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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2007

or

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

For the Transition Period from _____ to _____

Commission File Number: 000-30111

Lexicon Pharmaceuticals, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

76-0474169
(I.R.S. Employer
Identification Number)

8800 Technology Forest Place
The Woodlands, Texas 77381
(Address of Principal Executive
Offices and Zip Code)

(281) 863-3000
(Registrant's Telephone Number,
Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of August 6, 2007, 85,965,249 shares of the registrant's common stock, par value \$0.001 per share, were outstanding.

Lexicon Pharmaceuticals, Inc.

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Factors Affecting Forward Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements. These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology including “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “should” or “will” or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under “Part II, Item 1A. — Risk Factors,” that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels or activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are not under any duty to update any of the forward-looking statements after the date of this quarterly report on Form 10-Q to conform these statements to actual results, unless required by law.

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Part I — Financial Information

Item 1. Financial Statements

Lexicon Pharmaceuticals, Inc.
Consolidated Balance Sheets
(In thousands, except par value)

	As of June 30, 2007 (unaudited)	As of December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 22,587	\$ 30,226
Short-term investments, including restricted investments of \$430	27,654	49,773
Short-term investments held by Symphony Icon, Inc.	44,991	—
Accounts receivable, net of allowance for doubtful accounts of \$35	1,357	1,186
Prepaid expenses and other current assets	3,692	4,367
Total current assets	100,281	85,552
Property and equipment, net of accumulated depreciation and amortization of \$61,003 and \$56,905, respectively	74,214	78,192
Goodwill	25,798	25,798
Other assets	669	724
Total assets	<u>\$ 200,962</u>	<u>\$ 190,266</u>
Liabilities, Noncontrolling Interest and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 4,701	\$ 6,513
Accrued liabilities	7,556	7,325
Current portion of deferred revenue	26,394	31,312
Current portion of long-term debt	844	816
Total current liabilities	39,495	45,966
Deferred revenue, net of current portion	19,933	26,688
Long-term debt	30,942	31,372
Other long-term liabilities	749	739
Total liabilities	91,119	104,765
Noncontrolling interest in Symphony Icon, Inc.	29,908	—
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; 5,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$.001 par value; 120,000 shares authorized; 85,965 and 77,804 shares issued and outstanding	86	78
Additional paid-in capital	464,105	437,180
Accumulated deficit	(384,247)	(351,741)
Accumulated other comprehensive loss	(9)	(16)
Total stockholders' equity	79,935	85,501
Total liabilities and stockholders' equity	<u>\$ 200,962</u>	<u>\$ 190,266</u>

The accompanying notes are an integral part of these consolidated financial statements.

Lexicon Pharmaceuticals, Inc.
Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenues:				
Collaborative research	\$ 12,477	\$ 15,351	\$ 24,748	\$ 34,657
Subscription and license fees	171	813	1,395	2,462
Total revenues	12,648	16,164	26,143	37,119
Operating expenses:				
Research and development, including stock-based compensation of \$1,044, \$1,105, \$2,035 and \$2,254, respectively	25,594	27,433	52,884	54,105
General and administrative, including stock-based compensation of \$627, \$659, \$1,195 and \$1,351, respectively	5,004	5,664	10,304	10,967
Total operating expenses	30,598	33,097	63,188	65,072
Loss from operations	(17,950)	(16,933)	(37,045)	(27,953)
Interest income	765	900	1,645	1,903
Interest expense	(695)	(813)	(1,383)	(1,620)
Other income (expense), net	(14)	(56)	(26)	(63)
Loss before noncontrolling interest in Symphony Icon, Inc.	(17,894)	(16,902)	(36,809)	(27,733)
Loss attributable to noncontrolling interest in Symphony Icon, Inc.	4,303	—	4,303	—
Net loss	<u>\$ (13,591)</u>	<u>\$ (16,902)</u>	<u>\$ (32,506)</u>	<u>\$ (27,733)</u>
Net loss per common share, basic and diluted	\$ (0.17)	\$ (0.26)	\$ (0.41)	\$ (0.43)
Shares used in computing net loss per common share, basic and diluted	79,568	64,627	78,758	64,597

The accompanying notes are an integral part of these consolidated financial statements.

Lexicon Pharmaceuticals, Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2007	2006
Cash flows from operating activities:		
Net loss	\$ (32,506)	\$ (27,733)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	4,915	5,341
Amortization of intangible assets, other than goodwill	—	600
Loss attributable to noncontrolling interest	(4,303)	—
Stock-based compensation	3,230	3,607
Loss on disposal of property and equipment	—	35
Changes in operating assets and liabilities:		
Increase in accounts receivable	(171)	(2,288)
Decrease in prepaid expenses and other current assets	675	105
Decrease in other assets	55	167
Decrease in accounts payable and other liabilities	(1,571)	(1,280)
Decrease in deferred revenue	(11,673)	(10,444)
Net cash used in operating activities	(41,349)	(31,890)
Cash flows from investing activities:		
Purchases of property and equipment	(938)	(2,341)
Proceeds from disposal of property and equipment	1	56
Purchases of investments held by Symphony Icon, Inc.	(44,991)	—
Purchases of investments	(15,997)	(36,813)
Maturities of investments	38,123	63,763
Net cash provided by (used in) investing activities	(23,802)	24,665
Cash flows from financing activities:		
Proceeds from issuance of common stock to Symphony Holdings, LLC, net of fees	14,258	—
Proceeds from exercise of stock options	881	169
Repayment of debt borrowings	(402)	(372)
Proceeds from purchase of noncontrolling interest by preferred shareholders of Symphony Icon, Inc. (net of fees)	42,775	—
Net cash provided by (used in) financing activities	57,512	(203)
Net decrease in cash and cash equivalents	(7,639)	(7,428)
Cash and cash equivalents at beginning of period	30,226	21,970
Cash and cash equivalents at end of period	<u>\$ 22,587</u>	<u>\$ 14,542</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,337	\$ 1,369
Supplemental disclosure of non-cash investing and financing activities:		
Common stock issued for purchase option in conjunction with Symphony Icon, Inc. financing	\$ 8,564	\$ —
Unrealized gain (loss) on investments	\$ 7	\$ 10
Retirement of property and equipment	\$ 818	\$ 1,654

The accompanying notes are an integral part of these consolidated financial statements.

Lexicon Pharmaceuticals, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements of Lexicon Pharmaceuticals, Inc. (Lexicon or the Company) have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the six-month period ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ended December 31, 2007.

The accompanying consolidated financial statements include the accounts of Lexicon and its wholly-owned subsidiaries, as well as one variable interest entity, Symphony Icon, Inc. (“Symphony Icon”), for which we are the primary beneficiary as defined by Financial Accounting Standards Board (“FASB”) Interpretation No. 46 (revised 2003), “Consolidation of Variable Interest Entities” (“FIN 46R”). Intercompany transactions and balances are eliminated in consolidation.

For further information, refer to the financial statements and footnotes thereto included in Lexicon’s annual report on Form 10-K for the year ended December 31, 2006, as filed with the SEC.

2. Net Loss Per Share

Net loss per share is computed using the weighted average number of shares of common stock outstanding during the applicable period. Shares associated with stock options and warrants are not included because they are antidilutive. There are no differences between basic and diluted net loss per share for all periods presented.

3. Stock-Based Compensation

On January 1, 2006, Lexicon adopted Statement of Financial Accounting Standards No. 123 (Revised), “Share-Based Payment” (“SFAS No. 123(R)”). This statement requires companies to recognize compensation expense in the statement of operations for share-based payments, including stock options issued to employees, based on their fair values on the date of the grant, with the compensation expense recognized over the period in which an employee is required to provide service in exchange for the stock award. The Company adopted this statement using the modified prospective transition method, which applies the compensation expense recognition provisions to new awards and to any awards modified, repurchased or canceled after the January 1, 2006 adoption date. Additionally, for any unvested awards outstanding at the adoption date, the Company will recognize compensation expense over the remaining vesting period. Stock-based compensation expense is recognized on a straight-line basis. The Company had stock-based compensation expense under SFAS No. 123(R) of \$1.7 million and \$1.8 million for the three months ended June 30, 2007 and 2006, respectively, and \$3.2 million and \$3.6 million for the six months ended June 30, 2007 and 2006, respectively. Stock-based compensation expense under SFAS No. 123(R) has no impact on cash flows from operating activities or financing

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activities. As of June 30, 2007, stock-based compensation cost for all outstanding unvested options was \$13.3 million, which is expected to be recognized over a weighted-average period of 1.4 years.

Valuation Assumptions

The fair value of stock options is estimated at the date of grant using the Black-Scholes method. The Black-Scholes option-pricing model requires the input of subjective assumptions. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. For purposes of determining the fair value of stock options granted subsequent to the adoption of SFAS No. 123(R), the Company segregated its options into two homogeneous groups, based on exercise and post-vesting employment termination behaviors, resulting in a change in the assumptions used for expected option lives and forfeitures. Expected volatility is based on the historical volatility in the Company's stock price. The following weighted-average assumptions were used for options granted in the six-month periods ended June 30, 2007 and 2006, respectively:

	Expected Volatility	Risk-free Interest Rate	Expected Term	Estimated Forfeitures	Dividend Rate
June 30, 2007:					
Employees	67%	4.5%	6	21%	0%
Officers and non-employee directors	67%	4.6%	9	4%	0%
June 30, 2006:					
Employees	69%	4.6%	7	18%	0%
Officers and non-employee directors	69%	4.7%	9	3%	0%

Stock Option Activity

The following is a summary of option activity under Lexicon's stock option plans for the first six months of 2007:

	Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2006	15,815	\$ 5.99		
Granted	2,614	3.90		
Exercised	(511)	1.80		
Canceled	(1,354)	7.31		
Outstanding at June 30, 2007	16,564	5.68	5.7	\$ 2,977
Exercisable at June 30, 2007	11,556	\$ 6.26	4.3	\$ 2,977

The weighted-average grant date fair value of options granted during the six-month periods ended June 30, 2007 and 2006 was \$2.78 and \$2.99, respectively. The total intrinsic value of options exercised during the six-month periods ended June 30, 2007 and 2006 were \$976,000 and \$213,000, respectively. As of June 30, 2007, 924,156 shares of common stock were available for grant under Lexicon's stock option plans.

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Stock Options Outstanding

The following table summarizes information about stock options outstanding at June 30, 2007:

Options Outstanding				Options Exercisable	
Range of Exercise Price	Outstanding as of June 30, 2007 (In thousands)	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price	Exercisable as of June 30, 2007 (In thousands)	Weighted Average Exercise Price
\$ 1.67 – 2.50	4,142	2.0	\$ 2.49	4,142	\$ 2.49
3.16 – 4.72	6,018	8.5	3.96	1,943	3.99
4.76 – 7.12	2,227	7.1	5.75	1,495	5.76
7.15 – 10.55	2,519	5.4	8.55	2,318	8.63
10.87 – 14.44	1,207	3.8	12.63	1,207	12.63
16.63 – 22.06	356	2.8	19.70	356	19.70
25.25 – 31.63	25	3.3	26.03	25	26.03
38.00 – 38.50	70	3.2	38.49	70	38.49
	<u>16,564</u>	5.7	\$ 5.68	<u>11,556</u>	\$ 6.26

4. Recent Accounting Pronouncements

On January 1, 2007, Lexicon adopted FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109” (“FIN 48”). FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. There was no effect on the Company’s consolidated financial position, results of operations or cash flows as a result of adopting FIN 48. As of January 1, 2007 and June 30, 2007, the Company did not have any unrecognized tax benefits.

The Company is primarily subject to U.S. federal and New Jersey and Texas state income taxes. The tax years 1995 to current remain open to examination by U.S. federal authorities and 2004 to current remain open to examination by state authorities. The Company’s policy is to recognize interest and penalties related to income tax matters in income tax expense. As of January 1, 2007 and June 30, 2007, the Company had no accruals for interest or penalties related to income tax matters.

At December 31, 2006, the Company had net operating loss (“NOL”) carryforwards of approximately \$267.4 million and research and development (“R&D”) credit carryforwards of approximately \$14.4 million expiring beginning in 2011. Utilization of the NOL and R&D credit carryforwards may be subject to a significant annual limitation due to ownership changes that have occurred previously or could occur in the future provided by Section 382 of the Internal Revenue Code. The Company has conducted a limited analysis to determine whether a change in control has occurred since the Company’s formation and does not believe a significant limitation, if any, would be determined upon a detailed analysis. Further, until a Section 382 study is completed and any limitation known, no amounts are being presented as an uncertain tax position under FIN 48. The Company has established a full valuation allowance for its NOL and R&D credit carryforwards.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (“SFAS No. 157”). The statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this statement does not require any new fair

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value measurements. SFAS No. 157 is effective January 1, 2008. The Company is currently evaluating the effect, if any, of this statement on its financial condition and results of operations.

5. Debt Obligations

In April 2004, Lexicon obtained a \$34.0 million mortgage on its facilities in The Woodlands, Texas. The mortgage loan has a ten-year term with a 20-year amortization and bears interest at a fixed rate of 8.23%.

6. Commitments and Contingencies

In May 2002, Lexicon's subsidiary Lexicon Pharmaceuticals (New Jersey), Inc. leased a 76,000 square-foot laboratory and office space in Hopewell, New Jersey under an agreement which expires in June 2013. The lease provides for an escalating yearly rent payment of \$1.3 million in the first year, \$2.1 million in years two and three, \$2.2 million in years four to six, \$2.3 million in years seven to nine and \$2.4 million in years ten and eleven. Lexicon is the guarantor of the obligations of its subsidiary under the lease. The Company is required to maintain restricted investments to collateralize the Hopewell lease. As of June 30, 2007, the Company had \$430,000 in restricted investments to collateralize a standby letter of credit for this lease.

7. Arrangements with Symphony Icon, Inc.

On June 15, 2007, Lexicon entered into a series of related agreements providing for the financing of the clinical development of LX6171, LX1031 and LX1032, along with any other pharmaceutical compositions modulating the same targets as those drug candidates (the "Programs"). The agreements include a Novated and Restated Technology License Agreement pursuant to which the Company licensed to Symphony Icon, a wholly-owned subsidiary of Symphony Icon Holdings LLC ("Holdings"), the Company's intellectual property rights related to the Programs. Holdings contributed \$45 million to Symphony Icon in order to fund the clinical development of the Programs.

Under a Share Purchase Agreement, dated June 15, 2007, between the Company and Holdings, the Company issued and sold to Holdings 7,650,622 shares of its common stock on June 15, 2007 in exchange for \$15 million and the Purchase Option (as defined below).

Under a Purchase Option Agreement, dated June 15, 2007, among the Company, Symphony Icon and Holdings, the Company has received from Holdings an exclusive purchase option (the "Purchase Option") that gives the Company the right to acquire all of the equity of Symphony Icon, thereby allowing the Company to reacquire all of the Programs. The Purchase Option is exercisable by the Company at any time, in its sole discretion, beginning on the one-year anniversary of the Closing Date and ending on the four-year anniversary of the Closing Date (subject to an earlier exercise right in limited circumstances) at an exercise price of (i) \$72 million, if the Purchase Option is exercised on or after the one-year anniversary of the Closing Date and before the two-year anniversary of the Closing Date, (ii) \$81 million, if the Purchase Option is exercised on or after the two-year anniversary of the Closing Date and before the three-year anniversary of the Closing Date and (iii) \$90 million, if the Purchase Option is exercised on or after the three-year anniversary of the Closing Date and before the four-year anniversary of the Closing Date. The Purchase Option exercise price may be paid in cash or a combination of cash and Common Stock, at the Company's sole discretion, provided that the Common Stock portion may not exceed 40% of the Purchase Option exercise price.

Under an Amended and Restated Research and Development Agreement, dated June 15, 2007, among the Company, Symphony Icon and Holdings (the "R&D Agreement"), Symphony Icon and the Company will develop the Programs in accordance with a specified development plan and related

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development budget. The R&D Agreement provides that the Company will continue to be primarily responsible for the development of the Programs. The Company's development activities will be supervised by Symphony Icon's Development Committee, which is comprised of an equal number of representatives from the Company and Symphony Icon. The Development Committee will report to Symphony Icon's Board of Directors, which is currently comprised of five members, including one member designated by the Company and two independent directors.

Under a Research Cost Sharing, Payment and Extension Agreement, dated June 15, 2007, among the Company, Symphony Icon and Holdings, upon the recommendation of the Development Committee, Symphony Icon's Board of Directors may require the Company to pay Symphony Icon up to \$15 million for Symphony Icon's use in the development of the Programs in accordance with the specified development plan and related development budget. The Development Committee's right to recommend that Symphony Icon's Board of Directors submit such funding requirement to the Company will terminate on the one-year anniversary of the expiration of the Purchase Option, subject to limited exceptions.

In accordance with FIN 46R, Lexicon has determined that Symphony Icon is a variable interest entity for which it is the primary beneficiary. As a result, Lexicon has included the financial condition and results of operations of Symphony Icon in its consolidated financial statements. Symphony Icon's cash and cash equivalents have been recorded on Lexicon's consolidated financial statements as short-term investments held by Symphony Icon. The noncontrolling interest in Symphony Icon on Lexicon's consolidated balance sheet initially reflected the \$45 million proceeds contributed into Symphony Icon less \$2.2 million of structuring and legal fees and the \$8.6 million value of the common stock issued by Lexicon to Symphony Holdings for the Purchase Option. As the collaboration progresses, this line item will be reduced by Symphony Icon's losses, which were \$4.3 million in the three months ended June 30, 2007, until the balance becomes zero. The reductions to the noncontrolling interest in Symphony Icon will be reflected in Lexicon's consolidated statement of operations using a similar caption and will reduce the amount of Lexicon's reported net loss.

8. Agreements with Invus, L.P.

On June 17, 2007, Lexicon entered into a series of agreements with Invus, L.P. ("Invus") under which Invus will make an investment in the Company's common stock and have certain other rights described below.

Lexicon entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with Invus under which the Company has agreed, subject to Stockholder Approval as described below and customary closing conditions, to issue and sell to Invus shares in an initial investment (the "Initial Investment") and permit Invus to require, subject to specific conditions, that the Company conduct certain rights offerings (the "Rights Offerings").

Initial Investment. In the Initial Investment, Invus will purchase shares of Lexicon's common stock for a total of approximately \$205 million in two parts as follows:

(a) a number of shares of Lexicon's common stock that, when added to the shares of common stock already owned by Invus and its affiliates (including the 3,891,108 shares owned on the date of the Securities Purchase Agreement and any shares issued upon exercise of the Warrants described below but excluding, for the avoidance of doubt, the shares of common stock to be issued pursuant to paragraph (b) below), equal 19.9% of the aggregate number of shares of the Company's common stock outstanding as of the closing of the Initial Investment (which is expected to be approximately 16,500,000 shares) for a per share purchase price equal to \$3.0915; and

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(b) a number of shares of Lexicon's common stock that, when added to the number of shares of common stock already owned by Invus and its affiliates and the number of shares subject to paragraph (a) above, equal 40% of the aggregate number of shares of the Company's common stock outstanding as of the closing of the Initial Investment (which is expected to be approximately 34,325,000 shares) for a per share purchase price equal to \$4.50.

Pending the closing of the Initial Investment, Invus and its affiliates have agreed not to acquire additional shares of Lexicon's common stock, subject to certain exceptions, except for shares, if any, acquired upon exercise of the Warrants.

Rights Offerings. For a period of 90 days following the date (the "First Rights Offering Trigger Date") which is 27 months after the closing of the Initial Investment, Invus will have the right to require Lexicon to make a pro rata offering of non-transferable rights to acquire common stock to all of its stockholders (the "First Rights Offering") in an aggregate amount to be designated by Invus not to exceed an amount equal to (a) the quotient of (i) \$550,000,000, *minus* the amount of the Initial Investment, *minus* the aggregate amount paid by Invus upon the exercise of any Warrants, divided by (ii) two (which quotient is expected to be approximately \$172.5 million), *minus* (b) the aggregate net proceeds received in all Qualified Offerings (as defined below), if any, completed prior to the First Rights Offering Trigger Date. The price per share of the First Rights Offering would be designated by Invus in a range between \$4.50 and a then-current average market price of the Company's common stock. The First Rights Offering Trigger Date could be changed to as early as 24 months after the closing of the Initial Investment with the approval of the members of the Company's board of directors who are not affiliated with Invus (the "Unaffiliated Board"). All stockholders would have oversubscription rights with respect to the First Rights Offering, and Invus would be required to purchase the entire portion of the First Rights Offering that is not subscribed for by other stockholders.

A "Qualified Offering" consists of a bona fide financing transaction comprised of Lexicon's issuance of shares of its common stock at a price greater than \$4.50 per share, which transaction is not entered into in connection with the Company's entry into any other transaction (including, a collaboration or license for the discovery, development or commercialization of pharmaceutical products) involving the purchaser of such common stock.

For a period of 90 days following the date (the "Second Rights Offering Trigger Date") which is 12 months after the later of (a) the First Rights Offering Trigger Date or (b) the date on which Invus exercised its right to require Lexicon to conduct the First Rights Offering, Invus would have the right to require the Company to make a pro rata offering of non-transferable rights to acquire common stock to all of its stockholders (the "Second Rights Offering" and, together with the First Rights Offering, the "Rights Offerings") in an aggregate amount to be designated by Invus not to exceed an amount equal to \$550,000,000, *minus* the amount of the Initial Investment, *minus* the aggregate amount paid by Invus upon the exercise of any Warrants, *minus* the amount of the First Rights Offering, *minus* the aggregate net proceeds received in all Qualified Offerings, if any, completed prior to the Second Rights Offering Trigger Date. The price per share of the Second Rights Offering would be designated by Invus in a range between \$4.50 and a then-current average market price of the Company's common stock. All stockholders would have oversubscription rights with respect to the Second Rights Offering, and Invus would be required to purchase the entire portion of the Second Rights Offering that is not subscribed for by other stockholders.

The parties' obligations to issue and purchase shares of common stock under the Initial Investment and to conduct and participate in the Rights Offerings are subject to the approval by Lexicon's stockholders of the Initial Investment, the Rights Offerings and an amendment to the Company's

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certificate of incorporation increasing the number of authorized shares of common stock to a level sufficient to complete the Initial Investment and the Rights Offerings (the “Stockholder Approval”).

Until the later of the completion of the Second Rights Offering or the expiration of the 90-day period following the Second Rights Offering Trigger Date, Lexicon will not, without Invus’ prior consent, issue any shares of its common stock at a price below \$4.50 per share, subject to certain exceptions.

In connection with the Securities Purchase Agreement, Lexicon entered into a Warrant Agreement with Invus under which the Company issued to Invus warrants (the “Warrants”) to purchase 16,498,353 shares of its common stock at an exercise price of \$3.0915 per share. As indicated above, purchases of shares upon exercise of the Warrants prior to the closing of the Initial Investment will reduce the number of shares purchased at the same price in the Initial Investment. If the Initial Investment is completed, any Warrants not exercised prior to the closing of the Initial Investment will automatically terminate. In addition, the Warrants will expire on the earliest to occur of the following: (a) 30 business days after the stockholders meeting held to vote on the Invus transaction and the amendment to our certificate of incorporation (so long as the Company has not materially breached the securities purchase agreement, its board of directors has not withdrawn or changed its recommendation that Lexicon’s stockholders vote in favor of the Invus transaction or the amendment to the Company’s certificate of incorporation and no acquisition proposal (as defined below) has been consummated, announced or made public or approved or recommended by the Company’s board of directors); (b) three years after the termination of the Securities Purchase Agreement, provided that the termination of the agreement has not been due to a material breach thereof by Invus; (c) nine months after the stockholders meeting if, prior to the meeting, our board of directors has withdrawn or changed its recommendation that our stockholders vote in favor of the Invus transaction and the amendment to our certificate of incorporation or if an acquisition proposal has been consummated, announced or made public (so long as we have not materially breached the securities purchase agreement); and (d) the termination of the Securities Purchase Agreement if such agreement is terminated due to a material breach by Invus.

In connection with the Securities Purchase Agreement, Lexicon entered into a Stockholders’ Agreement with Invus under which Invus (a) will have specified rights with respect to designation of directors and to participate in future equity issuances by the Company, (b) will be subject to certain standstill restrictions, as well as restrictions on transfer and the voting of the shares of common stock held by it and its affiliates, and (c), as long as Invus holds at least 15% of the total number of outstanding shares of the Company’s common stock, will be entitled to certain minority protections.

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

Overview

We are a biopharmaceutical company focused on the discovery and development of breakthrough treatments for human disease. We use our proprietary gene knockout technology to disrupt, or knock out, the function of genes in mice and then employ an integrated platform of advanced medical technologies to systematically discover the physiological and behavioral functions and pharmaceutical utility of the genes we have knocked out and the potential drug targets encoded by the corresponding human genes. For targets that we believe have high pharmaceutical value, we engage in programs for the discovery and development of potential small molecule, antibody and protein drugs. We have advanced drug candidates from two of these programs into human clinical trials, with drug candidates from two additional programs in preclinical development and a number of additional programs in various stages of preclinical research. We believe that our systematic, target biology-driven approach to drug discovery will enable us to substantially expand our clinical pipeline and we have initiated our 10TO10 program with the goal of advancing ten drug candidates into human clinical trials by the end of 2010.

We are working both independently and through strategic collaborations and alliances to capitalize on our technology and drug target discoveries and to develop and commercialize drug candidates emerging from our drug discovery and development programs. We have established alliances with Bristol-Myers Squibb Company to discover and develop novel small molecule drugs in the neuroscience field; with Genentech, Inc. for the discovery of therapeutic proteins and antibody targets and the development of antibody and protein drugs based on those targets; and with N.V. Organon for the discovery of another group of therapeutic proteins and antibody targets and the development and commercialization of antibody and protein drugs based on those targets. In addition, we have established collaborations and license agreements with other leading pharmaceutical and biotechnology companies, research institutes and academic institutions under which we receive fees and, in some cases, are eligible to receive milestone and royalty payments, in return for granting access to some of our technologies and discoveries for use in the other organization's own drug discovery efforts. Finally, we have established a clinical development financing arrangement with Symphony Icon, Inc. under which we have licensed to Symphony Icon our intellectual property rights to our drug candidates, LX6171, LX1031 and LX1032, subject to our exclusive option to reacquire all rights to such drug candidates. We are consolidating the financial condition and results of operations of Symphony Icon in accordance with FASB Interpretation No. 46, as described under the heading "Critical Accounting Policies."

We derive substantially all of our revenues from drug discovery alliances, target validation collaborations for the development and, in some cases, analysis of the physiological effects of genes altered in knockout mice, academic, non-profit and government arrangements, and technology licenses. To date, we have generated a substantial portion of our revenues from a limited number of sources.

Our operating results and, in particular, our ability to generate additional revenues are dependent on many factors, including our success in establishing collaborations, alliances and technology licenses, expirations of our collaborations and alliances, the success rate of our discovery efforts leading to opportunities for new collaborations, alliances and licenses, as well as milestone payments and royalties, the timing and willingness of collaborators to commercialize products which may result in royalties, and general and industry-specific economic conditions which may affect research and development expenditures. Our future revenues from collaborations, alliances and academic, non-profit and government arrangements are uncertain because our existing agreements have fixed terms or relate to specific projects of limited duration. Our future revenues from technology licenses are uncertain because they depend, in large part, on securing new agreements. Our ability to secure future revenue-generating

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agreements will depend upon our ability to address the needs of our potential future collaborators, granting agencies and licensees, and to negotiate agreements that we believe are in our long-term best interests. We may determine that our interests are better served by retaining rights to our discoveries and advancing our therapeutic programs to a later stage, which could limit our near-term revenues. Because of these and other factors, our operating results have fluctuated in the past and are likely to do so in the future, and we do not believe that period-to-period comparisons of our operating results are a good indication of our future performance.

Since our inception, we have incurred significant losses and, as of June 30, 2007, we had an accumulated deficit of \$384.2 million. Our losses have resulted principally from costs incurred in research and development, general and administrative costs associated with our operations, and non-cash stock-based compensation expenses associated with stock options granted to employees and consultants. Research and development expenses consist primarily of salaries and related personnel costs, material costs, facility costs, depreciation on property and equipment, legal expenses resulting from intellectual property prosecution and other expenses related to our drug discovery and development programs, the development and analysis of knockout mice and our other target validation research efforts, and the development of compound libraries. General and administrative expenses consist primarily of salaries and related expenses for executive and administrative personnel, professional fees and other corporate expenses, including information technology, facilities costs and general legal activities. In connection with our ongoing target validation research efforts and the expansion of our drug discovery and development programs, we expect to incur increasing research and development and general and administrative costs. As a result, we will need to generate significantly higher revenues to achieve profitability.

Critical Accounting Policies

Revenue Recognition

We recognize revenues when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and collectibility is reasonably assured. Payments received in advance under these arrangements are recorded as deferred revenue until earned.

Upfront fees under our drug discovery alliances are recognized as revenue on a straight-line basis over the estimated period of service, generally the contractual research term, to the extent they are non-refundable. Research funding under these alliances is recognized as services are performed to the extent they are non-refundable, either on a straight-line basis over the estimated service period, generally the contractual research term, or as contract research costs are incurred. Milestone-based fees are recognized upon completion of specified milestones according to contract terms. Payments received under target validation collaborations and government grants and contracts are recognized as revenue as we perform our obligations related to such research to the extent such fees are non-refundable. Non-refundable technology license fees are recognized as revenue upon the grant of the license, when performance is complete and there is no continuing involvement.

Revenues recognized from multiple element contracts are allocated to each element of the arrangement based on the relative fair value of the elements. The determination of fair value of each element is based on objective evidence. When revenues for an element are specifically tied to a separate earnings process, revenue is recognized when the specific performance obligation associated with the element is completed. When revenues for an element are not specifically tied to a separate earnings process, they are recognized ratably over the term of the agreement.

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A change in our revenue recognition policy or changes in the terms of contracts under which we recognize revenues could have an impact on the amount and timing of our recognition of revenues.

Research and Development Expenses

Research and development expenses consist of costs incurred for company-sponsored as well as collaborative research and development activities. These costs include direct and research-related overhead expenses and are expensed as incurred. Patent costs and technology license fees for technologies that are utilized in research and development and have no alternative future use are expensed when incurred.

We have recently concluded a Phase 1b clinical trial of our most advanced drug candidate, LX6171, an orally-delivered small molecule compound that we are developing as a potential treatment for disorders characterized by cognitive impairment. We are conducting a Phase 1b clinical trial for another drug candidate, LX1031, an orally-delivered small molecule compound that we are developing as a potential treatment for irritable bowel syndrome. We have advanced two other compounds, LX2931, which we plan to develop as a potential treatment for rheumatoid arthritis and other autoimmune conditions, and LX1032, which we plan to develop as a potential treatment for conditions that may include gastrointestinal disorders and carcinoid syndrome, into preclinical development in preparation for regulatory filings for the commencement of clinical trials. We have compounds from a number of additional drug programs in various stages of preclinical research. The drug development process takes many years to complete. The cost and length of time varies due to many factors, including the type, complexity and intended use of the drug candidate. We estimate that drug development activities are typically completed over the following periods:

<u>Phase</u>	<u>Estimated Completion Period</u>
Preclinical development	1-2 years
Phase 1 clinical trials	1-2 years
Phase 2 clinical trials	1-2 years
Phase 3 clinical trials	2-4 years

We expect research and development costs to increase in the future as our drug programs advance in preclinical development and clinical trials. Due to the variability in the length of time necessary for drug development, the uncertainties related to the cost of these activities and ultimate ability to obtain governmental approval for commercialization, accurate and meaningful estimates of the ultimate costs to bring our potential drug candidates to market are not available.

We record our research and development costs by type or category, rather than by project. Significant categories of costs include personnel, facilities and equipment costs, laboratory supplies and third-party and other services. In addition, a significant portion of our research and development expenses is not tracked by project as it benefits multiple projects. Consequently, fully-loaded research and development cost summaries by project are not available.

Consolidation of Variable Interest Entity

We consolidate the financial condition and results of operations of Symphony Icon in accordance with FASB Interpretation No. 46 (revised 2003), "Consolidation of Variable Interest Entities," or FIN 46R. While Symphony Icon is defined under FIN 46R to be a variable interest entity for which we are the primary beneficiary, Symphony Icon is wholly-owned by the noncontrolling interest holders. Therefore, we deduct the losses attributed to the noncontrolling interest from our net loss in the

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consolidated statement of operations and we also reduce the noncontrolling interest holders' ownership interest in the consolidated balance sheet by Symphony Icon's losses.

Stock-based Compensation Expense

On January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123 (Revised), "Share-Based Payment," or SFAS No. 123(R). This statement requires companies to recognize compensation expense in the statement of operations for share-based payments, including stock options issued to employees, based on their fair values on the date of the grant, with the compensation expense recognized over the period in which an employee is required to provide service in exchange for the stock award. We adopted this statement using the modified prospective transition method, which applies the compensation expense recognition provisions to new awards and to any awards modified, repurchased or canceled after the January 1, 2006 adoption date. Additionally, for any unvested awards outstanding at the adoption date, we will recognize compensation expense over the remaining vesting period. Stock-based compensation expense is recognized on a straight-line basis. We had stock-based compensation expense under SFAS No. 123(R) of \$1.7 million and \$1.8 million for the three months ended June 30, 2007 and 2006, respectively, and \$3.2 million and \$3.6 million for the six months ended June 30, 2007 and 2006, respectively. Stock-based compensation expense under SFAS No. 123(R) has no impact on cash flows from operating activities or financing activities. As of June 30, 2007, stock-based compensation cost for all outstanding unvested options was \$13.3 million, which is expected to be recognized over a weighted-average vesting period of 1.4 years.

The fair value of stock options is estimated at the date of grant using the Black-Scholes option-pricing model. For purposes of determining the fair value of stock options granted subsequent to the adoption of SFAS No. 123(R), we segregated our options into two homogeneous groups, based on exercise and post-vesting employment termination behaviors, resulting in a change in the assumptions used for expected option lives and forfeitures. Expected volatility is based on the historical volatility in our stock price. The following weighted-average assumptions were used for options granted in the six-month periods ended June 30, 2007 and 2006, respectively:

	Expected Volatility	Risk-free Interest Rate	Expected Term	Estimated Forfeitures	Dividend Rate
June 30, 2007:					
Employees	67%	4.5%	6	21%	0%
Officers and non-employee directors	67%	4.6%	9	4%	0%
June 30, 2006:					
Employees	69%	4.6%	7	18%	0%
Officers and non-employee directors	69%	4.7%	9	3%	0%

Goodwill Impairment

Goodwill is not amortized, but is tested at least annually for impairment at the reporting unit level. We have determined that the reporting unit is the single operating segment disclosed in our current financial statements. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. The first step in the impairment process is to determine the fair value of the reporting unit and then compare it to the carrying value, including goodwill. We determined that the market capitalization approach is the most appropriate method of measuring fair value of the reporting unit. Under this approach, fair value is calculated as the average closing price of our common stock for the 30 days preceding the date that the annual impairment test is performed, multiplied by the number of outstanding shares on that date. A control premium, which is representative of premiums paid in the

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marketplace to acquire a controlling interest in a company, is then added to the market capitalization to determine the fair value of the reporting unit. If the fair value exceeds the carrying value, no further action is required and no impairment loss is recognized. Additional impairment assessments may be performed on an interim basis if we encounter events or changes in circumstances that would indicate that, more likely than not, the carrying value of goodwill has been impaired.

Recent Accounting Pronouncements

On January 1, 2007, we adopted Financial Accounting Standards Board, or FASB, Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109," or FIN 48. FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. There was no effect on our consolidated financial position, results of operations or cash flows as a result of adopting FIN 48. As of January 1, 2007 and June 30, 2007, we did not have any unrecognized tax benefits.

We are primarily subject to U.S. federal and New Jersey and Texas state income taxes. The tax years 1995 to current remain open to examination by U.S. federal authorities and 2004 to current remain open to examination by state authorities. Our policy is to recognize interest and penalties related to income tax matters in income tax expense. As of January 1, 2007 and June 30, 2007, we had no accruals for interest or penalties related to income tax matters.

At December 31, 2006, we had net operating loss carryforwards of approximately \$267.4 million and research and development credit carryforwards of approximately \$14.4 million expiring beginning in 2011. Utilization of the net operating loss and research and development credit carryforwards may be subject to a significant annual limitation due to ownership changes that have occurred previously or could occur in the future provided by Section 382 of the Internal Revenue Code. We have conducted a limited analysis to determine whether a change in control has occurred since our formation and do not believe a significant limitation, if any, would be determined upon a detailed analysis. Further, until a Section 382 study is completed and any limitation known, no amounts are being presented as an uncertain tax position under FIN 48. We have established a full valuation allowance for our net operating loss and research and development credit carryforwards.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements," or SFAS No. 157. The statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this statement does not require any new fair value measurements. SFAS No. 157 is effective January 1, 2008. We are currently evaluating the impact of this statement on our financial condition and results of operations.

Results of Operations

Three Months Ended June 30, 2007 and 2006

Revenues

Total revenues and dollar and percentage changes as compared to the corresponding period in the prior year are as follows (dollar amounts are presented in millions):

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	Three Months Ended June 30,	
	2007	2006
Total revenues	\$ 12.6	\$ 16.2
Dollar decrease	\$ (3.6)	
Percentage decrease	22%	

- *Collaborative research* — Revenue from collaborative research decreased 19% to \$12.5 million, primarily due to decreased revenue under our alliance with Bristol-Myers Squibb resulting from the conclusion of the revenue recognition period for the upfront payment we received under the alliance.
- *Subscription and license fees* — Revenue from subscriptions and license fees decreased 79% to \$0.2 million, primarily due to lower royalties received under a technology license agreement with Deltagen, Inc.

Research and Development Expenses

Research and development expenses and dollar and percentage changes as compared to the corresponding period in the prior year are as follows (dollar amounts are presented in millions):

	Three Months Ended June 30,	
	2007	2006
Total research and development expense	\$ 25.6	\$ 27.4
Dollar decrease	\$ (1.8)	
Percentage decrease	7%	

Research and development expenses consist primarily of salaries and other personnel-related expenses, facility and equipment costs, laboratory supplies, third-party and other services and stock-based compensation expenses.

- *Personnel* — Personnel costs decreased 17% to \$10.8 million, primarily due to lower salary and benefit costs as a result of a reduction in our personnel in January 2007. Salaries, bonuses, employee benefits, payroll taxes, recruiting and relocation costs are included in personnel costs.
- *Facilities and equipment* — Facilities and equipment costs were \$5.3 million, consistent with the prior year.
- *Laboratory supplies* — Laboratory supplies expense decreased 32% to \$2.9 million, primarily due to a reduction in our personnel in January 2007.
- *Third-party and other services* — Third-party and other services increased 81% to \$4.4 million, primarily due to an increase in third-party preclinical and clinical research and development costs.
- *Stock-based compensation* — Stock-based compensation expense decreased 6% to \$1.0 million, primarily as a result of forfeitures of unvested stock options.
- *Other* — Other costs decreased 17% to \$1.2 million, primarily due to the amortization of other intangibles in 2006.

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General and Administrative Expenses

General and administrative expenses and dollar and percentage changes as compared to the corresponding period in the prior year are as follows (dollar amounts are presented in millions):

	Three Months Ended June 30,	
	2007	2006
Total general and administrative expense	\$ 5.0	\$ 5.7
Dollar decrease	\$ (0.7)	
Percentage decrease	12%	

General and administrative expenses consist primarily of personnel costs to support our research activities, facility and equipment costs, professional fees such as legal fees, and stock-based compensation expenses.

- *Personnel* — Personnel costs decreased 20% to \$2.6 million, primarily due to lower salary and benefit costs as a result of a reduction in our personnel in January 2007.
- *Facilities and equipment* — Facilities and equipment costs decreased 19% to \$0.6 million, primarily due to a decrease in depreciation expense.
- *Professional fees* — Professional fees increased 27% to \$0.5 million, primarily due to increased litigation costs.
- *Stock-based compensation* — Stock-based compensation expense decreased 5% to \$0.6 million, primarily as a result of forfeitures of unvested stock options.
- *Other* — Other costs were \$0.6 million, consistent with the prior year.

Interest Income, Interest Expense and Other Income (Expense), Net

Interest Income. Interest income decreased 15% to \$0.8 million in the three months ended June 30, 2007 from \$0.9 million in the corresponding period in 2006, due to lower average cash balances.

Interest Expense. Interest expense decreased 15% to \$0.7 million in the three months ended June 30, 2007 from \$0.8 million in the corresponding period in 2006.

Other Income (Expense), Net. Expense under other income (expense), net decreased 75% to \$14,000.

Noncontrolling Interest in Symphony Icon, Inc.

For the three month periods ended June 30, 2007 and 2006, the losses attributed to the noncontrolling interest holders of Symphony Icon were \$4.3 million and none, respectively.

Net Loss and Net Loss per Common Share

Net Loss and Net Loss per Common Share. Net loss decreased to \$13.6 million in the three months ended June 30, 2007 from \$16.9 million in the corresponding period in 2006. Net loss per common share decreased to \$0.17 in the three months ended June 30, 2007 from \$0.26 in the corresponding period in 2006.

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Our quarterly operating results have fluctuated in the past and are likely to do so in the future, and we believe that quarter-to-quarter comparisons of our operating results are not a good indication of our future performance.

Six Months Ended June 30, 2007 and 2006

Revenues

Total revenues and dollar and percentage changes as compared to the corresponding period in the prior year are as follows (dollar amounts are presented in millions):

	Six Months Ended June 30,	
	2007	2006
Total revenues	\$ 26.1	\$ 37.1
Dollar decrease	\$ (11.0)	
Percentage decrease	30%	

- *Collaborative research* — Revenue from collaborative research decreased 29% to \$24.7 million, primarily due to decreased revenue under our alliance with Bristol-Myers Squibb resulting from the conclusion of the revenue recognition period for the upfront payment we received under the alliance. Additionally, the prior year included the achievement of a performance milestone under our Takeda alliance.
- *Subscription and license fees* — Revenue from subscriptions and license fees decreased 43% to \$1.4 million, primarily due to lower royalties received under a technology license with Deltagen.

Research and Development Expenses

Research and development expenses and dollar and percentage changes as compared to the corresponding period in the prior year are as follows (dollar amounts are presented in millions):

	Six Months Ended June 30,	
	2007	2006
Total research and development expense	\$ 52.9	\$ 54.1
Dollar decrease	\$ (1.2)	
Percentage decrease	2%	

Research and development expenses consist primarily of salaries and other personnel-related expenses, facility and equipment costs, laboratory supplies, third-party and other services and stock-based compensation expenses.

- *Personnel* — Personnel costs decreased 9% to \$23.6 million, primarily due to lower salary and benefit costs as a result of a reduction in our personnel in January 2007, offset in part by severance payments resulting from such reduction in personnel.
- *Facilities and equipment* — Facilities and equipment costs decreased 2% to \$10.5 million.
- *Laboratory supplies* — Laboratory supplies expense decreased 22% to \$6.0 million, primarily due to a reduction in our personnel in January 2007.
- *Third-party and other services* — Third-party and other services increased 88% to \$8.4 million, primarily due to an increase in third-party preclinical and clinical research and development costs.
- *Stock-based compensation* — Stock-based compensation expense decreased 10% to \$2.0 million, primarily as a result of forfeitures of unvested stock options.

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- *Other* — Other costs decreased by 20% to \$2.3 million, primarily due to the amortization of other intangibles in 2006.

General and Administrative Expenses

General and administrative expenses and dollar and percentage changes as compared to the corresponding period in the prior year are as follows (dollar amounts are presented in millions):

	Six Months Ended June 30,	
	2007	2006
Total general and administrative expense	\$ 10.3	\$ 11.0
Dollar decrease	\$ (0.7)	
Percentage decrease	6%	

General and administrative expenses consist primarily of personnel costs to support our research activities, facility and equipment costs, professional fees such as legal fees, and stock-based compensation expenses.

- *Personnel* — Personnel costs decreased 9% to \$5.7 million, primarily due to lower salary and benefit costs as a result of a reduction in our personnel in January 2007, offset in part by severance payments resulting from such reduction in personnel.
- *Facilities and equipment* — Facilities and equipment costs decreased 14% to \$1.3 million, primarily due to a decrease in depreciation expense.
- *Professional fees* — Professional fees increased 25% to \$1.0 million, primarily due to increased litigation costs.
- *Stock-based compensation* — Stock-based compensation expense decreased 12% to \$1.2 million primarily as a result of forfeitures of unvested stock options.
- *Other* — Other costs were \$1.1 million, consistent with the prior year.

Interest Income, Interest Expense and Other Income (Expense), Net

Interest Income. Interest income decreased 14% to \$1.6 million in the six months ended June 30, 2007 from \$1.9 million in the corresponding period in 2006, due to lower average cash balances.

Interest Expense. Interest expense decreased 15% to \$1.4 million in the six months ended June 30, 2007 from \$1.6 million in the corresponding period in 2006.

Other Income (Expense), Net. Expense under other income (expense), net decreased 59% to \$26,000.

Noncontrolling Interest in Symphony Icon, Inc.

For the six month periods ended June 30, 2007 and 2006, the losses attributed to the noncontrolling interest holders of Symphony Icon were \$4.3 million and none, respectively.

Net Loss and Net Loss per Common Share

Net Loss and Net Loss per Common Share. Net loss increased to \$32.5 million in the six months ended June 30, 2007 from \$27.7 million in the corresponding period in 2006. Net loss per common share

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decreased to \$0.41 in the six months ended June 30, 2007 from \$0.43 in the corresponding period in 2006.

Liquidity and Capital Resources

We have financed our operations from inception primarily through sales of common and preferred stock, contract and milestone payments to us under our drug discovery alliance, target validation, database subscription and license agreements, government grants and contracts, and financing obtained under debt and lease arrangements. We have also financed certain of our research and development activities under our agreements with Symphony Icon. From our inception through June 30, 2007, we had received net proceeds of \$352.0 million from issuances of common and preferred stock, including \$203.2 million of net proceeds from the initial public offering of our common stock in April 2000, \$50.1 million from a July 2003 common stock offering and \$37.5 million from an October 2006 common stock offering. In addition, from our inception through June 30, 2007, we received \$412.3 million in cash payments from drug discovery alliances, target validation collaborations, database subscription and technology license fees, sales of compound libraries and reagents, and government grants and contracts, of which \$367.7 million had been recognized as revenues through June 30, 2007.

As of June 30, 2007, we had \$50.2 million in cash, cash equivalents and short-term investments and \$45.0 million in investments held by Symphony Icon. We had \$80.0 million in cash, cash equivalents and short-term investments as of December 31, 2006. We used cash of \$41.3 million in operations in the six months ended June 30, 2007. This consisted primarily of the net loss for the period of \$32.5 million offset by non-cash charges of \$4.9 million related to depreciation expense and \$3.2 million related to stock-based compensation expense; a \$11.7 million decrease in deferred revenue; a \$4.3 million loss attributable to noncontrolling interest and changes in other operating assets and liabilities of \$1.0 million. Investing activities used cash of \$23.8 million in the six months ended June 30, 2007, primarily due to purchases of investments held by Symphony Icon of \$45.0 million and by purchases of property and equipment of \$0.9 million, offset by net maturities of short-term investments of \$22.1 million. Financing activities provided cash of \$57.5 million primarily due to \$42.8 million in proceeds from the purchase of noncontrolling interest by preferred shareholders of Symphony Icon, \$14.3 million in proceeds from issuance of common stock to Symphony Holdings, LLC, net of fees and \$0.9 million from stock option exercises, offset by principal repayments of \$0.4 million on the mortgage loan.

On June 17, 2007, we entered into a securities purchase agreement, a warrant agreement and a stockholders' agreement with Invus, L.P. Pursuant to the warrant agreement, Invus has received warrants to purchase up to 16,498,353 shares of our common stock, for a per share purchase price of \$3.0915. The issuance and purchase of shares upon the exercise of the warrants are not subject to stockholder approval. Pursuant to the securities purchase agreement, upon stockholder approval and subject to customary closing conditions, Invus will purchase, at that price, a number of shares approximately equal to the number of shares that remain subject to the warrants, and the warrants will terminate. Invus also will purchase, subject to such conditions, approximately 34.3 million additional shares of our common stock for a per share purchase price of \$4.50. Combined, these purchases for approximately \$205 million (which we refer to as the initial investment) will bring Invus' ownership to 40% of the post-transaction outstanding shares of our common stock.

Invus will also have the right to require us to initiate up to two pro rata rights offerings to our stockholders, which would provide all stockholders with non-transferable rights to acquire shares of our common stock, in an aggregate amount of up to approximately \$345 million, less the proceeds of any "qualified offerings" that we may complete in the interim involving the sale of our common stock at prices above \$4.50 per share. The first rights offering may be initiated, subject to certain adjustments,

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beginning on the date that is 27 months from the closing of the initial investment, and the second rights offering may be initiated beginning on the date that is the later of 12 months after the initiation of the first rights offering and 39 months from the closing of the initial investment if the first rights offering does not take place. The initial investment and subsequent rights offerings, combined with any qualified offerings, are designed to achieve up to \$550 million in proceeds to us. Invus would participate in each rights offering for up to its pro rata portion of the offering, and would commit to purchase the entire portion of the offering not subscribed for by other stockholders.

In connection with the securities purchase agreement, we entered into a stockholders' agreement with Invus under which Invus (a) will have specified rights with respect to designation of directors and to participate in future equity issuances by us, (b) will be subject to certain standstill restrictions, as well as restrictions on transfer and the voting of the shares of common stock held by it and its affiliates, and (c), as long as Invus holds at least 15% of the total number of outstanding shares of our common stock, will be entitled to certain minority protections

On June 15, 2007, we entered into a series of related agreements providing for the financing of the clinical development of LX6171, LX1031 and LX1032, along with any other pharmaceutical compositions modulating the same targets as those drug candidates. The agreements include a novated and restated technology license agreement pursuant to which we licensed to Symphony Icon, a wholly-owned subsidiary of Symphony Icon Holdings LLC, our intellectual property rights related to the programs. Holdings contributed \$45 million to Symphony Icon in order to fund the clinical development of the programs. We also entered into a share purchase agreement with Holdings under which we issued and sold to Holdings 7,650,622 shares of our common stock in exchange for \$15 million and the purchase option described below. Under a purchase option agreement, among us, Symphony Icon and Holdings, we have received from Holdings an exclusive purchase option that gives us the right to acquire all of the equity of Symphony Icon, thereby allowing us to reacquire all of the programs. The purchase option is exercisable by us at any time, in our sole discretion, beginning on June 15, 2008 and ending on June 15, 2011 (subject to an earlier exercise right in limited circumstances) at an exercise price of (i) \$72 million, if the purchase option is exercised on or after June 15, 2008 and before June 15, 2009, (ii) \$81 million, if the purchase option is exercised on or after the June 15, 2009 and before the June 15, 2010 and (iii) \$90 million, if the purchase option is exercised on or after June 15, 2010 and before June 15, 2011. The purchase option exercise price may be paid in cash or a combination of cash and common stock, at our sole discretion, provided that the common stock portion may not exceed 40% of the purchase option exercise price.

Under an amended and restated research and development agreement among us, Symphony Icon and Holdings, Symphony Icon and we will develop the programs in accordance with a specified development plan and related development budget. The research and development agreement provides that we will continue to be primarily responsible for the development of the programs. Our development activities will be supervised by Symphony Icon's development committee, which is comprised of an equal number of representatives from us and Symphony Icon. The development committee will report to Symphony Icon's board of directors, which is currently comprised of five members, including one member designated by us and two independent directors. Under a research cost sharing, payment and extension agreement among us, Symphony Icon and Holdings, upon the recommendation of the development committee, Symphony Icon's board of directors may require us to pay Symphony Icon up to \$15 million for Symphony Icon's use in the development of the programs in accordance with the specified development plan and related development budget. The development committee's right to recommend that Symphony Icon's board of directors submit such funding requirement to us will terminate on the one-year anniversary of the expiration of the purchase option, subject to limited exceptions.

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In June 2006, we entered into an agreement with Azimuth Opportunity Ltd. under which we may offer and sell, and Azimuth is committed to purchase, up to \$75 million of our common stock, or the number of shares which is one less than twenty percent of the issued and outstanding shares of our common stock as of the effective date of the agreement, whichever is fewer. At our sole discretion, we may initiate up to 24 draw downs during the approximately 18-month term of the agreement by delivering notice to Azimuth. Each draw down notice will specify (a) the aggregate dollar amount of our common stock, not to exceed \$6,000,000, to be sold to Azimuth during such draw down and (b) the minimum threshold price at which we will sell such shares, which will not be less than \$3.00 per share. Azimuth will be required to purchase a pro rata portion of the shares for each trading day during a pricing period of 10 consecutive trading days on which the daily volume weighted average price for our common stock exceeds the minimum threshold price. The per share purchase price for these shares will equal the daily volume weighted average price of our common stock on such date, less a discount ranging from 3.75% to 5.5%, depending on the minimum threshold price. In connection with any such draw down, at our sole discretion, we may also grant Azimuth the right, during the relevant draw down pricing period, to purchase additional shares of our common stock by specifying in the draw down notice an optional aggregate dollar amount and a minimum threshold price for such optional shares. The per share purchase price for these optional shares will equal the greater of the daily volume weighted average price of our common stock on the day Azimuth notifies us of its election to exercise such right or the minimum threshold price for such optional shares, less a discount ranging from 3.75% to 5.5%. Upon each sale of common stock to Azimuth, we will pay to Reedland Capital Partners, an Institutional Division of Financial West Group, a placement fee equal to one percent of the aggregate dollar amount received by us from such sale.

In April 2004, we obtained a \$34.0 million mortgage on our facilities in The Woodlands, Texas. The mortgage loan has a ten-year term with a 20-year amortization and bears interest at a fixed rate of 8.23%. In May 2002, our subsidiary Lexicon Pharmaceuticals (New Jersey), Inc. leased a 76,000 square-foot laboratory and office space in Hopewell, New Jersey under an agreement which expires in June 2013. The lease provides for an escalating yearly base rent payment of \$1.3 million in the first year, \$2.1 million in years two and three, \$2.2 million in years four to six, \$2.3 million in years seven to nine and \$2.4 million in years ten and eleven. We are the guarantor of the obligations of our subsidiary under the lease.

Our future capital requirements will be substantial and will depend on many factors, including the closing of the Invus transactions, our ability to obtain alliance, collaboration and technology license agreements, the amount and timing of payments under such agreements, the level and timing of our research and development expenditures, market acceptance of our products, the resources we devote to developing and supporting our products and other factors. Our capital requirements will also be affected by any expenditures we make in connection with license agreements and acquisitions of and investments in complementary technologies and businesses. We expect to devote substantial capital resources to continue our research and development efforts, to expand our support and product development activities, and for other general corporate activities. We believe that our current unrestricted cash and investment balances, the cash we expect to receive from the Invus transactions, and cash and revenues we expect to derive from existing and new drug discovery alliances, target validation collaborations, government grants and contracts, and technology licenses will be sufficient to fund our operations for at least the next twelve months. During or after this period, if the Invus transactions do not close as anticipated, or if cash generated by operations is insufficient to satisfy our liquidity requirements, we will need to sell additional equity or debt securities or obtain additional credit arrangements. Additional financing may not be available on terms acceptable to us or at all. The sale of additional equity or convertible debt securities may result in additional dilution to our stockholders.

Disclosure about Market Risk

We are exposed to limited market and credit risk on our cash equivalents, which have maturities of three months or less at the time of purchase. We maintain a short-term investment portfolio which consists of U.S. government agency debt obligations, investment grade commercial paper, corporate debt securities and certificates of deposit that mature within twelve months and auction rate securities that mature greater than twelve months from the time of purchase, which we believe are subject to limited market and credit risk. We currently do not hedge interest rate exposure or hold any derivative financial instruments in our investment portfolio.

We have operated primarily in the United States and substantially all sales to date have been made in U.S. dollars. Accordingly, we have not had any material exposure to foreign currency rate fluctuations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

See “Disclosure about Market Risk” under “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” for quantitative and qualitative disclosures about market risk.

Item 4. Controls and Procedures

Our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures (as defined in rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are sufficiently effective to ensure that the information required to be disclosed by us in the reports we file under the Securities Exchange Act is gathered, analyzed and disclosed with adequate timeliness, accuracy and completeness, based on an evaluation of such controls and procedures as of the end of the period covered by this report.

Subsequent to our evaluation, there were no significant changes in internal controls or other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

Part II Other Information

Item 1A. Risk Factors

The following risks and uncertainties are important factors that could cause actual results or events to differ materially from those indicated by forward-looking statements. The factors described below are not the only ones we face and additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

Risks Related to Our Need for Additional Financing and Our Financial Results

- we will need substantial amounts of additional capital in the future; if it is unavailable, we will be forced to significantly curtail or cease operations and, if it is not available on reasonable terms, we may be forced to obtain funds by entering into financing agreements on unfavorable terms
- we have a history of net losses, and we expect to continue to incur net losses and may not achieve or maintain profitability
- our operating results have been and likely will continue to fluctuate, and we believe that period-to-period comparisons of our operating results are not a good indication of our future performance

Risks Related to Our Business

- we are an early-stage company, and we may not successfully develop or commercialize any therapeutics or drug targets that we have identified
- clinical testing of our drug candidates in humans is an inherently risky and time-consuming process that may fail to demonstrate safety and efficacy, which could result in the delay, limitation or prevention of regulatory approval
- we are dependent upon our collaborations with major pharmaceutical companies, and if we are unable to achieve milestones under those collaborations or if our collaborators' efforts fail to yield pharmaceutical products on a timely basis, our business will suffer
- conflicts with our collaborators could jeopardize the success of our collaborative agreements and harm our product development efforts
- if we are unable to internally establish drug development and commercialization capabilities or arrange for the provision of such functions by third parties, our ability to develop and commercialize pharmaceutical products would be significantly impaired
- we lack the capability to manufacture materials for preclinical studies, clinical trials or commercial sales and will rely on third parties to manufacture our potential products, which may harm or delay our product development and commercialization efforts
- we face substantial competition in our drug discovery and product development efforts
- we may engage in future acquisitions, which may be expensive and time consuming and from which we may not realize anticipated benefits
- if we lose our key personnel or are unable to attract and retain additional personnel, we may be unable to successfully develop and commercialize our own products

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- any contamination among our knockout mouse population could negatively affect the reliability of our scientific research or cause us to incur significant remedial costs
- because all of our target validation operations are located at a single facility, the occurrence of a disaster could significantly disrupt our business
- we use hazardous chemicals and radioactive and biological materials in our business; any disputes relating to improper handling, storage or disposal of these materials could be time consuming and costly

Risks Related to Our Industry

- our ability to patent our inventions is uncertain because patent laws and their interpretation are highly uncertain and subject to change
- if we are unable to adequately protect our intellectual property, third parties may be able to use our technology, which could negatively impact our ability to compete in the market
- we may be involved in patent litigation and other disputes regarding intellectual property rights and may require licenses from third parties for our discovery and development and planned commercialization activities, and we may not prevail in any such litigation or other dispute or be able to obtain required licenses
- we use intellectual property that we license from third parties, and if we do not comply with these licenses, we could lose our rights under them
- we have not sought patent protection outside of the United States for some of our inventions, and some of our licensed patents only provide coverage in the United States, and as a result, our international competitors could be granted foreign patent protection with respect to our discoveries
- our industry is subject to extensive and uncertain government regulatory requirements, which could significantly hinder our ability, or the ability of our collaborators, to obtain, in a timely manner or at all, regulatory approval of potential therapeutic products, or to commercialize such products
- if our potential products receive regulatory approval, we or our collaborators will remain subject to extensive and rigorous ongoing regulation
- the uncertainty of pharmaceutical pricing and reimbursement may decrease the commercial potential of any products that we or our collaborators may develop and affect our ability to raise capital
- we may be sued for product liability
- public perception of ethical and social issues may limit or discourage the use of our technologies, which could reduce our revenues

For additional discussion of the risks and uncertainties that affect our business, see the section captioned “Risk Factors” included in our Registration Statement on Form S-3 (Registration No. 333-144933), as filed with the Securities and Exchange Commission.

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Item 4. Submission of Matters to a Vote of Security Holders

Our annual meeting of stockholders was held on April 25, 2007 to consider and vote on the following proposals:

- (1) The following individuals were nominated and elected as Class I directors, with the following numbers of shares voted for and withheld for such directors:

<u>Name of Director</u>	<u>For</u>	<u>Withheld</u>
Robert J. Lefkowitz, M.D.	57,997,026	13,213,524
Alan S. Nies, M.D.	69,506,065	1,704,485
Clayton S. Rose, Ph.D.	64,528,887	6,681,663

- (2) The following additional matters were considered and approved, with the following numbers of shares voted for, voted against and abstaining with respect to such matters:

<u>Matter</u>	<u>For</u>	<u>Against</u>	<u>Abstain</u>
Ratification and approval of an amendment to our restated certificate of incorporation changing our company name to "Lexicon Pharmaceuticals, Inc."	71,101,391	61,708	47,452
Ratification and approval of the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2007	71,087,908	49,333	73,309

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
†10.1	— Novated and Restated Technology License Agreement, dated June 15, 2007, with Symphony Icon Holdings LLC and Symphony Icon, Inc.
†10.2	— Amended and Restated Research and Development Agreement, dated June 15, 2007, with Symphony Icon Holdings LLC and Symphony Icon, Inc.
†10.3	— Purchase Option Agreement, dated June 15, 2007, with Symphony Icon Holdings LLC and Symphony Icon, Inc.
†10.4	— Research Cost Sharing, Payment and Extension Agreement, dated June 15, 2007, with Symphony Icon Holdings LLC and Symphony Icon, Inc.
31.1	— Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	— Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	— Certification of CEO and CFO Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

† Confidential treatment has been requested for a portion of this exhibit. The confidential portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission.

Signatures

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

Lexicon Pharmaceuticals, Inc.

Date: August 8, 2007

By: /s/ Arthur T. Sands
Arthur T. Sands, M.D., Ph.D.
President and Chief Executive Officer

Date: August 8, 2007

By: /s/ Julia P. Gregory
Julia P. Gregory
*Executive Vice President
and Chief Financial Officer*

Index to Exhibits

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† Confidential treatment has been requested for a portion of this exhibit. The confidential portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission.

Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

**NOVATED AND RESTATED
TECHNOLOGY LICENSE AGREEMENT**
dated as of June 15, 2007
among
**LEXICON PHARMACEUTICALS, INC.,
SYMPHONY ICON, INC.**
and
SYMPHONY ICON HOLDINGS LLC

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Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

**NOVATED AND RESTATED
TECHNOLOGY LICENSE AGREEMENT**

This NOVATED AND RESTATED TECHNOLOGY LICENSE AGREEMENT (this "Agreement") is made and effective as of June 15, 2007 by and among, Lexicon Pharmaceuticals, Inc., a Delaware corporation (f/k/a Lexicon Genetics Incorporated) (the "Licensor"), Symphony Icon, Inc., a Delaware corporation ("Symphony Icon") (each of Licensor and Symphony Icon being a "Party," and collectively, the "Parties"), and Symphony Icon Holdings LLC, a Delaware limited liability company ("Holdings").

WHEREAS, Licensor and Holdings have entered into that certain Technology License Agreement, dated June 15, 2007 (the "Original Agreement");

WHEREAS, Holdings desires to assign its right, title and interest in, and delegate and novate its obligations under the Original Agreement to Symphony Icon, and Licensor and Symphony Icon desire to novate and restate the terms and conditions of the Original Agreement to effect such novation;

WHEREAS, Licensor owns or has rights in certain technology, know-how, patents and other intellectual property rights related to the design, development, manufacture and/or use of the Products;

WHEREAS, Licensor desires to grant to Symphony Icon, and Symphony Icon desires to acquire, the exclusive (or nonexclusive, as the case may be) right to use such technology, know-how, patents and other intellectual property rights to develop and commercialize Products on the terms and conditions of this Agreement; and

WHEREAS, Licensor desires to receive, and Symphony Icon desires to grant to Licensor, the exclusive right to use such technology, know-how, patents and other intellectual property rights to develop Products on behalf of Symphony Icon on the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the mutual promises and agreements set forth herein, and for 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 and not defined shall have the meanings assigned to such terms in Annex A attached hereto.

**ARTICLE 2
GRANT OF RIGHTS**

Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

2.1 Assignment. Holdings hereby assigns to Symphony Icon all of its right, title and interest in and to the Original Agreement. The Parties agree that from and after the Closing Date, all of the right, title, interest and obligations of Holdings under the Original Agreement will be assigned, novated and transferred to, and assumed by, Symphony Icon, as amended and restated by this Agreement.

2.2 License Grant.

(a) Subject to Sections 2.3, 2.4, 2.5 and 2.6 below, the limitations and restrictions set forth on Schedule 2.2 and the terms and conditions of this Agreement, Licensor hereby grants to Symphony Icon a fully paid, worldwide, exclusive license under the Licensed Intellectual Property, solely to develop, make, have made, use, offer for sale, sell, and import Products.

2.3 Sublicense to Licensor. Symphony Icon hereby grants to Licensor a fully paid, worldwide, exclusive (even as to Symphony Icon) sublicense under the Licensed Intellectual Property, with the right to grant further sublicense(s), to develop, make, have made, use and import Products, or otherwise as necessary or useful to carry out Licensor's obligations or exercise Licensor's rights under the Operative Documents. Notwithstanding the foregoing, Licensor shall only exercise its rights as sublicensee hereunder in connection with and for the purpose of carrying out Licensor's obligations or exercising Licensor's rights under the Operative Documents. In the event of the expiration of a Discontinuation Option without exercise by Licensor, the sublicense set forth in this Section 2.3 shall expire with respect to the Products relating to the Program to which such Discontinuation Option pertained. Upon the unexercised expiration or termination of the Purchase Option without Licensor's exercise of the Purchase Option, the sublicense set forth in this Section 2.3 shall expire with respect to all Products relating to the Program(s) for which Licensor has not exercised the Discontinuation Option.

2.4 Right to Sublicense. Subject to the limitations and restrictions set forth on Schedule 2.2, the license granted hereunder includes the right of Symphony Icon to grant sublicenses under the Licensed Intellectual Property, provided, that,

(a) subject to Sections 2.3 and 2.4(b), Symphony Icon shall not sublicense any of the rights granted pursuant to Section 2.2 to any third party (including without limitation any Affiliates) during the Term;

(b) notwithstanding (a), in the event of the expiration of a Discontinuation Option without exercise by Licensor, Symphony Icon may grant to third parties (including without limitation Affiliates) sublicenses of the rights granted pursuant to Section 2.2 with respect to the Products relating to the Program to which such Discontinuation Option pertained;

(c) each sublicense granted (i) is pursuant to a written contract, (ii) is consistent with the terms of this Agreement, (iii) does not grant any rights beyond

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the scope of the license rights granted herein, and (iv) is as protective of Licensor's rights as set forth in this Agreement; and

(d) upon Licensor's written request, Symphony Icon shall provide to Licensor copies of any sublicense agreements, provided that (i) Symphony Icon may redact any financial or other proprietary information contained therein which does not affect Licensor's rights and (ii) Licensor shall treat its copy of the sublicense agreements as Confidential Information of Symphony Icon.

2.5 Partial Reversion of License upon Licensor's Exercise of Discontinuation Option. Licensor and Symphony Icon acknowledge that Licensor may exercise its Discontinuation Option pursuant to Section 11 of the Amended and Restated Research and Development Agreement. Upon the Discontinuation Option Closing Date, as applicable, (i) the license set forth in Section 2.2 (and the corresponding sublicense under Section 2.3) shall expire with respect to the Products relating to the Program for which Licensor exercised its Discontinuation Option, as applicable, (ii) those patents, patent applications, Know-How and Symphony Icon Enhancements that were part of the Licensed Intellectual Property as of the applicable Discontinuation Option Closing Date and relate exclusively to such Program (including its Products) but not to the other Program, shall be deleted from the relevant intellectual property definitions, and accordingly, Symphony Icon shall no longer be responsible for any obligations or costs (including royalties or fees to third parties, prosecution costs, maintenance costs and enforcement costs) accruing after such Discontinuation Option Closing Date with respect to such patents, patent applications, Know-How and Symphony Icon Enhancements; and (iii) Symphony Icon shall (a) at Licensor's request and option, promptly return to Licensor or destroy all Tangible Materials relating solely to such Program; and (b) upon Licensor's request, provide Licensor a copy of all Tangible Materials which relate to such Program (but not solely to such Program). The Parties shall, as necessary, promptly amend this Agreement, in connection with the exercise and consummation of the Discontinuation Option pursuant to Section 11 of the Amended and Restated Research and Development Agreement, to give Licensor all rights it needs to pursue the Program for which such option was exercised without any obligation to or dependency on Symphony Icon and to limit this Agreement to the other Program.

2.6 Reservation of Rights. All rights not expressly granted to a Party hereunder shall remain the exclusive property of the other Party. Symphony Icon covenants and agrees not to use or exploit the Licensed Intellectual Property outside of the scope of the licenses granted herein. Licensor covenants and agrees that Licensor will not, and will cause its Affiliates not to, use or exploit the Licensed Intellectual Property in connection with the development, manufacture, use, sale, or importation of Products after the expiration of all sublicenses granted pursuant to Section 2.3; provided, however, that such covenant by Licensor shall not apply to any Program for which Licensor exercises a Discontinuation Option or to any Products relating to such Program. For the avoidance of doubt, Licensor and its Affiliates shall not be restricted from using

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or otherwise exploiting any intellectual property relating to their respective drug discovery programs outside the fields of the Products and/or the Programs.

2.7 Regulatory Files After Expiration or Termination of Term or Discontinuation Option

(a) As soon as reasonably practical after the expiration or termination of the Purchase Option without exercise by Licensor and as of a date to be agreed upon by Licensor and Symphony Icon, Licensor and Symphony Icon shall, at Symphony Icon's expense, take all actions necessary to effect the assignment to Symphony Icon or its designee of the sponsorship to the Regulatory Files with respect to the Programs for which Licensor has not exercised its Discontinuation Option. After such Regulatory Files are assigned to Symphony Icon, Licensor shall have no further rights therein or obligations thereunder; provided, however, that during the [**] following such assignment of Regulatory Files, at Symphony Icon's reasonable request and expense, Licensor shall use commercially reasonable efforts to provide Symphony Icon or its designee with assistance in respect of such Regulatory Files. Licensor shall, at the reasonable request of Symphony Icon and at Symphony Icon's expense, perform any acts that Symphony Icon may reasonably deem necessary or desirable to evidence or confirm Symphony Icon's ownership interest in such Regulatory Files, including, but not limited to, making further written assignments in a form determined by Symphony Icon. Without limiting the license rights granted under this ARTICLE 2, the Parties understand and agree that the assignment of such Regulatory Files does not include an assignment of any Licensed Intellectual Property.

(b) As soon as reasonably practical after the expiration of a Discontinuation Option without exercise by Licensor and as of a date to be agreed upon by Licensor and Symphony Icon, Licensor and Symphony Icon shall, at Symphony Icon's expense, take all actions necessary to effect the assignment to Symphony Icon or its designee of the sponsorship to the Regulatory Files with respect to the Programs for which Licensor has not exercised its Discontinuation Option. After such Regulatory Files are assigned to Symphony Icon, Licensor shall have no further rights therein or obligations thereunder; provided, however, that during the [**] following such assignment of Regulatory Files, at Symphony Icon's reasonable request and expense, Licensor shall use commercially reasonable efforts to provide Symphony Icon or its designee with assistance in respect of such Regulatory Files. Licensor shall, at the reasonable request of Symphony Icon and at Symphony Icon's expense, perform any acts that Symphony Icon may reasonably deem necessary or desirable to evidence or confirm Symphony Icon's ownership interest in such Regulatory Files, including, but not limited to, making further written assignments in a form determined by Symphony Icon. Without limiting the license rights granted under this ARTICLE 2, the Parties understand and agree that the assignment of such Regulatory Files does not include an assignment of any Licensed Intellectual Property.

2.8 Delivery of Materials After Expiration or Termination of Term

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(a) Upon the expiration or termination of the Purchase Option without exercise by Licensor, Licensor shall, at Symphony Icon's expense, promptly deliver to Symphony Icon all copies of Tangible Materials existing as of the date of such unexercised expiration or termination that relate to the Programs for which Licensor has not exercised its Discontinuation Option; provided, however, that Licensor may also retain copies of (and the right to use) those Tangible Materials that are required to be delivered to Symphony Icon hereunder but which also relate to (i) any Program for which Licensor has exercised its Discontinuation Option or (ii) any other product of Licensor.

(b) In the event of the expiration of a Discontinuation Option without exercise by Licensor, Licensor shall, at Symphony Icon's expense, promptly deliver to Symphony Icon all copies of Tangible Materials existing as of the date of such expiration that relate to the Program to which the Discontinuation Option pertained; provided, however, that Licensor may also retain copies of (and the right to use) those Tangible Materials that are required to be delivered to Symphony Icon hereunder but which also relate to any other Program or any other product of Licensor.

2.9 License Opportunities. In the event that, during the Term, Licensor reasonably determines that it is necessary to license from any third party any intellectual property relating to the composition of matter, use, manufacture, formulation or exploitation of the Products ("Third Party IP") and Licensor desires to license such Third Party IP during the Term, then (i) if Licensor desires Symphony Icon to pay any or all of the financial obligations under such license, Licensor shall obtain Symphony Icon's written consent, which shall not be unreasonably withheld or delayed, before acquiring such license; and (ii) if Symphony Icon provides such consent, then unless otherwise agreed to by the Parties in writing, Licensor shall use commercially reasonable efforts to obtain, at the time such license is granted, the right to sublicense such Third Party IP to Symphony Icon consistent with the terms of this Agreement as if such Third Party IP were Licensed Intellectual Property. Unless otherwise agreed to by the Parties in writing, the financial obligations under any license to Third Party IP obtained by Licensor with Symphony Icon's consent shall (1) [**]; or (2) [**]; or (3) [**]. Notwithstanding the foregoing, Licensor shall have no obligation to obtain any such third party licenses under this Agreement or, in the event that Symphony Icon does not give such consent, to grant any sublicenses to Symphony Icon. Upon obtaining a license to such Third Party IP and the right to sublicense to Symphony Icon, the Parties will, as necessary, promptly amend this Agreement to include such sublicensed intellectual property within the license granted hereunder, incorporate any other limitations, royalties or other provisions required by such third party with respect to such sublicense, and address Symphony Icon's rights (if any) with respect to patent prosecution, maintenance and enforcement of patents and patent applications within such Third Party IP.

2.10 Separate Third Party License for Discontinued Program. In the event of the expiration of a Discontinuation Option without exercise by Licensor, Symphony Icon has the right to transfer to a third party Symphony Icon's rights to the Products relating to the Program to which such Discontinuation Option pertained (the

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“Discontinued Program”). If Symphony Icon identifies a third party that wishes to obtain such rights, then upon Symphony Icon’s request, (i) Licensor and Symphony Icon shall amend this Agreement to terminate all of Symphony Icon’s rights and obligations to the extent applicable to the Discontinued Program and (ii) Licensor shall enter into a separate license agreement with such third party in which all of such terminated rights and obligations shall be conferred upon and undertaken by such third party. The terms and conditions of such license agreement shall be identical to those contained herein, to the extent that such terms are applicable to the Discontinued Program and not dependent on any Operative Document other than this Agreement. Such terms shall include but not be limited to (1) provisions allowing for termination of such license agreement upon a material, uncured breach of such license agreement by the third party on similar terms as provided herein with respect to Symphony Icon and (2) a confidentiality provision that is not dependent on any of the Operative Documents. Termination of this Agreement shall not effect such license agreement and Licensor’s obligation to enter into such a license agreement shall survive termination of this Agreement.

2.11 Supply of Product After Expiration or Termination of Term In the event of expiration or termination of the Purchase Option without exercise by Licensor, without limiting Licensor’s other obligations pursuant to the Operative Documents, during the [**] period following any such expiration or termination, Licensor agrees to cooperate in good faith and provide reasonable assistance to Symphony Icon (or its partners or transferees hereunder) in connection with the transition of the continued development (including clinical development), manufacture and commercialization of Products by Symphony Icon (or its partners or transferees hereunder), in each case at the expense of Symphony Icon (or its partners or transferees hereunder).

2.12 Right of First Offer for LG617 Program. In the event of the expiration or termination of the Purchase Option or expiration of a Discontinuation Option with respect to the LG617 Program, in each case without exercise by Licensor and absent any other re-acquisition by Licensor of rights to the LG617 Program, Symphony Icon agrees that BMS shall have the following right of first offer. Symphony Icon shall not grant any license or otherwise transfer rights to any third party for the development or commercialization of any LG617 Product (any such arrangement being referred to herein as a “LG617 License”) [**] without first notifying BMS of its desire to enter into an LG617 License, and if requested by BMS within [**] of such notice, entering into good faith negotiations with BMS with respect to an LG617 License for a period of [**] following such notice (the “LG617 Negotiation Period”). In the event that Symphony Icon and BMS do not enter into a LG617 License within such LG617 Negotiation Period, Symphony Icon will be free, at any time thereafter to enter into negotiations with respect to an LG617 License with any third party. In the event (but only in the event) that (a) the obligations of Licensor under Section 4.4 of Licensor’s Collaboration and License Agreement with BMS, dated December 17, 2003, were not terminated before the expiration of the relevant option of Licensor described above, and (b) the expiration of such LG617 Negotiation Period occurs prior to the later of (i) December 31, 2008 or (ii) the commencement of a Phase 1 clinical trial in the U.S. for

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an LG617 Compound, [**]. Any notice issued by Symphony Icon to BMS pursuant to this Section 2.13 shall be made pursuant to Section 8.1 hereof to BMS at the following address Bristol-Myers Squibb Company, P.O. Box 4000, Route 206 & Province Line Road, Princeton, New Jersey 08543-4000, Attention: Vice President, External Science, Technology & Licensing, Telephone: 609-252-4712, Facsimile: 609-252-7212; with a copy to: Bristol-Myers Squibb Company, P.O. Box 4000, Route 206 & Province Line Road, Princeton, New Jersey 08543-4000, Attention: Vice President & Senior Counsel, Corporate Development, Telephone: 609-252-4311, Facsimile: 609-252-4232.

ARTICLE 3
SUBLICENSE TO CERTAIN THIRD PARTY INTELLECTUAL PROPERTY

3.1 Third Party Sublicense Payments. Unless otherwise agreed to by the Parties in writing, to the extent that (a) any Licensed Intellectual Property is licensed to Licensor by a third party and sublicensed to Symphony Icon by Licensor hereunder and the development, manufacture, use, sale or other commercialization of any Product by Symphony Icon shall require the Licensor to make a royalty payment, milestone or any other payment obligation to the third party licensor of such Licensed Intellectual Property, (i) Symphony Icon shall be responsible for the satisfaction of such royalty payment, milestone or any other obligation to such licensor if such payment is triggered by the development, manufacture, use, sale or other commercialization of any Product by Symphony Icon; or (ii) such royalty payment shall be shared by the Parties in amounts and/or percentages to be agreed upon by the Parties if such payment relates (but does not relate solely) to the manufacture, use, sale or other commercialization of any Product by Symphony Icon. Notwithstanding the foregoing, with respect to agreements between Licensor or its Affiliates and any third party existing as of the Closing Date, Symphony Icon's obligations under this Section 3.1 for Products will be limited solely to those royalties and milestones set forth on Annex B.

3.2 Sublicensed Intellectual Property. Symphony Icon acknowledges (i) that certain Licensed Intellectual Property is licensed to Licensor or its Affiliates by third parties and will be sublicensed to Symphony Icon hereunder (the "Sublicensed Intellectual Property") and (ii) that such sublicense is subject to certain restrictions and obligations set forth in the applicable written agreements between Licensor and such third parties (the "Sublicense Obligations"), including but not limited to those restrictions and obligations set forth on Schedule 2.2. Symphony Icon agrees to either be bound by the Sublicense Obligations or forfeit the applicable sublicense of such Intellectual Property under Section 2.2; provided, however, that Symphony Icon cannot use this Section 3.2 to avoid any Sublicense Obligation that has accrued prior to the date Symphony Icon elects to forfeit the applicable sublicense.

ARTICLE 4
INTELLECTUAL PROPERTY

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4.1 Ownership. The Parties acknowledge and agree that, as between Licensor and Symphony Icon, and subject to Schedule 2.2, Licensor or its licensors are the owners of all right, title and interest in and to the Licensed Intellectual Property, including without limitation Symphony Icon Enhancements. Symphony Icon hereby assigns to Licensor all of Symphony Icon's rights and interests in any Symphony Icon Enhancements, including any rights in inventions made jointly by Licensor and Symphony Icon. Symphony Icon shall promptly disclose any Symphony Icon Enhancement to Licensor, and shall use reasonable efforts, at Licensor's request and at no cost to Licensor, to cooperate fully with Licensor to transfer such Symphony Icon Enhancements to Licensor.

4.2 Marking. Symphony Icon shall mark, and shall cause all of its sublicensees to mark, all Products, or the packaging thereof or materials related thereto, with the number of the applicable patents licensed hereunder in accordance with applicable U.S. patent law.

4.3 Prosecution and Maintenance.

(a) Unless otherwise set forth in this Section 4.3, (i) Licensor shall prepare, file, prosecute and maintain those patents and patent applications in Licensed Patent Rights for which Licensor has patent prosecution and maintenance rights; and (ii) Licensor shall provide Symphony Icon with (1) quarterly reports regarding the status of the prosecution and maintenance of Licensed Patent Rights, (2) copies of and/or access to any patent documents related to the Licensed Patent Rights as reasonably requested by Symphony Icon, (3) copies of patent applications and other substantive patent prosecution documents pertaining to the Program-Specific Patents prior to filing in the United States so as to afford Symphony Icon and its patent counsel, at Symphony Icon's expense, a reasonable opportunity to review and comment on such documents and (4) timely answers to Symphony Icon's questions regarding the status of patents and patent applications in Licensed Patent Rights.

(b) Licensor will use commercially reasonable efforts to seek the allowance of broad generic claims that read on Products, consistent with Licensor's determination of enforceability, business considerations and other factors.

(c) Subject to a reasonable allocation of costs in the event that any Program-Specific Patent relate to Licensor's business other than the Programs, the cost of the prosecution and maintenance of Program-Specific Patents shall be paid by Symphony Icon. Upon the scope of any Licensed Patent Rights being amended so that the patent or patent application's claims no longer relate to, or are exploitable in connection with, any Product and/or any Program, for which Licensor has not exercised a Discontinuation Option, such patent or patent application shall cease to be a Licensed Patent Right and all rights and obligations with respect to such patent or patent application (including costs, fees, prosecution, maintenance and enforcement) shall revert to Licensor.

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(d) Symphony Icon shall not be responsible for the costs of any interference or reexamination initiated by Licensor with respect to the Program Specific Patents (except to the extent allocated in the Development Budget), unless the Parties mutually agree in writing (i) that it is reasonably necessary or useful to file and prosecute such interference or re-examination in connection with such Program Specific Patents to protect their interests in such Program Specific Patents and (ii) to a reasonable allocation of costs in the event that any Program Specific Patents relate to Licensor's business other than the Programs, which agreement will not be unreasonably withheld or delayed. In the event, however, that (i) Symphony Icon does not agree to pay such costs (or its share of costs as reasonably allocated as set forth above) of such interference or reexamination and (ii) Licensor successfully files and prosecutes or settles such interference or reexamination at its sole cost, then the licenses granted by Licensor to Symphony Icon in Section 2.2 herein shall immediately terminate with respect to specific Program Specific Patent subject to such interference or reexamination.

(e) Symphony Icon shall not be responsible for the costs of any opposition, protest or reexamination initiated by Licensor with respect to any Third Party IP (except to the extent allocated in the Development Budget), unless the Parties mutually agree in writing (i) that it is reasonably necessary or useful to file and prosecute such opposition, protest or reexamination in connection with such Third Party IP to protect their interests in the Programs and (ii) to a reasonable allocation of costs in the event that such Third Party IP relates to Licensor's business other than the Programs, which agreement will not be unreasonably withheld or delayed.

(f) Each Party shall provide the prosecuting Party with reasonable cooperation under this Section 4.3.

4.4 Abandonment. Subject to the limitations and restrictions set forth on Schedule 2.2, Licensor shall not cancel a Program-Specific Claim or abandon a Program-Specific Patent without (a) expressly reserving the right to pursue the relevant Program-Specific Claim in a separate patent application or (b) requesting and obtaining the consent of Symphony Icon, which consent shall not be unreasonably withheld or delayed. If Symphony Icon does not provide such consent promptly upon Licensor's request, then Licensor may (i) continue to prosecute such Program-Specific Claim in the patent application in which it is currently pending, or (ii) cancel such Program-Specific Claim in a manner that allows future prosecution of such claim and then propose such claim in a newly filed divisional or continuation application that Symphony Icon may prosecute at its expense (including reimbursing Licensor for the costs associated with filing such divisional or continuation application), in the name of Licensor, and in Symphony Icon's discretion.

4.5 Infringement. Each Party agrees to immediately notify the other Party upon becoming aware of any infringement, misappropriation, illegal use or misuse of the Licensed Intellectual Property in connection with Products and provide to the other Party all available evidence of such infringement.

4.6 Enforcement Right During Term.

(a) Except as provided in Section 4.6(b), during the Term, Licensor has the first right, but not the obligation, to take action against others in the courts, administrative agencies or otherwise to prevent, terminate or seek damages on account of infringement, misappropriation, illegal use or misuse of the Licensed Patent Rights or other Licensed Intellectual Property; including such actions against others to prevent, terminate or seek damages on account of an Icon Relevant Infringement. The costs and expenses of any such action shall be borne by Symphony Icon to the extent the action relates to an Icon Relevant Infringement; provided, that Symphony Icon's written consent was obtained prior to the initiation of such action, such consent not to be unreasonably withheld or delayed. Symphony Icon shall, at its expense, cooperate with and reasonably assist Licensor in any such action if so requested by Licensor, and, upon Licensor's request, execute, file and deliver all documents and proof necessary for such purpose, including being named as a party to such litigation if requested by Licensor or if required by Law. Symphony Icon shall have the right to participate and be represented by its own counsel at its own expense in any such action, suit or proceeding with respect to Licensed Patent Rights solely relating to Products for which Licensor has not exercised the relevant Discontinuation Option; provided that Symphony Icon shall not enter into any settlement or compromise of such action, suit or proceeding that affects or concerns the validity, enforceability, or ownership of any Licensed Patent Rights or other Licensed Intellectual Property without the prior written consent of Licensor, which consent shall not be unreasonably withheld or delayed. Licensor shall not enter into any settlement or compromise of such action, suit or proceeding that affects or concerns the validity, enforceability, or ownership of any Licensed Patent Rights or other Licensed Intellectual Property without the prior, written consent of Symphony Icon, which consent shall not be unreasonably withheld or delayed.

(b) Subject to the limitations and restrictions set forth on Schedule 2.2, if, (1) during the Term, Symphony Icon requests Licensor to take action pursuant to Section 4.6(a) with respect to an Icon Relevant Infringement that either (i) solely involves the enforcement of a Program Specific Patent or (ii) involves the enforcement of other Licensed Intellectual Property relating exclusively to the Programs and there is not a claim of an issued Program Specific Patent, and (2) Licensor does not within [**] of Symphony Icon's written request take such action or provide Symphony Icon with a reasonable basis for not taking such action; then Symphony Icon shall have the option to commence any such action under its own direction and control, and at Symphony Icon's cost and expense; provided, that Licensor agrees that neither (x) the potential disturbance of an actual or potential commercial relationship between Licensor and a third party nor (y) concerns regarding potential risks to the Licensed Intellectual Property or other intellectual property owned or controlled by Licensor is a reasonable basis for Licensor not taking such action. Licensor shall, at Symphony Icon's expense, cooperate with and reasonably assist Symphony Icon in any such action if so requested by Symphony Icon, and, upon Symphony Icon's request, execute, file and deliver all documents and proof necessary for such purpose, including being named as a party to

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such litigation if requested by Symphony Icon or if required by Law. Licensor shall have the right to participate and be represented by its own counsel at its own expense in any such action, suit or proceeding with respect to Licensed Patent Rights provided that Licensor shall not enter into any settlement or compromise of such action, suit or proceeding that affects or concerns the validity, enforceability, or ownership of any Licensed Patent Rights or other Licensed Intellectual Property without the prior written consent of Symphony Icon, which consent shall not be unreasonably withheld or delayed. Symphony Icon shall not enter into any settlement or compromise of such action, suit or proceeding that affects or concerns the validity, enforceability, or ownership of any Licensed Patent Rights or other Licensed Intellectual Property without the prior, written consent of Licensor, which consent shall not be unreasonably withheld or delayed.

4.7 Post-Term Enforcement

(a) Program Specific Patents. Following the expiration or termination of the Purchase Option without Licensor's exercise of the Purchase Option, as between the Parties, and solely with respect to Program Specific Patents, Symphony Icon shall have the first right, but not the obligation, to take action against others, at Symphony Icon's cost and expense, to prevent, terminate or seek damages on account of Icon Relevant Infringements. Licensor shall, at Symphony Icon's expense, cooperate and reasonably assist Symphony Icon in such action if so requested, and upon Symphony Icon's request, execute, file and deliver all documents and proof necessary for such purpose, including being named as a party to such litigation if requested by Symphony Icon or if required by Law. Licensor shall have the right to participate and be represented in any such action, suit or proceeding by its own counsel at its own expense provided that Licensor shall not enter into any settlement or compromise of such action, suit or proceeding that affects or concerns the validity, enforceability, or ownership of any Licensed Patent Rights or other Licensed Intellectual Property without the prior written consent of Symphony Icon, which consent shall not be unreasonably withheld or delayed. Symphony Icon shall not enter into any settlement or compromise of such action, suit or proceeding that affects or concerns the validity, enforceability, or ownership of any Licensed Patent Rights or other Licensed Intellectual Property without the prior written consent of Licensor, which consent shall not be unreasonably withheld or delayed.

(b) Following the expiration or termination of the Purchase Option without Licensor's exercise of the Purchase Option, if Symphony Icon does not take action under Section 4.7(a) within [**] of Licensor's written request that Symphony Icon take such action, then Licensor shall have the option to commence any such action under its own direction and control, and at Licensor's cost and expense. Symphony Icon shall, at Licensor's expense, cooperate and reasonably assist Licensor in such action if so requested, and upon Licensor's request, execute, file and deliver all documents and proof necessary for such purpose, including being named as a party to such litigation if requested by Licensor or if required by Law. Symphony Icon shall have the right to participate and be represented in any such action, suit or proceeding by its own counsel at its own expense provided that Symphony Icon shall not enter into any settlement or

compromise of such action, suit or proceeding that affects or concerns the validity, enforceability, or ownership of any Licensed Patent Rights or other Licensed Intellectual Property without the prior written consent of Licensor, which consent shall not be unreasonably withheld or delayed. Licensor shall not enter into any settlement or compromise of such action, suit or proceeding that affects or concerns the validity, enforceability, or ownership of any Licensed Patent Rights or other Licensed Intellectual Property without the prior written consent of Symphony Icon, which consent shall not be unreasonably withheld or delayed.

(c) Licensed Intellectual Property. Except as set forth in Section 4.7(a) and 4.7(b) above, following the expiration or termination of the Purchase Option without Licensor's exercise of the Purchase Option, as between the Parties, Licensor shall have the first right, but not the obligation, to take action against others in the courts, administrative agencies or otherwise, under Licensor's direction and control and at Licensor's cost and expense, to prevent or terminate infringement, misappropriation, illegal use or misuse of any Licensed Intellectual Property, including but not limited to an Icon Relevant Infringement. Symphony Icon shall, at Licensor's expense, cooperate and reasonably assist Licensor in such action if so requested, and upon Licensor's request, execute, file and deliver all documents and proof necessary for such purpose, including being named as a party to such litigation if requested by Licensor or if required by Law. Symphony Icon shall have the right to participate and be represented in any such action, suit or proceeding by its own counsel at its own expense, to the extent the action relates to an Icon Relevant Infringement; provided that Symphony Icon shall not enter into any settlement or compromise of such action, suit or proceeding that affects or concerns the validity, enforceability, or ownership of any Licensed Patent Rights or other Licensed Intellectual Property without the prior written consent of Licensor, which consent shall not be unreasonably withheld or delayed. Licensor shall not enter into any settlement or compromise of such action, suit or proceeding that affects or concerns the validity, enforceability, or ownership of any Licensed Patent Rights or other Licensed Intellectual Property without the prior written consent of Symphony Icon, which consent shall not be unreasonably withheld or delayed.

(d) Except as set forth in Section 4.7(a) and 4.7(b) above and subject to the limitations and restrictions set forth on Schedule 2.2, following the expiration or termination of the Purchase Option without Licensor's exercise of the Purchase Option, if Licensor does not take action under Section 4.7(c) with respect to an Icon Relevant Infringement, within ninety (90) days of Symphony Icon's written request that Licensor take such action, then Symphony Icon shall have the option to commence any such action under its own direction and control, and at Symphony Icon's cost and expense. Licensor shall, at Symphony Icon's expense, cooperate and reasonably assist Symphony Icon in such action if so requested, and upon Symphony Icon's request, execute, file and deliver all documents and proof necessary for such purpose, including being named as a party to such litigation if requested by Symphony Icon or if required by Law. Licensor shall have the right to participate and be represented in any such action, suit or proceeding by its own counsel at its own expense provided that Licensor shall not

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enter into any settlement or compromise of such action, suit or proceeding that affects or concerns the validity, enforceability, or ownership of any Licensed Patent Rights or other Licensed Intellectual Property without the prior written consent of Symphony Icon, which consent shall not be unreasonably withheld or delayed. Symphony Icon shall not enter into any settlement or compromise of such action, suit or proceeding that affects or concerns the validity, enforceability, or ownership of any Licensed Patent Rights or other Licensed Intellectual Property without the prior written consent of Licensor, which consent shall not be unreasonably withheld or delayed.

4.8 Withdrawal of Enforcement. If either Party brings an action under this ARTICLE 4 with respect to an Icon Relevant Infringement and subsequently ceases to pursue or withdraws from such action without resolution (which resolution may include the granting of a license by Licensor to such third party that does not violate Section 2.2 or Section 2.6 of this Agreement), it shall promptly notify the other Party and the other Party may, to the extent permitted by Law, substitute itself for the withdrawing party under the terms of this ARTICLE 4.

4.9 Recoveries. All damages or other compensation of any kind recovered in such action, suit, or proceeding brought under this ARTICLE 4 or from any related settlement or compromise shall first be used to reimburse each Party for its expenses in connection with such action, suit or proceeding, (in proportion to the expenses of each Party if recovery is insufficient to cover all such expenses) and the remainder of such recovery, shall be allocated [**].

ARTICLE 5 REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties of Licensor. Licensor hereby represents and warrants to Symphony Icon, that as of the Closing Date:

(a) Subject to Section 3.2 and Schedule 2.2, Licensor is the exclusive owner of all right, title, and interest in and to (i) all Licensed Patent Rights listed on Annex C and not identified as jointly owned or licensed from a third party and (ii) the Regulatory Files;

(b) Licensor has sufficient rights to grant the licenses granted hereunder and the grant of such licenses does not and will not conflict with any agreement to which Licensor is a party or otherwise governing the Licensed Intellectual Property and Licensor further represents and warrants that, on an ongoing basis throughout the Term, Licensor shall not enter into any agreement that will conflict with the rights and licenses granted to Symphony Icon hereunder;

(c) To the Knowledge of Licensor, no third party is engaging in any activity that infringes or misappropriates the Licensed Patent Rights or related know-how or trade secrets;

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(d) No Licensed Intellectual Property owned by Licensor and, to the Knowledge of Licensor, no Licensed Intellectual Property licensed to Licensor has been adjudged invalid or unenforceable, in whole or in part, and there is no pending or, to the Knowledge of Licensor, threatened action, suit, proceeding or claim by others challenging the validity or scope of any Licensed Intellectual Property, and Licensor is unaware of any facts which would support any such claim;

(e) To the Knowledge of Licensor, no actions or claims have been asserted, are pending or have been threatened, against Licensor in writing alleging that the manufacture, use or sale of any Product misappropriates or infringes the intellectual property rights of any third party;

(f) Except as set forth on Annex B, Licensor and/or Symphony Icon shall not be liable or otherwise obligated to pay royalties, milestone payments or other consideration pursuant to any agreement Licensor may have with a third party existing on the Closing Date in connection with Symphony Icon's exploitation of the Licensed Intellectual Property (including Sublicensed Intellectual Property) in connection with the development, manufacture, use, sale, or importation of Products hereunder;

(g) To the Knowledge of Licensor, the manufacture, use or sale of any Product by Symphony Icon (or its sublicensees) in strict accordance with the licenses herein and other terms of this Agreement will not misappropriate or infringe the intellectual property rights of any third party, and Licensor is unaware of any facts which would support any such claim;

(h) The data and information relating to the Programs, including such data and information relating to pre-clinical and clinical studies provided in writing to Symphony Icon or its Affiliates prior to the Closing Date has been accurate in all material respects and Licensor has made no material misrepresentation or material omission in connection with such data and information; and

(i) Except for the LG617 Program, Licensor has not prior to the Closing Date itself or in conjunction with a third party (via license or otherwise) conducted any activities related to the development of a pharmaceutical product that Targets, to Licensor's Knowledge, a [**].

5.2 Disclaimer and Acknowledgement. EXCEPT AS EXPRESSLY SET FORTH IN THIS ARTICLE 5, THE LICENSED INTELLECTUAL PROPERTY, PRODUCTS, TANGIBLE MATERIALS AND REGULATORY FILES ARE PROVIDED "AS IS" WITH NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, AND LICENSOR EXPRESSLY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR PARTICULAR PURPOSE, OR NON-INFRINGEMENT. LICENSOR DOES NOT WARRANT THE PERFORMANCE OF ANY PRODUCT, INCLUDING THEIR SAFETY, EFFECTIVENESS OR COMMERCIAL VIABILITY. ANY SYMPHONY ICON ENHANCEMENTS

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**ARTICLE 6
INDEMNIFICATION AND LIMITATION OF LIABILITY**

6.1 Indemnity. To the greatest extent permitted by applicable Law, Licensor shall indemnify and hold harmless Symphony Icon, its Affiliates and each of their respective officers, directors, employees, agents, members, managers, successors and assigns (each, a "Symphony Icon Indemnified Party") and Symphony Icon shall indemnify and hold harmless Licensor, its Affiliates and each of their respective officers, directors, employees, agents, members, successors and assigns (each, a "Licensor Indemnified Party") and together with Symphony Icon Indemnified Party, the "Indemnified Parties"), from and against any and all claims, losses, costs, interest, awards, judgments, fees (including reasonable fees for attorneys and other professionals), court costs, liabilities, damages and expenses (as determined by the applicable Indemnified Parties acting in good faith), incurred by any Indemnified Party (irrespective of whether any such Indemnified Party is a party to the action for which indemnification hereunder is sought), (collectively, a "Loss") to the extent resulting from, arising out of, or relating to any and all third party suits, claims, actions, proceedings, investigations, litigation or demands based upon:

- (ii) in the case of Licensor being the Indemnifying Party, (A) any breach of any representation or warranty made by Licensor herein or in any other Operative Document, (B) any breach of any covenant, agreement or obligation of Licensor contained herein, or in any other Operative Document, (C) any gross negligence or willful misconduct by Licensor in performing its obligations under this Agreement, (D) any action undertaken or performed by or on behalf of Licensor prior to, and including, the Closing Date that relates to the Programs or the Products, or (E) in the event Licensor exercises a Discontinuation Option for a Program, any action undertaken and/or performed by or on behalf of Licensor after the Discontinuation Option Closing Date and relating to the Product that was the subject of such Program (including the development, manufacture, use, handling, storage, sale or other disposition of such Product); in each case, except (1) with respect to Losses for which Licensor is entitled to indemnification under this ARTICLE 6 or (2) to the extent such Loss arises from the

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gross negligence or willful misconduct of a Symphony Icon Indemnified Party, and

(ii) in the case of Symphony Icon being the Indemnifying Party, (A) any breach of any representation or warranty made by Symphony Icon herein or in any other Operative Document, (B) any breach of any covenant, agreement or obligation of Symphony Icon contained herein, or in any other Operative Document, (C) any gross negligence or willful misconduct of Symphony Icon (and not that of its direct subcontractors) in performing its obligations under this Agreement, or (D) the development, manufacture, use, handling, storage, sale or other disposition of Products (including in the course of conducting the Programs) during the Term (except with respect to the development, manufacture, use, handling storage, sale or other disposition, after Licensor's exercise of a Discontinuation Option, of Products covered under Section 6.1(i)(E)); in each case, except (1) with respect to Losses for which Symphony Icon is entitled to indemnification under this ARTICLE 6 or (2) to the extent such Loss arises from the gross negligence or willful misconduct of a Licensor Indemnified Party.

To the extent that the foregoing undertakings by Licensor and/or Symphony Icon may be unenforceable for any reason, such Party shall make the maximum contribution to the payment and satisfaction of any Loss that is permissible under applicable Law.

6.2 Notice of Claims. Any Indemnified Party that proposes to assert a right to be indemnified under this ARTICLE 6 shall notify Licensor or Symphony Icon, as applicable (the "Indemnifying Party"), promptly after receipt of notice of commencement of any action, suit or proceeding against such Indemnified Party (an "Indemnified Proceeding") in respect of which a claim is to be made under this ARTICLE 6, or the incurrence or realization of any Loss in respect of which a claim is to be made under this ARTICLE 6, of the commencement of such Indemnified Proceeding or of such incurrence or realization, enclosing a copy of all relevant documents, including all papers served and claims made, but the omission so to notify the applicable Indemnifying Party promptly of any such Indemnified Proceeding or incurrence or realization shall not relieve (a) such Indemnifying Party from any liability that it may have to such Indemnified Party under this ARTICLE 6 or otherwise, except, as to such Indemnifying Party's liability under this ARTICLE 6, to the extent, but only to the extent, that such Indemnifying Party shall have been prejudiced by such omission, or (b) any other indemnitor from liability that it may have to any Indemnified Party under the Operative Documents.

6.3 Defense of Proceedings. In case any Indemnified Proceeding shall be brought against any Indemnified Party, it shall notify the applicable Indemnifying Party of the commencement thereof and such Indemnifying Party shall be entitled to participate in, and provided such Indemnified Proceeding involves a claim solely for money damages and does not seek an injunction or other equitable relief against the Indemnified Party and is not a criminal or regulatory action, to assume the defense of, such Indemnified Proceeding with counsel reasonably satisfactory to such Indemnified

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Party. After notice from such Indemnifying Party to such Indemnified Party of such Indemnifying Party's election so to assume the defense thereof and the failure by such Indemnified Party to object to such counsel within ten (10) Business Days following its receipt of such notice, such Indemnifying Party shall not be liable to such Indemnified Party for legal or other expenses related to such Indemnified Proceedings incurred after such notice of election to assume such defense except as provided below and except for the reasonable costs of investigating, monitoring or cooperating in such defense subsequently incurred by such Indemnified Party reasonably necessary in connection with the defense thereof. Such Indemnified Party shall have the right to employ its counsel in any such Indemnified Proceeding, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless:

(a) the employment of counsel by such Indemnified Party at the expense of the applicable Indemnifying Party has been authorized in writing by such Indemnifying Party;

(b) such Indemnified Party shall have reasonably concluded in its good faith (which conclusion shall be determinative unless a court determines that such conclusion was not reached reasonably and in good faith) that there is or may be a conflict of interest between the applicable Indemnifying Party and such Indemnified Party in the conduct of the defense of such Indemnified Proceeding or that there are or may be one or more different or additional defenses, claims, counterclaims, or causes of action available to such Indemnified Party (it being agreed that in any case referred to in this clause (b) such Indemnifying Party shall not have the right to direct the defense of such Indemnified Proceeding on behalf of the Indemnified Party);

(c) the applicable Indemnifying Party shall not have employed counsel reasonably acceptable to the Indemnified Party to assume the defense of such Indemnified Proceeding within a reasonable time after notice of the commencement thereof; provided, however, that (i) this clause shall not be deemed to constitute a waiver of any conflict of interest that may arise with respect to any such counsel, and (ii) an Indemnified Party may not invoke this clause I if such Indemnified Party failed to timely object to such counsel pursuant to the first paragraph of this Section 6.3 (it being agreed that in any case referred to in this clause I such Indemnifying Party shall not have the right to direct the defense of such Indemnified Proceeding on behalf of the Indemnified Party); or

(d) any counsel employed by the applicable Indemnifying Party shall fail to timely commence or reasonably conduct the defense of such Indemnified Proceeding and such failure has prejudiced (or is in immediate danger of prejudicing) the outcome of such Indemnified Proceeding (it being agreed that in any case referred to in this clause (d) such Indemnifying Party shall not have the right to direct the defense of such Indemnified Proceeding on behalf of the Indemnified Party);

in each of which cases the fees and expenses of counsel for such Indemnified Party shall be at the expense of such Indemnifying Party. Only one counsel shall be retained by all

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Indemnified Parties with respect to any Indemnified Proceeding, unless counsel for any Indemnified Party reasonably concludes in good faith (which conclusion shall be determinative unless a court determines that such conclusion was not reached reasonably and in good faith) that there is or may be a conflict of interest between such Indemnified Party and one or more other Indemnified Parties in the conduct of the defense of such Indemnified Proceeding or that there are or may be one or more different or additional defenses, claims, counterclaims, or causes of action available to such Indemnified Party.

6.4 Settlement. Without the prior written consent of such Indemnified Party, such Indemnifying Party shall not settle or compromise, or consent to the entry of any judgment in, any pending or threatened Indemnified Proceeding, unless such settlement, compromise, consent or related judgment (i) includes an unconditional release of such Indemnified Party from all liability for Losses arising out of such claim, action, investigation, suit or other legal proceeding, (ii) provides for the payment of money damages as the sole relief for the claimant (whether at law or in equity), (iii) involves no admission of fact adverse to the Indemnified Party or finding or admission of any violation of Law or the rights of any Person by the Indemnified Party, and (iv) is not in the nature of a criminal or regulatory action. No Indemnified Party shall settle or compromise, or consent to the entry of any judgment in, any pending or threatened Indemnified Proceeding (A) in respect of which any payment would result hereunder or under any other Operative Document, (B) which includes an injunction that will adversely affect any Indemnifying Party, (C) which involves an admission of fact adverse to the Indemnifying Party or a finding or admission of any violation of Law or the rights of any Person by the Indemnifying Party, (D) which is in the nature of a criminal or regulatory action, without the prior written consent of the Indemnifying Party, such consent not to be unreasonably conditioned, withheld or delayed, or (E) which admits the invalidity, misuse or unenforceability of a Licensed Patent Right, without the prior written consent of the Indemnifying Party, such consent not to be unreasonably conditioned, withheld or delayed.

6.5 Limitation of Liability. TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, NEITHER PARTY NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, MANAGERS, EMPLOYEES, INDEPENDENT CONTRACTORS OR AGENTS SHALL HAVE ANY LIABILITY OF ANY TYPE (INCLUDING, BUT NOT LIMITED TO, CLAIMS IN CONTRACT, NEGLIGENCE AND TORT LIABILITY) FOR ANY SPECIAL, INCIDENTAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES, INCLUDING, BUT NOT LIMITED TO, THE LOSS OF OPPORTUNITY, LOSS OF USE OR LOSS OF REVENUE OR PROFIT IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR THE SERVICES PERFORMED HEREUNDER, EVEN IF SUCH DAMAGES MAY HAVE BEEN FORESEEABLE. THE FOREGOING SHALL NOT LIMIT EITHER PARTY'S INDEMNIFICATION OBLIGATIONS PURSUANT TO SECTION 6.1.

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6.6 Insurance. The Parties shall maintain insurance as set forth in Section 6.7 of the Amended and Restated Research and Development Agreement.

**ARTICLE 7
TERM AND TERMINATION**

7.1 Term. This Agreement shall commence on the Closing Date and shall remain in force until terminated as provided herein.

7.2 Termination.

(a) Either Party may terminate this Agreement at any time if the other Party is in material default or breach of this Agreement that has resulted in, or would reasonably be expected to result in, a material adverse effect on the Programs or the non-breaching Party's rights under the Operative Documents, and such material default or breach continues unremedied for a period of [**] after written notice thereof is delivered to the defaulting or breaching Party.

(b) Licensor may terminate this Agreement at any time upon written notice to Symphony Icon if (i) Holdings breaches Section 2 of the Subscription Agreement or (ii) Holdings or Symphony Icon is in material default or breach of the Purchase Option Agreement that has resulted in, or would reasonably be expected to result in, a material adverse effect on Licensor's rights under the Purchase Option Agreement and such default or breach is not cured within [**] after written notice of such default or breach under the Purchase Option Agreement is delivered to the defaulting or breaching party.

(c) Licensor may terminate Symphony Icon's sublicense to a specific element of Sublicensed Intellectual Property if Symphony Icon is in material default or breach of a Sublicense Obligation relating to such Sublicensed Intellectual Property and such material default or breach continues unremedied for a period of [**] (or such shorter cure period as may be stipulated in the applicable Sublicense Obligation) after written notice thereof is delivered to Symphony Icon.

(d) Upon any termination of this Agreement, all license rights granted herein (except for those rights granted in or pursuant to Section 2.5) shall immediately terminate.

7.3 Survival. The following Sections and Articles shall survive any expiration or termination of this Agreement: Sections 2.11, 4.1, 5.2 and 7.3, and Articles 6 and 8.

7.4 Bankruptcy. All rights and licenses granted under this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code (the "Code"), licenses to "Intellectual Property" as defined in the

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Code. The Parties agree that each Party shall retain and may fully exercise all of its rights and elections under the Code.

**ARTICLE 8
MISCELLANEOUS**

8.1 Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given to any Party shall be in writing addressed to the Party at its address set forth below and shall be deemed given (i) when delivered to the Party personally, (ii) if sent to the Party by facsimile transmission (promptly followed by a hard-copy delivered in accordance with this Section 8.1), when the transmitting Party obtains written proof of transmission and receipt; provided, however, that notwithstanding the foregoing, any communication sent by facsimile transmission after 5:00 PM (receiving Party's time) or not on a Business Day shall not be deemed received until the next Business Day, (iii) when delivered by next Business Day delivery by a nationally recognized courier service, or (iv) if sent by registered or certified mail, when received, provided postage and registration or certification fees are prepaid and delivery is confirmed by a return receipt:

Licensors:

Lexicon Pharmaceuticals, Inc.
8800 Technology Forest Place
The Woodlands, TX 77381-1160
Attn: Arthur T. Sands, M.D., Ph.D
Facsimile: (281) 863-8095

with copies to:

Lexicon Pharmaceuticals, Inc.
8800 Technology Forest Place
The Woodlands, TX 77381-1160
Attn: Jeffrey L. Wade
Facsimile: (281) 863-8010

and

Lexicon Pharmaceuticals, Inc.
8800 Technology Forest Place
The Woodlands, TX 77381-1160
Attn: Julia P. Gregory
Facsimile: (281) 863-8095

Symphony Icon:

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Symphony Icon, Inc.
7361 Calhoun Place, Suite 325
Rockville, MD 20855
Attn: Charles W. Finn, Ph.D.
Facsimile: (301) 762-6154

with copies to:

Symphony Capital Partners, L.P.
875 Third Avenue, 18th Floor
New York, NY 10022
Attn: Mark Kessel
Facsimile: (212) 632-5401

and

Symphony Strategic Partners, LLC
875 Third Avenue, 18th Floor
New York, NY 10022
Attn: Mark Kessel
Facsimile: (212) 632-5401

or to such other address as such Party may from time to time specify by notice given in the manner provided herein to each other Party entitled to receive notice hereunder.

8.2 Entire Agreement. This Agreement (including any Annexes, Schedules, Exhibits or other attachments hereto) and the agreements referred to herein (including the Operative Documents) constitute the entire agreement between the Parties with respect to the subject matter hereof, and no oral or written statement may be used to interpret or vary the meaning of the terms and conditions hereof. This Agreement supersedes all prior and contemporaneous agreements, correspondence, discussion and understandings, whether written or oral, between the Parties with respect to the subject matter hereof, including the Original Agreement but excluding the Operative Documents.

8.3 Assignment. Neither Party may assign or otherwise transfer this Agreement without the prior written consent of the other Party; provided, however, that (i) Licensor may assign this Agreement or any of its rights and obligations hereunder without the consent of Symphony Icon (A) to an Affiliate or in connection with a merger or the sale of all or substantially all of the assets of Licensor to which this Agreement relates, or (B) to the Surviving Entity in the event Licensor undergoes a Change of Control in compliance with Article 14 of the Amended and Restated Research and Development Agreement, provided, however, the Licensed Patent Rights and Licensed Know-How shall not be construed, as a result of such assignment, to include any patent rights, know-how, trade secret, and other intellectual property that, prior to such Change of Control, were owned or Controlled by the Person (other than Licensor) involved in such Change of Control; and (ii) after expiration of the Term without Licensor's exercise

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of the Purchase Option, Symphony Icon may assign or otherwise transfer this Agreement to any Person without the prior, written consent of Licensor. Assignment of this Agreement by either Party shall not relieve the assignor of its obligations hereunder. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

8.4 Headings. The descriptive headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of the Agreement.

8.5 Independent Contractor. Each Party shall be acting as an independent contractor in performing under this Agreement and shall not be considered or deemed to be an agent, employee, joint venturer or partner of the other Party.

8.6 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

8.7 No Third-Party Beneficiaries. Except with respect to (i) certain indemnification obligations and liability limitations pursuant to ARTICLE 6 and (ii) BMS, solely with respect to its rights pursuant to Section 2.12, nothing in this Agreement, either express or implied, is intended to or shall confer upon any third party any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

8.8 Compliance with Laws. In performing under this Agreement, each Party shall comply with all applicable Laws, rules and regulations, including without limitation the Federal Food, Drug, and Cosmetic Act and regulations promulgated pursuant thereto and the United States Export Administration Regulations.

8.9 Amendment. The terms of this Agreement shall not be altered, modified, amended, waived or supplemented in any manner whatsoever except by a written instrument signed by each of Licensor and Symphony Icon.

8.10 Governing Law; Consent to Jurisdiction and Service of Process.

(a) This Agreement shall be governed by, and construed in accordance with, the Laws of the State of New York; except to the extent that this Agreement pertains to the internal governance of Symphony Icon or Holdings, and to

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such extent this Agreement shall be governed and construed in accordance with the Laws of the State of Delaware.

(b) Each of the Parties hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in The City of New York, Borough of Manhattan, and any appellate court from any jurisdiction thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the Parties hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the fullest extent permitted by Law, in such federal court. Each of the Parties agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law. Nothing in this Agreement shall affect any right that any Party may otherwise have to bring any action or proceeding relating to this Agreement.

(c) Each of the Parties irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York State or federal court. Each of the Parties hereby irrevocably waives, to the fullest extent permitted by Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

8.11 Waiver of Jury Trial. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT.

8.12 Counterparts. This Agreement may be executed in one or more counterparts, and by the respective Parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same Agreement.

8.13 No Waiver. The failure of either Party to enforce at any time for any period the provisions of or any rights deriving from this Agreement shall not be construed to be a waiver of such provisions or rights or the right of such Party thereafter to enforce such provisions.

SIGNATURES FOLLOW ON NEXT PAGE

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IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date first written above by their respective duly authorized officers.

SYMPHONY ICON, INC.

By: _____
Name: Mark Kessel
Title: Chairman of the Board

SYMPHONY ICON HOLDINGS LLC

By: Symphony Capital Partners, L.P.,
its Manager

By: Symphony Capital GP, L.P.,
its general partner

By: Symphony GP, LLC,
its general partner

By: _____
Name: Mark Kessel
Title: Managing Member

LEXICON PHARMACEUTICALS, INC.

By: _____
Name: Arthur T. Sands, M.D., Ph.D.
Title: President and Chief Executive Officer

Signature page to Novated and Restated Technology License Agreement

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SCHEDULE 2.2

**CERTAIN RESTRICTIONS RELATING TO LICENSED INTELLECTUAL
PROPERTY LICENSED TO LICENSOR BY A THIRD PARTY**

NONE

Sched. 2.2-1

CERTAIN DEFINITIONS

[See attached]

A-1

CERTAIN DEFINITIONS

“\$” means United States dollars.

“Accredited Investor” has the meaning set forth in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended.

“Act” means the Delaware Limited Liability Company Act, 6 Del. C. § 18-101 et seq.

“Activity” means:

(a) in the case of goods or services procured from third party vendors, the resources applied (and the costs incurred therefor) on one clinical study or protocol under a single contract with a vendor, said contract consisting of either a purchase order or a stand alone contract, if for a one-time purchase, or a series of work orders under a master contract or master services agreement, if for multiple purchases of similar goods or services from the same vendor; and

(b) in the case of internally provided goods or services, the resources applied, allocated or reallocated (and the costs associated therewith) under a single budgetary line item for any LG103 Program or any LG617 Program.

“Ad Hoc Meeting” has the meaning set forth in Paragraph 6 of Annex B of the Amended and Restated Research and Development Agreement.

“Additional Party” has the meaning set forth in Section 14 of the Confidentiality Agreement.

“Additional Regulatory Filings” means such Governmental Approvals as required to be made under any law applicable to the purchase of the Symphony Icon Equity Securities under the Purchase Option Agreement.

“Adjusted Capital Account Deficit” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Affected Member” has the meaning set forth in Section 26 of the Investors LLC Agreement.

“Affiliate” means, with respect to any Person (i) any Person directly or indirectly controlling, controlled by or under common control with such Person, (ii) any officer, director, general partner, member or trustee of such Person, or (iii) any Person who is an officer, director, general partner, member or trustee of any Person described in clauses (i) or (ii) of this sentence. For purposes of this definition, the terms “controlling,” “controlled by” or “under common control with” shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a

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Person or entity, whether through the ownership of voting securities, by contract or otherwise, or the power to elect at least 50% of the directors, managers, general partners, or persons exercising similar authority with respect to such Person or entities.

“Amended and Restated Research and Development Agreement” means the Amended and Restated Research and Development Agreement dated as of the Closing Date, among Lexicon, Holdings and Symphony Icon.

“Annual Price” has the meaning set forth in Section 2(b) of the Purchase Option Agreement.

“Asset Value” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Auditors” means an independent certified public accounting firm of recognized national standing.

“Balance Sheet Deficiency” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“Balance Sheet Deficiency Date” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“Balance Sheet Deficiency Threshold” shall have the meaning set forth in Section 3(b) of the Research Cost Sharing, Payment and Extension Agreement.

“Bankruptcy Code” means the United States Bankruptcy Code.

“Bankruptcy Event” means, with respect to a Person, the occurrence of either of the following:

(a) a case or other proceeding shall be commenced, without the application or consent of such Person, in any court, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or readjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator or the like for such Person of all or substantially all of its assets, or any similar action with respect to such Person under any Law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and such case or proceeding shall continue undismissed, or unstayed and in effect, for a period of sixty (60) consecutive days; or an order for relief in respect of such Person shall be entered in an involuntary case under the federal bankruptcy Laws or other similar Laws now or hereafter in effect; or

(b) such Person shall generally not pay its debts as such debts become due or shall admit in writing its inability to pay its debts generally or such Person shall commence a voluntary case or other proceeding under any applicable bankruptcy,

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insolvency, reorganization, debt arrangement, dissolution or other similar Law now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee (other than a trustee under a deed of trust, indenture or similar instrument), custodian, sequestrator (or other similar official) for, such Person or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall be adjudicated insolvent, or admit in writing its inability to pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors shall vote to implement any of the foregoing.

“BMS” means Bristol-Myers Squibb Company, a Delaware corporation.

“Business Day” means any day other than Saturday, Sunday or any other day on which commercial banks in the City of New York are authorized or required by law to remain closed.

“Capital Contributions” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Capitalized Leases” means all leases that have been or should be, in accordance with GAAP, recorded as capitalized leases.

“Cash Available for Distribution” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Chair” has the meaning set forth in Paragraph 4 of Annex B to the Amended and Restated Research and Development Agreement.

“Change of Control” means and includes the occurrence of any of the following events, but specifically excludes (i) acquisitions of capital stock directly from Lexicon for cash, whether in a public or private offering, (ii) sales of capital stock by stockholders of Lexicon, and (iii) acquisitions of capital stock by or from any employee benefit plan or related trust:

(a) the merger, reorganization or consolidation of Lexicon into or with another corporation or legal entity in which Lexicon’s stockholders holding the right to vote with respect to matters generally immediately preceding such merger, reorganization or consolidation, own less than fifty percent (50%) of the voting securities of the surviving entity; or

(b) the sale of all or substantially all of Lexicon’s assets or business.

“Change of Control Put Option” has the meaning set forth in Section 2A of the Purchase Option Agreement.

“Change of Control Put Option Exercise Notice” has the meaning set forth in Section 2A of the Purchase Option Agreement.

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“Class A Member” means a holder of a Class A Membership Interest.

“Class A Membership Interest” means a Class A Membership Interest in Holdings.

“Class B Member” means a holder of a Class B Membership Interest.

“Class B Membership Interest” means a Class B Membership Interest in Holdings.

“Class C Member” means a holder of a Class C Membership Interest.

“Class C Membership Interest” means a Class C Membership Interest in Holdings.

“Class D Member” means a holder of a Class D Membership Interest.

“Class D Membership Interest” means a Class D Membership Interest in Holdings.

“Client Schedules” has the meaning set forth in Section 5(b) of the RRD Services Agreement.

“Clinical Trial Material” means Product and placebo for administration to animals for pre-clinical testing or to humans for clinical testing, and Product for non-clinical testing.

“Closing Date” means June 15, 2007.

“CMC” means the chemistry, manufacturing and controls documentation as required for filings with a Regulatory Authority relating to the manufacturing, production and testing of drug products.

“CNS Field” means the field of prevention, palliation, control or treatment in humans of (a) depression, schizophrenia, bipolar disease, dementia, anxiety, attention deficit hyperactivity disorder, anorexia nervosa and other affective disorders, (b) Alzheimer’s disease and other cognitive disorders, (c) Parkinson’s disease, amyotrophic lateral sclerosis and other neurodegenerative disorders, (d) pain, (e) epilepsy, (f) insomnia, narcolepsy and other sleep disorders, (g) substance abuse and (h) migraine.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Common Stock” means the common stock, par value \$0.01 per share, of Symphony Icon.

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“Company Expenses” has the meaning set forth in Section 5.09 of the Holdings LLC Agreement.

“Company Property” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Confidential Information” has the meaning set forth in Section 2 of the Confidentiality Agreement.

“Confidentiality Agreement” means the Confidentiality Agreement, dated as of the Closing Date, among Symphony Icon, Holdings, Lexicon, SCP, SSP, Investors, Symphony Capital and RRD, as such agreement may be amended or amended and restated from time to time.

“Conflict Transaction” has the meaning set forth in Article X of the Symphony Icon Charter.

“Control” means, with respect to any material, information or intellectual property right, that a Party owns or has a license to such item or right, and has the ability to grant the other Party access, a license or a sublicense (as applicable) in or to such item or right as provided in the Operative Documents without violating the terms of any agreement or other arrangement with any third party.

“Cross Program Budget Component” has the meaning set forth in Section 4.1 of the Amended and Restated Research and Development Agreement.

“Debt” of any Person means, without duplication:

(a) all indebtedness of such Person for borrowed money,

(b) all obligations of such Person for the deferred purchase price of property or services (other than any portion of any trade payable obligation that shall not have remained unpaid for 91 days or more from the later of (A) the original due date of such portion and (B) the customary payment date in the industry and relevant market for such portion),

(c) all obligations of such Person evidenced by bonds, notes, debentures or other similar instruments,

(d) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (whether or not the rights and remedies of the seller or lender under such agreement in an event of default are limited to repossession or sale of such property),

(e) all Capitalized Leases to which such Person is a party,

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- (f) all obligations, contingent or otherwise, of such Person under acceptance, letter of credit or similar facilities,
- (g) all obligations of such Person to purchase, redeem, retire, defease or otherwise acquire for value any Equity Securities of such Person,
- (h) the net amount of all financial obligations of such Person in respect of Hedge Agreements,
- (i) the net amount of all other financial obligations of such Person under any contract or other agreement to which such Person is a party,

(j) all Debt of other Persons of the type described in clauses (a) through (i) above guaranteed, directly or indirectly, in any manner by such Person, or in effect guaranteed, directly or indirectly, by such Person through an agreement (A) to pay or purchase such Debt or to advance or supply funds for the payment or purchase of such Debt, (B) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Debt or to assure the holder of such Debt against loss, (C) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (D) otherwise to assure a creditor against loss, and

(k) all Debt of the type described in clauses (a) through (i) above secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Encumbrance on property (including accounts and contract rights) owned or held or used under lease or license by such Person, even though such Person has not assumed or become liable for payment of such Debt.

“Development Budget” means the budget (comprised of the Program Specific Budget Component and the Cross Program Budget Component) for the implementation of the Development Plan (the initial form of which was agreed upon by Lexicon and Symphony Icon as of the Closing Date and attached to the Amended and Restated Research and Development Agreement as Annex C thereto), as may be further developed and revised from time to time in accordance with the Development Committee Charter and the Amended and Restated Research and Development Agreement.

“Development Committee” has the meaning set forth in Article 3 of the Amended and Restated Research and Development Agreement.

“Development Committee Charter” has the meaning set forth in Article 3 of the Amended and Restated Research and Development Agreement.

“Development Committee Member” has the meaning set forth in Paragraph 1 of Annex B to the Amended and Restated Research and Development Agreement.

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“Development Plan” means the development plan covering all the Programs (the initial form of which was agreed upon by Lexicon and Symphony Icon as of the Closing Date and attached to the Amended and Restated Research and Development Agreement as Annex C thereto), as may be further developed and revised from time to time in accordance with the Development Committee Charter and the Amended and Restated Research and Development Agreement.

“Development Product” means a LG617 Product or a LG103 Product that is administered in a clinical trial performed pursuant to the Development Plan.

“Development Services” has the meaning set forth in Section 1(b) of the RRD Services Agreement.

“Development Subcontracting Agreement” means a Subcontracting Agreement that is directly related to one or both of the Programs and is not a Manufacturing Subcontracting Agreement.

“Director(s)” means the Persons identified as such in the Preliminary Statement of the Indemnification Agreement (including such Persons as may become parties thereto after the date hereof).

“Disclosing Party” has the meaning set forth in Section 4 of the Confidentiality Agreement.

“Discontinuation Option” has the meaning set forth in Section 11(a) of the Amended and Restated Research and Development Agreement.

“Discontinuation Option Closing Date” means the date of expiration of the Discontinuation Option pursuant to Section 11(a) of the Amended and Restated Research and Development Agreement.

“Discontinuation Price” has the meaning set forth in Section 11(a) of the Amended and Restated Research and Development Agreement.

“Discontinued Program” has the meaning set forth in Section 2.10 of the Novated and Restated Technology License Agreement.

“Disinterested Directors” has the meaning set forth in Article IX of the Symphony Icon Charter.

“Distribution” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Early Purchase Option Exercise” has the meaning set forth in Section 1(c)(v) of the Purchase Option Agreement.

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“Effective Registration Date” has the meaning set forth in Section 1(b) of the Registration Rights Agreement.

“Encumbrance” means (i) any security interest, pledge, mortgage, lien (statutory or other), charge or option to purchase, lease or otherwise acquire any interest, (ii) any adverse claim, restriction, covenant, title defect, hypothecation, assignment, deposit arrangement, license or other encumbrance of any kind, preference or priority, or (iii) any other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement).

“Equity Securities” means, with respect to any Person, shares of capital stock of (or other ownership or profit interests in) such Person, warrants, options or other rights for the purchase or other acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or other acquisition from such Person of such shares (or such other interests), and other ownership or profit interests in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

“ERISA” means the United States Employee Retirement Income Security Act of 1974, as amended.

“Excepted Debt” has the meaning set forth in Section 5(c)(iii) of the Purchase Option Agreement.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Existing Confidentiality Agreement” has the meaning set forth in Section 2(a) of the Confidentiality Agreement.

“Extension Funding” has the meaning set forth in Section 2 of the Research Cost Sharing, Payment and Extension Agreement.

“External Directors” means, at any time, up to two (2) Persons elected to the Symphony Icon Board after the Closing Date (who shall be neither employees of Symphony Capital nor of Lexicon) in accordance with the Symphony Icon Charter, the Symphony Icon By-laws and Section 4(b)(v) of the Purchase Option Agreement.

“FDA” means the United States Food and Drug Administration or its successor agency in the United States.

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“FDA Sponsor” has the meaning set forth in Section 5.1 of the Amended and Restated Research and Development Agreement.

“Final Termination Date” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“Financial Audits” has the meaning set forth in Section 6.7 of the Amended and Restated Research and Development Agreement.

“Financing” has the meaning set forth in the Preliminary Statement of the Purchase Option Agreement.

“Fiscal Year” has the meaning set forth in each Operative Document in which it appears.

“Form S-3” means the Registration Statement on Form S-3 as defined under the Securities Act.

“FTE” means the time and effort of one or more qualified scientists, technicians, project managers, preclinical or clinical research personnel, regulatory personnel, or patent professionals that is equivalent to [**]. The percentage of a FTE billable by Lexicon to the Programs for one individual shall be determined by dividing the number of hours worked directly by said individual on one or more of the Programs, [**], by [**], with the further limitation that one individual cannot account for more than one FTE over any annual period.

“Funds Termination Date” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“Funds Termination Notice” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“GAAP” means generally accepted accounting principles in effect in the United States of America from time to time.

“Governmental Approvals” means authorizations, consents, orders, declarations or approvals of, or filings with, or terminations or expirations of waiting periods imposed by any Governmental Authority.

“Governmental Authority” means any United States or non-United States federal, national, supranational, state, provincial, local, or similar government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body.

Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

“Governmental Order” means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

“Hedge Agreement” means any interest rate swap, cap or collar agreement, interest rate future or option contract, currency swap agreement, currency future or option contract or other similar hedging agreement.

“Holdings” means Symphony Icon Holdings LLC, a Delaware limited liability company.

“Holdings Claims” has the meaning set forth in Section 5.01 of the Share Purchase Agreement.

“Holdings LLC Agreement” means the Amended and Restated Limited Liability Company Agreement of Holdings dated as of the Closing Date.

“HSR Filings” means the pre-merger notification and report forms required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

“Icon Relevant Infringement” means an infringement, misappropriation, illegal use or misuse of the Licensed Patent Rights or other Licensed Intellectual Property due to the manufacture, use, sale or importation of a LG103 Product or a LG617 Product.

“IND” means an Investigational New Drug Application, as described in 21 U.S.C. § 355(i)(1) and 21 C.F.R. § 312 in the regulations promulgated by the United States Food and Drug Administration, or any foreign equivalent thereof.

“Indemnification Agreement” means the Indemnification Agreement among Symphony Icon and the Directors named therein, dated as of the Closing Date, as such agreement may be amended or amended and restated from time to time.

“Indemnified Party” has the meaning set forth in each Operative Document in which it appears.

“Indemnified Proceeding” has the meaning set forth in each Operative Document in which it appears.

“Indemnifying Party” has the meaning set forth in each Operative Document in which it appears.

“Initial Development Budget” means the initial development budget prepared by representatives of Symphony Icon and Lexicon prior to the Closing Date, and attached to the Amended and Restated Research and Development Agreement as Annex C thereto.

Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

“Initial Development Plan” means the initial development plan prepared by representatives of Symphony Icon and Lexicon prior to the Closing Date, and attached to the Amended and Restated Research and Development Agreement as Annex C thereto.

“Initial Holdings LLC Agreement” means the Agreement of Limited Liability Company of Holdings, dated April 30, 2007.

“Initial Investors LLC Agreement” means the Agreement of Limited Liability Company of Investors, dated April 30, 2007.

“Initial LLC Member” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Interest Certificate” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Investment Company Act” means the Investment Company Act of 1940, as amended.

“Investment Overview” means the investment overview describing the transactions entered into pursuant to the Operative Documents.

“Investment Policy” has the meaning set forth in Section 1(a)(vi) of the RRD Services Agreement.

“Investors” means Symphony Icon Investors LLC.

“Investors LLC Agreement” means the Amended and Restated Agreement of Limited Liability Company of Investors dated as of the Closing Date.

“IRS” means the U.S. Internal Revenue Service.

“Key Personnel” means those Lexicon Personnel listed on Schedule 6.5 to the Amended and Restated Research and Development Agreement, as such schedule may be updated from time to time by mutual agreement of the parties to the Amended and Restated Research and Development Agreement.

“Know-How” means any and all proprietary technology, including without limitation, manufacturing processes or protocols, know-how, writings, documentation, data, technical information, techniques, results of experimentation and testing, diagnostic and prognostic assays, specifications, databases, any and all laboratory, research, pharmacological, toxicological, analytical, quality control pre-clinical and clinical data, and other information and materials, whether or not patentable.

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“Knowledge” of Lexicon, Symphony Icon or Holdings, as the case may be, means the actual (and not imputed) knowledge of the executive officers or managing member of such Person without the duty of inquiry or investigation.

“Law” means any law, statute, treaty, constitution, regulation, rule, ordinance, order or Governmental Approval, or other governmental restriction, requirement or determination, of or by any Governmental Authority.

“Lexicon” means Lexicon Pharmaceuticals, Inc., a Delaware corporation (f/k/a Lexicon Genetics Incorporated).

“Lexicon Accounting Advisor” means Ernst & Young LLP.

“Lexicon Common Stock” means the common stock, par value \$0.001 per share, of Lexicon.

“Lexicon Common Stock Valuation” has the meaning set forth in Section 2(e) of the Purchase Option Agreement.

“Lexicon Funding Notice” has the meaning set forth in Section 2(b) of the Research Cost Sharing, Payment and Extension Agreement.

“Lexicon Obligations” has the meaning set forth in Section 6.1(a) of the Amended and Restated Research and Development Agreement.

“Lexicon Payment Amount” has the meaning set forth in Paragraph 14 of the Development Committee Charter.

“Lexicon Personnel” has the meaning set forth in Section 8.4 of the Amended and Restated Research and Development Agreement.

“Lexicon Public Filings” means all publicly available filings made by Lexicon with the SEC.

“Lexicon Subcontractor” means a third party that has entered into a Subcontracting Agreement with Lexicon.

“LG103” means [**].

“LG103 Product” means pharmaceutical compositions that Target LG103, including pharmaceutical compositions comprising LX1031, LX1032 and/or backups.

“LG103 Program” means the development, manufacture and/or use of any LG103 Product.

“LG617” means [**].

Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

“LG617 Product” means pharmaceutical compositions that Target LG617, including pharmaceutical compositions comprising LX6171 and/or backups.

“LG617 Program” means the development, manufacture and/or use of any LG617 Product.

“License” has the meaning set forth in the Preliminary Statement of the Purchase Option Agreement.

“Licensed Intellectual Property” means the Licensed Patent Rights and the Licensed Know-How.

“Licensed Know-How” means any and all Know-How that is [**].

“Licensed Patent Rights” means:

(a) [**];

(b) [**]; and

(c) [**].

“Licensed Patent Rights” include [**].

“Licensor” means Lexicon.

“Lien” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Liquidating Event” has the meaning set forth in Section 8.01 of the Holdings LLC Agreement.

“LLC Agreements” means the Initial Holdings LLC Agreement, the Holdings LLC Agreement, the Initial Investors LLC Agreement and the Investors LLC Agreement.

“Loss” has the meaning set forth in each Operative Document in which it appears.

“LX1031” means [**].

“LX1032” means [**].

“LX6171” means [**].

“Management Fee” has the meaning set forth in Section 6(a) of the RRD Services Agreement.

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“Management Services” has the meaning set forth in Section 1(a) of the RRD Services Agreement.

“Manager” means (i) for each LLC Agreement in which it appears, the meaning set forth in such LLC Agreement, and (ii) for each other Operative Document in which it appears, RRD in its capacity as the provider of Management Services on behalf of Symphony Icon pursuant to the RRD Services Agreement.

“Manager Event” has the meaning set forth in Section 3.01(g) of the Holdings LLC Agreement.

“Manufacturing Subcontracting Agreement” means a Subcontracting Agreement that is directly related to the manufacture of Product (including procurement of components and development of improved manufacturing methods).

“Material Adverse Effect” means, with respect to any Person, a material adverse effect on (i) the business, assets, property or condition (financial or otherwise) of such Person or, (ii) its ability to comply with and satisfy its respective agreements and obligations under the Operative Documents or, (iii) the enforceability of the obligations of such Person under any of the Operative Documents to which it is a party.

“Medical Discontinuation Event” means [**].

“Membership Interest” means (i) for each LLC Agreement in which it appears, the meaning set forth in such LLC Agreement, and (ii) for each other Operative Document in which it appears, the meaning set forth in the Holdings LLC Agreement.

“NASDAQ” means the Nasdaq Stock Market, Inc.

“NDA” means a New Drug Application, as defined in the regulations promulgated by the United States Food and Drug Administration, or any foreign equivalent thereof.

“Non-Lexicon Capital Transaction” means any (i) sale or other disposition of all or part of the Symphony Icon Shares or all or substantially all of the operating assets of Symphony Icon, to a Person other than Lexicon or an Affiliate of Lexicon or (ii) distribution in kind of the Symphony Icon Shares following the unexercised expiration or termination of the Purchase Option.

“Novated and Restated Technology License Agreement” means the Novated and Restated Technology License Agreement, dated as of the Closing Date, among Lexicon, Symphony Icon and Holdings.

“Operative Documents” means, collectively, the Indemnification Agreement, the Holdings LLC Agreement, the Purchase Option Agreement, the Share Purchase Agreement, the Registration Rights Agreement, the Subscription Agreement,

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the Technology License Agreement, the Novated and Restated Technology License Agreement, the RRD Services Agreement, the Research and Development Agreement, the Research Cost Sharing, Payment and Extension Agreement, the Amended and Restated Research and Development Agreement, the Confidentiality Agreement, and each other certificate and agreement executed in connection with any of the foregoing documents.

“Organizational Documents” means any certificates or articles of incorporation or formation, partnership agreements, trust instruments, bylaws or other governing documents.

“Partial Stock Payment” has the meaning set forth in Section 3(a)(iii) of the Purchase Option Agreement.

“Party(ies)” means, for each Operative Document or other agreement in which it appears, the parties to such Operative Document or other agreement, as set forth therein. With respect to any agreement in which a provision is included therein by reference to a provision in another agreement, the term “Party” shall be read to refer to the parties to the document at hand, not the agreement that is referenced.

“Payment Terms” has the meaning set forth in Section 8.2 of the Amended and Restated Research and Development Agreement.

“Percentage” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Permitted Investments” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Permitted Lien” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Person” means any individual, partnership (whether general or limited), limited liability company, corporation, trust, estate, association, nominee or other entity.

“Personnel” of a Party means such Party, its employees, subcontractors, consultants, representatives and agents.

“Prime Rate” means the quoted “Prime Rate” at JPMorgan Chase Bank or, if such bank ceases to exist or is not quoting a base rate, prime rate reference rate or similar rate for United States dollar loans, such other major money center commercial bank in New York City selected by the Manager.

“Product” means a LG617 Product and/or a LG103 Product.

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“Profit” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Programs” means the LG617 Program and/or the LG103 Program.

“Program Specific Budget Component” has the meaning set forth in Section 4.1 of the Amended and Restated Research and Development Agreement.

“Program-Specific Claim” means any claim in a patent or patent application in the Licensed Patent Rights that is directed exclusively to (i) the composition of matter, formulations or use of any Product or (ii) methods of treating humans by inhibiting, agonizing, or otherwise modulating (*i.e.*, acting through) LG103 or LG617.

“Program-Specific Patents” means any and all Licensed Patent Rights that contain at least one Program-Specific Claim.

“Protocol” means a written protocol that meets the substantive requirements of Section 6 of the ICH Guideline for Good Clinical Practice as adopted by the FDA, effective May 9, 1997, and is included within the Development Plan or later modified or added to the Development Plan pursuant to the Amended and Restated Research and Development Agreement.

“Public Companies” has the meaning set forth in Section 5(e) of the Purchase Option Agreement.

“Purchase Option” has the meaning set forth in Section 1(a) of the Purchase Option Agreement.

“Purchase Option Agreement” means the Purchase Option Agreement dated as of the Closing Date, among Lexicon, Holdings and Symphony Icon.

“Purchase Option Closing” has the meaning set forth in Section 2(a) of the Purchase Option Agreement.

“Purchase Option Closing Date” has the meaning set forth in Section 2(a) of the Purchase Option Agreement.

“Purchase Option Commencement Date” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“Purchase Option Exercise Date” has the meaning set forth in Section 2(a) of the Purchase Option Agreement.

“Purchase Option Exercise Notice” has the meaning set forth in Section 2(a) of the Purchase Option Agreement.

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“Purchase Option Period” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“Purchase Price” has the meaning set forth in Section 2(b) of the Purchase Option Agreement.

“QA Audits” has the meaning set forth in Section 6.6 of the Amended and Restated Research and Development Agreement.

“Registration Rights Agreement” means the Registration Rights Agreement dated as of the Closing Date, between Lexicon and Holdings.

“Registration Statement” has the meaning set forth in Section 1(b) of the Registration Rights Agreement.

“Regulatory Allocation” has the meaning set forth in Section 3.06 of the Holdings LLC Agreement.

“Regulatory Authority” means the United States Food and Drug Administration, or any successor agency in the United States, or any health regulatory authority(ies) in any other country that is a counterpart to the FDA and has responsibility for granting registrations or other regulatory approval for the marketing, manufacture, storage, sale or use of drugs in such other country.

“Regulatory Files” means any IND, NDA or any other filings filed with any Regulatory Authority with respect to the Programs.

“Representative” of any Person means such Person’s shareholders, principals, directors, officers, employees, members, managers and/or partners.

“Research Cost Sharing, Payment and Extension Agreement” means the Research Cost Sharing, Payment and Extension Agreement dated as of the Closing Date, among Lexicon, Holdings and Symphony Icon.

“Research and Development Agreement” means the Research and Development Agreement dated as of the Closing Date, between Lexicon and Holdings.

“RRD” means RRD International, LLC, a Delaware limited liability company.

“RRD Indemnified Party” has the meaning set forth in Section 10(a) of the RRD Services Agreement.

“RRD Loss” has the meaning set forth in Section 10(a) of the RRD Services Agreement.

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“RRD Personnel” has the meaning set forth in Section 1(a)(ii) of the RRD Services Agreement.

“RRD Services Agreement” means the RRD Services Agreement between Symphony Icon and RRD, dated as of the Closing Date.

“Schedule K-1” has the meaning set forth in Section 9.02(a) of the Holdings LLC Agreement.

“Scheduled Meeting” has the meaning set forth in Paragraph 6 of Annex B of the Amended and Restated Research and Development Agreement.

“Scientific Discontinuation Event” has the meaning set forth in Section 4.2(c) of the Amended and Restated Research and Development Agreement.

“SCP” means Symphony Capital Partners, L.P., a Delaware limited partnership.

“SEC” means the United States Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended.

“Selling Stockholder Questionnaire” has the meaning set forth in Section 4(a) of the Registration Rights Agreement.

“Share Closing” has the meaning set forth in Section 2.04 of the Share Purchase Agreement.

“Share Date” has the meaning set forth in Section 2.02 of the Share Purchase Agreement.

“Share Purchase Agreement” means the Share Purchase Agreement, dated as of the Closing Date, between Lexicon and Holdings.

“Shares” has the meaning set forth in Section 2.01 of the Share Purchase Agreement.

“Solvent” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“SSP” means Symphony Strategic Partners, LLC, a Delaware limited liability company.

“Stock Payment Date” has the meaning set forth in Section 2 of the Subscription Agreement.

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“Stock Purchase Price” has the meaning set forth in Section 2 of the Subscription Agreement.

“Subcontracting Agreement” means (a) any written agreement between Lexicon and a third party pursuant to which the third party performs any Lexicon Obligations or (b) any work order, change order, purchase order or the like entered into pursuant to Section 6.2(b) of the Amended and Restated Research and Development Agreement.

“Sublicense Obligations” has the meaning set forth in Section 3.2 of the Novated and Restated Technology License Agreement.

“Sublicensed Intellectual Property” has the meaning set forth in Section 3.2 of the Novated and Restated Technology License Agreement.

“Subscription Agreement” means the Subscription Agreement between Symphony Icon and Holdings, dated as the Closing Date.

“Subsidiary” of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency); (b) the interest in the capital or profits of such partnership, joint venture or limited liability company; or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person’s other Subsidiaries.

“Surviving Entity” means the surviving legal entity which is surviving entity to Lexicon after giving effect to a Change of Control.

“Symphony Capital” means Symphony Capital LLC, a Delaware limited liability company.

“Symphony Fund(s)” means Symphony Capital Partners, L.P., a Delaware limited partnership, and Symphony Strategic Partners, LLC, a Delaware limited liability company.

“Symphony Icon” means Symphony Icon, Inc., a Delaware corporation.

“Symphony Icon Auditors” has the meaning set forth in Section 5(b) of the RRD Services Agreement.

“Symphony Icon Board” means the board of directors of Symphony Icon.

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“Symphony Icon By-laws” means the By-laws of Symphony Icon, as adopted by resolution of the Symphony Icon Board on the Closing Date.

“Symphony Icon Charter” means the Amended and Restated Certificate of Incorporation of Symphony Icon, dated as of the Closing Date.

“Symphony Icon Director Event” has the meaning set forth in Section 3.01(h)(i) of the Holdings LLC Agreement.

“Symphony Icon Enhancements” means [**].

“Symphony Icon Equity Securities” means the Common Stock and any other stock or shares issued by Symphony Icon.

“Symphony Icon Loss” has the meaning set forth in Section 10(b) of the RRD Services Agreement.

“Symphony Icon Shareholder” means any Person who owns any Symphony Icon Shares.

“Symphony Icon Shares” has the meaning set forth in Section 2.02 of the Holdings LLC Agreement.

“Tangible Materials” means [**].

“Target” when used as a noun, means a human gene and the products encoded by such gene, including, without limitation, (a) any partial or full-length DNA sequence from such gene (including any mutant or polymorphic forms thereof), (b) any RNA sequence (including any post-transcriptionally modified variants thereof) encoded by any such gene, and/or (c) any peptide, polypeptide or protein (including any post-translationally modified variants thereof) encoded by any such gene; and when used as a verb, means to inhibit, agonize, or otherwise modulate (*i.e.*, act through) any of the foregoing, as applicable.

“Tax Amount” has the meaning set forth in Section 4.02 of the Holdings LLC Agreement.

“Technology License Agreement” means the Technology License Agreement, dated as of the Closing Date, between Lexicon and Holdings.

“Term” has the meaning set forth in Section 4(b)(iv) of the Purchase Option Agreement, unless otherwise stated in the applicable Operative Document.

“Territory” means the world.

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“Third Party IP” has the meaning set forth in Section 2.9 of the Novated and Restated Technology License Agreement.

“Third Party Licensor” means a third party from which Lexicon has received a license or sublicense to Licensed Intellectual Property.

“Transfer” has for each Operative Document in which it appears the meaning set forth in such Operative Document.

“Transferee” has, for each Operative Document in which it appears, the meaning set forth in such Operative Document.

“Treasury Regulations” means the rules, regulations and orders, and interpretations thereof, adopted by the IRS under the Code, as in effect from time to time.

“Voluntary Bankruptcy” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

CERTAIN ROYALTY AND MILESTONE PAYMENTS

NONE

B-1

CERTAIN LICENSED PATENTS

[**]

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**AMENDED AND RESTATED
RESEARCH AND DEVELOPMENT AGREEMENT
among**

LEXICON PHARMACEUTICALS, INC.

SYMPHONY ICON HOLDINGS LLC

and

SYMPHONY ICON, INC.

Dated as of June 15, 2007

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**AMENDED AND RESTATED
RESEARCH AND DEVELOPMENT AGREEMENT**

This AMENDED AND RESTATED RESEARCH AND DEVELOPMENT AGREEMENT (this "Agreement") is entered into as of June 15, 2007 (the "Closing Date") by and among LEXICON PHARMACEUTICALS, INC., a Delaware corporation ("Lexicon"), SYMPHONY ICON, INC., a Delaware corporation ("Symphony Icon") (each of Lexicon and Symphony Icon being a "Party," and collectively, the "Parties"), and SYMPHONY ICON HOLDINGS LLC, a Delaware limited liability company ("Holdings"). Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in Annex A attached hereto.

PRELIMINARY STATEMENT

Lexicon and Holdings have entered into that certain Research and Development Agreement, dated as of June 15, 2007 (the "Research and Development Agreement"). Pursuant to this Agreement, Holdings desires to assign all of its rights and delegate its obligations under the Research and Development Agreement to Symphony Icon, and Lexicon and Symphony Icon desire to amend and restate the terms and conditions of the Research and Development Agreement.

In the Novated and Restated Technology License Agreement, Lexicon grants Symphony Icon an exclusive license to develop and commercialize the Products. Symphony Icon wishes for Lexicon to continue to develop such Products. Symphony Icon and Lexicon desire to establish, and agree on the responsibilities of, a Development Committee to oversee such development. Lexicon and Symphony Icon further desire to comply with and perform certain agreements and obligations related thereto.

The Parties hereto agree as follows:

1. Assignment. The Parties agree that from and after the Closing Date, all of the rights and obligations of Holdings under the Research and Development Agreement will be assigned and transferred to, and assumed by, Symphony Icon.

2. Overview of Development.

(a) The Parties shall develop the Programs in a collaborative and efficient manner as set forth in this Article 2. Representatives of the Parties shall engage in joint decision-making for the Programs as set forth in Articles 3 and 4 hereof. Symphony Icon shall have overall responsibility for all matters set forth in the Development Plan (pursuant to Article 7 hereof), and shall engage Lexicon (pursuant to Article 6 hereof), RRD (pursuant to the RRD Services Agreement), and such independent contractors and agents as Lexicon may retain on Symphony Icon's behalf or as it may retain with RRD's assistance (which contractors include entities retained by Lexicon prior to the Closing Date pursuant to the Subcontracting Agreements set forth on

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Schedule 6.2), to act on behalf of Symphony Icon and carry out the duties set forth therein and herein.

(b) With respect to the LG617 Program and the LG103 Program, Lexicon shall be responsible for the execution of all pre-clinical and clinical development, all scientific and technical services associated with such development, and all patent work, including all related matters set forth in the Development Plan for such Programs.

(c) Nothing in Section 2(b) shall in any way limit the authority of the Development Committee (as defined below) or the Symphony Icon Board hereunder, and the engagements and delegations set forth therein shall be subject to the terms and conditions of this Agreement and the RRD Services Agreement, and the satisfactory performance by RRD and Lexicon of their obligations pursuant hereto and thereto. The allocations of responsibility described in this Article 2 shall remain subject to further modification in accordance with the terms and conditions of this Agreement and the RRD Services Agreement.

(d) Lexicon hereby acknowledges and agrees to Symphony Icon's engagement of RRD to act on its behalf and to carry out the duties assigned to RRD herein and in the RRD Services Agreement, including, but not limited to (i) providing personnel and support to the Development Committee and the Symphony Icon Board, (ii) the management and administration of Symphony Icon, (iii) monitoring Lexicon's implementation of the Programs, and (iv) subject to Section 6.1(a) and without limiting Lexicon's role thereunder, such other development-related work as Symphony Icon may reasonably delegate to RRD in accordance with the Development Plan.

(e) The Parties acknowledge that, subject to the rights of Symphony Icon under the Operative Documents, Lexicon may enter into arrangements with one or more third parties with respect to the development and commercialization of one or more Programs or Products; provided that such arrangements are consistent with Lexicon's potential reversionary interest in the Programs and/or Products. In the event Lexicon enters into any such arrangement, subject to the rights of Symphony Icon under the Operative Documents, Symphony Icon will use reasonable efforts to accommodate requests by Lexicon with respect to the participation of such third party in development activities hereunder relating to such Program or Product, including without limitation, participation or observation rights for Development Committee meetings and activities; provided such participation shall be limited to the applicable Programs or Products.

3. Development Committee. The Parties shall establish and maintain a committee (the "Development Committee") to oversee the development of the Programs (including the continued development and refinement of the Development Plan and the Development Budget). The Development Committee shall be established, operated and governed in accordance with the policies and procedures set forth in Annex B hereto (the "Development Committee Charter"). The Development Committee Charter may be amended only with the unanimous approval of the Development

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Committee Members and the consent of the Symphony Icon Board, Holdings and Lexicon. In no event shall the Development Committee have the power to amend the terms of any Operative Document.

4. Development Plan and Development Budget.

4.1 Generally. The Parties have agreed, as of the Closing Date, to an Initial Development Plan and an Initial Development Budget, which are attached hereto and incorporated herein as Annex C, and which shall be further developed and refined from time to time in accordance herewith. The Initial Development Plan consists (and the Development Plan shall consist) of detailed provisions governing all research, pre-clinical, clinical, development, manufacturing, scientific, technical, regulatory and patent work to be performed under the Operative Documents. Following the Closing Date, the Development Committee shall, on an ongoing basis, further develop the Development Plan to include, without limitation, (i) an outline of the plan for the clinical development of each Program; and (ii) outlines of non-clinical activities, key regulatory and quality activities, and CMC activities for each Program. The Initial Development Budget consists (and the Development Budget shall consist) of two (2) components: (x) a development budget for each Program covered by the Development Plan (the "Program Specific Budget Component"), and (y) a budget for the cross program management and administrative functions of Symphony Icon, as set forth in Section 1(a) of the RRD Services Agreement (the "Cross Program Budget Component"). The development budgets for each Program in the Program Specific Budget Component covered by the Development Plan shall be further divided into budget spreadsheets summarizing (1) anticipated costs of engaging third party service providers and the scope of work to be performed by such third parties; and (2) the number of FTEs to be dedicated to the Programs (by function and work responsibilities, on a Program-by-Program basis). All presently anticipated or actual expenditures of Symphony Icon, [***], are included in the Initial Development Budget attached hereto, and will continue to be included in any amendments thereof. The Development Committee shall, at the request of the Symphony Icon Board, submit the Development Plan and the Development Budget (as each shall have been developed and refined up to such point) to the Symphony Icon Board for its review at the first meeting of the Symphony Icon Board. Following the Symphony Icon Board's review, the Development Committee shall work diligently to incorporate any comments generated by the Symphony Icon Board's review and update the Development Plan and the Development Budget as soon as practicable, and submit the updated Development Plan and the updated Development Budget to the Symphony Icon Board for further review.

4.2 Amendments.

(a) All amendments of, and all material deviations from, the Development Plan and Development Budget (including amendments or deviations made at the request of Lexicon or RRD, in accordance with Section 8.3 hereof or Section 2(b) of the RRD Services Agreement, respectively) shall be made in

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accordance with the procedures described in this Article 4 and in the Development Committee Charter, including obtaining the approval of the Symphony Icon Board, as may be required by the Development Committee Charter.

(b) The Development Committee shall review the Development Plan and Development Budget **[**]** to determine whether any changes are required, and shall comply with all procedures required to amend the Development Plan or Development Budget to implement such changes. Furthermore, following the Closing Date, the Development Committee shall, on an ongoing basis, continue to develop the Development Plan, including, without limitation, as set forth in Section 4.1 and in response to requests, proposals or reports from Lexicon and RRD to the Development Committee.

(c) A Program, or a Product within a Program, may only be discontinued in the event that either (i) the Parties mutually agree to discontinue such Program or Product based on (A) a Medical Discontinuation Event, or (B) scientific evidence (regardless of whether such evidence is generated by a Party or a third party) that **[**]** (a “Scientific Discontinuation Event”) that arises in the course of developing such Program or Product; or (ii) upon recommendation of the Development Committee, the Symphony Icon Board resolves to discontinue such Program or Product by (A) **[**]**, or (B) **[**]**; provided, that notwithstanding the foregoing, the Symphony Icon Board may at any time, by the applicable vote described in this clause (ii), discontinue a Program or Product upon a Medical Discontinuation Event without a prior recommendation of the Development Committee. The Development Committee shall promptly thereafter amend the Development Plan to reflect such discontinuation and amend the Development Budget to reallocate to any or all of the remaining Programs some or all of the funds previously allocated to the discontinued Program or Product (with any funds not then allocated to be held for reallocation by the Development Committee).

(d) The Development Plan shall never be amended in any manner that would require Lexicon or Symphony Icon (or any Person acting on behalf of Lexicon or Symphony Icon (including RRD and its RRD Personnel)) to perform any assignments or tasks in a manner that would violate any applicable law or regulation. In the event of a change in any applicable law or regulation, the Development Committee shall consider amending the Development Plan to enable Lexicon or Symphony Icon (or any Person acting on behalf of Lexicon or Symphony Icon (including RRD and its RRD Personnel)), as the case may be, to comply fully with such law or regulation. If such amendment is not approved, the affected Party shall be excused from performing any activity specified herein or in the Development Plan that would violate or result in a violation of any applicable law or regulation.

4.3 Lexicon Funded Research. Lexicon and Symphony Icon hereby agree that, until the end of the Term, Lexicon, upon request to the Development Committee, using commercially reasonable methods, may expend its own funds to extend, increase, or otherwise modify, outside the scope of the Development Plan, the trials and development activities run by Lexicon, subject to the prior approval of the

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Development Committee. The Development Committee shall consider any such request in good faith taking into account the fact that Symphony Icon will receive the benefits, if any, of such additional activities, without any cost to Symphony Icon as well as taking into account the risks, if any, of such activities to the relevant Program. Such additional Lexicon-supplied funds shall not be included in the calculations used to determine the Discontinuation Price (pursuant to Section 11(a) hereof) or the Purchase Price (pursuant to Section 2(b) of the Purchase Option Agreement). Lexicon agrees that the results of such research and development shall immediately become part of the Licensed Intellectual Property and shall thereafter be subject to the terms of the Operative Documents. Lexicon's rights pursuant to this Section 4.3 are in addition to, and separate from, its rights pursuant to Section 8.3 hereof.

5. Regulatory Matters.

5.1 FDA Sponsor. Notwithstanding any governance provision contained herein or in any Operative Document, the Parties agree that, until the termination or unexercised expiration of the Purchase Option, Lexicon shall be the FDA sponsor, and shall serve the equivalent role with respect to any corresponding recognized regulatory authority outside of the United States, for the Programs, except any Programs which were the subject of a Discontinuation Option that was not exercised by Lexicon (the "FDA Sponsor"). As the FDA Sponsor, Lexicon shall have the responsibility and the authority to act as the sponsor and make those decisions and take all actions necessary to assure compliance with all regulatory requirements. Lexicon agrees to be bound by, and perform all obligations set forth in, 21 C.F.R. § 312 and any and all similar obligations imposed by a recognized foreign regulatory authority related to Lexicon's role as the FDA Sponsor. Notwithstanding anything to the contrary in Article 4 or the Development Committee Charter, Lexicon, in its capacity as FDA Sponsor, may discontinue or modify any Program without the approval of the Development Committee or the Symphony Icon Board in the event such actions are: (a) attributable to an event that is reportable to the FDA or corresponding recognized regulatory authority outside of the United States; and (b) reasonably necessary to avoid the imposition of criminal or civil liability; provided, however, that to the extent commercially reasonable, Lexicon shall (i) pursuant to Section 5.2, advise and consult with the Development Committee prior to taking such action and (ii) forward a copy of all regulatory correspondence relevant to such discontinuation or modification to the members of the Symphony Icon Board.

5.2 Correspondence. Each Party hereto acknowledges that Lexicon, in its capacity as FDA Sponsor, shall be the Party responding to any regulatory correspondence or inquiry regarding one or both Programs. Lexicon shall: (a) notify at least one (1) Development Committee Member designated by Holdings within [**] of any FDA or other governmental or regulatory inspection or inquiry concerning any study or project under the Programs, including, but not limited to, inspections of investigational sites or laboratories; and (b) forward to the Development Committee copies of any correspondence from any regulatory or governmental agency relating to such a study or project, including, but not limited to, Form FD-483 notices and FDA refusal to file,

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action or warning letters, even if they do not specifically mention Symphony Icon. Subject to the following sentence, Symphony Icon shall not have any right to initiate any regulatory correspondence with respect to the Programs. In the event that Symphony Icon receives a request or notification from a Governmental Authority with respect to the Programs, Symphony Icon shall: (i) notify Lexicon within [**] of receipt of such request or communication and (ii) to the extent practicable, submit any proposed response to Lexicon for review and approval; provided, that such approval shall not be unreasonably withheld and shall not prevent Symphony Icon from complying with any legal requirements. Furthermore, Lexicon shall be the Party responsible for responding to or handling any FDA or regulatory inspection with respect to one or both Programs; provided, that Lexicon shall notify at least one (1) of the Development Committee Members designated by Holdings (i) within [**] of receiving notice of the commencement of a clinical hold for any Protocol, and (ii) concurrently with its submission to the FDA of any IND safety reports for the Programs.

5.3 Inspections and Meetings. Each Party agrees that, during an inspection by the FDA or other Regulatory Authority concerning any study or project under the Programs, it will not disclose to such agency any information and materials (including but not limited to (x) financial data and pricing data including, but not limited to, budget and payment schedules, (y) sales data (other than shipment data), and (z) personnel data (other than data as to qualification of technical and professional persons performing functions subject to regulatory requirements)) that are not required to be disclosed to such agency without first obtaining the consent of the other Party, which consent shall not be unreasonably withheld or delayed, except to the extent that such Party may be required by law to disclose such information and materials. Lexicon shall be the Party responsible for arranging and participating in any meetings with any Regulatory Authority concerning one or both Programs. To the extent practicable, Lexicon shall consult with the Development Committee prior to any such meetings and provide to the Development Committee for review all relevant correspondence to date. During Lexicon's consultation with the Development Committee, Lexicon and the Development Committee shall discuss and agree upon issues including but not limited to overall regulatory strategy, proposed agendas, goals and objectives, preparation and attendees. Following any meeting that pertains to a Program, but that was not attended by at least one (1) of the Development Committee Members designated by Holdings, Lexicon shall provide at least one (1) of the Development Committee Members designated by Holdings with an oral summary of that meeting within [**] of such meeting and a written summary of that meeting within [**] of such meeting.

5.4 Transfer of FDA Sponsorship.

(a) On or prior to the thirtieth (30th) day after the unexercised expiration or termination of the Purchase Option, Lexicon shall cease to act as the FDA Sponsor for the Programs for which Lexicon has not exercised a Discontinuation Option, and Lexicon and Symphony Icon shall, at Symphony Icon's expense, take all actions necessary to effect the transfer of (x) the Regulatory Files

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(subject to Symphony Icon's rights under Section 2.7 of the Novated and Restated Technology License Agreement) related to such Programs to Symphony Icon or its designee in accordance with Section 2.7 of the Novated and Restated Technology License Agreement, and (y) any and all materials necessary for Symphony Icon to practice or exploit the license granted to it under the Novated and Restated Technology License Agreement, by such date. In conjunction with such transfer, Lexicon shall assign to Symphony Icon or its designee, at Symphony Icon's expense and as of the date specified in the first sentence of this Section 5.4(a), all of the material Development Subcontracting Agreements to which Lexicon is a party and that are assignable to Symphony Icon or its designee without consent from the other party to the agreement. Lexicon shall use commercially reasonable efforts to cause the assignment of any non-assignable material Development Subcontracting Agreement or portion thereof relating to the Programs. If it is not successful in causing such assignment, Lexicon shall act as Symphony Icon's agent, at Symphony Icon's reasonable request and expense, in procuring all goods and services under such agreements until such time as Symphony Icon enters into alternative arrangements to procure such services, provided that Symphony Icon uses commercially reasonable efforts to enter into such alternative arrangements as soon as possible. Lexicon agrees to take such commercially reasonable actions as Symphony Icon may request in furtherance of the foregoing, at the expense of Symphony Icon. Such efforts shall not include any obligation for Lexicon to incur any out-of-pocket costs. Lexicon shall provide copies of all such Development Subcontracting Agreements to Symphony Icon, at Symphony Icon's expense, in connection with such transfer.

(b) Except as provided in the Amended and Restated Technology License Agreement, upon the discontinuation of any of the Programs pursuant to Section 4.2(c), Lexicon shall have no further obligations with respect to such Programs under the Operative Documents. If such Program is transferred or licensed to a third party in accordance with Section 1.1 (such third party, the "Transferee"), then Lexicon shall cooperate with Symphony Icon and the Transferee to effect the assignment to the Transferee of the sponsorship to the Regulatory Files (subject to Symphony Icon's rights under Section 2.7 of the Novated and Restated Technology License Agreement) that are related to such Program; provided, however, that Lexicon shall not be obligated to take any action pursuant to this Section 5.4(b) for which it will not receive full reimbursement from Symphony Icon or another party. The assignment of such Regulatory Files to the Transferee does not include an assignment of any Licensed Intellectual Property.

6. Lexicon's Obligations.

6.1 Generally.

(a) Lexicon shall have primary responsibility for the implementation of the Programs. Without limiting the foregoing, Lexicon shall specifically be responsible for (i) performing all pre-clinical and clinical development for the LG617 Program and the LG103 Program in accordance with the Development Plan,

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(ii) manufacturing of, or arranging for third parties to manufacture, Clinical Trial Materials for the Programs, and carrying out the quality assurance therefor, in each case in accordance with the Development Plan, and (iii) executing all other matters set forth in the Development Plan that are delegated to Lexicon by Symphony Icon pursuant to the Development Plan (collectively, the "Lexicon Obligations").

(b) Lexicon agrees that it will work diligently and use commercially reasonable efforts to discharge the Lexicon Obligations in a good scientific manner and in accordance with the Development Plan, the Development Budget, and the terms of this Agreement.

6.2 Subcontracting. All agreements between Lexicon and third parties (including without limitation clinical research organizations and contract manufacturers) for such third parties to perform any Lexicon Obligations (each such third party, a "Lexicon Subcontractor" and each such agreement, a "Subcontracting Agreement") entered into by Lexicon prior to the Closing Date (except for those master service agreements executed prior to the Closing Date that, only through the subsequent addition of a new work order, change order, project or the like after the Closing Date, become Subcontracting Agreements) and listed on Schedule 6.2 hereto, shall be deemed to be acceptable to the Parties in all respects. Following the Closing Date, Lexicon shall obtain approval of the Development Committee prior to entering into any Subcontracting Agreement, issuing new work orders against existing Subcontracting Agreements, or amending or terminating any Subcontracting Agreement, which approval shall not unreasonably be withheld. Lexicon shall provide the Development Committee with a copy of each draft Subcontracting Agreement. The Development Committee, or its designee(s), shall have [**] to approve or reject the terms of such draft Subcontracting Agreement; provided that during such [**] period Lexicon shall make appropriate representatives available to the Development Committee to discuss such Subcontracting Agreement in good faith and reasonable detail and shall provide any information as may be reasonably requested by the Development Committee or any member thereof. Only approval of the terms of such draft Subcontracting Agreement will entitle Lexicon to reimbursement by Symphony Icon for such Subcontracting Agreement. The terms of such draft Subcontracting Agreement shall be deemed to have been approved if not objected to by any Development Committee Member within the [**] period. The terms of any such Subcontracting Agreements shall be deemed the Confidential Information of Lexicon and be subject to the rights and obligations set forth in the Confidentiality Agreement. Lexicon shall monitor the performance of its Lexicon Subcontractors and shall promptly notify the Development Committee with respect to any Lexicon Subcontractor performance issues that may have a material adverse effect on the Programs. The Development Committee shall have the authority to direct Lexicon to terminate any Subcontracting Agreement pursuant to the terms thereof.

6.3 Reports and Correspondence. Lexicon shall keep the Development Committee informed of its activities under the Development Plan through regular reports, as set forth in this Section 6.3. At each Scheduled Meeting of the

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Development Committee, or according to a schedule agreed to by the Development Committee, Lexicon shall, to the extent reasonably required by the Development Committee, provide a summary of Lexicon's activities and developments with respect to the Programs for the period following the most recent preceding scheduled summary report. Such summary report shall include the following types of information in a format and frequency as determined by the Development Committee: (i) updates regarding (A) [**]; and (B) [**]; (ii) a copy of each standard clinical study progress report for the Programs received by Lexicon during the preceding period from any of the clinical research organizations engaged by Lexicon pursuant to any Subcontracting Agreements and a copy of any final preclinical study reports for such Programs; (iii) a financial report, in a format agreed upon by the Development Committee, itemizing actual spending under the Development Plan as well as any variation from planned spending; (iv) if the portion of the Development Budget related to a particular Program is altered to the extent that available funding for such Program no longer appears to be adequate to complete the Program, an updated budget forecast; (v) copies of all Subcontracting Agreements executed since the previous Development Committee Meeting; and (vi) such other information as the Development Committee may reasonably request. Lexicon shall notify at least one (1) of the Development Committee Members designated by Holdings as soon as possible, but no later than within [**] of the occurrence of any event that has, or could reasonably be expected to have, in Lexicon's judgment in light of the circumstances existing at the time, a material adverse effect on the Development Plan or the Development Budget and shall keep the Development Committee regularly updated and informed with respect to any such event.

6.4 Staffing. Lexicon shall use commercially reasonable efforts to provide such sufficient and competent staff and Personnel (including, without limitation, such employees or agents of, or independent contractors retained by, Lexicon) that have the skill and expertise necessary to perform the Lexicon Obligations. Lexicon shall notify Symphony Icon in advance, if practicable, and in any event promptly thereafter, of any change in Key Personnel involved in the Programs.

6.5 QA Audit. During the Term, Lexicon will permit Symphony Icon's representatives (such representatives to be identified by Symphony Icon in advance and reasonably acceptable to Lexicon and to enter into a confidentiality agreement with Lexicon) to examine and audit, during regular business hours, the work performed by Lexicon hereunder and the Lexicon facilities at which such work is conducted to determine that Lexicon Obligations are being conducted in accordance with the terms of the Agreement, the Development Plan and the Development Budget ("QA Audits"). Symphony Icon shall give Lexicon reasonable advance notice of such QA Audits specifying the scope of the audit. Symphony Icon shall reimburse Lexicon for its time associated with QA Audits; provided, however, that should a particular QA Audit reveal a material deficiency in Lexicon's quality assurance procedures, then Lexicon will be responsible for all costs of such QA Audit, including Symphony Icon's reasonable costs associated with such QA Audit, the work to be re-performed and the costs or expenses associated with curing such material deficiencies. Symphony Icon and Lexicon

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shall meet to discuss the results of the QA Audit and, if required, jointly agree upon any actions that will be required as a result of such QA Audit including defining material deficiencies to be addressed. Lexicon shall make commercially reasonable efforts to reconcile all such deficiencies found by Symphony Icon during such QA Audit.

6.6 Financial Audit. During the Term, Lexicon will permit Symphony Icon's representatives (such representatives (i) to be identified by Symphony Icon in advance and reasonably acceptable to Lexicon and (ii) to enter into a confidentiality agreement with Lexicon), to verify Lexicon's invoices, other receipts, and FTE records that are related to Lexicon's performance of the work under the Programs ("Financial Audits"), which review shall be conducted during regular business hours and will take place no more than once per year, unless otherwise agreed to by the Parties. Symphony Icon shall give Lexicon reasonable advance notice of such Financial Audits specifying the scope of the audit, which shall not include work that has previously undergone Financial Audits. Symphony Icon shall reimburse Lexicon for its time associated with Financial Audits; provided, however, that should a particular Financial Audit reveal an overstatement of costs and expenses in the reports submitted by Lexicon to Symphony Icon for reimbursement purposes during the period covered by such Financial Audit that exceeds [**] in the aggregate, then Lexicon will be responsible for all costs of such Financial Audit, including Symphony Icon's reasonable costs associated therewith. Symphony Icon and Lexicon shall meet to discuss the results of the Financial Audit and, if required, jointly agree upon any actions that will be required as a result of such Financial Audit including defining material discrepancies to be addressed. Lexicon shall make commercially reasonable efforts to reconcile all such discrepancies found by Symphony Icon during such Financial Audit. In addition, Lexicon shall, during regular business hours, cooperate with, and promptly respond to, inquiries from the Symphony Icon Auditors, if the Symphony Icon Auditors shall reasonably conclude that they require additional information or clarification regarding any invoices, other receipts or FTE records submitted by Lexicon.

6.7 Insurance. Lexicon shall carry and maintain throughout the Term (i) clinical trial liability insurance (including errors and omissions coverage and product coverage), at Lexicon's sole expense, with limits of at least [**], and (ii) property and casualty insurance covering Products and other Lexicon assets used in executing the Development Plan in amounts customarily carried by business entities with a size and risk profile similar to Lexicon, at Lexicon's sole expense, with limits of at least [**]. Symphony Icon and RRD shall be named as additional insureds on all clinical trial liability insurance. Upon Symphony Icon's request, Lexicon shall instruct its insurance carrier(s) to promptly furnish to Symphony Icon certificates reflecting such coverage and a representation indicating that such coverage shall not be canceled or otherwise terminated during the Term without [**] prior written notice to Symphony Icon. Notwithstanding anything to the contrary herein, this Section 6.7 shall survive for a period of [**] following termination or expiration of this Agreement.

7. Symphony Icon's Obligations.

7.1 Generally. Symphony Icon shall have overall responsibility for all matters set forth in the Development Plan, and shall be responsible for (i) executing or delegating its management and administration responsibilities; and (ii) executing or delegating the development activities set forth in the Development Plan. Symphony Icon shall, and shall instruct all Persons whom it engages pursuant to Article 2 hereof to, perform its obligations hereunder and under the Development Plan in good faith and in accordance with the applicable provisions of the Development Plan and the Development Budget, and the terms of this Agreement.

7.2 Subcontracting. Symphony Icon is subcontracting, and will in the future subcontract, certain of its responsibilities under the Development Plan to Lexicon (pursuant hereto), to RRD (pursuant to the RRD Services Agreement) and to other vendors and service providers (pursuant to subcontracting agreements to be approved by the Development Committee); provided, that Symphony Icon shall remain responsible for the performance of its obligations hereunder notwithstanding any such arrangement. Each subcontracting agreement entered into by Symphony Icon (except for the RRD Services Agreement) shall include a provision permitting assignment at any time of the subcontracting agreement from Symphony Icon to Lexicon without the subcontractor's consent; provided that Symphony Icon may not assign its obligations under any such subcontracting agreement to Lexicon without Lexicon's prior written consent.

7.3 Insurance. Symphony Icon shall maintain insurance with creditworthy insurance companies against such risks and in such amounts as are usually maintained or insured against by other companies of established repute engaged in the same or a similar business.

7.4 Staffing. Symphony Icon shall use commercially reasonable efforts to provide, or cause to be provided on its behalf (including Personnel retained by RRD), sufficient and competent staff and Personnel that have the skill and expertise necessary to perform Symphony Icon's obligations under this Agreement, the RRD Services Agreement, the Development Plan and the Development Budget, including, but not limited to, (i) carrying out its management and administrative functions pursuant to the RRD Services Agreement, and (ii) carrying out its clinical development duties in accordance with the RRD Services Agreement, this Agreement, the Development Plan and the Development Budget. Symphony Icon shall notify Lexicon in advance, if practicable, and in any event promptly thereafter, of any change in the key RRD Personnel involved in the Programs.

7.5 Inspection and Audit. Symphony Icon shall permit each of Lexicon, Holdings, Investors and each Symphony Fund and their duly authorized representatives at all reasonable business hours to inspect and audit (1) Symphony Icon's books, records and other reasonably requested materials and (2) any and all properties of

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Symphony Icon, and it shall provide to each of Lexicon, Holdings, Investors and each Symphony Fund all books, records and other materials related to any meeting of the Symphony Icon Board or Symphony Icon Shareholders and to permit Holdings, Investors and each Symphony Fund to make copies or extracts therefrom; provided, that each aforementioned party may conduct one such inspection or audit in each calendar year without cost to such party, and that any party conducting additional inspections or audits shall reimburse the Manager for its reasonable costs and expenses in facilitating such additional inspections or audits unless such additional inspections or audits were performed to determine whether previously identified material deficiencies have been addressed. Symphony Icon and the party conducting such inspection or audit, or such party's representative, shall meet to discuss the results of such inspection or audit and, if required, jointly agree upon any actions that will be required as a result of such inspection or audit including defining material discrepancies to be addressed. Symphony Icon shall make commercially reasonable efforts to reconcile all such discrepancies found by Lexicon, Holdings, Investors or any Symphony Fund during such inspection or audit.

8. Funding and Payments.

8.1 Use of Proceeds.

(a) Symphony Icon shall use any and all (i) proceeds received by Symphony Icon as a result of the Financing (including proceeds of the Lexicon Payment Amount), (ii) indemnity payments received by Symphony Icon, and (iii) payments received by Symphony Icon pursuant to first and third party covered insurance claims, for the development of the Programs and general corporate purposes of Symphony Icon, including the payment of all fees and expenses in accordance with the Development Plan and the Development Budget, as may be modified from time to time pursuant to Section 4.2, and the payment of any indemnification obligations of Symphony Icon under the Operative Documents and agreements with third party contractors. Notwithstanding the foregoing, Symphony Icon agrees that any agreement under which Symphony Icon indemnifies any Person shall contain appropriate provisions to cause such Person who receives payments from Symphony Icon as a result of Symphony Icon's indemnification obligations under the Operative Documents, and who is subsequently reimbursed from insurance proceeds with respect to such losses, costs, interest, awards, judgments, fees, liabilities, damages and expenses for which such Person received the indemnity payments from Symphony Icon, to then reimburse Symphony Icon the amounts paid to such Person by Symphony Icon to the extent of the insurance proceeds. Symphony Icon further agrees to use all commercially reasonable means to enforce such provisions.

(b) Symphony Icon shall use any and all payments received by Symphony Icon from Lexicon following the exercise of a Discontinuation Option or from a third party for the transfer or license of rights to a Program following the unexercised expiration of a Discontinuation Option, in the manner as determined by the Development Committee in its sole discretion. If the Development Committee

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determines such payments from Lexicon or a third party are not necessary for the development of the Programs, general corporate purposes of Symphony Icon, or payment of any indemnification obligations of Symphony Icon, the Development Committee shall so notify the Symphony Icon Board the amount thereof and that such amount is released to Symphony Icon for application as determined by the Symphony Icon Board. The Symphony Icon Board may, in its sole discretion, declare a dividend or otherwise distribute such amount to Holdings, and the Purchase Price shall be reduced by the aggregate amount of such dividends or other distributions.

8.2 Reimbursement. Symphony Icon shall compensate Lexicon for its Development Plan-associated activities and services, including, without limitation, its research, clinical and manufacturing services and any other activities delegated to and by Lexicon in accordance with this Agreement. Such compensation shall be made in accordance with the provisions of this Article 8 and the payment terms attached hereto as Annex E (the "Payment Terms"), the terms of which are hereby adopted and incorporated herein; provided that Lexicon shall be directly responsible for compensation and reimbursement of Lexicon Subcontractors, it being understood that the cost shall be passed through to Symphony Icon. With respect to costs for travel, unless the Development Committee provides Lexicon with prior approval, all Lexicon personnel shall adhere to Lexicon's travel policy.

8.3 Budget Allocation and Deviations. Lexicon shall have the discretion to incur out-of-pocket fees, expenses and costs and allocate its resources in a manner consistent with the Development Plan and the Development Budget. If Lexicon reasonably anticipates that the actual cost for any particular Activity will exceed that portion of the Development Budget allocated for such Activity by the greater of (a) [**] or more or (b) [**] or more (or such greater amount as the Symphony Icon Board may subsequently determine), then Lexicon may request that the Development Committee amend the Development Budget, either at its next Scheduled Meeting or at an Ad Hoc Meeting, to reflect such cost increase. Lexicon shall be fully reimbursed, pursuant to Section 8.2, for all out-of-pocket amounts incurred with respect to an Activity performed pursuant to the Development Plan, as such Development Plan may be modified upon approval of the Development Committee, provided that, without the approval of the Development Committee, Lexicon shall not be reimbursed for expenditures that exceed the amounts set forth in the Development Budget by the criteria set forth in the second sentence of this Section 8.3. If the Development Committee denies a request made by Lexicon pursuant to this Section 8.3 to amend the Development Budget, then Lexicon shall no longer be obligated to perform such incremental activity that is expected to give rise to such additional expenditures.

8.4 Employee Benefits. Symphony Icon shall not be responsible for providing or paying any benefits (including, but not limited to, unemployment, disability, insurance, or medical, and any pension or profit sharing plans) to Lexicon or to any employees of Lexicon or any persons retained or used by Lexicon to perform activities pursuant to the Development Plan, including independent contractors,

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Subcontractors and agents (collectively, "Lexicon Personnel"). As to Lexicon or any Lexicon Personnel, Symphony Icon shall not be responsible for: (a) any federal, state or local income tax withholding; (b) Federal Insurance Contributions Act contributions; (c) contributions to state disability funds or liability funds or similar withholdings; (d) payment of any overtime wages; (e) workers' compensation; or (f) compliance with any laws, rules or regulations governing employees. Lexicon agrees that, as between Symphony Icon and Lexicon, Lexicon is and will continue to be responsible for: (i) all matters relating to the payment of compensation and provision of benefits to Lexicon Personnel; and (ii) compliance with all applicable laws, rules and regulations governing Lexicon's employees. Lexicon acknowledges that Lexicon is not entitled to reimbursement with respect to any amounts related to the services of Lexicon Personnel in excess of the fully burdened FTE rates in accordance with Annex E attached hereto and Symphony Icon acknowledges that the FTE rates used as the basis for reimbursing Lexicon for the services of Lexicon Personnel include Lexicon's costs associated with providing such benefits and fulfilling such responsibilities. Such FTE rates also cover all direct and indirect, cash and non-cash compensation paid to or on behalf of said employee or other individual performing duties customarily performed by an employee; all payroll related taxes and costs; all fringe benefits and perquisites; all overhead and support provided by Lexicon for said employee, including but not limited to facility, office, laboratory and equipment costs, training and education, and general corporate management, supervision, executive and administrative functions and activities; and quality assurance and other functions and activities benefiting Lexicon or multiple departments, projects or employees within Lexicon.

9. Covenants.

9.1 Mutual Covenants. Each of Lexicon and Symphony Icon covenants and agrees that, with respect to the Programs and any other rights and obligations set forth in the Operative Documents, it shall:

(a) perform all of its obligations pursuant to this Agreement in material compliance with: (i) all applicable federal and state laws, statutes, rules, regulations and orders (including all applicable approval and qualification requirements thereunder), including, without limitation, the Federal Food, Drug and Cosmetic Act and the regulations promulgated pursuant thereto; (ii) all applicable good clinical practices and guidelines; (iii) all applicable standard operating procedures; (iv) all applicable Protocols; and (v) the provisions of this Agreement;

(b) keep complete, proper and separate books of record and account, including a record of all costs and expenses incurred, all charges made, all credits made and received, and all income derived in connection with the operation of its business, all in accordance with GAAP;

(c) not employ (or, to the best of its Knowledge, shall not use any contractor or consultant who is or that employs) any individual or entity

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debarred by the FDA (or subject to a similar sanction of any other Regulatory Authority), or, to the best of its Knowledge, any individual who or entity which is the subject of an FDA debarment investigation or proceeding (or similar proceeding of any other Regulatory Authority), in the conduct of the Programs;

(d) promptly deliver to the other, upon receipt thereof, notice of all actions, suits, investigations, litigation and proceedings before any Governmental Authority, which would reasonably be expected to affect such Party's ability to perform its obligations under this Agreement;

(e) upon its acquiring Knowledge of (i) any breach by it of any representation, warranty, covenant or any other term or condition of this Agreement or (ii) any other event or development, in each case that is, or is reasonably expected to be, materially adverse to the other Party with respect to any Program, such Party shall promptly notify the other Party in writing within [**] of acquiring such Knowledge; provided, that the failure to provide such notice shall not impair or otherwise be deemed a waiver of any rights any Party may have arising from such breach, event or development and that notice under this Section 9.1(e) shall not be deemed an admission by the Party providing such notice of any breach of any of the Operative Documents; and

(f) with reasonable promptness, deliver to the other Party such data and information relating to the ability of such Party to perform its obligations hereunder as from time to time may be reasonably requested by the other Party (subject to the maintenance of the confidentiality of any such information by the receiving Party). For the avoidance of doubt, this Section 9.1(f) includes Lexicon's obligations to provide financial and other necessary information in respect of such Programs to Symphony Icon and RRD to enable Symphony Icon to fulfill its obligations to Lexicon under Section 5(d) of the Purchase Option Agreement, and to enable RRD to fulfill its obligations to Symphony Icon and Lexicon under Sections 5(a) and 5(b) of the RRD Services Agreement.

10. Confidentiality. It is understood that during the course of this Agreement each of the Parties shall be bound by the terms of the Confidentiality Agreement.

11. Discontinuation Option.

(a) A Program may only be discontinued in accordance with Section 4.2(c). In the event of such a Program discontinuation during the Term, (i) Symphony Icon shall so notify Lexicon promptly and in writing of such discontinuation, and (ii) Lexicon shall have the right and option (a "Discontinuation Option"), exercisable for [**] after receipt of such written notice from Symphony Icon of such discontinuation, to buy back the Licensed Intellectual Property related to such discontinued Program for a price (payable by wire transfer to Symphony Icon) that is [**] (such sum, the "Discontinuation Price"), to be reasonably determined between the Parties, or, if the Parties are unable to come to a resolution within [**] after receipt of

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such written notice from Symphony Icon of such discontinuation, to be determined in accordance with Section 11(b) hereof. If the Discontinuation Price is determined in accordance with Section 11(b), then the [**] period for Lexicon's exercise of a Discontinuation Option shall be extended by the time needed for such determination so that Lexicon has at least [**] after such determination to decide whether it wishes to exercise a Discontinuation Option. Following the unexercised expiration of a Discontinuation Option, Symphony Icon may transfer or license its rights to such Program to a third party at any time prior to the expiration of the Term. Under no circumstances may Symphony Icon or Lexicon (unless Lexicon has exercised its Discontinuation Option for such Program) reinitiate work on a discontinued Program prior to the expiration or termination of the Purchase Option. Any Discontinuation Price paid to Symphony Icon by Lexicon and subsequently dividended or otherwise distributed to Holdings shall reduce the Purchase Price in the amount of such dividends or other distributions.

(b) If Lexicon and Symphony Icon cannot agree on the Discontinuation Price within [**] after receipt of such written notice from Symphony Icon of such discontinuation, then at Lexicon's request, the Chief Executive Officer of Lexicon and Chairman of the Symphony Icon Board shall make good faith efforts to resolve the disagreement(s) regarding the calculation of the Discontinuation Price. If the Chief Executive Officer of Lexicon and Chairman of the Symphony Icon Board do not agree on the Discontinuation Price within [**] after Lexicon's request, then the Parties shall jointly select a nationally recognized expert to resolve any remaining disagreements regarding calculation of the Discontinuation Price. The Parties shall use their respective commercially reasonable efforts to cause such expert to make its determination of the Discontinuation Price within [**] of accepting its selection. The expert's determination of the Discontinuation Price shall, absent manifest error, be (i) binding and conclusive and (ii) the Discontinuation Price at which a Discontinuation Option shall be exercised by Lexicon. All costs and expenses of the expert shall be shared equally between Lexicon and Symphony Icon. Notwithstanding the foregoing, in any case, each Party shall be responsible for the payment of its respective costs and expenses, including any attorneys' fees.

12. Representations and Warranties.

12.1 Lexicon Representations and Warranties. Lexicon hereby represents and warrants to Symphony Icon and Holdings that, as of the Closing Date:

(a) Organization. Lexicon is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) Authority and Validity. Lexicon has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement and the Novated and Restated Technology License Agreement and to consummate the transactions contemplated thereby. The execution, delivery and performance by Lexicon of this Agreement and the Novated and Restated Technology

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License Agreement and the consummation of the transactions contemplated thereby have been duly and validly authorized by all necessary action required on the part of Lexicon, and no other proceedings on the part of Lexicon are necessary to authorize this Agreement or the Novated and Restated Technology License Agreement or for Lexicon to perform its obligations under this Agreement or the Novated and Restated Technology License Agreement. This Agreement and the Novated and Restated Technology License Agreement constitute the lawful, valid and legally binding obligations of Lexicon, enforceable in accordance with their terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles regardless of whether such enforceability is considered in a proceeding at law or in equity.

(c) No Violation or Conflict. The execution, delivery and performance of this Agreement and the Novated and Restated Technology License Agreement and the transactions contemplated thereby do not and will not (i) violate, conflict with or result in the breach of any provision of the Organizational Documents of Lexicon, (ii) conflict with or violate any law or Governmental Order applicable to Lexicon or any of its assets, properties or businesses, or (iii) conflict with, result in any breach of, constitute a default (or event that with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, or result in the creation of any Encumbrance on any of the assets or properties of Lexicon, pursuant to, any note, bond, mortgage or indenture, contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which Lexicon is a party except, in the case of clauses (ii) and (iii), to the extent that such conflicts, breaches, defaults or other matters would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Lexicon or a material adverse effect on the Programs.

(d) Governmental Consents and Approvals. The execution, delivery and performance of this Agreement and the Novated and Restated Technology License Agreement by Lexicon do not, and the consummation of the transactions contemplated thereby do not and will not, require any Governmental Approval which has not already been obtained, effected or provided, except with respect to which the failure to so obtain, effect or provide would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Lexicon or a material adverse effect on the Programs.

(e) Litigation. Except as disclosed on the most recently filed Form 10-K filing of Lexicon, there are no actions by or against Lexicon pending before any Governmental Authority or, to the Knowledge of Lexicon, threatened to be brought by or before any Governmental Authority, that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Lexicon. There are no pending or, to the Knowledge of Lexicon, threatened actions, to which Lexicon is a party (or is threatened to be named as a party) to set aside, restrain, enjoin or prevent

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the execution, delivery or performance of this Agreement or the Operative Documents or the consummation of the transactions contemplated hereby or thereby by any party hereto or thereto. Lexicon is not subject to any Governmental Order (nor, to the Knowledge of Lexicon, is there any such Governmental Order threatened to be imposed by any Governmental Authority) that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Lexicon or a material adverse effect on the Programs.

(f) No Contracts. Except as disclosed on Schedule 12.1(f) hereto, there are no material contracts between Lexicon and any third party (other than licenses of intellectual property that are in turn licensed to Symphony Icon under the Novated and Restated Technology License Agreement), including contractors, manufacturers or suppliers, used with or otherwise necessary for the Programs, and all such contracts are assignable to Symphony Icon. Except as disclosed on Schedule 12.1(f) hereto, each such contract is assignable to Symphony Icon without the prior consent of the applicable third party, or the absence of such contract (due to the inability or impracticability of assigning such contract to Symphony Icon following a termination of this Agreement without the exercise of the Purchase Option) would not have a material adverse effect on any of the Programs or on Symphony Icon's rights under the Novated and Restated Technology License Agreement.

12.2 Symphony Icon Representations and Warranties. Symphony Icon hereby represents and warrants to Lexicon that, as of the Closing Date:

(a) Organization. Symphony Icon is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) Authority and Validity. Symphony Icon has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement and the Novated and Restated Technology License Agreement and to consummate the transactions contemplated thereby. The execution, delivery and performance by Symphony Icon of this Agreement and the Novated and Restated Technology License Agreement and the consummation of the transactions contemplated thereby have been duly and validly authorized by all necessary action required on the part of Symphony Icon, and no other proceedings on the part of Symphony Icon are necessary to authorize this Agreement or the Novated and Restated Technology License Agreement or for Symphony Icon to perform its obligations under this Agreement or the Novated and Restated Technology License Agreement. This Agreement and the Novated and Restated Technology License Agreement constitute the lawful, valid and legally binding obligations of Symphony Icon, enforceable in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles regardless of whether such enforceability is considered in a proceeding at law or in equity.

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(c) No Violation or Conflict. The execution, delivery and performance of this Agreement and the Novated and Restated Technology License Agreement and the transactions contemplated thereby do not and will not (i) violate, conflict with or result in the breach of any provision of the Organizational Documents of Symphony Icon, (ii) conflict with or violate any law or Governmental Order applicable to Symphony Icon or any of its assets, properties or businesses, or (iii) conflict with, result in any breach of, constitute a default (or event that with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, or result in the creation of any Encumbrance on any of the assets or properties of Symphony Icon, pursuant to any note, bond, mortgage or indenture, contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which Symphony Icon is a party except, in the case of clauses (ii) and (iii), to the extent that such conflicts, breaches, defaults or other matters would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Symphony Icon.

(d) Governmental Consents and Approvals. The execution, delivery and performance of this Agreement and the Novated and Restated Technology License Agreement by Symphony Icon do not, and the consummation of the transactions contemplated thereby do not and will not, require any Governmental Approval which has not already been obtained, effected or provided, except with respect to which the failure to so obtain, effect or provide would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Symphony Icon.

(e) Litigation. There are no actions by or against Symphony Icon pending before any Governmental Authority or, to the Knowledge of Symphony Icon, threatened to be brought, by or before any Governmental Authority that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Symphony Icon. There are no pending or, to the Knowledge of Symphony Icon, threatened actions to which Symphony Icon is a party (or is threatened to be named as a party) to set aside, restrain, enjoin or prevent the execution, delivery or performance of this Agreement or the consummation of the transactions contemplated hereby by any party hereto. Symphony Icon is not subject to any Governmental Order (nor, to the knowledge of Symphony Icon, is there any such Governmental Order threatened to be imposed by any Governmental Authority) that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Symphony Icon or a material adverse effect on the Programs.

13. Relationship Between Lexicon and Symphony Icon. Nothing contained in this Agreement or any acts or omissions hereunder shall constitute or be construed so as to create any joint venture or partnership relationship between Lexicon and Symphony Icon, and the Parties acknowledge and agree that Lexicon is acting as an independent contractor in the performance of its obligations under this Agreement.

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14. Change of Control. Holdings has the Change of Control Put Option described in Section 2A of the Purchase Option Agreement following a Change of Control with respect to Lexicon.

15. No Restrictions; Indemnification.

15.1 No Restrictions. Nothing in this Agreement shall limit or restrict the right of any director, officer or employee of Lexicon or any director, officer, or employee of any of its subsidiaries or its Affiliates to engage in any other business or to devote his or her time and attention to the management or other aspects of any other business, whether of a similar or dissimilar nature, nor limit or restrict the right of Lexicon or any of its affiliates to engage in any other business or to render services of any kind to any other Person.

15.2 Indemnification.

(a) To the greatest extent permitted by applicable law, Lexicon shall indemnify and hold harmless Symphony Icon, Holdings and RRD and each of their respective Affiliates, officers, directors, employees, agents, members, managers, successors and assigns (each, a "Symphony Indemnified Party"), and Symphony Icon shall indemnify and hold harmless Lexicon, and its Affiliates and each of their respective officers, directors, employees, agents (other than Lexicon Subcontractors), members, managers, successors and assigns (each, a "Lexicon Indemnified Party"), from and against any and all claims, losses, costs, interest, awards, judgments, fees (including reasonable fees for attorneys and other professionals), court costs, liabilities, damages and expenses incurred by any Symphony Indemnified Party or Lexicon Indemnified Party (irrespective of whether any such Indemnified Party is a party to the action for which indemnification hereunder is sought) (hereinafter, a "Loss") to the extent resulting from, arising out of, or relating to any and all third party suits, claims, actions, proceedings or demands based upon:

(i) in the case of Lexicon being the Indemnifying Party, (A) any breach of any representation or warranty made by Lexicon herein or in any other Operative Document, (B) any breach of any covenant, agreement or obligation of Lexicon contained herein or in any other Operative Document, except to the extent such covenant, agreement or obligation relates to Lexicon's performance under the Development Plan, (C) any gross negligence or willful misconduct of Lexicon (and not that of any Lexicon Subcontractors) in connection with Lexicon's performance of its obligations under this Agreement (including the Development Plan), (D) any action undertaken or performed by or on behalf of Lexicon prior to, and including, the Closing Date that relates to the Programs or the Products, or (E) in the event Lexicon exercises a Discontinuation Option for a Program, any action undertaken and/or performed by or on behalf of Lexicon after the Discontinuation Option Closing Date and relating to the Product that was the subject of such Program (including the development, manufacture, use, handling, storage, sale or other

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disposition of such Product); in each case, except (1) with respect to Losses for which Lexicon is entitled to indemnification under this Article 15 or (2) to the extent such Loss arises from the gross negligence or willful misconduct of a Symphony Indemnified Party; and

(ii) in the case of Symphony Icon being the Indemnifying Party, (A) any breach of any representation or warranty made by Symphony Icon herein or in any other Operative Document, (B) any breach of any covenant, agreement or obligation of Symphony Icon contained herein or in any other Operative Document, (C) any and all activities undertaken or performed by or on behalf of the Parties under the Development Plan during the Term, (D) any gross negligence or willful misconduct of Symphony Icon (and not that of its direct subcontractors) in connection with Symphony Icon's performance of its obligations under this Agreement, or (E) the development, manufacture, use, handling, storage, sale or other disposition of the Products (including in the course of conducting the Programs) during the Term (except with respect to the development, manufacture, use, handling, storage, sale or other disposition, after Lexicon's exercise of a Discontinuation Option, of Products covered under Section 15.2(a)(i)(E)); in each case, except (1) with respect to Losses for which Symphony Icon is entitled to indemnification under this Article 15, or (2) Losses deemed to have arisen from the breach by Lexicon of any covenant, agreement or obligation under this Agreement that relates to Lexicon's performance under the Development Plan, as determined by a court, arbitrator or pursuant to a settlement agreement, or (3) to the extent such Loss arises from the gross negligence or willful misconduct of a Lexicon Indemnified Party.

To the extent that the foregoing undertaking by Lexicon or Symphony Icon may be unenforceable for any reason, such Party shall make the maximum contribution to the payment and satisfaction of any Loss that is permissible under applicable law.

(b) Notice of Claims. Any Indemnified Party that proposes to assert a right to be indemnified under this Section 15.2 shall notify Lexicon or Symphony Icon, as applicable (the "Indemnifying Party"), promptly after receipt of notice of commencement of any action, suit or proceeding against such Indemnified Party (an "Indemnified Proceeding") in respect of which a claim is to be made under this Section 15.2, or the incurrence or realization of any Loss in respect of which a claim is to be made under this Section 15.2, of the commencement of such Indemnified Proceeding or of such incurrence or realization, enclosing a copy of all relevant documents, including all papers served and claims made, but the omission so to notify the applicable Indemnifying Party promptly of any such Indemnified Proceeding or incurrence or realization shall not relieve (x) such Indemnifying Party from any liability that it may have to such Indemnified Party under this Section 15.2 or otherwise, except, as to such Indemnifying Party's liability under this Section 15.2, to the extent, but only to the extent, that such Indemnifying Party shall have been prejudiced by such omission, or

(y) any other indemnitor from liability that it may have to any Indemnified Party under the Operative Documents.

(c) Defense of Proceedings. In case any Indemnified Proceeding shall be brought against any Indemnified Party, it shall notify the applicable Indemnifying Party of the commencement thereof as provided in Section 15.2(b), and such Indemnifying Party shall be entitled to participate in, and provided such Indemnified Proceeding involves a claim solely for money damages and does not seek an injunction or other equitable relief against the Indemnified Party and is not a criminal or regulatory action, to assume the defense of, such Indemnified Proceeding with counsel reasonably satisfactory to such Indemnified Party. After notice from such Indemnifying Party to such Indemnified Party of such Indemnifying Party's election so to assume the defense thereof and the failure by such Indemnified Party to object to such counsel within ten (10) Business Days following its receipt of such notice, such Indemnifying Party shall not be liable to such Indemnified Party for legal or other expenses related to such Indemnified Proceedings incurred after such notice of election to assume such defense except as provided below and except for the reasonable costs of investigating, monitoring or cooperating in such defense subsequently incurred by such Indemnified Party reasonably necessary in connection with the defense thereof. Such Indemnified Party shall have the right to employ its counsel in any such Indemnified Proceeding, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless:

(i) the employment of counsel by such Indemnified Party at the expense of the applicable Indemnifying Party has been authorized in writing by such Indemnifying Party;

(ii) such Indemnified Party shall have reasonably concluded in its good faith (which conclusion shall be determinative unless a court determines that such conclusion was not reached reasonably and in good faith) that there is or may be a conflict of interest between the applicable Indemnifying Party and such Indemnified Party in the conduct of the defense of such Indemnified Proceeding or that there are or may be one or more different or additional defenses, claims, counterclaims, or causes of action available to such Indemnified Party (it being agreed that in any case referred to in this clause (ii) such Indemnifying Party shall not have the right to direct the defense of such Indemnified Proceeding on behalf of the Indemnified Party);

(iii) the applicable Indemnifying Party shall not have employed counsel reasonably acceptable to the Indemnified Party to assume the defense of such Indemnified Proceeding within a reasonable time after notice of the commencement thereof; provided, however, that (A) this clause (iii) shall not be deemed to constitute a waiver of any conflict of interest that may arise with respect to any such counsel, and (B) an Indemnified Party may not invoke this clause (iii) if such Indemnified Party failed to timely object to such counsel pursuant to the first paragraph of this Section 15.2(c) above (it being agreed that

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in any case referred to in this clause (iii) such Indemnifying Party shall not have the right to direct the defense of such Indemnified Proceeding on behalf of the Indemnified Party); or

(iv) any counsel employed by the applicable Indemnifying Party shall fail to timely commence or reasonably conduct the defense of such Indemnified Proceeding and such failure has prejudiced (or is in immediate danger of prejudicing) the outcome of such Indemnified Proceeding (it being agreed that in any case referred to in this clause (iv) such Indemnifying Party shall not have the right to direct the defense of such Indemnified Proceeding on behalf of the Indemnified Party);

in each of which cases the fees and expenses of counsel for such Indemnified Party shall be at the expense of such Indemnifying Party. Only one counsel shall be retained by all Indemnified Parties with respect to any Indemnified Proceeding, unless counsel for any Indemnified Party reasonably concludes in good faith (which conclusion shall be determinative unless a court determines that such conclusion was not reached reasonably and in good faith) that there is or may be a conflict of interest between such Indemnified Party and one or more other Indemnified Parties in the conduct of the defense of such Indemnified Proceeding or that there are or may be one or more different or additional defenses, claims, counterclaims, or causes or action available to such Indemnified Party.

(d) Settlement. Without the prior written consent of such Indemnified Party, such Indemnifying Party shall not settle or compromise, or consent to the entry of any judgment in, any pending or threatened Indemnified Proceeding, unless such settlement, compromise, consent or related judgment (i) includes an unconditional release of such Indemnified Party from all liability for Losses arising out of such claim, action, investigation, suit or other legal proceeding, (ii) provides for the payment of money damages as the sole relief for the claimant (whether at law or in equity), (iii) involves no admission of fact adverse to the Indemnified Party or finding or admission of any violation of law or the rights of any Person by the Indemnified Party, and (iv) is not in the nature of a criminal or regulatory action. No Indemnified Party shall settle or compromise, or consent to the entry of any judgment in, any pending or threatened Indemnified Proceeding (A) in respect of which any payment would result hereunder or under any other Operative Document, (B) which includes an injunction that will adversely affect any Indemnifying Party, (C) which involves an admission of fact adverse to the Indemnifying Party or a finding or admission of any violation of law or the rights of any Person by the Indemnifying Party, or (D) which is in the nature of a criminal or regulatory action, without the prior written consent of the Indemnifying Party, such consent not to be unreasonably conditioned, withheld or delayed.

16. Limitation of Liabilities.

16.1 Between the Parties. TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, NEITHER PARTY NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, MANAGERS, EMPLOYEES,

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INDEPENDENT CONTRACTORS OR AGENTS (INCLUDING RRD AND ITS MEMBERS, MANAGERS, EMPLOYEES, INDEPENDENT CONTRACTORS AND AGENTS) SHALL HAVE ANY LIABILITY OF ANY TYPE (INCLUDING, BUT NOT LIMITED TO, CLAIMS IN CONTRACT, NEGLIGENCE AND TORT LIABILITY) FOR ANY SPECIAL, INCIDENTAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES, INCLUDING, BUT NOT LIMITED TO, THE LOSS OF OPPORTUNITY, LOSS OF USE OR LOSS OF REVENUE OR PROFIT IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR THE SERVICES PERFORMED HEREUNDER, EVEN IF SUCH DAMAGES MAY HAVE BEEN FORESEEABLE. THE FOREGOING SHALL NOT LIMIT EITHER PARTY'S INDEMNIFICATION OBLIGATIONS PURSUANT TO SECTION 15.2 AND SHALL NOT APPLY TO BREACHES OF ITS CONFIDENTIALITY OBLIGATIONS PURSUANT TO ARTICLE 10.

16.2 Pursuant to the RRD Services Agreement. Each Party hereby acknowledges and agrees that, pursuant to Sections 9(f) and (g) of the RRD Services Agreement, RRD has expressly disclaimed all liability for (a) any claim arising out of, or allegedly arising out of the activities carried out by (or within the authority of) Lexicon (and such Lexicon Subcontractors and vendors it may retain) hereunder, or for any liability arising under the Novated and Restated Technology License Agreement with respect to any license or sublicense thereunder in relation to the activities carried out by (or within the authority of) Lexicon (and such Lexicon Subcontractors and vendors it may retain) hereunder, and (b) supervising, compensating or discharging, or any other liability to or with respect to, any vendor retained by Lexicon (or, in the case of a vendor engaged by both RRD and Lexicon, to and for such vendor to the extent that such vendor performs services for Lexicon), except that RRD shall make payments from Symphony Icon's funds to reimburse Lexicon, in accordance with Article 8 and Annex E of this Agreement, for costs and expenses incurred by Lexicon in connection with the engagement of such vendors by Lexicon for the performance of services contemplated under the Development Plan. Each Party acknowledges that RRD has certain rights in respect of such disclaimers pursuant to the RRD Services Agreement.

17. Term and Termination.

17.1 Term. This Agreement shall be effective as of the Closing Date and shall expire on the last day of the Term, unless the Agreement is earlier terminated as specified in this Article 17.

17.2 Termination for Lexicon's Breach.

(a) Symphony Icon may terminate this Agreement at any time upon written notice to Lexicon if Lexicon is in material default or breach of this Agreement that has resulted in, or would reasonably be expected to result in, a material adverse effect on the Programs or Symphony Icon's or Holdings' rights under the Operative Agreements, and such material default or breach continues unremedied for a

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period of [**] after written notice thereof is delivered to Lexicon. Such cure period may be extended if (i) Lexicon reasonably believes such breach can be cured within [**] of Lexicon's receipt of Symphony Icon's written notice of such breach (and notifies Symphony Icon in writing of such belief and the basis for such belief), and (ii) Symphony Icon, acting reasonably, agrees. If Lexicon fails to remedy the default or breach within the applicable cure period, Symphony Icon may by final notice of termination to Lexicon terminate this Agreement.

(b) In the event that Symphony Icon terminates this Agreement pursuant to Section 17.2(a) above, Lexicon may exercise its Purchase Option (which shall include the costs associated with Lexicon's material default or breach), pursuant to Section 1(c)(v) of the Purchase Option Agreement, within [**] of receiving such notice of termination from Symphony Icon; provided, that if such termination occurs after a Change of Control with respect to Lexicon due to the Surviving Entity's material default or breach of this Agreement, and if the Surviving Entity does not exercise such Purchase Option, then Holdings may exercise its Put Option pursuant to Section 2A of the Purchase Option Agreement.

17.3 Termination for Symphony Icon's or Holdings' Breach Lexicon may terminate this Agreement at any time upon written notice to Symphony Icon and Holdings if Symphony Icon or Holdings is in material default or breach of this Agreement that has resulted in, or would reasonably be expected to result in, a material adverse effect on the Programs or Lexicon's rights under the Operative Agreements, and such material default or breach continues unremedied for a period of [**] after written notice thereof is delivered to Symphony Icon and Holdings. Such cure period may be extended if (i) Symphony Icon or Holdings reasonably believes such breach can be cured within [**] of Symphony Icon's and Holdings' receipt of Lexicon's written notice of such breach (and notifies Lexicon in writing of such belief and the basis for such belief), and (ii) Lexicon, acting reasonably, agrees. If Symphony Icon or Holdings fails to remedy the default or breach within the applicable cure period, Lexicon may by final notice of termination to Symphony Icon and Holdings terminate this Agreement.

17.4 Termination of License Agreement. This Agreement shall automatically terminate upon the termination of the Novated and Restated Technology License Agreement.

17.5 Survival.

(a) The agreements and covenants of the Parties set forth in Articles 10, 11, 15, 16 and 18, and Sections 6.7 and 17.5 shall survive the expiration or termination of this Agreement. In addition, Section 8.2 shall, to the extent that the costs and expenses reimbursable thereunder have been incurred or become uncancellable prior to such termination, also survive such expiration.

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(b) If Lexicon does not exercise the Purchase Option, in addition to the provisions specified in Section 17.5(a), Section 5.4 shall also survive such unexercised expiration.

18. Miscellaneous.

18.1 No Petition. Lexicon covenants and agrees that, prior to the date which is one (1) year and one (1) day after the expiration of the Term, Lexicon will not institute or join in the institution of any bankruptcy, insolvency, reorganization or similar proceeding against Symphony Icon. The provisions of this Section 18.1 shall survive the termination of this Agreement.

18.2 Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given to any party shall be in writing addressed to the party at its address set forth below and shall be deemed given (i) when delivered to the party personally, (ii) if sent to the party by facsimile transmission (promptly followed by a hard-copy delivered in accordance with this Section 18.2), when the transmitting party obtains written proof of transmission and receipt; provided, however, that notwithstanding the foregoing, any communication sent by facsimile transmission after 5:00 PM (receiving party's time) or not on a Business Day shall not be deemed received until the next Business Day, (iii) when delivered by next Business Day delivery by a nationally recognized courier service, or (iv) if sent by registered or certified mail when received, provided postage and registration or certification fees are prepaid and delivery is confirmed by a return receipt:

Lexicon:

Lexicon Pharmaceuticals, Inc.
8800 Technology Forest Place
The Woodlands, TX 77381-1160
Attn: Arthur T. Sands, M.D., Ph.D.
Facsimile: (281) 863-8095

with copies to:

Lexicon Pharmaceuticals, Inc.
8800 Technology Forest Place
The Woodlands, TX 77381-1160
Attn: Jeffrey L. Wade
Facsimile: (281) 863-8010

and

Lexicon Pharmaceuticals, Inc.
8800 Technology Forest Place
The Woodlands, TX 77381-1160

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Attn: Julia P. Gregory
Facsimile: (281) 863-8095

Symphony Icon:

Symphony Icon, Inc.
7361 Calhoun Place, Suite 325
Rockville, MD 20855
Attn: Charles W. Finn, Ph.D.
Facsimile: (301) 762-6154

Holdings:

Symphony Icon Holdings LLC
7361 Calhoun Place, Suite 325
Rockville, MD 20855
Attn: Robert L. Smith, Jr.
Facsimile: (301) 762-6154

with copies to:

Symphony Capital Partners, L.P.
875 Third Avenue, 18th Floor
New York, NY 10022
Attn: Mark Kessel
Facsimile: (212) 632-5401

and

Symphony Strategic Partners, LLC
875 Third Avenue, 18th Floor
New York, NY 10022
Attn: Mark Kessel
Facsimile: (212) 632-5401

or to such other address as such party may from time to time specify by notice given in the manner provided herein to each other party entitled to receive notice hereunder.

18.3 Governing Law: Consent to Jurisdiction and Service of Process.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York; except to the extent that this Agreement pertains to the internal governance of Symphony Icon or Holdings, and to such extent this Agreement shall be governed and construed in accordance with the laws of the State of Delaware.

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(b) Each of the Parties hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in The City of New York, Borough of Manhattan, and any appellate court from any jurisdiction thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the Parties hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the fullest extent permitted by law, in such federal court. Each of the Parties agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any Party may otherwise have to bring any action or proceeding relating to this Agreement.

(c) Each of the Parties irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York State or federal court. Each of the Parties irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

18.4 Waiver of Jury Trial. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT.

18.5 Entire Agreement. This Agreement (including any Annexes, Schedules, Exhibits or other attachments hereto) constitutes the entire agreement between the Parties with respect to the matters covered hereby, and no oral or written statement may be used to interpret or vary the meaning of the terms and conditions hereof. This Agreement supersedes all prior and contemporaneous agreements, correspondence, discussion and understanding with respect to such matters between the Parties, including the Research and Development Agreement, but excluding the Operative Documents.

18.6 Amendment; Successors; Assignment; Counterparts.

(a) The terms of this Agreement shall not be altered, modified, amended, waived or supplemented in any manner whatsoever except by a written instrument signed by each of the Parties and Holdings.

(b) Nothing expressed or implied herein is intended or shall be construed to confer upon or to give to any Person, other than the Parties (and, to the extent of Section 18.8, RRD), any right, remedy or claim under or by reason of this Agreement or of any term, covenant or condition hereof, and all the terms, covenants,

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conditions, promises and agreements contained herein shall be for the sole and exclusive benefit of the Parties (and, to the extent of Section 18.8, RRD) and their successors and permitted assigns.

(c) This Agreement may not be assigned by either Party hereto without the prior written consent of the other Party; provided that, in the event Lexicon undergoes a Change of Control in compliance with Article 14 hereof, Lexicon may assign this Agreement to its Successor Entity.

(d) This Agreement may be executed in one or more counterparts, each of which, when executed, shall be deemed an original but all of which taken together shall constitute one and the same Agreement.

18.7 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in a manner materially adverse to either party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

18.8 Third Party Beneficiary. Each of the Parties agrees that RRD shall be a third party beneficiary of Articles 2, 8 and 16, and Sections 4.1, 4.2(a), 4.2(b), 7.1, 7.3, 9.1(f), 15.2 and 18.6(b) of this Agreement.

[SIGNATURES FOLLOW ON NEXT PAGE]

Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year above written.

SYMPHONY ICON HOLDINGS LLC

By: Symphony Capital Partners, L.P., its Manager

By: Symphony Capital GP, L.P., its general partner

By: Symphony GP, LLC,
its general partner

By: _____

Name: Mark Kessel

Title: Managing Member

SYMPHONY ICON, INC.

By: _____

Name: Mark Kessel

Title: Chairman of the Board

LEXICON PHARMACEUTICALS, INC.

By: _____

Name: Arthur T. Sands, M.D., Ph.D.

Title: President and Chief Executive Officer

Signature Page to Amended and Restated Research and Development Agreement

CERTAIN DEFINITIONS

See attached.

Annex A — 1

CERTAIN DEFINITIONS

“\$” means United States dollars.

“Accredited Investor” has the meaning set forth in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended.

“Act” means the Delaware Limited Liability Company Act, 6 Del. C. § 18-101 et seq.

“Activity” means:

(a) in the case of goods or services procured from third party vendors, the resources applied (and the costs incurred therefor) on one clinical study or protocol under a single contract with a vendor, said contract consisting of either a purchase order or a stand alone contract, if for a one-time purchase, or a series of work orders under a master contract or master services agreement, if for multiple purchases of similar goods or services from the same vendor; and

(b) in the case of internally provided goods or services, the resources applied, allocated or reallocated (and the costs associated therewith) under a single budgetary line item for any LG103 Program or any LG617 Program.

“Ad Hoc Meeting” has the meaning set forth in Paragraph 6 of Annex B of the Amended and Restated Research and Development Agreement.

“Additional Party” has the meaning set forth in Section 14 of the Confidentiality Agreement.

“Additional Regulatory Filings” means such Governmental Approvals as required to be made under any law applicable to the purchase of the Symphony Icon Equity Securities under the Purchase Option Agreement.

“Adjusted Capital Account Deficit” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Affected Member” has the meaning set forth in Section 26 of the Investors LLC Agreement.

“Affiliate” means, with respect to any Person (i) any Person directly or indirectly controlling, controlled by or under common control with such Person, (ii) any officer, director, general partner, member or trustee of such Person, or (iii) any Person who is an officer, director, general partner, member or trustee of any Person described in clauses (i) or (ii) of this sentence. For purposes of this definition, the terms “controlling,” “controlled by” or “under common control with” shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a

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Person or entity, whether through the ownership of voting securities, by contract or otherwise, or the power to elect at least 50% of the directors, managers, general partners, or persons exercising similar authority with respect to such Person or entities.

“Amended and Restated Research and Development Agreement” means the Amended and Restated Research and Development Agreement dated as of the Closing Date, among Lexicon, Holdings and Symphony Icon.

“Annual Price” has the meaning set forth in Section 2(b) of the Purchase Option Agreement.

“Asset Value” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Auditors” means an independent certified public accounting firm of recognized national standing.

“Balance Sheet Deficiency” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“Balance Sheet Deficiency Date” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“Balance Sheet Deficiency Threshold” shall have the meaning set forth in Section 3(b) of the Research Cost Sharing, Payment and Extension Agreement.

“Bankruptcy Code” means the United States Bankruptcy Code.

“Bankruptcy Event” means, with respect to a Person, the occurrence of either of the following:

(a) a case or other proceeding shall be commenced, without the application or consent of such Person, in any court, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or readjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator or the like for such Person of all or substantially all of its assets, or any similar action with respect to such Person under any Law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and such case or proceeding shall continue undismissed, or unstayed and in effect, for a period of sixty (60) consecutive days; or an order for relief in respect of such Person shall be entered in an involuntary case under the federal bankruptcy Laws or other similar Laws now or hereafter in effect; or

(b) such Person shall generally not pay its debts as such debts become due or shall admit in writing its inability to pay its debts generally or such Person shall commence a voluntary case or other proceeding under any applicable bankruptcy,

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insolvency, reorganization, debt arrangement, dissolution or other similar Law now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee (other than a trustee under a deed of trust, indenture or similar instrument), custodian, sequestrator (or other similar official) for, such Person or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall be adjudicated insolvent, or admit in writing its inability to pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors shall vote to implement any of the foregoing.

“BMS” means Bristol-Myers Squibb Company, a Delaware corporation.

“Business Day” means any day other than Saturday, Sunday or any other day on which commercial banks in the City of New York are authorized or required by law to remain closed.

“Capital Contributions” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Capitalized Leases” means all leases that have been or should be, in accordance with GAAP, recorded as capitalized leases.

“Cash Available for Distribution” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Chair” has the meaning set forth in Paragraph 4 of Annex B to the Amended and Restated Research and Development Agreement.

“Change of Control” means and includes the occurrence of any of the following events, but specifically excludes (i) acquisitions of capital stock directly from Lexicon for cash, whether in a public or private offering, (ii) sales of capital stock by stockholders of Lexicon, and (iii) acquisitions of capital stock by or from any employee benefit plan or related trust:

(a) the merger, reorganization or consolidation of Lexicon into or with another corporation or legal entity in which Lexicon’s stockholders holding the right to vote with respect to matters generally immediately preceding such merger, reorganization or consolidation, own less than fifty percent (50%) of the voting securities of the surviving entity; or

(b) the sale of all or substantially all of Lexicon’s assets or business.

“Change of Control Put Option” has the meaning set forth in Section 2A of the Purchase Option Agreement.

“Change of Control Put Option Exercise Notice” has the meaning set forth in Section 2A of the Purchase Option Agreement.

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“Class A Member” means a holder of a Class A Membership Interest.

“Class A Membership Interest” means a Class A Membership Interest in Holdings.

“Class B Member” means a holder of a Class B Membership Interest.

“Class B Membership Interest” means a Class B Membership Interest in Holdings.

“Class C Member” means a holder of a Class C Membership Interest.

“Class C Membership Interest” means a Class C Membership Interest in Holdings.

“Class D Member” means a holder of a Class D Membership Interest.

“Class D Membership Interest” means a Class D Membership Interest in Holdings.

“Client Schedules” has the meaning set forth in Section 5(b) of the RRD Services Agreement.

“Clinical Trial Material” means Product and placebo for administration to animals for pre-clinical testing or to humans for clinical testing, and Product for non-clinical testing.

“Closing Date” means June 15, 2007.

“CMC” means the chemistry, manufacturing and controls documentation as required for filings with a Regulatory Authority relating to the manufacturing, production and testing of drug products.

“CNS Field” means the field of prevention, palliation, control or treatment in humans of (a) depression, schizophrenia, bipolar disease, dementia, anxiety, attention deficit hyperactivity disorder, anorexia nervosa and other affective disorders, (b) Alzheimer’s disease and other cognitive disorders, (c) Parkinson’s disease, amyotrophic lateral sclerosis and other neurodegenerative disorders, (d) pain, (e) epilepsy, (f) insomnia, narcolepsy and other sleep disorders, (g) substance abuse and (h) migraine.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Common Stock” means the common stock, par value \$0.01 per share, of Symphony Icon.

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“Company Expenses” has the meaning set forth in Section 5.09 of the Holdings LLC Agreement.

“Company Property” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Confidential Information” has the meaning set forth in Section 2 of the Confidentiality Agreement.

“Confidentiality Agreement” means the Confidentiality Agreement, dated as of the Closing Date, among Symphony Icon, Holdings, Lexicon, SCP, SSP, Investors, Symphony Capital and RRD, as such agreement may be amended or amended and restated from time to time.

“Conflict Transaction” has the meaning set forth in Article X of the Symphony Icon Charter.

“Control” means, with respect to any material, information or intellectual property right, that a Party owns or has a license to such item or right, and has the ability to grant the other Party access, a license or a sublicense (as applicable) in or to such item or right as provided in the Operative Documents without violating the terms of any agreement or other arrangement with any third party.

“Cross Program Budget Component” has the meaning set forth in Section 4.1 of the Amended and Restated Research and Development Agreement.

“Debt” of any Person means, without duplication:

(a) all indebtedness of such Person for borrowed money,

(b) all obligations of such Person for the deferred purchase price of property or services (other than any portion of any trade payable obligation that shall not have remained unpaid for 91 days or more from the later of (A) the original due date of such portion and (B) the customary payment date in the industry and relevant market for such portion),

(c) all obligations of such Person evidenced by bonds, notes, debentures or other similar instruments,

(d) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (whether or not the rights and remedies of the seller or lender under such agreement in an event of default are limited to repossession or sale of such property),

(e) all Capitalized Leases to which such Person is a party,

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- (f) all obligations, contingent or otherwise, of such Person under acceptance, letter of credit or similar facilities,
- (g) all obligations of such Person to purchase, redeem, retire, defease or otherwise acquire for value any Equity Securities of such Person,
- (h) the net amount of all financial obligations of such Person in respect of Hedge Agreements,
- (i) the net amount of all other financial obligations of such Person under any contract or other agreement to which such Person is a party,

(j) all Debt of other Persons of the type described in clauses (a) through (i) above guaranteed, directly or indirectly, in any manner by such Person, or in effect guaranteed, directly or indirectly, by such Person through an agreement (A) to pay or purchase such Debt or to advance or supply funds for the payment or purchase of such Debt, (B) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Debt or to assure the holder of such Debt against loss, (C) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (D) otherwise to assure a creditor against loss, and

(k) all Debt of the type described in clauses (a) through (i) above secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Encumbrance on property (including accounts and contract rights) owned or held or used under lease or license by such Person, even though such Person has not assumed or become liable for payment of such Debt.

“Development Budget” means the budget (comprised of the Program Specific Budget Component and the Cross Program Budget Component) for the implementation of the Development Plan (the initial form of which was agreed upon by Lexicon and Symphony Icon as of the Closing Date and attached to the Amended and Restated Research and Development Agreement as Annex C thereto), as may be further developed and revised from time to time in accordance with the Development Committee Charter and the Amended and Restated Research and Development Agreement.

“Development Committee” has the meaning set forth in Article 3 of the Amended and Restated Research and Development Agreement.

“Development Committee Charter” has the meaning set forth in Article 3 of the Amended and Restated Research and Development Agreement.

“Development Committee Member” has the meaning set forth in Paragraph 1 of Annex B to the Amended and Restated Research and Development Agreement.

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“Development Plan” means the development plan covering all the Programs (the initial form of which was agreed upon by Lexicon and Symphony Icon as of the Closing Date and attached to the Amended and Restated Research and Development Agreement as Annex C thereto), as may be further developed and revised from time to time in accordance with the Development Committee Charter and the Amended and Restated Research and Development Agreement.

“Development Product” means a LG617 Product or a LG103 Product that is administered in a clinical trial performed pursuant to the Development Plan.

“Development Services” has the meaning set forth in Section 1(b) of the RRD Services Agreement.

“Development Subcontracting Agreement” means a Subcontracting Agreement that is directly related to one or both of the Programs and is not a Manufacturing Subcontracting Agreement.

“Director(s)” means the Persons identified as such in the Preliminary Statement of the Indemnification Agreement (including such Persons as may become parties thereto after the date hereof).

“Disclosing Party” has the meaning set forth in Section 4 of the Confidentiality Agreement.

“Discontinuation Option” has the meaning set forth in Section 11(a) of the Amended and Restated Research and Development Agreement.

“Discontinuation Option Closing Date” means the date of expiration of the Discontinuation Option pursuant to Section 11(a) of the Amended and Restated Research and Development Agreement.

“Discontinuation Price” has the meaning set forth in Section 11(a) of the Amended and Restated Research and Development Agreement.

“Discontinued Program” has the meaning set forth in Section 2.10 of the Novated and Restated Technology License Agreement.

“Disinterested Directors” has the meaning set forth in Article IX of the Symphony Icon Charter.

“Distribution” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Early Purchase Option Exercise” has the meaning set forth in Section 1(c)(v) of the Purchase Option Agreement.

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“Effective Registration Date” has the meaning set forth in Section 1(b) of the Registration Rights Agreement.

“Encumbrance” means (i) any security interest, pledge, mortgage, lien (statutory or other), charge or option to purchase, lease or otherwise acquire any interest, (ii) any adverse claim, restriction, covenant, title defect, hypothecation, assignment, deposit arrangement, license or other encumbrance of any kind, preference or priority, or (iii) any other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement).

“Equity Securities” means, with respect to any Person, shares of capital stock of (or other ownership or profit interests in) such Person, warrants, options or other rights for the purchase or other acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or other acquisition from such Person of such shares (or such other interests), and other ownership or profit interests in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

“ERISA” means the United States Employee Retirement Income Security Act of 1974, as amended.

“Excepted Debt” has the meaning set forth in Section 5(c)(iii) of the Purchase Option Agreement.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Existing Confidentiality Agreement” has the meaning set forth in Section 2(a) of the Confidentiality Agreement.

“Extension Funding” has the meaning set forth in Section 2 of the Research Cost Sharing, Payment and Extension Agreement.

“External Directors” means, at any time, up to two (2) Persons elected to the Symphony Icon Board after the Closing Date (who shall be neither employees of Symphony Capital nor of Lexicon) in accordance with the Symphony Icon Charter, the Symphony Icon By-laws and Section 4(b)(v) of the Purchase Option Agreement.

“FDA” means the United States Food and Drug Administration or its successor agency in the United States.

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“FDA Sponsor” has the meaning set forth in Section 5.1 of the Amended and Restated Research and Development Agreement.

“Final Termination Date” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“Financial Audits” has the meaning set forth in Section 6.7 of the Amended and Restated Research and Development Agreement.

“Financing” has the meaning set forth in the Preliminary Statement of the Purchase Option Agreement.

“Fiscal Year” has the meaning set forth in each Operative Document in which it appears.

“Form S-3” means the Registration Statement on Form S-3 as defined under the Securities Act.

“FTE” means the time and effort of one or more qualified scientists, technicians, project managers, preclinical or clinical research personnel, regulatory personnel, or patent professionals that is equivalent to [**]. The percentage of a FTE billable by Lexicon to the Programs for one individual shall be determined by dividing the number of hours worked directly by said individual on one or more of the Programs, [**], by [**], with the further limitation that one individual cannot account for more than one FTE over any annual period.

“Funds Termination Date” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“Funds Termination Notice” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“GAAP” means generally accepted accounting principles in effect in the United States of America from time to time.

“Governmental Approvals” means authorizations, consents, orders, declarations or approvals of, or filings with, or terminations or expirations of waiting periods imposed by any Governmental Authority.

“Governmental Authority” means any United States or non-United States federal, national, supranational, state, provincial, local, or similar government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body.

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“Governmental Order” means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

“Hedge Agreement” means any interest rate swap, cap or collar agreement, interest rate future or option contract, currency swap agreement, currency future or option contract or other similar hedging agreement.

“Holdings” means Symphony Icon Holdings LLC, a Delaware limited liability company.

“Holdings Claims” has the meaning set forth in Section 5.01 of the Share Purchase Agreement.

“Holdings LLC Agreement” means the Amended and Restated Limited Liability Company Agreement of Holdings dated as of the Closing Date.

“HSR Filings” means the pre-merger notification and report forms required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

“Icon Relevant Infringement” means an infringement, misappropriation, illegal use or misuse of the Licensed Patent Rights or other Licensed Intellectual Property due to the manufacture, use, sale or importation of a LG103 Product or a LG617 Product.

“IND” means an Investigational New Drug Application, as described in 21 U.S.C. § 355(i)(1) and 21 C.F.R. § 312 in the regulations promulgated by the United States Food and Drug Administration, or any foreign equivalent thereof.

“Indemnification Agreement” means the Indemnification Agreement among Symphony Icon and the Directors named therein, dated as of the Closing Date, as such agreement may be amended or amended and restated from time to time.

“Indemnified Party” has the meaning set forth in each Operative Document in which it appears.

“Indemnified Proceeding” has the meaning set forth in each Operative Document in which it appears.

“Indemnifying Party” has the meaning set forth in each Operative Document in which it appears.

“Initial Development Budget” means the initial development budget prepared by representatives of Symphony Icon and Lexicon prior to the Closing Date, and attached to the Amended and Restated Research and Development Agreement as Annex C thereto.

Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

“Initial Development Plan” means the initial development plan prepared by representatives of Symphony Icon and Lexicon prior to the Closing Date, and attached to the Amended and Restated Research and Development Agreement as Annex C thereto.

“Initial Holdings LLC Agreement” means the Agreement of Limited Liability Company of Holdings, dated April 30, 2007.

“Initial Investors LLC Agreement” means the Agreement of Limited Liability Company of Investors, dated April 30, 2007.

“Initial LLC Member” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Interest Certificate” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Investment Company Act” means the Investment Company Act of 1940, as amended.

“Investment Overview” means the investment overview describing the transactions entered into pursuant to the Operative Documents.

“Investment Policy” has the meaning set forth in Section 1(a)(vi) of the RRD Services Agreement.

“Investors” means Symphony Icon Investors LLC.

“Investors LLC Agreement” means the Amended and Restated Agreement of Limited Liability Company of Investors dated as of the Closing Date.

“IRS” means the U.S. Internal Revenue Service.

“Key Personnel” means those Lexicon Personnel listed on Schedule 6.5 to the Amended and Restated Research and Development Agreement, as such schedule may be updated from time to time by mutual agreement of the parties to the Amended and Restated Research and Development Agreement.

“Know-How” means any and all proprietary technology, including without limitation, manufacturing processes or protocols, know-how, writings, documentation, data, technical information, techniques, results of experimentation and testing, diagnostic and prognostic assays, specifications, databases, any and all laboratory, research, pharmacological, toxicological, analytical, quality control pre-clinical and clinical data, and other information and materials, whether or not patentable.

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“Knowledge” of Lexicon, Symphony Icon or Holdings, as the case may be, means the actual (and not imputed) knowledge of the executive officers or managing member of such Person without the duty of inquiry or investigation.

“Law” means any law, statute, treaty, constitution, regulation, rule, ordinance, order or Governmental Approval, or other governmental restriction, requirement or determination, of or by any Governmental Authority.

“Lexicon” means Lexicon Pharmaceuticals, Inc., a Delaware corporation (f/k/a Lexicon Genetics Incorporated).

“Lexicon Accounting Advisor” means Ernst & Young LLP.

“Lexicon Common Stock” means the common stock, par value \$0.001 per share, of Lexicon.

“Lexicon Common Stock Valuation” has the meaning set forth in Section 2(e) of the Purchase Option Agreement.

“Lexicon Funding Notice” has the meaning set forth in Section 2(b) of the Research Cost Sharing, Payment and Extension Agreement.

“Lexicon Obligations” has the meaning set forth in Section 6.1(a) of the Amended and Restated Research and Development Agreement.

“Lexicon Payment Amount” has the meaning set forth in Paragraph 14 of the Development Committee Charter.

“Lexicon Personnel” has the meaning set forth in Section 8.4 of the Amended and Restated Research and Development Agreement.

“Lexicon Public Filings” means all publicly available filings made by Lexicon with the SEC.

“Lexicon Subcontractor” means a third party that has entered into a Subcontracting Agreement with Lexicon.

“LG103” means [**].

“LG103 Product” means pharmaceutical compositions that Target LG103, including pharmaceutical compositions comprising LX1031, LX1032 and/or backups.

“LG103 Program” means the development, manufacture and/or use of any LG103 Product.

“LG617” means [**].

Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

“LG617 Product” means pharmaceutical compositions that Target LG617, including pharmaceutical compositions comprising LX6171 and/or backups.

“LG617 Program” means the development, manufacture and/or use of any LG617 Product.

“License” has the meaning set forth in the Preliminary Statement of the Purchase Option Agreement.

“Licensed Intellectual Property” means the Licensed Patent Rights and the Licensed Know-How.

“Licensed Know-How” means any and all Know-How that is [**].

“Licensed Patent Rights” means:

(a) [**];

(b) [**]; and

(c) [**].

“Licensed Patent Rights” include [**].

“Licensor” means Lexicon.

“Lien” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Liquidating Event” has the meaning set forth in Section 8.01 of the Holdings LLC Agreement.

“LLC Agreements” means the Initial Holdings LLC Agreement, the Holdings LLC Agreement, the Initial Investors LLC Agreement and the Investors LLC Agreement.

“Loss” has the meaning set forth in each Operative Document in which it appears.

“LX1031” means [**].

“LX1032” means [**].

“LX6171” means [**].

“Management Fee” has the meaning set forth in Section 6(a) of the RRD Services Agreement.

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“Management Services” has the meaning set forth in Section 1(a) of the RRD Services Agreement.

“Manager” means (i) for each LLC Agreement in which it appears, the meaning set forth in such LLC Agreement, and (ii) for each other Operative Document in which it appears, RRD in its capacity as the provider of Management Services on behalf of Symphony Icon pursuant to the RRD Services Agreement.

“Manager Event” has the meaning set forth in Section 3.01(g) of the Holdings LLC Agreement.

“Manufacturing Subcontracting Agreement” means a Subcontracting Agreement that is directly related to the manufacture of Product (including procurement of components and development of improved manufacturing methods).

“Material Adverse Effect” means, with respect to any Person, a material adverse effect on (i) the business, assets, property or condition (financial or otherwise) of such Person or, (ii) its ability to comply with and satisfy its respective agreements and obligations under the Operative Documents or, (iii) the enforceability of the obligations of such Person under any of the Operative Documents to which it is a party.

“Medical Discontinuation Event” means [**].

“Membership Interest” means (i) for each LLC Agreement in which it appears, the meaning set forth in such LLC Agreement, and (ii) for each other Operative Document in which it appears, the meaning set forth in the Holdings LLC Agreement.

“NASDAQ” means the Nasdaq Stock Market, Inc.

“NDA” means a New Drug Application, as defined in the regulations promulgated by the United States Food and Drug Administration, or any foreign equivalent thereof.

“Non-Lexicon Capital Transaction” means any (i) sale or other disposition of all or part of the Symphony Icon Shares or all or substantially all of the operating assets of Symphony Icon, to a Person other than Lexicon or an Affiliate of Lexicon or (ii) distribution in kind of the Symphony Icon Shares following the unexercised expiration or termination of the Purchase Option.

“Novated and Restated Technology License Agreement” means the Novated and Restated Technology License Agreement, dated as of the Closing Date, among Lexicon, Symphony Icon and Holdings.

“Operative Documents” means, collectively, the Indemnification Agreement, the Holdings LLC Agreement, the Purchase Option Agreement, the Share Purchase Agreement, the Registration Rights Agreement, the Subscription Agreement,

Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

the Technology License Agreement, the Novated and Restated Technology License Agreement, the RRD Services Agreement, the Research and Development Agreement, the Research Cost Sharing, Payment and Extension Agreement, the Amended and Restated Research and Development Agreement, the Confidentiality Agreement, and each other certificate and agreement executed in connection with any of the foregoing documents.

“Organizational Documents” means any certificates or articles of incorporation or formation, partnership agreements, trust instruments, bylaws or other governing documents.

“Partial Stock Payment” has the meaning set forth in Section 3(a)(iii) of the Purchase Option Agreement.

“Party(ies)” means, for each Operative Document or other agreement in which it appears, the parties to such Operative Document or other agreement, as set forth therein. With respect to any agreement in which a provision is included therein by reference to a provision in another agreement, the term “Party” shall be read to refer to the parties to the document at hand, not the agreement that is referenced.

“Payment Terms” has the meaning set forth in Section 8.2 of the Amended and Restated Research and Development Agreement.

“Percentage” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Permitted Investments” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Permitted Lien” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Person” means any individual, partnership (whether general or limited), limited liability company, corporation, trust, estate, association, nominee or other entity.

“Personnel” of a Party means such Party, its employees, subcontractors, consultants, representatives and agents.

“Prime Rate” means the quoted “Prime Rate” at JPMorgan Chase Bank or, if such bank ceases to exist or is not quoting a base rate, prime rate reference rate or similar rate for United States dollar loans, such other major money center commercial bank in New York City selected by the Manager.

“Product” means a LG617 Product and/or a LG103 Product.

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“Profit” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Programs” means the LG617 Program and/or the LG103 Program.

“Program Specific Budget Component” has the meaning set forth in Section 4.1 of the Amended and Restated Research and Development Agreement.

“Program-Specific Claim” means any claim in a patent or patent application in the Licensed Patent Rights that is directed exclusively to (i) the composition of matter, formulations or use of any Product or (ii) methods of treating humans by inhibiting, agonizing, or otherwise modulating (*i.e.*, acting through) LG103 or LG617.

“Program-Specific Patents” means any and all Licensed Patent Rights that contain at least one Program-Specific Claim.

“Protocol” means a written protocol that meets the substantive requirements of Section 6 of the ICH Guideline for Good Clinical Practice as adopted by the FDA, effective May 9, 1997, and is included within the Development Plan or later modified or added to the Development Plan pursuant to the Amended and Restated Research and Development Agreement.

“Public Companies” has the meaning set forth in Section 5(e) of the Purchase Option Agreement.

“Purchase Option” has the meaning set forth in Section 1(a) of the Purchase Option Agreement.

“Purchase Option Agreement” means the Purchase Option Agreement dated as of the Closing Date, among Lexicon, Holdings and Symphony Icon.

“Purchase Option Closing” has the meaning set forth in Section 2(a) of the Purchase Option Agreement.

“Purchase Option Closing Date” has the meaning set forth in Section 2(a) of the Purchase Option Agreement.

“Purchase Option Commencement Date” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“Purchase Option Exercise Date” has the meaning set forth in Section 2(a) of the Purchase Option Agreement.

“Purchase Option Exercise Notice” has the meaning set forth in Section 2(a) of the Purchase Option Agreement.

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“Purchase Option Period” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“Purchase Price” has the meaning set forth in Section 2(b) of the Purchase Option Agreement.

“QA Audits” has the meaning set forth in Section 6.6 of the Amended and Restated Research and Development Agreement.

“Registration Rights Agreement” means the Registration Rights Agreement dated as of the Closing Date, between Lexicon and Holdings.

“Registration Statement” has the meaning set forth in Section 1(b) of the Registration Rights Agreement.

“Regulatory Allocation” has the meaning set forth in Section 3.06 of the Holdings LLC Agreement.

“Regulatory Authority” means the United States Food and Drug Administration, or any successor agency in the United States, or any health regulatory authority(ies) in any other country that is a counterpart to the FDA and has responsibility for granting registrations or other regulatory approval for the marketing, manufacture, storage, sale or use of drugs in such other country.

“Regulatory Files” means any IND, NDA or any other filings filed with any Regulatory Authority with respect to the Programs.

“Representative” of any Person means such Person’s shareholders, principals, directors, officers, employees, members, managers and/or partners.

“Research Cost Sharing, Payment and Extension Agreement” means the Research Cost Sharing, Payment and Extension Agreement dated as of the Closing Date, among Lexicon, Holdings and Symphony Icon.

“Research and Development Agreement” means the Research and Development Agreement dated as of the Closing Date, between Lexicon and Holdings.

“RRD” means RRD International, LLC, a Delaware limited liability company.

“RRD Indemnified Party” has the meaning set forth in Section 10(a) of the RRD Services Agreement.

“RRD Loss” has the meaning set forth in Section 10(a) of the RRD Services Agreement.

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“RRD Personnel” has the meaning set forth in Section 1(a)(ii) of the RRD Services Agreement.

“RRD Services Agreement” means the RRD Services Agreement between Symphony Icon and RRD, dated as of the Closing Date.

“Schedule K-1” has the meaning set forth in Section 9.02(a) of the Holdings LLC Agreement.

“Scheduled Meeting” has the meaning set forth in Paragraph 6 of Annex B of the Amended and Restated Research and Development Agreement.

“Scientific Discontinuation Event” has the meaning set forth in Section 4.2(c) of the Amended and Restated Research and Development Agreement.

“SCP” means Symphony Capital Partners, L.P., a Delaware limited partnership.

“SEC” means the United States Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended.

“Selling Stockholder Questionnaire” has the meaning set forth in Section 4(a) of the Registration Rights Agreement.

“Share Closing” has the meaning set forth in Section 2.04 of the Share Purchase Agreement.

“Share Date” has the meaning set forth in Section 2.02 of the Share Purchase Agreement.

“Share Purchase Agreement” means the Share Purchase Agreement, dated as of the Closing Date, between Lexicon and Holdings.

“Shares” has the meaning set forth in Section 2.01 of the Share Purchase Agreement.

“Solvent” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“SSP” means Symphony Strategic Partners, LLC, a Delaware limited liability company.

“Stock Payment Date” has the meaning set forth in Section 2 of the Subscription Agreement.

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“Stock Purchase Price” has the meaning set forth in Section 2 of the Subscription Agreement.

“Subcontracting Agreement” means (a) any written agreement between Lexicon and a third party pursuant to which the third party performs any Lexicon Obligations or (b) any work order, change order, purchase order or the like entered into pursuant to Section 6.2(b) of the Amended and Restated Research and Development Agreement.

“Sublicense Obligations” has the meaning set forth in Section 3.2 of the Novated and Restated Technology License Agreement.

“Sublicensed Intellectual Property” has the meaning set forth in Section 3.2 of the Novated and Restated Technology License Agreement.

“Subscription Agreement” means the Subscription Agreement between Symphony Icon and Holdings, dated as the Closing Date.

“Subsidiary” of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency); (b) the interest in the capital or profits of such partnership, joint venture or limited liability company; or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person’s other Subsidiaries.

“Surviving Entity” means the surviving legal entity which is surviving entity to Lexicon after giving effect to a Change of Control.

“Symphony Capital” means Symphony Capital LLC, a Delaware limited liability company.

“Symphony Fund(s)” means Symphony Capital Partners, L.P., a Delaware limited partnership, and Symphony Strategic Partners, LLC, a Delaware limited liability company.

“Symphony Icon” means Symphony Icon, Inc., a Delaware corporation.

“Symphony Icon Auditors” has the meaning set forth in Section 5(b) of the RRD Services Agreement.

“Symphony Icon Board” means the board of directors of Symphony Icon.

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“Symphony Icon By-laws” means the By-laws of Symphony Icon, as adopted by resolution of the Symphony Icon Board on the Closing Date.

“Symphony Icon Charter” means the Amended and Restated Certificate of Incorporation of Symphony Icon, dated as of the Closing Date.

“Symphony Icon Director Event” has the meaning set forth in Section 3.01(h)(i) of the Holdings LLC Agreement.

“Symphony Icon Enhancements” means [**].

“Symphony Icon Equity Securities” means the Common Stock and any other stock or shares issued by Symphony Icon.

“Symphony Icon Loss” has the meaning set forth in Section 10(b) of the RRD Services Agreement.

“Symphony Icon Shareholder” means any Person who owns any Symphony Icon Shares.

“Symphony Icon Shares” has the meaning set forth in Section 2.02 of the Holdings LLC Agreement.

“Tangible Materials” means [**].

“Target” when used as a noun, means a human gene and the products encoded by such gene, including, without limitation, (a) any partial or full-length DNA sequence from such gene (including any mutant or polymorphic forms thereof), (b) any RNA sequence (including any post-transcriptionally modified variants thereof) encoded by any such gene, and/or (c) any peptide, polypeptide or protein (including any post-translationally modified variants thereof) encoded by any such gene; and when used as a verb, means to inhibit, agonize, or otherwise modulate (*i.e.*, act through) any of the foregoing, as applicable.

“Tax Amount” has the meaning set forth in Section 4.02 of the Holdings LLC Agreement.

“Technology License Agreement” means the Technology License Agreement, dated as of the Closing Date, between Lexicon and Holdings.

“Term” has the meaning set forth in Section 4(b)(iv) of the Purchase Option Agreement, unless otherwise stated in the applicable Operative Document.

“Territory” means the world.

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“Third Party IP” has the meaning set forth in Section 2.9 of the Novated and Restated Technology License Agreement.

“Third Party Licensor” means a third party from which Lexicon has received a license or sublicense to Licensed Intellectual Property.

“Transfer” has for each Operative Document in which it appears the meaning set forth in such Operative Document.

“Transferee” has, for each Operative Document in which it appears, the meaning set forth in such Operative Document.

“Treasury Regulations” means the rules, regulations and orders, and interpretations thereof, adopted by the IRS under the Code, as in effect from time to time.

“Voluntary Bankruptcy” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

SYMPHONY ICON, INC.
DEVELOPMENT COMMITTEE CHARTER

Purpose

The Development Committee (the "Development Committee") is established by Symphony Icon, Inc. ("Symphony Icon") to oversee a clinical development plan (the "Development Plan") and a development budget (the "Development Budget") for the Programs (each as defined in that certain Novated and Restated Technology License Agreement ("TLA"), dated as of June 15, 2007, among Symphony Icon, Lexicon Pharmaceuticals, Inc. ("Lexicon") and Symphony Icon Holdings LLC ("Holdings", and together with Lexicon, the "Parties" and each a "Party"), and to develop and commercialize the LG617 Program and the LG103 Program (each as defined in the TLA). Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in Annex A to the Amended and Restated Research and Development Agreement, dated as of June 15, 2007, among Symphony Icon, Holdings and Lexicon.

Composition

1. The Development Committee shall initially have six (6) members, and shall at all times have an even number of members and consist of an equal number of members designated by each Party (the "Development Committee Members"). Each Party may bring additional employees or representatives to each meeting as non-voting observers, but only if such employees or representatives are bound by confidentiality obligations at least as stringent as those described in the Confidentiality Agreement. The size and composition of the Development Committee provided herein may not be changed without the consent of both Holdings and Lexicon.
2. One-half (1/2) of the Development Committee Members shall be designated by Lexicon and one-half (1/2) shall be designated by Holdings.
3. Each Development Committee Member shall have the requisite background, experience and training to carry out the duties and obligations of the Development Committee. Development Committee Members need not be directors of Symphony Icon, Holdings or Lexicon.
4. The chair of the Development Committee shall be, initially, Philip M. Brown, M.D., J.D., the Vice President of Clinical Development of Lexicon, and any succeeding chair shall be such person as may be appointed to the position of Vice President of Clinical Development of Lexicon (or an equivalent successor position) (the "Chair"). If Lexicon wishes to appoint a Chair other than the then-current Vice President of Clinical Development of Lexicon (or the holder of an equivalent successor position),

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then such appointment shall require the consent of the Symphony Icon Board; provided, that (x) [**], or (y) [**].

5. By written notice to Lexicon, Holdings may remove or replace one or more Development Committee Members designated by Holdings. By written notice to Holdings, Lexicon may remove or replace one or more Development Committee Members designated by Lexicon.

Operations

6. The Development Committee shall meet once per month during the Term, unless and until the Development Committee determines that such meetings should occur once per quarter (in either case, each a "Scheduled Meeting"). Scheduled Meetings may be held in person or by teleconference when appropriate; provided that each Scheduled Meeting during the first six months of the term shall be held in person unless otherwise unanimously agreed by the members of the Development Committee. In-person Scheduled Meetings shall be held at Lexicon's headquarters (presently its facilities in The Woodlands, Texas) unless otherwise unanimously agreed by the members of the Development Committee. Each of Symphony Icon and Lexicon shall be solely responsible for the costs associated with its employees and/or representatives attending and participating in such Scheduled Meetings. In addition, any Development Committee Member may call for an ad hoc meeting of the Development Committee to be held by teleconference at any time during regular business hours, by giving the other members of the Development Committee advance written notice of at least [**] (each, an "Ad Hoc Meeting"). An Ad Hoc Meeting may be called to address any time-sensitive matter, including additional expenditure requests pursuant to Section 8.3 of the Amended and Restated Research and Development Agreement or Section 2 of the RRD Services Agreement.

7. The Chair shall, in consultation with other Development Committee Members and the management of Symphony Icon, develop and set the Development Committee's agenda for each Scheduled Meeting. The Chair shall include on such agenda each item requested by a Development Committee member at least [**] before the applicable Scheduled Meeting. The agenda and information concerning the business to be conducted at each Scheduled Meeting shall be communicated in writing to the Development Committee Members at least [**] in advance of such Scheduled Meeting to permit meaningful review. Such an agenda shall not be required for an Ad Hoc Meeting.

8. Each Party's Development Committee Members shall collectively have three (3) votes, regardless of the number of its Development Committee Members participating in any Scheduled Meeting or Ad Hoc Meeting. No votes shall be taken unless there is at least one (1) Development Committee Member representing each of Lexicon and Holdings participating in such Scheduled Meeting or Ad Hoc Meeting, as the case may be. Each Party may allocate its three (3) votes among its attending Development Committee Members in any manner, at such Party's discretion. If only one

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(1) Development Committee Member is attending on behalf of a given Party, such Development Committee Member may cast all the votes allocated to such Party. Unless otherwise specified herein, all actions taken by the Development Committee as a committee shall be by majority vote. If the Development Committee Members reach a deadlock on any vote, then such deadlock shall be resolved in accordance with Paragraph 11 of this Development Committee Charter.

9. Notwithstanding anything herein to the contrary, during the Term, this Development Committee Charter may be amended only with the unanimous approval of the Development Committee Members and the consent of the Symphony Icon Board, Holdings and Lexicon.

10. The Chair, or such person as the Chair may designate, shall prepare, and distribute to all Development Committee Members, draft committee minutes within a reasonable period of time following each Scheduled Meeting or Ad Hoc Meeting, but in any case, in sufficient time to be included as part of the agenda for the next Scheduled Meeting. As part of the agenda of the first Scheduled Meeting, the Development Committee Members shall agree upon a standard procedure for review and approval of such draft committee minutes by the Development Committee Members.

11. If the Development Committee is unable to decide by a majority vote on any issue within the scope of its authority and duties, then the Development Committee shall promptly raise such issue to the chief executive officer (or equivalent officer) of Lexicon and the chairman of the Symphony Icon Board. The chief executive officer and chairman shall have [**] to mutually agree on how to resolve such issue. If such parties are unable to resolve such issue within the [**] period, then [**].

Authority and Duties

12. The Development Committee shall, using the Initial Development Plan and the Initial Development Budget as a basis, continue to develop and refine the Development Plan and Development Budget, and shall, at the request of the Symphony Icon Board, submit each to the Symphony Icon Board at the first meeting of the Symphony Icon Board, as provided in Section 4.1 of the Amended and Restated Research and Development Agreement. Following the Symphony Icon Board's review, the Development Committee shall work diligently to incorporate the comments generated by such review in order to update the Development Plan and Development Budget as soon as practicable and shall then submit the updated Development Plan and Development Budget to the Symphony Icon Board for review. The Development Committee shall thereafter continue to develop and refine the Development Plan and the Development Budget as needed, and shall conduct a comprehensive review of each on a semi-annual basis. In addition, the Development Committee shall decide on any other matters relating to the Development Plan and the Development Budget that may arise, including (i) responding to requests from RRD or Lexicon for amendments to the Development Plan and/or the Development Budget, and (ii) addressing all other matters that are identified in the Operative Documents or the Symphony Icon Charter as requiring the

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approval of the Development Committee (including, but not limited to, the approval of any new, or the amendment or termination of any existing, Development Subcontracting Agreement). Unless otherwise approved pursuant to Paragraph 11 hereof, or discontinued or modified pursuant to Sections 4.2(c) or 5.1 of the Amended and Restated Research and Development Agreement, no material change to the Development Plan or Development Budget will be adopted by Symphony Icon unless and until the Development Committee approves such change.

13. The Development Committee shall report at least quarterly to the Symphony Icon Board regarding progress relative to the Development Plan and the Development Budget, and any changes in the Development Plan and/or Development Budget, and shall respond promptly to any reasonable requests for additional information made by the Symphony Icon Board. The Development Committee shall also submit its material decisions regarding the Development Plan and Development Budget to the Symphony Icon Board, including regulatory strategies and discontinuation or modification of the Programs.

14. The Development Committee shall continuously evaluate the funding requirements of the Programs, and may, in the event of a shortfall in the funds allocated to one or more Programs, and subject to the approval of the Symphony Icon Board, reallocate funds within the Development Budget to compensate for such shortfall. In the event that such reallocation is insufficient to compensate fully for such shortfall and such shortfall has or will create a Balance Sheet Deficiency within [**], then the Development Committee may, pursuant to Section 2 of the Research Cost Sharing, Payment and Extension Agreement, recommend that the Symphony Icon Board submit to Lexicon a Lexicon Funding Notice requiring Lexicon to either contribute funds to Symphony Icon in an amount to be determined by the Development Committee (the "Lexicon Payment Amount"), or, if the Purchase Option Period has not expired, exercise the Purchase Option, in each case within [**] of receipt of the Lexicon Funding Notice; provided, however, that (A) any decision by the Development Committee to submit a Lexicon Funding Notice shall be made in accordance with this Development Committee Charter, the Research Cost Sharing, Payment and Extension Agreement, the Development Budget and Development Plan (for purposes of which, in the case of a Lexicon Payment Amount determined after the expiration of the Purchase Option, shall be the Development Plan in effect immediately prior to such expiration), (B) in no event shall the aggregate total of all Lexicon Payment Amounts exceed \$15,000,000 less the aggregate amount of all dividends and distributions, if any, under Section 8.1 of the Amended and Restated Research and Development Agreement, and (C) the Development Committee's right to recommend that the Symphony Icon Board submit a Lexicon Funding Notice shall be subject to termination pursuant to Section 2(d) of the Research Cost Sharing, Payment and Extension Agreement. For the avoidance of doubt, and subject to the foregoing conditions and restrictions, the Development Committee's right to recommend that the Symphony Icon Board submit a Lexicon Funding Notice shall survive the expiration of the Purchase Option Period and the termination of the Purchase Option Agreement pursuant to its terms.

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15. The foregoing list of duties is not exhaustive, and the Development Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its duties and the furtherance of the development of Programs, including as may be required under any Operative Document. In no event shall the Development Committee have the power to amend any of the Operative Documents. The Development Committee shall have the power to delegate its authority and duties to sub-committees as it deems appropriate; provided, however, that each such sub-committee shall have at least one (1) Development Committee Member who is designated by Holdings and at least one (1) Development Committee Member who is designated by Lexicon.

INITIAL DEVELOPMENT PLAN AND INITIAL DEVELOPMENT BUDGET

[**]

Annex C-1

PAYMENT TERMS

1. With respect to the development activities and services provided by Lexicon pursuant to this Agreement, and in accordance with the terms of this Agreement, the Development Plan and the Development Budget, Lexicon will invoice Symphony Icon, and Symphony Icon will pay Lexicon, in accordance with this Annex E.
2. [**].
3. [**].
4. All fees, personnel costs, expenses and pass-through costs will be payable in US Dollars. If Symphony Icon disputes in good faith any portion of an invoice, then Symphony Icon shall pay the undisputed amounts as set forth in the preceding sentence and the parties shall use good faith efforts to reconcile the disputed amount as soon as practicable.

5. Lexicon will transmit invoices to Symphony Icon at the following address:

Symphony Icon, Inc.
7361 Calhoun Place, Suite 325
Rockville, MD 20855
Attn: Accounts Payable

6. All payments to Lexicon shall be sent to Lexicon, as follows:

If mailed: Lexicon Pharmaceuticals, Inc.
 P.O. Box 132167
 The Woodlands, TX 77393-2167
 Attn: Accounts Receivable

If wired: Name of bank: [**]
 Routing number: [**]
 Lexicon account number: [**]
 Bank address: [**]

SUBCONTRACTING AGREEMENTS

Each of the following references to Subcontracting Agreements include all exhibits, protocols, study plans, client authorization letters, statements of work, task orders, change orders and other similar subordinate or ancillary documents executed on or prior to the Closing Date in connection with such Subcontracting Agreements.

[**]

LEXICON KEY PERSONNEL

[**]

MATERIAL DISCLOSED CONTRACTS

Each of the following references include all exhibits, protocols, study plans, client authorization letters, statements of work, task orders, change orders and other similar subordinate or ancillary documents executed on or prior to the Closing Date in connection with each such agreement. Lexicon may not assign its rights or obligations under any agreement listed below to Symphony Icon without the prior written consent of the applicable third party.

[**]

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PURCHASE OPTION AGREEMENT
by and among
LEXICON PHARMACEUTICALS, INC.
SYMPHONY ICON HOLDINGS LLC
and
SYMPHONY ICON, INC.

Dated as of June 15, 2007

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Annex A Certain Definitions
Exhibit 1 Purchase Exercise Notice

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PURCHASE OPTION AGREEMENT

This PURCHASE OPTION AGREEMENT (this "Agreement") is entered into as of June 15, 2007 (the "Closing Date"), by and among LEXICON PHARMACEUTICALS, INC., a Delaware corporation ("Lexicon"), SYMPHONY ICON HOLDINGS LLC, a Delaware limited liability company ("Holdings"), and SYMPHONY ICON, INC., a Delaware corporation ("Symphony Icon"). Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in Annex A attached hereto.

PRELIMINARY STATEMENT

WHEREAS, Lexicon and Holdings have entered into a Technology License Agreement pursuant to which Lexicon has granted Holdings an exclusive license (the "License") to the use of certain intellectual property related to the Programs owned or controlled by Lexicon;

WHEREAS, contemporaneously with the execution of this Agreement, Lexicon, Holdings and Symphony Icon are entering into a Novated and Restated Technology License Agreement, pursuant to which, among other things, Holdings will assign by way of novation the License to Symphony Icon;

WHEREAS, Lexicon and Holdings have entered into a Research and Development Agreement pursuant to which Lexicon has agreed, among other things, to perform, on behalf of Holdings, research and development of the Programs;

WHEREAS, contemporaneously with the execution of this Agreement, Lexicon, Holdings and Symphony Icon are entering into an Amended and Restated Research and Development Agreement, pursuant to which, among other things, Holdings will assign its rights and obligations under the Research and Development Agreement to Symphony Icon;

WHEREAS, contemporaneously with the execution of this Agreement, in order to fund such research and development, institutional investors are committing to invest \$60,000,000 in Holdings (the "Financing") in exchange for membership interests in Holdings and for 7,650,622 shares of Lexicon Common Stock (the "Shares"), to be initially issued to Holdings, and Holdings will agree to contribute \$45,000,000 of the proceeds of the Financing to Symphony Icon and pay \$15,000,000 of the proceeds of the Financing to Lexicon in return for 4,781,639 shares of Lexicon Common Stock (the "Direct Investment Shares");

WHEREAS, Holdings desires, in consideration for the remaining 2,868,983 shares of Lexicon Common Stock (the "Option Premium Shares"), to grant Lexicon an option to purchase all of the Common Stock of Symphony Icon and any other Equity Securities issued by Symphony Icon (together, the "Symphony Icon Equity Securities") owned, or hereinafter acquired, by Holdings on the terms described in this Agreement;

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WHEREAS, Lexicon, Holdings and Symphony Icon have entered into the Research Cost Sharing, Payment and Extension Agreement in furtherance of the transactions contemplated hereby and in the other Operative Documents; and

WHEREAS, Symphony Icon and Holdings have determined that it is in each of its best interest to perform and comply with certain agreements and covenants relating to each of its ongoing operations contained in this Agreement;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto (the "Parties") agree as follows:

Section 1. Grant of Purchase Option.

(a) Holdings hereby grants to Lexicon an exclusive option (the "Purchase Option") to purchase all, but not less than all, of the outstanding Symphony Icon Equity Securities owned or hereinafter acquired by Holdings, in accordance with the terms of this Agreement.

(b) Symphony Icon hereby covenants and agrees that all Symphony Icon Equity Securities issued by Symphony Icon at any time prior to the expiration of the Term (including to Holdings, on, prior to, or after the date hereof or to any other Person at any time whatsoever, in all cases prior to the expiration of the Term) shall be subject to a purchase option on the same terms as the Purchase Option (except as provided by the immediately following sentence) and all of the other terms and conditions of this Agreement without any additional action on the part of Lexicon or Holdings. Further, to the extent Symphony Icon shall issue any Symphony Icon Equity Securities (including any issuance in respect of a transfer of Symphony Icon Equity Securities by any holder thereof, including Holdings) after the date hereof to any Person (including Holdings) (any issuance of such Symphony Icon Equity Securities being subject to the prior written consent of Lexicon as set forth in Sections 5(c) and 7(b) hereof, as applicable), Symphony Icon hereby covenants and agrees that it shall cause such Symphony Icon Equity Securities to be subject to the Purchase Option without the payment of, or any obligation to pay, any additional consideration in respect of such Symphony Icon Equity Securities by Lexicon, Symphony Icon or any Symphony Icon Subsidiary to the Person(s) acquiring such subsequently issued Symphony Icon Equity Securities, the Parties acknowledging and agreeing that the sole consideration payable by Lexicon pursuant to this Agreement for all of the outstanding Symphony Icon Equity Securities now or hereinafter owned by any Person shall be the Purchase Price (as defined in Section 2(b) hereof).

(c) Lexicon's right to exercise the Purchase Option granted hereby is subject to the following conditions:

(i) The Purchase Option may only be exercised for the purchase of all, and not less than all, of the Symphony Icon Equity Securities;

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(ii) The Purchase Option may only be exercised a single time;

(iii) Except as expressly provided in Sections 1(c)(iv) and (v), the Purchase Option may be exercised only during the period (the "Purchase Option Period") commencing on and including June 15, 2008 (the "Purchase Option Commencement Date") and ending on and including the earliest of (x) June 15, 2011 (the "Final Termination Date"), (y) the [**] (such [**], the "Funds Termination Date") immediately following the first date (each, a "Balance Sheet Deficiency Date") on which a notice of an impending Funds Termination Date (a "Funds Termination Notice") is delivered to Lexicon by Holdings or Symphony Icon in accordance with Section 13 hereof, accompanied by an internally prepared, unaudited, balance sheet of Symphony Icon (prepared in accordance with GAAP) stating that the working capital of Symphony Icon is less than the Balance Sheet Deficiency Threshold at such time (any such event, a "Balance Sheet Deficiency"), and (z) the [**] immediately following the first date on which Symphony Icon notifies Lexicon that all Programs have been discontinued pursuant to Section 4.2(c) of the Amended and Restated Research and Development Agreement;

(iv) In the event that Lexicon has agreed to share the costs of additional research pursuant to Section 3 of the Research Cost Sharing, Payment and Extension Agreement, the Purchase Option Period shall be determined in accordance with the Research Cost Sharing, Payment and Extension Agreement (for the avoidance of doubt, amounts transferred by Lexicon pursuant to the Research Cost Sharing, Payment and Extension Agreement shall not be included in any calculation of the Purchase Price hereunder); and

(v) In the event that Symphony Icon terminates the Amended and Restated Research and Development Agreement pursuant to Section 17.2 thereof, Lexicon shall have [**] to notify Holdings of its exercise of the Purchase Option under the terms of this Agreement. Such exercise of the Purchase Option by Lexicon may occur prior to the Purchase Option Commencement Date (an "Early Purchase Option Exercise").

Section 2. Exercise of Purchase Option.

(a) Exercise Notice. Lexicon may exercise the Purchase Option only by delivery of a notice in the form attached hereto as Exhibit 1 (the "Purchase Option Exercise Notice") during the Purchase Option Period. The Purchase Option Exercise Notice shall be delivered on a Business Day to Holdings and Symphony Icon and shall be irrevocable once delivered. The date on which the Purchase Option Exercise Notice is first delivered to Holdings and Symphony Icon is referred to as the "Purchase Option Exercise Date." The Purchase Option Exercise Notice shall contain (1) an estimated date for the settlement of the Purchase Option (the "Purchase Option Closing"), which date shall be estimated in accordance with this Section 2(a), (2) the Purchase Price, determined in accordance with Section 2(b) hereof, and (3) if Lexicon

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intends to pay part of the Purchase Price in Lexicon Common Stock, notice of such intent, the number of shares to be transferred at such purchase price, the valuation thereof and the percentage such portion bears to (A) the Purchase Price, and (B) the total amount of Lexicon Common Stock then issued and outstanding (which shall be no greater percentages than are permitted under Section 2(c)). Such notice and election shall be irrevocable once delivered. If, during the period following the delivery of the Purchase Option Exercise Notice, [**]. All cash and cash equivalents on Symphony Icon's balance sheet on the date of the Purchase Option Closing (the "Purchase Option Closing Date") will not be transferred or distributed to Holdings and shall be retained by Symphony Icon or Lexicon. The Purchase Option Closing Date shall be determined as follows:

(i) If Lexicon elects to pay the entire Purchase Price in cash, the Purchase Option Closing Date shall be the date that is the later of: (A) [**] following the Purchase Option Exercise Date; and (B) [**] following the date that Lexicon receives all necessary Government Approvals related to its HSR Filings; provided, however that unless Holdings receives from Lexicon an opinion from nationally recognized anti-trust counsel (which opinion is acceptable in form and substance to Holdings) to the effect that no HSR Filings are required, Lexicon and Holdings shall make all necessary HSR Filings within [**] following the Purchase Option Exercise Date and shall promptly and diligently pursue the related regulatory process, including without limitation, responding to any second request from the Federal Trade Commission or the Department of Justice, as applicable; and provided, further, that (1) if there is no second request from the Federal Trade Commission or the Department of Justice, as applicable, with respect to Lexicon's or Holdings' HSR Filings, then in no event shall the Purchase Option Closing Date be more than [**] following the Purchase Option Exercise Date, and (2) if there is a second request from the Federal Trade Commission or the Department of Justice, as applicable, with respect to Lexicon's or Holdings' HSR Filings, then in no event shall the Purchase Option Closing Date be more than [**] following the date upon which the later of Lexicon or Holdings delivers documents pursuant to such second request. If Lexicon shall fail to make such cash payment on the Purchase Option Closing Date within the applicable time period set forth above, then in addition to any other rights that Holdings shall have hereunder, this Agreement shall terminate and Lexicon shall relinquish all rights hereunder to purchase the Symphony Icon Equity Securities; or

(ii) If Lexicon elects to pay a portion of the Purchase Price in Lexicon Common Stock (subject to the limitations set forth herein and in the Registration Rights Agreement), the Purchase Option Closing Date shall be the date that is the latest of:

(A) [**] following the Purchase Option Exercise Date;

(B) [**] following the Effective Registration Date of such Lexicon Common Stock; provided, that Lexicon shall file the Registration Statement contemplated by Section 3(b)(i) within (x) [**] after the

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Purchase Option Exercise Date if Lexicon is eligible to use Form S-3 under the Securities Act (or any successor form), or (y) [**] after the Purchase Option Exercise Date if Lexicon is not eligible to use Form S-3 under the Securities Act (or any successor form); and

(C) [**] following the date that Lexicon receives the necessary Government Approvals related to its HSR Filings (if any) related to the exercise of the Purchase Option; provided, however, that Lexicon and Holdings shall make all necessary HSR Filings within [**] following the Purchase Option Exercise Date and shall promptly and diligently pursue the related regulatory process consistent with the provisos in clause (i) above;

provided, further, that Lexicon shall use commercially reasonable efforts to have such Registration Statement declared effective by the SEC as promptly as possible following the filing of the Registration Statement. Lexicon shall use commercially reasonable efforts to maintain the effectiveness of any such Registration Statement for a period of two (2) years following the SEC's declaration. Subject to the last sentence of this clause (a), in the event that such Registration Statement is not declared effective within [**] of the Purchase Option Exercise Date (such period, the "Declaration Period"), Lexicon shall immediately pay the full Purchase Price in cash with such Purchase Price determination based on the Purchase Price effective in the applicable year in which such immediate cash payment is required to be made by Lexicon (in which event the Purchase Option Closing Date shall be the date upon which such cash payment is made by Lexicon). If Lexicon shall fail to make such immediate cash payment, then in addition to any other rights or remedies that Holdings shall have arising from such breach, this Agreement shall terminate and Lexicon shall relinquish all rights hereunder to purchase the Symphony Icon Equity Securities. The Declaration Period shall be extended for a reasonable period of time as determined by the Symphony Icon Board in consultation with recognized securities counsel in the event that any member of the Investor Group takes action with respect to the Lexicon Common Stock that prevents the Registration Statement from being declared effective during the Declaration Period.

(b) Purchase Price Upon Option Exercise. Upon exercise of the Purchase Option and as complete and full consideration for the sale to Lexicon by Holdings of its Symphony Icon Equity Securities (and for the Symphony Icon Equity Securities of any other Person), Lexicon shall pay the "Annual Price" set forth on Schedule I hereto for the applicable year following the Closing Date in which the Purchase Option Closing Date actually occurs, *minus* (i) the aggregate amount of all Discontinuation Prices and other amounts paid by Lexicon directly to Holdings or to Symphony Icon pursuant to Section 11(a) of the Amended and Restated Research and Development Agreement and subsequently dividended or otherwise distributed to Holdings (if any), and (ii) any amount paid by Lexicon for the Symphony Icon Equity Securities of any other Person (the "Purchase Price"). In the event of the Early Purchase Option Exercise, pursuant to Section 1(c)(v) hereof, the "Purchase Price" shall be an amount equal to the amount set forth on Schedule I applicable to [**], *minus* (A) the aggregate amount of all Discontinuation Prices and other amounts paid by Lexicon

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directly to Holdings or to Symphony Icon pursuant to Section 11(a) of the Amended and Restated Research and Development Agreement and subsequently divided or otherwise distributed to Holdings (if any); and (B) any amount paid by Lexicon for the Symphony Icon Equity Securities of any other Person.

(c) Form of Payment. Subject to Sections 2(a) and 2(e), the Purchase Price may be paid in cash or in a combination of cash and Lexicon Common Stock, at the sole discretion of Lexicon; provided, that in no event may the value of Lexicon Common Stock (determined in accordance with Section 2(e) hereof) delivered in connection with the exercise of the Purchase Option constitute more than either (x) 40% of the total consideration to be tendered for payment of the Purchase Option Exercise Price, calculated using the Lexicon Common Stock Valuation (as defined herein) procedure, or (y) 10% of all the Lexicon Common Stock issued and outstanding immediately preceding the Purchase Option Closing Date.

(d) Surrender of Symphony Icon Equity Securities: Symphony Icon Board. Subject to the terms and conditions of this Agreement, on the Purchase Option Closing Date, Holdings shall surrender to Lexicon its certificates representing its Symphony Icon Equity Securities, and shall convey good title to such Symphony Icon Equity Securities, free from any Encumbrances and from any and all restrictions that any sale, assignment or other transfer of such Symphony Icon Equity Securities be consented to or approved by any Person. On or prior to the Purchase Option Closing Date, Holdings shall remove all directors serving on the Symphony Icon Board, other than the Lexicon Director (as defined in Section 4(b)(iv) hereof), as of the Purchase Option Closing Date.

(e) Valuation of Lexicon Stock. In the event that Lexicon elects to pay part of the Purchase Price through the delivery to Holdings of Lexicon Common Stock, the value per share thereof (the "Lexicon Common Stock Valuation") shall equal the average closing price of Lexicon Common Stock, as reported by the NASDAQ Global Market, or other national exchange that is the primary exchange on which Lexicon Common Stock is listed, for the [**]. If Lexicon Common Stock is not traded on a national exchange or the NASDAQ Global Market, then Lexicon shall be obligated to pay the Purchase Price solely in cash on the Purchase Option Closing Date. Lexicon shall calculate the Lexicon Common Stock Valuation in accordance with this Section 2(e), subject to review and confirmation by Holdings.

(f) Share Certificates. Any stock certificate(s) issued by Lexicon for Lexicon Common Stock pursuant to this Section 2 may contain a legend (the "33 Act Legend") substantially as follows:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE, AND THE SAME HAVE BEEN ISSUED IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF

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SAID ACT AND SUCH LAWS. SUCH SHARES MAY NOT BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT AS PERMITTED UNDER SUCH SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.

This legend shall be removed by Lexicon, subject to, and in accordance with, the terms of Section 3(b)(iii) hereof.

(g) Government Approvals. On or prior to the Purchase Option Closing Date, each of Lexicon, Symphony Icon and Holdings shall have taken all necessary action to cause all Governmental Approvals with respect to such Party (including, without limitation, the preparing and filing of any pre-merger notification and report forms required under the HSR Filings required to be in effect in connection with the transactions contemplated by this Agreement to be in effect; provided, however, that with respect to Government Approvals required by a Governmental Authority other than the United States federal government and its various branches and agencies, the Parties' obligations under this Section 2(f) shall be limited to causing to be in effect only those Government Approvals, the failure of which to be in effect would, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on any of the Parties. Each of Symphony Icon and Lexicon shall pay its own costs associated with taking such action. Symphony Icon shall pay any costs of Holdings associated with obtaining Government Approvals required in connection with the exercise of the Purchase Option. All other costs and expenses of Holdings shall be paid by Holdings pursuant to Section 8(b) hereof, including any costs arising from any error in Holdings' initial valuation of its investment in Symphony Icon.

(h) Transfer of Title. Transfer of title to Lexicon of all of the Symphony Icon Equity Securities shall be deemed to occur automatically on the Purchase Option Closing Date, subject to the payment by Lexicon on such date of the Purchase Price and its performance of its other obligations herein required to be performed under Sections 2(e) and (f), and under the Registration Rights Agreement, as applicable, on or prior to the Purchase Option Closing Date to the reasonable satisfaction of Holdings, and thereafter Symphony Icon shall treat Lexicon as the sole holder of all Symphony Icon Equity Securities, notwithstanding any failure of Holdings to tender certificates representing such shares to Lexicon in accordance with Section 2(d) hereof. After the Purchase Option Closing Date, Holdings shall have no rights in connection with such Symphony Icon Equity Securities other than the right to receive the Purchase Price; provided, however, that nothing in this Section 2(g) shall affect the survivability of any indemnification provision in this Agreement upon termination of this Agreement.

(i) Consents and Authorizations. On or prior to the Purchase Option Closing Date, Lexicon shall have obtained all consents and authorizations necessary from stockholders and/or its board of directors for the consummation of the exercise and closing of the Purchase Option, as may be required under the organizational

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documents of Lexicon, any prior stockholders or board resolution, any stock exchange or similar rules or any applicable law provided, however, that with respect to consents or authorizations required by a Governmental Authority other than the United States federal government and its various branches and agencies, the Parties' obligations under this Section 2(h) shall be limited to obtaining only those consents and authorizations, the failure of which to be obtained would, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on any of the Parties.

Section 2A. Change of Control: Put Option

(a) In the event that a Change of Control of Lexicon occurs, Lexicon shall, and if and as applicable, cause the Surviving Entity to, (i) subject to the terms of the Confidentiality Agreement and any confidentiality agreement entered into in connection with a Change of Control, provide notice to Holdings of a Change of Control no more than [**] after the execution of a definitive agreement committing Lexicon to a Change of Control, and in any event, no less than [**] prior to the closing of such Change of Control transaction, (ii) subject to the terms of the Confidentiality Agreement and any confidentiality agreement entered into in connection with a Change of Control, use commercially reasonable efforts to provide Holdings reasonable access to the senior executive officers who have responsibility for commercial or research and development activities of the acquiror or the Surviving Entity, as applicable, prior to the Change of Control to discuss in good faith and reasonable detail the Surviving Entity's ongoing operations, (iii) promptly following any Change of Control, if Lexicon is not the Surviving Entity, the Surviving Entity shall execute and deliver to Symphony Icon and Holdings instruments, in form and substance reasonably acceptable to Symphony Icon and Holdings, whereby the Surviving Entity expressly assumes all of the obligations of Lexicon hereunder and under each other Operative Document to which Lexicon is a party, (iv) promptly following any Change of Control, if Lexicon is not the Surviving Entity, the Surviving Entity shall provide to Symphony Icon and Holdings an opinion of nationally recognized outside counsel (in customary form and subject to customary assumptions and qualifications) to the effect that (A) the instruments referred to in clause (iii) above are valid and binding obligations of such Surviving Entity, enforceable in accordance with their terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or general equitable principles regardless of whether such enforceability is considered in a proceeding at law or in equity, and (B) such Change of Control does not violate any material term of the Operative Documents, and (v) ensure that all material applications and filings have been made to, and all material consents have been received from, the FDA, and any applicable foreign equivalent thereof, necessary for the Surviving Entity to satisfy all of its material obligations under the Operative Documents, except to the extent that failure to make such applications or filings or receive such consents would not reasonably be expected to have a material adverse effect on the Programs or Symphony Icon's rights under the Operative Documents.

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(b) Holdings shall have an exclusive option (the "Change of Control Put Option") to put 100% of the Symphony Icon Equity Securities to the Surviving Entity, which may be exercised if, following a Change of Control with respect to Lexicon, [**] after Holdings has delivered written notice thereof to such successor entity.

(c) Holdings may exercise the Change of Control Put Option only by delivery of written notice (the "Change of Control Put Option Exercise Notice") during the Purchase Option Period. The Change of Control Put Option Exercise Notice shall be delivered on a Business Day to the Surviving Entity and Symphony Icon, and shall thereafter be deemed for all purposes under the terms of this Agreement to be a Purchase Option Exercise Notice by the Surviving Entity (in accordance with the provisions of Section 2 hereof) as of the date such notice is delivered (such date to be deemed for all purposes under the terms of this Agreement as the Purchase Option Exercise Date). The Purchase Price with respect to such an exercise of the Change of Control Put Option shall be the Purchase Price otherwise applicable (under Section 2(b) hereof) to the Purchase Option Closing Date selected by the Surviving Entity following the Surviving Entity's receipt of the Change of Control Put Option Exercise Notice. In the event Holdings exercises the Change of Control Put Option and such sale is consummated, Holdings shall have no further rights or claims against the Surviving Entity in respect of such breach; provided, that notwithstanding the foregoing, Holdings shall maintain and does not release any rights or claims against the Surviving Entity that are unrelated to such breach, including rights or claims whereby Holdings is otherwise entitled to reimbursement or indemnification under any of the Operative Documents or any other document delivered by the Surviving Entity in connection with such Change of Control.

Section 3. Lexicon Representations, Warranties and Covenants.

(a) As of the date hereof, Lexicon hereby represents and warrants, and, except to the extent that any of the following representations and warranties are limited to the date of this Agreement or otherwise limited, on the Purchase Option Closing Date, shall be deemed to have represented and warranted, to Holdings and Symphony Icon that:

(i) Organization. Lexicon is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware.

(ii) Authority and Validity. Lexicon has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance by Lexicon of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary action required on the part of Lexicon, and no other proceedings on the part of Lexicon are necessary to authorize this Agreement or for Lexicon to perform its obligations under this Agreement. This Agreement constitutes the lawful, valid and legally binding

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obligation of Lexicon, enforceable in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles regardless of whether such enforceability is considered in a proceeding at law or in equity.

(iii) No Violation or Conflict. The execution, delivery and performance of this Agreement and the transactions contemplated hereby do not (A) violate, conflict with or result in the breach of any provision of the Organizational Documents of Lexicon, (B) as of the date of this Agreement, and as of the Purchase Option Closing Date if Lexicon elects to pay part of the Purchase Price through the delivery of Lexicon Common Stock (a "Partial Stock Payment"), conflict with or violate any law or Governmental Order applicable to Lexicon or any of its assets, properties or businesses, or (C) conflict with, result in any breach of, constitute a default (or event that with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, or result in the creation of any Encumbrance on any of the assets or properties of Lexicon, pursuant to, any note, bond, mortgage or indenture, contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which Lexicon is a party except, in the case of clauses (B) and (C), to the extent that such conflicts, breaches, defaults or other matters would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Lexicon.

(iv) Governmental Consents and Approvals. Other than any HSR Filings which, if the Purchase Option is exercised by Lexicon and if such HSR Filings are required pursuant to Section 2(a)(i) hereof, will be obtained on or prior to the Purchase Option Closing Date, the execution, delivery and performance of this Agreement by Lexicon do not, and the consummation of the transactions contemplated hereby do not and will not, require any Governmental Approval which has not already been obtained, effected or provided, except with respect to which the failure to so obtain, effect or provide would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Lexicon.

(v) Litigation. As of (A) the date of this Agreement, except as disclosed in any Lexicon Public Filings available as of the date hereof, and (B) the Purchase Option Closing Date if Lexicon elects to make a Partial Stock Payment, there are no actions by or against Lexicon pending before any Governmental Authority or, to the knowledge of Lexicon, threatened to be brought by or before any Governmental Authority, that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Lexicon. There are no pending or, to the knowledge of Lexicon, threatened actions, to which Lexicon is a party (or is threatened to be named as a party) to set aside, restrain, enjoin or prevent the execution, delivery or performance of this Agreement or the Operative Documents or the consummation of the transactions contemplated hereby or thereby by any party hereto or thereto. As of the date of this Agreement, and as of the Purchase Option Closing Date if Lexicon elects to make a

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Partial Stock Payment, Lexicon is not subject to any Governmental Order (nor, to the knowledge of Lexicon, is there any such Governmental Order threatened to be imposed by any Governmental Authority) that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Lexicon.

(b) Lexicon hereby covenants and agrees with Holdings as follows:

(i) Immediately prior to the Purchase Option Closing Date, Lexicon shall have sufficient amounts of cash and, if applicable, sufficient authorized but unissued, freely transferable and nonassessable Lexicon Common Stock available, to satisfy the portion of the Purchase Price to be paid in cash or Lexicon Common Stock pursuant to Sections 2(b) and 2(c); provided, that if the Purchase Option Closing Date does not occur within (A) [**] if no HSR Filings are required or (B) [**] if HSR Filings are required, in each case following the Purchase Option Exercise Date and pursuant to Section 2(a) hereof, Lexicon shall provide Holdings with evidence of Lexicon's wherewithal to pay, or firm commitments from third parties with the wherewithal to pay, or other guaranty of payment, in each case which is reasonably acceptable to Holdings, for that portion of the Purchase Price to be paid in cash. In the event that Lexicon elects to satisfy any portion of the Purchase Price in Lexicon Common Stock (A) Lexicon shall have, not later than the Purchase Option Closing Date, a Registration Statement declared effective by the Securities and Exchange Commission for the resale of any such shares of Lexicon Common Stock to be delivered in partial satisfaction of the Purchase Price, accompanied by evidence reasonably acceptable to Holdings that such Lexicon Common Stock has been approved for listing on the NASDAQ Global Market or such other national market on which the Lexicon Common Stock is then listed, and (B) Lexicon shall deliver to Holdings on or before the Purchase Option Closing Date, a legal opinion from Lexicon's general counsel, or such other counsel as Lexicon and Holdings shall mutually agree, which opinion shall be, in form and substance, reasonably acceptable to Holdings and shall contain, with respect to the Lexicon Common Stock to be used as partial payment of the Purchase Price, substantially the same opinions rendered by Lexicon's in-house counsel in paragraphs 5, 7 and 8 of the opinion delivered to Holdings on the Closing Date, along with customary assumptions and limitations.

(ii) If Lexicon elects to satisfy any portion of the Purchase Price in Lexicon Common Stock, Lexicon, on the Purchase Option Closing Date, shall convey good and marketable title to such Lexicon Common Stock, free from any Encumbrances and any and all other restrictions that any issuance, sale, assignment or other transfer of such Lexicon Common Stock be consented to or approved by any Person.

(iii) If the share certificates representing such Lexicon Common Stock include the 33 Act Legend (as set forth in Section 2(f) hereof), Lexicon shall, within [**] of receiving a request from Holdings or any "Investor" (as defined in the Registration Rights Agreement), remove or cause to be removed the 33 Act Legend

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from such share certificates as Holdings or such Investor shall designate, so long as (x) the Lexicon Common Stock represented by such share certificates has been transferred to a third party in compliance with the registration requirements of the Securities Act or an available exemption therefrom, and (y) Lexicon receives a certification from Holdings, such Investor or a securities broker designated by Holdings or such Investor to the effect that the sale of such Lexicon Common Stock was made under a Registration Statement and accompanied by the delivery of a current prospectus.

(iv) Upon the expiration of the Purchase Option or the termination of this Agreement pursuant to Section 9 hereof, or as soon thereafter as is practical, Lexicon shall (A) in accordance with and pursuant to Sections 2.7 and 2.8 of the Novated and Restated Technology License Agreement, deliver to Symphony Icon all Regulatory Files and Tangible Materials, and (B) in accordance with and pursuant to Section 2.11 of the Novated and Restated Technology License Agreement, provide and supply, or cause to be provided and supplied, finished dosage form of Products.

(v) In the event that Lexicon exercises the Purchase Option, then Lexicon shall maintain the separate corporate existence of Symphony Icon for a minimum of one (1) year following such exercise, unless such maintenance would have a Material Adverse Effect on Lexicon or any of its Affiliates.

Section 4. Holdings Representations, Warranties and Covenants.

(a) As of the date hereof, Holdings hereby represents and warrants, and, except to the extent that any of the following representations and warranties are limited to the date of this Agreement or otherwise limited, on the Purchase Option Closing Date, shall be deemed to have represented and warranted, to Lexicon and Symphony Icon that:

(i) Organization. Holdings is a limited liability company, duly formed, validly existing and in good standing under the laws of the State of Delaware.

(ii) Authority and Validity. Holdings has all requisite limited liability company power and authority to execute, deliver and perform its obligations under this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance by Holdings of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary action required on the part of Holdings, and no other proceedings on the part of Holdings are necessary to authorize this Agreement or for Holdings to perform its obligations under this Agreement. This Agreement constitutes the lawful, valid and legally binding obligation of Holdings, enforceable in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles regardless of whether such enforceability is considered in a proceeding at law or in equity.

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(iii) No Violation or Conflict. The execution, delivery and performance of this Agreement and the transactions contemplated hereby do not (A) violate, conflict with or result in the breach of any provision of the Organizational Documents of Holdings, (B) as of the date of this Agreement, conflict with or violate any law or Governmental Order applicable to Holdings or any of its assets, properties or businesses, or (C) as of the date of this Agreement, conflict with, result in any breach of, constitute a default (or event that with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, or result in the creation of any Encumbrance on any of the assets or properties of Holdings, pursuant to, any note, bond, mortgage or indenture, contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which Holdings is a party except, in the case of clauses (B) and (C), to the extent that such conflicts, breaches, defaults or other matters would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Holdings.

(iv) Governmental Consents and Approvals. The execution, delivery and performance of this Agreement by Holdings do not, and the consummation of the transactions contemplated hereby do not and will not, require any Governmental Approval which has not already been obtained, effected or provided, except with respect to which the failure to so obtain, effect or provide would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Holdings.

(v) Litigation. As of the date of this Agreement, there are no actions by or against Holdings pending before any Governmental Authority or, to the knowledge of Holdings, threatened to be brought by or before any Governmental Authority, that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Holdings. There are no pending or, to the knowledge of Holdings, threatened actions to which Holdings is a party (or is threatened to be named as a party) to set aside, restrain, enjoin or prevent the execution, delivery or performance of this Agreement or the Operative Documents or the consummation of the transactions contemplated hereby or thereby by any party hereto or thereto. As of the date of this Agreement, Holdings is not subject to any Governmental Order (nor, to the knowledge of Holdings, is there any such Governmental Order threatened to be imposed by any Governmental Authority) that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Holdings.

(vi) Stock Ownership. All of Symphony Icon's issued and outstanding Symphony Icon Equity Securities are owned beneficially and of record by Holdings, free and clear of any and all encumbrances.

(vii) Interim Operations. Holdings was formed solely for the purpose of engaging in the transactions contemplated by the Operative Documents, has engaged in no other business activities and has conducted its operations only as contemplated by the Operative Documents.

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(viii) Accredited Investor.

(A) Holdings is and will remain at all relevant times an Accredited Investor.

(B) Holdings has relied completely on the advice of, or has consulted with or has had the opportunity to consult with, its own personal tax, investment, legal or other advisors and has not relied on Lexicon or any of its Affiliates for advice related to any offer and sale of Lexicon Common Stock in connection with the Purchase Option. Holdings has reviewed the Investment Overview and is aware of the risks disclosed therein. Holdings acknowledges that it has had a reasonable opportunity to conduct its own due diligence with respect to the Products, the Programs, Symphony Icon, Lexicon and the transactions contemplated by the Operative Documents.

(C) Holdings is able to bear the economic risk of such investment for an indefinite period and to afford a complete loss thereof.

(D) Holdings agrees that the Lexicon Common Stock may not be resold (A) without registration thereof under the Securities Act (unless an exemption from such registration is available), or (B) in violation of any law.

(E) No person or entity acting on behalf of, or under the authority of, Holdings is or will be entitled to any broker's, finder's, or similar fees or commission payable by Lexicon or any of its Affiliates.

(b) Holdings hereby covenants and agrees with Lexicon as follows:

(i) Contribution to Symphony Icon. On or prior to the Stock Payment Date, Holdings shall, pursuant to the Subscription Agreement, contribute proceeds from the Financing of \$45,000,000 to Symphony Icon, Inc.

(ii) Payment to Lexicon. On or prior to the Share Date, Holdings shall, pursuant to the Share Purchase Agreement, pay proceeds from the Financing of \$15,000,000 to Lexicon.

(iii) Encumbrance. Holdings will not, and will not permit any of its Subsidiaries to, create, assume or suffer to exist any Encumbrance on any of its Symphony Icon Equity Securities except with the prior written consent of Lexicon.

(iv) Transfer and Amendment. Commencing upon the date hereof and ending upon the earlier to occur of (x) the Purchase Option Closing Date, (y) the unexercised expiration of the Purchase Option Period, and (z) the termination of

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this Agreement pursuant to Section 9 (such period, the “Term”), the manager of Holdings shall not (A) transfer, or permit the transfer of, any Membership Interest without the prior written consent of Lexicon or (B) amend, or permit the amendment of, any provisions relating to the transfer of Membership Interests, as set forth in Section 7.02 of the Holdings LLC Agreement, to the extent such amendment would adversely affect Lexicon’s right of consent set forth in Sections 7.02(b)(i) and 7.02(c) of the Holdings LLC Agreement.

(v) Symphony Icon Directors. During the Term, Holdings agrees to vote all of its Symphony Icon Equity Securities (or to exercise its right with respect to such Symphony Icon Equity Securities to consent to action in writing without a meeting) in favor of, as applicable, the election, removal and replacement of one director of the Symphony Icon Board, and any successor thereto, designated by Lexicon (the “Lexicon Director”) as directed by Lexicon. In furtherance and not in limitation of the foregoing, Holdings hereby grants to Lexicon an irrevocable proxy, with respect to all Symphony Icon Equity Securities now owned or hereafter acquired by Holdings, to vote such Symphony Icon Equity Securities or to exercise the right to consent to action in writing without a meeting with respect to such Symphony Icon Equity Securities, such irrevocable proxy to be exercised solely for the limited purpose of electing, removing and replacing the Lexicon Director in the event of the failure or refusal of Holdings to elect, remove or replace such Lexicon Director, as directed by Lexicon. Additionally, Holdings agrees, during the Term, to elect two (2) independent directors (of the four (4) directors of Symphony Icon not chosen by Holdings at the direction of Lexicon), and any successors thereto, as shall be selected by mutual agreement of Lexicon and Holdings.

(vi) Symphony Icon Board. During the Term, Holdings shall not vote any of its Symphony Icon Equity Securities (or exercise its rights with respect to such Symphony Icon Equity Securities by written consent without a meeting) to increase the size of the Symphony Icon Board to more than five (5) members without the prior written consent of Lexicon.

(vii) Symphony Icon Charter. During the Term, Holdings shall not approve or permit any amendment to Article IV, Paragraphs (1) and (3); Article VI; Article VII; Article X; Article XI or Article XIII of the Symphony Icon Charter without the prior written consent of Lexicon.

Section 5. Symphony Icon Representations, Warranties and Covenants

(a) As of the date hereof, Symphony Icon hereby represents and warrants, and, except to the extent that any of the following representations and warranties are limited to the date of this Agreement or otherwise limited, on the Purchase Option Closing Date, shall be deemed to have represented and warranted, to Lexicon and Holdings that:

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(i) Organization. Symphony Icon is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware.

(ii) Authority and Validity. Symphony Icon has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance by Symphony Icon of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary action required on the part of Symphony Icon, and no other proceedings on the part of Symphony Icon are necessary to authorize this Agreement or for Symphony Icon to perform its obligations under this Agreement. This Agreement constitutes the lawful, valid and legally binding obligation of Symphony Icon, enforceable in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles regardless of whether such enforceability is considered in a proceeding at law or in equity.

(iii) No Violation or Conflict. The execution, delivery and performance of this Agreement and the transactions contemplated hereby do not (A) violate, conflict with or result in the breach of any provision of the Organizational Documents of Symphony Icon, (B) conflict with or violate any law or Governmental Order applicable to Symphony Icon or any of its assets, properties or businesses, or (C) conflict with, result in any breach of, constitute a default (or event that with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, or result in the creation of any Encumbrance on any of the assets or properties of Symphony Icon, pursuant to, any note, bond, mortgage or indenture, contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which Symphony Icon is a party except, in the case of clauses (B) and (C), to the extent that such conflicts, breaches, defaults or other matters would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Symphony Icon.

(iv) Governmental Consents and Approvals. The execution, delivery and performance of this Agreement by Symphony Icon do not, and the consummation of the transactions contemplated hereby do not and will not, require any Governmental Approval which has not already been obtained, effected or provided, except with respect to which the failure to so obtain, effect or provide would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Symphony Icon.

(v) Litigation. There are no actions by or against Symphony Icon pending before any Governmental Authority or, to the knowledge of Symphony Icon, threatened to be brought by or before any Governmental Authority that would, individually or in the aggregate, reasonably be expected to have a Material

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Adverse Effect on Symphony Icon. There are no pending or, to the knowledge of Symphony Icon, threatened actions to which Symphony Icon is a party (or is threatened to be named as a party) to set aside, restrain, enjoin or prevent the execution, delivery or performance of this Agreement or the Operative Documents or the consummation of the transactions contemplated hereby or thereby by any party hereto or thereto. Symphony Icon is not subject to any Governmental Order (nor, to the knowledge of Symphony Icon, is there any such Governmental Order threatened to be imposed by any Governmental Authority) that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Symphony Icon.

(vi) Capitalization. Holdings is the beneficial and record owner of all issued and outstanding Symphony Icon Equity Securities. No shares of Symphony Icon capital stock are held in treasury by Symphony Icon or any Symphony Icon Subsidiary. All of the issued and outstanding Symphony Icon Equity Securities (A) have been duly authorized and validly issued and are fully paid and nonassessable, (B) were issued in compliance with all applicable state and federal securities laws, and (C) were not issued in violation of any preemptive rights or rights of first refusal. No preemptive rights or rights of first refusal exist with respect to any Symphony Icon Equity Securities and no such rights will arise by virtue of or in connection with the transactions contemplated hereby (other than for the Purchase Option). Other than the Purchase Option, there are no outstanding options, warrants, call rights, commitments or agreements of any character to acquire any Symphony Icon Equity Securities. There are no outstanding stock appreciation, phantom stock, profit participation or other similar rights with respect to Symphony Icon. Symphony Icon is not obligated to redeem or otherwise acquire any of its outstanding Symphony Icon Equity Securities.

(vii) Interim Operations. Symphony Icon was formed solely for the purpose of engaging in the transactions contemplated by the Operative Documents, has engaged in no other business activities and has conducted its operations only as contemplated by the Operative Documents.

(viii) Investment Company. Symphony Icon is not, and after giving effect to the transactions contemplated by the Operative Documents will not be, required to register as an “investment company” as such term is defined in the Investment Company Act of 1940, as amended.

(b) Symphony Icon covenants and agrees that:

(i) Symphony Icon will comply with all laws, ordinances or governmental rules or regulations to which it is subject and will obtain and maintain in effect all licenses, certificates, permits, franchises and other Governmental Approvals necessary to the ownership of its properties or to the conduct of its business, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other Governmental Approvals would

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not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Symphony Icon.

(ii) Symphony Icon will file (or cause to be filed) all material tax returns required to be filed by it and pay all taxes shown to be due and payable on such returns and all other taxes imposed on it or its assets to the extent such taxes have become due and payable and before they have become delinquent and shall pay all claims for which sums have become due and payable that have or might become attached to the assets of Symphony Icon; provided, that Symphony Icon need not file any such tax returns or pay any such tax or claims if (A) the amount, applicability or validity thereof is contested by Symphony Icon on a timely basis in good faith and in appropriate proceedings, and Symphony Icon has established adequate reserves therefor in accordance with GAAP on the books of Symphony Icon or (B) the failure to file such tax returns or the nonpayment of such taxes and assessments, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect on Symphony Icon.

(iii) Symphony Icon will at all times preserve and keep in full force and effect its corporate existence.

(iv) Symphony Icon will keep complete, proper and separate books of record and account, including a record of all costs and expenses incurred, all charges made, all credits made and received, and all income derived in connection with the operation of the business of Symphony Icon, all in accordance with GAAP (which GAAP shall be conformed to those used by Lexicon to the extent practicable), in each case to the extent necessary to enable Symphony Icon to comply with the periodic reporting requirements of this Agreement, and will promptly notify Lexicon if it adopts or changes any accounting principle pursuant to a change in GAAP or applicable Law.

(v) Symphony Icon will perform and observe in all material respects all of the terms and provisions of each Operative Document to be performed or observed by it, maintain each such Operative Document to which it is a party, promptly enforce in all material respects each such Operative Document in accordance with its terms, take all such action to such end as may be from time to time reasonably requested by Holdings or Lexicon and make to each other party to each such Operative Document such demands and requests for information and reports or for action as Symphony Icon is entitled to make under such Operative Document.

(vi) Symphony Icon shall permit the representatives of Holdings (including Holdings' members and their respective representatives), each Symphony Fund and Lexicon, at each of their own expense and upon reasonable prior notice to Symphony Icon, to visit the principal executive office of Symphony Icon, to discuss the affairs, finances and accounts of Symphony Icon with Symphony Icon's officers and (with the consent of Symphony Icon, which consent will not be unreasonably

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withheld) its Auditors, all at such reasonable times and as often as may be reasonably requested in writing.

(vii) Symphony Icon shall permit each Symphony Fund, at its own expense and upon reasonable prior notice to Symphony Icon, to inspect and copy Symphony Icon's books and records and inspect Symphony Icon's properties at reasonable times.

(viii) Symphony Icon shall allow Lexicon or its designated representatives to have reasonable visitation and inspection rights with regard to the Programs and materials, documents and other information relating thereto.

(ix) Symphony Icon shall permit each Symphony Fund to consult with and advise the management of Symphony Icon on matters relating to the research and development of the Programs in order to develop the Product in accordance with the terms or provisions of the Amended and Restated Research and Development Agreement.

(x) On the Purchase Option Closing Date, or as soon thereafter as is practical, Symphony Icon shall deliver to Lexicon all materials, documents, files and other information relating to the Programs (or, where necessary, copies thereof).

(xi) During the Term, Lexicon shall have the right to consent to any increase in the size of the Symphony Icon Board to more than five (5) directors.

(xii) During the Term, Lexicon shall have the right to designate, remove and replace one (1) director of the Symphony Icon Board, including any successor thereto, as contemplated by Section 4(b)(iv).

(xiii) Symphony Icon shall indemnify the directors and officers of Symphony Icon against liability incurred by reason of the fact that such Person is or was a director or officer of Symphony Icon, as permitted by Article VII of the Symphony Icon Charter and Section 9.01 of the Symphony Icon By-laws, as set forth in, and on the terms of, the Indemnification Agreement and the RRD Services Agreement, respectively.

(xiv) During the Term, Symphony Icon shall comply with, and cause any Persons acting for it to comply with, the terms of the Investment Policy with respect to the investment of any funds held by it.

(xv) On or prior to the Purchase Option Closing Date, Symphony Icon shall pay for a non-cancelable clinical trial insurance policy and a non-cancelable directors and officers liability insurance policy covering claims made or reported for a period of six (6) years after the Purchase Option Closing Date to provide

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insurance coverage for events, acts or omissions occurring on or prior to the Purchase Option Closing Date for all persons who were directors or officers of Symphony Icon on or prior to the Purchase Option Closing Date.

(c) Symphony Icon covenants and agrees that, until the expiration of the Term, it shall not, and shall cause its Subsidiaries (if any) not to, without Lexicon's prior written consent (such consent, in the case of clause (x) below, not to be unreasonably withheld):

(i) issue any Symphony Icon Equity Securities or any Equity Securities of any Subsidiary thereof (other than any issuances of Equity Securities by Symphony Icon made in accordance with Section 1(b) hereof to Holdings so long as Symphony Icon is a wholly owned subsidiary of Holdings, or by a Subsidiary of Symphony Icon to Symphony Icon or to another wholly owned Subsidiary of Symphony Icon); provided, however, that in any event any such Symphony Icon Equity Securities shall be issued subject to the Purchase Option;

(ii) redeem, repurchase or otherwise acquire, directly or indirectly, any Symphony Icon Equity Securities or the Equity Securities of any Subsidiary of Symphony Icon;

(iii) create, incur, assume or permit to exist (A) any Encumbrance over or on any of its assets, other than (x) statutory liens or (y) liens created in the ordinary course of Symphony Icon's business securing obligations valued at [**] in the aggregate principal amount at any one time outstanding (unless the Development Committee shall authorize the existence of ordinary course liens securing obligations valued at [**]), or (B) Debt other than any Debt owing to parties not affiliated with Symphony Icon incurred pursuant to the Operative Documents and the Development Budget (including payables incurred in the ordinary course of business) ("Excepted Debt"); provided, however, that the aggregate outstanding principal amount of all Excepted Debt for borrowed money (including the amount of Debt secured by any Encumbrances permitted pursuant to clause (A)) shall not exceed [**] at any time;

(iv) declare or pay dividends or other distributions on any Symphony Icon Equity Securities other than any dividend declared out of funds released by the Development Committee pursuant to Section 8.1 of the Amended and Restated Research and Development Agreement, from the proceeds of (x) the exercise of a Discontinuation Option, or (y) a sale or license of a discontinued Program to a third party, in each case in respect of which Symphony Icon shall be entitled to pay (subject to the existence of lawfully available funds) a dividend equal to the net amount (such net amount calculated as the gross proceeds received less amounts required to be paid in respect of any and all corporate taxes owed by Symphony Icon as a result of the receipt of such gross amounts) of such Discontinuation Price or the amounts received from such third party, as the case may be;

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(v) enter into any transaction of merger or consolidation, or liquidate, wind up or dissolve itself, or convey, transfer, license, lease or otherwise dispose of all, or a material portion of, its properties, assets or business;

(vi) other than in respect of the Programs, engage in the development of products for any other company or engage or participate in the development of products or engage in any other material line of business;

(vii) other than entering into, and performing its obligations under, the Operative Documents and participating in the Programs, engage in any action that negates or is inconsistent with any rights of Lexicon set forth herein;

(viii) (A) other than as contemplated by the RRD Services Agreement and Section 6.2 of the Amended and Restated Research and Development Agreement, hire, retain or contract for the services of, any employees until the termination of such agreements, or (B) appoint, dismiss or change any RRD Investment Personnel;

(ix) incur any financial commitments in respect of the development of the Programs other than those set forth in the Development Plan and the Development Budget, or those approved by the Development Committee and, if so required by the terms of Paragraph 11 of the Development Committee Charter, the Symphony Icon Board in accordance with the Operative Documents;

(x) other than any transaction contemplated by the Operative Documents, enter into or engage in any Conflict Transactions without (x) if the Symphony Icon Board shall have less than five (5) members, the prior approval of all the members of the Symphony Icon Board, or (y) if the Board shall have five (5) members, the prior approval of a majority of the Disinterested Directors of the Symphony Icon Board; or

(xi) waive, alter, modify, amend or supplement in any manner whatsoever any material terms and conditions of the RRD Services Agreement, the Subscription Agreement, the Research Cost Sharing, Payment and Extension Agreement, or Articles 4 and 6 of the Amended and Restated Research and Development Agreement, except in compliance with the terms of the Operative Documents.

(d) Symphony Icon covenants and agrees to deliver, cause to be delivered, and provide access thereto, to each other Party, each Symphony Fund, and such Auditors as Lexicon may designate, so long as such Auditors shall (x) be subject to confidentiality requirements at least as stringent as the Confidentiality Agreement or (y) be the Lexicon Accounting Advisor retained pursuant to an agreement which incorporates confidentiality provisions substantially the same as the ones incorporated in the agreements in effect between Lexicon and such Lexicon Accounting Advisor as of the Closing Date:

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(i) upon request, copies of the then current Development Plan for each quarter, on or before March 31, June 30, September 30, and December 31 of each year;

(ii) upon request, copies of the then current Development Budget for each quarter, including a report setting forth in reasonable detail the projected expenditures by Symphony Icon pursuant to the Development Budget, on or before March 31, June 30, September 30, and December 31 of each year;

(iii) prior to the close of each fiscal year, Symphony Icon shall cause the Manager to seek to obtain from the Symphony Icon Auditors schedules of certain financial information to be provided to Lexicon's Auditors in connection with the Symphony Icon Auditors' audit of Symphony Icon. Within [**] after the close of each fiscal year, Symphony Icon (or the Manager acting on its behalf) will provide Lexicon's Auditors with the Client Schedules. If the Symphony Icon Auditors deliver the notice or listing of required Client Schedules after the end of the fiscal year, Symphony Icon (or the Manager acting on its behalf) will provide the completed Client Schedules to Lexicon's Auditors within [**] of such receipt. Following Lexicon's Auditors' review of the Client Schedules, Symphony Icon (or the Manager acting on its behalf) will promptly provide Lexicon's Auditors with any reasonably requested back-up information related to the Client Schedules.

(iv) prior to the close of each fiscal year, Lexicon's Chief Financial Officer, the Symphony Icon Auditors, Lexicon's Auditors and Symphony Icon (or the Manager acting on its behalf) shall agree to a completion schedule that will include (A) the provision by Symphony Icon to Lexicon of the financial information reasonably necessary for Lexicon to consolidate the financial results of Symphony Icon and (B) the following financial statements, including the related notes thereto, audited and certified by the Symphony Icon Auditors: (1) a balance sheet of Symphony Icon as of the close of such fiscal year, (2) a statement of net income for such fiscal year, and (3) a statement of cash flows for such fiscal year. Such audited annual financial statements shall set forth in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and Symphony Icon (or the Manager acting on its behalf) shall, to the extent that Symphony Icon (or the Manager acting on its behalf), using commercially reasonable means, can procure such an opinion, be accompanied by an opinion thereon of the Symphony Icon Auditors to the effect that such financial statements present fairly, in all material respects, the financial position of Symphony Icon and its results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances;

(v) within [**] following each calendar month and receipt from Lexicon of its monthly invoice to Symphony Icon, current accrued monthly vendor expenses and prepaid expenses, Symphony Icon (or the Manager acting on its

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behalf) will provide to Lexicon: (A) the unaudited balance sheet of Symphony Icon for the previous calendar month; (B) the unaudited statement of net income for such previous calendar month; (C) the trial balance schedule for such previous calendar month; and (D) related account reconciliations for such previous calendar month (collectively, "Unaudited Financial Information");

(vi) within [**] following its filing, a copy of each income tax return so filed by Symphony Icon with any foreign, federal, state or local taxing authority (including all supporting schedules thereto);

(vii) any other documents, materials or other information pertaining to the Programs or Symphony Icon as Lexicon may reasonably request, including preliminary financial information and information and documentation of internal controls and reporting;

(viii) promptly, and in any event within [**] of receipt thereof, copies of any notice to Symphony Icon from any federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that would reasonably be expected to have a Material Adverse Effect on Symphony Icon;

(ix) promptly upon receipt thereof, notice of all actions, suits, investigations, litigation and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting Symphony Icon;

(x) promptly upon receipt thereof, copies of any other notices, requests, reports, financial statements and other information and documents received by Symphony Icon under or pursuant to any other Operative Document, including, without limitation, any notices of breach or termination of any subcontracts or licenses entered into or permitted pursuant to the Operative Documents; and

(xi) with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of Symphony Icon or relating to the ability of Symphony Icon to perform its obligations hereunder and under the Operative Documents as from time to time may be reasonably requested by Lexicon and/or Holdings;

provided, that neither Symphony Icon, nor the Manager acting on behalf of Symphony Icon, shall have any liability to Lexicon for the failure to deliver financial documents or other materials hereunder, if such failure was caused by a failure of Lexicon to provide, in a timely manner, data required to prepare such financial documents or other materials to Symphony Lexicon in a timely manner.

(e) Symphony Icon will use commercially reasonable efforts, at its own expense (as set forth in the Development Budget), to cooperate with Lexicon in meeting Lexicon's government compliance, disclosure, and financial reporting

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obligations, including without limitation under the Sarbanes-Oxley Act of 2002, as amended, and any rules and regulations promulgated thereunder, and under FASB Interpretation No. 46 (Revised). Without limiting the foregoing, Symphony Icon further covenants, until the completion of all the reporting, accounting and other obligations set forth therein with respect to the fiscal year in which this Agreement shall terminate, expire and end, that (w) the principal executive officer and the principal financial officer of Symphony Icon, or persons performing similar functions, shall provide certifications to Lexicon corresponding to those required with respect to public companies for which a class of securities is registered under the Securities Exchange Act ("Public Companies") under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, as amended; (x) Symphony Icon shall maintain a system of disclosure controls and internal controls (as defined under the Exchange Act) as required under the Exchange Act for Public Companies; (y) Symphony Icon shall provide to Lexicon an attestation report of the Symphony Icon Auditors with respect to Symphony Icon management's assessment of Symphony Icon's internal controls as required under the Exchange Act for Public Companies, if required by Lexicon's Auditors in connection with their audit of Lexicon; and (z) Symphony Icon will maintain, or cause to have maintained, such sufficient evidentiary support for management's assessment of the effectiveness of Symphony Icon's internal controls as required under the Exchange Act for Public Companies.

Section 6. Notice of Material Event. Each Party covenants and agrees that, upon its acquiring Knowledge of (a) any breach by it of any representation, warranty, covenant or any other term or condition of this Agreement or (b) any other event or development, in each case that is, or is reasonably expected to be, materially adverse to the other Party with respect to any Program or the transactions contemplated hereby, such Party shall promptly notify the other Party in writing within three (3) Business Days of acquiring such Knowledge; provided, that the failure to provide such notice shall not impair or otherwise be deemed a waiver of any rights any Party may have arising from such breach, event or development and that notice under this Section 6 shall not be deemed an admission by the Party providing such notice of any breach of any of the Operative Documents.

Section 7. Assignment; Transfers; Legend.

(a) Assignment by Lexicon and Symphony Icon. Neither Lexicon nor Symphony Icon may assign, delegate, transfer, sell or otherwise dispose of (collectively, "Transfer"), in whole or in part, any or all of their rights or obligations hereunder to any Person (a "Transferee") without the prior written approval of each of the other Parties; provided, however, that Lexicon, without the prior approval of each of the other Parties, acting in accordance with Section 2A of this Agreement, may make such Transfer to any Person which acquires all or substantially all of Lexicon's assets or business (or assets or business related to the Programs) or which is the surviving or resulting Person in a merger, consolidation or other reorganization with Lexicon. In no event shall such assignment alter the definition of "Lexicon Common Stock" except as a result of the surviving or resulting "parent" entity in a merger being other than Lexicon,

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in which case any reference to Lexicon Common Stock shall be deemed to instead reference the common stock, if any, of the surviving or resulting parent entity.

(b) Assignment and Transfers by Holdings. Prior to the expiration of the Term, Holdings may not Transfer, in whole or in part, any or all of its Symphony Icon Equity Securities or any or all of its rights or obligations hereunder to any Person (other than Lexicon) without the prior written consent of Lexicon. In addition, any Transfer of Symphony Icon Equity Securities by Holdings or any other Person to any Person other than Lexicon shall be conditioned upon, and no effect shall be given to any such Transfer unless such transferee shall agree in writing in form and substance satisfactory to Lexicon to be bound by all of the terms and conditions hereunder, including the Purchase Option, as if such transferee were originally designated as "Holdings" hereunder.

(c) Legend. Any certificates evidencing Symphony Icon Equity Securities shall bear a legend in substantially the following form:

THE SECURITIES OF SYMPHONY ICON, INC., EVIDENCED HEREBY ARE SUBJECT TO AN OPTION, HELD BY LEXICON PHARMACEUTICALS, INC., AS DESCRIBED IN A PURCHASE OPTION AGREEMENT (THE "PURCHASE OPTION AGREEMENT") DATED AS OF JUNE 15, 2007, BY AND AMONG LEXICON PHARMACEUTICALS, INC. AND THE OTHER PARTIES THERETO, TO PURCHASE SUCH SECURITIES AT A PURCHASE PRICE DETERMINED PURSUANT TO SECTION 2 OF THE PURCHASE OPTION AGREEMENT, EXERCISABLE BY WRITTEN NOTICE AT ANY TIME DURING THE PERIOD SET FORTH THEREIN. COPIES OF THE PURCHASE OPTION AGREEMENT ARE AVAILABLE AT THE PRINCIPAL PLACE OF BUSINESS OF SYMPHONY ICON, INC. AT 7361 CALHOUN PLACE, SUITE 325, ROCKVILLE, MARYLAND 20855, AND WILL BE FURNISHED TO THE HOLDER HEREOF UPON WRITTEN REQUEST WITHOUT COST.

Section 8. Costs and Expenses: Payments.

(a) Symphony Icon Costs and Expenses. Symphony Icon shall pay any of its ongoing legal expenses with respect to the transactions described in the Operative Documents from the funds allocated for such purpose in the Development Budget.

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(b) Costs and Expenses of the Purchase Option. Except as otherwise specified in Section 2(f) hereof, each Party shall pay its own costs and expenses incurred in connection with the exercise of the Purchase Option.

(c) Payments to Holdings. Payment of the Purchase Price, plus any costs and expenses payable by Symphony Icon under Section 2(f) hereof, shall be made to the account of Holdings on the Purchase Option Closing Date no later than 1:00 pm (New York time).

Section 9. Expiration; Termination of Agreement

(a) Termination.

(i) This Agreement shall terminate upon the mutual written consent of all of the Parties.

(ii) Each of Holdings and Symphony Icon may terminate this Agreement at any time upon written notice to Lexicon if Lexicon is in material default or breach of this Agreement or any other Operative Document that has resulted in, or would reasonably be expected to result in, a material adverse effect on the Programs or Symphony Icon's or Holdings' rights under the Operative Documents, and such material default or breach continues unremedied for a period of [**] after written notice thereof is delivered to Lexicon (or, in the case of a breach of Section 2(b) of the Research Cost Sharing, Payment and Extension Agreement, such breach continues unremedied for a period of five (5) Business Days after written notice thereof is delivered to Lexicon (a "Payment Breach"). Except in the case of a Payment Breach, such cure period may be extended if (i) Lexicon reasonably believes such breach can be cured within [**] of Lexicon's receipt of Holdings' and/or Symphony Icon's written notice of such breach (and notifies Holdings and/or Symphony Icon, as applicable, in writing of such belief and the basis for such belief), and (ii) Holdings and/or Symphony Icon, as applicable, agree. If Lexicon fails to remedy the default or breach within the applicable cure period, Symphony Icon and/or Holdings may by final notice of termination to Lexicon terminate this Agreement. The rights of Holdings and Symphony Icon under this section shall be in addition to the rights under Section 2A of this Agreement.

(iii) Subject to Sections 1(c)(v) and 2A hereof, which shall survive termination of this Agreement under this Section 9(a)(iii), each of Holdings and Symphony Icon may terminate this Agreement in the event that Symphony Icon terminates the Amended and Restated Research and Development Agreement in accordance with its terms.

(iv) In the event that this Agreement terminates, Symphony Icon shall have the rights set forth in Sections 2(a) and 2(b) of the Research Cost Sharing, Payment and Extension Agreement.

Section 10. Survival; Indemnification.

(a) Survival of Representations and Warranties; Expiration of Certain Covenants.

(i) The representations and warranties of the Parties contained in this Agreement shall survive for a period of [**] from the making of such representations, except for representations and warranties contained in Sections 3(a)(i) and (ii), 4(a)(i) and (ii) and 5(a)(i) and (ii) hereof which shall survive indefinitely. The liability of the Parties related to their respective representations and warranties hereunder shall not be reduced by any investigation made at any time by or on behalf of Holdings, Symphony Icon or Lexicon, as applicable.

(ii) For the avoidance of doubt, the covenants and agreements set forth in Sections 4(b), 5(b)(i), 5(b)(v), 5(b)(vii)-(ix), 5(b)(xi)-(xiv), 5(c), 5(d)(i), 5(d)(ii), 5(d)(viii)-(xi) and 9(a)(iv) shall, upon the expiration of the Term, expire and end without any further obligation by Symphony Icon or Holdings thereunder.

(iii) For the avoidance of doubt, the covenants and agreements set forth in Sections 5(b)(ii)-(iv), 5(b)(vi), 5(b)(x), 5(d)(iii)-(vii) and 5(e) shall, upon the completion of all the reporting, accounting and other obligations set forth therein with respect to the fiscal year in which this Agreement shall terminate, expire and end without any further obligation by Symphony Icon or Holdings thereunder.

(b) Indemnification. To the greatest extent permitted by applicable law, Lexicon shall indemnify and hold harmless Holdings and Symphony Icon and Holdings shall indemnify and hold harmless Lexicon, and each of their respective Affiliates, officers, directors, employees, agents, partners, members, successors, assigns, representatives of, and each Person, if any (including any officers, directors, employees, agents, partners, members of such Person) who controls Holdings, Symphony Icon and Lexicon, as applicable, within the meaning of the Securities Act or the Exchange Act, (each, an "Indemnified Party"), from and against any and all actions, causes of action, suits, claims, losses, costs, interest, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such Indemnified Party is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (hereinafter, a "Loss"), incurred by any Indemnified Party to the extent resulting from, arising out of, or relating to: (i) in the case of Lexicon being the Indemnifying Party, (A) any breach of any representation or warranty made by Lexicon herein or in Section 5.1 of the Novated and Restated Technology License Agreement, or (B) any breach of any covenant, agreement or obligation of Lexicon contained herein, and (ii) in the case of Holdings being the Indemnifying Party, (A) any breach of any representation or warranty made by Holdings or Symphony Icon herein, or (B) any breach of any covenant, agreement or obligation of Holdings or Symphony Icon contained herein. To the extent that the foregoing undertaking by Lexicon or Holdings may be unenforceable for any reason, such Party shall make the maximum contribution to the payment and satisfaction of any Loss that is permissible under applicable law.

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(c) Notice of Claims. Any Indemnified Party that proposes to assert a right to be indemnified under this Section 10 shall notify Lexicon or Holdings, as applicable (the "Indemnifying Party"), promptly after receipt of notice of commencement of any action, suit or proceeding against such Indemnified Party (an "Indemnified Proceeding") in respect of which a claim is to be made under this Section 10, or the incurrence or realization of any Loss in respect of which a claim is to be made under this Section 10, of the commencement of such Indemnified Proceeding or of such incurrence or realization, enclosing a copy of all relevant documents, including all papers served and claims made, but the omission to so notify the applicable Indemnifying Party promptly of any such Indemnified Proceeding or incurrence or realization shall not relieve (x) such Indemnifying Party from any liability that it may have to such Indemnified Party under this Section 10 or otherwise, except, as to such Indemnifying Party's liability under this Section 10, to the extent, but only to the extent, that such Indemnifying Party shall have been prejudiced by such omission, or (y) any other indemnitor from liability that it may have to any Indemnified Party under the Operative Documents.

(d) Defense of Proceedings. In case any Indemnified Proceeding shall be brought against any Indemnified Party, it shall notify the applicable Indemnifying Party of the commencement thereof as provided in Section 10(c), and such Indemnifying Party shall be entitled to participate in, and provided such Indemnified Proceeding involves a claim solely for money damages and does not seek an injunction or other equitable relief against the Indemnified Party and is not a criminal or regulatory action, to assume the defense of, such Indemnified Proceeding with counsel reasonably satisfactory to such Indemnified Party. After notice from such Indemnifying Party to such Indemnified Party of such Indemnifying Party's election so to assume the defense thereof and the failure by such Indemnified Party to object to such counsel within ten (10) Business Days following its receipt of such notice, such Indemnifying Party shall not be liable to such Indemnified Party for legal or other expenses related to such Indemnified Proceedings incurred after such notice of election to assume such defense except as provided below and except for the reasonable costs of investigating, monitoring or cooperating in such defense subsequently incurred by such Indemnified Party reasonably necessary in connection with the defense thereof. Such Indemnified Party shall have the right to employ its counsel in any such Indemnified Proceeding, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless:

(i) the employment of counsel by such Indemnified Party at the expense of the applicable Indemnifying Party has been authorized in writing by such Indemnifying Party;

(ii) such Indemnified Party shall have reasonably concluded in its good faith (which conclusion shall be determinative unless a court determines that such conclusion was not reached reasonably and in good faith) that there is or may be a conflict of interest between the applicable Indemnifying Party and such Indemnified Party in the conduct of the defense of such Indemnified Proceeding or that there are or may be one or more different or additional defenses, claims, counterclaims,

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or causes of action available to such Indemnified Party (it being agreed that in any case referred to in this clause (ii) such Indemnifying Party shall not have the right to direct the defense of such Indemnified Proceeding on behalf of the Indemnified Party);

(iii) the applicable Indemnifying Party shall not have employed counsel reasonably acceptable to the Indemnified Party, to assume the defense of such Indemnified Proceeding within a reasonable time after notice of the commencement thereof; provided, however, that (A) this clause (iii) shall not be deemed to constitute a waiver of any conflict of interest that may arise with respect to any such counsel, and (B) an Indemnified Party may not invoke this clause (iii) if such Indemnified Party failed to timely object to such counsel pursuant to the first paragraph of this Section 10(d) above (it being agreed that in any case referred to in this clause (iii) such Indemnifying Party shall not have the right to direct the defense of such Indemnified Proceeding on behalf of the Indemnified Party); or

(iv) any counsel employed by the applicable Indemnifying Party shall fail to timely commence or reasonably conduct the defense of such Indemnified Proceeding and such failure has prejudiced (or is in immediate danger of prejudicing) the outcome of such Indemnified Proceeding (it being agreed that in any case referred to in this clause (iv) such Indemnifying Party shall not have the right to direct the defense of such Indemnified Proceeding on behalf of the Indemnified Party);

in each of which cases the fees and expenses of counsel for such Indemnified Party shall be at the expense of such Indemnifying Party. Only one counsel shall be retained by all Indemnified Parties with respect to any Indemnified Proceeding, unless counsel for any Indemnified Party reasonably concludes in good faith (which conclusion shall be determinative unless a court determines that such conclusion was not reached reasonably and in good faith) that there is or may be a conflict of interest between such Indemnified Party and one or more other Indemnified Parties in the conduct of the defense of such Indemnified Proceeding or that there are or may be one or more different or additional defenses, claims, counterclaims, or causes of action available to such Indemnified Party.

(e) Settlement. Without the prior written consent of such Indemnified Party, such Indemnifying Party shall not settle or compromise, or consent to the entry of any judgment in, any pending or threatened Indemnified Proceeding, unless such settlement, compromise, consent or related judgment (i) includes an unconditional release of such Indemnified Party from all liability for Losses arising out of such claim, action, investigation, suit or other legal proceeding, (ii) provides for the payment of money damages as the sole relief for the claimant (whether at law or in equity), (iii) involves no admission of fact

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adverse to the Indemnified Party or finding or admission of any violation of law or the rights of any Person by the Indemnified Party, and (iv) is not in the nature of a criminal or regulatory action. No Indemnified Party shall settle or compromise, or consent to the entry of any judgment in, any pending or threatened Indemnified Proceeding (A) in respect of which any payment would result hereunder or under any other Operative Document, (B) which includes an injunction that will adversely affect any Indemnifying Party, (C) which involves an admission of fact adverse to the Indemnifying Party or a finding or admission of any violation of law or the rights of any Person by the Indemnifying Party, or (D) which is in the nature of a criminal or regulatory action, without the prior written consent of the Indemnifying Party, such consent not to be unreasonably conditioned, withheld or delayed.

Section 11. No Petition. Each of Lexicon and Holdings covenants and agrees that, prior to the date which is one year and one day after the expiration of the Purchase Option Period, it will not institute or join in the institution of any bankruptcy, insolvency, reorganization or similar proceeding against Symphony Icon. The provisions of this Section 11 shall survive the termination of this Agreement.

Section 12. Third-Party Beneficiary. Each of the Parties agrees that each Symphony Fund shall be a third-party beneficiary of this Agreement.

Section 13. Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given to any Party shall be in writing addressed to the Party at its address set forth below and shall be deemed given (i) when delivered to the Party personally, (ii) if sent to the Party by facsimile transmission (promptly followed by a hard-copy delivered in accordance with this Section 13), when the transmitting Party obtains written proof of transmission and receipt; provided, however, that notwithstanding the foregoing, any communication sent by facsimile transmission after 5:00 PM (receiving Party's time) or not on a Business Day shall not be deemed received until the next Business Day, (iii) when delivered by next Business Day delivery by a nationally recognized courier service, or (iv) if sent by registered or certified mail, when received, provided postage and registration or certification fees are prepaid and delivery is confirmed by a return receipt:

Lexicon:

Lexicon Pharmaceuticals, Inc.
8800 Technology Forest Place
The Woodlands, TX 77381-1160
Attn: Arthur T. Sands, M.D., Ph.D.
Facsimile: (281) 863-8095

with copies to:

Lexicon Pharmaceuticals, Inc.
8800 Technology Forest Place
The Woodlands, TX 77381-1160
Attn: Jeffrey L. Wade
Facsimile: (281) 863-8010

and

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Lexicon Pharmaceuticals, Inc.
8800 Technology Forest Place
The Woodlands, TX 77381-1160
Attn: Julia P. Gregory
Facsimile: (281) 863-8095

Symphony Icon:

Symphony Icon, Inc.
7361 Calhoun Place, Suite 325
Rockville, MD 20855
Attn: Charles W. Finn, Ph.D.
Facsimile: (301) 762-6154

Holdings:

Symphony Icon Holdings LLC
7361 Calhoun Place, Suite 325
Rockville, MD 20855
Attn: Robert L. Smith, Jr.
Facsimile: (301) 762-6154

with copies to:

Symphony Capital Partners, L.P.
875 Third Avenue, 18th Floor
New York, NY 10022
Attn: Mark Kessel
Facsimile: (212) 632-5401

and

Symphony Strategic Partners, LLC
875 Third Avenue, 18th Floor
New York, NY 10022
Attn: Mark Kessel
Facsimile: (212) 632-5401

or to such other address as such Party may from time to time specify by notice given in the manner provided herein to each other Party entitled to receive notice hereunder.

Section 14. Governing Law; Consent to Jurisdiction and Service of Process.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York; except to the extent that this

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Agreement pertains to the internal governance of Symphony Icon or Holdings, and to such extent this Agreement shall be governed and construed in accordance with the laws of the State of Delaware.

(b) Each of the Parties hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court and Delaware State court or federal court of the United States of America sitting in The City of New York, Borough of Manhattan or Wilmington, Delaware, and any appellate court from any jurisdiction thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the Parties hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court, any such Delaware State court or, to the fullest extent permitted by law, in such federal court. Each of the Parties agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any Party may otherwise have to bring any action or proceeding relating to this Agreement.

(c) Each of the Parties irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York State or federal court, or any Delaware State or federal court. Each of the Parties hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court. Each of the parties hereby consents to service of process by mail.

Section 15. Waiver of Jury Trial. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT.

Section 16. Entire Agreement. This Agreement (including any Annexes, Schedules, Exhibits or other attachments hereto) constitutes the entire agreement between the Parties with respect to the matters covered hereby and supersedes all prior and contemporaneous agreements, correspondence, discussion, and understanding with respect to such matters between the Parties, excluding the Operative Documents.

Section 17. Amendment; Successors; Counterparts.

(a) The terms of this Agreement shall not be altered, modified, amended, waived or supplemented in any manner whatsoever except by a written instrument signed by each of the Parties.

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(b) Except as set forth in Section 12, nothing expressed or implied herein is intended or shall be construed to confer upon or to give to any Person, other than the Parties, any right, remedy or claim under or by reason of this Agreement or of any term, covenant or condition hereof, and all the terms, covenants, conditions, promises and agreements contained herein shall be for the sole and exclusive benefit of the Parties and their successors and permitted assigns.

(c) This Agreement may be executed in one or more counterparts, each of which, when executed, shall be deemed an original but all of which, taken together, shall constitute one and the same Agreement.

Section 18. Specific Performance. The Parties acknowledge that irreparable damage would result if this Agreement were not specifically enforced, and they therefore agree that the rights and obligations of the Parties under this Agreement may be enforced by a decree of specific performance issued by a court of competent jurisdiction. Such a remedy shall, however, not be exclusive, and shall be in addition to any other remedies which any Party may have under this Agreement or otherwise. The Parties further acknowledge and agree that a decree of specific performance may not be an available remedy in all circumstances.

Section 19. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in a manner materially adverse to either party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

Section 20. Tax Reporting. The Parties acknowledge and agree that, for all federal and state income tax purposes:

(a) (i) Holdings shall be treated as the owner of all the Equity Securities of Symphony Icon prior to the consummation of the Purchase Option; (ii) the Purchase Option shall be treated as an option to acquire all the Equity Securities of Symphony Icon; (iii) the Option Premium Shares shall be treated as an option premium payable in respect of the grant of the Purchase Option; and (iv) Symphony Icon shall be treated as the owner of all the Licensed Intellectual Property and shall be entitled to all deductions claimed under Section 174 of the Code in respect of the Licensed Intellectual Property to the extent of the amounts funded by Symphony Icon (which, for the avoidance of doubt, shall not preclude Lexicon from claiming deductions under Section 174 of the Code to which Lexicon is otherwise entitled); and

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(b) No Party shall take any tax position inconsistent with any position described in Section 20(a) above, except (i) in the event of a “determination” (as defined in Section 1313 of the Code) to the contrary, or (ii) in the event either of the Parties receives an opinion of counsel to the effect that there is no reasonable basis in law for such a position or that a tax return cannot be prepared based on such a position without being subject to substantial understatement penalties; provided, however, that in the case of Lexicon, such counsel shall be reasonably satisfactory to Holdings.

[SIGNATURES FOLLOW ON NEXT PAGE]

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IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the day and year first above written.

LEXICON PHARMACEUTICALS, INC.

By: _____

Name: Arthur T. Sands, M.D., Ph.D.

Title: President and Chief Executive Officer

SYMPHONY ICON HOLDINGS LLC

By: Symphony Capital Partners, L.P.,
its Manager

By: Symphony Capital GP, L.P.,
its general partner

By: Symphony GP, LLC,
its general partner

By: _____

Name: Mark Kessel

Title: Managing Member

SYMPHONY ICON, INC.

By: _____

Name: Mark Kessel

Title: Chairman of the Board

Signature page to Purchase Option Agreement

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SCHEDULE I

PURCHASE PRICE TABLE

Year Following the Closing Date	First Date of Year	Last Date of Year	Yearly Price (in millions)
2nd Year	June 15, 2008	June 14, 2009	\$ 72
3rd Year	June 15, 2009	June 14, 2010	\$ 81
4th Year	June 15, 2010	June 15, 2011	\$ 90

SCH-1

PURCHASE OPTION EXERCISE NOTICE

_____, 20__

Attention: _____

Ladies and Gentlemen:

Reference is hereby made to that certain Purchase Option Agreement dated as of June 15, 2007 (the "Purchase Option Agreement"), by and among Lexicon Pharmaceuticals, Inc., a Delaware corporation ("Lexicon"), Symphony Icon Holdings LLC, a Delaware limited liability company, and Symphony Icon, Inc., a Delaware corporation. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the Purchase Option Agreement.

Pursuant to Section 2(a) of the Purchase Option Agreement, Lexicon hereby irrevocably notifies you that it hereby exercises the Purchase Option.

Subject to the terms set forth therein, Lexicon hereby affirms the representations and warranties set forth in Section 3(a) of the Purchase Option Agreement, as of the date hereof.

Lexicon estimates that the Purchase Option Closing Date will be _____.

The Purchase Price will be \$_____, subject to adjustment if the Purchase Option Closing Date occurs later than the estimated date set forth above.

[Lexicon intends to pay _____% of the Purchase Price in Lexicon Common Stock. The number of shares to be transferred at such Purchase Price will be _____, based on a per share valuation of \$_____. This represents _____% of the total amount of Lexicon Common Stock issued and outstanding as of the Purchase Option Closing Date.]

Very truly yours,

LEXICON PHARMACEUTICALS, INC.

By: _____
Name:
Title:

CERTAIN DEFINITIONS

See attached.

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CERTAIN DEFINITIONS

“\$” means United States dollars.

“Accredited Investor” has the meaning set forth in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended.

“Act” means the Delaware Limited Liability Company Act, 6 Del. C. § 18-101 et seq.

“Activity” means:

(a) in the case of goods or services procured from third party vendors, the resources applied (and the costs incurred therefor) on one clinical study or protocol under a single contract with a vendor, said contract consisting of either a purchase order or a stand alone contract, if for a one-time purchase, or a series of work orders under a master contract or master services agreement, if for multiple purchases of similar goods or services from the same vendor; and

(b) in the case of internally provided goods or services, the resources applied, allocated or reallocated (and the costs associated therewith) under a single budgetary line item for any LG103 Program or any LG617 Program.

“Ad Hoc Meeting” has the meaning set forth in Paragraph 6 of Annex B of the Amended and Restated Research and Development Agreement.

“Additional Party” has the meaning set forth in Section 14 of the Confidentiality Agreement.

“Additional Regulatory Filings” means such Governmental Approvals as required to be made under any law applicable to the purchase of the Symphony Icon Equity Securities under the Purchase Option Agreement.

“Adjusted Capital Account Deficit” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Affected Member” has the meaning set forth in Section 26 of the Investors LLC Agreement.

“Affiliate” means, with respect to any Person (i) any Person directly or indirectly controlling, controlled by or under common control with such Person, (ii) any officer, director, general partner, member or trustee of such Person, or (iii) any Person who is an officer, director, general partner, member or trustee of any Person described in clauses (i) or (ii) of this sentence. For purposes of this definition, the terms “controlling,” “controlled by” or “under common control with” shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a

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Person or entity, whether through the ownership of voting securities, by contract or otherwise, or the power to elect at least 50% of the directors, managers, general partners, or persons exercising similar authority with respect to such Person or entities.

“Amended and Restated Research and Development Agreement” means the Amended and Restated Research and Development Agreement dated as of the Closing Date, among Lexicon, Holdings and Symphony Icon.

“Annual Price” has the meaning set forth in Section 2(b) of the Purchase Option Agreement.

“Asset Value” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Auditors” means an independent certified public accounting firm of recognized national standing.

“Balance Sheet Deficiency” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“Balance Sheet Deficiency Date” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“Balance Sheet Deficiency Threshold” shall have the meaning set forth in Section 3(b) of the Research Cost Sharing, Payment and Extension Agreement.

“Bankruptcy Code” means the United States Bankruptcy Code.

“Bankruptcy Event” means, with respect to a Person, the occurrence of either of the following:

(a) a case or other proceeding shall be commenced, without the application or consent of such Person, in any court, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or readjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator or the like for such Person of all or substantially all of its assets, or any similar action with respect to such Person under any Law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and such case or proceeding shall continue undismissed, or unstayed and in effect, for a period of sixty (60) consecutive days; or an order for relief in respect of such Person shall be entered in an involuntary case under the federal bankruptcy Laws or other similar Laws now or hereafter in effect; or

(b) such Person shall generally not pay its debts as such debts become due or shall admit in writing its inability to pay its debts generally or such Person shall commence a voluntary case or other proceeding under any applicable bankruptcy,

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insolvency, reorganization, debt arrangement, dissolution or other similar Law now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee (other than a trustee under a deed of trust, indenture or similar instrument), custodian, sequestrator (or other similar official) for, such Person or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall be adjudicated insolvent, or admit in writing its inability to pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors shall vote to implement any of the foregoing.

“BMS” means Bristol-Myers Squibb Company, a Delaware corporation.

“Business Day” means any day other than Saturday, Sunday or any other day on which commercial banks in the City of New York are authorized or required by law to remain closed.

“Capital Contributions” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Capitalized Leases” means all leases that have been or should be, in accordance with GAAP, recorded as capitalized leases.

“Cash Available for Distribution” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Chair” has the meaning set forth in Paragraph 4 of Annex B to the Amended and Restated Research and Development Agreement.

“Change of Control” means and includes the occurrence of any of the following events, but specifically excludes (i) acquisitions of capital stock directly from Lexicon for cash, whether in a public or private offering, (ii) sales of capital stock by stockholders of Lexicon, and (iii) acquisitions of capital stock by or from any employee benefit plan or related trust:

(a) the merger, reorganization or consolidation of Lexicon into or with another corporation or legal entity in which Lexicon’s stockholders holding the right to vote with respect to matters generally immediately preceding such merger, reorganization or consolidation, own less than fifty percent (50%) of the voting securities of the surviving entity; or

(b) the sale of all or substantially all of Lexicon’s assets or business.

“Change of Control Put Option” has the meaning set forth in Section 2A of the Purchase Option Agreement.

“Change of Control Put Option Exercise Notice” has the meaning set forth in Section 2A of the Purchase Option Agreement.

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“Class A Member” means a holder of a Class A Membership Interest.

“Class A Membership Interest” means a Class A Membership Interest in Holdings.

“Class B Member” means a holder of a Class B Membership Interest.

“Class B Membership Interest” means a Class B Membership Interest in Holdings.

“Class C Member” means a holder of a Class C Membership Interest.

“Class C Membership Interest” means a Class C Membership Interest in Holdings.

“Class D Member” means a holder of a Class D Membership Interest.

“Class D Membership Interest” means a Class D Membership Interest in Holdings.

“Client Schedules” has the meaning set forth in Section 5(b) of the RRD Services Agreement.

“Clinical Trial Material” means Product and placebo for administration to animals for pre-clinical testing or to humans for clinical testing, and Product for non-clinical testing.

“Closing Date” means June 15, 2007.

“CMC” means the chemistry, manufacturing and controls documentation as required for filings with a Regulatory Authority relating to the manufacturing, production and testing of drug products.

“CNS Field” means the field of prevention, palliation, control or treatment in humans of (a) depression, schizophrenia, bipolar disease, dementia, anxiety, attention deficit hyperactivity disorder, anorexia nervosa and other affective disorders, (b) Alzheimer’s disease and other cognitive disorders, (c) Parkinson’s disease, amyotrophic lateral sclerosis and other neurodegenerative disorders, (d) pain, (e) epilepsy, (f) insomnia, narcolepsy and other sleep disorders, (g) substance abuse and (h) migraine.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Common Stock” means the common stock, par value \$0.01 per share, of Symphony Icon.

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“Company Expenses” has the meaning set forth in Section 5.09 of the Holdings LLC Agreement.

“Company Property” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Confidential Information” has the meaning set forth in Section 2 of the Confidentiality Agreement.

“Confidentiality Agreement” means the Confidentiality Agreement, dated as of the Closing Date, among Symphony Icon, Holdings, Lexicon, SCP, SSP, Investors, Symphony Capital and RRD, as such agreement may be amended or amended and restated from time to time.

“Conflict Transaction” has the meaning set forth in Article X of the Symphony Icon Charter.

“Control” means, with respect to any material, information or intellectual property right, that a Party owns or has a license to such item or right, and has the ability to grant the other Party access, a license or a sublicense (as applicable) in or to such item or right as provided in the Operative Documents without violating the terms of any agreement or other arrangement with any third party.

“Cross Program Budget Component” has the meaning set forth in Section 4.1 of the Amended and Restated Research and Development Agreement.

“Debt” of any Person means, without duplication:

(a) all indebtedness of such Person for borrowed money,

(b) all obligations of such Person for the deferred purchase price of property or services (other than any portion of any trade payable obligation that shall not have remained unpaid for 91 days or more from the later of (A) the original due date of such portion and (B) the customary payment date in the industry and relevant market for such portion),

(c) all obligations of such Person evidenced by bonds, notes, debentures or other similar instruments,

(d) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (whether or not the rights and remedies of the seller or lender under such agreement in an event of default are limited to repossession or sale of such property),

(e) all Capitalized Leases to which such Person is a party,

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- (f) all obligations, contingent or otherwise, of such Person under acceptance, letter of credit or similar facilities,
- (g) all obligations of such Person to purchase, redeem, retire, defease or otherwise acquire for value any Equity Securities of such Person,
- (h) the net amount of all financial obligations of such Person in respect of Hedge Agreements,
- (i) the net amount of all other financial obligations of such Person under any contract or other agreement to which such Person is a party,

(j) all Debt of other Persons of the type described in clauses (a) through (i) above guaranteed, directly or indirectly, in any manner by such Person, or in effect guaranteed, directly or indirectly, by such Person through an agreement (A) to pay or purchase such Debt or to advance or supply funds for the payment or purchase of such Debt, (B) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Debt or to assure the holder of such Debt against loss, (C) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (D) otherwise to assure a creditor against loss, and

(k) all Debt of the type described in clauses (a) through (i) above secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Encumbrance on property (including accounts and contract rights) owned or held or used under lease or license by such Person, even though such Person has not assumed or become liable for payment of such Debt.

“Development Budget” means the budget (comprised of the Program Specific Budget Component and the Cross Program Budget Component) for the implementation of the Development Plan (the initial form of which was agreed upon by Lexicon and Symphony Icon as of the Closing Date and attached to the Amended and Restated Research and Development Agreement as Annex C thereto), as may be further developed and revised from time to time in accordance with the Development Committee Charter and the Amended and Restated Research and Development Agreement.

“Development Committee” has the meaning set forth in Article 3 of the Amended and Restated Research and Development Agreement.

“Development Committee Charter” has the meaning set forth in Article 3 of the Amended and Restated Research and Development Agreement.

“Development Committee Member” has the meaning set forth in Paragraph 1 of Annex B to the Amended and Restated Research and Development Agreement.

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“Development Plan” means the development plan covering all the Programs (the initial form of which was agreed upon by Lexicon and Symphony Icon as of the Closing Date and attached to the Amended and Restated Research and Development Agreement as Annex C thereto), as may be further developed and revised from time to time in accordance with the Development Committee Charter and the Amended and Restated Research and Development Agreement.

“Development Product” means a LG617 Product or a LG103 Product that is administered in a clinical trial performed pursuant to the Development Plan.

“Development Services” has the meaning set forth in Section 1(b) of the RRD Services Agreement.

“Development Subcontracting Agreement” means a Subcontracting Agreement that is directly related to one or both of the Programs and is not a Manufacturing Subcontracting Agreement.

“Director(s)” means the Persons identified as such in the Preliminary Statement of the Indemnification Agreement (including such Persons as may become parties thereto after the date hereof).

“Disclosing Party” has the meaning set forth in Section 4 of the Confidentiality Agreement.

“Discontinuation Option” has the meaning set forth in Section 11(a) of the Amended and Restated Research and Development Agreement.

“Discontinuation Option Closing Date” means the date of expiration of the Discontinuation Option pursuant to Section 11(a) of the Amended and Restated Research and Development Agreement.

“Discontinuation Price” has the meaning set forth in Section 11(a) of the Amended and Restated Research and Development Agreement.

“Discontinued Program” has the meaning set forth in Section 2.10 of the Novated and Restated Technology License Agreement.

“Disinterested Directors” has the meaning set forth in Article IX of the Symphony Icon Charter.

“Distribution” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Early Purchase Option Exercise” has the meaning set forth in Section 1(c)(v) of the Purchase Option Agreement.

Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

“Effective Registration Date” has the meaning set forth in Section 1(b) of the Registration Rights Agreement.

“Encumbrance” means (i) any security interest, pledge, mortgage, lien (statutory or other), charge or option to purchase, lease or otherwise acquire any interest, (ii) any adverse claim, restriction, covenant, title defect, hypothecation, assignment, deposit arrangement, license or other encumbrance of any kind, preference or priority, or (iii) any other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement).

“Equity Securities” means, with respect to any Person, shares of capital stock of (or other ownership or profit interests in) such Person, warrants, options or other rights for the purchase or other acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or other acquisition from such Person of such shares (or such other interests), and other ownership or profit interests in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

“ERISA” means the United States Employee Retirement Income Security Act of 1974, as amended.

“Excepted Debt” has the meaning set forth in Section 5(c)(iii) of the Purchase Option Agreement.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Existing Confidentiality Agreement” has the meaning set forth in Section 2(a) of the Confidentiality Agreement.

“Extension Funding” has the meaning set forth in Section 2 of the Research Cost Sharing, Payment and Extension Agreement.

“External Directors” means, at any time, up to two (2) Persons elected to the Symphony Icon Board after the Closing Date (who shall be neither employees of Symphony Capital nor of Lexicon) in accordance with the Symphony Icon Charter, the Symphony Icon By-laws and Section 4(b)(v) of the Purchase Option Agreement.

“FDA” means the United States Food and Drug Administration or its successor agency in the United States.

Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

“FDA Sponsor” has the meaning set forth in Section 5.1 of the Amended and Restated Research and Development Agreement.

“Final Termination Date” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“Financial Audits” has the meaning set forth in Section 6.7 of the Amended and Restated Research and Development Agreement.

“Financing” has the meaning set forth in the Preliminary Statement of the Purchase Option Agreement.

“Fiscal Year” has the meaning set forth in each Operative Document in which it appears.

“Form S-3” means the Registration Statement on Form S-3 as defined under the Securities Act.

“FTE” means the time and effort of one or more qualified scientists, technicians, project managers, preclinical or clinical research personnel, regulatory personnel, or patent professionals that is equivalent to [**]. The percentage of a FTE billable by Lexicon to the Programs for one individual shall be determined by dividing the number of hours worked directly by said individual on one or more of the Programs, [**], by [**], with the further limitation that one individual cannot account for more than one FTE over any annual period.

“Funds Termination Date” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“Funds Termination Notice” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“GAAP” means generally accepted accounting principles in effect in the United States of America from time to time.

“Governmental Approvals” means authorizations, consents, orders, declarations or approvals of, or filings with, or terminations or expirations of waiting periods imposed by any Governmental Authority.

“Governmental Authority” means any United States or non-United States federal, national, supranational, state, provincial, local, or similar government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body.

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“Governmental Order” means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

“Hedge Agreement” means any interest rate swap, cap or collar agreement, interest rate future or option contract, currency swap agreement, currency future or option contract or other similar hedging agreement.

“Holdings” means Symphony Icon Holdings LLC, a Delaware limited liability company.

“Holdings Claims” has the meaning set forth in Section 5.01 of the Share Purchase Agreement.

“Holdings LLC Agreement” means the Amended and Restated Limited Liability Company Agreement of Holdings dated as of the Closing Date.

“HSR Filings” means the pre-merger notification and report forms required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

“Icon Relevant Infringement” means an infringement, misappropriation, illegal use or misuse of the Licensed Patent Rights or other Licensed Intellectual Property due to the manufacture, use, sale or importation of a LG103 Product or a LG617 Product.

“IND” means an Investigational New Drug Application, as described in 21 U.S.C. § 355(i)(1) and 21 C.F.R. § 312 in the regulations promulgated by the United States Food and Drug Administration, or any foreign equivalent thereof.

“Indemnification Agreement” means the Indemnification Agreement among Symphony Icon and the Directors named therein, dated as of the Closing Date, as such agreement may be amended or amended and restated from time to time.

“Indemnified Party” has the meaning set forth in each Operative Document in which it appears.

“Indemnified Proceeding” has the meaning set forth in each Operative Document in which it appears.

“Indemnifying Party” has the meaning set forth in each Operative Document in which it appears.

“Initial Development Budget” means the initial development budget prepared by representatives of Symphony Icon and Lexicon prior to the Closing Date, and attached to the Amended and Restated Research and Development Agreement as Annex C thereto.

Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

“Initial Development Plan” means the initial development plan prepared by representatives of Symphony Icon and Lexicon prior to the Closing Date, and attached to the Amended and Restated Research and Development Agreement as Annex C thereto.

“Initial Holdings LLC Agreement” means the Agreement of Limited Liability Company of Holdings, dated April 30, 2007.

“Initial Investors LLC Agreement” means the Agreement of Limited Liability Company of Investors, dated April 30, 2007.

“Initial LLC Member” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Interest Certificate” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Investment Company Act” means the Investment Company Act of 1940, as amended.

“Investment Overview” means the investment overview describing the transactions entered into pursuant to the Operative Documents.

“Investment Policy” has the meaning set forth in Section 1(a)(vi) of the RRD Services Agreement.

“Investors” means Symphony Icon Investors LLC.

“Investors LLC Agreement” means the Amended and Restated Agreement of Limited Liability Company of Investors dated as of the Closing Date.

“IRS” means the U.S. Internal Revenue Service.

“Key Personnel” means those Lexicon Personnel listed on Schedule 6.5 to the Amended and Restated Research and Development Agreement, as such schedule may be updated from time to time by mutual agreement of the parties to the Amended and Restated Research and Development Agreement.

“Know-How” means any and all proprietary technology, including without limitation, manufacturing processes or protocols, know-how, writings, documentation, data, technical information, techniques, results of experimentation and testing, diagnostic and prognostic assays, specifications, databases, any and all laboratory, research, pharmacological, toxicological, analytical, quality control pre-clinical and clinical data, and other information and materials, whether or not patentable.

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“Knowledge” of Lexicon, Symphony Icon or Holdings, as the case may be, means the actual (and not imputed) knowledge of the executive officers or managing member of such Person without the duty of inquiry or investigation.

“Law” means any law, statute, treaty, constitution, regulation, rule, ordinance, order or Governmental Approval, or other governmental restriction, requirement or determination, of or by any Governmental Authority.

“Lexicon” means Lexicon Pharmaceuticals, Inc., a Delaware corporation (f/k/a Lexicon Genetics Incorporated).

“Lexicon Accounting Advisor” means Ernst & Young LLP.

“Lexicon Common Stock” means the common stock, par value \$0.001 per share, of Lexicon.

“Lexicon Common Stock Valuation” has the meaning set forth in Section 2(e) of the Purchase Option Agreement.

“Lexicon Funding Notice” has the meaning set forth in Section 2(b) of the Research Cost Sharing, Payment and Extension Agreement.

“Lexicon Obligations” has the meaning set forth in Section 6.1(a) of the Amended and Restated Research and Development Agreement.

“Lexicon Payment Amount” has the meaning set forth in Paragraph 14 of the Development Committee Charter.

“Lexicon Personnel” has the meaning set forth in Section 8.4 of the Amended and Restated Research and Development Agreement.

“Lexicon Public Filings” means all publicly available filings made by Lexicon with the SEC.

“Lexicon Subcontractor” means a third party that has entered into a Subcontracting Agreement with Lexicon.

“LG103” means [**].

“LG103 Product” means pharmaceutical compositions that Target LG103, including pharmaceutical compositions comprising LX1031, LX1032 and/or backups.

“LG103 Program” means the development, manufacture and/or use of any LG103 Product.

“LG617” means [**].

Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

“LG617 Product” means pharmaceutical compositions that Target LG617, including pharmaceutical compositions comprising LX6171 and/or backups.

“LG617 Program” means the development, manufacture and/or use of any LG617 Product.

“License” has the meaning set forth in the Preliminary Statement of the Purchase Option Agreement.

“Licensed Intellectual Property” means the Licensed Patent Rights and the Licensed Know-How.

“Licensed Know-How” means any and all Know-How that is [**].

“Licensed Patent Rights” means:

(a) [**];

(b) [**]; and

(c) [**].

“Licensed Patent Rights” include [**].

“Licensor” means Lexicon.

“Lien” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Liquidating Event” has the meaning set forth in Section 8.01 of the Holdings LLC Agreement.

“LLC Agreements” means the Initial Holdings LLC Agreement, the Holdings LLC Agreement, the Initial Investors LLC Agreement and the Investors LLC Agreement.

“Loss” has the meaning set forth in each Operative Document in which it appears.

“LX1031” means [**].

“LX1032” means [**].

“LX6171” means [**].

“Management Fee” has the meaning set forth in Section 6(a) of the RRD Services Agreement.

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“Management Services” has the meaning set forth in Section 1(a) of the RRD Services Agreement.

“Manager” means (i) for each LLC Agreement in which it appears, the meaning set forth in such LLC Agreement, and (ii) for each other Operative Document in which it appears, RRD in its capacity as the provider of Management Services on behalf of Symphony Icon pursuant to the RRD Services Agreement.

“Manager Event” has the meaning set forth in Section 3.01(g) of the Holdings LLC Agreement.

“Manufacturing Subcontracting Agreement” means a Subcontracting Agreement that is directly related to the manufacture of Product (including procurement of components and development of improved manufacturing methods).

“Material Adverse Effect” means, with respect to any Person, a material adverse effect on (i) the business, assets, property or condition (financial or otherwise) of such Person or, (ii) its ability to comply with and satisfy its respective agreements and obligations under the Operative Documents or, (iii) the enforceability of the obligations of such Person under any of the Operative Documents to which it is a party.

“Medical Discontinuation Event” means [**].

“Membership Interest” means (i) for each LLC Agreement in which it appears, the meaning set forth in such LLC Agreement, and (ii) for each other Operative Document in which it appears, the meaning set forth in the Holdings LLC Agreement.

“NASDAQ” means the Nasdaq Stock Market, Inc.

“NDA” means a New Drug Application, as defined in the regulations promulgated by the United States Food and Drug Administration, or any foreign equivalent thereof.

“Non-Lexicon Capital Transaction” means any (i) sale or other disposition of all or part of the Symphony Icon Shares or all or substantially all of the operating assets of Symphony Icon, to a Person other than Lexicon or an Affiliate of Lexicon or (ii) distribution in kind of the Symphony Icon Shares following the unexercised expiration or termination of the Purchase Option.

“Novated and Restated Technology License Agreement” means the Novated and Restated Technology License Agreement, dated as of the Closing Date, among Lexicon, Symphony Icon and Holdings.

“Operative Documents” means, collectively, the Indemnification Agreement, the Holdings LLC Agreement, the Purchase Option Agreement, the Share Purchase Agreement, the Registration Rights Agreement, the Subscription Agreement,

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the Technology License Agreement, the Novated and Restated Technology License Agreement, the RRD Services Agreement, the Research and Development Agreement, the Research Cost Sharing, Payment and Extension Agreement, the Amended and Restated Research and Development Agreement, the Confidentiality Agreement, and each other certificate and agreement executed in connection with any of the foregoing documents.

“Organizational Documents” means any certificates or articles of incorporation or formation, partnership agreements, trust instruments, bylaws or other governing documents.

“Partial Stock Payment” has the meaning set forth in Section 3(a)(iii) of the Purchase Option Agreement.

“Party(ies)” means, for each Operative Document or other agreement in which it appears, the parties to such Operative Document or other agreement, as set forth therein. With respect to any agreement in which a provision is included therein by reference to a provision in another agreement, the term “Party” shall be read to refer to the parties to the document at hand, not the agreement that is referenced.

“Payment Terms” has the meaning set forth in Section 8.2 of the Amended and Restated Research and Development Agreement.

“Percentage” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Permitted Investments” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Permitted Lien” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Person” means any individual, partnership (whether general or limited), limited liability company, corporation, trust, estate, association, nominee or other entity.

“Personnel” of a Party means such Party, its employees, subcontractors, consultants, representatives and agents.

“Prime Rate” means the quoted “Prime Rate” at JPMorgan Chase Bank or, if such bank ceases to exist or is not quoting a base rate, prime rate reference rate or similar rate for United States dollar loans, such other major money center commercial bank in New York City selected by the Manager.

“Product” means a LG617 Product and/or a LG103 Product.

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“Profit” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“Programs” means the LG617 Program and/or the LG103 Program.

“Program Specific Budget Component” has the meaning set forth in Section 4.1 of the Amended and Restated Research and Development Agreement.

“Program-Specific Claim” means any claim in a patent or patent application in the Licensed Patent Rights that is directed exclusively to (i) the composition of matter, formulations or use of any Product or (ii) methods of treating humans by inhibiting, agonizing, or otherwise modulating (*i.e.*, acting through) LG103 or LG617.

“Program-Specific Patents” means any and all Licensed Patent Rights that contain at least one Program-Specific Claim.

“Protocol” means a written protocol that meets the substantive requirements of Section 6 of the ICH Guideline for Good Clinical Practice as adopted by the FDA, effective May 9, 1997, and is included within the Development Plan or later modified or added to the Development Plan pursuant to the Amended and Restated Research and Development Agreement.

“Public Companies” has the meaning set forth in Section 5(e) of the Purchase Option Agreement.

“Purchase Option” has the meaning set forth in Section 1(a) of the Purchase Option Agreement.

“Purchase Option Agreement” means the Purchase Option Agreement dated as of the Closing Date, among Lexicon, Holdings and Symphony Icon.

“Purchase Option Closing” has the meaning set forth in Section 2(a) of the Purchase Option Agreement.

“Purchase Option Closing Date” has the meaning set forth in Section 2(a) of the Purchase Option Agreement.

“Purchase Option Commencement Date” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“Purchase Option Exercise Date” has the meaning set forth in Section 2(a) of the Purchase Option Agreement.

“Purchase Option Exercise Notice” has the meaning set forth in Section 2(a) of the Purchase Option Agreement.

Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

“Purchase Option Period” has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

“Purchase Price” has the meaning set forth in Section 2(b) of the Purchase Option Agreement.

“QA Audits” has the meaning set forth in Section 6.6 of the Amended and Restated Research and Development Agreement.

“Registration Rights Agreement” means the Registration Rights Agreement dated as of the Closing Date, between Lexicon and Holdings.

“Registration Statement” has the meaning set forth in Section 1(b) of the Registration Rights Agreement.

“Regulatory Allocation” has the meaning set forth in Section 3.06 of the Holdings LLC Agreement.

“Regulatory Authority” means the United States Food and Drug Administration, or any successor agency in the United States, or any health regulatory authority(ies) in any other country that is a counterpart to the FDA and has responsibility for granting registrations or other regulatory approval for the marketing, manufacture, storage, sale or use of drugs in such other country.

“Regulatory Files” means any IND, NDA or any other filings filed with any Regulatory Authority with respect to the Programs.

“Representative” of any Person means such Person’s shareholders, principals, directors, officers, employees, members, managers and/or partners.

“Research Cost Sharing, Payment and Extension Agreement” means the Research Cost Sharing, Payment and Extension Agreement dated as of the Closing Date, among Lexicon, Holdings and Symphony Icon.

“Research and Development Agreement” means the Research and Development Agreement dated as of the Closing Date, between Lexicon and Holdings.

“RRD” means RRD International, LLC, a Delaware limited liability company.

“RRD Indemnified Party” has the meaning set forth in Section 10(a) of the RRD Services Agreement.

“RRD Loss” has the meaning set forth in Section 10(a) of the RRD Services Agreement.

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“RRD Personnel” has the meaning set forth in Section 1(a)(ii) of the RRD Services Agreement.

“RRD Services Agreement” means the RRD Services Agreement between Symphony Icon and RRD, dated as of the Closing Date.

“Schedule K-1” has the meaning set forth in Section 9.02(a) of the Holdings LLC Agreement.

“Scheduled Meeting” has the meaning set forth in Paragraph 6 of Annex B of the Amended and Restated Research and Development Agreement.

“Scientific Discontinuation Event” has the meaning set forth in Section 4.2(c) of the Amended and Restated Research and Development Agreement.

“SCP” means Symphony Capital Partners, L.P., a Delaware limited partnership.

“SEC” means the United States Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended.

“Selling Stockholder Questionnaire” has the meaning set forth in Section 4(a) of the Registration Rights Agreement.

“Share Closing” has the meaning set forth in Section 2.04 of the Share Purchase Agreement.

“Share Date” has the meaning set forth in Section 2.02 of the Share Purchase Agreement.

“Share Purchase Agreement” means the Share Purchase Agreement, dated as of the Closing Date, between Lexicon and Holdings.

“Shares” has the meaning set forth in Section 2.01 of the Share Purchase Agreement.

“Solvent” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

“SSP” means Symphony Strategic Partners, LLC, a Delaware limited liability company.

“Stock Payment Date” has the meaning set forth in Section 2 of the Subscription Agreement.

Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

“Stock Purchase Price” has the meaning set forth in Section 2 of the Subscription Agreement.

“Subcontracting Agreement” means (a) any written agreement between Lexicon and a third party pursuant to which the third party performs any Lexicon Obligations or (b) any work order, change order, purchase order or the like entered into pursuant to Section 6.2(b) of the Amended and Restated Research and Development Agreement.

“Sublicense Obligations” has the meaning set forth in Section 3.2 of the Novated and Restated Technology License Agreement.

“Sublicensed Intellectual Property” has the meaning set forth in Section 3.2 of the Novated and Restated Technology License Agreement.

“Subscription Agreement” means the Subscription Agreement between Symphony Icon and Holdings, dated as the Closing Date.

“Subsidiary” of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency); (b) the interest in the capital or profits of such partnership, joint venture or limited liability company; or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person’s other Subsidiaries.

“Surviving Entity” means the surviving legal entity which is surviving entity to Lexicon after giving effect to a Change of Control.

“Symphony Capital” means Symphony Capital LLC, a Delaware limited liability company.

“Symphony Fund(s)” means Symphony Capital Partners, L.P., a Delaware limited partnership, and Symphony Strategic Partners, LLC, a Delaware limited liability company.

“Symphony Icon” means Symphony Icon, Inc., a Delaware corporation.

“Symphony Icon Auditors” has the meaning set forth in Section 5(b) of the RRD Services Agreement.

“Symphony Icon Board” means the board of directors of Symphony Icon.

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“Symphony Icon By-laws” means the By-laws of Symphony Icon, as adopted by resolution of the Symphony Icon Board on the Closing Date.

“Symphony Icon Charter” means the Amended and Restated Certificate of Incorporation of Symphony Icon, dated as of the Closing Date.

“Symphony Icon Director Event” has the meaning set forth in Section 3.01(h)(i) of the Holdings LLC Agreement.

“Symphony Icon Enhancements” means [**].

“Symphony Icon Equity Securities” means the Common Stock and any other stock or shares issued by Symphony Icon.

“Symphony Icon Loss” has the meaning set forth in Section 10(b) of the RRD Services Agreement.

“Symphony Icon Shareholder” means any Person who owns any Symphony Icon Shares.

“Symphony Icon Shares” has the meaning set forth in Section 2.02 of the Holdings LLC Agreement.

“Tangible Materials” means [**].

“Target” when used as a noun, means a human gene and the products encoded by such gene, including, without limitation, (a) any partial or full-length DNA sequence from such gene (including any mutant or polymorphic forms thereof), (b) any RNA sequence (including any post-transcriptionally modified variants thereof) encoded by any such gene, and/or (c) any peptide, polypeptide or protein (including any post-translationally modified variants thereof) encoded by any such gene; and when used as a verb, means to inhibit, agonize, or otherwise modulate (*i.e.*, act through) any of the foregoing, as applicable.

“Tax Amount” has the meaning set forth in Section 4.02 of the Holdings LLC Agreement.

“Technology License Agreement” means the Technology License Agreement, dated as of the Closing Date, between Lexicon and Holdings.

“Term” has the meaning set forth in Section 4(b)(iv) of the Purchase Option Agreement, unless otherwise stated in the applicable Operative Document.

“Territory” means the world.

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“Third Party IP” has the meaning set forth in Section 2.9 of the Novated and Restated Technology License Agreement.

“Third Party Licensor” means a third party from which Lexicon has received a license or sublicense to Licensed Intellectual Property.

“Transfer” has for each Operative Document in which it appears the meaning set forth in such Operative Document.

“Transferee” has, for each Operative Document in which it appears, the meaning set forth in such Operative Document.

“Treasury Regulations” means the rules, regulations and orders, and interpretations thereof, adopted by the IRS under the Code, as in effect from time to time.

“Voluntary Bankruptcy” has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

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RESEARCH COST SHARING, PAYMENT AND EXTENSION AGREEMENT

This RESEARCH COST SHARING, PAYMENT AND EXTENSION AGREEMENT (this "Agreement") is entered into as of June 15, 2007, by and among LEXICON PHARMACEUTICALS, INC., a Delaware corporation ("Lexicon"), SYMPHONY ICON HOLDINGS LLC, a Delaware limited liability company ("Holdings"), and SYMPHONY ICON, INC., a Delaware corporation ("Symphony Icon").

PRELIMINARY STATEMENT

WHEREAS, Lexicon and Holdings have entered into a Technology License Agreement dated June 15, 2007, pursuant to which Lexicon has granted Holdings an exclusive license to the use of certain intellectual property related to the Programs owned or controlled by Lexicon;

WHEREAS, contemporaneously with the execution of this Agreement, Lexicon, Holdings and Symphony Icon are entering into a Novated and Restated Technology License Agreement, pursuant to which, among other things, Holdings will assign by way of novation such license to Symphony Icon;

WHEREAS, Lexicon and Holdings have entered into a Research and Development Agreement dated June 15, 2007, pursuant to which Holdings and Lexicon have agreed to develop the Products and to establish a Development Committee to oversee such development;

WHEREAS, contemporaneously with the execution of this Agreement, Lexicon, Holdings and Symphony Icon are entering into an Amended and Restated Research and Development Agreement, pursuant to which, among other things, Holdings will assign its rights and obligations under the Research and Development Agreement to Symphony Icon;

WHEREAS, contemporaneously with the execution of this Agreement, Holdings, Lexicon, and Symphony Icon are entering into a Purchase Option Agreement (the "Purchase Option Agreement") pursuant to which, among other things, Holdings is granting to Lexicon an option to purchase all of the equity securities of Symphony Icon owned, or hereafter acquired, by Holdings on the terms set forth in the Purchase Option Agreement;

WHEREAS, Lexicon agrees that, upon the occurrence of certain events as described herein, it will pay an aggregate amount of up to \$15,000,000 to Symphony Icon pursuant to the terms hereof in consideration of the foregoing and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged by Lexicon; and

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WHEREAS, Lexicon, Symphony Icon and Holdings have determined that it is in each of its best interest to perform and comply with certain agreements relating to each of its ongoing operations contained in this Agreement;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto (the "Parties") agree as follows:

1. Defined Terms. Terms not otherwise defined herein are used as defined in the Purchase Option Agreement.

2. Lexicon Payment Obligation.

(a) Lexicon agrees that, upon the occurrence of certain events and on the terms and conditions set forth herein, it will pay to Symphony Icon an aggregate amount of up to \$15,000,000 (less the aggregate amount of all dividends and distributions, if any, under Section 8.1 of the Amended and Restated Research and Development Agreement) (the "Payment Cap"), for the sole purpose of Symphony Icon's use in the development of the Programs in accordance with the Development Budget and Development Plan.

(b) Pursuant to Paragraph 14 of the Development Committee Charter, the Development Committee may recommend that the Symphony Icon Board submit to Lexicon a written notice and, if such recommendation is approved, the Symphony Icon Board shall submit to Lexicon a written notice which notice shall (a) inform Lexicon that, pursuant to the Development Budget, additional funds will be required to complete the development of the Programs, (b) specify the Lexicon Payment Amount (as defined in the Development Committee Charter), and (c) provide wire transfer and other relevant instructions for funding (such notice, the "Lexicon Funding Notice"), and following Lexicon's receipt of the Lexicon Funding Notice, Lexicon shall, within **[**]** pay such Lexicon Payment Amount to Symphony Icon or, if the Purchase Option Period has not expired, exercise the Purchase Option.

(c) Notwithstanding the Development Committee's rights under Section 2 of this Agreement, (A) any decision by the Development Committee to recommend to the Symphony Icon Board to submit a Lexicon Funding Notice shall be made in accordance with the Development Committee Charter, the Development Budget and Development Plan (for purposes of which, in the case of a Lexicon Payment Amount determined after the expiration of the Purchase Option or the termination of the Purchase Option Agreement, shall be the Development Plan in effect immediately prior to such expiration or termination, as applicable) and (B) in no event shall the aggregate total of all Lexicon Payment Amounts exceed the Payment Cap.

(d) The Development Committee's right to recommend that the Symphony Icon Board submit a Lexicon Funding Notice shall terminate, (A) in the event

Research Cost Sharing, Payment and Extension Agreement

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of the expiration of the Purchase Option Period pursuant to the terms of the Purchase Option Agreement, on the first (†) anniversary of such expiration, (B) in the event that the Purchase Option Agreement terminates pursuant to Section 9(a)(ii) thereof, on the fourth anniversary of the Closing Date, or (C) in the event Holdings or Symphony Icon is in material default or breach of any Operative Document that has resulted in, or would reasonably be expected to result in, a material adverse effect on the Programs or Lexicon's rights under the Operative Documents, and such material default or breach continues unremedied for a period of [**] after written notice thereof is delivered to Symphony Icon or Holdings, as applicable, on the last day of such [**] period. For the avoidance of doubt and subject to the foregoing conditions and restrictions, the Development Committee's right to recommend that the Symphony Icon Board submit a Lexicon Funding Notice, and Lexicon's obligation to pay the Lexicon Payment Amounts, shall survive the expiration of the Purchase Option Period and the termination of the Purchase Option Agreement pursuant to its terms.

(e) In the event that a Bankruptcy Event occurs during the Term with respect to Lexicon, Lexicon agrees to pay to Symphony Icon an amount equal to the difference, if any, between \$15,000,000 and the aggregate amount of all Lexicon Payment Amounts actually paid by Lexicon pursuant to clause (b) above, and such amount shall be immediately due and payable upon the occurrence of such Bankruptcy Event.

(f) Lexicon hereby waives all right to set off amounts owing under this Section 2 against any amounts owing by Holdings or Symphony Icon to Lexicon under the Operative Documents.

(g) Holdings and Symphony Icon shall be entitled to exercise any and all remedies at law or in equity to enforce Lexicon's obligations hereunder.

3. Costs of Additional Research In the event that a Balance Sheet Deficiency has occurred with respect to Symphony Icon, and Lexicon wishes to fund additional development of the Programs to be conducted by Symphony Icon, beyond the Funds Termination Date, Lexicon shall, within [**] of the Balance Sheet Deficiency Date, (a) notify the other Parties of its intent to cover the cost of further development of the Products, and (b) transfer to Symphony Icon funds sufficient to both (x) pay all of Symphony Icon's estimated ongoing costs and expenses for work to be performed by or billed to Symphony Icon by Lexicon during the following [**] (the calculation of such amount to be based on historical expenditures and the Development Budget and the Development Plan), and (y) leave Symphony Icon with working capital on its balance sheet of not less than the Balance Sheet Deficiency Threshold (such funding an "Extension Funding"). Any Extension Funding shall comply with the requirements of this Section 3.

(b) [**].

Research Cost Sharing, Payment and Extension Agreement

Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

4. Determination of the Purchase Option Period. Following a transfer of funds pursuant to Section 3 hereof, the Purchase Option Period shall continue until the earlier of (x) the Final Termination Date, or (y) the occurrence of another Balance Sheet Deficiency; provided however, that, if another Balance Sheet Deficiency shall occur, Lexicon may make further Extension Fundings in accordance with Section 3 above; provided further, that, unless otherwise agreed by the Parties, in no event shall the Purchase Option Period be extended beyond the Final Termination Date.

5. Notice. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given to any Party shall be in writing addressed to the Party at its address set forth below and shall be deemed given (i) when delivered to the Party personally, (ii) if sent to the Party by facsimile transmission (promptly followed by a hard-copy delivered in accordance with this Section 4), when the transmitting Party obtains written proof of transmission and receipt; provided, however, that notwithstanding the foregoing, any communication sent by facsimile transmission after 5:00 PM (receiving Party's time) or not on a Business Day shall not be deemed received until the next Business Day, (iii) when delivered by next Business Day delivery by a nationally recognized courier service, or (iv) if sent by registered or certified mail, when received, provided postage and registration or certification fees are prepaid and delivery is confirmed by a return receipt:

Lexicon:

Lexicon Pharmaceuticals, Inc.
8800 Technology Forest Place
The Woodlands, TX 77381-1160
Attn: Arthur T. Sands, M.D., Ph.D.
Facsimile: (281) 863-8095

with copies to:

Lexicon Pharmaceuticals, Inc.
8800 Technology Forest Place
The Woodlands, TX 77381-1160
Attn: Jeffrey L. Wade
Facsimile: (281) 863-8010

and

Research Cost Sharing, Payment and Extension Agreement

Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

Lexicon Pharmaceuticals, Inc.
8800 Technology Forest Place
The Woodlands, TX 77381-1160
Attn: Julia P. Gregory
Facsimile: (281) 863-8095

Symphony Icon:

Symphony Icon, Inc.
7361 Calhoun Place, Suite 325
Rockville, MD 20855
Attn: Charles W. Finn, Ph.D.
Facsimile: (301) 762-6154

Holdings:

Symphony Icon Holdings LLC
7361 Calhoun Place, Suite 325
Rockville, MD 20855
Attn: Robert L. Smith, Jr.
Facsimile: (301) 762-6154

with copies to:

Symphony Capital Partners, L.P.
875 Third Avenue, 18th Floor
New York, NY 10022
Attn: Mark Kessel
Facsimile: (212) 632-5401

and

Symphony Strategic Partners, LLC
875 Third Avenue, 18th Floor
New York, NY 10022
Attn: Mark Kessel
Facsimile: (212) 632-5401

or to such other address as such Party may from time to time specify by notice given in the manner provided herein to each other Party entitled to receive notice hereunder.

6. Governing Law; Consent to Jurisdiction and Service of Process.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York; except to the extent that this

Research Cost Sharing, Payment and Extension Agreement

Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

Agreement pertains to the internal governance of Symphony Icon or Holdings, and to such extent this Agreement shall be governed and construed in accordance with the laws of the State of Delaware.

(b) Each of the Parties hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court, any Delaware State court or federal court of the United States of America sitting in the City of New York, Borough of Manhattan or Wilmington, Delaware, and any appellate court from any jurisdiction thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the Parties hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or any such Delaware state court or, to the fullest extent permitted by law, in such federal court. Each of the Parties agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any Party may otherwise have to bring any action or proceeding relating to this Agreement.

(c) Each of the Parties irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York State or federal court, or any Delaware State or federal court. Each of the Parties hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court. Each of the Parties hereby consents to service of process by mail.

7. Waiver of Jury Trial. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT.

8. Entire Agreement. This Agreement (including any Annexes, Schedules, Exhibits or other attachments hereto) constitutes the entire agreement between the Parties with respect to the matters covered hereby and supersedes all prior and contemporaneous agreements, correspondence, discussion, and understanding with respect to such matters between the Parties, excluding the Operative Documents.

9. Amendment; Successors; Counterparts.

(a) The terms of this Agreement shall not be altered, modified, amended, waived or supplemented in any manner whatsoever except by a written instrument signed by each of the Parties.

Research Cost Sharing, Payment and Extension Agreement

Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

(b) Nothing expressed or implied herein is intended or shall be construed to confer upon or to give to any Person, other than the Parties, any right, remedy or claim under or by reason of this Agreement or of any term, covenant or condition hereof, and all the terms, covenants, conditions, promises and agreements contained herein shall be for the sole and exclusive benefit of the Parties and their successors and permitted assigns.

(c) This Agreement may be executed in one or more counterparts, each of which, when executed, shall be deemed an original but all of which, taken together, shall constitute one and the same Agreement.

10. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in a manner materially adverse to either party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

[SIGNATURES FOLLOW ON NEXT PAGE]

Research Cost Sharing, Payment and Extension Agreement

IN WITNESS WHEREOF, each of the undersigned has executed and delivered this Agreement, or has caused this Agreement to be executed and delivered by a duly authorized officer, on the day and year first above written.

LEXICON PHARMACEUTICALS, INC.

By: _____
Name: Arthur T. Sands, M.D., Ph.D.
Title: President and Chief Executive Officer

SYMPHONY ICON HOLDINGS LLC

By: Symphony Capital Partners, L.P.,
its Manager

By: Symphony Capital GP, L.P.,
its general partner

By: Symphony GP, LLC,
its general partner

By: _____
Name: Mark Kessel
Title: Managing Member

SYMPHONY ICON, INC.

By: _____
Name: Mark Kessel
Title: Chairman of the Board

Signature Page to Research Cost Sharing, Payment and Extension Agreement

CERTIFICATIONS

I, Arthur T. Sands, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lexicon Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2007

/s/ Arthur T. Sands

Arthur T. Sands, M.D., Ph.D.
President and Chief Executive Officer

CERTIFICATIONS

I, Julia P. Gregory, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lexicon Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2007

/s/ Julia P. Gregory

Julia P. Gregory
Executive Vice President
and Chief Financial Officer

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350, as adopted), Arthur T. Sands, M.D., Ph.D., Chief Executive Officer of Lexicon Pharmaceuticals, Inc. ("Lexicon"), and Julia P. Gregory, Chief Financial Officer of Lexicon, each hereby certify that:

1. Lexicon's Quarterly Report on Form 10-Q for the period ended June 30, 2007, and to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934, and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Lexicon.

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 8th day of August, 2007.

By: /s/ Arthur T. Sands
Arthur T. Sands, M.D., Ph.D.
President and Chief Executive Officer

By: /s/ Julia P. Gregory
Julia P. Gregory
*Executive Vice President and
Chief Financial Officer*