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

# FORM 8-K

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

**Date of report (Date of earliest event reported): January 10, 2005**

# ACADIA PHARMACEUTICALS INC.

**(Exact Name of Registrant as Specified in Charter)**

| **DELAWARE** | **000-50768** | **06-1376651** |
|---|---|---|
| **(State or Other Jurisdiction of Incorporation)** | **(Commission File Number)** | **(I.R.S. Employer Identification No.)** |

**3911 SORRENTO VALLEY BOULEVARD**
**SAN DIEGO, CALIFORNIA** **92121**
**(Address of Principal Executive Offices)** **(Zip Code)**

**(858) 558-2871**
**(Registrants telephone number, including area code)**

**N/A**
**(Former name or former address, if changed since last report)**

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CRF 240.13e-4(c))

**Item 1.01 Entry into a Material Definitive Agreement.**

On January 10, 2005 (the "Effective Date"), ACADIA Pharmaceuticals Inc. ("ACADIA") entered into a License, Option and Collaboration Agreement ("Collaboration Agreement") with Sepracor Inc. ("Sepracor") for the development of new drug candidates targeted towards the treatment of central nervous system disorders. The collaboration has been established to investigate potential clinical candidates resulting from using ACADIA's medicinal chemistry and discovery platform against a broad array of selective muscarinic receptors, which are receptors that respond to acetylcholine, a neurotransmitter in the central nervous system. The collaboration includes ACADIA's m1 agonist program, which would target neuropsychiatric/neurologic conditions and neuropathic pain. Under the Collaboration Agreement, the parties have agreed to collaborate with each other to research and develop certain compounds that interact with these muscarinic receptors. These compounds may be developed and commercialized in any field outside of the prevention or treatment of ocular disease. Sepracor will have exclusive worldwide rights to develop and commercialize these compounds.

Under the Collaboration Agreement, ACADIA has also granted to Sepracor an option to select and obtain exclusive worldwide rights to develop and commercialize one preclinical compound from ACADIA's 5-$HT_{2A}$ program for use in combination with LUNESTA™ (eszopiclone), Sepracor's insomnia drug, for sleep-related indications. To exercise this option, Sepracor is required to pay ACADIA an option exercise fee prior to the end of a specified option exercise period. ACADIA's Phase II programs encompassing ACP-103 for treatment-induced dysfunction in Parkinson's disease, ACP-103 as an adjunctive therapy for schizophrenia, and ACP-104 for treatment of schizophrenia, are not included as part of the collaboration.

During the three-year research term of the Collaboration Agreement, Sepracor will provide ACADIA with research funding. In addition, Sepracor has agreed to pay ACADIA milestone payments upon the achievement of specified development and regulatory milestones for each product developed under the collaboration, including any combination product with LUNESTA that is developed under the collaboration. Sepracor has also agreed to pay ACADIA royalties on net worldwide sales on products developed under the collaboration. If all development and regulatory milestones are achieved with respect to a single product in the muscarinic program, Sepracor would be required to pay ACADIA up to approximately $40 million in aggregate milestone and research funding payments in addition to royalties on net worldwide sales of such product. If all development and regulatory milestones are achieved with respect to any combination product with LUNESTA for sleep-related indications, Sepracor would be required to pay ACADIA up to approximately $35 million in aggregate milestone and option exercise payments in addition to royalties on net worldwide sales of such product.

The Collaboration Agreement will expire once Sepracor's obligation to pay royalties to ACADIA under the Collaboration Agreement has terminated, provided that at least one

muscarinic compound has been selected by Sepracor by the end of the three-year research term or the 5-$HT_{2A}$ option has been exercised by Sepracor. If no muscarinic compound has been selected by the end of the three-year research term and the 5-$HT_{2A}$ option has not been exercised, then the Collaboration Agreement will expire immediately following the end of the three-year research term. Either party may terminate the Collaboration Agreement for cause by giving advance written notice to the other party of an uncured material breach by the other party or of the bankruptcy, insolvency, dissolution or winding up of the other party. Sepracor has the right to terminate the Collaboration Agreement for any reason after the expiration of the research term by giving advance written notice to ACADIA. ACADIA has the right to terminate the Collaboration Agreement if Sepracor does not purchase the shares of ACADIA common stock that it is required to purchase on the one year anniversary of the Effective Date pursuant to the stock purchase agreement described below. A copy of the Collaboration Agreement is filed as Exhibit 99.1 to this current report, the contents of which are incorporated herein by reference.

In connection with the collaboration, Sepracor has agreed to purchase up to an aggregate of $20 million of ACADIA common stock in two tranches pursuant to the terms of a stock purchase agreement. In the first tranche, which closed on January 13, 2005, Sepracor purchased $10 million of ACADIA common stock at a 40 percent premium to the average closing sales price for the 30 trading days prior to the Effective Date. ACADIA issued 1,077,029 shares of its common stock to Sepracor in the first tranche at a price per share of approximately $9.2848. Sepracor has also agreed to purchase a second tranche of up to an additional $10 million of ACADIA common stock at a 25 percent premium to the trailing 30-day average closing sales price per share as of the one-year anniversary of the Effective Date, subject to customary closing conditions. These two stock purchases, in the aggregate, may not exceed 19.99 percent of ACADIA's outstanding common stock as of the second closing date, after giving effect to Sepracor's purchases. In the event that ACADIA is required, pursuant to Nasdaq rules, to obtain, and fails to obtain, stockholder approval for the issuance of the full amount of shares, then the number of shares to be sold at the second closing would be decreased to a lesser amount. In that case, the lesser amount of shares to be sold to Sepracor in the second tranche would be the maximum number that could be sold without the required stockholder approval. If this lesser amount is sold to Sepracor, then Sepracor would also pay ACADIA 25 percent of the difference between the full amount of shares and the lesser number of shares actually purchased at the second closing multiplied by the trailing 30-day average closing sales price. The shares of ACADIA common stock to be issued to Sepracor pursuant to the purchase agreement were and will be issued pursuant to the exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), afforded by Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder, as a transaction to an accredited investor not involving a public offering. Sepracor represented its intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and an appropriate legend was affixed to the share certificate issued to Sepracor.

Under the terms of the stock purchase agreement, Sepracor has agreed to certain standstill provisions whereby it will refrain from acquiring or taking certain other actions with respect to ACADIA common stock. With respect to the shares of common stock purchased and to be purchased under the stock purchase agreement, Sepracor was granted certain piggyback and demand registration rights. These registration rights are set forth in a registration rights

agreement dated as of the Effective Date between Sepracor and ACADIA. A copy of the stock purchase agreement and registration rights agreement are filed as Exhibit 99.2 and Exhibit 99.3, respectively, to this current report, the contents of each of which are incorporated herein by reference.

A copy of the press release ACADIA issued with respect to the execution of the Collaboration Agreement is furnished with this current report as Exhibit 99.4.

**Forward-Looking Statements**

Certain statements in this current report are forward-looking statements that involve risks and uncertainties. Such forward looking statements include statements with respect to the purchase of shares of ACADIA common stock, potential milestone and royalty payments under the collaboration, the research and development of drug candidates under the collaboration and the commercial launch of, and the safety, efficacy and potential benefits of, LUNESTA brand eszopiclone and any compounds discovered or developed under the collaboration. Actual events or results may differ materially from those projected in any forward-looking statements due to various factors, including the risks and uncertainties inherent in drug discovery, development and commercialization. Among the factors that could cause actual results to differ materially from those indicated by such forward-looking statements are: the ability of Sepracor and ACADIA to collaborate successfully; the ability to fund, and the results of, research, development and clinical trials; the timing and success of submission, acceptance, and approval of regulatory filings; the scope of Sepracor's and ACADIA's patents and the patents of others; unexpected delays in commercial introduction of, and the commercial success of, LUNESTA; the ability of Sepracor and ACADIA to attract and retain qualified personnel; the ability of Sepracor and ACADIA to meet the closing conditions required for the consummation of the stock purchases; and certain other factors that are detailed in ACADIA's and Sepracor's quarterly reports on Form 10-Q for the quarter ended September 30, 2004 filed with the Securities and Exchange Commission.

In addition, the statements in this current report represent ACADIA's expectations and beliefs as of the date of filing of this current report. ACADIA anticipates that subsequent events and developments may cause these expectations and beliefs to change. However, while ACADIA may elect to update these forward-looking statements at some point in the future, it specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing ACADIA's expectations or beliefs as of any date subsequent to the filing date of this current report.

LUNESTA is a trademark of Sepracor Inc.

**Item 3.02 Unregistered Sales of Equity Securities.**

The information set forth in Item 1.01 of this current report is incorporated herein by this reference.

**Item 9.01. Financial Statements and Exhibits.**

(c) Exhibits

| | |
|---|---|
| 99.1* | License, Option and Collaboration Agreement, dated January 10, 2005, by and between ACADIA Pharmaceuticals Inc. and Sepracor Inc. |
| 99.2* | Common Stock Purchase Agreement, dated January 10, 2005, by and between ACADIA Pharmaceuticals Inc. and Sepracor Inc. |
| 99.3 | Registration Rights Agreement, dated January 10, 2005, by and between ACADIA Pharmaceuticals Inc. and Sepracor Inc. |
| 99.4 | Press release, dated January 11, 2005, of ACADIA Pharmaceuticals Inc. |

* We have applied for confidential treatment of certain provisions of this exhibit with the SEC. The confidential portions of this exhibit are marked with asterisks and have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.

**SIGNATURES**

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

ACADIA Pharmaceuticals Inc.

Date: January 14, 2005

By: /s/ Thomas H. Aasen

Thomas H. Aasen
Vice President, Chief Financial Officer, Treasurer and Secretary

INDEX TO EXHIBITS

| | |
|---|---|
| 99.1* | License, Option and Collaboration Agreement, dated January 10, 2005, by and between ACADIA Pharmaceuticals Inc. and Sepracor Inc. |
| 99.2* | Common Stock Purchase Agreement, dated January 10, 2005, by and between ACADIA Pharmaceuticals Inc. and Sepracor Inc. |
| 99.3 | Registration Rights Agreement, dated January 10, 2005, by and between ACADIA Pharmaceuticals Inc. and Sepracor Inc. |
| 99.4 | Press release, dated January 11, 2005, of ACADIA Pharmaceuticals Inc. |

* We have applied for confidential treatment of certain provisions of this exhibit with the SEC. The confidential portions of this exhibit are marked with asterisks and have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.

Certain confidential information contained in this document, marked by brackets and asterisks, has been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, and has been filed separately with the Securities and Exchange Commission.

# LICENSE, OPTION AND COLLABORATION AGREEMENT

by and between

ACADIA PHARMACEUTICALS INC.

and

SEPRACOR INC.

This document is the confidential information of both parties hereto.
It should be distributed on a need-to-know basis and kept in a secure area.

# LICENSE, OPTION AND COLLABORATION AGREEMENT

**THIS LICENSE, OPTION AND COLLABORATION AGREEMENT** (***"Agreement"***) is by and between **ACADIA PHARMACEUTICALS INC.**, a Delaware corporation (***"ACADIA"***), having an address of 3911 Sorrento Valley Boulevard, San Diego, CA 92121, and **SEPRACOR INC.**, a Delaware corporation (***"Sepracor"***), having an address of 84 Waterford Drive, Marlborough, MA 01752.

## RECITALS

**WHEREAS,** ACADIA has developed expertise and acquired proprietary rights related to **[...***...]**, as more fully described below;

**WHEREAS,** Sepracor is engaged in the research, development and commercialization of pharmaceutical products;

**WHEREAS,** Sepracor and ACADIA desire to enter into a collaborative relationship to identify and develop Muscarinic Compounds (as defined below) for clinical development and commercialization by Sepracor, subject to the terms and conditions set forth herein;

**WHEREAS**, Sepracor and ACADIA also desire to enter into a collaborative relationship to evaluate Option Compounds (as defined below), and Sepracor wishes to obtain, and ACADIA is willing to grant to Sepracor, a time-limited option to obtain an exclusive license with respect to an Option Compound, subject to the terms and conditions set forth herein; and

**WHEREAS**, concurrently with this Agreement, Sepracor and ACADIA will enter into a separate common stock purchase agreement pursuant to which Sepracor will purchase and commit to purchase shares of ACADIA's common stock on the terms provided therein.

## AGREEMENT

**NOW, THEREFORE**, in consideration of the foregoing premises and the mutual promises, terms, conditions, and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, ACADIA and Sepracor hereby agree as follows:

### 1. DEFINITIONS

For purposes of this Agreement, initially capitalized terms used in this Agreement, whether used in the singular or plural, shall have the following meanings, unless the context clearly requires otherwise:

**1.1 "ACADIA Inventions"** shall mean all Inventions conceived, or simultaneously conceived and reduced to practice, solely by ACADIA employees, consultants, or contractors in the course and as part of the Research Program.

*****Confidential Treatment Requested**

**1.2 "ACADIA Know-How"** shall mean Information not included in the ACADIA Patents or Joint Patents that ACADIA or any of its Affiliates Controls on the Effective Date or during the Research Term that pertains to or arises from the Research Program or the Evaluation or that is necessary for the development, manufacture, use, offer for sale, or sale of any Product, including, without limitation, all such Information that is conceived or developed by ACADIA or any of its Affiliates in the course and as part of the Research Program, and, in each case, any replication or any part of such Information; *provided, however,* that ACADIA Know-How excludes any such Information relating to ACADIA's compounds known as ACP-103 and ACP-104, ACP-104 Analogs and/or **[...***...]** Eyecare Compounds, which is Confidential Information of ACADIA.

**1.3 "ACADIA Muscarinic Compounds"** shall mean any compound Controlled by ACADIA on the Effective Date, the primary mode of action of which is **[...***...]**, including, without limitation, ACADIA's proprietary **[...***...]**, but subject to exclusion of **[...***...]** Agonists under the circumstances described in Section 2.3(b). Notwithstanding the foregoing or any other provision of this Agreement to the contrary, neither ACADIA's compound known as ACP-104 (N-desmethylclozapine) nor any ACP-104 Analogs shall be considered ACADIA Muscarinic Compounds for purposes of this Agreement.

**1.4 "ACADIA Patents"** shall mean all Patents that ACADIA or any of its Affiliates Controls as of the Effective Date or during the Research Term that are necessary or useful for (a) performance of the Research Program or the Evaluation, or (b) for the development, manufacture, use, import, offer for sale, or sale of any Selected Muscarinic Compound, Licensed Compound or Product, but excluding the Joint Patents, and shall include without limitation the Patents listed in Schedule 1.4 of this Agreement.

**1.5 "ACADIA Technology"** shall mean the ACADIA Patents, ACADIA Inventions, and ACADIA Know-How.

**1.6 "ACP-104 Analogs"** shall mean compounds described on Schedule 1.6.

**1.7 "Affiliate"** shall mean, with respect to either party hereto, any corporation, company, partnership, joint venture, or any other entity controlled by, controlling, or under common control with such party, and shall include any corporation, company, partnership, joint venture, or other entity at least fifty percent (50%) of whose voting stock or participating profit interest is owned or controlled, directly or indirectly, by such party, and any corporation, company, partnership, joint venture, or other entity which owns or controls, directly or indirectly, at least fifty percent (50%) of the voting stock of such party.

**1.8 "Back-Up Selected Muscarinic Compound"** shall mean any Muscarinic Compound that is designated by Sepracor as a back-up compound for a Primary Selected Muscarinic Compound and any Other Forms of any such Muscarinic Compound.

**1.9 "Business Day"** shall mean a day on which banks are open for business in both Marlborough, Massachusetts and San Diego, California, excluding Saturdays and Sundays.

**1.10 "Calendar Quarter"** shall mean each respective period of three (3) consecutive months ending on March 31, June 30, September 30, and December 31.

**1.11 "Chosen Compound"** shall mean any Evaluation Compound designated by Sepracor for investigation during the Final Evaluation Period. For the avoidance of doubt, any Option Compound that is an Evaluation Compound designated as a Chosen Compound shall include Other Forms of such Option Compound.

**1.12 "Combination Product"** shall mean a Product which comprises two (2) or more active pharmaceutical ingredients at least one (1) of which is a Selected Muscarinic Compound.

**1.13 "Committee"** shall mean the JRC or JDC, as applicable.

**1.14 "Confidential Information"** shall mean any Information possessed, obtained, developed, or created by or on behalf of a party that is identified by the party as confidential or proprietary, or that a receiving party knows is confidential or proprietary or has a reasonable basis to believe is confidential or proprietary.

**1.15 "Control" or "Controlled"** shall mean, with respect to any Information, Patent or other intellectual property right, the legal authority or right (whether by ownership, license or otherwise) of a party hereto to grant access, a license or a sublicense of or under Information, Patents, or intellectual property rights to another party hereto, or to otherwise disclose proprietary or trade secret information to such other party, without breaching the terms of any agreement with a Third Party, or misappropriating the proprietary or trade secret information of a Third Party.

**1.16 "Effective Date"** shall mean the later of (a) the date on which Sepracor executes this Agreement, and (b) the date on which ACADIA executes this Agreement.

**1.17 "Eszopiclone Compounds"** shall mean: a) 6–(5–chloro–2–pyridinyl)-6,7–dihydro-7–oxo–5H–pyrrolo[3,4b]pyrazin–5–y–l4– methylpiperazine–1–carboxylate or 6–(5-chloropyri-2-dyl)-5–(4-methylpiperazin–1–yl)carbonyloxy–7–oxo–6,7–dihydro–5H– pyrrolo[3,4b]pyrazine, also known as zopiclone; b) racemic zopiclone; c) (+)-zopiclone or eszopiclone; d) (-)-zopiclone; e) metabolites of any of a) through d); f) all salts, solvates, or clathrates of any of a) through e); and g) all polymorphs, crystals forms, amorphorous forms, or co-crystals of any of the foregoing.

**1.18 "Evaluation"** shall mean Sepracor's assessment of Option Compounds to determine Sepracor's interest in obtaining a license to make, develop, use, promote, and commercialize Fixed Co-Formulation Products.

**1.19 "Evaluation Compound"** shall mean an Option Compound selected by Sepracor for Preliminary Evaluation Work during the Preliminary Evaluation Period, and Other Forms of any such Option Compound.

**1.20 "Evaluation Results"** shall mean the results of the Preliminary Evaluation Work and Evaluation Studies.

**1.21 "Evaluation Studies"** shall mean studies or work conducted by or on behalf of Sepracor using Chosen Compounds during the Final Evaluation Period, including without limitation, synthesis of Chosen Compounds, GLP and GMP drug supply manufacturing, *in vivo* or *in vitro* genotoxicity, safety pharmacology, toxicology, pharmacokinetics, metabolism, toxicology, formulation, stability, and proof-of-principle studies involving any Chosen Compound, but excluding any studies in humans.

**1.22 "Exercise Notice"** shall mean Sepracor's written notice to ACADIA identifying the Chosen Compound for which Sepracor desires to exercise the Option granted in Section 4.3 of this Agreement.

**1.23 "Eyecare Indications"** shall mean diseases, disorders, or conditions involving the eye **[...***...]**.

**1.24 "FDA"** shall mean the United States Food and Drug Administration, or any successor agency thereto having the administrative authority to regulate the marketing of human pharmaceutical products or biological therapeutic products, delivery systems and devices in the United States of America.

**1.25 "Filing Party"** shall mean the party to this Agreement responsible for the preparation, filing, prosecution, and maintenance of an ACADIA Patent, a Product Patent or a Joint Patent.

**1.26 "Final Evaluation Period"** shall mean the period beginning on the date of Sepracor's written notice to ACADIA identifying Chosen Compounds and continuing until the earlier of (a) **[...***...]** such written notice or a later or earlier date as may be agreed upon by the parties in writing, or (b) Sepracor's exercise of the Option.

**1.27 "First Commercial Sale"** shall mean, with respect to any Product, the first sale by Sepracor, or any of its Affiliates or Sublicensees, to a Third Party for end use or consumption of such Product in a country after the governing health regulatory authority of such country has granted Regulatory Approval. Sale to an Affiliate or Sublicensee shall not constitute a First Commercial Sale.

**1.28 "Fixed Co-Formulation Product"** shall mean a pharmaceutical product containing a fixed co-formulation of Licensed Compound and at least one other active ingredient, including all formulations, line extensions and modes of administration thereof.

**1.29 "FTE"** shall mean the equivalent of a full-time scientist's work time over a 12-month period (including normal vacations, sick days and holidays). The portion of an FTE year devoted by an employee or consultant to the Research Program shall be determined by dividing the number of full working days during any 12-month period devoted by such employee or consultant to the Research Program by the total number of working days in such 12-month period. Subject to the provisions of Section 3.4(a) of this Agreement, each party understands and agrees that the other party retains complete discretion to change the identity of any individual employee or consultant devoted to the Research Program and/or the frequency and the time

during which such individual employee's or consultant's efforts are devoted to the Research Program.

**1.30 "Generic Version"** shall mean any pharmaceutical product that is introduced in a country, by an entity other than Sepracor, or its Affiliates or Sublicensees, containing the same or equivalent (by FDA or other regulatory authority standards, on a country-by-country basis) active pharmaceutical ingredient(s) as contained in a Product, including, without limitation, any such pharmaceutical product that is AB-rated or determined to be bioequivalent to a Product by the FDA, or similarly rated by other regulatory authorities outside the United States, on a country-by-country basis.

**1.31 "IND"** shall mean an Investigational New Drug Application filed with the FDA, or the equivalent application or filing filed with any equivalent agency or governmental authority outside the United States of America (including any supra-national agency such as in the European Union) necessary to commence human clinical trials in such jurisdiction.

**1.32 "IND Plan"** shall mean a written development plan for the conduct of preclinical toxicology and pharmacokinetic studies of a Product Candidate to support filing of an IND for such Product Candidate.

**1.33 "Information"** shall mean all tangible and intangible scientific, technical, trade, financial, or business information including, without limitation: a) cells, cell lines, organisms, animal models, genes, gene fragments, gene sequences and loci, probes, DNA, RNA, cDNA libraries, plasmids, vectors, expression systems, antibodies, proteins, and biological substances, and any constituents, progeny, mutants, derivatives or replications thereof or therefrom; b) compounds, solid state forms, compositions of matter, formulations, techniques, processes, methods, trade secrets, formulae, procedures, tests, apparatus, equipment, drawings, schemes, informatics, computer software, source code, computer hardware, data, results, analyses, documentation, reports, testing information (including without limitation, pharmacological, toxicological, preclinical, and clinical test design, methods, protocols, data, results, analyses, and conclusions), quality assurance and quality control information, knowledge, know-how, skill, and experience; c) inventions (whether patentable or not), patent applications, and patent positioning; d) sources of supply, relationships with consultants and employees, finances, financial plans, information relating to investors or potential investors, strategies, tactics, business plans, business developments; e) information concerning the existence, scope, or activities of any research, development, manufacturing, marketing, or other projects, and f) any other information about or belonging to a party, or its suppliers, licensors, licensees, partners, affiliates, customers, or potential suppliers, licensors, licensees, partners, or customers whether communicated in writing, verbally, or electronically, which is provided by one party to the other party or otherwise generated by a party in connection with this Agreement.

**1.34 "Inventions"** shall mean all inventions conceived, or simultaneously conceived and reduced to practice, in the course and as part of the Research Program.

**1.35 "Joint Development Committee"** or **"JDC"** shall mean a committee composed of three (3) representatives from Sepracor and three (3) representatives from ACADIA.

**1.36 "Joint Inventions"** shall mean all Inventions conceived, or simultaneously conceived and reduced to practice, jointly by Sepracor employees, consultants, or contractors and ACADIA employees, consultants, or contractors in the course and as part of the Research Program.

**1.37 "Joint Muscarinic Compounds"** shall mean any compounds, other than ACADIA Muscarinic Compounds or ACADIA's compound known as ACP-104 (N-desmethylclozapine) or ACP-104 Analogs, the primary mode of action of which is activity as a **[...***...]** of any one (1) or more of the muscarinic receptor subtypes, including, without limitation, $m_1$ **[...***...]** receptor subtypes, that is identified or developed during the course of the Research Program, but subject to exclusion of **[...***...]** Agonists under the circumstances described in Section 2.3(b).

**1.38 "Joint Patents"** shall mean all Patents that claim or disclose a Joint Invention.

**1.39 "Joint Research Committee"** or **"JRC"** shall mean a committee composed of three (3) representatives from Sepracor and three (3) representatives from ACADIA that is responsible for overseeing, monitoring, and making decisions relating to scientific aspects of the Research Program and compounds being investigated thereunder until such time as a compound is designated as a Product Candidate.

**1.40 "Licensed Compound"** shall mean the Chosen Compound that is identified by Sepracor in the Exercise Notice. For the avoidance of doubt, any Option Compound that is a Chosen Compound designated as Licensed Compound shall include Other Forms of such Option Compound.

**1.41 "Limited ACADIA Patents"** shall mean those ACADIA Patents listed on Schedule 1.41, as may be amended from time to time pursuant to Section 9.2(a)(iv), to which a Third Party has rights to file, prosecute, maintain, defend, or enforce for so long as such Third Party has any such right.

**1.42 "[...***...] Agonist"** shall mean any compound Controlled by ACADIA on the Effective Date or during the Research Term, the primary mode of action of which is activity as a selective agonist of the **[...***...]** muscarinic receptor subtype.

**1.43 "Major Market"** shall mean the **[...***...]**.

**1.44 "Materials"** shall have the meaning provided in Section 3.7.

**1.45 "Muscarinic Compound"** shall mean any ACADIA Muscarinic Compound or Joint Muscarinic Compound, but excluding any **[...***...]** Eyecare Compound and excluding any **[...***...]** Agonists under the circumstances described in Section 2.3(b). Notwithstanding the foregoing or any other provision of this Agreement to the contrary, neither ACADIA's compound known as ACP-104 (N-desmethylclozapine) nor any ACP-104 Analogs shall be considered Muscarinic Compounds for purposes of this Agreement.

**1.46 "Muscarinic Field"** shall mean the treatment, prevention, or both, of any disease or disorder in humans, but excluding the prevention or treatment of ocular disease.

**1.47 "Muscarinic Product"** shall mean a pharmaceutical product containing any Selected Muscarinic Compound (or any Other Forms of the Muscarinic Compound that is a Selected Muscarinic Compound) including, in each case, all formulations, line extensions and modes of administration thereof.

**1.48 "NDA"** shall mean a New Drug Application (as more fully defined in 21 C.F.R. 314.5 *et seq.*) and all amendments and supplements thereto filed with the FDA, or the equivalent application filed with any equivalent agency or governmental authority outside the United States of America (including any supra-national agency such as in the European Union), including all documents, data, and other information concerning a pharmaceutical product which are necessary for gaining Regulatory Approval to market and sell such pharmaceutical product.

**1.49** "**[...***...]**" shall mean any **[...***...]** of Licensed Compound that arise from **[...***...]**, if any, of Licensed Compound where the product of such **[...***...]**.

**1.50 "Net Sales"** shall mean, with respect to a Product, the gross amounts invoiced by Sepracor and its Affiliates and any of their Sublicensees in the United States (but not their respective Sublicensees outside the United States) for sales of Products to Third Parties that are not Affiliates or Sublicensees of the selling party (unless such Affiliate or Sublicensee is the end user of such Product, in which case the amount billed therefor shall be deemed to be the amount that would be billed to a Third Party end user in an arm's-length transaction), less the following items, as allocable to such Product (if not previously deducted from the amount invoiced): (a) trade, quantity or cash discounts actually allowed (provided that such discounts are not applied disproportionately to Product when compared to the other products of Sepracor, its Affiliates and Sublicensees in the United States, as applicable) including, charge back payments, administrative fees, and rebates granted to managed care organizations, purchasers and reimbursers or to trade customers, including but not limited to, wholesalers and chain and pharmacy buying groups, (b) credits actually allowed for claims, allowances for damaged goods, retroactive price reductions or returned goods, (c) prepaid freight, postage, shipping, customs duties and insurance charges and (d) sales taxes, value added taxes, duties and other governmental charges, rebates or charge backs actually paid in connection with the sale, to the extent not reimbursed (but excluding what are commonly known as income taxes).

In the event that Product is sold in the form of a Combination Product, Net Sales will be calculated by multiplying actual Net Sales (determined in accordance with the first paragraph of this Section 1.50) by the fraction A/(A+B) where: i) A is the invoice price of the Muscarinic Compound(s) contained in the Combination Product if sold separately by Sepracor, or its Affiliates or Sublicensees, during the applicable Calendar Quarter, and ii) B is the invoice price of any other active pharmaceutical component or components in the Combination Product if sold separately by Sepracor, or its Affiliates or Sublicensees, during the applicable Calendar Quarter. If Product is sold in the form of a Combination Product and one (1) or more of the active

pharmaceutical ingredients of the Combination Product is not sold separately, then Net Sales will instead be calculated as follows:

1) if the Muscarinic Compound(s) contained in the Combination Product is sold separately by Sepracor, or its Affiliates or Sublicensees, but the other active pharmaceutical component(s) contained in the Combination Product is not sold separately by Sepracor, or its Affiliates or Sublicensees, Net Sales (determined in accordance with the first paragraph of this Section 1.50) will be multiplied by the fraction C/D where: a) C is the invoice price of the Muscarinic Compound(s) contained in the Combination Product sold separately during the applicable Calendar Quarter, and b) D is the invoice price of the Combination Product sold separately during the applicable Calendar Quarter;

2) if the Muscarinic Compound(s) contained in the Combination Product is not sold separately by Sepracor, or its Affiliates or Sublicensees, but the other active pharmaceutical component(s) contained in the Combination Product is sold separately by Sepracor, or its Affiliates or Sublicensees, Net Sales (determined in accordance with the first paragraph of this Section 1.50) will be multiplied by the fraction 1-(E/F) where: a) E is the invoice price of the other active pharmaceutical component(s) contained in the Combination Product sold separately during the applicable Calendar Quarter, and b) F is the invoice price of the Combination Product sold separately during the applicable Calendar Quarter; and

3) if neither the Muscarinic Compound(s) contained in the Combination Product nor the other active pharmaceutical component(s) contained in the Combination Product is sold separately by Sepracor, or its Affiliates or Sublicensees, Net Sales (determined in accordance with the first paragraph of this Section 1.50) will be multiplied by the fraction one-half (1/2).

**1.51 "Option Compounds"** shall mean any compound Controlled by ACADIA as of the Effective Date the primary mode of action of which is activity as a selective inverse agonist of $5HT_{2A}$**[...***...]**. Notwithstanding the foregoing or any other provision of this Agreement to the contrary, ACADIA's compound known as ACP-103 shall not be considered an Option Compound for purposes of this Agreement.

**1.52 "Option Compound Information"** shall mean Information in ACADIA's Control that (a) is readily available to ACADIA, its Affiliates, or any of their employees, consultants, or contractors at the time such Information is to be provided, and (b) addresses any of the characteristics or properties of Option Compounds, Evaluation Compounds, Chosen Compounds, or Licensed Compound, as applicable, including, without limitation, Information relating to structure, methods or process for synthesis, metabolism, bioavailability, binding assays, functional assays, and any *in vivo* studies. If such Option Compound Information (i) relates to Option Compounds, it shall include such Information that exists as of the Effective Date, (ii) relates to Evaluation Compounds, it shall include such Information that exists as of the Effective Date and during the Preliminary Evaluation Period, (iii) relates to Chosen Compounds it shall include such Information that exists as of the Effective Date and during the Option Period, or (iv) relates to Licensed Compound it shall include Information that exists as of the Effective Date and during the Option Period.

**1.53 "Option Exercise Fee"** shall mean **[...***...]** dollars **($[...***...])**.

**1.54 "Option Period"** shall mean, cumulatively, the Preliminary Evaluation Period and the Final Evaluation Period, unless earlier terminated in accordance with Article 12.

**1.55 "Other Form"** shall mean, with regard to a particular compound, any and all: 1) **[...***...]**; 2) **[...***...]**; 3) **[...***...]**; 4) **[...***...]** of any of 1), 2), and (if applicable) 3) above; and 5) **[...***...]** of any of 1), 2), (if applicable) 3), and 4) above; provided, however, with regard to Licensed Compound, the term "Other Form" shall not include **[...***...]**, and further provided that with regard to Chosen Compounds (including Licensed Compound) the inclusion in the term "Other Form" of **[...***...]** pursuant clause 3) of this Section 1.55 shall be subject to the provisions of Sections 4.1(b)(ii) and 4.4(b).

**1.56 "Patents"** shall mean all issued or granted patents and all patent applications worldwide, including without limitation, any and all provisional applications, substitutions, inventor's certificate, divisions, RCEs, continuations, continuations-in-part, re-examinations, reissues, renewals, registrations, confirmations, extensions, term restorations, supplementary protection certificates, and any other filings thereof.

**1.57 "Percentage-Based Payments"** shall have the meaning provided in Section 7.7.

**1.58 "Phase I Clinical Trial"** shall mean a human clinical study conducted in accordance with good clinical practice in a small number of healthy volunteers or patients designed or intended to establish an initial safety profile, pharmacodynamics, or pharmacokinetics of a Product.

**1.59 "Phase II Clinical Trial"** shall mean a human clinical trial that satisfies the requirements for a Phase II study as defined in 21 C.F.R. 312.21(b) (or its successor regulation).

**1.60 "Phase III Clinical Trials"** shall mean a human clinical trial that satisfies the requirements for a Phase III study as defined in 21 C.F.R. 312.21(c) (or its successor regulation).

**1.61 "Preclinical Development Costs"** shall mean actual external costs incurred by ACADIA before the Effective Date, or at Sepracor's written request after the Effective Date, for conduct of any of the following types of studies using a compound that is at any time designated as a Licensed Compound specifically intended to support the filing of an IND: *in vivo* and *in vitro* genotoxicity; safety pharmacology; drug metabolism; pharmacokinetics; general toxicology studies; GLP and GMP drug supply manufacturing; or stability.

**1.62 "Preliminary Evaluation Period"** shall mean the period beginning upon Sepracor's receipt of Option Compound Information relating to all Evaluation Compounds pursuant to Section 4.1(a) and continuing until the earlier of (a) the **[...***...]** anniversary of Sepracor's receipt of such Information, or a later or earlier date as may be agreed upon by the parties in writing, or (b) the date of Sepracor's written notice to ACADIA identifying any Chosen Compound.

**1.63 "Preliminary Evaluation Work"** shall mean studies or work conducted by or on behalf of Sepracor, at Sepracor's cost and expense, using Evaluation Compounds that in Sepracor's sole determination are desirable for selecting Chosen Compounds, including without limitation, synthesis of Evaluation Compounds, binding assays, functional assays, metabolism, bioavailability, stability, and toxicology, but excluding any studies in humans.

**1.64 "Primary Selected Muscarinic Compound"** shall mean any Muscarinic Compound that, on or before the expiration or termination (other than termination by ACADIA in accordance with Section 12.2 or 12.4) of the Research Term, was designated a Product Candidate, and any Other Forms of any such Muscarinic Compound.

**1.65 "Product"** shall mean a Muscarinic Product or a Fixed Co-Formulation Product.

**1.66 "Product Candidate"** shall mean a Selected Muscarinic Compound approved by the JRC as a candidate for further research and development to support Regulatory Approval.

**1.67 "Product Candidate Criteria**" shall mean the information, evaluation parameters, and criteria established by the JRC.

**1.68 "Product Patents"** shall mean a) any and all ACADIA Patents (excluding Limited ACADIA Patents) that contain claims limited to Selected Muscarinic Compounds or Products under development or commercialization by or on behalf of Sepracor or its Affiliates or Sublicensees, including, without limitation, claims directed to an active pharmaceutical ingredient ("API"), Other Forms of an API, compositions comprising an API, formulations, delivery systems, processes for making any of the foregoing, and methods of using such API, Other Forms thereof, Selected Muscarinic Compounds or Products, and b) any and all Joint Patents that contain at least one (1) claim directed to one (1) or more Selected Muscarinic Compounds or Products under development or commercialization by or on behalf of Sepracor or its Affiliates or Sublicensees, including, without limitation, claims directed to an API, Other Forms of an API, compositions comprising an API, formulations, delivery systems, processes for making any of the foregoing, and methods of using such API, Other Forms thereof, Selected Muscarinic Compounds, or Products. For clarification, Product Patents shall not include any ACADIA Patent that contains one (1) or more claims directed to ACP-103, ACP-104, ACP-104 Analogs, **[...***...]** Eyecare Compounds, any Muscarinic Compound that is not a Selected Muscarinic Compound, or any Option Compound, including, without limitation, claims directed to an API, Other Forms of an API, compositions comprising an API, formulations, delivery systems, processes for making any of the foregoing, and methods of using such API, Other Forms thereof, such compounds, or products based on such compounds.

**1.69 "Regulatory Approval"** shall mean any and all approvals (including price and reimbursement approvals, if required), licenses, registrations, or authorizations of any country, federal, supranational, state or local regulatory agency, department, bureau or other government entity that are necessary for the manufacture, use, storage, import, transport and/or sale of a Product in such jurisdiction.

**1.70 "Research Plan"** shall mean the written plan for conducting the Research Program, as amended from time to time by the JRC.

**1.71 "Research Program"** shall mean a research program carried out by the parties during the Research Term for the identification and development of one or more Muscarinic Compounds with potential utility for the treatment or prevention of any indication in the Muscarinic Field, including without limitation **[...***...]**, as more fully described in Articles 2 and 3 of this Agreement and in the Research Plan. For purposes of clarification, the Research Program excludes the Evaluation.

**1.72 "Research Term"** shall mean the period beginning on the Effective Date and ending on the third anniversary of the Effective Date, subject to termination in accordance with Article 12 and extension for additional, consecutive **[...***...]** periods by written agreement of the parties.

**1.73 "Returned Products"** shall mean any Muscarinic Products based on Primary Selected Muscarinic Compounds and their respective Back-Up Selected Muscarinic Compounds, rights to which revert to ACADIA pursuant to Section 6.2(a)(i).

**1.74 "Royalty Term"** shall mean, in the case of any Product, in any country, the period of time commencing on the First Commercial Sale of such Product in such country and ending upon the later of either (a) **[...***...]** years after the date of First Commercial Sale of such Product in such country, or such earlier time as a Generic Version of such Product is launched in such country and (b) the expiration of the last to expire of any issued patent within the ACADIA Patents, Joint Patents, or Sepracor Patents arising from Sepracor Inventions, containing a claim directed to such Product or use thereof in such country.

**1.75 "Selected Indications"** shall mean, for each Primary Selected Muscarinic Compound and any Back-Up Selected Muscarinic Compounds thereof, one or more specific indications in the Muscarinic Field for which, on or before expiration or termination of the Research Term, Sepracor has the then-current good faith intention of pursuing clinical development.

**1.76 "Selected Muscarinic Compound"** shall mean a Primary Selected Muscarinic Compound or a Back-Up Selected Muscarinic Compound, as applicable.

**1.77 "Sepracor Inventions"** shall mean all Inventions conceived, or simultaneously conceived and reduced to practice, solely by Sepracor employees, consultants, or contractors in the course and as part of the Research Program.

**1.78 "Sepracor Know-How"** shall mean Information not included in the Sepracor Patents or Joint Patents that Sepracor or any of its Affiliates Controls on the Effective Date or during the Research Term that pertains to or arises from the Research Program or the Evaluation, or that is necessary for the development, manufacture, use, offer for sale, or sale of any Product, including, without limitation, all such Information that is conceived or developed by Sepracor or any of its Affiliates in the course and as part of the Research Program or the Evaluation, and, in each case, any replication or any part of such Information; *provided, however,* that Sepracor Know-How excludes any such Information relating to Eszopiclone Compounds, which is Confidential Information of Sepracor.

**1.79 "Sepracor Patents"** shall mean all Patents that Sepracor or any of its Affiliates Controls on the Effective Date or during the Research Term that are necessary or useful for (a) performance of the Research Program or the Evaluation, or (b) the development, manufacture, use, import, offer for sale, or sale of any Selected Muscarinic Compound, Licensed Compound or Product, but excluding Joint Patents, and also excluding any Patents directed to Eszopiclone Compounds or the use of Eszopiclone Compounds.

**1.80 "Sepracor Technology"** shall mean the Sepracor Patents, Sepracor Inventions, and Sepracor Know-How.

**1.81 "Sleep Field"** shall mean the treatment, prevention, or management, or any combination thereof, as a primary objective, of any condition, disturbance, disease, or disorder in humans the principal effect(s) of which are (i) on **[...***...]**, or (ii) to **[...***...]**, and also including, without limitation, any such condition, disturbance, disease, or disorder where the treatment, prevention, or management, or any combination thereof, of any such condition, disturbance, disease, or disorder may result, as a secondary objective, in **[...***...]** associated with or arising from any of the foregoing conditions, disturbances, diseases, or disorders. For clarification, the Sleep Field excludes **[...***...]** (including, without limitation, where the treatment, prevention, or management, or any combination thereof, of any of the foregoing conditions, disturbances, diseases, disorders, or psychoses may result, as a secondary objective, in **[...***...]** (excluding anything recited in the first sentence of this Section 1.81) associated with or arising from any of the foregoing conditions, disturbances, diseases, disorders or psychoses).

**1.82 "Stock Purchase Agreement"** shall mean the agreement discussed in more detail in Section 7.1.

**1.83 "Sublicensee"** shall mean a Third Party to whom Sepracor or any of its Affiliates has granted a license or sublicense to develop, make, have made, use, distribute for sale, promote, market, offer for sale, sell, have sold, import, or export Products, beyond the mere right to purchase Products from Sepracor or its Affiliates. For the avoidance of doubt, the parties agree that a Third Party acquiring all or substantially all of the business of Sepracor or its

Affiliates, whether by merger, sale of stock, sale of assets, or otherwise, shall not be a Sublicensee.

**1.84 "Sublicensing Revenues"** shall mean the amount actually received by Sepracor or an Affiliate of Sepracor from any and all Sublicensees (excluding any amounts described in the proviso below) arising from the license or sublicense of the right, **[...***...]**, to develop, make, have made, use, distribute for sale, promote, market, offer for sale, sell, have sold, import or export Products. Sublicensing Revenues shall include up-front or license fees, milestone payments, royalties paid to Sepracor or any of its Affiliates by a Sublicensee based on such Sublicensee's sale of Products, premiums above the fair market value on sales of securities, annual maintenance fees and any other payments in respect of the grant to such Sublicensee of a license or sublicense of the right, **[...***...]**, to develop, make, have made, use, distribute for sale, promote, market, offer for sale, sell, have sold, import or export Products (with any of the foregoing consideration received by Sepracor or its Affiliate other than in the form of cash to be valued at its fair market value as of the date of receipt); *provided, however,* that Sublicensing Revenues shall not include any payments tied directly to the provision of goods and services by Sepracor or its Affiliate to such Sublicensee (including, without limitation, any amounts received as reimbursement of costs or expenses actually incurred by Sepracor or its Affiliate for research, development, manufacturing (including, without limitation, packaging, samples, storage, and shipping), marketing, and payment of government fees) to compensate Sepracor or its Affiliate for the fair market value of the provision of such goods and services, or payments for securities (other than premiums above the fair market value of such securities).

**1.85 "Successful Completion"** shall mean, with respect to a Phase II Clinical Trial of a Product, that Sepracor has received the final report of the results of such Phase II Clinical Trial and Sepracor has not terminated all development of such Product within **[...***...]** of receipt of such final report and provided ACADIA with written notice thereof.

**1.86 "Term"** shall have the meaning provided in Section 12.1.

**1.87 "Third Party"** shall mean any entity other than ACADIA or Sepracor or an Affiliate of ACADIA or Sepracor.

**1.88 "Third Party Compound"** shall mean certain of the **[...***...]** Eyecare Compounds listed in Schedule 1.89 as of the Effective Date, which are licensed to a Third Party **[...***...]**.

**1.89 "[...***...] Eyecare Compounds"** shall mean specific Muscarinic Compounds and Other Forms thereof (excluding **[...***...]** as set forth in clause 3) of Section 1.55) that the parties agree are **[...***...]**, as listed in Schedule 1.89, as may be updated pursuant to Section 3.10(b).

## 2. RESEARCH PROGRAM GOVERNANCE

**2.1 Joint Research Committee.**

**(a) Formation & Chairperson.** Promptly after the Effective Date, the parties will form a Joint Research Committee. Each party may change the identity of any or all of its members on the JRC at any time in its sole discretion. One member of the JRC shall be selected to act as the chairperson of the JRC, with each chairperson acting for a term of **[...***...]**. The chairperson shall be selected **[...***...]** by ACADIA and Sepracor, and **[...***...]** shall designate the first chairperson.

**(b) JRC Meetings.** The JRC shall meet at least four (4) times per calendar year during the Research Term or at such greater frequency as the JRC agrees. Such meetings may be conducted by videoconference, teleconference or in person, as agreed by the parties (except that at least two (2) of such meetings per year shall be conducted in person), and the parties shall agree upon the time of meetings. A reasonable number of additional representatives of a party may attend meetings of the JRC in a non-voting capacity.

**(c) Reports.** Within **[...***...]** after each meeting, the JRC chairperson will provide the parties with a written report describing, in reasonable detail, the status of the Research Program, a summary of the results and progress to date, the issues requiring resolution, and the agreed resolution of previously reported issues.

**(d) Period.** The JRC shall remain in place until the expiration or termination of the Research Term.

**2.2 Joint Research Committee Functions and Powers.** The responsibilities of the JRC shall be as follows:

**(a)** reviewing scientific information and data for Muscarinic Compounds, and for Muscarinic Compounds that satisfy Product Candidate Criteria, voting on approval of such Muscarinic Compounds as Product Candidates;

**(b)** developing and approving the Research Plan within **[...***...]** of the Effective Date;

**(c)** overseeing and monitoring the progress of the Research Program;

**(d)** determining the total number (which shall not be less than **[...***...]** nor more than **[...***...]** at any given time, and shall be subject to the provisions of Section 3.4) and functional mix of ACADIA chemistry, *in vitro* biology and *in vivo* biology FTEs to be devoted to the Research Program; and

**(e)** sharing information generated in the course of the Preliminary Evaluation Work and the Evaluation Studies.

**2.3 Joint Research Committee Decision-Making.**

**(a) Voting.** Decisions of the JRC shall be made by unanimous vote, with each member present at or participating in such meeting having one vote; *provided, however,* that present or participating members of a party shall have the right to vote by proxy for members of that party who do not attend or participate. No vote of the JRC may be taken unless at least two (2) of each party's representatives are present for the JRC vote.

**(i)** If the JRC is unable to reach a unanimous vote on any matter, then the matter shall be referred to the Chief Scientific Officer of ACADIA and the Executive Vice President, Research and Development, of Sepracor for further discussion and resolution. These officers shall have **[...***...]** to attempt in good faith to resolve the matter and thereby make the decision on behalf of the JRC.

**(ii)** If the officers referred to in Section 2.3(a)(i) above are unable to reach an agreement at the end of the **[...***...]** period, then the matter shall be referred to the Chief Executive Officer of ACADIA and the Chief Executive Officer of Sepracor. The CEOs shall have **[...***...]** to attempt in good faith to resolve the matter and thereby make the decision on behalf of the JRC.

**(iii)** If the CEOs are unable to reach an agreement on such matters at the end of the **[...***...]** period referred to in Section 2.3(a)(ii) above, then Sepracor shall have the right to make the final decision on behalf of the JRC, but in no event will Sepracor have the right to increase the number of ACADIA FTEs beyond **[...***...]** FTEs in any year of the Research Term without ACADIA's written consent.

**(b) Reversion of [...***...] Agonists.** If (i) the JRC determines, in accordance with Section 2.3(a) above, at any time during the Research Term, that research and development of **[...***...]** Agonists is not being currently pursued under the Research Program or in good faith planned to be pursued under the Research Program during the Research Term as reflected in the Research Plan, or (ii) at the end of the Research Term, there is not at least one (1) **[...***...]** Agonist that has been designated as a Primary Selected Muscarinic Compound, then, effective upon the date of such determination under subsection (i) or the end of the Research Term under the circumstances described in subsection (ii), as applicable, all **[...***...]** Agonists shall be excluded from the definition of Muscarinic Compounds for purposes of this Agreement (including, without limitation, the license granted to Sepracor under Section 6.1(a)) and shall no longer be subject to this Agreement, and ACADIA shall be free to pursue research, development and commercialization of **[...***...]** Agonists for any indication, itself or with its Affiliates and Third Parties.

**2.4 Joint Development Committee.**

**(a) Formation & Chairperson.** Promptly after the selection of the first Product Candidate, the parties will form a Joint Development Committee. Each party may change the identity of any or all of its members on the JDC at any time in its sole discretion. One (1) member of the JDC shall be selected to act as the chairperson of the JDC, with each chairperson acting for a term of **[...***...].** The chairperson shall be selected **[...***...]** by ACADIA and Sepracor, and **[...***...]** shall designate the first chairperson.

**(b) JDC Meetings.** The JDC shall meet at least four (4) times per year during the Research Term and for so long thereafter as any Product Candidate is in preclinical studies conducted prior to filing of an IND for the Product Candidate, or at such greater frequency as the JDC agrees. Such meetings may be conducted by videoconference, teleconference or in person, as agreed by the parties (except that at least two (2) of such meetings per year shall be conducted in person), and the parties shall agree upon the time of meetings. A reasonable number of additional representatives of a party may attend meetings of the JDC in a non-voting capacity.

**(c) Reports.** Within **[...***...]** after each meeting, the JDC chairperson will provide the parties with a written report describing, in reasonable detail, the status of development efforts with respect to each Product Candidate, a summary of the results and progress to date, the issues requiring resolution, and the agreed resolution of previously reported issues.

**(d) Period.** The JDC shall remain in place for so long as any Product Candidate (including any Other Forms of such Product Candidate) remains in preclinical studies conducted prior to IND filing and has not been entered into clinical trials.

**2.5 Joint Development Committee Functions and Powers.** The responsibilities of the JDC shall be as follows:

**(a)** developing and approving an IND Plan for each Product Candidate, within **[...***...]** of the JRC's selection of such Product Candidate;

**(b)** overseeing development and regulatory strategies for Product Candidates prior to acceptance of an IND for a Product Candidate;

**(c)** carrying out the other duties and responsibilities described for it in this Agreement; and

**(d)** so long as a JDC remains in effect, act as a mechanism for Sepracor to provide updates to ACADIA related to work with Product Candidates following acceptance of an IND for the same.

For purposes of clarification, the JDC's authority shall be Product-specific (i.e., the JDC shall exercise its rights under this Article 2 on a Product-by-Product basis, commencing as of designation of a Product Candidate and ending at such time as an IND is accepted for a Muscarinic Product based on such Product Candidate (or Other Forms of such Product Candidate)).

**2.6 Joint Development Committee Decision-Making.** Decisions of the JDC shall be made by unanimous vote, with each member present at or participating in such meeting having one vote; *provided, however,* that present or participating members of a party shall have the right to vote by proxy for members of that party who do not attend or participate. No vote of the JDC may be taken unless at least two (2) of each party's representatives on the JDC are present to vote.

*****Confidential Treatment Requested**

**(a)** If the JDC is unable to reach a unanimous vote on any matter, then the matter shall be referred to the Chief Scientific Officer of ACADIA and the Executive Vice President, Research and Development, of Sepracor for further discussion and resolution. These officers shall have **[...***...]** to attempt in good faith to resolve the matter and thereby make the decision on behalf of the JDC.

**(b)** If the officers referred to in Section 2.6(a) above are unable to reach an agreement by the end of the **[...***...]** period, then the matter shall be referred to the Chief Executive Officer of ACADIA and the Chief Executive Officer of Sepracor. The CEOs shall have **[...***...]** to attempt in good faith to resolve the matter and thereby make the decision on behalf of the JDC.

**(c)** If the CEOs fail to reach an agreement by the end of the **[...***...]** period referred to in Section 2.6(b) above, then Sepracor shall have the right to make the final decision on behalf of the JDC.

**2.7 Product Business Decisions.** All business decisions relating to development, promotion, or commercialization of any Product in any country, including, but not limited to, decisions concerning commercial activities, labeling, pricing, reimbursement, trademarks, brand names, logos, packing, package design, sales, package inserts, promotional materials, and promotional activities, and the decision to launch or continue to market any Product in any country, shall be within the sole discretion of Sepracor.

## 3. CONDUCT OF THE RESEARCH PROGRAM

**3.1 Objectives; Responsibilities.** The parties hereby agree to establish the Research Program, to be conducted by the parties during the Research Term in accordance with the Research Plan, any IND Plan and the terms of this Agreement, with the goal of identifying **[...***...]** Muscarinic Compounds with potential utility in the Muscarinic Field and developing **[...***...]** Muscarinic Products for further development and commercialization by Sepracor in the Muscarinic Field, including, without limitation, the treatment or prevention of **[...***...]**. The initial Research Plan shall be mutually agreed upon in writing by the parties as promptly as practicable (but in any event within **[...***...]** following the Effective Date). Any amendments or revisions to the Research Plan shall be in writing and shall require unanimous approval of the JRC. During the Research Program, there shall be no limit on the number of Muscarinic Compounds or Product Candidates that are worked on or evaluated.

**3.2 Technology Transfer.** Commencing immediately after the Effective Date and from time to time thereafter during the Research Term, ACADIA shall disclose to Sepracor such ACADIA Technology as is reasonably necessary to enable Sepracor to carry out its obligations under the Research Program and to exercise fully the licenses granted to Sepracor under this Agreement, and Sepracor shall disclose to ACADIA such Sepracor Technology as is reasonably necessary to enable ACADIA to carry out its obligations under the Research Program and to exercise fully the licenses granted to ACADIA under this Agreement.

**3.3 Performance Standards.** Each party shall conduct its activities under the Research Program and any IND Plan in good scientific manner, and in compliance in all material respects with the requirements of applicable laws and regulations and with applicable good laboratory practices, to attempt to achieve its objectives efficiently and expeditiously. Each party shall maintain laboratories, offices and all other facilities reasonably necessary to carry out the activities to be performed by it pursuant to the Research Plan or any IND Plan. In conformity with standard pharmaceutical and biotechnology industry practices and the terms and conditions of this Agreement, each party shall prepare and maintain, or shall cause to be prepared and maintained, complete and accurate written records, accounts, notes, reports, and data with respect to activities conducted pursuant to the Research Plan or any IND Plan and, upon the other party's written request, shall send legible copies of the aforesaid to the other party, all of which shall be subject to the confidentiality and other obligations of Article 11. Upon reasonable advance notice, each party agrees to make its employees and non-employee consultants reasonably available at their respective places of employment to consult with the other party on issues arising under the Research Program during the Research Term or relating to development or commercialization of Products (provided that, if consultation by employees or consultants of ACADIA relating to development or commercialization of Products requested by Sepracor after the Research Term involves additional laboratory services or performance of preclinical or clinical studies, Sepracor shall reimburse ACADIA for such employees' or consultants' time spent carrying out such services or studies in accordance with the terms of a separately negotiated agreement).

**3.4 Research Commitment.**

**(a) Commitment/FTEs.** During the Research Term, each party shall use its commercially reasonable efforts to perform its responsibilities under the Research Plan and any IND Plan in accordance with such plan and the terms and conditions of this Agreement. Without limiting the generality of the foregoing, ACADIA shall devote to the performance of its responsibilities under the Research Plan and any IND Plan such number of FTEs as is determined by the JRC in accordance with Article 2, provided that in no event shall ACADIA be obligated to devote more than an aggregate of **[...***...]** FTEs to all Research Plan and IND Plan activities at any given time, and further provided that, in the event that ACADIA is obligated to devote more than **[...***...]** FTEs in any year, for that year, Sepracor will increase the research funding described in Section 7.3 of this Agreement by an incremental rate of **[...***...]** per FTE, subject to Section 3.4(b) below; and further provided that, with respect to staffing of FTEs for the Research Program, ACADIA shall **[...***...]**.

**(b) No Express or Implied Employment.** Nothing in this Agreement creates or intends to create, any express or implied employment by Sepracor or its Affiliates of any ACADIA FTE, and no FTE funded by Sepracor in accordance with this Agreement shall be entitled to any Sepracor, or its Affiliates, benefits, including without limitation, employee stock options, employee stock purchase plans, 401(k) programs, health insurance, or workers compensation. ACADIA is responsible for all employee withholding taxes or other taxes owed with regard to any FTE in any country, and shall indemnify and hold Sepracor harmless for any claims, suits, or causes of action relating thereto.

**(c) FTE Reports.** At or before each JRC meeting, ACADIA shall provide Sepracor with a quarterly FTE allocation report for the Research Program and a list of the FTEs staffing the Research Program. In addition, Sepracor may request an interim FTE allocation report at any time by providing written notice to ACADIA, and ACADIA shall provide such interim report to Sepracor within **[...***...]** thereafter; provided, however, that Sepracor may not request an interim report more than one (1) time per Calendar Quarter. The format and content of the FTE allocation report shall be decided by the JRC at its first meeting after the Effective Date.

**3.5 Research Reports.** Each party shall keep the other party fully informed as to all discoveries and technical developments (including, without limitation, any Inventions) made in the course of performing activities under the Research Plan or any IND Plan. In particular, each party shall prepare, and distribute to all members of the applicable Committee no later than **[...***...]** prior to the next Committee meeting, a reasonably detailed written summary report, in such form and format and setting forth such information regarding the results and progress of performance of the Research Plan or IND Plan activities, as applicable, as determined from time to time by such Committee. Nothing herein shall require ACADIA or Sepracor to disclose to the other information received from or generated for a Third Party that remains subject to *bona fide* confidentiality obligations to such Third Party.

**3.6 Subcontracts.** A party may perform some of its obligations under the Evaluation, the Research Plan, or any IND Plan through one (1) or more subcontractors, provided that (a) none of the other party's rights hereunder are diminished or otherwise adversely affected as a result of such subcontracting, (b) the subcontractor undertakes in writing obligations of confidentiality and non-use regarding Confidential Information which are substantially the same as those undertaken by the parties pursuant to Article 11 hereof, and (c) the subcontractor is approved by the JRC, provided that Sepracor shall not require approval by the JRC, JDC, or ACADIA with regard to any work performed by subcontractors or on behalf of Sepracor or its Affiliates relating to Product Candidates or development or commercialization of Products. In the event a party performs any of its obligations under the Research Plan or any IND Plan through a subcontractor, then such party will at all times be responsible for the performance and payment of such subcontractor.

**3.7 Materials Transfer.** In order to facilitate the Research Program and the Evaluation, either party may provide to the other party certain biological materials or chemical compounds Controlled by the supplying party, including, but not limited to, Muscarinic Compounds, Option Compounds or Other Forms of any of the foregoing (collectively, ***"Materials"***) for use by the other party in furtherance of the Research Program, any IND Plan or the Evaluation, as applicable. Except as otherwise provided under this Agreement, all such Materials delivered to the other party will remain the sole property of the supplying party, will be used only in furtherance of the Research Program or Evaluation in accordance with this Agreement, will not be used or delivered to or for the benefit of any Third Party, except for subcontractors pursuant to Section 3.6, without the prior written consent of the supplying party, and will be used in compliance with all applicable laws, rules and regulations. The Materials supplied under this Agreement must be used with prudence and appropriate caution in any experimental work because not all of their characteristics may be known. Except as expressly set forth herein, THE MATERIALS ARE PROVIDED "AS IS" AND WITHOUT ANY

REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE OR ANY WARRANTY THAT THE USE OF THE MATERIALS WILL NOT INFRINGE OR VIOLATE ANY PATENT OR OTHER PROPRIETARY RIGHTS OF ANY THIRD PARTY.

**3.8 Selected Muscarinic Compounds.**

**(a) Back-Up Selected Muscarinic Compounds.** Upon expiration or termination of the Research Term (other than termination by ACADIA in accordance with Section 12.2 or 12.4), Sepracor shall have the right to designate up to **[...***...]** Back-Up Selected Muscarinic Compounds for each Primary Selected Muscarinic Compound by providing written notice to ACADIA for each such designation within **[...***...]** of such expiration or termination.

**(b) Selected Indications.** With respect to each Primary Selected Muscarinic Compound and Back-Up Selected Muscarinic Compounds thereof, Sepracor shall, by no later than **[...***...]** following expiration or termination of the Research Term (other than termination by ACADIA in accordance with Section 12.2 or 12.4), provide ACADIA with written notice identifying Selected Indications for the same.

**(c) Post-Research Term Rights.**

**(i)** Upon expiration or termination of the Research Term (other than termination by ACADIA in accordance with Section 12.2 or 12.4), all rights (excluding any rights under Sepracor Technology or Sepracor's interest as an owner of Joint Patents) to any Muscarinic Compound that is not designated as a Selected Muscarinic Compound within **[...***...]** after the effective date of such expiration or termination shall revert to ACADIA. From and after such time, Sepracor shall not develop, or attempt to develop, any Muscarinic Compound Controlled by ACADIA (excluding Joint Muscarinic Compounds Controlled by both parties), or Other Forms of any such Muscarinic Compound, that is not a Selected Muscarinic Compound, and Sepracor's license under Section 6.1(a)(iii) shall only apply to Selected Muscarinic Compounds (including Back-Up Selected Muscarinic Compounds designated in accordance with this Section 3.8). For purposes of clarification, and notwithstanding any of the foregoing provisions of this Section 3.8 regarding designation of Selected Indication(s) to the contrary, for so long as Sepracor's license under Section 6.1(a)(iii) remains in effect with respect to a Selected Muscarinic Compound, Sepracor shall have the exclusive right to develop and commercialize such Selected Muscarinic Compound for any indications in the Muscarinic Field, and ACADIA and its Affiliates shall not have any right to develop, commercialize, or sell (alone or through a Third Party) any Selected Muscarinic Compound outside the Muscarinic Field.

**(ii)** Upon expiration or termination of the Research Term, except as otherwise specifically provided in Section 6.1(b)(ii), ACADIA shall not have any rights or licenses in, to, or under any Sepracor Technology, or other Patents (excluding Joint Patents) or Information belonging to or provided by Sepracor or its Affiliates, and ACADIA shall not use the same or share it with any Third Party. Upon expiration or termination of the Research Term,

except as otherwise specifically provided in Section 6.1(a)(iii) and (iv), Sepracor shall not have any rights or licenses in, to, or under any ACADIA Technology, or other Patents (excluding Joint Patents) or Information belonging to or provided by ACADIA or its Affiliates, and Sepracor shall not use the same or share it with any Third Party.

**3.9 Exclusivity.** Until **[...***...]** of the expiration or termination of the Research Term (other than termination by ACADIA in accordance Section 12.2 or 12.4), ACADIA shall not develop or commercialize (either directly or through any Third Party) any Muscarinic Compound for use in the Selected Indications. However, if, at any time prior to **[...***...]** of the expiration or termination of the Research Term (other than termination by ACADIA in accordance with Section 12.2 or 12.4), Sepracor is not engaged in any development or commercialization efforts whatsoever with respect to at least one (1) Selected Muscarinic Compound or Muscarinic Product for any given Selected Indication, or either (i) Sepracor in good faith notifies ACADIA in writing that it intends to abandon research and development of all Selected Muscarinic Compounds or Muscarinic Products for such Selected Indication or (ii) the minutes of any board or committee meeting of Sepracor reflect Sepracor's abandonment of research and development of all Selected Muscarinic Compounds and Muscarinic Products for such Selected Indication, then the restriction set forth in the first sentence of this Section 3.9 shall terminate with respect to such Selected Indication.

**3.10 ACADIA Development of [...***...] Eyecare Compounds.**

**(a) Original [...***...] Eyecare Compounds.** Sepracor agrees that ACADIA shall retain all rights (excluding any rights under Sepracor Technology or Sepracor's interest as an owner of Joint Patents) to pursue, itself or with any Affiliate or Third Party, one (1) or more **[...***...]** Eyecare Compounds subject to the terms and provisions of this Agreement.

**(b) Designation of New [...***...] Eyecare Compounds.** From time to time during the Research Term, ACADIA may provide Sepracor written notice identifying one (1) or more Muscarinic Compounds that ACADIA in good faith believes are **[...***...]** due to one or more factors (such as **[...***...]**), and such written notice will provide Sepracor with data to evidence such unsuitability and shall include a request to designate the identified Muscarinic Compounds as **[...***...]** Eyecare Compounds. Should Sepracor believe, in good faith, that any of such Muscarinic Compounds identified by ACADIA in its written notice are suitable or potentially suitable for **[...***...]** Sepracor shall provide ACADIA with written notice identifying the Muscarinic Compound(s) described in ACADIA's notice that Sepracor believes are suitable for **[...***...]** or that Sepracor believes inadequate information exists at the time to determine whether any such Muscarinic Compound is suitable for **[...***...]**, and explaining its rationale for such belief, within **[...***...]** of receipt of such notice from ACADIA, and such Muscarinic Compound(s) shall not be considered **[...***...]** Eyecare Compounds. If Sepracor notifies ACADIA that Sepracor agrees with ACADIA's determination of such Muscarinic Compound(s)' unsuitability for **[...***...]**, or if Sepracor does not respond to ACADIA's written notice regarding the unsuitability of such Muscarinic Compound(s) for **[...***...]** within **[...***...]** after receipt of such notice, such Muscarinic Compound(s) shall be deemed **[...***...]** Eyecare Compound(s) and shall cease to be considered Muscarinic Compound(s) for purposes of this Agreement.

**(c) Other Requests.** From time to time during the Research Term, ACADIA may, by written notice to Sepracor, request Sepracor's written consent that ACADIA may pursue research, development and commercialization (either directly or through its Affiliates or any Third Party) for Eyecare Indications of one or more specific Muscarinic Compounds (excluding any Selected Muscarinic Compounds) that are potentially suitable for systemic administration. Sepracor agrees to consider in good faith any such request, and provide ACADIA with written notice of its determination.

## 4. EVALUATION; LICENSE OPTION

### 4.1 Option Period.

**(a) Preliminary Evaluation Period.** Within **[...***...]** of the Effective Date, ACADIA will send Sepracor all then existing Option Compound Information, and a written notice confirming that all then existing Option Compound Information was sent to Sepracor. Within **[...***...]** of Sepracor's receipt of all Option Compound Information, Sepracor shall identify to ACADIA, by written notice, **[...***...]** Evaluation Compounds for the purpose of conducting Preliminary Evaluation Work. Within **[...***...]** of receipt of Sepracor's notice identifying Evaluation Compounds, ACADIA will provide Sepracor with Option Compound Information not previously provided to Sepracor relating to Evaluation Compounds, including without limitation methods and processes for synthesizing the same, and to the extent available, reasonable quantities of each Evaluation Compound for purposes of conducting Preliminary Evaluation Work during the Preliminary Evaluation Period.

**(b) Selection of Chosen Compounds.**

**(i) Selection.** Sepracor shall have the right, exercisable by written notice to ACADIA from the Effective Date and throughout the Preliminary Evaluation Period, to designate up to **[...***...]** Chosen Compounds for purposes of conducting Evaluation Studies during the Final Evaluation Period. Sepracor will use good faith efforts to make the designation of the Chosen Compounds as promptly as possible within the Preliminary Evaluation Period. Within **[...***...]** of ACADIA's receipt of Sepracor's notice designating Chosen Compounds, ACADIA shall deliver to Sepracor a reasonably detailed written summary of existing Preclinical Development Costs for each Chosen Compound.

**(ii) Identification of Other Forms.** By no later than **[...***...]** from the date of its written notice designating Chosen Compounds pursuant to Section 4.1(b)(i) above, Sepacor shall send ACADIA a written notice providing a cumulative list designating all compounds that Sepracor believes in good faith may be Chosen Compound **[...***...]** based on scientifically acceptable principles and methods, and the compounds on such list shall thereafter be the only **[...***...]** for Chosen Compounds included in the term "Other Form" pursuant to clause 3) of Section 1.55.

**(c) Evaluation Reports**. On a **[...***...]** during the Option Period, Sepracor will provide to ACADIA the Evaluation Results and a summary of other Sepracor

Know-How generated in the course of the Preliminary Evaluation Work or Evaluation Studies, which may be provided through the JRC.

**(d) Use of Evaluation Results.** Except as otherwise provided in this Agreement, Sepracor shall use Option Compound Information, Option Compounds, and Evaluation Results solely for the purpose of carrying out the Evaluation. Without limiting the generality of the foregoing, except as otherwise provided in this Agreement, Sepracor agrees that after the Effective Date it shall not (i) use Option Compounds, Option Compound Information, or Evaluation Results received or generated by Sepracor pursuant to this Agreement in research that is subject to licensing, or similar obligations to any Third Party, (ii) disclose or transfer Option Compounds, Option Compound Information, or Evaluation Results to any Third Party without ACADIA's prior written consent except as otherwise provided in Section 3.6 of this Agreement, (iii) develop, or attempt to develop, any Other Forms of any Option Compound; or (iv) except as otherwise provided in Section 9.3, file (or cause to be filed) any patent application anywhere in the world containing any Option Compound Information or any results of the Evaluation Studies, or that contains compound claims directed to any Option Compound or Other Forms thereof, or any method of use of any Option Compound or Other Forms thereof, without ACADIA's prior written consent.

**4.2 Extension of Option Period for ACADIA Delay.** The Option Period may be extended by the parties if ACADIA does not timely provide the Option Compound Information or the required quantities of Evaluation Compounds in accordance with Section 4.1. If Sepracor in good faith believes that ACADIA has not timely provided such Option Compound Information or Evaluation Compounds, Sepracor shall provide ACADIA with written notice thereof, and the parties shall negotiate in good faith and mutually agree in writing upon an extension of the Option Period that is commensurate with the duration of any delay in the Evaluation caused by ACADIA's failure to comply with its obligations under Section 4.1.

**4.3 Grant of Option.** Subject to the terms and conditions of this Agreement, ACADIA hereby grants to Sepracor an option (the ***"Option"***), exercisable during the Final Evaluation Period with respect to one (1) Chosen Compound, to obtain an exclusive, worldwide, royalty-bearing license, with the right to sublicense, under the ACADIA Technology to develop, make, have made, use, distribute, distribute for sale, promote, sell, offer for sale, have sold, or import Fixed Co-Formulation Products in the Sleep Field.

**4.4 Exercise of Option & Licensed Compound Other Forms.**

**(a) Option Exercise.** Subject to the terms and conditions of this Agreement, Sepracor may exercise the Option granted under Section 4.3 at any time during the Final Evaluation Period by sending the Exercise Notice to ACADIA and by paying the Option Exercise Fee to ACADIA in accordance with the terms of Section 7.2 of this Agreement. Sepracor will use commercially reasonable efforts to exercise the Option as promptly as possible within the Final Evaluation Period.

**(b) Licensed Compound Other Forms.**

**(i) Initial Identification.** By no later **[...***...]** from the date of the Exercise Notice, Sepracor shall send ACADIA a written notice providing a list designating all compounds from the list provided pursuant to Section 4.1(b)(ii) of **[...***...]** for each of the Chosen Compounds that Sepracor believes in good faith may be Licensed Compound **[...***...]** (hereinafter "***Initial* [...***...] *List***"), and the compounds on the Initial **[...***...]** List shall thereafter be the only **[...***...]** for Licensed Compound included in the term "Other Form" pursuant to clause 3) of Section 1.55.

**(ii) Final Identification.** By no later than **[...***...]** of Sepracor's submission of an NDA for Fixed Co-Formulation Product, Sepracor shall send ACADIA a written notice providing a list designating **[...***...]** compounds from the Initial **[...***...]** List that Sepracor believes in good faith may be Licensed Compound **[...***...]** (hereinafter ***"Final* [...***...] *List")***, and the compounds on such list shall thereafter be the only **[...***...]** for Licensed Compound included in the term "Other Form" pursuant to clause 3) of Section 1.55.

**(iii) ACADIA's Right to Request Removal**. During the period between the date of the written notice providing the Initial **[...***...]** List and the date of the written notice providing the Final **[...***...]** List, ACADIA may send Sepracor written notice requesting that Sepracor consider removing one or more compounds from the Initial **[...***...]** List. Sepracor shall consider ACADIA's request in good faith and advise ACADIA of its decision **[...***...]** of Sepracor's receipt of ACADIA's written notice. If Sepracor decides to grant ACADIA's request to remove a compound(s) from the Initial **[...***...]** List, such compound(s) shall be removed from the Initial **[...***...]** List **[...***...]** of Sepracor's written notice to ACADIA and thereafter shall not be a **[...***...]** of Licensed Compound included in the term "Other Form" pursuant to clause 3) of Section 1.55.

**4.5 Reimbursement for Licensed Compound**. If Licensed Compound is an Option Compound for which ACADIA has unreimbursed Preclinical Development Costs, then Sepracor shall reimburse ACADIA for **[...***...]** such Preclinical Development Costs. ACADIA shall deliver a reasonably detailed written invoice of such Preclinical Development Costs to Sepracor within **[...***...]** of ACADIA's receipt of Sepracor's Exercise Notice, and Sepracor shall pay such invoice in full within **[...***...]** of receipt.

**4.6 Reservation of Rights.** ACADIA shall retain all rights to research, develop, and commercialize all Option Compounds (including the Evaluation Compounds and the Chosen Compounds), whether alone or in combination with another active ingredient (excluding Eszopiclone Compounds), for all indications subject to the following:

**(a)** during the Preliminary Evaluation Period, ACADIA shall not develop or commercialize (whether such development and commercialization is conducted directly by ACADIA or its Affiliates or through or in collaboration with any Third Party) any Evaluation Compound (or products containing any Evaluation Compound) for any indication in the Sleep Field;

**(b)** during the Final Evaluation Period, ACADIA shall not develop or commercialize (whether such development and commercialization is conducted directly by ACADIA or its Affiliates or through or in collaboration with any Third Party) any Chosen Compound (or products containing any Chosen Compound) for any indication in the Sleep Field;

**(c)** if Sepracor exercises the Option, for so long as Sepracor complies with its diligence obligations under Section 6.2 with respect to at least one Fixed Co-Formulation Product, ACADIA shall not research, develop, promote (including without limitation, publications, abstracts, presentations, labeling, and package or product inserts), or commercialize (whether such research, development, promotion, and commercialization is conducted directly by ACADIA or its Affiliates or through or in collaboration with any Third Party) Licensed Compound (or products containing Licensed Compound) for any indication in the Sleep Field; and

**(d)** if Sepracor exercises the Option, for so long as Sepracor complies with its diligence obligations under Section 6.2 with respect to at least one Fixed Co-Formulation Product, ACADIA shall not research, develop, promote (including without limitation, publications, abstracts, presentations, labeling, and package or product inserts), or commercialize (whether such research, development, promotion, and commercialization is conducted directly by ACADIA or its Affiliates or through or in collaboration with any Third Party) **[...***...]** (or products containing **[...***...]**) for any indication in the Sleep Field.

**4.7 Effect of Expiration or Termination of Option Period.**

**(a) Option Compound Supplies.** Upon any termination or expiration of the Option Period, Sepracor shall return to ACADIA or, at ACADIA's election, destroy all remaining amounts of Option Compounds provided by ACADIA, destroy all remaining amounts of Options Compounds synthesized by or for Sepracor, and provide to ACADIA written certification of such return or destruction; *provided*, *however,* that if Sepracor has exercised the Option prior to the end of the Option Period in accordance with Section 4.4, Sepracor shall be entitled to retain all amounts of Licensed Compound remaining in its possession until the expiration or termination of the license covering the Licensed Compound.

**(b) Option Not Exercised.** If Sepracor does not exercise the Option prior to the end of the Option Period, then within **[...***...]** following the expiration or termination of the Option Period, Sepracor shall provide ACADIA with all preclinical and toxicology and other data generated by Sepracor with respect to each of the Chosen Compounds as a single agent, and ACADIA shall be free to use such data for any purpose other than development of a product containing an Eszopiclone Compound.

**(c) Option Exercised.** If Sepracor exercises the Option, then within **[...***...]** following such exercise, Sepracor shall provide ACADIA with all preclinical and toxicology and other data generated by Sepracor with respect to the Licensed Compound (but not any other Chosen Compounds) as a single agent, and hereby grants ACADIA the right to use such data with respect to the Licensed Compound for the purpose of developing and commercializing the Licensed Compound for indications outside of the Sleep Field (whether such development and commercialization is conducted directly by ACADIA or its

Affiliates, through or in collaboration with any Third Party, or some combination of the foregoing).

**(d) ACADIA's Rights.** Upon identification of Evaluation Compounds pursuant to Section 4.1(a), all rights to all Option Compounds other than the Evaluation Compounds granted by ACADIA to Sepracor shall terminate and revert to ACADIA. Upon expiration or termination of the Preliminary Evaluation Period, all rights to all Evaluation Compounds other than the Chosen Compounds granted by ACADIA to Sepracor shall terminate and revert to ACADIA. Upon expiration or termination of the Final Evaluation Period (including, without limitation, by reason of Sepracor's exercise of the Option), any right or license granted to Sepracor by ACADIA under this Agreement with respect to Chosen Compounds (other than Licensed Compound if Sepracor exercises the Option and only for so long as Sepracor's license under Section 6.1(a)(iv) remains in effect) shall terminate and revert to ACADIA.

## 5. DEVELOPMENT AND COMMERCIALIZATION OF PRODUCTS

**5.1 Development and Commercialization of Products.** Subject to the terms and conditions of this Agreement (including, without limitation, Sections 5.2 and 6.2), on a Product-by-Product basis, commencing as of designation of a Product Candidate (in the case of Muscarinic Products) or exercise of the Option (in the case of Fixed Co-Formulation Products), Sepracor shall control, and be solely responsible for the costs associated with, the worldwide development and commercialization of Products, including, but not limited to, the worldwide supply of Products for use in development and commercialization activities.

**5.2 Disclosure Regarding Sepracor Efforts.** During the Term, Sepracor will keep ACADIA regularly and fully informed regarding the worldwide development and commercialization of Products by Sepracor, its Affiliates and Sublicensees. Without limiting the generality of the foregoing, Sepracor shall provide ACADIA with prompt written notice of the following:

**(a)** filing of any regulatory documents with respect to any Product in any Major Market;

**(b)** initiation of Phase I Clinical Trials, Phase II Clinical Trials, and Phase III Clinical Trials with respect to any Product in any Major Market; and

**(c)** any significant developments, clinical trial progress, Regulatory Approval and commercialization plans, activities and results with respect to Products.

In addition, on **[...***...]** basis prior to Regulatory Approval of a Muscarinic Product (and, if Sepracor has exercised its Option, a Fixed Co-Formulation Product) in a Major Market and on **[...***...]** basis thereafter during the Term, Sepracor shall provide ACADIA with a reasonably detailed description of development status for Products, including results of preclinical studies and clinical trials, and Sepracor will from time to time, in good faith, provide ACADIA with any reports on development status and study results with respect to Muscarinic Compounds or Chosen Compounds that are generated for Sepracor's own internal use. Following Regulatory Approval of a Muscarinic Product (and, if Sepracor has exercised its Option, a Fixed Co-

Formulation Product) in a Major Market, Sepracor shall provide ACADIA with **[...***...]** written reports regarding Sepracor's marketing strategy and plans with respect to Products. Any and all information, reports, documents, notices, and the like provided hereunder shall be Sepracor's Confidential Information and shall be subject to the confidentiality and other obligations set forth in Article 11 of this Agreement.

## 6. LICENSES

### 6.1 License Grants.

**(a) By ACADIA.**

**(i) Research Program License.** Subject to the terms and conditions of this Agreement, ACADIA hereby grants to Sepracor, during the Research Term, a non-exclusive, worldwide, fully-paid up license, without the right to sublicense (except to subcontractors as provided in Section 3.6 of this Agreement), under the ACADIA Technology solely to perform Sepracor's obligations under the Research Program.

**(ii) Evaluation License Grant.** Subject to the terms and conditions of this Agreement, ACADIA hereby grants to Sepracor, during the Option Period, a non-exclusive, fully paid-up, limited research-use only license, without the right to sublicense (except to subcontractors as provided in Section 3.6 of this Agreement), under the ACADIA Technology solely to perform Preliminary Evaluation Work and Evaluation Studies as provided in this Agreement.

**(iii) Muscarinic Product Development and Commercialization License.** Subject to the terms and conditions of this Agreement, ACADIA hereby grants to Sepracor, during the Term, an exclusive, worldwide, royalty-bearing license, with the right to sublicense even through multiple tiers of sublicense, under ACADIA Technology and ACADIA's interest in Joint Patents, to develop, make, have made, use, distribute, promote, sell, offer for sale, have sold, import, and export Muscarinic Products in the Muscarinic Field.

**(iv) Fixed Co-Formulation Product Development and Commercialization License.**

**(1) Exclusive License.** Subject to the terms and conditions of this Agreement, effective only upon exercise of the Option and payment in full of the Option Exercise Fee, ACADIA hereby grants to Sepracor, during the Term, an exclusive, worldwide, royalty-bearing license, with the right to sublicense even through multiple tiers of sublicense, under ACADIA Technology to develop, make, have made, use, distribute, promote, sell, offer for sale, have sold, import, and export Fixed Co-Formulation Products in the Sleep Field. For the avoidance of doubt, the license granted to Sepracor in this Section 6.1(a)(iv)(1) excludes (a) any license under ACADIA Technology to develop, make, have made, use, distribute, promote, sell, offer for sale, have sold, import, and export **[...***...]**, and (b) any license under ACADIA Technology containing claims directed only to **[...***...]**.

*****Confidential Treatment Requested**

**(2) Non-Exclusive License**. Subject to the terms and conditions of this Agreement, ACADIA hereby grants to Sepracor, during the Term, a non-exclusive, worldwide, fully-paid up license, with the right to sublicense even through multiple tiers of sublicense, under ACADIA Technology and any other Patents directed to **[...***...]** that are Controlled by ACADIA to develop, make, have made, use, distribute, promote, sell, offer for sale, have sold, import, and export Fixed Co-Formulation Products in the Sleep Field.

**(b) By Sepracor.**

**(i) Research Program License.** Subject to the terms and conditions of this Agreement, Sepracor hereby grants to ACADIA and its Affiliates, during the Research Term, a non-exclusive, worldwide, fully paid-up license, without the right to sublicense (except to subcontractors as provided in Section 3.6 of this Agreement), under the Sepracor Technology solely to perform ACADIA's obligations under the Research Program.

**(ii) License to Returned Products.** Under the circumstances described in Section 6.2(a)(i), and subject to the terms and conditions of this Agreement, Sepracor hereby grants to ACADIA, during the Term, an exclusive, worldwide, royalty-bearing license, with the right to sublicense even through multiple tiers of sublicense, under Sepracor Technology and Sepracor's interest in Joint Patents, to develop, make, have made, use, distribute, promote, sell, offer for sale, have sold, import, and export any Returned Products that were Muscarinic Products in the Muscarinic Field.

**6.2 Diligence Obligations.**

**(a) Sepracor.** Sepracor shall use commercially reasonable efforts to pursue diligently development and commercialization of a Muscarinic Product based on each Primary Selected Muscarinic Compound (or one of its Back-Up Selected Muscarinic Compounds), and, if Sepracor has exercised its Option, at least one Fixed Co-Formulation Product, in at least one (1) Major Market and in such other countries and jurisdictions as Sepracor deems commercially reasonable, and to maximize sales of such Products. As used herein, "commercially reasonable efforts" shall mean those efforts, consistent with the exercise of customary scientific and business practices as applied in the pharmaceutical industry for development and commercialization activities conducted with respect to other products of similar potential and market size.

**(i) Muscarinic Products.** If Sepracor fails to fulfill the foregoing diligence obligations with respect to at least one (1) Muscarinic Product based on each Primary Selected Muscarinic Compound (or one of its Back-Up Selected Muscarinic Compounds), or either (a) Sepracor in good faith notifies ACADIA in writing that it intends to abandon research and development of such Muscarinic Product or (b) the minutes of any board or committee meeting of Sepracor reflect Sepracor's abandonment of research and development of such Muscarinic Product, then (1) the license granted to Sepracor under Section 6.1(a)(iii) with respect to Muscarinic Products based on such Primary Selected Muscarinic Compound and its

Back-Up Selected Muscarinic Compounds shall terminate, and (2) Sepracor shall grant to ACADIA a license under Section 6.1(b)(ii).

**(ii) Fixed Co-Formulation Products.** Provided that Sepracor has exercised its Option, if Sepracor fails to fulfill the foregoing diligence obligations with respect to at least one (1) Fixed Co-Formulation Product, or either (a) Sepracor in good faith notifies ACADIA in writing that it intends to abandon research and development of all Fixed Co-Formulation Products or (b) the minutes of any board or committee meeting of Sepracor reflect Sepracor's abandonment of research and development of all Fixed Co-Formulation Products, then the license granted to Sepracor under Section 6.1(a)(iv) shall terminate.

For purposes of clarification, in no event shall Sepracor be obligated to grant to ACADIA any license with respect to any Eszopiclone Compounds, or any Patents Controlled by Sepracor claiming any Eszopliclone Compounds.

**(b) ACADIA**. With respect to any Returned Products to which ACADIA is granted a license pursuant to Sections 6.1(b)(ii) and 6.2(a)(i), ACADIA shall use commercially reasonable efforts to pursue diligently development and commercialization of all such Returned Products in at least one (1) Major Market and in such other countries and jurisdictions as ACADIA deems commercially reasonable, and to maximize sales of such Returned Products. If ACADIA fails to fulfill the foregoing diligence obligations with respect to at least one (1) Returned Product, or either (a) ACADIA in good faith notifies Sepracor in writing that it intends to abandon research and development of such Returned Product or (b) the minutes of any board or committee meeting of ACADIA reflect ACADIA's abandonment of research and development of such Returned Product, then the license granted to ACADIA under Section 6.1(b)(ii) with respect to such Returned Product shall terminate.

**6.3 Retained Rights; No Implied Licenses.**

**(a)** Except as otherwise provided herein, ACADIA hereby expressly reserves the right to practice, and to grant licenses under, ACADIA Technology and ACADIA's rights to Joint Patents for any and all purposes other than the specific purposes for which Sepracor has been granted a license under Section 6.1(a). Except as otherwise provided herein, Sepracor hereby expressly reserves the right to practice, and to grant licenses under, Sepracor Technology and Sepracor's rights to Joint Patents for any and all purposes other than the specific purposes for which ACADIA has been granted a license under Section 6.1(b). No right or license under any Patents or Information of either party is granted or shall be granted by implication. All such rights or licenses are or shall be granted only as expressly provided in the terms of this Agreement.

**(b)** For purposes of clarification, and notwithstanding any other provision of this Agreement to the contrary: (i) no rights or licenses of any kind are granted by ACADIA to Sepracor under this Agreement with respect to ACADIA's compounds known as ACP-103 and ACP-104 (N-desmethylclozapine) or any ACP-104 Analogs; (ii) Sepracor acknowledges that ACADIA has licensed Third Party Compounds to a Third Party, that Third Party Compounds will not be considered Muscarinic Compounds for purposes of this Agreement, and that ACADIA is not granting to Sepracor any right or license with respect to any Third Party

Compound; (iii) with respect to each **[...***...]** Eyecare Compound, including, without limitation, any Muscarinic Compound that becomes a **[...***...]** Eyecare Compound pursuant to Section 3.10 (and thereby ceases to be a Muscarinic Compound for purposes of this Agreement), ACADIA shall retain and have the right to develop and commercialize (either directly or through its Affiliates or any Third Party) such **[...***...]** Eyecare Compound solely outside the Muscarinic Field; and (iv) no rights or licenses of any kind are granted by Sepracor to ACADIA under this Agreement with respect to any Eszopiclone Compounds or any Patents or Information Controlled by Sepracor related thereto.

**6.4 Third Party Licenses.**

**(a) General**. In the event that patent licenses from Third Parties are required by Sepracor, its Affiliates or Sublicensees in order to research, develop, make, have made, import, export, use, distribute, promote, market, offer for sale, or sell any Product, Sepracor shall be solely responsible for acquiring such licenses at Sepracor's sole discretion.

**(b) Royalty Credit.** On a Product-by-Product basis, in the event that a license described in Section 6.4(a) above is required in order to allow Sepracor, its Affiliates or Sublicensees to practice the ACADIA Technology, Sepracor shall have the right to reduce any royalty or other payment otherwise due ACADIA hereunder (excluding any amounts previously paid to ACADIA) by **[...***...]** of royalties, license fees, or other payments actually paid or payable by Sepracor, or any of its Affiliates or Sublicensees, to a Third Party under any such license granted by such Third Party; *provided*, *however*, that in no event shall the royalties or other payments due to ACADIA for any Product in any country in any Calendar Quarter be reduced to less than **[...***...]** of the payment otherwise due to ACADIA hereunder for such Product in such country.

## 7. FEES AND PAYMENTS

**7.1 Equity Purchase.** Concurrently herewith, Sepracor and ACADIA have entered into a separate Stock Purchase Agreement pursuant to which Sepracor will purchase and commit to purchase shares of ACADIA's common stock on the terms provided therein.

**7.2 Option Exercise Fee.** If Sepracor elects to exercise the Option, then within **[...***...]** of sending the Exercise Notice, Sepracor shall pay ACADIA the Option Exercise Fee, which is non-creditable and non-refundable.

**7.3 Research Funding.** During the Research Term, Sepracor shall make research funding payments to ACADIA of **[...***...]** dollars ($**[...***...]**) per year (as may be increased in accordance with Section 3.4(a)). The first payment under this Section 7.3 shall be made within **[...***...]** of the Effective Date and each subsequent payment shall be made within **[...***...]** after the anniversary of the Effective Date each year during the Research Term.

**7.4 Milestone Payments.** Within **[...***...]** following the first occurrence of each of the events set forth below with respect to a Product, Sepracor shall pay to ACADIA the milestone payment set forth below (whether such milestone is achieved by

Sepracor, its Affiliate or, except as expressly set forth below, any of their respective Sublicensees):

| Milestone Event | Milestone Payment |
|---|---|
| Designation of Product Candidate | $**[...***...]** |
| Acceptance of IND **[...***...]** | $**[...***...]** |
| Successful Completion of **[...***...]** of Product | $**[...***...]** |
| Dosing of first patient in **[...***...]** of Product | $**[...***...]** |
| Filing of NDA for Product in **[...***...]** | $**[...***...]** |
| Approval of NDA for Product in **[...***...]** | $**[...***...]** |
| Approval of NDA for Product in **[...***...]** | $**[...***...]** |
| Approval of NDA for Product in **[...***...]** | $**[...***...]** |

Each of the milestone payments described in this Section 7.4 shall be payable one time for each Product containing a particular active ingredient, regardless of the number of indications for which such Product is developed or commercialized; *provided, however,* that if (a) development of a Product is abandoned after one or more of the milestone payments under this Section 7.4 has been made (a ***"Dropped Product"***) and (b) another Product containing a different active ingredient is developed for substantially the same indication as a replacement for such Dropped Product, then only those milestone payments under this Section 7.4 that were not previously made with respect to such Dropped Product shall be payable with respect to the replacement Product. All payments made to ACADIA pursuant to this Section 7.4 are non-refundable and, except as set forth in the preceding sentence, may not be credited against any other payments payable by Sepracor to ACADIA under this Agreement.

**7.5 Royalties.** Sepracor shall pay to ACADIA royalties on Net Sales of each Product by Sepracor and its Affiliates (and by their respective Sublicensees in **[...***...]**, but not their respective Sublicensees **[...***...]**) at the following rates:

**(a) [...***...]** percent (**[...***...]**%) of that portion of total annual Net Sales of a Product that is less than or equal to $**[...***...]**;

**(b) [...***...]** percent (**[...***...]**%) of that portion of total annual Net Sales of a Product that is greater than $**[...***...]** and less than or equal to $**[...***...]**;

**(c) [...***...]** percent (**[...***...]**%) of that portion of total annual Net Sales of a Product that is greater than $**[...***...]**.

**7.6 Sublicensing Revenues.** Sepracor shall pay to ACADIA **[...***...]** percent (**[...***...]**%) of all Sublicensing Revenues received by Sepracor or any of its Affiliates.

**7.7 Royalty Term.** The payments specified in Sections 7.5 and 7.6 (collectively, ***"Percentage-Based Payments"***) shall be payable on a Product-by-Product and country-by-country basis for a period equal to the Royalty Term for such Product in such country.

**7.8 Payments on Returned Products.** If any license is granted to ACADIA with respect to any Returned Product under Section 6.1(b)(ii), ACADIA shall pay to Sepracor milestone payments and Percentage Based Payments at the same levels as specified under Sections 7.4, 7.5 and 7.6, and the provisions of Sections 6.4(b) and 7.7 and Article 8 and any relevant defined terms used therein shall apply to such payments, as if such provisions referred to payments by ACADIA to Sepracor with respect to Returned Products.

## 8. PAYMENT; RECORDS; AUDITS

**8.1 Payment; Reports.** Percentage-Based Payments shall be calculated and reported for each Calendar Quarter. All payments due to ACADIA under this Agreement shall be paid within **[...***...]** of the end of each Calendar Quarter, unless otherwise specifically provided herein. Each payment shall be accompanied by a report of Net Sales of Products by Sepracor and its Affiliates and Sublicensing Revenues received by Sepracor and its Affiliates, each in sufficient detail to permit confirmation of the accuracy of the payment made, including, without limitation and on a country-by-country basis, the gross sales and Net Sales of each Product, the amount of each type of Sublicensing Revenues received, the Percentage-Based Payments payable, the method used to calculate the Percentage-Based Payments, and the exchange rates used. Sepracor shall keep, and shall cause its Affiliates and Sublicensees to keep, complete and accurate records pertaining to the sale or other disposition of Products in sufficient detail to permit ACADIA to confirm the accuracy of all payments due hereunder.

**8.2 Exchange Rate; Manner and Place of Payment.** All payments hereunder shall be payable in U.S. dollars. When conversion of payments from any foreign currency is required, such conversion shall be at an exchange rate equal to the weighted average of the rates of exchange for the currency of the country from which the Percentage-Based Payments are payable as published by *The Wall Street Journal*, Eastern U.S. Edition, during the Calendar Quarter for which a payment is due. All payments owed under this Agreement shall be made by wire transfer in immediately available funds to a bank and account designated in writing by ACADIA, unless otherwise specified in writing by ACADIA.

**8.3 Income Tax Withholding.** ACADIA will pay any and all taxes levied on account of any payments made to it under this Agreement. If, at any time, any country or jurisdiction requires Sepracor to withhold income taxes or other taxes imposed on payments under this Agreement, Sepracor will (a) deduct such taxes from payments made to ACADIA, (b) timely pay the taxes to the proper taxing authority, and (c) send proof of payment to ACADIA within **[...***...]** following such payment. Any withholdings paid when due pursuant to subpart (a) hereunder shall be for the account of ACADIA and shall not be included in the calculation of Net Sales.

**8.4 Records, Audits, Adjustments.**

**(a) Records.** During the Term and for a period of **[...***...]** thereafter, Sepracor shall keep (and shall cause its Affiliates and Sublicensees to keep) complete and accurate records pertaining to the sale or other disposition of Products and the receipt of Sublicensing Revenues in sufficient detail to permit ACADIA to confirm the accuracy of all Percentage-Based Payments due hereunder.

**(b) Audits.** Upon **[...***...]** prior written notice from ACADIA, Sepracor shall permit an independent, certified public accounting firm of nationally recognized standing to have access during normal business hours to examine pertinent books and records of Sepracor or its Affiliates, as appropriate, as may be reasonably necessary to verify the accuracy of royalty reports provided pursuant to Section 8.1. The examination shall be limited to pertinent books and records for any year ending not more than **[...***...]** prior to the date prior to the date of the written notice. An examination under this Section 8.4 shall not occur more than **[...***...]** in any calendar year. Sepracor may designate competitively sensitive Confidential Information of Sepracor that the accounting firm conducting the examination may not disclose to ACADIA, *provided, however,* that such designation shall not encompass the firm's conclusions. The accounting firm shall disclose to ACADIA only whether the royalty reports are correct or incorrect and the specific details concerning any discrepancies. No other information shall be provided to ACADIA. The accounting firm shall provide Sepracor with a copy of any disclosures or reports made to ACADIA. Any and all such accounting firms shall sign a confidentiality agreement (in a form and substance reasonably acceptable to Sepracor) as to any of Sepracor's or its Affiliate's Confidential Information that they are provided, or to which they have access, while conducting any audit hereunder. Information, disclosures, or reports arising from any such examination shall be Confidential Information of Sepracor subject to the confidentiality and other obligations of Article 11 of this Agreement.

**(c) Adjustments.** Prompt adjustments shall be made by Sepracor to compensate or adjust for any confirmed errors or omissions disclosed by such audit. ACADIA shall bear the full cost of such audit unless such audit discloses an underpayment by Sepracor of more than **[...***...]** percent (**[...***...]**%) of the amount of Percentage-Based Payments or other payments due under this Agreement, in which case, Sepracor shall bear the full cost of such audit and shall promptly remit to ACADIA the amount of any underpayment.

**(d) FTE Allocation Report Review**. Upon **[...***...]** prior written notice from Sepracor, ACADIA shall permit Sepracor to have access during normal business hours to examine pertinent books, records, and reports of ACADIA or its Affiliates, as appropriate, containing information that is relevant to, or as may be reasonably necessary to verify the accuracy of, any FTE allocation reports provided to Sepracor pursuant to Section 3.4(c). In its written notice, Sepracor shall identify the period(s) underlying FTE allocation reports it is requesting to review. An examination under this Section 8.4(d) shall not occur more than **[...***...]** in any Calendar Year. In the event that a discrepancy is found, Sepracor will provide ACADIA with a written notice providing the details of any such discrepancy, and within **[...***...]** thereafter, the parties will negotiate in good faith and agree upon any monetary and/or specific performance remedies to cure or compensate for any and all such discrepancies. If the parties cannot reach a resolution within this time period, the matter shall be resolved in accordance with Article 14 of this Agreement. Information,

disclosures, or reports arising from any such examination shall be Confidential Information of ACADIA subject to the confidentiality and other obligations of Article 11 of this Agreement.

**8.5 Late Payments.** In the event that any payment due under this Agreement is not sent to ACADIA in accordance with the provisions of Sections 7.1 to 7.4 and 8.1, when due, the payment shall accrue interest from the date due at the rate of **[...***...]** percent (**[...***...]**%) per month; *provided, however,* that in no event shall such rate exceed the maximum legal annual interest rate. The payment of such interest shall not limit ACADIA from exercising any other rights it may have as a consequence of the lateness of any payment.

## 9. INTELLECTUAL PROPERTY

**9.1 Ownership of Inventions.** Inventorship of Inventions shall be determined in good faith in accordance with the rules of inventorship under United States patent laws. ACADIA shall own all ACADIA Inventions and all ACADIA Patents. Sepracor shall own all Sepracor Inventions and all Sepracor Patents. All Joint Inventions and all Joint Patents shall be owned jointly by Sepracor and ACADIA pursuant to the provisions of 35 U.S.C. § 262, as may be amended from time to time.

**9.2 Patent Prosecution and Maintenance.**

**(a) ACADIA Patents.**

**(i) General.** ACADIA shall be responsible for the preparation, filing, prosecution, maintenance, and enforcement of ACADIA Patents (other than Product Patents) at ACADIA's sole expense, subject to Sections 9.2(a)(ii), (iii) and (iv).

**(ii) Cooperation.** ACADIA shall (A) during the Research Term, with respect to any ACADIA Patents (other than Product Patents) that claim or disclose (1) any Muscarinic Compound, (2) compositions comprising any Muscarinic Compound, (3)a method of manufacture of any Muscarinic Compound or composition comprising the same, or (4) a method of use of any Muscarinic Compound or composition comprising the same in the Muscarinic Field, (B) during the Preliminary Evaluation Period, with respect to any ACADIA Patents (other than Product Patents) that claim or disclose (1) any Evaluation Compound, (2) compositions comprising any Evaluation Compound, (3) a method of manufacture of any Evaluation Compound or composition comprising the same, or (4) a method of use of any Evaluation Compound or composition comprising the same in the Sleep Field, (C) during the Final Evaluation Period, with respect to any ACADIA Patents (other than Product Patents) that claim or disclose (1) any Chosen Compound, (2) compositions comprising any Chosen Compound, (3) a method of manufacture of any Chosen Compound or composition comprising the same, or (4) a method of use of any Chosen Compound in the Sleep Field, (D) during the Term and so long as Sepracor retains a license thereto under this Agreement, with respect to any ACADIA Patents (other than Product Patents) that claim or disclose (1) any Selected Muscarinic Compound, (2) compositions comprising any Selected Muscarinic Compound, (3)any Muscarinic Product, (4)a method of manufacture of any Selected Muscarinic Compound, compositions comprising the same, or Muscarinic Product, or (5) a method of use of any Selected Muscarinic Compound,

compositions comprising the same, or a Muscarinic Product in the applicable Selected Indications, (E) during the Term and so long as Sepracor retains a license thereto under this Agreement, with respect to any ACADIA Patents (other than Product Patents) that claim or disclose (1) any Licensed Compound, (2) compositions comprising any Licensed Compound, (3) any Fixed Co-Formulation Product, (4)a method of manufacture of any Licensed Compound, compositions comprising the same, or any Fixed Co-Formulation Product, or (5) a method of use of Licensed Compound, compositions comprising the same, or Fixed Co-Formulation Product in the Sleep Field,

do the following:

**(1)** provide Sepracor with a copy of the final draft of any proposed application at least **[...***...]** prior to filing the same in any patent office worldwide, unless otherwise agreed by patent counsel for both parties, and ACADIA shall consider in good faith any comments or revisions suggested by Sepracor or its counsel;

**(2)** promptly provide Sepracor with a copy of all patent applications as filed, together with a notice of its filing date and serial number;

**(3)** provide Sepracor with a copy of any action, communication, letter, or other correspondence issued by the relevant patent office within at least **[...***...]** of receipt thereof, and ACADIA shall consult with Sepracor regarding responding to the same and shall consider in good faith any comments, strategies, and the like proposed by Sepracor;

**(4)** provide Sepracor with a copy of any response, amendment, paper, or other correspondence filed with the relevant patent office within **[...***...]** of ACADIA's receipt of the as-filed document;

**(5)** promptly notify Sepracor of the allowance, grant, or issuance of such ACADIA Patent; and

**(6)** consult with Sepracor regarding the payment of annuities, taxes, and maintenance fees for any such ACADIA Patents.

**(iii) Option of Sepracor to Prosecute and Maintain.** In the event that ACADIA desires to abandon or cease prosecution and/or maintenance of any ACADIA Patent (excluding any Limited ACADIA Patent) that claims or discloses(a) any Selected Muscarinic Compound, (b) Licensed Compound, (c) compositions comprising (a) or (b), (c) Product, (d) a method of manufacture of any of (a) through (c), or (e) methods of use of any of (a) through (c) in the applicable Selected Indication or the Sleep Field, as appropriate, under which ACADIA Patent Sepracor then has a license under this Agreement, ACADIA shall provide reasonable prior written notice to Sepracor of such intention to abandon (which notice shall, to the extent possible, be given no later than **[...***...]** prior to the next deadline for any action that must be taken with respect to any such ACADIA Patent in the relevant patent office). In such case, ACADIA shall permit Sepracor, at its sole discretion, to continue prosecution or maintenance of such ACADIA Patent at its own expense. If Sepracor elects to continue prosecution or maintenance of such ACADIA Patent, ACADIA shall execute such documents

and perform such acts, at Sepracor's expense, as may be reasonably necessary to effect an assignment of such ACADIA Patents to Sepracor. Any such assignment shall be completed in a timely manner to allow Sepracor to continue prosecution or maintenance of any such ACADIA Patent. Any patents or patent applications so assigned shall no longer be considered ACADIA Patents, no royalties or other payments under Article 7 are due to ACADIA for any Muscarinic Products encompassed by such ACADIA Patents (and not encompassed by any other ACADIA Technology or by any Joint Patents or Sepracor Patents arising from Sepracor Inventions), and shall become Patents owned by Sepracor; *provided*, *however*, that Sepracor hereby grants to ACADIA a fully paid up, royalty free, perpetual, irrevocable, exclusive, worldwide license under such Patents to develop and commercialize products for the prevention or treatment of ocular disease or outside the Sleep Field, as appropriate.

**(iv) Limited ACADIA Patents.** In the event that the Third Party's right to file, prosecute, maintain, defend, or enforce any Limited ACADIA Patent ceases, within **[...***...]** thereof, ACADIA shall send Sepracor written notice removing any such Limited ACADIA Patent from Schedule 1.41, and such Patent shall thereafter be an ACADIA Patent.

**(b) Product Patents.**

**(i) General.** Sepracor shall be responsible for the preparation, filing, prosecution, maintenance, and enforcement of Product Patents at Sepracor's sole expense. Sepracor shall consider in good faith the requests and suggestions of ACADIA with respect to strategies for filing and prosecuting Product Patents, and shall keep ACADIA informed of progress with regard to the preparation, filing, prosecution and maintenance of Product Patents.

**(ii) Option of ACADIA to Prosecute and Maintain.** In the event that Sepracor desires to abandon or cease prosecution and/or maintenance of any Product Patent, Sepracor shall provide reasonable prior written notice to ACADIA of such intention to abandon (which notice shall, to the extent possible, be given no later than **[...***...]** prior to the next deadline for any action that must be taken with respect to such Product Patent in the relevant patent office). In such case, Sepracor shall permit ACADIA, at its sole discretion, to continue prosecution or maintenance of such Product Patent at its own expense. If ACADIA elects to continue prosecution or maintenance of such Product Patent, Sepracor shall execute such documents and perform such acts, at ACADIA's expense, as may be reasonably necessary to effect an assignment of such Product Patents to ACADIA (to the extent that such Product Patents are not already owned by ACADIA). Any such assignment shall be completed in a timely manner to allow ACADIA to continue prosecution or maintenance of any such Product Patent. Unless otherwise agreed by the parties in writing, any Patents so assigned shall no longer be considered Product Patents and shall be owned by ACADIA but shall cease to be included within the ACADIA Patents licensed under this Agreement.

**(c) Sepracor Patents.**

**(i) General.** Sepracor shall be responsible for preparation, filing, prosecution, maintenance, and enforcement of Sepracor Patents at Sepracor's sole expense.

**(ii) Option of ACADIA to Prosecute and Maintain.** In the event that Sepracor desires to abandon or cease prosecution and/or maintenance of any Sepracor Patent that containing claims or disclosure directed to the Muscarinic Compound in any Returned Product, compositions comprising the same, a method of manufacture thereof, or methods of use thereof in the Muscarinic Field, under which Sepracor Patent ACADIA then has a license under this Agreement, Sepracor shall provide reasonable prior written notice to ACADIA of such intention to abandon (which notice shall, to the extent possible, be given no later than **[...***...]** prior to the next deadline for any action that must be taken with respect to such Product Patent in the relevant patent office). In such case, Sepracor shall permit ACADIA, at its sole discretion, to continue prosecution or maintenance of such Sepracor Patent at its own expense. If ACADIA elects to continue prosecution or maintenance of such Sepracor Patent, Sepracor shall execute such documents and perform such acts, at ACADIA's expense, as may be reasonably necessary to effect an assignment of such Sepracor Patents to ACADIA. Any such assignment shall be completed in a timely manner to allow ACADIA to continue prosecution or maintenance of any such Sepracor Patent. Any Patents so assigned shall no longer be considered Sepracor Patents, no royalties or other payments under Section 7.8 are due to Sepracor for any Returned Products encompassed by such Sepracor Patents (and not encompassed by any other Sepracor Technology or by any Joint Patents), and shall become Patents owned by ACADIA but shall not be included within the ACADIA Patents licensed under this Agreement; *provided, however,* that ACADIA hereby grants to Sepracor a fully paid up, royalty free, perpetual, irrevocable, exclusive, worldwide license under such Patents to practice such Patents outside the Muscarinic Field.

**(d) Joint Patents.**

**(i) General.** Sepracor shall be responsible for, the preparation, filing, prosecution, and maintenance of Joint Patents (other than Product Patents), subject to Sections 9.2(c)(ii) and (iii), and **[...***...]** the cost thereof.

**(ii) Cooperation.** For any Joint Patents (other than Product Patents), Sepracor shall:

**(1)** provide ACADIA with a copy of the final draft of any proposed application at least **[...***...]** prior to filing the same in any patent office worldwide, unless otherwise agreed by patent counsel for both parties, and Sepracor shall consider in good faith any comments or revisions suggested by ACADIA or its counsel;

**(2)** promptly provide ACADIA with a copy of all patent applications as filed, together with a notice of its filing date and serial number;

**(3)** provide ACADIA with a copy of any action, communication, letter, or other correspondence issued by the relevant patent office within at least **[...***...]** of receipt thereof, and Sepracor shall consult with ACADIA regarding responding to the same and shall consider in good faith any comments, strategies, and the like proposed by ACADIA;

**(4)** provide ACADIA with a copy of any response, amendment, paper, or other correspondence filed with the relevant patent office within **[...***...]** of Sepracor's receipt of the as-filed document;

**(5)** promptly notify ACADIA of the allowance, grant, or issuance of such Joint Patent; and

**(6)** consult with ACADIA regarding the payment of annuities, taxes, and maintenance fees for any such Joint Patents.

**(iii) Option of ACADIA to Prosecute and Maintain.** In the event that Sepracor desires to abandon or cease prosecution and/or maintenance of any Joint Patent subject to this Section 9.2(c), Sepracor shall provide reasonable prior written notice to ACADIA of such intention to abandon (which notice shall, to the extent possible, be given no later than **[...***...]** prior to the next deadline for any action that must be taken with respect to such Joint Patent in the relevant patent office). In such case or if Sepracor refuses to pay its share of costs related to any such Joint Patent, at ACADIA's sole discretion, upon written notice from ACADIA, ACADIA may elect to continue prosecution or maintenance at its own expense, and Sepracor shall execute such documents and perform such acts, at Sepracor's expense, as may be reasonably necessary to effect an assignment of Sepracor's entire right, title, and interest in and to such Joint Patents to ACADIA. Any such assignment shall be completed in a timely manner to allow ACADIA to continue prosecution or maintenance of any such Joint Patent. Any patents or patent applications so assigned shall no longer be considered Joint Patents and shall be owned by ACADIA but shall cease to be included within the ACADIA Patents and Joint Patents licensed under this Agreement.

**(iv) ACADIA Declines Responsibility.** If ACADIA refuses to **[...***...]** related to any Joint Patent subject to this Section 9.2(c), upon written notice from Sepracor, ACADIA shall assign its entire right, title, and interest in and to any such Joint Patents to Sepracor. Any patents or patent applications so assigned shall no longer be considered Joint Patents and shall become Patents owned by Sepracor, and no royalties or other payments under Article 7 are due to ACADIA for any Products encompassed by the same (and not encompassed by any other ACADIA Technology or by any Joint Patents).

**9.3 Cooperation of the Parties.** Each party agrees to cooperate fully in the preparation, filing, prosecution, and maintenance of any Patents under this Agreement and in obtaining and maintenance of any patent extensions, supplementary protection certificates and the like with respect to any Patent claiming a Product being developed or commercialized by Sepracor in accordance with this Agreement. Such cooperation includes, but is not limited to:

**(a)** executing all papers and instruments, or requiring its employees, consultants, or contractors, to execute such papers and instruments, so as to effectuate the ownership of Inventions set forth in Section 9.1, and Patents claiming or disclosing such Inventions, and to enable the other party to apply for and to prosecute patent applications in any country;

**(b)** promptly informing the other party of any matters coming to such party's attention that may affect the preparation, filing, prosecution or maintenance of any such patent applications; and

**(c)** promptly providing any Information deemed necessary by the Filing Party to prepare, file, prosecute, or maintain any such patent applications or patents, and require its employees, consultants, and contractors to promptly and fully respond to requests by the Filing Party relating to the same and assist in preparation of any declarations or other papers needed to submit such Information to the relevant patent office.

**9.4 Infringement by Third Parties.** In the event that either ACADIA or Sepracor becomes aware of any infringement or threatened infringement by a Third Party of any issued patent that is an ACADIA Patent, Product Patent, Sepracor Patent, or Joint Patent, it will notify the other party in writing to that effect. Any such notice shall include evidence to support an allegation of infringement or threatened infringement by such Third Party. Both parties shall use their commercially reasonable efforts in cooperating with each other to obtain discontinuance of such infringement without litigation.

**(a) ACADIA Patents; Product Patents.**

**(i)** ACADIA shall have the first right to bring and control any action or proceeding with respect to infringement of any ACADIA Patent (other than a Product Patent) at its own expense and by counsel of its own choice. With respect to infringement of any ACADIA Patent (other than a Product Patent or a Limited ACADIA Patent) that may, in Sepracor's good faith determination, have a material adverse effect on any Product being developed or commercialized by Sepracor, its Affiliates or its Sublicensees pursuant to a license granted under this Agreement, Sepracor shall have the right, at its own expense, to be represented in any such action by counsel of its own choice, and ACADIA and its counsel will reasonably cooperate with Sepracor and its counsel in strategizing, preparing, and presenting any such action or proceeding. If ACADIA fails to bring an action or proceeding with respect to infringement of any ACADIA Patent described in the preceding sentence within (a) **[...***...]** following the notice of alleged infringement or (b) **[...***...]** before the time limit, if any, set forth in the appropriate laws and regulations for the filing of such actions, whichever comes first, Sepracor shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and ACADIA shall have the right, at its own expense, to be represented in any such action by counsel of its own choice.

**(ii)** Sepracor shall have the first right to bring and control any action or proceeding with respect to infringement of any Product Patent at its own expense and by counsel of its own choice, and ACADIA shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. If Sepracor fails to bring an action or proceeding with respect to infringement of any Product Patent within (a) **[...***...]** following the notice of alleged infringement or (b) **[...***...]** before the time limit, if any, set forth in the appropriate laws and regulations for the filing of such actions, whichever comes first, ACADIA shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and Sepracor shall have the right, at its own expense, to be represented in any such action by counsel of its own choice.

**(iii)** Except as otherwise agreed to by the parties as part of a cost-sharing arrangement, any recovery or damages from an action or proceeding in which Sepracor has brought or controlled the action or proceeding or participated in an action or proceeding described in Section 9.4(a)(i) shall be used first to reimburse each of ACADIA and Sepracor for its documented out-of-pocket legal expenses relating to the action or proceeding, with any remaining compensatory damages relating to Products (including without limitation, lost sales or lost profits with respect to Products) being **[...***...]** and any punitive damages shall be **[...***...]**. Any recovery or damages derived from any other action or proceeding described in this Section 9.4(a) shall be used first to reimburse each of ACADIA, and Sepracor if applicable, for its documented out-of-pocket legal expenses relating to the action or proceeding, with any remaining amounts to be paid as follows: (x) with regard to any such action or proceeding with respect to any Limited ACADIA Patent that would be a Product Patent but for the exclusion of Limited ACADIA Patents from the definition of Product Patents, any recovery or damages received by ACADIA which are compensatory damages relating to Products (including without limitation, lost sales or lost profits with respect to Products) shall be **[...***...]**, and any recovery or damages received by ACADIA which are punitive damages shall be **[...***...]**; and (y) with regard to any other such action or proceeding, such remaining amounts shall be **[...***...]**.

**(b) Sepracor Patents.**

**(i)** Except as otherwise provided in this Section 9.4(b)(i), Sepracor shall have the sole right to bring and control any action or proceeding with respect to infringement of any Sepracor Patent at its own expense and by counsel of its own choice and shall retain any recovery or damages derived from any such action or proceeding. With respect to infringement of any Sepracor Patent that may, in ACADIA's good faith determination, have a material adverse effect on any Returned Product being developed or commercialized by ACADIA or its Affiliates or sublicensees pursuant to a license granted under this Agreement, ACADIA shall have the right, at its own expense, to be represented in any such action by counsel of its own choice, and Sepracor and its counsel will reasonably cooperate with ACADIA and its counsel in strategizing, preparing, and presenting any such action or proceeding. If Sepracor fails to bring an action or proceeding with respect to infringement of any Sepracor Patent described in the preceding sentence within (a) **[...***...]** following the notice of alleged infringement or (b) **[...***...]** before the time limit, if any, set forth in the appropriate laws and regulations for the filing of such actions, whichever comes first, ACADIA shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and Sepracor shall have the right, at its own expense, to be represented in any such action by counsel of its own choice.

**(ii)** Except as otherwise agreed to by the parties as part of a cost-sharing arrangement, any recovery or damages from an action or proceeding in which ACADIA has brought or controlled the action or proceeding or participated in an action or proceeding described in Section 9.4(b)(i) shall be used first to reimburse each of ACADIA and Sepracor for its documented out-of-pocket legal expenses relating to the action or proceeding, with any

remaining compensatory damages relating to Returned Products (including without limitation, lost sales or lost profits with respect to Returned Products) being **[...***...]**, and any punitive damages shall be **[...***...]**. Any recovery or damages from any other action or proceeding described in this Section 9.4(b) shall be used first to reimburse each of ACADIA, and Sepracor if applicable, for its documented out-of-pocket legal expenses relating to the action or proceeding, with any remaining amounts to be **[...***...]**.

**(c) Joint Patents.**

**(i)** Sepracor shall have the first right to bring and control any action or proceeding with respect to infringement of any Joint Patent (other than any Product Patent) at its own expense and by counsel of its own choice, and ACADIA shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. If Sepracor fails to bring an action or proceeding within (a) **[...***...]** following the notice of alleged infringement or (b) **[...***...]** before the time limit, if any, set forth in the appropriate laws and regulations for the filing of such actions, whichever comes first, ACADIA shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and Sepracor shall have the right, at its own expense, to be represented in any such action by counsel of its own choice.

**(ii)** Except as otherwise agreed to by the parties as part of a cost-sharing arrangement, any recovery or damages from an action or proceeding relating to Joint Patents in which Sepracor has brought or controlled the action or proceeding shall be used first to reimburse Sepracor (or in the case where both participate, each of Sepracor and ACADIA) for its documented out-of-pocket legal expenses relating to the action or proceeding, with any remaining compensatory damages relating to Products (including without limitation, lost sales or lost profits with respect to Products) being **[...***...]**, and any punitive damages shall be **[...***...]**. Any recovery or damages relating to Products from an action or proceeding relating to Joint Patents in which ACADIA has brought or controlled the action or proceeding shall be used first to reimburse ACADIA (or in the case where both participate, each of Sepracor and ACADIA) for its documented out-of-pocket legal expenses relating to the action or proceeding, with any remaining amounts to be **[...***...]**. Any recovery or damages not relating to Products from an action or proceeding relating to Joint Patents in which ACADIA has brought or controlled the action or proceeding shall be used first to reimburse ACADIA (or in the case where both participate, each of Sepracor and ACADIA) for its documented out-of-pocket legal expenses relating to the action or proceeding, with any remaining amounts to be **[...***...]**.

**(d) Cooperation.** In the event a party brings an infringement action in accordance with this Section 9.4, the other party shall cooperate fully, including, if required to bring such action, the furnishing of a power of attorney or being named as a party.

**9.5 Infringement of Third Party Rights.** Each party shall promptly notify the other in writing of any allegation by a Third Party that the activity of either of the parties pursuant to this Agreement infringes or may infringe the intellectual property rights of such Third Party.

ACADIA shall have the sole right to control any defense of any such claim involving alleged infringement of Third Party rights by ACADIA's activities at its own expense and by counsel of its own choice, and Sepracor shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. Sepracor shall have the sole right to control any defense of any such claim involving alleged infringement of Third Party rights by Sepracor's activities at its own expense and by counsel of its own choice, and ACADIA shall have the right, at its own expense, to be represented in any such action by counsel of its own choice.

**9.6 Consent for Settlement.** Neither party shall enter into any settlement or compromise which would in any manner alter, diminish, or be in derogation of the other party's rights under this Agreement without the prior written consent of such other party (which consent shall not be unreasonably withheld).

**9.7 Trademarks.** Sepracor shall own and be responsible for all trademarks, trade names, branding, or logos related to Products or commercialization thereof, and will be responsible for selecting, registering, defending, and maintaining the same.

## 10. REPRESENTATIONS AND WARRANTIES

**10.1 Mutual Representations and Warranties.** Each party represents and warrants to the other that, as of the Effective Date: (a) it is duly organized and validly existing under the laws of its jurisdiction of incorporation or formation, and has full corporate or other power and authority to enter into this Agreement and to carry out the provisions hereof; (b) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the person or persons executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate or partnership action; and (c) this Agreement is legally binding upon it, enforceable in accordance with its terms, and does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any material law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

**10.2 ACADIA Representations and Warranties.** ACADIA represents and warrants to Sepracor that, as of the Effective Date:

**(a)** ACADIA does not have any knowledge of, and ACADIA has not received notice of, any pending legal actions, judgments or settlements against or owed by ACADIA with respect to the ACADIA Technology, or any pending or threatened claims or litigation seeking to invalidate any ACADIA Patents or claiming misappropriation by ACADIA of other intellectual property rights in the ACADIA Technology;

**(b)** all inventors of any inventions included within the ACADIA Technology who were ACADIA employees, consultants, or contractors at the time such invention was made have an obligation to assign their entire right, title and interest in and to such inventions and the corresponding Patents to ACADIA, and, to ACADIA's knowledge, no person, other than those persons named as inventors on any ACADIA Patents claiming inventions owned by ACADIA, is an inventor of the invention(s) included in such ACADIA Patents;

**(c)** ACADIA has not received any notice concerning the institution or threatened institution of any interference, reexamination, reissue, revocation or nullification involving any ACADIA Patents or other proceeding that challenges the inventorship, ownership, validity, or enforceability as applicable of any ACADIA Patents;

**(d)** ACADIA Controls the ACADIA Technology, and the ACADIA Technology is not subject to any encumbrance, lien or claim of ownership by any third party, except for the license granted under this Agreement and as set forth in Schedule 10.2(d) hereto;

**(e)** To ACADIA's knowledge, there are no issued or published Patents of a Third Party that ACADIA is required to license (or in the case of a published Patent, would be required to license if claims directed to subject matter disclosed in the published patent application issue) in order for ACADIA or Sepracor to perform its obligations under the Research Program or for Sepracor to practice fully and freely the licenses granted to Sepracor by ACADIA under this Agreement; and

**(f)** No government entity (U.S. or foreign) has any claim, right, or interest in any ACADIA Technology or any Muscarinic Compounds or Option Compounds provided by ACADIA that will be part of or used in the Research Program or the Evaluation.

**10.3 Covenant.** ACADIA covenants that at no time during the term of this Agreement shall ACADIA assign, transfer, encumber, or grant rights in or with respect to ACADIA Technology or Joint Patents inconsistent with the grants and other rights reserved to Sepracor under this Agreement.

**10.4 Performance by Affiliates, Sublicensees and Subcontractors.** The parties recognize that each may perform some or all of its obligations or exercise some or all of its rights under this Agreement (to the extent expressly permitted hereby) through one or more Affiliates, subcontractors or Sublicensees; *provided, however,* that each party shall remain responsible and be guarantor of the performance by its Affiliates, subcontractors and Sublicensees and shall cause its Affiliates, subcontractors and Sublicensees to comply with the provisions of this Agreement in connection with such performance. In particular, if any Affiliate, subcontractor or Sublicensee of a party participates in research, development or commercialization activities under this Agreement or with respect to Products, the restrictions of this Agreement which apply to the activities of such party with respect to Products shall apply equally to the activities of such Affiliate, subcontractor or Sublicensee.

**10.5 Disclaimer.** Except as expressly set forth herein, THE TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS PROVIDED BY EACH PARTY HEREUNDER ARE PROVIDED "AS IS" AND EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION THE WARRANTIES OF DESIGN, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES, OR ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICES, IN ALL CASES WITH RESPECT THERETO. Without limiting the generality of the foregoing, each party expressly does not warrant (a) the success of any study or

test commenced under the Research Program or Evaluation or (b) the safety or usefulness for any purpose of the technology it provides hereunder.

**10.6 Limitation of Liability.** EXCEPT FOR LIABILITY FOR BREACH OF ARTICLE 11, NEITHER PARTY SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES IN CONNECTION WITH THIS AGREEMENT OR ANY LICENSE GRANTED HEREUNDER; *provided, however,* that this Section 10.6 shall not be construed to limit either party's indemnification obligations under Article 13.

## 11. CONFIDENTIALITY

**11.1 Confidential Information.** Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the parties, the parties agree that, during the Term and for **[...***...]** thereafter, the receiving party shall keep confidential and shall not publish or otherwise disclose and shall not use for any purpose other than as expressly provided for in this Agreement any Confidential Information furnished to it by the other party pursuant to this Agreement or any Confidential Information developed as part of the Research Program or the Evaluation hereunder. Each party may use such Confidential Information only to the extent required to accomplish the purposes of this Agreement. Each party will use at least the same standard of care as it uses to protect proprietary or confidential information of its own to ensure that its employees, agents, consultants and other representatives do not disclose or make any unauthorized use of the Confidential Information. Each party will promptly notify the other upon discovery of any unauthorized use or disclosure of the Confidential Information.

**11.2 Exceptions.** The obligations of confidentiality and restriction on use under this Article 11 shall not apply to any information which the receiving party can prove by competent written evidence: (a) is now, or hereafter becomes, through no act or failure to act on the part of the receiving party, generally known or available to the public; (b) is known by the receiving party at the time of receiving such information, as evidenced by its records, other than by previous disclosure of the disclosing party, or its Affiliates, employees, consultants, or contractors; (c) is hereafter furnished to the receiving party by a Third Party who has no obligation of confidentiality, as a matter of right and without restriction on disclosure; (d) is independently discovered or developed by the receiving party without the use of Confidential Information belonging to the disclosing party; or (e) is the subject of a written permission to disclose provided by the disclosing party.

**11.3 Authorized Disclosure.** Each party may disclose Confidential Information belonging to the other party as expressly permitted by this Agreement or if and to the extent such disclosure is reasonably necessary in the following instances:

**(a)** filing, prosecuting, or maintaining Patents as permitted by this Agreement;

**(b)** regulatory filings for Products (or in the case of ACADIA, Returned Products) such party has a license or right to develop hereunder;

**(c)** prosecuting or defending litigation as permitted by this Agreement;

**(d)** complying with applicable court orders or governmental regulations;

**(e)** in the case of Sepracor, conducting development and/or commercialization activities in accordance with a license granted under Section 6.1(a)(iii) or (iv), and in the case of ACADIA, conducting development and/or commercialization activities in accordance with a license granted under Section 6.1(b)(ii); and

**(f)** disclosure to subcontractors as permitted by Section 3.6 or to Affiliates, sublicensees, employees, consultants, agents or other Third Parties in connection with due diligence or similar investigations by such Third Parties, and disclosure to potential Third Party investors in confidential financing documents, provided, in each case, that any such subcontractor, Affiliate, sublicensee, employee, consultant, agent or Third Party agrees to be bound by similar terms of confidentiality and non-use at least equivalent in scope to those set forth in this Article 11.

Notwithstanding the foregoing, in the event a party is required to make a disclosure of the other party's Confidential Information pursuant to Section 11.3(c) or (d), it will, except where impracticable, give reasonable advance notice to the other party of such disclosure and use efforts to secure confidential treatment of such information at least as diligent as such party would use to protect its own confidential information, but in no event less than reasonable efforts. In any event, the parties agree to take all reasonable action to avoid disclosure of Confidential Information hereunder.

**11.4 Publications.** Each party to this Agreement recognizes that the publication of papers regarding results of and other information regarding the Research Program, including oral presentations and abstracts, may be beneficial to both parties provided such publications are subject to reasonable controls to protect Confidential Information. Accordingly, a party shall have the right to review and comment on any material proposed for disclosure or publication by the other party, such as by oral presentation, manuscript or abstract, which utilizes data generated from the Research Program and/or includes Confidential Information of the other party. Before any such material is submitted for publication, the party proposing publication shall deliver a complete copy to the other party at least **[...***...]** prior to submitting the material to a publisher or initiating any other disclosure. Such other party shall review any such material and give its comments to the party proposing publication within **[...***...]** of the delivery of such material to such other party. With respect to oral presentation materials and abstracts, such other party shall make reasonable efforts to expedite review of such materials and abstracts, and shall return such items as soon as practicable to the party proposing publication with appropriate comments, if any, but in no event later than **[...***...]** from the date of delivery to the non-publishing party. The publishing party shall comply with the other party's request to delete references to the other party's Confidential Information in any such material and agrees to delay any submission for publication or other public disclosure for a period of up to an additional **[...***...]** for the purpose of preparing and filing appropriate patent applications.

**11.5 Publicity; Public Disclosures.** The parties agree to each issue a press release substantially in the form attached hereto as ***Exhibit A*** on, or as promptly as practicable following, the Effective Date. It is understood that each party may desire or be required to issue subsequent press releases relating to the Agreement or activities thereunder. The parties agree to

consult with each other reasonably and in good faith with respect to the text and timing of such press releases prior to the issuance thereof, provided that a party may not unreasonably withhold consent to such releases, and that either party may issue such press releases or make such disclosures pursuant to Form 8-K or otherwise as it determines, based on advice of counsel, are reasonably necessary to comply with laws or regulations or for appropriate market disclosure. The parties will consult with each other on the provisions of this Agreement to be redacted in any filings made by the parties with the Securities and Exchange Commission or as otherwise required by law. In addition, following the initial joint press release announcing this Agreement, either party shall be free to disclose, without the other party's prior written consent, the existence of this Agreement, the identity of the other party and those terms of the Agreement which have already been publicly disclosed in accordance herewith.

## 12. TERM AND TERMINATION

**12.1 Term.** The term of the Research Program shall commence on the Effective Date and continue until expiration of the Research Term, unless this Agreement is earlier terminated pursuant to Section 12.2, 12.3, 12.4, or 16.9, or unless otherwise agreed in writing by the parties. The term of this Agreement shall commence on the Effective Date and continue until (a) expiration of the Research Term if there is not at least one (1) Primary Selected Muscarinic Compound as of the last day of the Research Term and the Option was not exercised during the Option Period, or (b) if there is at least one (1) Primary Selected Muscarinic Compound as of the last day of the Research Term or the Option was exercised during the Option Period, the expiration of the last Royalty Term for any Product with respect to which Sepracor has a license under this Agreement, or, if applicable, the last Royalty Term for any Returned Product with respect to which ACADIA has a license under this Agreement, unless, in each case, earlier terminated pursuant to Section 12.2, 12.3, 12.4, or 16.9, or unless otherwise agreed in writing by the parties (the ***"Term"***).

**12.2 Termination for Cause.** Each party shall have the right to terminate the Research Program and/or this Agreement upon **[...***...]** prior written notice to the other upon the occurrence of any of the following:

**(a)** Upon or after the bankruptcy, insolvency, dissolution or winding up of the other party (other than a dissolution or winding up for the purpose of reconstruction or amalgamation); or

**(b)** Upon or after the breach of any material provision of this Agreement or the Stock Purchase Agreement by the other party if the breaching party has not cured such breach within the **[...***...]** period following written notice of termination by the non-breaching party.

**12.3 Termination by Sepracor.** Sepracor shall have the right to terminate this Agreement for any reason or for no reason at any time after the expiration of the Research Term upon **[...***...]** prior written notice to ACADIA.

**12.4 Termination by ACADIA.** ACADIA shall have the right to terminate this Agreement immediately upon written notice to Sepracor if Sepracor does not purchase the

Second Share Amount or, if applicable, the Adjusted Share Amount for the consideration specified in the Stock Purchase Agreement on the Second Purchase Date (as such terms are defined in the Stock Purchase Agreement).

**12.5 Effect of Termination; Surviving Obligations.**

**(a)** Upon termination of this Agreement by Sepracor pursuant to Section 12.2:

**(i)** the licenses granted under Sections 6.1(a)(i), 6.1(a)(ii) and 6.1(b), if then in effect, shall automatically terminate and revert to the granting party; and

**(ii)** the license(s) granted by ACADIA to Sepracor under Section 6.1(a)(iii) and Section 6.1(a)(iv), in each case if in effect immediately prior to such termination, shall remain in effect in accordance with their respective terms, subject to compliance by Sepracor with all applicable provisions of this Agreement (including, without limitation, the payment obligations set forth in Articles 7 and 8).

**(b)** Upon termination of this Agreement by Sepracor in accordance with Section 12.3, or termination of this Agreement by ACADIA in accordance with Section 12.2 or 12.4:

**(i)** the licenses granted under Sections 6.1(a) and 6.1(b)(i), if then in effect, shall automatically terminate and revert to the granting party; and

**(ii)** any licenses granted under Section 6.1(b)(ii) shall remain in effect, and, effective upon such termination, Sepracor shall, and it hereby does, grant to ACADIA an exclusive (even as to Sepracor), worldwide, royalty-bearing license, with the right to sublicense through multiple tiers of sublicense, under the Sepracor Technology and Sepracor's interest in the Joint Patents, to develop, make, have made, use, sell, offer for sale, have sold and import the Selected Muscarinic Compounds (or Other Forms thereof) in the Muscarinic Field and, if the license granted under Section 6.1(a)(iv) was in effect immediately prior to such termination, the Licensed Compound (or Other Forms thereof) in the Sleep Field. In such event, ACADIA shall pay to Sepracor milestone payments and Percentage-Based Payments at the same levels as specified under Sections 7.4, 7.5 and 7.6 hereof, and the provisions of Sections 7.7 and Article 8 and any relevant defined terms used therein shall apply to such payments, as if such provisions referred to payments by ACADIA to Sepracor with respect to Returned Products.

**(c)** Expiration or termination of this Agreement shall not relieve the parties of any obligation or right accruing prior to such expiration or termination. Except as set forth below or elsewhere in this Agreement, the obligations and rights of the parties under the following provisions of this Agreement shall survive expiration or termination of this Agreement:

Section 3.7 – Materials Transfer (last sentence only)

Section 8.4 – Records, Audits, Adjustments

Section 8.5 – Late Payments

Section 9.1 – Ownership of Inventions

Section 9.2 – Patent Prosecution and Maintenance (so long as either party retains a license from the other party under Section 12.5 and in any event the last proviso in Section 9.2(a)(iv), if applicable, and the last proviso in Section 9.2(c)(ii), if applicable)

Section 9.3 – Cooperation of the Parties (so long as either party retains a license from the other party under Section 12.5)

Section 9.4 – Infringement by Third Parties (so long as either party retains a license from the other party under Section 12.5)

Section 9.5 – Infringement of Third Party Rights (so long as either party retains a license from the other party under Section 12.5)

Section 10.4 – Performance by Affiliates, Sublicensees and Subcontractors (so long as either party retains a license from the other party under Section 12.5)

Section 10.5 – Disclaimer

Section 10.6 – Limitation of Liability

Section 11.1 – Confidential Information

Section 11.2 – Exceptions

Section 11.3 – Authorized Disclosure

Section 11.4 – Publications

Section 11.5 – Publicity; Public Disclosures

Section 12.5 – Effect of Termination; Surviving Obligations

Section 12.6 – Exercise of Right to Terminate

Section 12.7 – Damages; Relief

Section 12.8 – Rights in Bankruptcy (so long as either party retains a license from the other party under Section 12.5)

Article 13 – Indemnification

Article 14 – Dispute Resolution

Article 15 – Adverse Events (with respect to termination only, so long as either party retains a license from the other party under Section 12.5)

Article 16 – General Provisions

**(d)** Within **[...***...]** following the expiration or termination of this Agreement, except to the extent and for so long as a party retains license rights under Sections 12.5(a) or (b), each party shall deliver to the other party any and all Confidential Information of the other party in its possession.

**12.6 Exercise of Right to Terminate.** The use by either party hereto of a termination right provided for under this Agreement shall not give rise to the payment of damages or any other form of compensation or relief to the other party with respect thereto.

**12.7 Damages; Relief.** Subject to Section 12.6 above, termination of this Agreement shall not preclude either party from claiming any other damages, compensation or relief that it may be entitled to upon such termination.

**12.8 Rights in Bankruptcy.** All rights and licenses granted under or pursuant to this Agreement by one party to the other party are, and will otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of right to “intellectual property” as defined under Section 101 of the U.S. Bankruptcy Code. The parties agree that a party that is a licensee of such rights under this Agreement will retain and may fully exercise all of its rights

and elections under the U.S. Bankruptcy Code. The parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against a party to this Agreement under the U.S. Bankruptcy Code, the other party will be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, and same, if not already in its possession, will be promptly delivered to it (i) upon any such commencement of a bankruptcy proceeding upon its written request therefor, unless the bankrupt party elects to continue to perform all of its obligations under this Agreement, or (ii) if not delivered under (i) above, following the rejection of this Agreement by or on behalf of the bankrupt party upon written request therefor by the other party.

## 13. INDEMNIFICATION

**13.1 Indemnification by ACADIA.** ACADIA hereby agrees to save, defend and hold Sepracor and its Affiliates and their respective directors, officers, employees and agents (each, a ***"Sepracor Indemnitee"***) harmless from and against any and all claims, suits, actions, demands, liabilities, expenses and/or loss, including reasonable legal expense and attorneys' fees (collectively, ***"Losses"***), to which any Sepracor Indemnitee may become subject as a result of any claim, demand, action or other proceeding by any Third Party to the extent such Losses arise directly or indirectly out of: (i) the practice by ACADIA of any license granted hereunder, or (ii) the breach by ACADIA of any warranty, representation, covenant or agreement made by ACADIA in this Agreement; except, in each case, to the extent such Losses result from the gross negligence or willful misconduct of any Sepracor Indemnitee or the breach by Sepracor of any warranty, representation, covenant or agreement made by Sepracor in this Agreement.

**13.2 Indemnification by Sepracor.** Sepracor hereby agrees to save, defend and hold ACADIA and its Affiliates and their respective directors, officers, employees and agents (each, a ***"ACADIA Indemnitee"***) harmless from and against any and all Losses to which any ACADIA Indemnitee may become subject as a result of any claim, demand, action or other proceeding by any Third Party to the extent such Losses arise directly or indirectly out of: (i) the practice by Sepracor of any license granted hereunder, (ii) the development, manufacture, use, handling, storage, sale or other disposition of any Product by Sepracor, its Affiliates or any of their respective Sublicensees, or (iii) the breach by Sepracor of any warranty, representation, covenant or agreement made by Sepracor in this Agreement; except, in each case, to the extent such Losses result from the gross negligence or willful misconduct of any ACADIA Indemnitee or the breach by ACADIA of any warranty, representation, covenant or agreement made by ACADIA in this Agreement.

**13.3 Control of Defense.** Any entity entitled to indemnification under this Article 13 shall give notice to the indemnifying party of any Losses that may be subject to indemnification, promptly after learning of such Losses, and the indemnifying party shall assume the defense of such Losses with counsel reasonably satisfactory to the indemnified party. If such defense is assumed by the indemnifying party with counsel so selected, the indemnifying party will not be subject to any liability for any settlement of such Losses made by the indemnified party without its consent (but such consent will not be unreasonably withheld or delayed), and will not be obligated to pay the fees and expenses of any separate counsel retained by the indemnified party with respect to such Losses.

**13.4 Insurance.**

**(a) Sepracor.** Sepracor, at its own expense, shall maintain product liability insurance (or self-insure) in an amount consistent with industry standards during the Term of the Agreement. Sepracor shall provide a certificate of insurance (or evidence of self-insurance) evidencing such coverage to ACADIA upon request.

**(b) ACADIA.** ACADIA, at its own expense, shall maintain liability insurance (or self-insure) in an amount consistent with industry standards during the Term of the Agreement. ACADIA shall provide a certificate of insurance (or evidence of self-insurance) evidencing such coverage to Sepracor upon request.

## 14. DISPUTE RESOLUTION

**14.1 Dispute Resolution.** In the event of any dispute arising out of or relating to this Agreement, except as otherwise provided in Sections 2.3 and 2.6 of this Agreement, the parties shall, through their respective Chief Executive Officers, first meet and attempt to resolve the dispute in face-to-face negotiations. This meeting shall occur within **[...***...]** after either party provides notice to the other party that it wishes to invoke such negotiations. If the parties are unable to resolve such dispute through such negotiations, then, except in the case of a dispute, controversy or claim that concerns (a) the validity or infringement of a patent, trademark or copyright or (b) any antitrust, anti-monopoly or competition law or regulation, whether or not statutory, the dispute shall be resolved by binding arbitration before a single independent and neutral experienced arbitrator selected by mutual agreement of the parties. In the event that the parties are unable to mutually agree on the appointment of such arbitrator, then such arbitration shall be conducted before a panel of three independent and neutral experienced arbitrators, one chosen by ACADIA, one chosen by Sepracor and the third chosen by the foregoing two arbitrators. Any such arbitration proceeding shall be administered by the American Arbitration Association, with limited discovery, in accordance with its then current rules governing commercial disputes. The place of arbitration shall be Chicago, Illinois. The arbitrator(s) shall have no authority to award punitive or any other type of damages not measured by a party's compensatory damages. Except to the extent necessary to confirm an award or as may be required by law, neither a party nor any arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both parties. In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable New York statute of limitations. Each party shall bear its own attorneys' fees, costs and disbursements arising out of the arbitration, and shall pay an equal share of the fees and costs of the arbitrators; *provided, however*, that the arbitrators shall be authorized to determine whether a party is the prevailing party, and if so, to award to that prevailing party reimbursement for its reasonable attorneys' fees, costs and disbursements (including, for example, expert witness fees and expenses, photocopy charges, travel expenses, etc.) and/or the fees and costs of the arbitrators. Each party shall fully perform and satisfy the arbitration award within **[...***...]** of the service of the award. By agreeing to this binding arbitration provision, the parties understand that they are waiving certain rights and protections which may otherwise be available if a dispute between the parties were determined by litigation in court, including, without limitation, the right to seek or

obtain certain types of damages precluded by this provision, the right to a jury trial, certain rights of appeal and a right to invoke formal rules of procedure and evidence.

**14.2 Injunctive Relief.** Notwithstanding the provisions of Section 14.1, each party acknowledges and agrees that, due to the unique and valuable nature of the other party's proprietary information and materials, there can be no adequate remedy at law for any breach by such party of the provisions of this Agreement, that any such breach may result in irreparable harm to the other party for which monetary damages would be inadequate to compensate such party and that the other party shall have the right, in addition to any other rights available under applicable law, to obtain from any court of competent jurisdiction injunctive relief to restrain any breach or threatened breach of, or otherwise to specifically enforce, any covenant or obligation of such party under such provisions, without the necessity of posting any bond or security.

## 15. ADVERSE EVENTS

Following the Effective Date, Sepracor shall be solely responsible for complying with all legal and/or regulatory obligations regarding the reporting of adverse events related to Product in the applicable Muscarinic Field or Sleep Field, or active ingredient contained therein, including with limitation any Selected Muscarinic Compound or Licensed Compound; *provided*, *however*, that nothing herein shall limit ACADIA or Sepracor from complying with its obligations to comply with its legal and/or regulatory obligations regarding the reporting of adverse events related to Product, or active ingredient contained therein. Each of ACADIA and Sepracor shall report to the other any and all potentially serious or undesirable effects of which it becomes aware relating to any Product (or any Selected Muscarinic Compounds, Licensed Compound, or **[...***...]**), including but not limited to pharmacological effects, toxicological effects, or any alleged adverse drug experiences with respect to a Product (or any Selected Muscarinic Compound, Licensed Compound, or **[...***...]**) promptly upon becoming aware thereof and in no event later than **[...***...]** after initial receipt of the information. Each such report shall identify lot numbers and customers affected, if known. Each of ACADIA and Sepracor shall provide to the other summaries of other effects or adverse drug experiences with respect to Products of which it becomes aware every **[...***...]**. The terms of this Article 15 also will apply to adverse events with respect to any Returned Products.

## 16. GENERAL PROVISIONS

**16.1 Governing Law.** This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, excluding its conflicts of laws principles.

**16.2 Entire Agreement; Modification.** This Agreement is both a final expression of the parties' agreement and a complete and exclusive statement with respect to all of its terms. This Agreement supersedes all prior and contemporaneous agreements and communications, whether oral, written or otherwise, concerning any and all matters contained herein. No rights or licenses with respect to any intellectual property of either party are granted or deemed granted hereunder or in connection herewith, other than those rights expressly granted in this Agreement.

This Agreement may only be modified or supplemented in a writing expressly stated for such purpose and signed by the parties to this Agreement.

**16.3 Relationship Between the Parties.** The parties' relationship, as established by this Agreement, is solely that of independent contractors. This Agreement does not create any partnership, joint venture or similar business relationship between the parties. Neither party is a legal representative of the other party, and neither party can assume or create any obligation, representation, warranty or guarantee, express or implied, on behalf of the other party for any purpose whatsoever.

**16.4 Non-Waiver.** The failure of a party to insist upon strict performance of any provision of this Agreement or to exercise any right arising out of this Agreement shall neither impair that provision or right nor constitute a waiver of that provision or right, in whole or in part, in that instance or in any other instance. Any waiver by a party of a particular provision or right shall be in writing, shall be as to a particular matter and, if applicable, for a particular period of time and shall be signed by such party.

**16.5 Assignment.** Except as expressly provided hereunder, neither this Agreement nor any rights or obligations hereunder may be assigned or otherwise transferred by either party without the prior written consent of the other party (which consent shall not be unreasonably withheld); *provided*, *however*, that either party may assign this Agreement and its rights and obligations hereunder without the other party's consent:

**(a)** in connection with the transfer or sale of all or substantially all of the business of such party to which this Agreement relates to a Third Party, whether by merger, sale of stock, sale of assets or otherwise, provided that in the event of a transaction (whether this Agreement is actually assigned or is assumed by the acquiring Party by operation of law (*e.g.*, in the context of a reverse triangular merger)), intellectual property rights of the acquiring party to such transaction (if other than one of the parties to this Agreement) shall not be included in the technology licensed hereunder; or

**(b)** to an Affiliate, provided that the assigning party shall remain liable and responsible to the non-assigning party hereto for the performance and observance of all such duties and obligations by such Affiliate.

The rights and obligations of the parties under this Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the parties, and the name of a party appearing herein will be deemed to include the name of such party's successors and permitted assigns to the extent necessary to carry out the intent of this section. Any assignment not in accordance with this Agreement shall be void.

**16.6 No Third Party Beneficiaries.** This Agreement is neither expressly nor impliedly made for the benefit of any party other than those executing it.

**16.7 Severability.** If, for any reason, any part of this Agreement is adjudicated invalid, unenforceable or illegal by a court of competent jurisdiction, such adjudication shall not, to the extent feasible, affect or impair, in whole or in part, the validity, enforceability, or legality

of any remaining portions of this Agreement. All remaining portions shall remain in full force and effect as if the original Agreement had been executed without the invalidated, unenforceable or illegal part.

**16.8 Notices.** Any notice to be given under this Agreement must be in writing and delivered either in person, by any method of mail (postage prepaid) requiring return receipt, or by overnight courier or facsimile confirmed thereafter by any of the foregoing, to the party to be notified at its address(es) given below, or at any address such party has previously designated by prior written notice to the other. Notice shall be deemed sufficiently given for all purposes upon the earliest of: (a) the date of actual receipt; (b) if mailed, three days after the date of postmark; or (c) if delivered by overnight courier, the next business day the overnight courier regularly makes deliveries.

If to Sepracor, notices must be addressed to:

Sepracor Inc.
84 Waterford Drive
Marlborough, MA 01752
Attention: Vice President, Business Development
Telephone: (508) 357-7375
Facsimile: (508) 357-7780

With a required copy to:

Sepracor Inc.
84 Waterford Drive
Marlborough, MA 01752
Attention: Chief Intellectual Property Counsel
Telephone: (508) 357-7386
Facsimile: (508) 357-7894

If to ACADIA, notices must be addressed to:

ACADIA Pharmaceuticals Inc.
3911 Sorrento Valley Boulevard
San Diego, CA 92121
Attention: Vice President, Business Development
Telephone: (858) 558-2871
Facsimile: (858) 558-2872

with a copy to:

Cooley Godward LLP
4401 Eastgate Mall
San Diego, CA 92121
Attention: D. Bradley Peck, Esq.
Telephone: (858) 550-6000
Facsimile: (858) 550-6420

In the event of a change of notice address, recipient, or both, a party shall provide the other party written notice pursuant to this Section 16.8 setting forth the new address and/or recipient, as appropriate.

**16.9 Force Majeure.** Except for the obligation to make payment when due, each party shall be excused from liability for the failure or delay in performance of any obligation under this Agreement by reason of any event beyond such party's reasonable control including but not limited to Acts of God, fire, flood, explosion, earthquake, or other natural forces, war, civil unrest, acts of terrorism, accident, destruction or other casualty, any lack or failure of transportation facilities, any lack or failure of supply of raw materials, any strike or labor disturbance, or any other event similar to those enumerated above. Such excuse from liability shall be effective only to the extent and duration of the event(s) causing the failure or delay in performance and provided that the party has not caused such event(s) to occur. Notice of a party's failure or delay in performance due to force majeure must be given to the other party within 10 days after its occurrence. All delivery dates under this Agreement that have been affected by force majeure shall be tolled for the duration of such force majeure. In no event shall any party be required to prevent or settle any labor disturbance or dispute. Notwithstanding the foregoing, should the event(s) of force majeure suffered by a party extend beyond a three-month period, the other party may then terminate this Agreement by written notice to the non-performing party, with the consequences of such termination as set forth in Sections 12.5, 12.6 and 12.7.

**16.10 Interpretation.**

**(a) Captions & Headings.** The captions and headings of clauses contained in this Agreement preceding the text of the articles, sections, subsections and paragraphs hereof are inserted solely for convenience and ease of reference only and shall not constitute any part of this Agreement, or have any effect on its interpretation or construction.

**(b) Singular & Plural.** All references in this Agreement to the singular shall include the plural where applicable, and all references to gender shall include both genders and the neuter.

**(c) Articles, Sections & Subsections.** Unless otherwise specified, references in this Agreement to any article shall include all sections, subsections, and paragraphs in such article; references in this Agreement to any section shall include all subsections and paragraphs in such sections; and references in this Agreement to any subsection shall include all paragraphs in such subsection.

**(d) Days.** All references to days in this Agreement shall mean calendar days, unless otherwise specified.

**(e) Ambiguities.** Ambiguities and uncertainties in this Agreement, if any, shall not be interpreted against either party, irrespective of which party may be deemed to have caused the ambiguity or uncertainty to exist.

**(f) English Language.** This Agreement has been prepared in the English language and the English language shall control its interpretation. In addition, all notices required or permitted to be given hereunder, and all written, electronic, oral or other communications between the parties regarding this Agreement shall be in the English language.

**16.11 Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original document, and all of which, together with this writing, shall be deemed one instrument.

**16.12 Exhibits & Schedules.** All exhibits or schedules referred to in this Agreement are attached hereto and incorporated herein by this reference.

**[Remainder of this page intentionally left blank.]**

**IN WITNESS WHEREOF**, the parties hereto have caused this **LICENSE, OPTION AND COLLABORATION AGREEMENT** to be executed and entered into by their duly authorized representatives as of the Effective Date.

**ACADIA PHARMACEUTICALS INC.**

By: /s/ Uli Hacksell
Name: Uli Hacksell
Title: Chief Executive Officer
Date: January 10, 2005

**SEPRACOR INC.**

By: /s/ Timothy J. Barberich
Name: Timothy J. Barberich
Title: Chairman and CEO
Date: January 10, 2005

**Exhibit A**

**Form of Press Release**

***News Release***

Contact:
David P. Southwell
Executive Vice President
Chief Financial Officer

Jonae R. Barnes
Vice President
Investor Relations
Sepracor Inc.
(508) 481-6700

**SEPRACOR ANNOUNCES PARTNERSHIP WITH ACADIA**

MARLBOROUGH, Mass., Jan. 11, 2005 — Sepracor Inc. (Nasdaq: SEPR) today announced the formation of a partnership with ACADIA Pharmaceuticals Inc. (Nasdaq: ACAD) for development of new drug candidates targeted toward treatment of central nervous system (CNS) disorders.

This research and development collaboration has been established to investigate potential clinical candidates resulting from ACADIA's extensive medicinal chemistry and discovery platform against a broad array of selective muscarinic receptors (receptors that respond to acetylcholine, a neurotransmitter in the central nervous system). This includes ACADIA's advanced $m_1$ agonist program, which would target neuropsychiatric/neurologic conditions and neuropathic pain.

This partnership also encompasses an option to select a preclinical compound from ACADIA's 5-$HT_{2A}$ program for use in combination with LUNESTA™ (eszopiclone), Sepracor's insomnia drug, for sleep-related indications. 5-$HT_{2A}$ antagonists have been shown in clinical studies to affect sleep architecture in man, resulting in extended periods of slow wave sleep, which may have a positive effect on sleep quality.

"This important agreement with ACADIA gives us access to additional portfolio candidates for treatment of CNS disorders, complementing our own internal capabilities," said Timothy J. Barberich, Chairman and Chief Executive Officer of Sepracor Inc. "In particular, we are very excited about the possibility of combining mechanistic approaches with LUNESTA, which may be used to address the pervasive unmet needs of patients with sleep disturbances."

The U.S. Food and Drug Administration approved Sepracor's New Drug Application for LUNESTA brand eszopiclone for the treatment of insomnia on December 15, 2004. Successful developments from this partnership could enhance Sepracor's ability to address significant patient needs in the field of sleep disorders, including sleep apnea and insomnia.

-more-

"We are excited to be working with Sepracor, which is one of the only fully integrated, research-based pharmaceutical companies with a primary care capability outside of the larger pharmaceutical companies," said Uli Hacksell, Ph.D., Chief Executive Officer of ACADIA. "Sepracor has a proven drug development infrastructure combined with a highly motivated sales force with primary care reach as well as dedicated representatives focused on addressing patients' needs with respect to CNS and respiratory disorders. We believe that this partnership will serve both companies well."

This collaboration includes an ongoing joint research and development effort targeted toward the development of agonists and antagonists of selective muscarinic receptors. Compounds that interact with certain selective muscarinic targets may have utility in the treatment of CNS disorders, which is currently an area of therapeutic focus for Sepracor.

"Part of this collaboration will involve the investigation of ACADIA's selective $m_1$ agonist clinical candidates for the treatment of cognition in patients with schizophrenia," said Mark H.N. Corrigan, M.D., Executive Vice President, Research and Development at Sepracor. "Among the family of currently marketed atypical antipsychotics, only clozapine improves cognitive function, yet its label contains a "black-box warning" relating to serious side effects. We are hopeful that ACADIA's strategy will yield a new drug therapy that can successfully and safely improve cognitive function for patients with schizophrenia."

In connection with this collaboration, Sepracor is purchasing $10 million of ACADIA common stock at a 40 percent premium to the 30-day average trailing closing price per share as of the purchase date. Sepracor has also agreed to purchase up to an additional $10 million of ACADIA common stock at a 25 percent premium on the one-year anniversary date of the collaboration, subject to customary closing conditions. These stock purchases, in the aggregate, shall not exceed 19.99% of ACADIA's then-outstanding common stock. In addition to its equity investment, Sepracor will provide ACADIA with research funding over a three-year term, and, if certain conditions are met, will be required to pay ACADIA milestone payments as well as royalties on future product sales worldwide. Assuming the successful development of a single product in the muscarinic program, Sepracor will be required to pay ACADIA up to approximately $40 million in aggregate payments, excluding royalties. In addition, should the partnership successfully develop a combination product with LUNESTA for sleep-related indications, Sepracor will also be obligated to pay ACADIA approximately $35 million in aggregate payments plus applicable royalties. Additional details about this transaction will be available in Sepracor's Current Report on Form 8-K, which it expects to file with the Securities and Exchange Commission.

ACADIA's Phase II programs encompassing ACP-103 for treatment-induced dysfunction in Parkinson's disease, ACP-103 as an adjunctive therapy for schizophrenia, and ACP-104 for treatment of schizophrenia, are not included as part of this collaboration.

-more-

**About Sepracor**

Sepracor Inc. is a research-based pharmaceutical company dedicated to treating and preventing human disease through the discovery, development and commercialization of innovative pharmaceutical products that are directed toward serving unmet medical needs. Sepracor's drug development program has yielded an extensive portfolio of pharmaceutical compound candidates with a focus on respiratory and central nervous system disorders. The company's commercialization efforts are carried out by its U.S.-based, 1,250-person, primary care and specialty-oriented sales force. Sepracor's corporate headquarters are located in Marlborough, Massachusetts.

**About ACADIA Pharmaceuticals**

ACADIA Pharmaceuticals is a biopharmaceutical company utilizing innovative technology to fuel drug discovery and clinical development of novel treatments for central nervous system disorders. ACADIA currently has five drug programs in clinical and preclinical development as well as a portfolio of drug discovery assets directed at large unmet medical needs, including schizophrenia, Parkinson's disease, neuropathic pain, and glaucoma. Using its proprietary drug discovery platform, ACADIA has discovered all of the drug candidates in its product pipeline. ACADIA's corporate headquarters and biology research facilities are located in San Diego, California and its chemistry research facilities are located near Copenhagen, Denmark.

This news release contains forward-looking statements that involve risks and uncertainties, including statements with respect to the purchase of shares of Acadia common stock, the research and development of drug candidates under the collaboration and the commercial launch of, and the safety, efficacy and potential benefits of, LUNESTA brand eszopiclone. Among the factors that could cause actual results to differ materially from those indicated by such forward-looking statements are: the ability of Sepracor and ACADIA to collaborate successfully; the ability to fund, and the results of, research, development and clinical trials; the timing and success of submission, acceptance, and approval of regulatory filings; the scope of Sepracor's and ACADIA's patents and the patents of others; unexpected delays in commercial introduction of, and the commercial success of, LUNESTA; the ability of Sepracor and ACADIA to attract and retain qualified personnel; the ability of Sepracor and ACADIA to meet the closing conditions required for the consummation of the stock purchases; and certain other factors that are detailed in Sepracor's quarterly report on Form 10-Q for the quarter ended September 30, 2004 filed with the Securities and Exchange Commission.

In addition, the statements in this press release represent Sepracor's expectations and beliefs as of the date of this press release. Sepracor anticipates that subsequent events and developments may cause these expectations and beliefs to change. However, while Sepracor may elect to update these forward-looking statements at some point in the future, it specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing Sepracor's expectations or beliefs as of any date subsequent to the date of this press release.

Lunesta is a trademark of Sepracor Inc.

For a copy of this release or any recent release,
visit http://www.prnewswire.com/comp/780960.html or www.sepracor.com.
###

**Schedule 1.6**

**ACP-104 Analogs**

**[...***...]**

*****Confidential Treatment Requested (2 pages redacted)**

**Schedule 1.41**

**Limited ACADIA Patents**

**[...***...]**

*****Confidential Treatment Requested**

**Schedule 1.89**

**[...***...] Eyecare Compounds**

**[...***...]**

*****Confidential Treatment Requested**

**Schedule 10.2(d)**

**Exceptions to ACADIA Representation and Warranty**

**[...***...]**

*****Confidential Treatment Requested**

**Exhibit 99.2**

Certain confidential information contained in this document, marked by brackets and asterisks, has been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, and has been filed separately with the Securities and Exchange Commission.

# COMMON STOCK PURCHASE AGREEMENT

**THIS COMMON STOCK PURCHASE AGREEMENT** (this ***"Agreement"***) is entered into as of January 10, 2005 (the ***"Effective Date"***) by and between ACADIA Pharmaceuticals Inc., a Delaware corporation (***"ACADIA"***), and Sepracor Inc., a Delaware corporation (***"Sepracor"***).

**WHEREAS**, concurrently herewith, the parties have entered into a License, Option and Collaboration Agreement (the ***"Collaboration Agreement"***); and

**WHEREAS**, in connection with, and as a condition of ACADIA and Sepracor entering into, the Collaboration Agreement, ACADIA and Sepracor have agreed to enter into this Agreement pursuant to which ACADIA may issue and sell to Sepracor, and Sepracor shall be obligated to purchase, under the circumstances described herein, up to $20,000,000 of shares of ACADIA's Common Stock, in two $10,000,000 tranches, subject to the terms and conditions set forth herein.

**NOW, THEREFORE**, in consideration of the foregoing premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

## 1. DEFINITIONS

Capitalized terms used but not defined herein shall have the meanings provided in the Collaboration Agreement. In addition, the following terms shall have the respective meanings set forth below:

**1.1 "ACADIA Board"** shall have the meaning set forth in Section 4.1.

**1.2 "ACADIA Voting Stock"** shall mean Common Stock and any preferred stock of ACADIA possessing voting rights and eligible to participate in votes of all of ACADIA's stockholders pursuant to ACADIA's Certificate of Incorporation and Delaware law, and includes any options, convertible securities or other rights to acquire such stock.

**1.3 "Adjusted Share Amount"** shall have the meaning set forth in Section 2.2(b).

**1.4 "Common Stock"** shall mean ACADIA's common stock, $0.0001 par value per share.

**1.5 "Exchange Act"** shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

**1.6 "Fair Market Value"** shall have the meaning provided in Section 2.3.

**1.7 "First Closing Date"** shall mean the third Trading Day following the First Purchase Date.

**1.8 "First Purchase Date"** shall mean the Effective Date.

**1.9 "First Share Amount"** shall have the meaning set forth in Section 2.2(a).

**1.10 "HSR Act"** shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

**1.11 "Legal Requirement"** shall mean any federal, state, local, municipal, foreign or other law, statute, constitution, principle of common law, resolution, ordinance, code, edict, decree, rule, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any governmental authority.

**1.12 "Material Adverse Effect"** shall have the meaning set forth in Section 3.1(j)(ii).

**1.13 "Person"** shall mean any natural person, corporation, limited liability company, general or limited partnership, limited liability partnership, joint venture, joint stock company, trust, unincorporated organization, association, sole proprietorship, governmental body, or agency or political subdivision of any government.

**1.14 "Proprietary Rights"** shall have the meaning set forth in Section 3.1(l).

**1.15 "Purchase Dates"** shall mean the First Purchase Date and the Second Purchase Date and **"Purchase Date"** shall refer to either the First Purchase Date or the Second Purchase Date, as applicable.

**1.16 "Registration Rights Agreement"** shall mean the registration rights agreement substantially in the form attached hereto as Exhibit A.

**1.17 "SEC"** shall mean the United States Securities and Exchange Commission.

**1.18 "SEC Filings"** shall mean all reports, schedules, forms, statements and other documents filed or required to be filed by ACADIA with the SEC pursuant to the requirements of the Securities Act or the Exchange Act, including material filed pursuant to Section 13(a) or 15(c) of the Exchange Act, in each case, together with all exhibits, supplements, amendments and schedules thereto, and all documents incorporated by reference therein.

**1.19 "Second Closing Date**" shall mean the third Trading Day following the Second Purchase Date.

**1.20 "Second Purchase Date"** shall mean the date one year after the Effective Date, unless such date is not a Trading Day in which case the Second Purchase Date shall mean the next Trading Day following the one-year anniversary of the Effective Date.

**1.21 "Second Share Amount"** shall have the meaning set forth in Section 2.2(b).

**1.22 "Securities Act"** shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

**1.23 "Share Cap"** shall mean the number of whole Shares equal to 19.99% of the number of shares of Common Stock outstanding as of the Second Purchase Date after giving effect to the Shares to be purchased under Section 2.2(b).

**1.24 "Shares"** shall mean the shares of Common Stock being purchased under this Agreement.

**1.25 "Subsidiary" or "Subsidiaries"** of any Person shall mean any corporation, partnership, limited liability company, joint venture or other legal entity of which such Person (either above or through or together with any other subsidiary) owns, directly or indirectly, more than 50% of the stock or other equity interests the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity.

**1.26 "Trading Day"** shall mean any day on which the principal national securities exchange or market on which the Common Stock is listed is open for trading.

**1.27 "Transfer Agent"** shall mean ACADIA's transfer agent for Common Stock, Mellon Investor Services, or any successor or replacement transfer agent thereto.

**2. PURCHASE AND SALE OF COMMON STOCK**

**2.1 Purchase and Sale of Common Stock.** Upon the terms and subject to the conditions of this Agreement, ACADIA will issue and sell to Sepracor, and Sepracor shall be obligated to purchase from ACADIA, shares of Common Stock for an aggregate purchase price of up to $20,000,000.

**2.2 Purchase Price; Number of Shares.** In consideration of and in express reliance upon the representations, warranties, covenants, terms and conditions of this Agreement, ACADIA agrees to issue and sell to Sepracor, and Sepracor agrees to purchase from ACADIA:

**(a)** on the First Purchase Date, that number of whole Shares (the "***First Share Amount"***) equal to the quotient of (i) $10,000,000 divided by (ii) the product of the Fair Market Value of one share of Common Stock multiplied by 1.4; and

**(b)** on the Second Purchase Date, that number of whole Shares (the "***Second Share Amount***") equal to the quotient of (i) $10,000,000 divided by (ii) the product of the Fair Market Value of one share of Common Stock multiplied by 1.25; *provided*, *however,* that if (A) the sum of the Second Share Amount plus the First Share Amount would exceed the Share Cap or (B) ACADIA is required to, but has not, obtained requisite stockholder approval needed to comply with NASDAQ rules or a similar rule for any portion of the Second Share Amount to be sold on the Second Purchase Date, then the number of Shares to be purchased under this Section 2.2(b) shall be adjusted (the "***Adjusted Share Amount***"). In the case of clause (A) of this paragraph, the Adjusted Share Amount shall be the number of Shares that, when added to the First Share Amount, equals the Share Cap. In the case of clause (B) of this paragraph, the Adjusted Share Amount shall be the number of Shares that ACADIA may sell to Sepracor

without triggering the required stockholder approval. If Sepracor is required to purchase an Adjusted Share Amount pursuant to this paragraph, then Sepracor shall pay additional consideration to ACADIA equal to the product of (x) the difference of the Second Share Amount less the Adjusted Share Amount multiplied by (y) the product of 0.25 and the Fair Market Value on the Second Purchase Date.

**2.3 Fair Market Value.** For purposes of this Agreement, the ***"Fair Market Value"*** of Common Stock on a Purchase Date shall be as follows:

**(a)** if shares of Common Stock are then traded on a national securities exchange or through the Nasdaq National Market or Nasdaq Small Cap Market, then it shall be deemed to be the average of the closing sales prices for one share of Common Stock on such exchange or market, as the case may be, for the 30 Trading Days immediately preceding the applicable Purchase Date;

**(b)** if shares of Common Stock are not traded on a national securities exchange or through the Nasdaq National Market or Nasdaq Small Cap Market, but are traded in the over-the-counter market, the fair market value of one share of Common Stock shall be deemed to be the average of the closing bid and asked prices reported for the 30 Trading Days immediately preceding the applicable Purchase Date; and

**(c)** if shares of Common Stock are not traded on any recognized exchange or market, the Fair Market Value of one share of Common Stock shall be determined by ACADIA's Board of Directors in good faith.

**2.4 Closing; Payment; Delivery of Shares**. The closing of the First Purchase will occur on the First Closing Date and the closing of the Second Purchase will occur on the Second Closing Date. On or prior to each Closing Date, Sepracor shall pay $10,000,000 (or such lesser incremental amount calculated to avoid payment for a fractional share of Common Stock) to ACADIA by wire transfer in immediately available funds to a bank and account designated in writing by ACADIA. On each Closing Date, ACADIA shall deliver to Sepracor a certificate registered in the name of Sepracor representing the number of Shares applicable for such Purchase Date determined in accordance with this Section 2. No fractional shares or scrip representing fractional shares shall be issued in connection with a purchase under this Agreement.

**2.5 Use of Proceeds**. ACADIA agrees to use the proceeds from the sale of the Shares for working capital and other general corporate purposes.

**2.6 Conditions Precedent to Sepracor Obligations.** The obligation of Sepracor to purchase Shares on a Purchase Date shall be subject to the satisfaction of each of the following conditions precedent on or before such Purchase Date.

**(a)** The representations and warranties made by ACADIA in Section 3.1 hereof shall be true and correct in all material respects on and as of such Purchase Date; *provided, however,* that solely in connection with the purchase of Shares on the Second Purchase

Date, ACADIA shall deliver to Sepracor an officer's certificate updating as of a reasonably recent date prior to the Second Purchase Date the representations and warranties made by ACADIA in Section 3.1(b) hereof, which shall be true and correct in all material respects on and as of the Second Purchase Date.

**(b)** As of such Purchase Date, the Collaboration Agreement will be in full force and effect, neither party shall have given in good faith notice of termination of the Collaboration Agreement, and no material default by ACADIA shall exist under the Collaboration Agreement.

**(c)** No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the issuance and sale of the Shares to Sepracor on such Purchase Date shall have been issued by any court of competent jurisdiction and remain in effect, and there shall not be any Legal Requirement enacted or deemed applicable to the issuance and sale of the Shares to Sepracor on such Purchase Date that makes consummation of the issuance and sale of the Shares to Sepracor on such Purchase Date illegal.

**(d)** Sepracor shall have received from outside counsel to ACADIA an opinion substantially in the form attached hereto as Exhibit B.

**(e)** Any waiting period applicable to the consummation of the issuance and sale of the Shares to Sepracor on such Purchase Date or under the Collaboration Agreement under the HSR Act shall have expired or been terminated.

**(f)** All authorizations, approvals or permits, if any, of any governmental entity that are required prior to such Purchase Date in connection with the issuance and sale of the Shares to Sepracor on such Purchase Date pursuant to this Agreement shall be duly obtained and effective as of such Purchase Date (other than filings under SEC Regulation D or applicable state securities laws and regulations that may be made after such Purchase Date).

**(g)** The Registration Rights Agreement is in full force and effect.

**2.7 Conditions Precedent to ACADIA Obligations.** The obligation of ACADIA to consummate the sale of Shares on a Purchase Date shall be further subject to the satisfaction of each of the following conditions precedent on or before such Purchase Date.

**(a)** The representations and warranties made by Sepracor in Section 3.2 hereof shall be true and correct on and as of such Purchase Date.

**(b)** As of such Purchase Date, the Collaboration Agreement will be in full force and effect, neither party shall have given in good faith notice of termination of the Collaboration Agreement, and no material default by Sepracor shall exist under the Collaboration Agreement.

**(c)** No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the issuance and sale of the Shares to Sepracor on such Purchase Date shall have been issued by any court of competent jurisdiction and remain in

effect, and there shall not be any Legal Requirement enacted or deemed applicable to the issuance and sale of the Shares to Sepracor on such Purchase Date that makes consummation of the issuance and sale of the Shares to Sepracor on such Purchase Date illegal.

**(d)** Solely with respect to the sale of any portion of the Shares issuable on the Second Purchase Date for which stockholder approval is required in order to comply with NASDAQ Stock Market Marketplace Rules (or similar stockholder voting requirements that may be imposed on ACADIA by any other established stock exchange or national market system on which shares of Common Stock are traded or listed), ACADIA shall have obtained such approval.

**(e)** Any waiting period applicable to the consummation of the issuance and sale of the Shares to Sepracor on such Purchase Date or under the Collaboration Agreement under the HSR Act shall have expired or been terminated.

**(f)** All authorizations, approvals or permits, if any, of any governmental entity that are required prior to such Purchase Date in connection with the issuance and sale of the Shares to Sepracor on such Purchase Date shall be duly obtained and effective as of such Purchase Date (other than filings under SEC Regulation D or applicable state securities laws and regulations that may be made after such Purchase Date).

**3. REPRESENTATIONS AND WARRANTIES**

**3.1 Representation and Warranties of ACADIA.** ACADIA hereby makes the following representations and warranties to Sepracor:

**(a) Organization, Good Standing and Qualification**. ACADIA is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on its business. ACADIA is duly qualified to transact business as a corporation and is in good standing in each jurisdiction in which the failure so to qualify would have a material adverse effect upon ACADIA's ability to perform its obligations under this Agreement.

**(b) Capitalization**. The authorized capital stock of ACADIA, as of December 31, 2004, consists of 75,000,000 shares of Common Stock, of which 16,922,850 shares are issued and outstanding and 5,000,000 shares of blank check Preferred Stock, $0.0001 par value per share, none of which have been designated. All of the issued and outstanding shares of Common Stock are duly authorized, validly issued, fully paid, nonassessable and free of all preemptive rights. Options to purchase an aggregate of 1,767,986 shares of Common Stock were outstanding as of December 31, 2004. Except as set forth in the SEC Filings and this Section 3.1(b), there are no outstanding subscriptions, rights (including conversion rights or preemptive rights and rights of first refusal), warrants, options, calls, convertible securities, commitments of sale or liens granted or issued by ACADIA or any Subsidiary of ACADIA relating to or entitling any Person to purchase or otherwise to acquire any shares of the capital stock of ACADIA or any Subsidiary of ACADIA from ACADIA or such Subsidiary.

**(c) Authorization; Due Execution.** ACADIA has the requisite corporate power and authority to enter into this Agreement and to perform its obligations under the terms of this Agreement. All corporate action on the part of ACADIA, its officers, directors and stockholders necessary for the authorization, execution and delivery of this Agreement has been taken. This Agreement has been duly authorized, executed and delivered by ACADIA and, upon due execution and delivery by Sepracor of this Agreement, this Agreement will be a valid and binding agreement of ACADIA, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or by equitable principles.

**(d) Valid Issuance of Stock.** The Shares, when issued, sold and delivered in accordance with the terms of Section 2 hereof for the consideration and on the terms and conditions set forth herein, will be duly and validly authorized and issued, fully paid and nonassessable and, based in part upon the representations of Sepracor in this Agreement, will be issued in compliance with all applicable federal and state securities laws.

**(e) No Defaults**. There exists no default under the provisions of any instrument or agreement evidencing, governing or otherwise relating to any material indebtedness of ACADIA, or with respect to any other agreement, a default under which could have a material adverse effect upon ACADIA's ability to perform its obligations under this Agreement.

**(f) SEC Filings.** ACADIA has timely filed with the SEC all SEC Filings. The SEC Filings were prepared in accordance with and, as of the date on which each such SEC Filing was filed with the SEC, complied in all material respects with the applicable requirements of the Exchange Act. None of such SEC Filings, including, without limitation, any financial statements, exhibits and schedules included therein and documents incorporated therein by reference, at the time filed, declared effective or mailed, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. All material agreements that are required to be filed as exhibits to the SEC Filings under Item 601 of Regulation S-K to which ACADIA or any Subsidiary of ACADIA is a party, or the property or assets of ACADIA or any Subsidiary of ACADIA are subject, have been filed as exhibits to the SEC filings.

**(g) Financial Statements.** The financial statements in the SEC Filings, present fairly in all material respects the financial position, results of operations and cash flows of ACADIA on the basis stated therein at the respective dates or for the respective periods to which they apply. Such statements and related schedules and notes have been prepared in accordance with United States generally accepted accounting principles consistently applied throughout the periods involved, except as disclosed therein. The other financial data set forth in the SEC Filings that are derived from such financial statements are accurately presented in all material respects and prepared on a basis consistent with such financial statements and the books and records of ACADIA.

**(h) Disclosure Controls and Procedures**. Except as otherwise set forth in the SEC Filings, ACADIA has established and maintained disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) that are effective in all material respects to ensure that material information relating to ACADIA, including any consolidated Subsidiaries, is made known to its chief executive officer and chief financial officer by others within those entities.

**(i) Accounting Controls.** Except as otherwise set forth in the SEC Filings, ACADIA maintains a system of accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles as applied in the United States and to maintain accountability for assets, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

**(j) Governmental Consents and Permits.**

**(i)** No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state, local or provincial governmental authority on the part of ACADIA is required in connection with the consummation of the transactions contemplated by this Agreement, except for such approvals or consents as may be required under the HSR Act and such other notices required or permitted to be filed with certain state and federal securities commissions after the Effective Date, which notices will be filed on a timely basis.

**(ii)** ACADIA owns, possesses or has obtained all licenses, permits, certificates, consents, orders, approvals and other authorizations from, and has made all declarations and filings with, all federal, state, local and other governmental authorities (including foreign regulatory agencies), all self-regulatory organizations and all courts and other tribunals, domestic or foreign, necessary to operate its properties and to carry on its business as conducted as of the date hereof, except where the failure to own, possess, obtain or make would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business, properties, business prospects, financial position or results of operations of ACADIA and its Subsidiaries, taken as a whole ("***Material Adverse Effect***"). ACADIA has not received any actual notice of any proceeding relating to revocation or modification of any such license, permit, certificate, consent, order, approval or other authorization except where such revocation or modification would not reasonably be expected to have a Material Adverse Effect. ACADIA is in compliance with all laws and regulations relating to the conduct of its business as conducted as of the date hereof, except where noncompliance would not reasonably be expected to have a Material Adverse Effect.

**(k) No Conflict.** ACADIA's execution, delivery and performance of this Agreement does not and will not (i) violate any provision of ACADIA's Certificate of Incorporation or Bylaws, each as amended to date (copies of which have been filed with

ACADIA's SEC Filings), (ii) violate any provision of any order, writ, judgment, injunction, decree, determination or award to which ACADIA is a party or by which it is bound, or, to ACADIA's knowledge, any law, rule or regulation currently in effect having applicability to ACADIA, (iii) conflict with, result in a breach of, constitute (with or without due notice or lapse of time or both) a default under, result in the forfeiture of any rights under, result in the acceleration of obligations under, create in any party any right to terminate, modify or cancel, or require any notice, consent or waiver under, any contract or instrument to which ACADIA is a party or by which it is bound or to which any of its assets or properties are subject, or (iv) result in the creation of any mortgage, pledge, lien, charge or encumbrance upon any of the properties or assets of ACADIA or the suspension, revocation, impairment, forfeiture or non-renewal of any franchises, permits, licenses or any similar authority necessary for the conduct of ACADIA's business as now being conducted except where such event described in clause (ii), (iii) or (iv) would not reasonably be expected to have a Material Adverse Effect.

**(l) Intellectual Property**. ACADIA owns or is licensed to use all patents, patent applications, inventions, trademarks, trade names, applications for registration of trademarks, service marks, service mark applications, copyrights, know-how, manufacturing processes, formulae, trade secrets, licenses and rights in any thereof and any other intangible property and assets that are material to the business of ACADIA as now conducted and as, on the date hereof, proposed to be conducted (the "***Proprietary Rights***"), or is seeking, or will seek, to obtain rights to use such Proprietary Rights that are material to the business of ACADIA as, on the date hereof, proposed to be conducted. ACADIA does not have any knowledge of, and ACADIA has not given or received any notice of, any pending conflicts with or infringement of the rights of others with respect to any Proprietary Rights or with respect to any license of Proprietary Rights except where such conflict or infringement would not reasonably be expected to have a Material Adverse Effect. No action, suit, arbitration, or legal, administrative or other proceeding, or investigation is pending, or, to ACADIA's knowledge, threatened, which involves any Proprietary Rights, nor to ACADIA's knowledge, is there any reasonable basis therefor, except where such action, suit, arbitration, proceeding or investigation would not reasonably be expected to have a Material Adverse Effect.

**(m) Environmental Laws.** ACADIA is in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("***Environmental Laws***"), (ii) has received all permits, licenses or other approvals required of them under applicable Environmental Laws and, (iii) is in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals, would not, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect.

**(n) Investment Company.** ACADIA is not, and after giving effect to the offering and sale of the Shares and the application of the proceeds as described herein will not be, an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

**(o) Private Offering**. No form of general solicitation or general advertising was used by ACADIA or its representatives in connection with the offer, sale or issuance of the Shares. Based in part upon the representations of Sepracor in this Agreement, no registration of the Shares, pursuant to the provisions of the Securities Act or any state securities or "blue sky" laws, will be required by the offer, sale or issuance of the Shares. ACADIA agrees that neither it, nor anyone acting on its behalf, shall offer to sell the Shares or any other securities of ACADIA so as to require the registration of the Shares pursuant to the provisions of the Securities Act or any state securities or "blue sky" laws, unless such Shares or other securities are so registered.

**(p) Brokers.** No broker, finder, or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement.

**(q) NASDAQ National Market**. The Common Stock is listed in the NASDAQ National Market, and there are no proceedings to revoke or suspend such listing.

**(r) Absence of Litigation**. Other than as described in the SEC Filings, there is no action, suit or proceeding or, to ACADIA's knowledge, any investigation pending or, to ACADIA's knowledge, threatened by or before any governmental body against ACADIA or any Subsidiary of ACADIA and in which an unfavorable outcome, ruling or finding in any said matter, or for all matters taken as a whole, would reasonably be expected to have a Material Adverse Effect. The foregoing includes, without limitation, any such action, suit, proceeding or investigation that questions this Agreement or the right of ACADIA to execute, deliver and perform under the same.

**(s) No Material Adverse Change**. Since the filing of ACADIA's most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q, as the case may be, except as described or referred to in the SEC Filings, there has not been any material adverse change in the assets, business, properties, financial condition or results of operations of ACADIA or any Subsidiary of ACADIA.

**3.2 Representations and Warranties of Sepracor.** Sepracor hereby makes the following representations and warranties to ACADIA:

**(a) Authorization; Due Execution.** Sepracor has the requisite corporate power and authority to enter into this Agreement and to perform its obligations under the terms of this Agreement. All corporate action on the part of Sepracor, its officers, directors and stockholders necessary for the authorization, execution and delivery of this Agreement have been taken. This Agreement has been duly authorized, executed and delivered by Sepracor, and, upon due execution and delivery by ACADIA, this Agreement will be a valid and binding agreement of Sepracor, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or by equitable principles.

**(b) No Current Ownership in ACADIA.** Other than the Shares to be acquired, and the rights provided for, under this Agreement, Sepracor does not own any shares of Common Stock or any rights to acquire Common Stock.

**(c) Purchase Entirely for Own Account.** This Agreement is made with Sepracor in reliance upon Sepracor's representation to ACADIA, which by Sepracor's execution of this Agreement it hereby confirms, that the Shares purchased by Sepracor will be acquired for investment for Sepracor's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that Sepracor has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Agreement, Sepracor further represents that it does not have any contract, undertaking, agreement or arrangement with any Person to sell, transfer or grant participation to such Person or to any third Person, with respect to the Shares, if issued.

**(d) Disclosure of Information.** Sepracor has received all the information that it has requested and that it considers necessary or appropriate for deciding whether to enter into this Agreement and to acquire the Shares. Sepracor further represents that it has had an opportunity to ask questions and receive answers from ACADIA regarding the terms and conditions of the offering of the Shares.

**(e) Investment Experience.** Sepracor acknowledges that it is able to fend for itself, can bear the economic risk of its investment and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in the Shares. Sepracor also represents it has not been organized solely for the purpose of acquiring the Shares.

**(f) Accredited Investor.** Sepracor is an "accredited investor" as such term is defined in Rule 501 of the General Rules and Regulations prescribed by the SEC pursuant to the Securities Act.

**(g) Restricted Securities.** Sepracor understands that: (a) the Shares will not be registered under the Securities Act by reason of a specific exemption therefrom, that such securities must be held by it indefinitely and that the Sepracor must, therefore, bear the economic risk of such investment indefinitely, unless a subsequent disposition thereof is registered under the Securities Act or is exempt from such registration; (b) each certificate representing the Shares, if issued, will be endorsed with the following legends:

**(i)** THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "*ACT*") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY AND ITS COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED;

**(ii)** Any legend required to be placed thereon under applicable state securities laws; and

**(iii)** ACADIA will instruct the Transfer Agent not to register the transfer of the Shares (or any portion thereof) unless the conditions specified in the foregoing legends are satisfied, until such time as a transfer is made, pursuant to the terms of this Agreement, and in compliance with Rule 144 or pursuant to a registration statement or, if the opinion of counsel referred to above is to the further effect that such legend is not required in order to establish compliance with any provisions of the Securities Act or this Agreement.

**4. STANDSTILL AGREEMENT**

**4.1 Standstill Agreement.** Provided that nothing contained herein will prevent or prohibit Sepracor from acquiring ACADIA Voting Stock as expressly contemplated by this Agreement or selling ACADIA Voting Stock, Sepracor will not, directly or indirectly, without the prior consent of a majority of the Board of Directors of ACADIA (the ***"ACADIA Board"***), (i) acquire (or offer or agree to acquire) any ACADIA Voting Stock; (ii) engage or become a participant in any "solicitation" of "proxies" (as such terms are defined in Regulation 14A under the Exchange Act) or consents to vote any ACADIA Voting Stock; or (iii) transfer to any third party (other than to its "affiliates," "associates" (as such terms are defined in Rule 12b-2 under the Exchange Act), officers, directors or employees and other than pursuant to a proxy solicitation conducted by or on behalf of the ACADIA Board), the right to vote any ACADIA Voting Stock. Sepracor also agrees that it will not advise, assist or encourage any third party to do any of the foregoing. The covenants in this Section 4.1 shall remain in effect until the later of (a) the third anniversary of the Effective Date and (b) the end of the Term.

**4.2 Termination of Standstill**. Notwithstanding the foregoing, the obligations of Sepracor under this Section 4 shall terminate in the event of (i) any *bona fide* third party tender or exchange offer for at least **[...***...]** of the outstanding ACADIA Voting Stock, (ii) it is publicly disclosed that more than **[...***...]** of the ACADIA Voting Stock then outstanding has been acquired or is proposed to be acquired by any Person or group unaffiliated with Sepracor, (iii) ACADIA enters into any agreement to merge with any Person not affiliated with Sepracor (other than a merger with a Subsidiary of ACADIA), or (iv) ACADIA enters into any agreement to sell all or substantially all of its assets to any Person not affiliated with Sepracor All of the provisions of Section 4 shall be reinstated and shall apply in full force according to their terms in the event that: (x) if the provisions of Section 4 shall have terminated as the result of a tender or exchange offer, such tender or exchange offer (as originally made or as amended or modified) shall have terminated (without closing) prior to the commencement of a tender or exchange offer by Sepracor that would have been permitted to be made pursuant to the first sentence of this Section 4.2 as a result of such third-party tender or exchange offer; (y) any tender or exchange offer by Sepracor (as originally made or as extended or modified) that was permitted to be made pursuant to this Section 4.2 shall have terminated (without closing); or (z) if the provisions of Section 4 shall have terminated as a result of any action by ACADIA referred to in this Section 4.2, ACADIA shall have determined not to take any of such actions (and no such transaction shall have closed) prior to the commencement of a tender or exchange offer by

---

*** **Confidential Treatment Requested**

Sepracor that would have been permitted to be made pursuant to this Section 4.2 as a result of the initial determination of ACADIA referred to in this Section 4.2. Upon reinstatement of the provisions of Section 4, the provisions of this Section 4.2 shall continue to govern in the event that any of the events described in this Section 4.2 shall occur.

**5. MISCELLANEOUS**

**5.1 Governing Law**. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, excluding its conflicts of laws principles.

**5.2 Assignment.** This Agreement will inure benefit and be binding upon each party, its successors and assigns. This Agreement may not be assigned or otherwise transferred, nor, except as expressly provided hereunder, may any right or obligation hereunder be assigned or transferred by either party without the prior written consent of the other party; *provided*, *however*, that a party may, without such consent, assign this Agreement and its rights and obligations hereunder in conjunction with a permitted assignment of the Collaboration Agreement made in accordance with Section 15.5 thereof. The rights and obligations of the parties under this Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the parties. Any attempted assignment not in accordance with this Section will be void.

**5.3 Entire Agreement; Modification.** This Agreement is both a final expression of the parties' agreement and a complete and exclusive statement with respect to all of its terms. This Agreement supersedes all prior and contemporaneous agreements and communications, whether oral, written or otherwise, concerning any and all matters contained herein. This Agreement may only be modified or supplemented in a writing expressly stated for such purpose and signed by the parties to this Agreement.

**5.4 Severability**. If, for any reason, any part of this Agreement is adjudicated invalid, unenforceable or illegal by a court of competent jurisdiction, such adjudication shall not affect or impair, in whole or in part, the validity, enforceability or legality of any remaining portions of this Agreement. All remaining portions shall remain in full force and effect as if the original Agreement had been executed without the invalidated, unenforceable or illegal part.

**5.5 Interpretation.**

**(a) Captions & Headings.** The captions and headings of clauses contained in this Agreement preceding the text of the articles, sections, subsections and paragraphs hereof are inserted solely for convenience and ease of reference only and shall not constitute any part of this Agreement, or have any effect on its interpretation or construction.

**(b) Singular & Plural.** All references in this Agreement to the singular shall include the plural where applicable, and all references to gender shall include both genders and the neuter.

**(c) Articles, Sections & Subsections.** Unless otherwise specified, references in this Agreement to any article shall include all sections, subsections, and paragraphs in such

article; references in this Agreement to any section shall include all subsections and paragraphs in such sections; and references in this Agreement to any subsection shall include all paragraphs in such subsection.

**(d) Days.** All references to days in this Agreement shall mean calendar days, unless otherwise specified.

**(e) Ambiguities.** Ambiguities and uncertainties in this Agreement, if any, shall not be interpreted against either party, irrespective of which party may be deemed to have caused the ambiguity or uncertainty to exist.

**(f) English Language.** This Agreement has been prepared in the English language and the English language shall control its interpretation. In addition, all notices required or permitted to be given hereunder, and all written, electronic, oral or other communications between the parties regarding this Agreement shall be in the English language.

**5.6 Notices.** Any notice to be given under this Agreement must be in writing and delivered either in person, by any method of mail (postage prepaid) requiring return receipt, or by overnight courier or facsimile confirmed thereafter by any of the foregoing, to the party to be notified at its address(es) given below, or at any address such party has previously designated by prior written notice to the other. Notice shall be deemed sufficiently given for all purposes upon the earliest of: (a) the date of actual receipt; (b) if mailed, three days after the date of postmark; or (c) if delivered by overnight courier, the next business day the overnight courier regularly makes deliveries.

If to Sepracor, notices must be addressed to:

Sepracor Inc.
84 Waterford Drive
Marlborough, MA 01752
Attention: Vice President, Legal Affairs
Telephone: (508) 481-6700
Facsimile: (508) 357-7511

With a required copy to:

Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street
Boston, MA 02109
Attention: Susan W. Murley
Telephone: (617) 526-6000
Facsimile: (617) 526-5000

If to ACADIA, notices must be addressed to:

ACADIA Pharmaceuticals Inc.
3911 Sorrento Valley Boulevard
San Diego, CA 92121
Attention: General Counsel
Telephone: (858) 558-2871
Facsimile: (858) 558-2872

With a copy to:

Cooley Godward LLP
4401 Eastgate Mall
San Diego, CA 92121
Attention: D. Bradley Peck
Telephone: (858) 550-6000
Facsimile: (858) 550-6420

**5.7 Counterparts.** The Agreement may be executed in two counterparts, each of which will be deemed an original, but all of which, together with this writing, shall be deemed one and the same instrument.

**5.8 Publicity.** The parties agree that no public release or announcement concerning this Agreement shall be issued by either party without the prior written consent of the other party (which consent shall not be unreasonably withheld), except as such release or announcement may be required by law or the rules or regulations of any securities exchange or the National Association of Securities Dealers, in which case the party required to make the release or announcement shall use its best efforts to allow the other party reasonable time to comment on such release or announcement, in advance of such issuance.

**[SIGNATURE PAGE FOLLOWS]**

**IN WITNESS WHEREOF,** the parties hereto have duly executed this Agreement as of the Effective Date.

**SEPRACOR INC.**

By: /s/ Timothy J. Barberich

Name: Timothy J. Barberich
Title: Chairman and CEO

**ACADIA PHARMACEUTICALS INC.**

By: /s/ Uli Hacksell

Name: Uli Hacksell
Title: Chief Executive Officer

**Exhibit 99.3**

# REGISTRATION RIGHTS AGREEMENT

**THIS REGISTRATION RIGHTS AGREEMENT** (this ***"Agreement"***) is entered into as of January 10, 2005 (the ***"Effective Date"***) by and between ACADIA Pharmaceuticals Inc., a Delaware corporation (***"ACADIA"***), and Sepracor Inc., a Delaware corporation (***"Sepracor"***).

**WHEREAS**, concurrently herewith, the parties have entered into a Common Stock Purchase Agreement (the ***"Purchase Agreement"***) and a License, Option and Collaboration Agreement (the ***"Collaboration Agreement"***);

**WHEREAS**, in connection with and as a condition of ACADIA and Sepracor entering into the Purchase Agreement and the Collaboration Agreement, ACADIA and Sepracor have agreed to enter into this Agreement pursuant to which ACADIA has agreed to provide Sepracor with certain registration rights with respect to the Shares (as defined herein) purchased by Sepracor pursuant to the Purchase Agreement; and

**WHEREAS**, such registration rights are no more favorable in the aggregate than those provided in the Stockholders Agreement (as defined herein).

**NOW, THEREFORE**, in consideration of the foregoing premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

## ARTICLE 1

## DEFINITIONS

Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Purchase Agreement.

**1.1 "ACADIA Board"** means the board of directors of ACADIA.

**1.2 "Affiliate"** means, with respect to any Person, any Person who controls, is controlled by, or is under common control with, such Person.

**1.3 "Common Stock"** means the Common Stock, par value $.0001 per share, of ACADIA.

**1.4 "Exchange Act"** means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

**1.5 "Holder"** means (i) Sepracor and (ii) if Sepracor (or any permitted assignee) assigns its rights hereunder with respect to any of the Registrable Shares in accordance with Section 3.2 hereof, the subsequent holder of such Registrable Shares.

**1.6 "Initiating Holders"** means any Holder or Holders who in the aggregate hold a majority of the Registrable Shares then outstanding.

**1.7 "Institutional Stockholder"** and **"Institutional Stockholders"** have the meanings set forth in Section 1.15 of this Agreement.

**1.8 "Person"** means any natural person, corporation, limited liability company, general or limited partnership, limited liability partnership, joint venture, joint stock company, trust, unincorporated organization, association, sole proprietorship, governmental body, or agency or political subdivision of any government.

**1.9 "Registrable Shares"** means the Shares; *provided*, *however*, that Shares shall cease to be Registrable Shares (i) upon any sale pursuant to a Registration Statement or Rule 144 under the Securities Act or (ii) upon any transfer to a Person which, by virtue of Section 3.2 of this Agreement, is not entitled to the rights provided by this Agreement.

**1.10 "Registration Expenses"** means the expenses described in Section 2.4 of this Agreement.

**1.11 "Registration Statement"** means a registration statement filed by ACADIA with the SEC (as defined herein) for a public offering and sale of Common Stock (other than a registration statement on Form S-8 or Form S-4, or their successors, or any other form for a similar limited purpose, or any registration statement covering only securities proposed to be issued in exchange for securities or assets of another corporation).

**1.12 "SEC"** means the United States Securities and Exchange Commission.

**1.13 "Securities Act"** means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

**1.14 "Shares"** has the meaning set forth in Section 1.24 of the Purchase Agreement.

**1.15 "Stockholders Agreement"** means the Amended and Restated Stockholders Agreement entered into as of March 27, 2003, by and among ACADIA, those individuals and entities identified on the signature page thereof as the ***"Existing Institutional Stockholders"***, Mark R. Brann, and the entities identified on the signature page thereof as the ***"New Institutional Stockholders"***. The Existing Institutional Stockholders and New Institutional Stockholders (and their successors and assigns) are sometimes referred to herein individually as an ***"Institutional Stockholder"*** or collectively as ***"Institutional Stockholders"***.

## ARTICLE 2
## REGISTRATION RIGHTS

**2.1 Required Registrations.**

**(a)** At any time (i) commencing one year after the First Closing Date with respect to the Shares purchased on the First Closing Date and (ii) commencing one year after the Second Closing Date with respect to the Shares purchased on the Second Closing Date, the Initiating Holders may request, in writing, that ACADIA effect the registration of Registrable Shares having an aggregate offering price of at least $2,500,000 (based on the then current

market price). If the Initiating Holders intend to distribute the Registrable Shares by means of an underwriting, they shall so advise ACADIA in their request. In the event such registration is underwritten, the right of other Holders to participate shall be conditioned on such Holders' participation in such underwriting. Upon receipt of any such request, ACADIA shall promptly give written notice of such proposed registration to all Holders. Such Holders shall have the right, by giving written notice to ACADIA within ten days after ACADIA provides its notice, to elect to have included in such registration such of their Registrable Shares as such Holders may request in such notice of election; *provided* that if the underwriter (if any) managing the offering determines that, because of marketing factors, all of the Registrable Shares requested to be registered by all Holders may not be included in the offering, then all Holders who have requested registration shall participate in the registration pro rata based upon the number of Registrable Shares which they have requested to be so registered. If the underwriter has not limited the number of Registrable Shares to be underwritten, ACADIA may include securities for its own account (or for the account of other stockholders) in such registration if the underwriter so agrees and if the number of Registrable Shares that would otherwise have been included in such registration and underwriting will not thereby be limited. Thereupon, ACADIA shall, as expeditiously as possible, use its best efforts to effect the registration of all such Registrable Shares.

**(b)** ACADIA shall not be required to effect more than three registrations pursuant to paragraph (a) above. In addition, ACADIA shall not be required to effect any registration (other than on Form S-3 or any successor form) within six months after the effective date of any other Registration Statement of ACADIA.

**(c)** If at the time of any request to register Registrable Shares pursuant to this Section 2.1, ACADIA is engaged or has fixed plans to engage within 30 days of the time of the request in a registered public offering as to which Holders may include Registrable Shares pursuant to Section 2.2 or is engaged in any other activity which, in the good faith determination of the ACADIA Board, would be adversely affected by the requested registration to the material detriment of ACADIA, then ACADIA may at its option direct that such request be delayed for a period not in excess of six months from the effective date of such offering or the date of commencement of such other material activity, as the case may be, such right to delay a request may not be exercised by ACADIA more than once in any two-year period.

**2.2 Incidental Registration.**

**(a)** Whenever ACADIA proposes to file a Registration Statement pursuant to Section 9.1 of the Stockholders Agreement, ACADIA will, prior to such filing, give written notice to the Holders of its intention to do so and, upon the written request of any Holder given within 20 days after ACADIA provides such notice (which request shall state the intended method of disposition of such Holder's Registrable Shares), ACADIA shall use its best efforts to cause all Registrable Shares which ACADIA has been requested by such Holder to register to be registered under the Securities Act to the extent necessary to permit their sale or other disposition in accordance with the intended methods of distribution specified in the request of such Holder; *provided* that ACADIA shall have the right to postpone or withdraw any registration effected pursuant to this Section 2.2(a) without obligation to the Holders.

**(b)** Whenever ACADIA proposes to file a Registration Statement (other than pursuant to Section 2.1 or 2.2(a)), ACADIA will, prior to such filing, give written notice to the Holders of its intention to do so and, upon the written request of any Holder given within 20 days after ACADIA provides such notice (which request shall state the intended method of disposition of such Holder's Registrable Shares), ACADIA shall use its best efforts to cause all Registrable Shares which ACADIA has been requested by such Holder to register to be registered under the Securities Act to the extent necessary to permit the sale or other disposition in accordance with the intended methods of distribution specified in the request of such Holder; *provided*, *however*, that, during the one-year period following the First Closing Date, ACADIA shall have the right to file one Registration Statement which shall not be subject to this Section 2.2(b); *provided further* that ACADIA shall have the right to postpone or withdraw any registration effected pursuant to this Section 2.2(b) without obligation to the Holders.

**(c)** In connection with any registration under this Section 2.2 involving an underwriting, ACADIA shall not be required to include any Registrable Shares in such registration unless the Holders thereof accept the terms of the underwriting as agreed upon between ACADIA and the underwriters selected by it (*provided* that such terms must be consistent with this Agreement). If in the opinion of the managing underwriter it is appropriate because of marketing factors to limit the number of Registrable Shares to be included in the offering, then ACADIA shall be required to include in the registration only that number of Registrable Shares, if any, which the managing underwriter believes should be included therein; *provided* that no Persons other than the Holders, ACADIA, Institutional Stockholders and other Persons holding registration rights shall be permitted to include securities in the offering. If the number of Registrable Shares to be included in the offering in accordance with the foregoing is less than the total number of shares which the Holders have requested to be included, then the Holders who have requested registration and any other Persons who have requested registration pursuant to similar incidental registration rights shall participate in the registration pro rata based on their total ownership of shares of Common Stock.

**2.3 Registration Procedures.** If and whenever ACADIA is required by the provisions of this Agreement to use its best efforts to effect the registration of any of the Registrable Shares under the Securities Act, ACADIA shall:

**(a)** promptly file with the SEC a Registration Statement with respect to such Registrable Shares and use its best efforts to cause that Registration Statement to become effective;

**(b)** as expeditiously as possible prepare and file with the SEC any amendments and supplements to the Registration Statement and the prospectus included in the Registration Statement as may be necessary to keep the Registration Statement effective, in the case of a firm commitment underwritten public offering, until each underwriter has completed the distribution of all securities purchased by it and, in the case of any other offering, until the earlier of the sale of all Registrable Shares covered thereby or 120 days after the effective date thereof;

**(c)** as expeditiously as possible furnish to each Holder including Registrable Shares in such registration such reasonable numbers of copies of the prospectus and the

Registration Statement, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as such Holder may reasonably request in order to facilitate the public sale or other disposition of its Registrable Shares;

**(d)** as expeditiously as possible use its best efforts to register or qualify the Registrable Shares covered by the Registration Statement under the securities or Blue Sky laws of such states as the Holders of a majority of the Registrable Shares included in such registration shall reasonably request, and do any and all other acts and things that may be necessary or desirable to enable the Holders including Registrable Shares in such registration to consummate the public sale or other disposition in such states of their Registrable Shares; *provided, however*, that ACADIA shall not be required in connection with this paragraph (d) to qualify as a foreign corporation or execute a general consent to service of process in any jurisdiction; and

**(e)** in the event of any Registration Statement involving an underwriting, furnish to each prospective selling Holder a signed counterpart of a "comfort" letter delivered to the underwriters and signed by the independent auditors who have certified ACADIA's financial statements included in the Registration Statement.

If ACADIA has delivered preliminary or final prospectuses to the Holders including Registrable Shares in such registration and after having done so the prospectus is amended to comply with the requirements of the Securities Act, ACADIA shall promptly notify each such Holder and, if requested, such Holder shall immediately cease making offers of Registrable Shares and return all prospectuses to ACADIA. ACADIA shall promptly provide such Holders with revised prospectuses and, following receipt of the revised prospectuses, such Holders shall be free to resume making offers of their Registrable Shares.

**2.4 Allocation of Expenses.** ACADIA will pay all Registration Expenses of all registrations under this Agreement; *provided, however*, that if a registration under Section 2.1 is withdrawn at the request of the Holders of a majority of the Registrable Shares included in such registration (other than as a result of information concerning the business or financial condition of ACADIA which is made known to the Holders including Registrable Shares in such registration after the date on which such registration was requested) and if the Holders of a majority of the then-outstanding Registrable Shares elect not to have such registration counted as a registration requested under Section 2.1, the Holders who requested their Registrable Shares be included in such registration shall pay the Registration Expenses of such registration pro rata in accordance with the number of Registrable Shares included in such registration. For purposes of this Section 2.4, the term ***"Registration Expenses"*** shall mean all expenses reasonably incurred by ACADIA in complying with this Agreement, including, without limitation, all registration and filing fees, exchange listing fees, printing expenses, fees and expenses of counsel for ACADIA and the fees and expenses of one counsel selected by the holders of a majority of the securities included in such registration (including Holders) to represent the selling stockholders, state Blue Sky fees and expenses, and the expense of any special audits incident to or required by any such registration, but excluding underwriting discounts, selling commissions and the fees and expenses of such holders' own counsel (other than the counsel selected to represent all selling stockholders).

**2.5 Indemnification and Contribution.**

**(a)** In the event of any registration of any of the Registrable Shares under the Securities Act pursuant to this Agreement, ACADIA will indemnify and hold harmless the seller of such Registrable Shares, each underwriter of such Registrable Shares, and each other Person, if any, who controls such seller or underwriter within the meaning of the Securities Act or the Exchange Act against any losses, claims, damages or liabilities, joint or several, to which such seller, underwriter or controlling Person may become subject under the Securities Act, the Exchange Act, state securities or Blue Sky laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement under which such Registrable Shares were registered under the Securities Act, any preliminary prospectus or final prospectus contained in the Registration Statement, or any amendment or supplement to such Registration Statement or arise out of or are based upon the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and ACADIA will reimburse such seller, underwriter and each such controlling Person for any legal or any other expenses reasonably incurred by such seller, underwriter or controlling Person in connection with investigating or defending any such loss, claim, damage, liability or action; *provided, however*, that ACADIA will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any untrue statement or omission made in such Registration Statement, preliminary prospectus or final prospectus, or any such amendment or supplement, in reliance upon and in conformity with information furnished to ACADIA, in writing, by or on behalf of such seller, underwriter or controlling Person specifically for use in the preparation thereof.

**(b)** In the event of any registration of any of the Registrable Shares under the Securities Act pursuant to this Agreement, each seller of Registrable Shares, severally and not jointly, will indemnify and hold harmless ACADIA, each of its directors and officers and each underwriter (if any) and each Person, if any, who controls ACADIA or any such underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities, joint or several, to which ACADIA, such directors and officers, underwriter or controlling Person may become subject under the Securities Act, Exchange Act, state securities or Blue Sky laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement under which such Registrable Shares were registered under the Securities Act, any preliminary prospectus or final prospectus contained in the Registration Statement, or any amendment or supplement to the Registration Statement, or arise out of or are based upon any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, if the statement or omission was made in reliance upon and in conformity with information relating to such seller furnished in writing to ACADIA by or on behalf of such seller specifically for use in connection with the preparation of such Registration Statement, prospectuses, amendment or supplement; *provided, however*, that the obligations of each seller of Registrable Securities hereunder shall be limited to an amount equal to the proceeds to such seller of Registrable Shares sold in connection with such registration.

**(c)** Each party entitled to indemnification under this Section 2.5 (the ***"Indemnified Party"***) shall give notice to the party required to provide indemnification (the

***"Indemnifying Party"***) promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; *provided* that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld); and, *provided* further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 2.5. The Indemnified Party may participate in such defense at such party's expense; *provided, however*, that the Indemnifying Party shall pay such expense if representation of such Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between the Indemnified Party and any other party represented by such counsel in such proceeding. No Indemnifying Party, in the defense of any such claim or litigation shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to each Indemnified Party of a release from all liability in respect of such claim or litigation, and no Indemnified Party shall consent to entry of any judgment or settle such claim or litigation without the prior written consent of each other Indemnified Party.

**(d)** In order to provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any Holder exercising rights under this Agreement, or any controlling Person of any such Holder, makes a claim for indemnification pursuant to this Section 2.5 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 2.5 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of such Holder or any such controlling Person in circumstances for which indemnification is provided under this Section 2.5; then each Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, liabilities, or expenses (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and the Indemnified Party as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such Indemnifying Party or Indemnified Party, and the parties' relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 2.5(d) were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 2.5(d). The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages, liabilities, or expenses (or actions in respect thereof) referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such Indemnified Party in connection with investigating or, except as provided in Section 2.5(c), defending any such action or claim. Notwithstanding the provisions of this Section 2.5(d), (A) no such Holder will be required to contribute any amount in excess of the proceeds to it of all Registrable Shares sold by it pursuant to such Registration Statement, and (B) no Person guilty of fraudulent misrepresentation, within the meaning of Section 11(f) of the Securities Act, shall be entitled to contribution from any Person who is not guilty of such fraudulent misrepresentation.

**2.6 Indemnification With Respect to Underwritten Offering.** In the event that Registrable Shares are sold pursuant to a Registration Statement in an underwritten offering pursuant to Section 2.1, ACADIA agrees to enter into an underwriting agreement containing customary representations and warranties with respect to the business and operations of an issuer of the securities being registered and customary covenants and agreement to be performed by such issuer, including without limitation customary provisions with respect to indemnification by ACADIA of the underwriters of such offering.

**2.7 Information by Holder.** If any Holder includes Registrable Shares in any registration, it shall furnish to ACADIA such information regarding such Holder and the distribution proposed by such Holder as ACADIA may reasonably request in writing and as shall be required in connection with any registration, qualification or compliance referred to in this Agreement.

**2.8 Rule 144 Requirements.** ACADIA agrees to:

**(a)** make and keep public information available in compliance with the requirements of Rule 144 under the Securities Act;

**(b)** use its best efforts to file with the SEC in a timely manner all reports and other documents required of ACADIA under the Securities Act and the Exchange Act; and

**(c)** furnish to a Holder upon request (i) a written statement by ACADIA as to its compliance with the reporting requirements of said Rule 144, and the reporting requirements of the Securities Act and the Exchange Act, (ii) a copy of the most recent annual or quarterly report of ACADIA, and (iii) such other reports and documents of ACADIA as such Holder may reasonably request to avail itself of any similar rule or regulation of the SEC allowing it to sell any such securities without registration.

**2.9 Mergers, Etc.** ACADIA shall not, directly or indirectly, enter in any merger, consolidation or reorganization in which ACADIA shall not be the surviving corporation unless the proposed surviving corporation shall, prior to such merger, consolidation or reorganization, agree in writing to assume the obligations of ACADIA under this Agreement and for that purpose references hereunder to "Registrable Shares" shall be deemed to be references to the securities which the Holders would be entitled to receive in exchange for Registrable Shares under any such merger, consolidation or reorganization; *provided, however*, that the provisions of this Section 2.9 shall not apply in the event of any merger, consolidation or reorganization in which ACADIA is not the surviving corporation if the Holders are entitled to receive in exchange for their Registrable Shares consideration consisting solely of (i) cash, (ii) securities of the acquiring corporation which may be immediately sold to the public without registration under the Securities Act, or (iii) securities of the acquiring corporation which the acquiring corporation has agreed to register within 90 days of completion of the transaction for resale to the public pursuant to the Securities Act.

**2.10 Termination of Registration Rights.** All of ACADIA's obligations to register Registrable Shares under this Agreement shall terminate on the fifth anniversary of this Agreement. In addition, a Holder's registration rights shall expire if all Registrable Shares held by such Holder (and its Affiliates) may be sold under Rule 144 during any 90-day period.

## ARTICLE 3
## MISCELLANEOUS

**3.1 Governing Law**. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, excluding its conflicts of laws principles.

**3.2 Assignment.** This Agreement will inure benefit and be binding upon each party, its successors and assigns. This Agreement may not be assigned or otherwise transferred, nor, except as expressly provided hereunder, may any right or obligation hereunder be assigned or transferred by either party without the prior written consent of the other party; *provided*, *however*, that a party may, without such consent, assign this Agreement and its rights and obligations hereunder in conjunction with a permitted assignment of the Collaboration Agreement made in accordance with Section 16.5 thereof. The rights and obligations of the parties under this Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the parties. Any attempted assignment not in accordance with this Section will be void.

**3.3 Entire Agreement; Modification.** This Agreement is both a final expression of the parties' agreement and a complete and exclusive statement with respect to all of its terms. This Agreement supersedes all prior and contemporaneous agreements and communications, whether oral, written or otherwise, concerning any and all matters contained herein. This Agreement may only be modified or supplemented in a writing expressly stated for such purpose and signed by the parties to this Agreement.

**3.4 Severability**. If, for any reason, any part of this Agreement is adjudicated invalid, unenforceable or illegal by a court of competent jurisdiction, such adjudication shall not affect or impair, in whole or in part, the validity, enforceability or legality of any remaining portions of this Agreement. All remaining portions shall remain in full force and effect as if the original Agreement had been executed without the invalidated, unenforceable or illegal part.

**3.5 Interpretation.**

**(a) Captions & Headings.** The captions and headings of clauses contained in this Agreement preceding the text of the articles, sections, subsections and paragraphs hereof are inserted solely for convenience and ease of reference only and shall not constitute any part of this Agreement, or have any effect on its interpretation or construction.

**(b) Singular & Plural.** All references in this Agreement to the singular shall include the plural where applicable, and all references to gender shall include both genders and the neuter.

**(c) Articles, Sections & Subsections.** Unless otherwise specified, references in this Agreement to any article shall include all sections, subsections, and paragraphs in such article; references in this Agreement to any section shall include all subsections and paragraphs in such sections; and references in this Agreement to any subsection shall include all paragraphs in such subsection.

**(d) Days.** All references to days in this Agreement shall mean calendar days, unless otherwise specified.

**(e) Ambiguities.** Ambiguities and uncertainties in this Agreement, if any, shall not be interpreted against either party, irrespective of which party may be deemed to have caused the ambiguity or uncertainty to exist.

**(f) English Language.** This Agreement has been prepared in the English language and the English language shall control its interpretation. In addition, all notices required or permitted to be given hereunder, and all written, electronic, oral or other communications between the parties regarding this Agreement shall be in the English language.

**3.6 Notices.** Any notice to be given under this Agreement must be in writing and delivered either in person, by any method of mail (postage prepaid) requiring return receipt, or by overnight courier or facsimile confirmed thereafter by any of the foregoing, to the party to be notified at its address(es) given below, or at any address such party has previously designated by prior written notice to the other. Notice shall be deemed sufficiently given for all purposes upon the earliest of: (a) the date of actual receipt; (b) if mailed, three days after the date of postmark; or (c) if delivered by overnight courier, the next business day the overnight courier regularly makes deliveries.

If to Sepracor, notices must be addressed to:

Sepracor Inc.
84 Waterford Drive
Marlborough, MA 01752
Attention: Vice President, Legal Affairs
Telephone: (508) 481-6700
Facsimile: (508) 357-7511

With a required copy to:

Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street
Boston, MA 02109
Attention: Susan W. Murley
Telephone: (617) 526-6000
Facsimile: (617) 526-5000

If to ACADIA, notices must be addressed to:

ACADIA Pharmaceuticals Inc.
3911 Sorrento Valley Boulevard
San Diego, CA 92121
Attention: General Counsel
Telephone: (858) 558-2871
Facsimile: (858) 558-2872

with a copy to:

Cooley Godward LLP
4401 Eastgate Mall
San Diego, CA 92121
Attention: D. Bradley Peck
Telephone: (858) 550-6000
Facsimile: (858) 550-6420

**3.7 Counterparts.** The Agreement may be executed in two counterparts, each of which will be deemed an original, but all of which, together with this writing, shall be deemed one and the same instrument.

**3.8 Amendment.**

**(a)** Except as otherwise expressly provided, this Agreement may be amended or modified, and the obligations of ACADIA and the rights of the Holders under this Agreement may be waived, only upon the written consent of ACADIA and the Holders of a majority of the then-outstanding Registrable Shares.

**(b)** For the purposes of determining the Holders entitled to vote or exercise any rights hereunder, ACADIA shall be entitled to rely solely on the list of record holders of its Common Stock as maintained by or on behalf of ACADIA.

[THIS SPACE INTENTIONALLY LEFT BLANK]

**IN WITNESS WHEREOF,** the parties to this Agreement, by their duly authorized representatives and officers have executed this Agreement as of the date and year first above written.

**ACADIA PHARMACEUTICALS INC.**

By: /s/ Uli Hacksell

Name: Uli Hacksell
Title: Chief Executive Officer

**SEPRACOR INC.**

By: /s/ Timothy J. Barberich

Name: Timothy J. Barberich
Title: Chairman and CEO

**Exhibit 99.4**

Contact:

*ACADIA Pharmaceuticals Inc.*
*Uli Hacksell, Ph.D., Chief Executive Officer*
*Thomas H. Aasen, Vice President and Chief Financial Officer*
*+1 858-558-2871*

**ACADIA PHARMACEUTICALS ANNOUNCES PARTNERSHIP WITH SEPRACOR**

**SAN DIEGO, CA January 11, 2005**– ACADIA Pharmaceuticals Inc. (Nasdaq: ACAD), a biopharmaceutical company utilizing innovative technology to fuel drug discovery and clinical development of novel treatments for central nervous system disorders, today announced the formation of a partnership with Sepracor Inc. (Nasdaq: SEPR) for development of new drug candidates targeted toward treatment of central nervous system (CNS) disorders.

This research and development collaboration has been established to investigate potential clinical candidates resulting from ACADIA's extensive medicinal chemistry and discovery platform against a broad array of selective muscarinic receptors (receptors that respond to acetylcholine, a neurotransmitter in the central nervous system). This includes ACADIA's advanced $m_1$ agonist program, which would target neuropsychiatric/neurologic conditions and neuropathic pain.

This partnership also encompasses an option to select a preclinical compound from ACADIA's 5-$HT_{2A}$ program for use in combination with LUNESTA™ (eszopiclone), Sepracor's insomnia drug, for sleep-related indications. 5-$HT_{2A}$ antagonists have been shown in clinical studies to affect sleep architecture in man, resulting in extended periods of slow wave sleep, which may have a positive effect on sleep quality.

"This important agreement with ACADIA gives us access to additional portfolio candidates for treatment of CNS disorders, complementing our own internal capabilities," said Timothy J. Barberich, Chairman and Chief Executive Officer of Sepracor Inc. "In particular, we are very

excited about the possibility of combining mechanistic approaches with LUNESTA, which may be used to address the pervasive unmet needs of patients with sleep disturbances."

The U.S. Food and Drug Administration approved Sepracor's New Drug Application for LUNESTA brand eszopiclone for the treatment of insomnia on December 15, 2004. Successful developments from this partnership could enhance Sepracor's ability to address significant patient needs in the field of sleep disorders, including sleep apnea and insomnia.

"We are excited to be working with Sepracor, which is one of the only fully integrated, research-based pharmaceutical companies with a primary care capability outside of the larger pharmaceutical companies," said Uli Hacksell, Ph.D., Chief Executive Officer of ACADIA. "Sepracor has a proven drug development infrastructure combined with a highly motivated sales force with primary care reach as well as dedicated representatives focused on addressing patients' needs with respect to CNS and respiratory disorders. We believe that this partnership will serve both companies well."

This collaboration includes an ongoing joint research and development effort targeted toward the development of agonists and antagonists of selective muscarinic receptors. Compounds that interact with certain selective muscarinic targets may have utility in the treatment of CNS disorders, which is currently an area of therapeutic focus for Sepracor.

"Part of this collaboration will involve the investigation of ACADIA's selective $m_1$ agonist clinical candidates for the treatment of cognition in patients with schizophrenia," said Mark H.N. Corrigan, M.D., Executive Vice President, Research and Development at Sepracor. "Among the family of currently marketed atypical antipsychotics, only clozapine improves cognitive function, yet its label contains a "black-box warning" relating to serious side effects. We are hopeful that ACADIA's strategy will yield a new drug therapy that can successfully and safely improve cognitive function for patients with schizophrenia."

In connection with this collaboration, Sepracor is purchasing $10 million of ACADIA common stock at a 40 percent premium to the 30-day average trailing closing price per share as of the purchase date. Sepracor has also agreed to purchase up to an additional $10 million of ACADIA common stock at a 25 percent premium on the one-year anniversary date of the collaboration, subject to customary closing conditions. These stock purchases, in the aggregate, shall not exceed 19.99 percent of ACADIA's then-outstanding common stock. In addition to its equity investment, Sepracor will provide ACADIA with research funding over a three-year term, and, if certain conditions are met, will be required to pay ACADIA milestone payments as well as royalties on future product sales worldwide. Assuming the successful development of a single product in the muscarinic program, Sepracor will be required to pay ACADIA up to approximately $40 million in aggregate payments, excluding royalties. In addition, should the partnership successfully develop a combination product with LUNESTA for sleep-related indications, Sepracor will also be obligated to pay ACADIA approximately $35 million in aggregate payments plus applicable royalties. Additional details about this transaction will be available in ACADIA's Current Report on Form 8-K, which ACADIA is expected to file with the Securities and Exchange Commission.

ACADIA's Phase II programs encompassing ACP-103 for treatment-induced dysfunction in Parkinson's disease, ACP-103 as an adjunctive therapy for schizophrenia, and ACP-104 for treatment of schizophrenia, are not included as part of this collaboration.

**About ACADIA Pharmaceuticals**

ACADIA Pharmaceuticals is a biopharmaceutical company utilizing innovative technology to fuel drug discovery and clinical development of novel treatments for central nervous system disorders. ACADIA currently has five drug programs in clinical and preclinical development as well as a portfolio of drug discovery assets directed at large unmet medical needs, including schizophrenia, Parkinson's disease, neuropathic pain, and glaucoma. Using its proprietary drug discovery platform, ACADIA has discovered all of the drug candidates in its product pipeline. ACADIA's corporate headquarters and biology research facilities are located in San Diego, California and its chemistry research facilities are located near Copenhagen, Denmark.

**About Sepracor**

Sepracor Inc. is a research-based pharmaceutical company dedicated to treating and preventing human disease through the discovery, development and commercialization of innovative pharmaceutical products that are directed toward serving unmet medical needs. Sepracor's drug development program has yielded an extensive portfolio of pharmaceutical compound candidates with a focus on respiratory and central nervous system disorders. The company's commercialization efforts are carried out by its U.S.-based, 1,250-person, primary care and specialty-oriented sales force. Sepracor's corporate headquarters are located in Marlborough, Massachusetts.

This news release contains forward-looking statements that involve risks and uncertainties, including statements with respect to the purchase of shares of ACADIA common stock, potential milestone and royalty payments under the collaboration, the research and development of drug candidates under the collaboration and the commercial launch of, and the safety, efficacy and potential benefits of, LUNESTA brand eszopiclone and any compounds discovered or developed under the collaboration. Actual events or results may differ materially from those projected in any forward-looking statements due to various factors, including the risks and uncertainties inherent in drug development and commercialization. Among the factors that could cause actual results to differ materially from those indicated by such forward-looking statements are: the ability of Sepracor and ACADIA to collaborate successfully; the ability to fund, and the results of, research, development and clinical trials; the timing and success of submission, acceptance, and approval of regulatory filings; the scope of Sepracor's and ACADIA's patents and the patents of others; unexpected delays in commercial introduction of, and the commercial success of, LUNESTA; the ability of Sepracor and ACADIA to attract and retain qualified personnel; the ability of Sepracor and ACADIA to meet the closing conditions required for the consummation of the stock purchases; and certain other factors that are detailed in ACADIA's and Sepracor's quarterly reports on Form 10-Q for the quarter ended September 30, 2004 filed with the Securities and Exchange Commission.

In addition, the statements in this press release represent ACADIA's expectations and beliefs as of the date of this press release. ACADIA anticipates that subsequent events and developments may cause these expectations and beliefs to change. However, while ACADIA may elect to update these forward-looking statements at some point in the future, it specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing ACADIA's expectations or beliefs as of any date subsequent to the date of this press release.

Lunesta is a trademark of Sepracor Inc.