of paragraphs "A" through "K". (It will be presumed no other provisions are included unless specified here.) Addendums "A" and Exhibit "A" and "B" are attached hereby made a part of this Lease.

BUYER AND SELLER HEREBY ACKNOWLEDGED THAT THEY HAVE BEEN AND ARE NOW BY THE BROKER(S) TO CONSULT AND RETAIN THEIR OWN EXPERTS TO ADVISE AND REPRESENT THEM CONCERNING THE LEGAL AND INCOME TAX EFFECTS OF THIS AGREEMENT, AS WELL AS THE CONDITION AND/OR LEGALITY OF THE PROPERTY, THE IMPROVEMENTS, AND EQUIPMENT THEREIN, THE SOIL THEREOF, THE CONDITION OF TITLE THERETO, THE SURVEY THEREOF, THE ENVIRONMENTAL ASPECTS THEREOF, THE EXISTENCE AND NATURE OF TENANCIES THEREIN, THE OUTSTANDING OTHER AGREEMENTS, IF ANY, WITH RESPECT THERETO, AND THE EXISTING OR CONTEMPLATED FINANCING THEREOF, AND THAT THE BROKER(S) IS/ARE NOT TO BE RESPONSIBLE FOR PURSUING THE INVESTIGATION OF ANY SUCH MATTERS UNLESS EXPRESSLY OTHERWISE AGREED TO IN WRITING BY BROKER(S) AND BUYER OR SELLER.

THIS FORM IS NOT FOR USE IN CONNECTION WITH THE SALE OF RESIDENTIAL PROPERTY.

If this Agreement has been filled in, it has been prepared for submission to your attorney for his approval. No representation of recommendation is made by the real estate Broker(s) or their agents or employees as to the legal

sufficiency, legal effect, or tax consequences of this Agreement or the transaction involved herein. The undersigned Buyer offers and agrees to buy the Property on the terms and conditions stated and acknowledges receipt of a copy hereof.

BROKER:	*BUYER: Supergen, Inc.*
By: Lee & Associates C.R.E.S.	*By: /s/ Hank Settle*
Date:	*By:*
Name Printed: Bob Kumnick	*Name Printed: Hank Settle*
Title: Principal	*Title: Chief Financial Officer*
Address: 5960 Stoneridge Drive, Suite 101	*Address: 6450 Hollis Street*
Pleasanton, CA 94588	*Emeryville, CA 94608*
Telephone: (510) 460-6200	*Telephone: (510) 655-1075*
Telecopier: (510) 460-6210	*Telecopier: (510) 655-1098*

27. ACCEPTANCE.

27.1 Seller accepts the foregoing offer to purchase the Property and hereby agrees to sell the Property to Buyer on the terms and conditions therein specified.

27.2 Seller acknowledges that Broker(s) has/have been retained to locate a Buyer and is/are the procuring cause of the purchase and sale of the Property set forth in this Agreement. In consideration of real estate brokerage service rendered by Broker(s), Seller agrees to pay Broker(s) a real estate brokerage fee in a sum equal to six percent of the Purchase Price (the Broker(s) Fee) divided equally in such shares as said Broker(s) shall direct in writing, As us provided in paragraph 9.1(o), this Agreement shall serve as an irrevocable instruction to Escrow Holder to pay such brokerage fee to Broker(s) out of the proceeds accruing to the account of Seller at the Closing.

27.3 Seller acknowledges receipt of a copy hereof and authorizes the Broker(s) to deliver a signed copy to Buyer.

NOTE: A PROPERTY INFORMATION SHEET IS REQUIRED TO BE DELIVERED TO BUYER BY SELLER UNDER THIS AGREEMENT.

BROKER:	SELLER:
By: Lee & Associates C.R.E.S.	By: The Ashwill Trust, established 11/8/89
Date:	Date: 12-23-96
Name Printed: Bob Kumnick	Name Printed: Ellwin E. Ashwill /s/ Ellwin E. Ashwill
Title: Principal	Title: Trustee
Address: 5960 Stoneridge Drive, Suite 101 Pleasanton, CA 94588	Address: 725 Town & Country, Suite 140 Orange, CA 92868
Telephone: (510) 460-6200	Telephone: (510) 564-1632
Telecopier: (510) 469-6210	Telecopier: (510) 564-0505

ADDENDUM "A"

This Addendum is hereby made a part of the Standard Offer, Agreement, and Escrow Instructions for Purchase of Real Estate, dated December 11, 1996, by and between THE ASHWILL TRUST, ESTABLISHED NOVEMBER 8, 1989 ("Seller") and SUPERGEN, INC. ("Buyer"), for the Premises located at 1059 Serpentine Lane, Pleasanton, California.

A. Lessee to purchase the shell building (9,600 -plus or minus- sq. ft.) at 1059 Serpentine Lane, at SEVEN HUNDRED FORTY-FOUR THOUSAND AND NO/100 DOLLARS ($744,000.00) and close escrow upon approval of the Building Final Inspection of shell building from the City of Pleasanton. Buyer will be responsible for loan costs and title company costs as outlined below:

1. Current non-delinquent city and country real estate taxes, and principal and interest on assessments shall be prorated between Buyer and Seller as of the close of escrow on the basis of a thirty (30) day month.

Note: Bonds and assessments of public record in the approximating total amount of ELEVEN THOUSAND SIX HUNDRED SIXTEEN ($11,616.00) as of October, 1996, which are a lien on the Property shall be assumed by Buyer. The exact amount of assessments will be calculated by the City of Pleasanton at close of escrow and prorated accordingly.

2. Buyer agrees to pay for all escrow fees, recording fees, notary fees, and owner's and lender's title insurance policies. Seller agrees to pay for the county transfer tax. All other costs and expenses, if any, shall be borne by the respective parties in accordance with the custom in Alameda County prevailing at the Close of Escrow for similar transactions.

B. Deposits

1. TEN THOUSAND AND NO/100 DOLLARS ($10,000.00) to be deposited in escrow within five (5) days after mutual execution of Purchase and Sale Agreement. Said deposit shall be placed by Escrow Company into an interest bearing account reasonably acceptable to both Buyer and Seller, with all interest accruing for the benefit of Buyer.

2. Buyer shall have forty-five (45) calendar days from the Opening of Escrow (the "Inspection Feasibility Period") within which to:
(i) inspect any and all physical aspects of the Property,
(ii) review existing zoning and other governmental regulations,
(iii) review all title exceptions, and (iv) inspect and test soils, groundwater, and hazardous materials, if any.

Buyer shall also have sixty (60) calendar days from the Opening of Escrow (the "Financing Contingency Period") to secure adequate financing. Prior to the expiration of each Contingency Period, Buyer shall have the right to terminate the Purchase Agreement by delivering written notice of such election to Seller. If Buyer elects not to proceed with the purchase of this property, Escrow Company shall return deposit to the Buyer.

Seller further agrees to furnish Buyer with any and all existing soils, engineering, geologic and environmental studies completed by Seller to date on the Property, or adjacent properties, within ten (10) business days of the Opening of Escrow.

3. A FIFTEEN THOUSAND AND NO/100 DOLLARS ($15,000.00) additional deposit to be entered into escrow upon removal or waiver of all contract contingencies (60 days from date of agreement). At such time, all deposits to date (TWENTY-FIVE THOUSAND AND NO/100 DOLLARS ($25,000)) will be released to the Seller and be applicable to the purchase price, but non-refundable to Buyer subject to Sellers receiving approval of Building Final Inspection from the City of Pleasanton on the shell building. Said approval shall be in substantial conformity with plans of record approved by Buyer and Seller. Any items specified may be substituted with equal quality replacement or better.

C. Building Shell Defined

The building proposed to be delivered in shell condition consisting of a single story, concrete tilt-up condominium building of approximately 9,600 square feet.

The common area ownership consists of approximately 60,460 square feet of buildings on 167,793 -plus or minus- square feet of land. The condominium building located at 1059 Serpentine Lane shall be 15.9 percent of the total, as outlined in Exhibit "B" of the Covenants, Conditions & Restrictions of Serpentine Business Park. The buildings in the project have an average building to land coverage of thirty-six percent (36%). A minimum of ten (10) designated asphalt paved parking spaces for this building will be provided with appropriate striping, subject to the City of Pleasanton approval. The balance of the parking will be shared in common with the other building owners. The total project will have a parking ratio of approximately 2.83 parking spaces per 1,000 -plus or minus- square feet of building. Only address signage on buildings will be provided. The landscaping plan is defined in the building plans. A separate irrigation water meter common to the whole project is part of a fully automatic, zoned, landscaping irrigation system. The project has an appropriate storm drainage system and screened refuse areas. All off-site work and utility connections, as defined below, shall be the responsibility of the Builder.

The appropriate utilities, which include provision for electrical meter and private water meter, shall be stubbed out and capped on the exterior of the building by the Builder. Telephone to be stubbed to the building. The natural gas line shall be stubbed to the east exterior of the building located at 1059 Serpentine Lane. The sewer line will be plumbed in the concrete floor of the building. The electrical service will be 800 AMP, 120/208 volt, 3-phase power to the westerly exterior of the building. The 800 AMP panel will not include a meter socket, nor a breaker. However, a 100 AMP house panel will be supplied including a socket, meter and breaker.

The building exterior will be painted, landscaped, have an interior fire sprinkler system. No electrical power distribution will be provided within the building. The interior warehouse walls will be painted. There will be no insulation in the building.

The building shall be weather tight, and have skylights, doors, and windows, as per building plans.

D. Close of Escrow

The building shell will be completed by mid to late February 1997.

Close of escrow shall be within three (3) days of Seller's receipt of approved Building Final Inspection from the City of Pleasanton of the shell building (estimated to be March 1, 1997). If Buyer chooses to extend escrow after shell is complete, then Buyer will be obligated to pay Seller ONE HUNDRED SIXTY-THREE AND NO/100 DOLLARS ($163.00) per day until escrow closes.

Buyer may commence building tenant improvements subject to the following:

1. All contingencies are removed.

2. Deposits (TWENTY-FIVE THOUSAND AND NO/100 DOLLARS ($25,000.00)) are passed through to Seller.

3. Buyer has approved building permit for tenant improvements from the City of Pleasanton.

E. Buyer to read and approve CC&R's of Valley Business Park and Serpentine Business Park, by-laws, association financial information, preliminary title report, and any other information regarding property delivered by Seller within forty-five (45) calendar days of date of Agreement.

F. Seller herein has a valid California Real Estate Broker's license.

G. Disclosure:

- Seller herein is selling a building shell, located at 1059 Serpentine Lane, City of Pleasanton;

- Buyer hereby acknowledges that any and all representation regarding square footage of unit is approximate, and pertains to industry standards. For the purpose(s) of common area maintenance expense(s), pro rata and market comparables, the measurement to the BUILDING'S DRIP LINE has been used;

- Units are being sold on a total price for the unit, not a per square foot price.

H. Assignment Rights: Buyer has the right to assign any rights to acquire the Property to an entity in which Buyer is principal.

I. Seller's Studies: As soon as possible following the execution by Seller hereof, Seller shall deliver to Buyer copies of all information in Seller's possession relating to the Property to assist Buyer in its feasibility study.

J. It is the intent of the Ashwill Trust, Established November 8, 1989, to effect a tax deferred exchange in accordance with Section 1031 of the Internal Revenue Code. Buyer agrees to cooperate fully for Seller's exchange and is to be at no additional expense or liability for same.

K. Seller represents and warrants that the building shell shall be designed and constructed in a workmanlike manner, consistent with the building plans approved by Buyer, and that they should be fit for the purposes for which they are intended.

All exceptions to the foregoing representations and warranties are listed below
(if there are no exceptions, write "No Exceptions".)

The building plans for the project and this Standard Offer, Agreement and Escrow Instructions are intended to supplement each other so that any work mentioned in one (1) instrument but not in the other shall be performed in the same manner as if mentioned in both instruments. If there is a conflict or difference between the two (2) instruments, then the Standard Offer, Agreement and Escrow Instructions shall prevail over the building plans. Parking approved by the City of Pleasanton, shall be accepted by all parties as the final approval.

UNDERSTOOD AND AGREED:

SELLER:	BUYER:
THE ASHWILL TRUST, ESTABLISHED NOVEMBER 8, 1989	SUPERGEN, INC.
BY: /s/ Ellwin E. Ashwill	BY: /s/ Hank Settle
Ellwin E. Ashwill, Trustee	Hank Settle
DATE: 12-23-96	DATE: December 19, 1996

ADDENDUM "B"

This Addendum is hereby made a part of the Standard Offer, Agreement, and Escrow Instructions for Purchase of Real Estate, dated December 11, 1996, by and between THE ASHWILL TRUST, ESTABLISHED NOVEMBER 8, 1989 ("Seller") and SUPERGEN, INC. ("Buyer"), for the Premises located at 1059 Serpentine Lane, Pleasanton, California.

800 AMP Electrical Power

It has been requested by Supergen, Inc. that Lessor install an 800 amp electrical service in lieu of a 400 AMP service to the westerly exterior of said building. This has been requested by Supergen, Inc. prior to their due diligence and before they have removed any of the contingencies, outlined in the Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate, dated December 11, 1996. If Supergen, Inc. does not proceed and go forward with the purchase of said building, Seller will be left with an increased electrical service he does not want. Accordingly, Buyer hereby agrees to the following:

1. Seller shall install an 800 AMP service in lieu of a 400 AMP service to the westerly exterior of said building. The 800 AMP service shall not include a meter socket, nor any breaker. Seller shall include a 100 AMP house service, breaker and meter socket; said 100 AMPs to be part of the 800 AMPs.

2. Buyer to release THREE THOUSAND AND NO/100 DOLLARS ($3,000.00) of his deposit monies immediately to Seller in payment of difference in power installation, applicable against the Purchase Price, but not refundable to Buyer in the event Buyer cancels escrow for any reason whatsoever.

3. It is understood and part of the agreement that should Buyer cancel, he automatically forfeits the Three Thousand and No/100 Dollars ($3,000.00) portion of Buyer's deposit released to Seller.

UNDERSTOOD AND AGREED:

SELLER:	BUYER:
THE ASHWILL TRUST, ESTABLISHED NOVEMBER 8, 1989	SUPERGEN, INC.
BY: /s/ Ellwin E. Ashwill	BY: /s/ Hank Settle
Ellwin E. Ashwill, Trustee	Hank Settle
DATE: 12-23-96	DATE: Dec. 19, 1996

PROPERTY INFORMATION SHEET
(Non-Residential)

LEE & ASSOCIATES COMMERCIAL REAL ESTATE SERVICES

TO WHOM IT MAY CONCERN:

The Ashwill Trust ("Owner"), owns the property commonly known by the street address of 1059 Serpentine Lane, located in the City of Pleasanton, County of Alameda, State of California, and generally described as (describe briefly the nature of the property):

("Property"), and certifies that:

1. MATERIAL PHYSICAL DEFECTS. Owner has no actual knowledge of any material physical defects in the Property or any improvements and structures thereon, including, but not limited to the roof, except (it will be assumed no known exceptions exist unless they are specified here):

- ----------.

2. EQUIPMENT. Owner has no actual knowledge that the heating, ventilating, air conditioning, plumbing, loading doors, electrical and lighting systems, life safety systems and mechanical equipment existing on the Property as of the date hereof, if any are not in good operating order and condition, except (it will be assumed no known exceptions exist unless they are specified here):

- ----------.

3. SOIL CONDITIONS. Owner has no actual knowledge that the Property has any slipping, sliding, settling, flooding, ponding, or any other grading, drainage or soil problems, except (it will be assumed no known exceptions exist unless they are specified here):

- ----------.

4. SEWER. Owner represents and warrants that the Property is served by a (check appropriate box /x/ public sewer system or / / private septic system, and that, if the Property is served by a public sewer system, the cost of installation of such sewer system has been fully paid, except (it will be assumed no known exceptions exist unless they are specified here):
- ----------.

5. EARTHQUAKE ZONE. If the Property is located in the State of California, Owner has no actual knowledge that the Property is located within a delineated special studies zone (a zone that encompasses a potentially or recently active trace of an earthquake fault that is deemed by the state geologist to be sufficiently active and well defined enough to constitute a potential hazard to structures from surface fault or fault creep) under an Alquist-Priolo Special Studies Zone Map, except (it will be assumed that no known exceptions exist, unless they are specified here):

- ----------.

6. COMPLIANCE WITH LAWS. Owner has no actual knowledge of any aspect or condition of the Property which violates applicable laws, rules, regulations, codes or covenants, conditions, or restrictions, or of improvements or alterations made to the Property without a permit where one was required, or of any unfulfilled order or directive of any applicable government agency or of any casualty insurance company that any work of investigation, remediation, repair, maintenance or improvement is to be performed on the Property, except (it will be assumed no known exceptions exist unless they are specified here):

- ----------.

7. HAZARDOUS SUBSTANCES. Owner has no actual knowledge of the current existence on the Property of asbestos, PCB transformers or any hazardous, toxic, or infectious substance whose nature and/or quantity of existence, use, manufacture, or effect, render it subject to Federal, state, or local regulation, investigation, remediation or removal as potentially injurious to public health or welfare, except (it will be assumed no known exceptions exist unless they are specified here):

- ----------.

8. STORAGE TANKS. Owner has no actual knowledge of the past or present existence of any above or below ground storage tank or tanks on the Property, except (it will be assumed no known exceptions exist unless they are specified here):

- ----------.

9. ACTION, SUITS OR PROCEEDINGS. Owner has no actual knowledge that any actions, suits or proceedings are pending or threatened before any court, arbitration tribunal, governmental department, commission, board, bureau, agency, or instrumentality that would affect the Property or the right or ability of an Owner or Tenant to convey, occupy, or utilize the Property, except (it will be assumed no known exceptions exist unless they are specified here):

- ----------.

10. GOVERNMENTAL PROCEEDINGS. Owner has no actual knowledge of any existing or contemplated condemnation, environmental, zoning, redevelopment agency plan or any other land use regulation proceedings which could detrimentally affect the value, use and operation of the Property, except (it will be assumed no known exceptions exist unless they are specified here):

- ----------.

11. UNRECORDED TITLE MATTERS. Owner has no actual knowledge of any encumbrances, covenants, conditions, restriction, easements, licenses, liens, charges or other matters which affect the title of the Property that are not recorded in the official records of the county recorder where the Property is located, except (it will be assumed no known exceptions exist unless they are specified here):

- ----------.

12. LEASES. Owner has no actual knowledge of any leases, subleases, or other tenancy agreements affecting the Property, except (it will be assumed no known exceptions exist unless they are specified here):

- ----------.

Owner's statements herein will be relied upon by brokers, buyers, lessees, lenders and others. Therefore, Owner has reviewed and modified this printed statement as necessary to accurately and completely state all the known material facts concerning the Property. To the extent such modifications are not made, this statement may be relied upon as printed. This statement, however, shall not relieve a buyer or lessee of responsibility for independent investigation of the Property. Owner agrees to promptly notify, in writing, all appropriate parties of any material changes which may occur in the statements contained herein from the date this statement is signed until title to the Property is transferred, by a recorded deed, by Owner.

"OWNER"

Date: 12/23 1996
(fill in date of execution)

The Ashwill Trust

By: /s/ Ellwin E. Ashwill
Name Printed: Ellwin E. Ashwill
Title: Trustee

By:
Name Printed:
Title:

UNIFORM DISCLAIMER FORM
SALE FORM

1. LEGAL EFFECT. Upon acceptance of the Purchase Contract and Deposit Receipt, or any counteroffer thereto, Seller and Buyer both intend to have a binding legal agreement for the purchase of the Premises on the terms and conditions set forth therein. Seller and Buyer acknowledge that Broker is not qualified to practice law, nor authorized to give legal advice or counsel you as to any legal matters affecting this document. Broker hereby advises Seller and Buyer to consult with their respective attorneys in connection with any questions each may have as to legal ramifications or effects of this document, prior to its execution.

2. FORM OF PURCHASE CONTRACT AND DEPOSIT RECEIPT. The proposed document is a standard form document, and Broker makes no representations or warranties with respect to the adequacy of this document for either Seller's or Buyer's particular purposes. Broker has, at the direction of Seller and/or Buyer, "filled in the blanks" from information provided to Broker based on prior correspondence, discussions of the parties with respect to the Purchase Contract and Deposit Receipt, and subsequent counteroffers between the parties hereto. By initialing this Paragraph, Seller and Buyer acknowledge and agree that the Purchase Contract and Deposit Receipt is delivered to each subject to the express condition that Broker has merely followed the instructions of the parties in preparing this document, and does not assume any responsibility for its accuracy, completeness or form. Seller and Buyer acknowledge and agree that in providing this document, Broker has acted to expedite this transaction on behalf of Seller and Buyer, and has functioned within the scope of professional ethics by doing so.

Seller's initials: /s/ Buyer's Initials: /s/
3. NO INDEPENDENT INVESTIGATION. Seller and Buyer acknowledge and understand that any financial statements, information, reports, or written materials of any nature whatsoever, as provided by the parties to Broker, and thereafter submitted by Broker to either Seller and/or Buyer, are so provided without any independent investigation by Broker, and as such Broker assumes no responsibility or liability for the accuracy or validity of the same. Any verification of such submitted documents is solely and completely the responsibility of the party to whom such documents have been submitted.

4. NO WARRANTY. Seller and Buyer acknowledge and agree that no warranties, recommendations, or representations are made by the broker as to the accuracy, the legal sufficiency, the legal effect of the tax consequences of any of the documents submitted by Broker to Seller and/or Buyer referenced in Paragraph 3 above, nor of the legal sufficiency, legal effect, or tax consequences of the transactions contemplated thereby. furthermore, Seller and Buyer acknowledge and agree that Broker has made no representations concerning the ability of the Buyer to use the Premises for their intended use, and Buyer is relying solely on its own investigation of the Premises in accepting the Purchase Contract and Deposit Receipt.

5. NOTICE REGARDING HAZARDOUS WASTES OR SUBSTANCES AND UNDERGROUND STORAGE TANKS. Although Broker will disclose any knowledge it actually possesses with respect to the existence of any hazardous wastes, substances, or underground storage tanks at the Premises, Broker has not made any independent investigations or obtained reports with respect thereto, except as may be described in a separate written document signed by Broker. All parties hereto acknowledge and understand that Broker makes no representations regarding the existence or nonexistence of hazardous wastes, substances, or underground storage tanks at the Premises. Each party should contact a professional, such as a civil engineer, geologist, industrial hygienist or other persons with experience in these matters to advise you concerning the property.

6. DISCLOSURE RESPECTING AMERICANS WITH DISABILITIES ACT. The United States Congress has recently enacted the Americans With Disabilities Act. Among other things, this act is intended to make many business establishments equally accessible to persons with a variety of disabilities; modifications to real property may be required. State and local laws also may mandate changes. Broker is not qualified to advise you as to what, if any, changes may be required now or in the future. Broker recommends that you consult the attorneys and qualified design professionals of your choice for information regarding these matters.

7. ATTORNEYS' FEES. In any action, proceeding or arbitration arising out of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs.

8. ENTIRE AGREEMENT. This document constitutes the entire agreement between parties with respect to the subject matter contained herein and supersedes all prior or contemporaneous agreements, representations, negotiations and understandings of the parties, other than such writings as may be executed and/or delivered by the parties pursuant hereto. There are no oral agreements or implied covenants by the Seller or Buyer, or by their respective employees, or other representatives.

Date: 12-23-96	*Date: Dec. 19, 1996*
Seller: /s/ Ellwin E. Ashwill	*Buyer: Hank Settle*
Ellwin E. Ashwill,	
The Ashwill Trust	

Exhibit A

SITE PLAN
CONDOMINIUM PLAN
FOR
PARCEL MAP 7030
CITY OF PLEASANTON CALIFORNIA

Exhibit B

BUILDING "B"
BUILDING PLAN

CONDOMINIUM PLAN
FOR
PARCEL MAP 7030
CITY OF PLEASANTON CALIFORNIA

Ashwill Trust
c/o Robert S. Kumnick
Lee & Associates
5960 Stoneridge Drive
Suite 101
Pleasanton, CA 94588

RE: SUPERGEN, INC. - BUILDING PURCHASE

1059 SERPENTINE LANE, PLEASANTON, CALIFORNIA

Dear Gene:

Per Addendum A of the Purchase Contract, this letter will serve as notification that all contract contingencies for financing (loan) have been approved and waived by SuperGen, Inc.

Approved: /s/ Joseph Rubinfeld *2/21/97*

Joseph Rubinfeld, President / CEO *Date*

Approved: /s/ Henry C. Settle, Jr. *February 21, 1997*

Henry C. Settle, Jr., Chief Financial Officer, SuperGen, Inc. *Date*

Exhibit 10.24

BISHOP RANCH BUSINESS PARK

BUILDING LEASE

SUPERGEN, INC.
BISHOP RANCH BUSINESS PARK-BUILDING LEASE
TABLE OF CONTENTS

PAGE

TABLE OF CONTENTS
(CONTINUED)

TABLE OF CONTENTS
(CONTINUED)

TABLE OF CONTENTS
(CONTINUED)

PAGE

BISHOP RANCH BUSINESS PARK

BUILDING LEASE

This Lease is made and entered into this _____ day of _____, 1996, by and between ANNABEL INVESTMENT COMPANY, a California partnership, (hereinafter "Landlord") and SUPERGEN, INC. (hereinafter "Tenant"). For and in consideration of the rental and of the covenants and agreements hereinafter set forth to be kept and performed by Tenant, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the premises herein described for the term, at the rental and subject to and upon all of the terms, covenants and agreements hereinafter set forth.

1. PREMISES

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the premises (the "Premises") crosshatched on Exhibit A containing 9,247 rentable square feet known as Suite 220, located on the Second floor of Two Annabel Lane, Building B (including all tenant improvements thereto, the "Building"), located at San Ramon, California 94583. The Building is part of a Complex containing the Building and one (1) other building (the "Complex"). The Complex, which contains 95,432 rentable square feet, the land on which the Complex is situated (the "Land"), the common areas of the Complex, any other improvements in the Complex and the personal property used by Landlord in the operation of the Complex (the "Personal Property") are herein collectively called the "Project." Landlord shall pay the cost of "Suite Improvements" (as such term is defined in the work letter attached hereto as Exhibit B, "the "Work Letter") to the Premises up to a maximum amount of SEVENTY-EIGHT THOUSAND EIGHT HUNDRED EIGHTY-FIVE AND NO/100 DOLLARS ($78,885.00 or $9.00 per usable square foot of the Premises), with any cost in excess of this amount to be paid by Tenant promptly as incurred. In the event Tenant does not use the entire allowance for improving the Premises, any remainder may be taken in the form of a Rental Credit.

2. TERM

2.1 TERM. The term of this Lease shall commence on the "Commencement Date" hereinafter defined to be the earlier of the date Landlord delivers possession of the Premises to Tenant with all of the Suite Improvements Substantially Completed, as defined in Exhibit B, or the date Landlord would have completed the Premises and tendered the Premises to Tenant if Substantial Completion had not been delayed by the number of days specified in any and all Tenant Delay Notices given by Landlord as described in Exhibit B. The term of this Lease shall end Five (5) years thereafter (the "Expiration Date"), unless sooner terminated pursuant to this Lease.

2.2 DELAY IN COMMENCEMENT. The Commencement Date is scheduled to occur on January 15, 1997 (the "Scheduled Commencement Date"), but if there are "Scheduled Commencement Adjustment Days" (referred to in Section 25.9 of this Lease and Exhibit B), then the Scheduled Commencement Date shall be that Date which is the same number of days after

January 15, 1997 as the sum of the Scheduled Commencement Adjustment Days. If for any reason the Commencement Date does not occur by the Scheduled Commencement Date, Landlord shall not be liable for any damage thereby nor shall such inability affect the validity of this Lease or the obligations of Tenant hereunder. If the Commencement Date has not occurred within sixty (60) days after the Scheduled Commencement Date, Tenant at its option, to be exercised by giving Landlord written notice within thirty (30) days after the end of such sixty (60) day period, may terminate this Lease and, upon Landlord's return of any monies previously deposited by Tenant, which shall be returned within thirty (30) days after receipt of Tenant's written notice, the parties shall have no further rights or liabilities toward each other.

2.3 ACKNOWLEDGMENT OF COMMENCEMENT DATE. Upon determination of the Commencement Date, Landlord and Tenant shall execute a written acknowledgment of the Commencement Date and Expiration Date in the form attached hereto as Exhibit G.

3. RENT

3.1 BASE RENT. Tenant shall pay to Landlord monthly as base rent ("Base Rent") for the Premises in advance on the Commencement Date and on the first day of each calendar month thereafter during the term of this Lease without deduction, offset, prior notice or demand, in lawful money of the United States of America, the sum of FIFTEEN THOUSAND FOUR HUNDRED ELEVEN AND 67/100 DOLLARS ($15,411.67). If the Commencement Date is not the first day of a month or if the Lease terminates on other than the last day of a month, the Base Rent payable for such partial month shall be equal to the number of days that the term was in effect during such partial month TIMES the "daily Base Rent," which shall be calculated by dividing the Base Rent then in effect by thirty (30).

Concurrently with Tenant's execution of this Lease, Tenant shall pay to Landlord the sum of FIFTEEN THOUSAND FOUR HUNDRED ELEVEN AND 67/100 DOLLARS ($15,411.67) to be applied against Base Rent when it becomes due.

3.2 ADJUSTMENTS TO BASE RENT. (Intentionally Deleted)

3.3 AMOUNTS CONSTITUTING RENT. All amounts payable or reimbursable by Tenant under this Lease, including late charges and interest, "Operating Cost Payments" (as defined in Paragraph 5), and amounts payable or reimbursable under the Work Letter and the other Exhibits hereto, shall constitute "Rent" and be payable and recoverable as such. Base Rent is due and payable as provided in Paragraph 3.1 - "Base Rent", Operating Cost Payments are due and payable as provided in Paragraph 5.3 - "Notice and Payment", and all other Rent payable to Landlord on demand under the terms of this Lease, unless otherwise set forth herein, shall be payable within thirty (30) days after written notice from Landlord of the amounts due. All Rent shall be paid to Landlord without deduction or offset, except as otherwise set forth herein, in lawful money of the United States of America at the address for notices or at such other place as Landlord may from time to time designate in writing.

4. SECURITY DEPOSIT

Concurrently with Tenant's execution of this Lease, Tenant shall deposit with Landlord the sum of FIFTEEN THOUSAND FOUR HUNDRED ELEVEN AND 67/100 DOLLARS ($15,411.67) (the "Security Deposit"). In the event Tenant installs a Lab in the Premises, the Security Deposit shall be THIRTY THOUSAND EIGHT HUNDRED TWENTY-THREE AND 33/100 DOLLARS ($30,823.33). The Security Deposit shall be held by Landlord as security for the faithful performance by Tenant of all of the terms, covenants and conditions of this Lease to be performed by Tenant during the term hereof. If Tenant defaults with respect to any provision of this Lease, including the provisions relating to the payment of any Rent, Landlord may (but shall not be required to) use, apply or retain all or any part of the Security Deposit to cure such default or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of said deposit is so used or applied, Tenant shall, within ten (10) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount; Tenant's failure to do so shall be a material breach of this Lease. Landlord shall not be required to keep the Security Deposit separate from its general funds, and Tenant shall not be entitled to interest on such deposit. If Tenant shall fully and faithfully perform every provision of this Lease to be performed by it, the Security Deposit or any balance thereof shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) within thirty (30) days after the expiration of the Lease term and Tenant's vacating the Premises; provided, however, that Landlord may elect, in its discretion, to retain a portion of the Security Deposit in an amount to be determined by Landlord in its reasonable judgment and Landlord shall, promptly upon determining the increases in Operating Costs for the calendar year in which this Lease terminates, pursuant to Paragraph 5.3 -"Notice and Payment," apply from such retained portion of the Security Deposit any sums underpaid by Tenant with respect to Operating Costs for the final year of the Lease term, and return the balance, if any, to Tenant or its assignee. In the event of termination of Landlord's interest in this Lease, Landlord shall transfer the Security Deposit to Landlord's successor in interest whereupon Landlord shall be released from liability for the return of the Security Deposit or the accounting therefor provided that such transferee assumes Landlord's liability for the return of the Security Deposit or the accounting therefore in writing.

5. TAX AND BUILDING OPERATING COST INCREASES

5.1 DEFINITIONS. For purposes of this paragraph, the following terms are herein defined:

(a) BASE YEAR: The calendar year in which this Lease commences.

(b) OPERATING COSTS: Operating Costs shall include all costs and expenses of ownership, operation, repair and maintenance of the Project (excluding depreciation of the improvements in the Project and all amounts paid on loans of Landlord) computed in accordance with Tax Basis accounting principles adopted by Landlord consistently applied, including by way of illustration but not limited to: real property taxes, taxes assessed on the Personal Property, any other governmental impositions imposed on or by reason of the ownership, operation or use of the Project,

and any tax in addition to or in lieu thereof, other than taxes covered by Paragraph 5.4, whether assessed against Landlord or Tenant or collected by Landlord or both; parts; equipment; supplies; insurance premiums; license, permit and inspection fees; cost of services and materials (including property management fees and costs); cost of compensation (including employment taxes and fringe benefits) of all persons who perform duties connected with the operation, maintenance and repair of the Project; costs of providing utilities and services, including water, gas, electricity, sewage disposal, rubbish removal, janitorial, gardening, security, parking, window washing, supplies and materials, and signing (but excluding services not uniformly available to substantially all of the Project tenants); costs of capital improvements (i) required to cause the Project to comply with all laws, statutes, ordinances, regulations, rules and requirements of any governmental or public authority, including, without limitation, the Americans with Disabilities Act of 1990 (the "ADA") (collectively, "Legal Requirements"), except for costs, if any, of correcting any failure of the Project to comply, as of the Commencement Date, with any Legal Requirement as enacted as of the Commencement Date, or (ii) which reduce Operating Costs, such costs, together with interest on the unamortized balance at the rate of ten percent (10%) per annum, to be amortized over such reasonable periods as Landlord shall determine; costs of maintenance and replacement of landscaping; legal, accounting and other professional services incurred in connection with the operation of the Project and the calculation of Operating Costs; and rental expense or a reasonable allowance for depreciation of personal property used in the maintenance, operation and repair of the Project. If the Project is not fully occupied for any calendar year during the term of this Lease, Operating Costs shall be adjusted to the amount which would have been incurred if the Project had been fully occupied for the year. (Tax Basis Accounting Principles are defined to be the Internal Revenue Code and related rules, regulations, rulings, and applicable case law applied by Landlord on a consistent basis in reporting income and expense, including the capitalization of costs and related depreciation, to the Internal Revenue Service.)

(c) Notwithstanding the foregoing, annual Operating Costs shall not include the following:

(1) Capital improvements, equipment, replacements, alterations and repairs, except as Landlord reasonably determines are attributable to services performed for the Complex;

(2) Construction and installation of tenant improvements, renovations, or decorating made for tenants or other occupants in the Complex or for vacant tenant suites within the Building, including, without limitation, fees and costs for space planning, architectural drawings, construction, permits, licenses and inspections.

(3) Negotiations and transactions with present or prospective tenants or other occupants of the Complex for leases, subleases, assignments and other related transactions, including, without limitation, attorneys' fees for such negotiations and transactions;

(4) Interest, principal, points and fees on debts or amortization on any mortgage or any other debt instrument encumbering the Building;

(5) All items and services for which Tenant or any other tenant in the Complex directly reimburses Landlord (other than through tenant's share of Operating Expenses), or which Landlord provides selectively to one or more tenants (other than Tenant) without reimbursement;

(6) Marketing costs, including leasing commissions, advertising and promotional expenditures, and costs of signs in or on the Complex identifying the owner of the Complex or other tenants' signs; and

(7) Upgrading the Complex to comply with handicap, life safety, fire and safety codes to the extent the same were in effect prior to the Commencement Date;

(8) Legal fees and expenses incurred in connection with the enforcement of any leases, disputes or defense of Landlord's title to or interest in the Project, audits, or other litigation related to the Project.

5.2 TENANT'S SHARE. If Operating Costs during any calendar year following the Base Year exceed the rentable square footage of the Building multiplied by $8.00 (the "Expense Stop"), Tenant shall pay to Landlord "Tenant's Share" multiplied by such excess ("Operating Cost Payments"). "Tenant's Share" means 9.69%, which is calculated by dividing the rentable square footage of the Premises by the rentable square footage of the Complex, as such rentable square footages are set forth in Paragraph 1.

5.3 NOTICE AND PAYMENT. As soon as reasonably practical after the end of each calendar year following the Base Year, Landlord shall furnish Tenant a written statement showing in reasonable detail the Operating Costs for the preceding calendar year, and the amount of any payment due from Tenant to Landlord or from Landlord to Tenant, taking into account prior Operating Cost Payments made by Tenant for such preceding calendar year. Tenant shall have one hundred eighty (180) days after receipt of Landlord's statement to notify Landlord of any objections they have to such statement, or of their intention to review supporting documentation for such statement. If Tenant does not so notify Landlord, such statement shall conclusively be deemed correct and Tenant shall have no right thereafter to dispute or review support for such statement, any item therein, or the computation of Operating Costs. If Tenant does so notify the Landlord within the one hundred eighty (180) day period, Tenant shall have one (1) year from the date of receipt of Landlord's statement to complete their review of the supporting documentation and notify Landlord of all objections, if any, to such statement. Landlord and Tenant hereby agree that Tenant will submit in writing to Landlord on or before the end of said one (1) year period, all objections to Landlord's statement, and Tenant's only rights after said one (1) year period shall be nonreversible removals or reductions of the said objections submitted to Landlord. Landlord and Tenant hereby agree that after said one (1) year period, Tenant has no further rights to review any supporting documentation to Landlord's statement. Any notifications to Landlord will be done in accordance with Paragraph 25.14.

Coincidentally with the monthly Base Rent next due following Tenant's receipt of such statement, Tenant shall pay to Landlord (in the case of an underpayment) or Landlord shall credit

against the next Base Rent due from Tenant (in the case of an overpayment) the difference between (i) Tenant's Share of any excess of Operating Costs for the preceding calendar year over the Expense Stop (the "Prior Year's Increase"), and (ii) the Operating Cost Payments made by Tenant for such preceding calendar year. In addition, Tenant shall pay to Landlord coincidentally with such next due Base Rent an amount equal to (A) one-twelfth (1/12) of the Prior Year's Increase, if any, multiplied by (B) the number of months or partial months (including the then current month) then elapsed in the current calendar year, less (C) the aggregate of any Operating Cost Payments made by Tenant for such current calendar year. Monthly thereafter until adjustment is made the following year pursuant to this paragraph, Tenant shall pay together with the monthly Base Rent one-twelfth (1/12) of any such Prior Year's Increase. In no event will Tenant be entitled to receive the benefit of a reduction in Operating Costs below the Expense Stop.

For any partial calendar year at the termination of this Lease, Tenant's Share of any increases in Operating Costs for such year over the Expense Stop shall be prorated on the basis of a 365-day year by computing Tenant's Share of the increases in Operating Costs for the entire year and then prorating such amount for the number of days this Lease was in effect during such year. Notwithstanding the termination of this Lease, and within ten (10) days after Tenant's receipt of Landlord's statement regarding the determination of increases in Operating Costs for the calendar year in which this Lease terminates, Tenant shall pay to Landlord or Landlord shall pay to Tenant, as the case may be, an amount equal to the difference between Tenant's Share of the increases in Operating Costs for such year (as prorated) and the amount previously paid by Tenant toward such increases.

5.4 TENANT'S RIGHT TO AUDIT. In the event of any dispute or uncertainty as to the amount of Operating Costs and Tenant's Share thereof, Tenant may require clarification as to any disputed amount, including without limitation, receiving and reviewing legible copies of all of Landlord's invoices and paid receipts, with respect to the disputed items, and pursuing an audit as hereinafter specified, provided Tenant notifies Landlord in writing within one hundred eighty (180) days of its receipt of Landlord's statement that Tenant elects to inspect and/or audit such records pursuant to this Paragraph. Should Tenant elect to inspect and/or audit such records, Tenant's inspection and/or audit shall be conducted by Tenant's staff or by an independent certified Big Six public accounting firm and shall be completed and the results thereof submitted to Landlord no later than six (6) months after Tenant's receipt of Landlord's statement. If Landlord and Tenant are unable to agree as to any disputed item, Tenant may, at its sole cost and expense, audit on its own Landlord's records related to the disputed items, which audit shall be scheduled promptly at the reasonable convenience of both Landlord and Tenant with such audit to take place in Landlord's offices. If the results of such audit by an independent Big 6 public accounting firm approved by Landlord, whose approval shall not be unreasonably withheld, and Tenant indicate that the aggregate cost of the disputed items is incorrect by more than 5%, then the Landlord shall refund the discrepancy. If the amount of the discrepancy is more than five percent (5%) of the Total Operating Costs, then Landlord shall pay for the reasonable cost of the Big 6 public accounting firm audit, (not to exceed $2,500.00).

5.5 ADDITIONAL TAXES. Tenant shall reimburse to Landlord, within thirty (30) days after receipt of a demand therefor, Tenant's Share of any and all taxes payable by Landlord (other than net income taxes or any taxes included within Operating Costs), whether or not now customary or within the contemplation of the parties hereto (i) upon, allocable to or measured by the area of the Building, (ii) upon all or any portion of the Rent payable hereunder and under other leases of space in the Building, including any gross receipts tax or excise tax levied with respect to the receipt of such Rent, or (iii) upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy of the Building or any portion thereof. Tenant shall not be required to reimburse Landlord for taxes under this Paragraph 5.4 to the extent Tenant has paid Tenant's Share of such taxes through Operating Cost Payments under Paragraph 5.2.

5.6 TENANT'S TAXES. Tenant shall pay before delinquency (whether levied on Landlord or Tenant), any and all taxes assessed upon or measured by
(i) Tenant's equipment, furniture, fixtures and other personal property located in the Premises, (ii) any improvements or alterations made to the Premises prior to or during the term of this Lease paid for by Tenant ("Above-Standard Improvements"), or (iii) this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises. For the purpose of determining said amounts, figures supplied by the County Assessor as to the amount so assessed shall be conclusive. Tenant shall comply with the provisions of any law, ordinance or rule of the taxing authorities which require Tenant to file a report of Tenant's property located in the Premises.

6. USE

6.1 USE. The Premises shall be used and occupied by Tenant for general offices and administrative purposes and with Landlord's written consent, research and development which may include the installation of a laboratory. In the event Tenant receives Landlord's written consent to utilize a portion of its Premises for research and development and laboratory use, said use shall adhere to and conform with stipulations as set forth in Section 24 of this Lease. It is further agreed and understood that in the event Tenant installs a laboratory in a portion of its Premises, Tenant shall at all times follow all National Institute of Health (NIH) and Center for Disease Control (CDC) guidelines (the "Guidelines") in their present form and as they may be amended for handling etiologic or infections agents. Further, Tenant agrees that it shall not bring, or allow to be brought, into the Building any etiologic or infectious agents for which the NIH or CDC recommend a Biosafety Level (BL) in excess of two (2) (BL2). Tenant shall design, construct and maintain all of its laboratory facilities and support areas in the Building to conform with and satisfy the Guidelines for BLl and BL2 laboratory facilities, as the case may be, depending on the kinds of agents which will be brought into the respective laboratories. If the Guidelines are amended, Tenant shall modify its facilities accordingly. In addition, Tenant shall adopt and follow all procedures, practices and techniques prescribed in the Guidelines for the BLl and BL2 work as the case may be.

6.2 SUITABILITY. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the Premises or the Building or with respect to the suitability of either for the conduct of Tenant's business, nor has Landlord agreed to undertake any modification, alteration or improvement to the Premises except as provided in the

Work Letter. The taking of possession of the Premises by Tenant shall conclusively establish that the Premises and the Building were at such time in satisfactory condition except for any latent defects, unless within ten
(10) days after such date Tenant shall give Landlord written notice specifying in reasonable detail the respects in which the Premises or the Building were not in satisfactory condition.

6.3 USES PROHIBITED.

(a) Tenant shall not do nor permit anything to be done in or about the Premises nor bring or keep anything therein which will in any way increase the existing rate (unless Tenant agrees to pay for such increase) or affect any fire or other insurance upon the Building or any of its contents, or cause a cancellation of any insurance policy covering said Building or any part thereof or any of its contents, nor shall Tenant sell or permit to be kept, used or sold in or about said Premises any articles which may be prohibited by a standard form policy of fire insurance.

(b) Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of other tenants or occupants of the Building, or injure or annoy them, or use or allow the Premises to be used for any unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in or about the Premises. Tenant shall not commit or suffer to be committed any waste in or upon the Premises. Tenant shall not bring onto the Premises any apparatus, equipment or supplies that may overload the Premises or the Building or any utility or elevator systems or jeopardize the structural integrity of the Building or any part thereof.

(c) Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way conflict with, and at its sole cost and expense shall promptly comply with, any Legal Requirement now in force or which may hereafter be enacted or promulgated relating to the condition, use or occupancy of the Premises, excluding structural changes not relating to or affecting the condition, use or occupancy of the Premises or Tenant's improvements or acts. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any Legal Requirement, shall be conclusive of the fact as between Landlord and Tenant.

7. SERVICE AND UTILITIES

7.1 LANDLORD'S OBLIGATIONS. Provided Tenant is not in default hereunder, Landlord shall furnish to the Premises during reasonable hours of generally recognized business days, to be determined by Landlord, and subject to the rules and regulations of the Building, water, gas and electricity ("Utilities") suitable for the intended use of the Premises, heat and air conditioning required in Landlord's reasonable judgment for the comfortable use and occupancy of the Premises, scavenger, janitorial services as described in Exhibit E attached hereto, window washing service and elevator service customary in similar buildings in the competing geographical areas. Landlord shall also maintain and keep lighted the common lobbies, hallways, stairs and toilet rooms in the Building. Landlord's current hours of operation in Bishop Ranch II (hereinafter "Hours of Operation") are 7 a.m. to 7 p.m., Monday through Friday, excepting New Year's Day, President's Day, Memorial Day,

July 4th, Labor Day, Thanksgiving, and Christmas Day. The building and its Utilities are available to Tenant 24 hours a day, seven (7) days a week, 365 days a year.

7.2 TENANT'S OBLIGATION. Tenant shall pay for, prior to delinquency, all telephone and all other materials and services, not expressly required to be paid by Landlord, which may be furnished to or used in, on or about the Premises during the term of this Lease.

7.3 TENANT'S ADDITIONAL REQUIREMENTS.

(a) Tenant shall pay for heat and air conditioning furnished at Tenant's request during non-business hours and/or on non-business days on an hourly basis at a reasonable rate established by Landlord not to exceed Landlord's actual, cost and a reasonable fee for wear and tear and supervision thereof. Tenant shall not use in excess of Building Standard amounts (as reasonably determined by Landlord) of electricity, water or any other utility without Landlord's prior written consent, which consent Landlord may not unreasonably refuse. Landlord may cause a water meter or electric current meter to be installed in the Premises so as to measure the amount of water and electric current consumed in excess of Building Standard amounts for any such excess use. The cost of such meters and of installation, maintenance and repair thereof shall be paid by Tenant and Tenant agrees to pay Landlord promptly upon demand by Landlord for all such water and electric current consumed as shown by said meters, at the rates charged for such services by the city in which the Building is located or by the local public utility furnishing the same, plus any additional expense incurred in keeping account of the water and electric current so consumed. If a separate meter is not installed to measure any such excess use, Landlord shall have the right to estimate the amount of such use through qualified personnel. In addition, Landlord may impose a reasonable charge for the use of any additional or unusual janitorial services required by Tenant because of any Suite Improvements different from or above Building Standard, carelessness of Tenant or the nature of Tenant's business (including hours of operation). Notwithstanding the foregoing, Landlord agrees that at the time Tenant provides Landlord with its approved construction drawings pursuant to Section 1.2 of Exhibit B attached hereto, Landlord shall notify Tenant in writing if Tenant's initial Suite Improvements shall cause Tenant to use in excess of building standard amounts of electricity, water, or any other utility. If Landlord determines that Tenant's initial installation shall be in excess of building standard amounts, Landlord and Tenant shall agree to submeter Tenant's Premises.

(b) If any lights other than Building Standard or equipment are used in the Premises which affect the temperature otherwise maintained by the air conditioning system, Landlord may install supplementary air conditioning units in the Premises and the reasonable cost thereof, including the cost of installation, operation and maintenance thereof, shall be paid by Tenant to Landlord upon demand by Landlord.

(c) In no event shall Tenant (i) connect any apparatus, machine or device through electrical outlets except in the manner for which such outlets are designed and without the use of any device intended to increase the plug capacity of any electrical outlet or (ii) maintain at any

time an electrical demand load in excess of four (4) watts per square foot of usable area of the Premises.

7.4 AFTERHOURS CHARGES FOR AIR CONDITIONING. The hourly rate for afterhours air conditioning service (as defined in Section 7.1) is $25.00 per hour per floor. This rate shall be subject to adjustment based upon the increase or decrease in utilities costs as charged by PG&E.

7.5 NONLIABILITY. Landlord shall not be liable for, and Tenant shall not be entitled to any abatement or reduction of Rent, by reason of Landlord's failure to furnish any of the foregoing when due to "Force Majeure Events" (as defined in Paragraph 25.9). If failure to furnish the foregoing is within Landlord's reasonable control and Tenant is unable to occupy the Premises due to such failure, Tenant shall be entitled to an abatement of Base Rent commencing with the seventh (7TH) consecutive day of such failure unless prior thereto Landlord commences to cure such failure and thereafter diligently proceeds with such cure. Any failure to furnish any of the foregoing shall not constitute an eviction of Tenant, constructive or otherwise and, notwithstanding any law to the contrary that may now or hereafter exist, Tenant shall not be entitled to terminate this Lease on account of such failure. Landlord shall not be liable under any circumstances for loss of or injury to property or business or consequential damages, however occurring, through or in connection with failure to furnish any of the foregoing.

8. MAINTENANCE AND REPAIRS; ALTERATIONS AND ADDITIONS

8.1 MAINTENANCE AND REPAIRS.

(a) LANDLORD'S OBLIGATIONS. Landlord shall maintain in good order, condition and repair the structural and common areas of the Building, and the basic heating, ventilating, air conditioning, electrical, plumbing, fire protection, life safety, security and mechanical systems of the Building (the "Building Systems"), and the telephone cabling and wiring in and to the Premises, and shall cause the common areas of the Building to comply with all Legal Requirements (including, without limitation, the ADA), provided that any maintenance and repair caused by the negligent acts or omissions of Tenant or Tenant's agents, employees, invitees, visitors (collectively "Tenant's Representatives") shall be paid for by Tenant. Notwithstanding any law to the contrary that may now or hereafter exist, Tenant shall not have the right to make repairs at Landlord's expense or to terminate this Lease because of Landlord's failure to keep the foregoing in good order, condition and repair, nor shall Landlord be liable under any circumstances for any consequential damages or loss of business, however occurring, through or in connection with any such failure. Notwithstanding the provisions of this Section, in the event Landlord fails or neglects to commence the repairs to the Building or the Premises which Landlord is required to make in accordance with the terms of this Lease within thirty (30) days after receipt of written notice from Tenant of the necessity therefore, and appropriate notice from Tenant, then Tenant may, but shall not be obligated to, make such repairs using union subcontractors approved by Landlord and providing Landlord with the cost estimate to complete said repair, then Landlord shall reimburse Tenant for the reasonable cost thereof within thirty (30) days after receipt of a bill therefor and copies of applicable invoices with interest at the Default Rate.

(b) TENANT'S OBLIGATIONS

(1) Tenant, at Tenant's sole cost and expense, except for services furnished by Landlord pursuant to Paragraph 7 and 8.1(a) hereof, shall maintain the Premises in good order, condition and repair including the interior surfaces of the ceilings, walls and floors, all doors, interior windows, and all plumbing pipes, electrical wiring, switches, fixtures, nonbuilding standard lights, and equipment installed for the use of the Premises, and shall cause the Premises to comply with all Legal Requirements enacted after the Commencement Date (including, without limitation, the ADA). Notwithstanding any law to the contrary that may now or hereafter exist, Tenant shall not have the right to make repairs at Landlord's expense or to terminate this Lease because of Landlord's failure to keep the Premises in good order, condition and repair.

(2) In the event Tenant fails to maintain the Premises in good order, condition and repair, Landlord shall give Tenant notice to do such acts as are reasonably required to so maintain the Premises. In the event Tenant fails to promptly commence such work and diligently prosecute it to completion, Landlord shall have the right to do such acts and expend such funds at the expense of Tenant as are reasonably required to perform such work. Any amount so expended by Landlord shall be paid by Tenant promptly after demand with interest from the date expended by Landlord until paid by Tenant at the "Default Rate," as defined below. Landlord shall have no liability to Tenant for any damage, inconvenience or interference with the use of the Premises by Tenant as a result of performing any such work. As used in this Lease, "Default Rate" shall mean the lesser of twelve percent per annum(12%) or the maximum rate permitted by law.

(c) COMPLIANCE WITH LAW. Landlord and Tenant shall each do all acts required to comply with all applicable Legal Requirements relating to their respective maintenance and repair obligations as set forth herein.

8.2 ALTERATIONS AND ADDITIONS.

(a) Tenant shall make no alterations, additions or improvements to the Premises or any part thereof without obtaining the prior written consent of Landlord.

(b) Landlord may impose as a condition to the aforesaid consent such requirements as Landlord may deem necessary in its reasonable discretion, including without limitation thereto, performing the work itself, specifying the manner in which the work is done, and selecting the contractor by whom the work is to be performed and the times during which it is to be accomplished. Tenant shall pay to Landlord upon demand an amount equal to the reasonable costs and expenses for time spent by Landlord's employees or contractors in supervising, approving and administering such alterations.

(c) All such alterations, additions or improvements, all other Above-Standard Improvements, and all work performed under the Work Letter shall be the property of Landlord and shall remain upon and be surrendered with the Premises or shall be removed by Tenant at the expiration or termination of this Lease. At the time Landlord consents to any alteration or addition subsequent to the Commencement Date, Landlord shall specify in writing to Tenant whether the same shall be surrendered with the Premises, or whether at Landlord's request shall be removed by Tenant.

(d) All articles of personal property and all business and trade fixtures, machinery and equipment, cabinetwork, furniture and movable partitions owned by Tenant or installed by Tenant at its expense in the Premises shall be and remain the property of Tenant and may be removed by Tenant at any time during the Lease term when Tenant is not in default hereunder.

9. ENTRY BY LANDLORD

Landlord and Landlord's agents shall upon reasonable notice and consistent with Tenant's security requirements (except in the case of an emergency) have the right to enter the Premises to inspect the same, to supply janitorial service and any other service to be provided by Landlord to Tenant hereunder, to show the Premises to prospective purchasers or during the last one hundred eighty (180) days of the Lease Term or extended Term to prospective tenants, to post notices of non-responsibility and "for lease" signs, and to alter, improve or repair the Premises and any portion of the Building, and may for that purpose erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, always providing the entrance to the Premises shall not be blocked thereby. Landlord shall use commercially reasonable efforts to conduct its activities under this Paragraph 9 in a manner that will minimize inconvenience to Tenant without incurring additional expense to Landlord. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Tenant's vaults and safes, and Landlord and Landlord's agents shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency, in order to obtain entry to the Premises, and any entry to the Premises obtained by Landlord or Landlord's agents by a said means, or otherwise, shall not under any circumstance be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction of Tenant from the Premises or any portion thereof. Tenant shall not be released from its obligations under this Lease nor be entitled to any abatement of Rent on account of Landlord's entry under this Paragraph, and Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby.

10. LIENS

Tenant shall keep the Premises and the Building free from any liens arising out of work performed, materials furnished, or obligations incurred by Tenant and shall indemnify, hold harmless and defend Landlord from any liens and encumbrances arising out of any work performed, materials furnished or obligations incurred by or at the direction of Tenant, excepting the initial Tenant

improvement work as shown on the attached Exhibit C performed by Landlord's contractor or subcontractors. In the event that Tenant shall not, within twenty (20) days following the imposition of any such lien, cause such lien to be released of record by payment or posting of a proper bond, Landlord shall have, in addition to all other remedies provided herein and by law, the right, but no obligation, to cause the same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All such sums paid by Landlord and all expenses incurred by it in connection therewith, including attorneys' fees and costs, shall be payable to Landlord by Tenant on demand with interest at the Default Rate until paid. Landlord shall have the right at all times to post and keep posted on the Premises any notices permitted or required by law, or which Landlord shall deem proper, for the protection of Landlord and the Premises, and any other party having an interest therein, from mechanics' and materialmen's liens, and Tenant shall give to Landlord at least three (3) business days prior written notice of the expected date of commencement of any work relating to alterations or additions to the Premises.

11. INDEMNITY

11.1 INDEMNITY. Tenant agrees to indemnify Landlord against and save Landlord harmless from any and all loss, cost, penalties, fines and reasonable attorneys' fees and disbursements arising from (i) any default or breach by Tenant in the observance or performance of any of the material terms, covenants or conditions of this Lease by Tenant or (ii) any negligence or willful misconduct of Tenant, its agents, servants, employees invitees or licensees of Tenant in, on, or about the Premises, or any part of the Complex, either during prior occupancy or during the Term of this Lease.

(b) Landlord agrees to indemnify Tenant against and save Tenant harmless from any and all loss, cost liability, damage, and expense, including without limitation penalties, fines and reasonable attorneys' fees and disbursements, incurred in connection with or arising from (i) any default or breach by Landlord in the observance of the material terms, covenants, or conditions of this Lease by the Landlord, or (ii) any negligence or willful misconduct of Landlord, or its contractors, agents, servants, employees, invitees, or licensees in, on, or about the Premises, or any part of the Complex, either during prior occupancy or during the Term of this Lease. Notwithstanding the foregoing, and in no event (except for Landlord's negligence or willful misconduct, unless expressly defined in this Lease) shall Landlord be liable for indirect or consequential damages of Tenant (including lost profits) however occurring.

11.2 EXEMPTION OF LANDLORD FROM LIABILITY. Except for Landlord's negligence or willful misconduct, Landlord shall not be liable for injury or damage which may be sustained by the person or property of Tenant, its employees, invitees or customers, or any other person in or about the Premises caused by or resulting from fire, steam, electricity, gas, water or rain, which may leak or flow from or into any part of the Premises, or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, wires, appliances, plumbing, air conditioning, telephone cabling or wiring, or lighting fixtures of the same, whether the damage or injury results from conditions arising upon the Premises or upon other portions of the Building of which the Premises are a part, or from

other sources. Landlord shall not be liable for any damages arising from any act or neglect of any other tenant of the Building.

12. INSURANCE

12.1 COVERAGE. Tenant shall, at all times during the term of this Lease, and at its own cost and expense, procure and continue in force the following insurance coverage:

(a) Commercial General Liability Insurance with a combined single limit for personal or bodily injury and property damage of not less than $2,000,000 or such other reasonable level of coverage that Landlord may require in its reasonable judgment.

(b) Fire and Extended Coverage Insurance, including vandalism and malicious mischief coverage, covering and in an amount equal to the full replacement value of all fixtures, furniture and improvements installed in the Premises by or at the expense of Tenant.

12.2 INSURANCE POLICIES. The aforementioned minimum limits of policies shall in no event limit the liability of Tenant hereunder. The aforesaid insurance shall name Landlord and its partners, property manager, and mortgagees as an additional insured. Said insurance shall be with a responsible insurer, preapproved by Landlord and Landlord's insurer, which approval shall not be unreasonably withheld, licensed to do business in California. Tenant shall furnish from the insurance companies or cause the insurance companies to furnish certificates of coverage. No such policy shall be cancelable or subject to reduction of coverage or other modification or cancellation except after thirty (30) days prior written notice to Landlord by the insurer. All such policies shall be written as primary policies, not contributing with and not in excess of the coverage which Landlord may carry. Tenant shall, at least twenty
(20) days prior to the expiration of such policies, furnish Landlord with evidence of renewals or binders. Tenant agrees that if Tenant does not take out and maintain such insurance, Landlord may (but shall not be required to) procure said insurance on Tenant's behalf and charge Tenant the premiums together with a reasonable handling charge and Default Interest from the date paid by Landlord, payable upon demand. Tenant shall have the right to provide such insurance coverage pursuant to blanket policies obtained by Tenant, provided such blanket policies expressly afford coverage to the Premises and to Tenant as required by this Lease.

12.3 LANDLORD'S INSURANCE. During the term of this Lease Landlord shall maintain in effect insurance on the Building against fire, extended coverage perils and vandalism and malicious mischief (to the extent such coverages are available), with responsible insurers licensed to do business in California, insuring the Building in an amount equal to at least ninety-five percent (95%) of the replacement cost thereof, excluding foundations, footings and underground installations. Landlord may, but shall not be obligated to, carry insurance against additional perils and/or in greater amounts.

12.4 WAIVER OF SUBROGATION. To the extent permitted by their respective policies of insurance, Landlord and Tenant each hereby waive any right of recovery against the other and the authorized representatives of the other for any loss or damage that is covered by any policy of insurance maintained by either party with respect to the Premises or the Project or any operation

therein. If any policy of insurance relating to this Lease, the Premises or the Project does not permit the foregoing waiver or if the coverage under any such policy would be invalidated as a result of such waiver, the party maintaining such policy shall, if possible, obtain from the insurer under such policy a waiver of all right of recovery by way of subrogation against either party in right of recovery by way of subrogation against either party in connection with any claim, loss or damage covered by such policy.

13. DAMAGE OR DESTRUCTION

13.1 LANDLORD'S DUTY TO REPAIR. If all or a substantial part of the Premises are rendered untenantable or inaccessible by damage to all or any part of the Project from fire or other casualty then, unless either party elects to terminate this Lease pursuant to Paragraphs 13.2 or 13.3, Landlord shall, at its expense, use its best efforts to repair and restore the Premises and/or access thereto, as the case may be, to substantially their former condition to the extent permitted by the then applicable codes, laws and regulations; provided, however, that Tenant rather than Landlord shall be obligated at Tenant's expense to repair or replace Tenant's personal property, trade fixtures and any items or improvements that are required to be covered by Tenant's insurance under Paragraph 12.1(b).

If Landlord is required or elects to repair damage to the Premises and/or access thereto, this Lease shall continue in effect but Tenant's Base Rent and Operating Cost Payments from the date of the casualty through the date of substantial completion of the repair shall be abated by a proportionate amount based on the portion of the Premises that Tenant is prevented from using by reason of such damage or its repair; provided, however, that if the casualty is the result of the willful misconduct or negligence of Tenant or Tenant's Representatives, there will be no such rental abatement. In no event shall Landlord be liable to Tenant by reason of any injury to or interference with Tenant's business or property arising from fire or other casualty or by reason of any repairs to any part of the Project made necessary by such casualty.

13.2 LANDLORD'S RIGHT TO TERMINATE. Landlord may elect to terminate this Lease, effective as of the last day of the calendar month in which such election is made, under the following circumstances:

(a) Where, in the reasonable judgment of Landlord, the damage cannot be substantially repaired and restored under applicable laws and governmental regulations within one hundred eighty (180) days after the date of the casualty;

(b) Where, in the reasonable judgment of Landlord, adequate proceeds are not, for any reason, made available to Landlord from Landlord's insurance policies to make the required repairs;

(c) Where the Project is damaged or destroyed to the extent that the cost to repair and restore the Project exceeds twenty-five percent (25%) of the full replacement cost of the Project, whether or not the Premises are damaged or destroyed; or

(d) Where the damage occurs within the last twelve (12) months of the term of the Lease.

If any of the circumstances described in this Paragraph 13.2 arise, Landlord must notify Tenant in writing of that fact within sixty (60) days after such circumstances arise and in such notice Landlord must also advise Tenant whether Landlord has elected to terminate the Lease.

13.3 TENANT'S RIGHT TO TERMINATE. Tenant shall have the right to terminate this Lease if all or a substantial part (greater than 50% of the Premises) of the Premises are rendered untenantable or inaccessible by damage to all or any part of the Project from fire or other casualty, provided that such casualty is not the result of the willful misconduct or negligence of Tenant or Tenant's Representatives, but only under the following circumstances:

(a) Tenant may elect to terminate this Lease if Landlord had the right under Paragraph 13.2 to terminate this Lease but did not elect to so terminate and Landlord failed to commence the required repair within ninety (90) days after the date it received proceeds to commence such repair. In such event, Tenant may terminate this Lease as of the date of the casualty by notice to Landlord given before the earlier of the date on which Landlord commences such repair or ten (10) days after the expiration of such ninety (90)-day period; or

(b) Tenant may elect to terminate this Lease in the circumstance described in Subparagraph 13.2 (a). In such event, Tenant may terminate this Lease as of the date of the casualty by notice to Landlord given within thirty
(30) days after Landlord's notice to Tenant pursuant to Paragraph 13.2.

13.4 EXCLUSIVE RIGHTS. Landlord and Tenant each hereby agree that, notwithstanding any law to the contrary that may now or hereafter exist, neither party shall have any right to terminate this Lease in the event of any damage or destruction under any circumstances other than as provided in Paragraphs 13.2 and 13.3.

14. CONDEMNATION

If all or a material portion of the Premises shall be taken or appropriated for public or quasi-public use by right of eminent domain with or without litigation or transferred by agreement in connection with such public or quasi-public use, either party hereto shall have the right at its option, exercisable within thirty (30) days of receipt of notice of such taking, to terminate this Lease as of the date possession is taken by the condemning authority, provided, however, that before Tenant may terminate this Lease by reason of taking or appropriation as provided hereinabove, such taking or appropriation shall be of such an extent and nature as to substantially handicap, impede or impair Tenant's use of the Premises. If any part of the Building other than the Premises shall be so taken or appropriated, Landlord shall have the right at its option to terminate this Lease. No award for any partial or entire taking shall be apportioned, and Tenant hereby assigns to Landlord any award which may be made in such taking or condemnation, together with any and all rights of Tenant now or hereafter arising in or to the same or any part thereof; provided, however, that nothing contained herein shall be deemed to give Landlord any interest in or to require Tenant to assign to Landlord any award made to Tenant for the taking of personal property and fixtures belonging to Tenant and/or for Tenant's unamortized cost of leasehold improvements, reasonable moving or relocation expenses, so long as such award to Tenant does not decrease the value of the award that would otherwise be made to Landlord in such taking or condemnation. In the event of a partial taking which does not result in a termination of this Lease, rent shall be abated in the proportion which the part of Premises so made unusable bears to the rented area of the Premises immediately prior to the taking, and Landlord, at

Landlord's cost, shall restore the Premises remaining to an architectural whole with the Base Rent reduced in proportion to what the area taken bears to the Premises prior to the taking. No temporary taking of the Premises and/or of Tenant's rights therein or under this Lease shall give Tenant the right to terminate this Lease or to any abatement of Rent thereunder. Any award made to Tenant by reason of any such temporary taking where Landlord does not terminate this Lease shall belong entirely to Tenant so long as said award does not diminish Landlord's award.

15. ASSIGNMENT AND SUBLETTING

15.1 LANDLORD'S CONSENT REQUIRED. Tenant shall not assign, transfer, mortgage, pledge, hypothecate or encumber this Lease or any interest therein (each a "Transfer"), and shall not sublet the Premises or any part thereof, without the prior written consent of Landlord and any attempt to do so without such consent being first had and obtained shall be wholly void and shall constitute a breach of this Lease.

15.2 REASONABLE CONSENT.

(a) If Tenant complies with the following conditions, Landlord shall not unreasonably withhold its consent to the subletting of the Premises or any portion thereof or the assignment of this Lease. Tenant shall submit in writing to Landlord (i) the name and legal composition of the proposed subtenant or assignee; (ii) the nature of the business proposed to be carried on in the Premises; (iii) the terms and provisions of the proposed sublease; (iv) such reasonable financial information as Landlord may request concerning the proposed subtenant or assignee; and (v) the form of the proposed sublease or assignment. Within ten (10) business days after Landlord receives all such information it shall notify Tenant whether it approves such assignment or subletting or if it elects to proceed under Paragraph 15.8 below.

(b) The parties hereto agree and acknowledge that, among other circumstances for which Landlord could reasonably withhold its consent to a sublease or assignment, it shall be reasonable for Landlord to withhold its consent where (i) the assignee or subtenant (a "Transferee") does not itself occupy the entire portion of the Premises assigned or sublet, (ii) Landlord reasonably disapproves of the Transferee's reputation or creditworthiness or the character of the business to be conducted by the Transferee at the Premises, (iii) the assignment or subletting would increase the burden on the Building services or the number of people occupying the Premises, or (iv) Landlord otherwise determines that the assignment or sublease would have the effect of decreasing the value of the Project or increasing the expenses associated with operating the Project. In no event may Tenant publicly advertise or offer all or any portion of the Premises for assignment or sublease at a rental less than that then sought by Landlord for comparable space in the project.

15.3 EXCESS CONSIDERATION. In the event of an assignment or sublease to an affiliate or wholly-owned subsidiary of Tenant, Tenant shall be entitled to 100% of any additional Rent or excess consideration. If Landlord consents to the assignment or sublease, Landlord shall be entitled to receive as additional Rent hereunder one-half of any consideration paid by the Transferee for the assignment or sublease and, in the case of a sublease, one-half of the excess of the rent and other

consideration payable by the subtenant over the amount of Base Rent and Operating Cost Payments payable hereunder applicable to the subleased space.

15.4 NO RELEASE OF TENANT. No consent by Landlord to any assignment or subletting by Tenant shall relieve Tenant of any obligation to be performed by Tenant under this Lease, whether occurring before or after such consent, assignment or subletting, and the Transferee shall be jointly and severally Tenant for the payment of Rent (or that portion applicable to the subleased space in the case of a sublease) and for the performance of all other terms and provisions of the Lease. The consent by Landlord to any assignment or subletting shall not relieve Tenant and any such Transferee from the obligation to obtain Landlord's express written consent to any subsequent assignment or subletting. The acceptance of rent by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any assignment, subletting or other transfer. Consent to one assignment, subletting or other transfer shall not be deemed to constitute consent to any subsequent assignment, subletting or other transfer.

15.5 ATTORNEYS' FEES. Tenant shall pay Landlord's reasonable attorneys' fees (not to exceed $500.00] incurred in connection with reviewing any proposed assignment or sublease.

15.6 TRANSFER OF OWNERSHIP INTEREST. Subject to the provisions of Paragraph 15.10, if Tenant is a business entity, any direct or indirect transfer of 50 percent or more of the ownership interest of the entity (whether all at one time or over the term of the Lease) shall be deemed a Transfer.

15.7 EFFECTIVENESS OF TRANSFER. No permitted assignment by Tenant shall be effective until Landlord has received a counterpart of the assignment and an instrument in which the assignee assumes all of Tenant's obligations under this Lease arising on or after the date of assignment. The voluntary, involuntary or other surrender of this Lease by Tenant, or a mutual cancellation by Landlord and Tenant, shall not work a merger, and any such surrender or cancellation shall, at the option of Landlord, either terminate all or any existing subleases or operate as an assignment to Landlord of any or all of such subleases.

15.8 LANDLORD'S RIGHT TO SPACE. Except for the provisions set forth in 15.6, notwithstanding any of the above provisions of this Paragraph 15 to the contrary, if Tenant notifies Landlord that it desires to assign this Lease or sublet all or any part of the Premises, Landlord, in lieu of consenting to such assignment or sublease, may elect to terminate this Lease (in the case of an assignment or a sublease of the entire Premises), or to terminate this Lease as it relates to the space proposed to be subleased by Tenant (in the case of a sublease of less than the entire Premises). In such event, this Lease (or portion thereof) will terminate on the date the assignment or sublease was to be effective, and Landlord may lease such space to any party, including the prospective Transferee identified by Tenant.

15.9 NO NET PROFITS LEASES. Anything contained in the foregoing provisions of this Paragraph 15 to the contrary notwithstanding, neither Tenant, nor any other person having an interest in the possession, use, occupancy or utilization of the Premises, shall enter into any lease, sublease,

license, concession or other agreement for the use, occupancy or utilization of space in the Premises which provides for rental or other payment for such use, occupancy or utilization based in whole or in part on the net income or profits derived by any person from the premises leased, used, occupied or utilized (other than an amount based on a fixed percentage or percentages of receipts or sales), and any such purported lease, sublease, license, concession or other agreement shall be void and ineffective as a conveyance of any right or interest in the possession, use, occupancy or utilization of any part of the Premises.

15.10 PERMITTED ASSIGNMENT OR SUBLEASE. Notwithstanding any provision to the contrary in Section 15, Tenant shall not be required to obtain Landlord's consent to an assignment or sublease of the Premises to an entity which controls, is controlled by or is under common control with Tenant or which succeeds to substantially all of Tenant's assets and business by merger, reorganization or purchase provided that such entity has a net worth equal to or greater than that of Tenant's net worth as of the Commencement Date of this Lease.

16. SUBORDINATION

16.1 SUBORDINATION. Except as provided in the next sentence, or as the Tenant and the mortgagee or trustee of any "First Mortgage" (as defined below) may otherwise agree, this Lease, at Landlord's option, shall be subject and subordinate to all ground or underlying leases which now exist or may hereafter be executed affecting all or any part of the Project, and to the lien of any first mortgages or first deeds of trust (each a "First Mortgage") in any amount or amounts whatsoever now or hereafter placed on or against the Land or Building, Landlord's interest or estate therein, or any ground or underlying lease, without the necessity of the execution and delivery of any further instruments on the part of Tenant to effectuate such subordination. If any mortgagee or trustee of a First Mortgage or ground lessor shall elect to have this Lease prior to the lien of its First Mortgage or ground lease, and shall give written notice thereof to Tenant, this Lease shall be deemed prior to such First Mortgage or ground lease, whether this Lease is dated prior to or subsequent to the date of said First Mortgage or ground lease or the date of the recording thereof.

16.2 JUNIOR LIENS. Tenant hereby agrees that this Lease shall be superior to the lien of any present or future mortgages or deeds of trust that are junior to any First Mortgage.

16.3 SUBORDINATION AGREEMENTS. Tenant will execute and deliver upon demand without charge therefor, except for Tenant's reasonable attorneys' fees (not to exceed $500.00) such further instruments evidencing the subordination of this Lease to any First Mortgage or ground lease, or the subordination of any First Mortgage or ground lease to such Lease, pursuant to Section 16.1, as the case may be, as may be required by Landlord. Tenant's failure to comply with its obligations under this Paragraph 16.3 within thirty (30) days of demand shall constitute an Event of Default and Landlord shall have the right, in such event, to impose upon Tenant a monetary penalty of $1,000.00 for such noncompliance, in addition to all other remedies available to Landlord under this Lease and by law.

16.4 ATTORNMENT. If this Project is transferred to any purchaser pursuant to or in lieu of proceedings to enforce any mortgage, deed of trust or ground lease (collectively, "Encumbrance"), and this Lease will not be barred, terminated, cut off or foreclosed nor will the rights and possession of Tenant thereunder be disturbed if Tenant is not in default under the terms of the Lease. Tenant shall attorn to such purchaser as the Landlord under the Lease so long as the rights of Tenant hereunder shall not be disturbed, diminished, or interfered with, but shall continue in full force and effect so long as Tenant shall not be in default hereunder, is either prior to such Encumbrance or the mortgagee or trustee of a First Mortgage or ground lessor of the Project elects to have this Lease survive such transfer, Tenant shall attorn to such purchaser and recognize such purchaser as the landlord under this Lease, and this Lease shall continue as a direct lease between such purchaser and Tenant.

17. OUIET ENJOYMENT

Landlord covenants and agrees with Tenant that upon Tenant paying the Rent and performing its other covenants and conditions under this Lease, Tenant shall have the quiet possession of the Premises for the term of this Lease as against any persons or entities lawfully claiming by, through or under Landlord, subject, however, to the terms of this Lease and of any Encumbrance.

18. DEFAULT; REMEDIES

18.1 DEFAULT. The occurrence of any of the following shall constitute an "Event of Default" by Tenant:

(a) Tenant fails to pay Rent when due and such failure continues for five (5) days after written notice thereof to Tenant;

(b) Tenant fails to deliver any subordination agreement requested by Landlord within the period described in Paragraph 16;

(c) Tenant fails to deliver any estoppel certificate requested by Landlord within the period described in Paragraph 22;

(d) Tenant Transfers or attempts to Transfer this Lease without complying with the provisions of Paragraph 15;

(e) Tenant fails to observe and perform any other provision of this Lease to be observed or performed by Tenant, where such failure continues for twenty (20) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of the default is such that the same cannot reasonably be cured within said twenty (20) day period, Tenant shall not be deemed to be in default if Tenant shall within such period commence such cure and thereafter diligently prosecute the same to completion;

(f) Tenant abandons the Premises; or

(g) The making by Tenant of any general assignment or general arrangement for the benefit of creditors; the filing by or against Tenant of a petition seeking relief under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days.

18.2 REMEDIES. Upon the occurrence of an Event of Default, Landlord may, at any time thereafter exercise the following remedies, which shall be in addition to any other rights or remedies now or hereafter available to Landlord at law or in equity:

(a) Maintain this Lease in full force and effect and recover Rent as it becomes due, without terminating Tenant's right to possession irrespective of whether Tenant shall have abandoned the Premises. In the event Landlord elects not to terminate the Lease, Landlord shall have the right to attempt to relet the Premises at such rent and upon such conditions and for such a term, and to do all acts necessary to maintain or preserve the Premises as Landlord deems reasonable and necessary without being deemed to have elected to terminate the Lease, including removal of all persons and property from the Premises; such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant. In the event any such reletting occurs, rents received by Landlord from such subletting shall be applied (i) first, to the payment of the costs of maintaining, preserving, altering and preparing the Premises for subletting and other costs of subletting, including but not limited to brokers' commissions, attorneys' fees and expenses of removal of Tenant's personal property, trade fixtures, alterations and leasehold improvements; (ii) second, to the payment of Rent then due and payable; (iii) third, to the payment of future Rent as the same may become due and payable hereunder; and (iv) fourth, the balance, if any, shall be paid to Tenant upon (but not before) expiration of the term of this Lease. If the rents received by Landlord from such subletting, after application as provided above, are insufficient in any month to pay the Rent due and payable hereunder for such month, Tenant shall pay such deficiency to Landlord monthly upon demand. Notwithstanding any such subletting for Tenant's account without termination, Landlord may at any time thereafter, by written notice to Tenant, elect to terminate this Lease by virtue of a previous Event of Default. During the continuance of an Event of Default, for so long as Landlord does not terminate Tenant's right to possession of the Premises, Landlord shall not unreasonably withhold its consent to an assignment of this Lease or a sublease of the Premises as set forth in Paragraph 15.2 - "Reasonable Consent".

(b) Terminate Tenant's right to possession of the Premises at any time by written notice to Tenant, in which case Tenant shall immediately surrender possession of the Premises to Landlord. Tenant expressly acknowledges that in the absence of such written notice from Landlord, no other act of Landlord, including, but not limited to, its re-entry into the Premises, its efforts to relet the Premises, its reletting of the Premises for Tenant's account, its storage of Tenant's

personal property and trade fixtures, its acceptance of keys to the Premises from Tenant or its exercise of any other rights and remedies under this Paragraph 18.2, shall constitute an acceptance of Tenant's surrender of the Premises or constitute a termination of this Lease or of Tenant's right to possession of the Premises. If Landlord terminates Tenant's right to possession in writing, Landlord shall be entitled to recover from Tenant all damages as provided in California Civil Code Section 1951.2 or any other applicable existing or future law, ordinance or regulation providing for recovery of damages for such breach, including but not limited to the following:

(1) The reasonable cost of recovering the Premises; plus

(2) The reasonable cost of removing Tenant's alterations, trade fixtures and Above-Standard Improvements; plus

(3) All unpaid Rent due or earned hereunder prior to the date of termination, less the proceeds of any reletting or any rental received from subtenants prior to the date of termination applied as provided in subsection (a) above, together with interest at the Default Rate, on such sums from the date such Rent is due and payable until the date of the award of damages; plus

(4) The amount by which the Rent which would be payable by Tenant hereunder, including Operating Cost Payments as reasonably estimated by Landlord, from the date of termination until the date of the award of damages exceeds the amount of such rental loss Tenant proves could have been reasonably avoided, together with interest at the Default Rate on such sums from the date such Rent is due and payable until the date of the award of damages; plus

(5) The amount by which the Rent which would be payable by Tenant hereunder, including Operating Cost Payments, as reasonably estimated by Landlord, for the remainder of the then term, after the date of the award of damages exceeds the amount of such rental loss as Tenant proves could have been reasonably avoided, discounted at the discount rate published by the Federal Reserve Bank of San Francisco for member banks at the time of the award plus one percent (l%); plus

(6) Such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

(c) During the continuance of an Event of Default, Landlord may enter the Premises without terminating this Lease and remove all Tenant's personal property, and trade fixtures from the Premises. If Landlord removes such property from the Premises and stores it at Tenant's risk and expense, and if Tenant fails to pay the cost of such removal and storage after written demand therefor and/or to pay any Rent then due, after the property has been stored for a period of thirty (30) days or more Landlord may sell such property at public or private sale, in the manner and at such times and places as Landlord in its sole discretion deems commercially reasonable following reasonable notice to Tenant of the time and place of such sale. The proceeds of any such sale shall be applied first to the payment of the expenses for removal and storage of the property, preparation for

and conducting such sale, and attorneys' fees and other legal expenses incurred by Landlord in connection therewith, and the balance shall be applied as provided in subsection (a) above.

Tenant hereby waives all claims for damages that may be caused by Landlord's reentering and taking possession of the Premises or removing and storing Tenant's personal property pursuant to this Paragraph, and Tenant shall hold Landlord harmless from and against any loss, cost or damage resulting from any such act. No reentry by Landlord shall constitute or be construed as a forcible entry by Landlord.

(d) Landlord may cure the Event of Default at Tenant's expense. If Landlord pays any sum or incurs any expense in curing the Event of Default, Tenant shall reimburse Landlord upon demand for the amount of such payment or expense with interest at the Default Rate from the date the sum is paid or the expense is incurred until Landlord is reimbursed by Tenant.

18.3 LATE CHARGES. Tenant hereby acknowledges that late payment by Tenant to Landlord of Rent will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges. Accordingly, if any installment of Base Rent, Rent, or Operating Costs Payments is not received by Landlord or Landlord's designee within seven (7) days of the date such amount shall be due, or if any installment of other Rent is not received by Landlord or Landlord's designee on or before the date such amount shall be due, Tenant shall pay to Landlord a late charge equal to five percent (5%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. Notwithstanding the foregoing, Tenant is hereby granted one (1) grace period which shall not exceed fifteen (15) days during each calendar year of this Lease.

18.4 INTEREST. In addition to the late charges referred to above which are intended to defray Landlord's costs resulting from late payments, any late payment of Rent shall, at Landlord's option, bear interest from the due date of any such payment to the date the same is paid at the Default Rate, provided, however, that if Landlord imposes a late charge on any overdue payment, such overdue payment shall not begin to bear interest under this Paragraph 18.4 until thirty (30) days after the due date thereof.

18.5 DEFAULT BY LANDLORD. Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within a reasonable time, but in no event later than thirty (30) days after written notice by Tenant to Landlord and to any mortgagee, trustee or ground lessor of the Project (each a "Holder") whose name and address shall have theretofore been furnished to Tenant in writing, specifying that Landlord has failed to perform such obligations; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance, then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion.

19. PARKING

At no additional charge during the initial Lease Term, Tenant and Tenant's employees, invitees and customers shall have the right to use the parking areas of the Building subject to such regulations as Landlord shall adopt from time to time, and subject to the right of Landlord to restrict the use by Tenant and Tenant's Representatives when in the sole judgment of Landlord such use is excessive for the parking area in relationship to the reasonable use required by other Tenants. If Landlord becomes obligated under applicable laws or regulations or any other directive of any governmental or quasi-governmental authority to pay or assess fees or charges for parking in the Building's parking area, Tenant shall pay such amounts to Landlord as additional Rent.

20. RELOCATION OF PREMISES

20.1 CONDITIONS. For the purpose of maintaining an economical and proper distribution of Tenants throughout Bishop Ranch acceptable to Landlord, Landlord shall have the right from time to time during the term of this Lease to relocate the Premises within Bishop Ranch, subject to the following terms and conditions:

(a) The rented and usable areas of the new Premises must be of equal size to the existing Premises (subject to a variation of up to ten percent (10%) provided the amount of Base Rent payable under this Lease is not increased);

(b) Landlord shall pay the cost of providing tenant improvements in the new Premises comparable to the tenant improvements in the existing Premises;

(c) Landlord shall pay the expenses reasonably incurred by Tenant in connection with such substitution of Premises, including but not limited to costs of moving, door lettering, telephone relocation and reasonable quantities of new stationery and Tenant literature;

20.2 NOTICE. Landlord shall deliver to Tenant written notice of Landlord's election to relocate the Premises, specifying the new location and the amount of rent payable therefore at least one hundred twenty (120) days prior to the date the relocation is to be effective. If the relocation of the Premises is not acceptable to Tenant, Tenant for a period of ten (10) days after receipt of Landlord's notice to relocate shall have the right (by delivering written notice to Landlord) to terminate this Lease. If Tenant so notifies Landlord, Landlord at its option may withdraw its relocation notice, in which event this Lease shall continue and Tenant shall not be relocated, or accept Tenant's termination notice, in which event this Lease shall terminate effective as of the date the relocation was to be effective.

21. MORTGAGEE PROTECTION

Tenant agrees to give any Holder, by registered mail, a copy of any notice of default served upon the Landlord, provided that prior to such notice Tenant has been notified in writing (by way of notice of assignment of rents and leases, or otherwise) of the address of such Holder. If

Landlord shall have failed to cure such default within the time period set forth in Paragraph 18.5 the Holder shall have an additional thirty (30) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary to cure such default (including the time necessary to foreclose or otherwise terminate its Encumbrance, if necessary to effect such cure), and this Lease shall not be terminated so long as such remedies are being diligently pursued.

22. ESTOPPEL CERTIFICATES

(a) Upon ten (10) days' notice from Landlord, Tenant shall execute and deliver to Landlord, in form reasonably provided by or satisfactory to Landlord, a certificate stating that this Lease is in full force and effect, describing any amendments or modifications hereto, acknowledging that this Lease is subordinate or prior, as the case may be, to any Encumbrance and stating any other information Landlord may reasonably request, including the term of this Lease, the monthly Base Rent, the estimated Operating Cost Payments, the date to which Rent has been paid, the amount of any security deposit or prepaid Rent, whether either party hereto is in default under the terms of the Lease, whether Landlord has completed its construction obligations hereunder and any other information reasonably requested by Landlord. Any person or entity purchasing, acquiring an interest in or extending financing with respect to the Project shall be entitled to rely upon any such certificate.

(b) Tenant's failure to deliver such statement within such time shall be conclusive upon Tenant:

(1) That this Lease is in full force and effect, without modification except as may be represented by Landlord;

(2) That there are no uncured defaults in Landlord's performance; and

(3) That not more than one month's Rent has been paid in advance; and

(4) That Landlord has completed its construction obligations.

(c) If Landlord desires to finance or refinance the Building, or any part thereof, Tenant hereby agrees to deliver to any lender designated by Landlord such financial statements of Tenant as may be reasonably required by such lender which are then in the possession of Tenant provided such financial statements shall be held in the strictest confidence. All such financial statements shall be received by Landlord in confidence and shall be used only for the purposes herein set forth.

23. SURRENDER. HOLDING OVER

23.1 SURRENDER. Upon the expiration or termination of this Lease, Tenant shall surrender the Premises to Landlord in its original condition, except for reasonable wear and tear and damage from casualty or condemnation; provided, however, that prior to the expiration or

termination of this Lease Tenant shall remove from the Premises all Tenant's personal property, trade fixtures, alterations and other Above-Standard Improvements that Tenant has the right or is required by Landlord to remove under the provisions of this Lease. Tenant shall also be responsible for removal of all CRT, data and telephone equipment, and any other form of cabling. that exists in Tenant's space. If any of such removal is not completed at the expiration or termination of this Lease, Landlord may remove the same at Tenant's expense. Any damage to the Premises or the Building caused by such removal shall be repaired promptly by Tenant or, if Tenant fails to do so, Landlord may do so at Tenant's expense, in which event Tenant shall immediately reimburse Landlord for such expenses together with interest at the Default rate until so paid. Tenant's obligations under this Paragraph shall survive the expiration or termination of this Lease. Upon expiration or termination of this Lease or of Tenant's possession, Tenant shall surrender all keys to the Premises or any other part of the Building and shall make known to Landlord the combination of locks on all safes, cabinets and vaults that may be located in the Premises.

23.2 HOLDING OVER. If Tenant remains in possession of the Premises after the expiration or termination of this Lease, Tenant's continued possession shall be on the basis of a tenancy at the sufferance of Landlord, and Tenant shall continue to comply with or perform all the terms and obligations of the Tenant under this Lease, except that the Base Rent during Tenant's holding over shall be one hundred twenty-five percent (25%) of the monthly Base Rent payable in the last month prior to the termination or expiration hereof. Tenant shall indemnify and hold Landlord harmless from and against all claims, liability, damages, costs or expenses, including reasonable attorneys fees and costs of defending the same, incurred by Landlord and arising directly or indirectly from Tenant's failure to timely surrender the Premises, including (i) any loss, cost, penalties, or damages, including lost profits, claimed by any prospective tenant of the Premises, and (ii) Landlord's damages as a result of such prospective tenant rescinding or refusing to enter into the prospective lease of the Premises by reason of such failure to timely surrender the Premises.

24. HAZARDOUS MATERIALS

Tenant shall not (either with or without negligence) cause or permit the escape, disposal or release of any biologically or chemically active or other hazardous substances or materials. Tenant shall not allow the storage or use of such substances or materials in any manner not sanctioned by law or by the highest standards prevailing in the industry for the storage and use of such substances or materials, nor allow to be brought into the Project any such materials or substances except to use in the ordinary course of Tenant's business, and then only after written notice is given to Landlord of the identity of such substances or materials. Without limitation, hazardous substances and materials shall include those described in the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601 et seq., any applicable state or local laws and the regulations adopted under these acts. If any lender or governmental agency shall ever require testing to ascertain whether or not there has been any release of hazardous materials used or stored by Tenant in the Premises, then Tenant shall promptly notify Landlord of the same, and the reasonable costs thereof shall be reimbursed by Tenant to Landlord upon demand as additional charges if such requirement applies to the Premises due to Tenant's use or storage thereof. Landlord shall have the right, but not the obligation, to enter the Premises at any

reasonable time to perform any required testing, to confirm Tenant's compliance with the provisions of this Paragraph, and to perform Tenant's obligations under this Paragraph if Tenant has failed to do so. In addition, Tenant shall execute affidavits, representations and the like from time to time at Landlord's request concerning Tenant's best knowledge and belief regarding the presence of hazardous substances or materials on the Premises. In all events, Tenant shall indemnify Landlord in the manner elsewhere provided in this Lease from any release of hazardous materials on the Premises occurring while Tenant is in possession, or elsewhere if caused by Tenant or persons acting under Tenant. The within covenants shall survive the expiration or earlier termination of the lease term.

24.1 Landlord agrees to indemnify and defend Tenant against any and all claims, actions, losses, costs, liabilities, damages and expense, including, without limitation, reasonable attorneys' fees, to the extent caused by the release of any Hazardous Materials on the Project by Landlord or by reason of the failure of the Project as of the Commencement Date to comply with the above- mentioned statutes, laws and regulations related to the regulation of Hazardous Materials in effect and as interpreted at the date of this Lease.

25. MISCELLANEOUS

25.1 ATTORNMENT. Upon any transfer by Landlord of Landlord's interest in the premises or the Building (other than a transfer for security purposes only), Tenant agrees to attorn to any transferee or assignee of Landlord.

25.2 CAUTIONS: ATTACHMENTS; DEFINED TERMS.

(a) The captions of the paragraphs of this Lease are for convenience only and shall not be deemed to be relevant in resolving any question of interpretation or construction of any paragraph of this Lease. The provisions of this Lease shall be construed in accordance with the fair meaning of the language used and shall not be strictly construed against either party. When required by the contents of this Lease, the singular includes the plural. Wherever the term "including" is used in this Lease, it shall be interpreted as meaning "including, but not limited to," the matter or matters thereafter enumerated.

(b) Exhibits attached hereto, and addenda and schedules initialed by the parties, are deemed to constitute part of this Lease and are incorporated herein.

(c) The words "Landlord" and "Tenant" as used herein, shall include the plural as well as the singular. Words used in neuter gender include the masculine and feminine and words in the masculine or feminine gender include the neuter. The obligations of this Lease as to a Tenant which consists of husband and wife shall extend individually to their sole and separate property as well as community property.

25.3 ENTIRE AGREEMENT. This Lease along with any exhibits and attachments hereto constitutes the entire agreement between Landlord and Tenant relative to the Premises, and this Lease and the exhibits and attachments may be altered, amended or revoked only by instrument in writing

signed by both Landlord and Tenant. Landlord and Tenant agree hereby that all prior or contemporaneous oral agreements between and among themselves and their agents or representatives relative to the leasing of the Premises are merged in or revoked by this Lease.

25.4 SEVERABILITY. If any term or provision of this Lease shall, to any extent, be determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforceable to the fullest extent permitted by law.

25.5 COSTS OF SUIT.

(a) If Tenant or Landlord brings any action for the enforcement or interpretation of this Lease, including any suit by Landlord for the recovery of Rent or possession of the Premises, the losing party shall pay to the prevailing party a reasonable sum for attorneys' fees. The "prevailing party" will be determined by the court before whom the action was brought based upon an assessment of which party's major arguments or positions taken in the suit or proceeding could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues in the court's decision.

(b) Should Landlord, without fault on Landlord's part, be made a party to any litigation instituted by Tenant or by any third party against Tenant, or by or against any person holding under or using the Premises by license of Tenant, or for the foreclosure of any lien for labor or material furnished to or for Tenant or any such other person or otherwise arising out of or resulting from any act or transaction of Tenant or of any such other person, Tenant covenants to save and hold Landlord harmless from any judgment rendered against Landlord or the Premises or any part thereof, and all costs and expenses, including reasonable attorneys' fees, incurred by Landlord in or in connection with such litigation.

25.6 TIME; JOINT AND SEVERAL LIABILITY. Time is of the essence of this Lease and each and every provision hereof, except as to the conditions relating to the delivery of possession of the Premises to Tenant. All the terms, covenants and conditions contained in this Lease to be performed by either party, if such party shall consist of more than one person or organization, shall be deemed to be joint and several, and all rights and remedies of the parties shall be cumulative and nonexclusive of any other remedy at law or in equity.

25.7 BINDING EFFECT; CHOICE OF LAW. The parties hereto agree that all provisions hereof are to be construed as both covenants and conditions as though the words imparting such covenants and conditions were used in each separate paragraph hereof. Subject to any provisions hereof restricting assignment or subletting by Tenant, all of the provisions hereof shall bind and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns. This Lease shall be governed by the laws of the State of California.

25.8 WAIVER. No covenant, term or condition or the breach thereof shall be deemed waived, except by written consent of the party against whom the waiver is claimed, and any waiver or

breach of any covenant, term condition shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other covenant, term or condition. Acceptance by Landlord of any performance by Tenant after the time the same shall have become due shall not constitute a waiver by Landlord of the breach or default of any covenant, term or condition unless otherwise expressly agreed to by Landlord in writing.

25.9 FORCE MAJEURE. In the event Landlord is delayed, interrupted or prevented from performing any of its obligations under this Lease, including its obligations under the Work Letter, and such delay, interruption or prevention is due to fire, act of God, governmental act, strike, labor dispute, unavailability of materials or any other cause outside the reasonable control of Landlord and other than for financial reasons, then the time for performance of the affected obligations of Landlord shall be extended for a period equivalent to the period of such delay, interruption or prevention and in the case of work to be performed by Landlord under the Work Letter, each day of delay under this Subsection shall result in one (1) Scheduled Commencement Adjustment Day.

25.10 LANDLORD'S LIABILITY. The term "Landlord", as used in this Lease, shall mean only the owner or owners of the Project at the time in question. Notwithstanding any other term or provision of this Lease, the liability of Landlord for its obligations under this Lease is limited solely to Landlord's interest in the Project as the same may from time to time be encumbered, and no personal liability shall at any time be asserted or enforceable against any other assets of Landlord or against Landlord's stockholders, directors, officers or partners on account of any of Landlord's obligations or actions under this Lease. In addition, in the event of any conveyance of title to the Building or the Project, then from and after the date of such conveyance, Landlord shall be relieved of all liability with respect to Landlord's obligations to be performed under this Lease after the date of such conveyance. Upon any conveyance of title to the Building or the Project, the grantee or transferee, by accepting such conveyance, shall be deemed to have assumed Landlord's obligations to be performed under this Lease from and after the date of transfer, subject to the limitations on liability set forth above in this Paragraph 25.10. In no event will Landlord be liable under this Lease for consequential or indirect damages or loss of profits.

25.11 CONSENTS AND APPROVALS. Wherever the consent, approval, judgment or determination of Landlord is required or permitted under this Lease, Landlord may exercise its good faith business judgment in granting or withholding such consent or approval or in making such judgment or determination without reference to any extrinsic standard of reasonableness, unless the provision providing for such consent, approval, judgment or determination specifies that Landlord's consent or approval is not to be unreasonably withheld, or that such judgment or determination is to be reasonable, or otherwise specifies the standards under which Landlord may withhold its consent. If it is determined that Landlord failed to give its consent where it was required to do so under this Lease, Tenant shall be entitled to specific performance but not to monetary damages for such failure, unless Landlord withheld its consent maliciously and in bad faith. Notwithstanding the foregoing, Landlord shall not unreasonably withhold its consent or approval.

The review and/or approval by Landlord of any item to be reviewed or approved by Landlord under the terms of this Lease or any Exhibits hereto shall not impose upon Landlord any liability for

accuracy or sufficiency of any such item or the quality or suitability of such item for its intended use. Any such review or approval is for the sole purpose of protecting Landlord's interest in the Project under this Lease, and no third parties, including Tenant or Tenant's Representatives or any person or entity claiming by, through or under Tenant, shall have any rights hereunder.

25.12 SIGNS. Tenant shall not place or permit to be placed in or upon the Premises where visible from outside the Premises or any part of the Building, any signs, notices, drapes, shutters, blinds or displays of any type without the prior consent of Landlord. Landlord shall include Tenant in the Building directories located in the Building. Landlord reserves the right in Landlord's sole discretion to place and locate on the roof, exterior of the Building, and in any area of the Building not leased to Tenant such signs, notices, displays and similar items as Landlord deems appropriate in the proper operation of the Building.

25.13 RULES AND REGULATIONS. Tenant and Tenant's Representatives shall observe and comply fully and faithfully with all reasonable and nondiscriminatory rules and regulations adopted by Landlord for the care, protection, cleanliness and operation of the Building and its tenants including those annexed to this Lease as Exhibit D and any modification or addition thereto adopted by Landlord, provided Landlord shall give written notice thereof to Tenant. Landlord shall not be responsible to Tenant for the nonperformance by any other tenant or occupant of the Building of any of said rules and regulations. Notwithstanding the foregoing, Tenant shall not be required to comply with any new rule or regulation, unless the same applies nondiscriminatorily to all Tenants of the Project and use not unreasonably interfere with Tenant's use of the Premises or Tenant's parking rights.

25.14 NOTICES. All notices or demands of any kind required or desired to be given by Landlord or Tenant hereunder shall be in writing and shall be personally delivered, sent in the United States mail, certified or registered, postage prepaid, or sent by private messenger, addressed to the Landlord or Tenant respectively at the addresses set forth below:

Landlord:	Tenant:
ANNABEL INVESTMENT COMPANY	SUPERGEN, INC.
One Annabel Lane, Suite 201	Attn: Accounting Administrator
P. O. Box 640	Two Annabel Lane, Suite 220
San Ramon, CA 94583	San Ramon, CA 94583

or such other address as shall be established by notice to the other pursuant to this paragraph. Notices personally delivered or delivered by private messenger shall be deemed delivered when received at the address for such party designated pursuant to this paragraph. Notices sent by mail shall be deemed delivered on the earlier of the third business day following deposit thereof with the United States Postal Service by certified mail, or the delivery date shown on the return receipt prepared in connection therewith.

25.15 AUTHORITY. If Tenant is a corporation or a partnership, each individual executing this Lease on behalf of Tenant represents and warrants that Tenant is a duly organized and validly existing entity, the persons signing on behalf of Tenant, are duly authorized to execute and deliver this Lease on behalf of Tenant and this Lease is binding upon Tenant in accordance with its terms. If Tenant is a corporation, Tenant shall, within thirty (30) days after execution of this Lease, deliver to Landlord a certified copy of a resolution of the board of directors of said corporation authorizing or ratifying the execution of this Lease.

25.16 LEASE GUARANTY. (Deleted)

25.17 BROKERS. Tenant warrants and represents to Landlord that in the negotiating or making of this Lease neither Tenant nor anyone acting on its behalf has dealt with any real estate broker or finder who might be entitled to a fee or commission for this Lease. Tenant agrees to indemnify and hold Landlord harmless from any claim or claims, including costs, expenses and attorney's fees incurred by Landlord asserted by any other broker or finder for a fee or commission based upon any dealings with or statements made by Tenant or its agents, employees or representatives.

25.18 RESERVED RIGHTS. Landlord retains and shall have the rights set forth below, exercisable without notice and without liability to Tenant for damage or injury to property, person or business and without effecting an eviction, constructive or actual, or disturbance of Tenant's use or possession of the Premises or giving rise to any claim for set-off or abatement of Rent, to reduce, increase, enclose or otherwise change at any time and from time to time the size, number, location, lay-out and nature of the common areas and facilities and other tenancies and premises in the Project and to create additional rentable areas through use or enclosure of common areas, provided that the foregoing shall not materially restrict or otherwise impair Tenant's access to, use or occupancy of the Premises.

25.19 OPTION TO EXTEND. Landlord hereby grants Tenant with one
(1) Option to Extend the Term of this Lease for a period of five (5) years at the then Fair Market Value for Bishop Ranch. In order to exercise this Option to Extend, Tenant shall provide Landlord with nine (9) months' prior written notice indicating their desire to exercise this Option to Extend. In the event Tenant fails to provide Landlord with written notice within the aforementioned time frame, then Tenant shall be deemed to have waived its rights to this Option to Extend.

Landlord and Tenant have executed this Lease on the date and year set forth at the beginning of this Lease.

Landlord:	Tenant:
ANNABEL INVESTMENT COMPANY, a California partnership	SUPERGEN, INC.
By: /s/ Judith K. Martin	By: /s/ Dr. Joseph Rubinfeld
	Authorized Agent

SITE PLAN

EXHIBIT A - Page 1

BISHOP RANCH 12
TWO ANNABEL LANE
SAN RAMON, CA 94583

TYPICAL SECOND FLOOR PLAN

EXHIBIT A - Page 2

BISHOP RANCH 12 BLDG. B
SUITE 220
SECOND FLOOR
9,247 RSF

EXHIBIT B

ATTACHED TO AND FORMING A PART OF
LEASE AGREEMENT
DATED AS OF OCTOBER 14, 1996
BETWEEN

ANNABEL INVESTMENT
COMPANY, AS LANDLORD,
AND
SUPERGEN, INC.,
AS TENANT
("LEASE")

WORK LETTER

1. SUITE IMPROVEMENTS. Landlord shall construct and install in the Premises the improvements and fixtures provided for in this Construction Rider ("Suite Improvements").

1.1 PLANS. With reasonable diligence after the execution of the Lease, Landlord will cause the space planner for the Premises (the "Space Planner") to prepare and deliver to Tenant detailed plans and specifications sufficient to permit the construction of the Suite Improvements by Landlord ("Construction Documents") which describes the improvements to be made to the Premises beyond the "Building Shell" utilizing "Building Standard Materials" (as such terms are described in the attached Schedule I.) Tenant will approve said Construction Documents on or before November 1, 1996.

1.2 CONSTRUCTION. Upon approval by Tenant of the Final Construction Documents, Landlord shall proceed with reasonable diligence to cause the Suite Improvements to be "Substantially Completed" on or prior to the Scheduled Commencement Date. The Suite Improvements shall be deemed to be "Substantially Completed" when they have been completed in accordance with the Final Construction Documents except for finishing details, minor omissions, decorations and mechanical adjustments of the type normally found on an architectural "punch list". (The definition of Substantially Completed shall also define the terms "Substantial Completion" and "Substantially Complete.")

1.3 COST OF SUITE IMPROVEMENTS. See Section 1 of Building Lease entitled PREMISES.

1.4 TENANT DELAYS. Tenant shall be responsible for, and shall pay to Landlord, any and all reasonable costs and expenses incurred by Landlord in connection with any delay in the commencement or completion of any Suite Improvements and any increase in the cost of Suite Improvements (whether Building Standard or Above-Standard) caused by (i) Tenant's failure to approve the Construction Documents by November 1, 1996, (conditioned upon Tenant's receipt of Final Construction Drawings acceptable to Tenant by October 26, 1996), (ii) Tenant's requesting more than one revision to the Construction Documents after Tenant's final approval, (iii) Above-Standard Suite Improvements requested by Tenant, (iv) any changes or modifications in the work requested by Tenant following approval of the Final Construction Documents, or (v) any other delay requested or caused by Tenant (collectively, "Tenant Delays"). Notwithstanding the foregoing, no

Tenant Delay shall be deemed to have occurred unless and until Landlord gives written notice to Tenant specifying the action, inaction or occurrence constituting the Tenant Delay and the number of days of such Tenant Delay ("Tenant Delay Notice"). Each Tenant Delay day will result in one (1) Scheduled Commencement Adjustment Day.

2. COMMENCEMENT OF TERM. Upon Substantial Completion of the Suite improvements, Landlord shall deliver possession of the Premises to Tenant. The Commencement Date will be the date after the earlier of Substantial Completion of the Suite Improvements or the date Landlord would have Substantially Completed the Premises and tendered the Premises to Tenant if Substantial Completion had not been delayed by the number of days specified in any and all Tenant Delay Notices given by Landlord, as described in Paragraph 1.4.

3. ACCESS TO PREMISES. Landlord, at its discretion, may allow Tenant or Tenant's Representatives to enter the Premises prior to the Commencement Date to permit Tenant to make the Premises ready for its use and occupancy; provided, however, that prior to such entry, Tenant shall provide evidence reasonably satisfactory to Landlord that Tenant's insurance, as described in Paragraph 12 of the Lease, shall be in effect as of the time of such entry. Such permission may be revoked at any time upon twenty-four (24) hours notice, and Tenant or its Representatives shall not interfere with Landlord or Landlord's contractor in completing the Building or the Suite Improvements. Tenant agrees that Landlord shall not be liable in any way for any injury, loss or damage which may occur to any of Tenant's property placed upon or installed in the Premises prior to the Commencement Date, the same being at Tenant's sole risk, and Tenant shall be liable for all injury, loss or damage to persons or property arising as a result of such entry of the Premises by Tenant or its Representatives.

4. OWNERSHIP OF SUITE IMPROVEMENTS. All Suite Improvements, whether Building Standard or Above-Standard, and whether installed by Landlord or Tenant, shall become a part of the Premises, shall be the Property of Landlord and, unless Landlord elects otherwise as provided in the Lease, shall be surrendered by Tenant with the Premises, without any compensation to Tenant, at the expiration or termination of the Lease.

SCHEDULE 1 TO EXHIBIT B

BUILDING SHELL

* All core areas, elevator lobbies and restrooms complete.

* Main HVAC loop in place ready to receive mixing boxes for zoning.

* Main fire sprinkler risers and grid in place ready for drop down.

* All perimeter walls sheetrocked and ready for finish.

* Upper floors covered with 3-1/2 inch concrete.

* Electrical service to closets on floor.

* Telephone outlet/conduit to closets on floor.

BUILDING STANDARD MATERIALS

ELECTRICAL

* Day Bright 277 light fixtures with energy conserving ballasts and lamps; per Title 24 requirements.

* Double switching in individual offices.

* One duplex 110 receptacle at each work station.

* One telephone outlet at each work station.

HVAC

* One zone per 800 usable square feet.

* Individual pneumatic thermostats per 800 usable square feet.

FIRE SPRINKLERS

One 165 degree rate, semi-recessed sprinkler head per 144 usable square feet.

PARTITIONS AND DOORS

* 5/8-inch drywall on 2-1/2 inch steel studs with smooth finish.

* Solid core oak doors 36" x 96".

* Aluminum door jambs.

* Schlage door latches or equal.

PAINT

* Kelly Moore or equal.

RATED CEILING ASSEMBLY

* USG: Aurora Reveal Tile.

CARPET, TILE AND BASE

* Carpet: 38 oz. Design Weave.

* Armstrong Imperial Modern Excelon Tile or equal.

* 3/8 inch nylon composition pad.

* 4 inch rubber top set base or equal.

WINDOW COVERING

* Mini Blinds.

EXHIBIT C - SPACE PLAN

TO BE PROVIDED

EXHIBIT D

RULES AND REGULATIONS

1. No sign, placard, picture, advertisement, name or notice shall be inscribed, displayed, printed, affixed or otherwise displayed by Tenant on or to any part of the outside or inside of the Building or the Premises without the prior written consent of Landlord and Landlord shall have the right to remove any such sign, placard, picture, advertisement, name or notice without notice to and at the expense of Tenant. All approved signs or lettering on doors shall be printed, painted, affixed or inscribed at the expense of Tenant by a person approved by Landlord. Tenant shall not place anything or allow anything to be placed near the glass of any window, door, partition or wall which may appear unsightly from outside the Premises; provided, however that Tenant may request Landlord to furnish and install a building standard window covering at all exterior windows at Tenant's cost. Tenant shall not install any radio or television antenna, loud speaker, or other device on or about the roof area or exterior walls of the Building.

2. The sidewalks, halls, passages, exits, entrances, elevators and stairways shall not be obstructed by Tenant or used by it for any purpose other than for ingress to and egress from the Premises. The halls, passages, exits, entrances, elevators, stairways, balconies and roof are not for the use of the general public and Landlord shall in all cases retain the right to control and prevent access thereto by all persons whose presence in the judgment of the Landlord shall be prejudicial to the safety, character, reputation and interests of the Building and its tenants, provided that nothing herein contained shall be construed to prevent such access to the common areas by persons with whom Tenant normally deals in the ordinary course of its business unless such persons are engaged in illegal activities. In no event may Tenant go upon the roof of the Building.

3. Landlord will furnish Tenant with _____ keys to the Premises, free of charge. Additional keys shall be obtained only from Landlord and Landlord may make a reasonable charge for such additional keys. No additional locking devices shall be installed in the Premises by Tenant, nor shall any locking devices be changed or altered in any respect without the prior written consent of Landlord. All locks installed in the Premises excluding Tenant's vaults and safes, or special security areas (which shall be designated by Tenant in a written notice to Landlord), shall be keyed to the Building master key system. Landlord may make reasonable charge for any additional lock or any bolt (including labor) installed on any door of the Premises. Tenant, upon the termination of its tenancy, shall deliver to Landlord all keys to doors in the Premises.

4. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be deposited therein and Tenant shall bear the expense of any breakage, stoppage or damage resulting from its violation of this rule.

5. Tenant shall not overload the floor of the Premises or mark, drive nails, screw or drill into the partitions, woodwork or plaster or in any way deface the Premises or any part thereof, except

to hang pictures or whiteboards. No boring, cutting or stringing of wires or laying of linoleum or other similar floor coverings or installation of wallpaper or paint shall be permitted except with the prior written consent of the Landlord and as the Landlord may direct.

6. Tenant may use the freight elevators in accordance with such reasonable scheduling as Landlord shall deem appropriate. Tenant shall schedule with Landlord, by written notice given no less than forty-eight (48) hours in advance, its move into or out of the Building which moving shall occur after 5:00 p.m. or on weekend days if required by Landlord; and Tenant shall reimburse Landlord upon demand for any additional security or other charges incurred by Landlord as a consequence of such moving. The persons employed by Tenant to move equipment or other items in or out of the Building must be acceptable to Landlord. The floors, corners and walls of elevators and corridors used for moving of equipment or other items in or out of the Project must be adequately covered, padded and protected and, Landlord may provide such padding and protection at Tenant's expense if Landlord determines that such measures undertaken by Tenant or Tenant's movers are inadequate. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment or furnishings brought into the Building and also the times and manner of moving the same in or out of the Building. Safes or other heavy objects shall, if considered necessary by Landlord, stand on wood strips of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property from any cause and all damage done to the Building by moving or maintaining any such safe or other property shall be repaired at the expense of Tenant. There shall not be used in any space, or in the public halls of the Building, either by any Tenant or others, any hand trucks except those equipped with rubber tires and side guards.

7. Tenant shall not employ any person or persons other than the janitor of Landlord for the purpose of cleaning the Premises unless otherwise agreed to by Landlord in writing. Except with the written consent of Landlord, no person or persons other than those approved by Landlord shall be permitted to enter the Building for the purpose of cleaning the same. Tenant shall not cause any unnecessary labor by reason of Tenant's carelessness or indifference in the preservation of good order and cleanliness. Landlord shall in no way be responsible to any Tenant for any loss of property on the Premises, however occurring, or for any damage done to the effects of Tenant by the janitor or any other employee or any other person. Janitor service will not be furnished on nights when rooms are occupied after 9:30 p.m. Window cleaning shall be done only by Landlord.

8. Tenant shall not use or keep in the Premises or the Building any kerosene, gasoline or flammable, combustible or noxious fluid or material, or use any method of heating or air conditioning other than that supplied by Landlord. Tenant shall not use, keep or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to the Landlord or other occupants of the Building by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business therein, nor shall any animals or birds be brought in or kept in or about the Premises or the Building. Tenant shall not make or permit to be made any unseemly or disturbing noises or disturb or interfere with occupants of this or neighboring Buildings or premises or those having business with them whether by the use of any musical instrument, radio, phonograph, unusual noise, or in any other way.

9. The Premises shall not be used for the storage of merchandise except as such storage may be incidental to the use of the Premises for general office purposes. Tenant shall not occupy or permit any portion of the Premises to be occupied for the manufacture or sale of liquor, narcotics, or tobacco in any form. The Premises shall not be used for lodging or sleeping or for any illegal purposes. No cooking shall be done or permitted by Tenant on the Premises, except that use by Tenant of Underwriters' Laboratory approved portable equipment for brewing coffee, tea and similar beverages and of microwave ovens approved by Landlord shall be permitted provided that such use is in accordance with all applicable federal, state and local laws, codes, ordinances, rules and regulations.

10. Landlord will direct electricians as to where and how telephone wires and any other cables or wires are to be installed. No boring or cutting for cables or wires will be allowed without the consent of Landlord. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord.

11. Tenant shall not lay linoleum, tile, carpet or other similar floor covering so that the same shall be affixed to the floor of the Premises in any manner except as approved by the Landlord. Tenant shall bear the expense of repairing any damage resulting from a violation of this rule or removal of any floor covering.

12. No furniture, packages, supplies, equipment or merchandise will be received in the Building or carried up or down in the elevators, except between such hours and in such elevators as shall be designated by Landlord. In its use of such, Tenant shall not obstruct or permit the obstruction of walkways, ingress and egress to the Building and tenant spaces and at no time shall Tenant park vehicles which will create traffic and safety hazards or create other obstructions.

13. On Saturdays, Sundays and legal holidays all day, and on other days between the hours of 7:00 p.m. and 7:00 a.m. the following day, access to the Building or to the halls, corridors, elevators, or stairways in the Building, or to the Premises may be refused unless the person seeking access is known to the person or employee of the Building in charge and has a pass or is properly identified. Landlord shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. Tenant assumes all responsibility for protecting its Premises from theft, robbery and pilferage. In case of invasion, mob, riot, public excitement, or other commotion, the Landlord reserves the right to prevent access to the Building during the continuance of the same by closing the doors or otherwise, for the safety of the Tenants and protection of property in the Building and the Building. Landlord reserves the right to close and keep locked all entrance and exit doors of the Building on Saturdays, Sundays and legal holidays all day, and on other days between the hours of 7:00 p.m. and 7:00 a.m. and during such further hours as Landlord may deem advisable for the adequate protection of said Building and the property of its tenants, and to implement such additional security measures as Landlord deems appropriate for such purposes. The cost of such additional security measures, as reasonably allocated by Landlord to Tenant, shall be reimbursed by Tenant within thirty (30) days after receipt of Landlord's demand therefor.

14. Tenant shall see that the doors of the Premises are closed and securely locked before leaving the Building and must observe strict care and caution that all water faucets, water apparatus and utilities are entirely shut off before Tenant or Tenant's employees leave the Building, and that all electricity shall likewise be reasonably shut off, so as to prevent waste or damage and for any default or carelessness Tenant shall make good all injuries sustained by other tenants or occupants of the Building or Landlord. On multiple-tenancy floors, all tenants shall keep the doors to the Building corridors closed at all times except for ingress and egress, and all tenants shall at all times comply with any rules and orders of the fire department with respect to ingress and egress.

15. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of the rules and regulations of the Building.

16. Landlord shall attend to the requests of Tenant after notice thereof from Tenant by telephone, in writing or in person at the Office of the Landlord. Employees of Landlord shall not perform any work or do anything outside of their regular duties unless under special instructions from the Landlord.

17. No vending machine or machines of any description shall be installed, maintained or operated upon the Premises without the written consent of the Landlord.

18. Tenant agrees that it shall comply with all fire and security regulations that may be issued from time-to-time by Landlord and Tenant also shall provide Landlord with the name of a designated responsible employee to represent Tenant in all matters pertaining to such fire or security regulations.

19. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular tenant or tenants, but no such waiver by Landlord shall be construed as a waiver of those Rules and Regulations in favor of any other tenant or tenants, nor prevent Landlord from thereafter enforcing any such Rules and Regulations against any or all of the tenants of the Project.

20. Canvassing, soliciting, peddling or distribution of handbills or other written material in the Building and Project is prohibited and Tenant shall cooperate to prevent same.

21. Landlord reserves the right to (i) select the name of the Project and Building and to make such change or changes of name, street address or suite numbers as it may deem appropriate from time to time, (ii) grant to anyone the exclusive right to conduct any business or render any service in or to the Building and its tenants, provided such exclusive right shall not operate to require Tenant to use or patronize such business or service or to exclude Tenant from its use of the Premises expressly permitted in the Lease, and (iii) reduce, increase, enclose or otherwise change at any time and from time to time the size, number, location, layout and nature of the common areas and facilities and other tenancies and premises in the Project and to create additional rentable areas through use or enclosure of common areas. Tenant shall not refer to the Project by any name other than the name as selected by Landlord (as same may be changed from time to time), or the postal address, approved by

the United States Post Office. Without the written consent of Landlord, Tenant shall not use the name of the Building or Bishop Ranch Business Park in connection with or in promoting or advertising the business of Tenant or in any respect except as Tenant's address.

22. Tenant shall store all its trash and garbage within the Premises until removal of same to such location in the Project as may be designated from time to time by Landlord. No material shall be placed in the Project trash boxes or receptacle if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage in the City of San Ramon without being in violation of any law or ordinance governing such disposal.

23. Landlord shall furnish heating and air conditioning during the hours of 7:00 a.m. and 7:00 p.m., Monday through Friday, except for holidays. In the event Tenant requires heating and air conditioning during off hours, Saturdays, Sundays or holidays, Landlord shall on notice provide such services at the rate established by Landlord from time-to-time. Landlord shall have the right to control and operate the public portions of the Building and the public facilities, and heating and air conditioning, as well as facilities furnished for the common use of the Tenants, in such manner as it deems best for the benefit of the Tenants generally.

24. The directory of the Building will be provided for the display of the name and location of tenants and Landlord reserves the right to exclude any other names therefrom. Any additional name that Tenant shall desire to place upon the directory must first be approved by Landlord and, if so approved, a charge will be made for each such name.

25. Except with the prior written consent of Landlord, Tenant shall not sell, or permit the sale from the Premises of, or use or permit the use of any sidewalk or common area adjacent to the Premises for the sale of newspapers, magazines, periodicals, theater tickets or any other goods, merchandise or service, nor shall Tenant carry on, or permit or allow any employee or other person to carry on, business in or from the Premises for the service or accommodation of occupants of any other portion of the Building, nor shall the Premises be used for manufacturing of any kind, or for any business or activity other than that specifically provided for in Tenant's lease.

26. The word "Tenant" occurring in these Rules and Regulations shall mean Tenant and Tenant's Representatives. The word "Landlord" occurring in these Rules and Regulations shall mean Landlord's assigns, agents, clerks, employees and visitors.

ACKNOWLEDGED AND ACCEPTED:

Landlord:	*Tenant:*
By: /s/ Judith K. Martin	*By: /s/ Dr. Joseph Rubinfeld*
Date: October 14, 1996	*Date: October 10, 1996*

EXHIBIT E

JANITORIAL SPECIFICATIONS

The following specific janitorial services will be provided in accordance with provisions of Paragraph 7.1, Landlord's Obligations:

OFFICE AREAS (DAILY)

1. Empty all waste baskets and disposal cans, if liners used, replace as necessary.
2. Spot dust desks, chairs, file cabinets, counters and furniture.
3. Spot vacuum all carpets and walk-off mats; spot as necessary.
4. Sweep all hard surface floors with treated dust mop.

OFFICE AREAS (WEEKLY)

1. Vacuum carpets completely, including around base boards, etc.
2. Perform low dusting of furniture.
3. Dust window sills and ledges.

OFFICE AREAS (QUARTERLY)

1. Perform all high dusting of doors, sashes, moldings, etc.
2. Dust venetian blinds as needed.

OFFICE AREA CORRIDORS AND LOBBIES (DAILY SERVICE)

1. Vacuum carpets and dust mop any hard floors.
2. Spot clean carpets of all spillage.
3. Clean all thresholds.

OFFICE AREA CORRIDORS AND LOBBIES (WEEKLY)

1. Perform all high dusting of doors, sashes, moldings, etc.
2. Vacuum and clean all ceiling vents.
3. Polish any metal railings, placards, etc.

STAIRWAYS (DAILY)

1. Sweep all hard surface steps.
2. Dust banisters.

STAIRWAYS (WEEKLY)

1. Sweep all hard surfaces.
2. Spot mop all spills as needed.

RESTROOMS COMMON AREA (DAILY SERVICE)

1. Empty all waste containers and replace liners as needed.
2. Clean all metal, mirrors, and fixtures.
3. Sinks, toilet bowls and urinals are to be kept free of scale.
4. Clean all lavatory fixtures using disinfectant cleaners.
5. Wash and disinfect underside and tops of toilet seats.
6. Wipe down walls around urinals.
7. Refill soap, towel, and tissue dispensers.
8. Wet mop tile floors with disinfectant solution.
9. Refill sanitary napkin machines as necessary.

RESTROOMS COMMON AREA (WEEKLY)

1. Perform high dusting and vacuum vents.
2. Use germicidal solution in urinal traps, lavatory traps, and floor drains.

RESTROOMS COMMON AREA (MONTHLY)

1. Scrub floors with power machine.
2. Wash down all ceramic tile and toilet compartments.

ELEVATORS (DAILY)

1. Vacuum floors.
2. Clean thresholds.
3. Spot walls and polish surfaces.

GENERAL

All glass entry doors to offices, corridors, or lunch rooms are to be cleaned as necessary.

EXHIBIT F

DOOR SIGN, DIRECTORY STRIP AND MAIL BOX REQUEST

1. I, the undersigned, hereby authorize Landlord to order one door sign of ( ) wood, ( ) vinyl, ( ) chrome. The business name on it shall be:

SuperGen, Inc.

---

2. The directory strip shall read:

SuperGen, Inc.

---

3. The mail box strip shall read:

SuperGen, Inc.

/s/ Dr. Joseph Rubinfeld *October 9, 1996*

_____

Signature *Date*

Street Address: Two Annabel Lane

Suite Number: 220

Complex: Bishop Ranch 12, Building B

EXHIBIT G

COMMENCEMENT OF LEASE

It is hereby agreed to that (a) the "Commencement Date" under that certain Lease dated _____ by and between ANNABEL INVESTMENT COMPANY as Landlord and SUPERGEN, INC. as Tenant, covering Premises located at TWO ANNABEL LANE, SUITE 220, is _____, 19__, (b) the "Expiration Date" thereof is 5:00 P.M. on _____, 19__, and (c) Landlord has completed all of its construction obligations under the Work Letter.

ACKNOWLEDGED AND ACCEPTED:

Landlord:	Tenant:
By: _____	By: _____
Date: _____	Date: _____

EXHIBIT 23.1

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in Form S-8 (Registration No. 333-07295) of our report dated January 15, 1997, except as to the third paragraph of Note 2 as to which the date is January 24, 1997, with respect to the consolidated financial statements and schedule of SuperGen, Inc. included in the Annual Report on Form 10-K for the year ended December 31, 1996.

ERNST & YOUNG LLP

Palo Alto, California

March 25, 1997

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM SUPERGEN, INC., DECEMBER 31, 1996 CONSOLIDATED FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1996
PERIOD START	JAN 01 1996
PERIOD END	DEC 31 1996
CASH	13,914,863
SECURITIES	0
RECEIVABLES	120,440
ALLOWANCES	0
INVENTORY	1,573,951
CURRENT ASSETS	16,149,630
PP&E	654,983
DEPRECIATION	243,500
TOTAL ASSETS	17,873,416
CURRENT LIABILITIES	2,166,578
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	40,026,551
OTHER SE	0
TOTAL LIABILITY AND EQUITY	17,873,416
SALES	225,962
TOTAL REVENUES	263,677
CGS	282,777
TOTAL COSTS	282,277
OTHER EXPENSES	9,488,037
LOSS PROVISION	0
INTEREST EXPENSE	0
INCOME PRETAX	8,757,635
INCOME TAX	0
INCOME CONTINUING	8,757,635
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(8,757,635)
EPS PRIMARY	(.55)
EPS DILUTED	0