

ALEXION PHARMACEUTICALS INC  
Form DEF 14A  
October 29, 2003

## SCHEDULE 14A

(Rule 14A-101)

### INFORMATION REQUIRED IN PROXY STATEMENT

#### SCHEDULE 14A INFORMATION

#### Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

Confidential, for Use of the Commission Only  
(as permitted by Rule 14a-6(e)(2))

## ALEXION PHARMACEUTICALS, INC.

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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4) Proposed maximum aggregate value of transaction:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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**ALEXION PHARMACEUTICALS, INC.**

**352 Knotter Drive**

**Cheshire, Connecticut 06410**

**(203) 272-2596**

November 3, 2003

Dear Fellow Stockholder:

You are cordially invited to attend the Company's Annual Meeting of Stockholders to be held at 10:00 a.m. on Tuesday, December 16, 2003, in the Park Avenue Room at the Hotel Inter-Continental, 111 East 48th Street, New York, New York 10017.

This year, you are being asked:

- (1) To elect seven directors to the Company's Board of Directors, constituting the entire Board, to serve for the ensuing year;
- (2) To approve an amendment to the Company's 2000 Stock Option Plan; and
- (3) To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent public accountants.

In addition, I will be pleased to report on the affairs of the Company and a discussion period will be provided for questions and comments of general interest to stockholders.

We look forward to greeting personally those stockholders who are able to be present at the meeting; however, whether or not you plan to be with us at the meeting, it is important that your shares be represented. Accordingly, you are requested to sign and date the enclosed proxy and mail it in the envelope provided at your earliest convenience. Thank you for your cooperation.

Very truly yours,

Leonard Bell, M.D.

*Chief Executive Officer,*

*Secretary and Treasurer*

**ALEXION PHARMACEUTICALS, INC.**

**Cheshire, Connecticut**

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**November 3, 2003**

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Notice is hereby given that the Annual Meeting of Stockholders of Alexion Pharmaceuticals, Inc. will be held on Tuesday, December 16, 2003, at 10:00 a.m. in the Park Avenue Room at the Hotel Inter-Continental, 111 East 48th Street, New York, New York 10017 for the following purposes:

- (1) To elect seven directors to the Company's Board of Directors, constituting the entire Board, to serve for the ensuing year;
- (2) To approve an amendment to the Company's 2000 Stock Option Plan;
- (3) To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent public accountants; and
- (4) To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

Stockholders of record at the close of business on October 23, 2003 will be entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

All stockholders are cordially invited to attend the Annual Meeting in person. Stockholders who are unable to attend the Annual Meeting in person are requested to complete and date the enclosed form of proxy and return it promptly in the envelope provided. No postage is required if mailed in the United States. Stockholders who attend the Annual Meeting may revoke their proxy and vote their shares in person.

Leonard Bell, M.D.

*Secretary*

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**ALEXION PHARMACEUTICALS, INC.**

**352 Knotter Drive**

**Cheshire, Connecticut 06410**

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**PROXY STATEMENT**

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**GENERAL INFORMATION**

**Proxy Solicitation**

This Proxy Statement is furnished to the holders of common stock, par value \$.0001 per share (the "Common Stock"), of Alexion Pharmaceuticals, Inc. (the "Company") in connection with the solicitation by the Board of Directors of the Company of proxies for use at the Annual Meeting of Stockholders to be held on Tuesday, December 16, 2003, at 10:00 a.m. in the Park Avenue Room at the Hotel Inter-Continental, 111 East 48th Street, New York, New York 10017, or at any adjournment thereof, pursuant to the accompanying Notice of Annual Meeting of Stockholders. The purposes of the meeting and the matters to be acted upon are set forth in the accompanying Notice of Annual Meeting of Stockholders. The Board of Directors is not currently aware of any other matters which will come before the meeting.

Proxies will be mailed to stockholders on or about November 3, 2003 and will be solicited chiefly by mail. The Company will make arrangements with brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy materials to the beneficial owners of the shares and will reimburse them for their expenses in so doing. Proxies may be solicited, without extra compensation by, officers, agents and employees of the Company who may communicate with stockholders, banks, brokerage houses and others by telephone, facsimile, email or in person to request that proxies be furnished. All expenses incurred in connection with this solicitation will be borne by the Company. The Company has no present plans to hire special employees or paid solicitors to assist in obtaining proxies, but reserves the option of doing so. If any special employees or solicitors are retained, the Company will bear the expense of such retention.

**Revocability and Voting of Proxy**

A form of proxy for use at the Annual Meeting of Stockholders and a return envelope for the proxy are enclosed. Stockholders may revoke the authority granted by their execution of proxies at any time before their effective exercise by filing with the Secretary of the Company a written notice of revocation or a duly executed proxy bearing a later date, or by voting in person at the meeting. Shares of the Company's Common Stock represented by executed and unrevoked proxies will be voted in accordance with the choice or instructions specified thereon. If no specifications are given, the proxies intend to vote the shares represented thereby for all listed nominees for director, for the amendment to the Company's 2000 Stock Option Plan, for ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent public accountants, and in accordance with their best judgment on any other matters which may properly come before the meeting.



**Record Date and Voting Rights**

Only stockholders of record at the close of business on October 23, 2003 are entitled to notice of and to vote at the Annual Meeting or any and all adjournments thereof. On October 23, 2003 there were 21,859,319 shares of Common Stock outstanding; each such share is entitled to one vote on each of the matters to be presented at the Annual Meeting. The holders of a majority of the outstanding shares of Common Stock entitled to vote, present in person or represented by proxy, will constitute a quorum at the Annual Meeting. Abstentions and broker non-votes will be counted for purposes of determining the presence or absence of a quorum. Broker non-votes are shares held by brokers or nominees that are present in person or represented by proxy, but are not voted on a particular matter because instructions have not been received from the beneficial owner. Under applicable Delaware law, the effect of broker non-votes on a particular matter depends on whether the matter is one as to which the broker or nominee has discretionary voting authority under the applicable rules of the New York Stock Exchange. The effect of broker non-votes on the specific items to be brought before the Annual Meeting is discussed under each item.

**BENEFICIAL OWNERSHIP OF COMMON STOCK**

The following table sets forth certain information as of October 1, 2003 (except as otherwise noted) regarding the beneficial ownership (as defined by the Securities and Exchange Commission (the "SEC")) of the Company's Common Stock of: (i) each person known by the Company to own beneficially more than five percent of the Company's outstanding Common Stock; (ii) each director; (iii) each executive officer named in the Summary Compensation Table (see Proposal No.1. Election of Directors); and (iv) all directors and executive officers of the Company as a group.

Name and Address of Beneficial Owner <sup>(1)</sup>	Number of Shares Beneficially Owned <sup>(2)</sup>	Percentage of Outstanding Shares of Common Stock
OppenheimerFunds, Inc. 498 Seventh Avenue New York, NY 10018 <sup>(3)</sup>	2,808,900	12.9%
Viking Global Performance, LLC 280 Park Ave New York, NY 10017 <sup>(4)</sup>	2,025,000	9.3%
Fidelity Management & Research Company 82 Devonshire Street Boston, MA 02109 <sup>(3)</sup>	1,893,265	8.7%
OrbiMed Advisors, LLC 41 Madison Avenue, 40 <sup>th</sup> Floor	1,796,400	8.2%



New York, NY 10010 <sup>(3)</sup>

Name and Address of Beneficial Owner <sup>(1)</sup>	Number of Shares Beneficially Owned <sup>(2)</sup>	Percentage of Outstanding Shares of Common Stock
T. Rowe Price Associates 100 East Pratt Street Baltimore, MD 21202-1008 <sup>(3)</sup>	1,171,700	5.4%
Leonard Bell, M.D. <sup>(5)</sup>	891,454	4.0%
David W. Keiser <sup>(6)</sup>	279,281	1.3%
Stephen P. Squinto, Ph.D. <sup>(7)</sup>	271,216	1.2%
Joseph Madri, Ph.D., M.D. <sup>(8)</sup>	80,300	*
Christopher F. Mojcik, M.D., Ph.D. <sup>(9)</sup>	69,701	*
Max Link, Ph.D. <sup>(10)</sup>	48,323	*
Thomas I.H. Dubin, J.D. <sup>(11)</sup>	43,374	*
Jerry T. Jackson <sup>(12)</sup>	27,000	*
R. Douglas Norby <sup>(13)</sup>	27,000	*
Alvin S. Parven <sup>(14)</sup>	25,900	*
All directors and executive officers as a group (14 persons) <sup>(15)</sup>	2,130,665	9.1%

\* Less than one percent.

(1) Unless otherwise indicated, the address of all persons is 352 Knotter Drive, Cheshire, Connecticut 06410.

(2) To our knowledge, except as set forth below, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable and the information contained in the footnotes in this table.

(3) This figure is based upon information set forth in Schedule 13F dated August 15, 2003.

(4) This figure is based upon information set forth in Schedule SC 13G dated September 22, 2003.

(5) Includes 672,009 shares of common stock that may be acquired upon the exercise of options within 60 days of October 1, 2003 and 300 shares, in aggregate, held in the names of Dr. Bell's three children. Excludes 67,846 shares obtainable through the exercise of options, granted to Dr. Bell, which are not exercisable within 60 days of October 1, 2003 and 90,000 shares held in trust for Dr. Bell's children of which Dr. Bell disclaims beneficial ownership. Dr. Bell disclaims beneficial ownership of the shares held in the names of his children.

(6) Includes 242,981 shares of common stock which may be acquired upon the exercise of options within 60 days of October 1, 2003 and 300 shares, in aggregate, held in the names of Mr. Keiser's three children. Excludes 55,019 shares obtainable through the exercise of options, granted to Mr. Keiser, which are not exercisable within 60 days of October 1, 2003. Mr. Keiser disclaims beneficial ownership of the shares held in the names of his children.

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- (7) Includes 220,516 shares of common stock which may be acquired upon the exercise of options within 60 days of October 1, 2003; 7,106 shares held in trust for the benefit of Dr. Squinto's three minor children of which Dr. Squinto's spouse is the trustee; and 8,517 shares held in a charitable remainder trust of which Dr. Squinto and his spouse are the trustees and income beneficiaries. Excludes 39,984 shares obtainable through the exercise of options, granted to Dr. Squinto, which are not exercisable within 60 days of October 1, 2003. Dr. Squinto disclaims beneficial ownership of the shares held in the names of his minor children and the foregoing trusts.
- (8) Includes 30,300 shares of common stock which may be acquired upon the exercise of options within 60 days of October 1, 2003. Excludes 19,000 shares obtainable through the exercise of options granted to Dr. Madri, which are not exercisable within 60 days of October 1, 2003.
- (9) Includes 69,701 shares of common stock which may be acquired upon the exercise of options within 60 days of October 1, 2003. Excludes 33,299 shares obtainable through the exercise of options granted to Dr. Mojcik, which are not exercisable within 60 days of October 1, 2003.
- (10) Includes 20,167 shares of common stock which may be acquired upon the exercise of options within 60 days of October 1, 2003. Excludes 19,000 shares obtainable through the exercise of options granted to Dr. Link, which are not exercisable within 60 days of October 1, 2003.
- (11) Includes 43,374 shares of common stock which may be acquired upon the exercise of options within 60 days of October 1, 2003. Excludes 47,626 shares obtainable through the exercise of options granted to Mr. Dubin, which are not exercisable within 60 days of October 1, 2003.
- (12) Includes 27,000 shares of common stock which may be acquired upon the exercise of options within 60 days of October 1, 2003. Excludes 19,000 shares obtainable through the exercise of options granted to Mr. Jackson, which are not exercisable within 60 days of October 1, 2003.
- (13) Includes 27,000 shares of common stock which may be acquired upon the exercise of options within 60 days of October 1, 2003. Excludes 19,000 shares obtainable through the exercise of options granted to Mr. Norby, which are not exercisable within 60 days of October 1, 2003.
- (14) Includes 25,900 shares of common stock which may be acquired upon the exercise of options within 60 days of October 1, 2003. Excludes 19,000 shares obtainable through the exercise of options granted to Mr. Parven, which are not exercisable within 60 days of October 1, 2003.
- (15) Consists of shares beneficially owned by Drs. Bell, Link, Madri, Mojcik, and Squinto and Messrs. Dubin, Jackson, Keiser, Norby and Parven, and certain other officers. Includes 1,684,268 shares of common stock, which may be acquired upon the exercise of options within 60 days of October 1, 2003.

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**PROPOSAL NO. 1 - ELECTION OF DIRECTORS**

Seven directors (constituting the entire Board) are to be elected at the Annual Meeting. Unless otherwise specified, the enclosed proxy will be voted in favor of the persons named below to serve until the next annual meeting of stockholders and until their successors shall have been duly elected and qualified. In the event any of these nominees shall be unable to serve as a director, the shares represented by the proxy will be voted for the person, if any, who is designated by the Board of Directors to replace the nominee. All nominees have consented to be named and have indicated their intent to serve if elected. The Board of Directors has no reason to believe that any of the nominees will be unable to serve or that any vacancy on the Board of Directors will occur.

The nominees, their ages, the year in which each first became a director and their principal occupations or employment during the past five years are:

<u>Director</u>	<u>Age</u>	<u>Year First Became Director</u>	<u>Principal Occupation During The Past Five Years</u>
Leonard Bell, M.D.	45	1992	Chief Executive Officer, Secretary, Treasurer and director of the Company since January 1992; President of the Company from January 1992 to April 2002; serves as a director of The Medicines Company and Connecticut United for Research Excellence, Inc.; Assistant Professor of Medicine and Pathology and Co-Director of the Program in Vascular Biology at the Yale University School of Medicine from 1991 to 1992; Attending Physician at the Yale-New Haven Hospital and Assistant Professor of the Department of Internal Medicine at the Yale University School of Medicine from 1990 through 1992.
Jerry T. Jackson <sup>(1)(2)(3)</sup>	62	1999	Retired since 1995; Executive Vice President of Merck from 1993 to 1995; serves as director of Myogen, Inc., Intrabiotics Pharmaceuticals, Inc., and Langford I.C. Systems, Inc., each a pharmaceutical company.
David W. Keiser	52	2002	President, Chief Operating Officer and director of the Company since April 2002; Executive Vice President and Chief Operating Officer of the Company from July 1992 to April 2002.

Director	Age	Year First Became Director	Principal Occupation During The Past Five Years
Max Link, Ph.D. <sup>(1)(2)(3)</sup>	63	1992	Chairman and Chief Executive Officer of CenterPulse, Ltd. from March 2001 to September 2003; retired from 1994 to 2001; Chief Executive Officer of Corange (Bermuda) from May 1993 to June 1994; Chairman of the Board of Sandoz Pharma, Ltd. from 1992 to 1993 and Chief Executive Officer of Sandoz Pharma, Ltd. from 1987 to 1992; serves as director of Protein Design Labs, Inc., Cell Therapeutics, Inc., Human Genome Sciences, Inc., Access Pharmaceuticals, Inc., Columbia Laboratories, Inc, Discovery Labs, Inc., CytRx Corporation and Celsion Corporation, each a publicly held pharmaceutical and/or life-science company.
Joseph A. Madri, Ph.D., M.D.	57	1992	Faculty Member of the Yale University School of Medicine since 1980.
R. Douglas Norby <sup>(1)(2)</sup>	68	1999	Senior Vice President & CFO of Tessera, Inc., a provider of intellectual property for advanced semiconductor packaging, since July 2003; Senior Vice President and Chief Financial Officer of Zambeel, Inc., a data storage systems company, from March 2002 to February 2003; Senior Vice President and Chief Financial Officer of Novalux, Inc., a manufacturer of lasers for optical networks, from January 2001 to March 2002; Executive Vice President and Chief Financial Officer of LSI Logic Corporation from 1996 to 2000; serves as a director of LSI Logic Corporation and ChipPAC, Inc., each a semiconductor company.
Alvin S. Parven <sup>(1)(3)</sup>	63	1999	President of ASP Associates since 1997; Vice President at various operating subsidiaries of Aetna Insurance Corporation from 1987 to 1997.

<sup>(1)</sup> Member of the Nominating and Governance Committee of the Board of Directors.

<sup>(2)</sup> Member of the Audit Committee of the Board of Directors.

<sup>(3)</sup> Member of the Compensation Committee of the Board of Directors.

In February 1993, the Board formed an Audit Committee, which was established to review the internal accounting procedures of the Company, consult with the Company's independent public accountants and review the services provided by such independent public accountants. Dr. Link and Messrs. Norby and Jackson are the current members of the Audit Committee, each of whom is an independent director as that term is defined in Rule 4200(a)(14) of the NASD Marketplace Rules. During the fiscal year ended July 31, 2003, the Audit Committee held five meetings. On September 23, 2003, the Board of Directors adopted the revised Audit Committee Charter which is attached to this proxy statement as Appendix B.

In February 1993, the Board formed a Compensation Committee, which was established to review compensation practices, to recommend compensation for executives and key employees, and to administer the Company's non-formula based Stock Option Plans. Dr. Link and Messrs. Jackson and Parven are the current members of the Compensation Committee. During the fiscal year ended July 31, 2003, the Compensation Committee held two meetings.

In June 1999, the Board formed a Nominating Committee, which was established to review and recommend new directors to the Board. The nominating committee will consider nominees recommended by stockholders; such nominees should be recommended in accordance with the procedures for submission of stockholder proposals described later in this proxy statement. This committee did not hold any meetings during the fiscal year ended July 31, 2003. In June 2003, this committee was replaced with the Nominating and Governance Committee. This committee was established to provide leadership and guidance to the Company; to review and recommend new directors to the Board; to establish the necessary Board committees to provide oversight to the Company; and to make recommendations regarding committee membership. Dr. Link and Messrs. Jackson, Norby and Parven are the current members of the Nominating and Governance Committee. During the fiscal year ended July 31, 2003, the Nominating and Governance Committee did not hold a meeting.

During the fiscal year ended July 31, 2003, the Board of Directors held five meetings and acted by unanimous written consent in lieu of a meeting twice. During the past fiscal year each incumbent director attended at least 75% of the meetings of the Board of Directors and all committees of the Board of Directors on which he served.

### **Certain Relationships and Related Transactions**

In 1992, the Company entered into a patent licensing agreement with Yale University ( "Yale" ). The agreement provided that the Company will pay Yale royalties based on sales of products incorporating technology licensed thereunder as well as license initiation fees, including annual minimum royalties that increase in amount based on the status of product development and the passage of time. Under the policy with Yale, the individual inventors of patents are entitled to receive a percentage of the royalties and other license fees received by the licensing institution. Some of the Company's founders and scientific advisors are inventors under patent applications and/or patents licensed from Yale and, therefore, entitled to receive a portion of such royalties and other fees payable by the Company. Included are Dr. Bell, a director and the Company's Chief Executive Officer, Dr. Madri, a director, Dr. Squinto, Executive Vice President and Head of Research, and Dr. Rollins, Senior Vice President of Drug Development and Project Management.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires the Company's directors, executive officers and persons who beneficially own more than ten percent of the Company's Common Stock, to file initial reports of beneficial ownership and reports of changes in beneficial ownership with the SEC. Executive officers, directors and greater than ten percent beneficial owners are required by the SEC to furnish the Company with copies of all Section 16(a) forms they file.

Based upon a review of the copies of such forms furnished to the Company and written representations from the Company's executive officers and directors, the Company believes that during fiscal 2003 all Section 16(a) filing requirements applicable to its executive officers, directors and greater than ten percent beneficial owners were complied with on a timely basis.

**Vote Required**

The seven nominees receiving the highest number of affirmative votes of the shares present in person or represented by proxy and entitled to vote, a quorum being present, shall be elected as directors. Only votes cast for a nominee will be counted, except that the accompanying proxy will be voted for all nominees in the absence of instruction to the contrary. A share will not be voted in favor of a nominee in the event of abstention and instructions on the accompanying proxy card to withhold authority to vote for such nominee.

**THE BOARD OF DIRECTORS DEEMS PROPOSAL NO. 1 - ELECTION OF DIRECTORS TO BE IN THE BEST INTERESTS OF THE COMPANY AND ITS STOCKHOLDERS AND RECOMMENDS A VOTE FOR EACH NOMINEE.**

**EXECUTIVE COMPENSATION**

The following table shows all the cash compensation paid by the Company as well as certain other compensation paid during the fiscal years indicated to the Chief Executive Officer of the Company and each of the four other most highly compensated executive officers of the Company for such periods in all capacities in which they served.

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Fiscal Year	Annual Compensation			Long Term Compensation
		Base Salary	Bonus Compensation	Other Compensation	Options (number of shares)
<b>Leonard Bell, M.D.</b>	2003	\$355,638	\$90,000	\$5,696 <sup>(1)</sup>	20,000
Chief Executive Officer, Secretary and	2002	345,280	120,000	5,100 <sup>(1)</sup>	24,855
Treasurer	2001	332,000	100,000	4,903 <sup>(1)</sup>	75,000
<b>David W. Keiser</b>	2003	\$271,462	\$60,000	\$5,516 <sup>(1)</sup>	27,000
President and Chief Operating Officer	2002	248,581	80,000	4,920 <sup>(1)</sup>	
	2001	230,381	50,000	4,903 <sup>(1)</sup>	37,500
<b>Stephen P. Squinto, Ph.D.</b>	2003	\$227,115	\$35,000	\$5,010 <sup>(1)</sup>	12,000
Executive Vice President and Head of	2002	216,300	35,000	5,100 <sup>(1)</sup>	
Research	2001	206,000	35,000		34,000
<b>Thomas I.H. Dubin, J.D.</b>	2003	\$209,475	\$30,000	\$5,010 <sup>(1)</sup>	10,000

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Vice President and General Counsel	2002	199,500	27,000	4,308 <sup>(1)</sup>	
	2001	110,833 <sup>(2)</sup>	20,000	25,000 <sup>(3)</sup>	71,000
<b>Christopher Mojcik, M.D., Ph.D.</b>	2003	\$208,142	\$35,000	\$5,770 <sup>(1)</sup>	10,000
Vice President, Clinical Development	2002	198,230	35,000	5,100 <sup>(1)</sup>	
	2001	188,790	30,000	5,100 <sup>(1)</sup>	26,000

<sup>(1)</sup> Represents the Company's matching contribution pursuant to its 401(k) defined contribution plan.

<sup>(2)</sup> Mr. Dubin joined Alexion on January 2, 2001.

<sup>(3)</sup> Mr. Dubin received a sign-on bonus when he joined Alexion.



The following table sets forth information with respect to option grants in fiscal year ended July 31, 2003 to the persons named in the Summary Compensation Table.

**OPTION GRANTS IN LAST FISCAL YEAR**

Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Year <sup>(1)</sup>	Exercise Price (\$/sh)	Market Price on Date of Grant	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term <sup>(2)</sup>	
						5% (\$)	10% (\$)
Leonard Bell, M.D.	20,000	3.3%	10.74	10.74	03/04/2013	144,371	357,120
David W. Keiser	15,000	2.5%	11.99	11.99	10/01/2012	109,197	280,410
Stephen P. Squinto, Ph.D.	12,000	2.0%	10.74	10.74	03/04/2013	86,623	214,272
Thomas I.H. Dubin, J.D.	12,000	2.0%	10.74	10.74	03/04/2013	86,623	214,272
Christopher F. Mojcik, M.D., Ph.D.	10,000	1.7%	10.74	10.74	03/04/2013	72,186	178,560

<sup>(1)</sup> Based upon options to purchase 605,000 shares granted to all employees during fiscal year 2003.

<sup>(2)</sup> The 5% and 10% assumed rates of appreciation are specified by the rules of the Securities and Exchange Commission and do not represent the Company's estimate or projection of the future Common Stock price. There can be no assurance that any of the values reflected in the table will be achieved.

The following table sets forth information with respect to (i) stock options exercised in fiscal 2003 by the persons named in the Summary Compensation Table and (ii) unexercised stock options held by such individuals at July 31, 2003.

**AGGREGATED OPTION EXERCISES**

**IN LAST FISCAL YEAR AND FISCAL YEAR END OPTION VALUES**

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Shares		Value of Unexercised, In-the-Money Options at Fiscal Year End <sup>(1)</sup> (\$)
			Underlying Options Held at Fiscal Year End	Unexercised Options	

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	<u>Exercisable</u>	<u>Unexercisable</u>	<u>Exercisable</u>	<u>Unexercisable</u>
Leonard Bell, M.D.	662,022	57,833	\$4,838,454	\$113,671
David W. Keiser	238,657	47,343	1,897,454	130,081
Stephen P. Squinto, Ph.D.	217,375	31,125	1,846,513	69,750
Thomas I.H. Dubin, J.D.	41,124	39,876	3,875	58,125
Christopher F. Mojcik, M.D., Ph.D.	67,248	25,752	290,155	58,125

<sup>(1)</sup> Based on the average of the high and low sale price of the Common Stock on July 31, 2003 of \$16.94.

**Employment Agreements**

Dr. Leonard Bell, Chief Executive Officer, Secretary and Treasurer of the Company, has a three-year employment agreement with the Company, with provisions for automatic one year extensions, dated October 20, 2003. The agreement provides that Dr. Bell will be employed as the Chief Executive Officer of the Company and that the Company will use its best efforts to cause Dr. Bell to be elected to the Board

of Directors for the term of the agreement. Dr. Bell currently receives an annual base salary of \$362,751. The contract provides that if (i) Dr. Bell is dismissed for any reason other than cause (as defined in the employment agreement) or (ii) Dr. Bell terminates the employment agreement for certain reasons including (a) certain changes in control of the Company, (b) Dr. Bell's loss of any material duties or authority, (c) if the Chief Executive Officer is not the highest ranking officer of the Company, (d) an uncured material breach of the employment agreement by the Company and (e) the retention of any senior executive officer by the Company or an offer to pay compensation to any senior executive of the Company that in either case is unacceptable to Dr. Bell, in his reasonable judgment, then Dr. Bell shall be entitled to receive cash payment up to three times Dr. Bell's annual salary then in effect and bonus. In addition, upon such termination, all stock options and stock awards vest and become immediately exercisable and remain exercisable through their original terms. If Dr. Bell is not able to continue his employment due to a physical or mental incapacity or disability, all stock options and stock awards held by Dr. Bell prior to his disability will vest and become immediately exercisable.

Mr. David W. Keiser, President and Chief Operating Officer, has a three-year employment agreement with the Company, with provisions for automatic one-year extensions, dated October 20, 2003. The agreement provides that Mr. Keiser will be employed as the President and Chief Operating Officer of the Company and that the Company will use its best efforts to cause Mr. Keiser to be elected to the Board of Directors for the term of the agreement. Mr. Keiser currently receives an annual base salary of \$276,892.

Dr. Stephen P. Squinto, Executive Vice President and Head of Research, has a three-year employment agreement with the Company, with provisions for automatic one year extensions, which commenced on October 20, 2003. Dr. Squinto currently receives an annual base salary of \$233,928.

Mr. Keiser's and Dr. Squinto's employment agreements each provide that if the executive (i) is dismissed for any reason other than cause (as defined in the employment agreement) or (ii) terminates the employment agreement for certain reasons including (a) certain changes in control of the Company, or (b) an uncured material breach of the employment agreement by the Company, then the executive shall be entitled to receive cash payment up to three times his annual salary then in effect and bonus. In addition, upon such termination, all stock options and stock awards vest and become immediately exercisable and remain exercisable through their original terms. If the executive is not able to continue his employment due to a physical or mental incapacity or disability, all stock options and stock awards held by him prior to his disability will vest and become immediately exercisable.

All the Company's employment agreements require acknowledgment of the Company's possession of information created, discovered or developed by the employee/executive and applicable to the business of the Company and any client, customer or strategic partner of the Company. Each employee/executive also agreed to assign all rights he may have or acquire in proprietary information and to keep such proprietary information confidential and also agreed to certain covenants not to compete with the Company.

### **Compensation of Directors**

Under the Company's current compensation structure, all non-employee, non-Chairman members of the Board are entitled, with 75% attendance at Board meetings since the prior stockholders annual meeting, to receive \$15,000. The Chairman of the Board is entitled, with 75% attendance at Board meetings since the prior stockholders annual meeting, to receive \$30,000. Each of Drs. Madri and Link, and Messrs. Jackson, Norby and Parven all attended at least 75% of the meetings of the Company's Board and received their full annual director fee. Members of the Board who serve as committee chairs will be entitled to an additional \$2,500 annually.

Under the 1992 Stock Option Plan for Outside Directors ( Outside Directors Plan ), each director of the Company who was not an officer, nor employee nor consultant of the Company or any of its subsidiaries (other than the Chairman of the Board of Directors of the Company, who shall be eligible) ( Outside Directors ) receives an option to purchase 12,000 shares of Common Stock on the date of his or her election to the Board. In addition, on the date of each subsequent annual meeting of stockholders during the term of the Outside Directors Plan at which a director is reelected, such director, if he or she was still an Outside Director on such date and had attended, either in person or by telephone, at least seventy-five percent (75%) of the meetings of the Board of Directors that were held while he or she was a director since the prior annual meeting of stockholders, was granted an option to purchase an additional 7,500 shares of the Company's Common Stock. Upon their re-election to the Board at the last Annual Meeting, each of Drs. Link and Madri and Messrs. Jackson, Norby and Parven received options to purchase 7,500 shares of Common Stock. Additionally, each of Drs. Link and Madri and Messrs. Jackson, Norby and Parven received in March 2003 a one-time grant of options to purchase an additional 4,000 shares of Common Stock from the 2000 Stock Option Plan. All options granted under the Directors Option Plan and the 2000 Stock Option Plan have an exercise price equal to the fair market value on the date of grant and generally vest in three equal annual installments beginning on the first anniversary date of the grant.

### **Compensation Committee Report to Stockholders**

The report of the Compensation Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended (the Securities Act ) or under the Securities Exchange Act of 1934, as amended (the Exchange Act ), except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

The Compensation Committee is currently comprised of three independent directors. As members of the Compensation Committee, it is our responsibility to determine the most effective total executive compensation strategy based on the Company's business and consistent with stockholders' interests. Our specific duties include reviewing the Company's compensation practices, recommending compensation for executives and key employees, the making of recommendations to the Board of Directors with respect to major compensation and benefit programs, and administering the Company's stock option plans.

#### *Compensation Philosophy*

The Company's overall compensation philosophy is to offer competitive salaries, cash incentives, stock options, and benefit plans consistent with the Company's financial position. Rewarding capable employees who contribute to the continued success of the Company plus equity participation and a strong alignment to stockholders' interests are key elements of the Company's compensation policy. One of the Company's strengths contributing to its success is the strong management team, many of whom have been with the Company for a significant period of time. The Company's executive compensation policy is to attract and retain key executives necessary for the Company's short and long-term success by establishing a direct link between executive compensation and the performance of the Company by rewarding individual initiative and the achievement of annual corporate goals through salary and cash bonus awards and by providing equity awards based upon present and expected future performance to allow executives to participate in maximizing shareholder value.

In awarding salary increases and bonuses, the Compensation Committee did not relate the various elements of corporate performance to each element of executive compensation. Rather, the Compensation Committee considered whether the compensation package as a whole adequately compensated each executive for the Company's performance during the past year and each executive's contribution to such performance.

Salary and bonus determinations assume that the executive will also receive annual grants of options to purchase Company Common Stock. Equity based awards are an essential component of each executive's compensation package. Due to the low number of options available to be granted under the Company's 2000 Stock Option Plan, the Company may be unable to grant sufficient equity based awards to its executives. As of October 1, 2003, there were only 272,974 shares of common stock available for issuance under the Company's 2000 Stock Option Plan. Alternative measures of compensation may need to be considered in order to adequately compensate the executives. The Committee strongly prefers that additional options be made available for grant and that alternative measures of compensation not become necessary. The Committee believes that options closely align the interests of the executives with the Company's stockholders, and allow the Company to adequately compensate the executives while conserving the Company's cash.

Under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), publicly held companies may be prohibited from deducting as an expense for federal income tax purposes total remuneration in excess of \$1 million paid to certain executive officers in a single year. However, Section 162(m) provides an exception for performance based remuneration, including remuneration attributable to certain stock options. The Company expects to keep nonperformance based remuneration within the \$1 million limit in order that all executive compensation will be fully deductible. Nevertheless, although the Compensation Committee considers the net cost to the Company in making all compensation decisions (including, for this purpose, the potential limitation on deductibility of executive compensation), there is no assurance that compensation realized with respect to any particular award will qualify as performance based remuneration.

#### *Base Salary*

Base salary represents the fixed component of the executive compensation program. The Company's philosophy regarding base salaries is conservative, maintaining salaries at approximately competitive industry average. Determinations of base salary levels are established on an annual review of marketplace competitiveness with similar biopharmaceutical companies and on internal relationships. In determining appropriate levels of base salary, the Compensation Committee relied in part on several biopharmaceutical industry compensation surveys. On an individual basis, periodic increases in base salary relate to individual contributions to the Company's overall performance, relative marketplace competitiveness levels, length of service and the industry's annual competitive pay practice movement. Some of the evaluation criteria used by the Compensation Committee for determining salary increases awarded during fiscal year 2003 included, but were not limited to, the following: maintaining adequate cash reserves, broadening drug development pipeline, timely completion of on-going clinical trials, broadening clinical development capacity, appropriate representation of firm in various public settings, and growth and enhancement of the Company's operating structure towards pre-commercialization.

#### *Bonus*

Bonuses represent the variable component of the executive compensation program that is tied to the Company's performance and individual achievement. While the Company's policy is to base a significant portion of its senior executives' cash compensation on bonuses, no senior executive of the Company is guaranteed a bonus. In determining bonuses, the Compensation Committee considers factors such as relative performance of the Company during the year and the individual's contribution to the Company's performance.

### *Stock Options*

The Compensation Committee, which administers the Company's stock option plans, believes that one important goal of the executive compensation program should be to provide executives and key employees who have significant responsibility for the management, growth and future success of the Company with an opportunity to increase their ownership and potentially gain financially from the Company's stock price increases. This approach ensures that the best interests of the stockholders, executives and employees will be closely aligned. Therefore, executive officers and other employees of the Company are granted stock options from time to time, giving them a right to purchase shares of the Company's Common Stock at a specified price in the future. The grant of options is based primarily on an executive's or employee's potential contribution to the Company's growth and financial results. In determining the size of option grants, the Compensation Committee considers the number of options owned by such executive or employee, the number of options previously granted and currently outstanding, and the aggregate size of the current option grants. Options are granted with an exercise price equal to the fair market value of the Company's Common Stock on the date of grant and, accordingly, will only have value if the Company's stock price increases. Generally, grants of options vest over four years and the individual must be employed by the Company, as an employee or consultant for such options to vest. Following amendments to the Company's 2000 Stock Option Plan, approved by shareholders in December 2002, repricing of options is prohibited and options cannot be granted with an exercise price that is less than the fair market value of common stock on the date of the grant.

### *2003 Compensation to Chief Executive Officer*

In reviewing and recommending Dr. Bell's salary and bonus and in awarding him stock options for fiscal year 2003 and for his future services, the Compensation Committee followed its compensation philosophy. Under the terms of his employment agreement, dated October 20, 2003, Dr. Bell's annual salary was increased by 2% to \$362,751 as of August 1, 2003. For the 2003 fiscal year, Dr. Bell earned a \$90,000 bonus, which was paid in August 2003. The Compensation Committee recommended this salary and bonus in recognition of the Company's achievements under Dr. Bell's leadership during the prior fiscal year. In fiscal year 2003, Dr. Bell was granted options to purchase 20,000 shares of the Company's Common Stock at an exercise price of \$10.74, the fair market value on the date of grant, under the terms of the 2000 Stock Option Plan. The options will become exercisable in 1/12 installments every three months over three years commencing on the date of grant. The Compensation Committee recommended this option grant to secure the long-term services of the Company's chief executive officer and to further align the chief executive officer's compensation with stockholder interests.

### **Compensation Committee**

**Jerry T. Jackson**

**Max Link, Ph.D.**

**Alvin S. Parven**

### **The Company's Stock Performance**

The following Stock Price Performance Graph shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such acts. The following graph compares cumulative total return of the Company's Common Stock



with the cumulative total return of (i) the Nasdaq Stock Market-United States, and (ii) the NASDAQ Biotechnology Index. The graph assumes (a) \$100 was invested on July 31, 1998 in each of the Company's Common Stock, the stocks comprising the NASDAQ Stock Market-United States and the stocks comprising the NASDAQ Biotechnology Index, and (b) the reinvestment of dividends.





	<u>7/98</u>	<u>7/99</u>	<u>7/00</u>	<u>7/01</u>	<u>7/02</u>	<u>7/03</u>
Alexion Pharmaceuticals, Inc.	100	108	670	192	161	175
Nasdaq Stock Market (U.S.)	100	143	204	109	72	94
Nasdaq Biotechnology Index	100	198	386	333	207	295

### Audit Committee Report

The Audit Committee of the Board of Directors reviews the financial reporting process, the system of internal control, the audit process and the process for monitoring compliance with laws and regulations. All of the Audit Committee members satisfy the definition of an independent director as established in the National Association of Securities Dealers Listing Standards. The Board of Directors adopted a written charter for the Audit Committee on September 18, 2000 which was amended on September 23, 2003 and is attached to this Proxy Statement as Appendix B.

The Audit Committee reviewed the Company's financial statements with management and the Board of Directors and discussed with PricewaterhouseCoopers LLP, the Company's independent auditors during fiscal 2003, the matters required to be discussed by Statement of Auditing Standard No. 61. The Audit Committee received from PricewaterhouseCoopers LLP the written disclosures required by Independence Standards Board Standard No. 1 and discussed with them their independence. Based on the above mentioned review and discussion with management and the independent auditors, the Audit Committee recommended that they be included in the Company's annual report on Form 10-K.

This report of the Audit Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such acts.

### Audit Committee

**Jerry T. Jackson**

**Max Link, Ph.D.**

**R. Douglas Norby**

### Independent Public Accountants

The Board of Directors, based upon a recommendation of its Audit Committee, dismissed Arthur Andersen LLP ( Arthur Andersen or AA ) as our independent public accountants on May 31, 2002. We engaged PricewaterhouseCoopers LLP as our independent auditors to audit our consolidated financial statements for the year ended July 31, 2002. PricewaterhouseCoopers commenced its engagement on May 31, 2002 with the review of our financial statements for the fiscal third quarter ended April 30, 2002.

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Arthur Andersen's reports on our consolidated financial statements for each of the years ended July 31, 2001 and 2000 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the years ended July 31, 2001 and 2000 and through May 31, 2002, there were no disagreements between us and Arthur Andersen on any matter of accounting principle or practice, financial statement disclosure, or auditing scope or procedure which, if not resolved to Arthur Andersen's satisfaction, would have caused it to make reference to the subject matter in connection with its report on our consolidated financial statements for such years; and during such periods there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

Arthur Andersen submitted a letter, dated May 31, 2002, stating its agreement with our statements filed on Form 8-K dated May 31, 2002 related to our change in public accountants.

During the two most recent fiscal years ended July 31, 2001 and 2000 and through May 31, 2002, we did not consult with PricewaterhouseCoopers LLP regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our consolidated financial statements, and neither a written report was provided to us nor was oral advice provided that PricewaterhouseCoopers LLP concluded was an important factor considered by us in reaching a decision as to the accounting, auditing, or financial reporting issue; or (ii) any matter that was either the subject of a disagreement, as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K, or a reportable event, as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

The Board of Directors has appointed PricewaterhouseCoopers LLP to serve as the Company's independent auditors for the fiscal year ending July 31, 2004.

### *Fees*

The following table sets forth the aggregate fees billed or to be billed by PricewaterhouseCoopers for the following services during the fiscal year 2003 and fees billed for 2002. Under the SEC's new rule on auditor independence, which was adopted as a result of implementing the Sarbanes-Oxley Act of 2002, fees are categorized as follows:

<u>Fees</u>	<u>Fiscal Year Ending, July 31,</u>	
	<u>2003</u>	<u>2002<sup>(5)</sup></u>
Audit fees <sup>(1)</sup>	\$128,871	\$122,784
Audit related fees <sup>(2)</sup>	36,263	34,009
Tax services fees <sup>(3)</sup>	67,950	108,500
All other fees <sup>(4)</sup>	10,881	35,332

<sup>(1)</sup> Audit fees include fees billed for 2003, and fees billed and expected to be billed for 2003 by PricewaterhouseCoopers LLP for professional services rendered for the audit of our annual financial statements, the review of our financial statements included in our Forms 10-Q, and accounting consultations necessary for the rendering of an opinion on our financial statements. Fiscal year 2002 includes fees for Arthur Andersen LLP for the first nine months of fiscal year 2002 billed and accrued for in 2002.

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- (2) Audit related services include services in connection with SEC registration statements and filings, due diligence and other acquisition-related services, and required audits of U.S. government grant awards and the financial statements of various benefit plans. Fiscal year 2002 includes fees for Arthur Andersen LLP for the first nine months of fiscal year 2002 billed and accrued for in 2002.
- (3) Tax services include federal and state tax return preparation and planning and other tax consultation. Fiscal year 2002 includes fees for Arthur Andersen LLP for the first nine months of fiscal year 2002 billed and accrued for in 2002.
- (4) Other fees for 2003 consist mainly of consulting services in connection with our accounting and reporting processes and procedures. Fiscal year 2002 includes fees for Arthur Andersen LLP for the first nine months of fiscal year 2002 billed and accrued for in 2002.
- (5) PricewaterhouseCoopers LLP commenced its engagement on May 31, 2002 with the review of the Company's financial statements for the fiscal third quarter ended April 30, 2002. Previously, the Company had engaged Arthur Andersen LLP as the Company's independent accountants.

The Audit Committee has considered whether the provision of the non-audit services described above is compatible with maintaining PricewaterhouseCoopers independence and has determined that the provision of such services is compatible with maintaining PricewaterhouseCoopers independence.

**PROPOSAL NO. 2 APPROVAL OF AMENDMENT TO  
2000 STOCK OPTION PLAN**

The Board of Directors has unanimously adopted, subject to stockholder approval, an amendment to the Company's 2000 Stock Option Plan, as amended (the 2000 Plan) which would increase the number of shares of the Company's common stock available for issuance under the 2000 Plan by 1,000,000 shares, from 2,400,000 to 3,400,000. The Board of Directors believes stock options are an essential part of the compensation package offered to new, existing, and key employees (as well as consultants) consistent with the Company's financial position. The Board of Directors recommends the approval of the amendment to the 2000 Plan because it is essential to enable the Company to continue to attract and retain qualified directors, officers, employees, and consultants. As of October 1, 2003 there were only 272,974 shares of Common Stock available for issuance under the 2000 Plan.

The following summary of the 2000 Plan and the proposed amendment thereto are qualified in their entirety by reference to the full text of the 2000 Plan, as so amended, which is attached to this Proxy Statement as Appendix A.

**Summary of 2000 Plan, prior to Proposed Amendment**

The Company's 2000 Plan was adopted by the Board of Directors on September 18, 2000 and approved by the Company's stockholders on December 8, 2000. It was amended on December 12, 2002, upon approval by the Company's stockholders. The 2000 Plan enables the Company Compensation Committee to make discretionary awards of options to purchase shares of Common Stock to members of the Company's Board of Directors and to officers, employees and consultants of the Company and its affiliates. The 2000 Plan is administered by the Company's Compensation Committee.

The 2000 Plan permits the grant of options which are intended to qualify as incentive stock options within the meaning of Section 422 of the Code and options which do not so qualify, *i.e.*, non-qualified options. Incentive stock options may be granted only to the employees of the Company or its corporate subsidiaries. The maximum number of shares with respect to which options may be granted under the 2000 Plan to any employee during any calendar year may not exceed 200,000.

The exercise price per share of a non-qualified option or an incentive stock option may not be less than the fair market value of the Common Stock on the date of grant or, in the case of an incentive stock option granted to an employee who owns stock possessing more than 10% of the combined voting power of all classes of the Company's stock or any subsidiary or parent corporation, 110% of the fair market value. All options, unless sooner terminated, expire not more than ten years or, in the case of an incentive stock option granted to a 10% stockholder, five years from the date of grant. The Compensation Committee has the discretion to determine the vesting and other restrictions applicable on the exercise of options granted under the 2000 Plan. The 2000 Plan prohibits the grant of options with an exercise price that is less than the fair market value of the Common Stock on the date of the grant as well as the repricing of options.

Unless the Compensation Committee determines otherwise, upon the termination of an optionee's employment or other service with the Company, the optionee generally has ninety days (or in the event of death or disability, one year) to exercise all options that are otherwise exercisable on the date of termination. If, however, an optionee is terminated by the Company for cause (or terminates at a time when cause exists), then all options held by the optionee immediately terminate and cease to be exercisable. Except as otherwise permitted by the Compensation Committee with regard to non-qualified options, options granted under the 2000 Plan are not transferable other than by will or the laws of descent and distribution.

The Compensation Committee has the power to cancel, suspend, withhold or otherwise limit or restrict any outstanding option if the optionee is not in compliance with all applicable provisions of the award agreement and the 2000 Plan, or if the optionee engages in any detrimental activities. In addition, in the event an optionee engages in any detrimental activities prior to, or during the six months after, any option exercise, such exercise will be rescinded within two years thereafter and the optionee will be required to repay to the Company the amount of any gain realized as a result of the rescinded exercise. Detrimental activities include the following if not authorized by the Company: the rendering of services to a competitor, disclosure or use of confidential information, the failure to disclose promptly and to assign to the Company all right, title and interest in any inventions or ideas, patentable or not, made or conceived by the optionee during employment or other service with the Company, or attempt to induce any employees to be employed or perform services elsewhere or to solicit the trade or business of any of the Company's current or prospective customers, suppliers or partners.

Payment for shares acquired upon the exercise of an option may be made in cash, by certified or bank check and/or such other forms of payment as may be approved by the Compensation Committee and permitted under applicable law from time to time.

The 2000 Plan terminates, unless terminated earlier by the Company's Board of Directors, on December 7, 2010. The Company's Board of Directors may amend or terminate the 2000 Plan at any time, provided that no such action may adversely affect the rights of the holder of any outstanding option without his or her consent. Stockholder approval is required for any amendment which increases the aggregate number of shares of Common Stock that may be issued under the 2000 Plan or modifies the class of employees eligible to receive options under the 2000 Plan.

#### **Summary of Proposed Amendment to 2000 Plan**

The amendment to the 2000 Plan approved by the Company's Board of Directors and being submitted for approval to the Company's stockholders is as follows:

Increase the number of shares of the Company's Common Stock available for issuance under the 2000 Plan by 1,000,000, from 2,400,000 to 3,400,000.

### **Participation in the 2000 Plan**

The grant of options under the 2000 Plan to directors, officers, including the officers named in the Summary Compensation Table, employees and consultants is subject to the discretion of the Compensation Committee. As of the date of this Proxy Statement, there has been no determination by the Compensation Committee with respect to future option awards under the 2000 Plan. Accordingly, future awards are not determinable at this time.

As of October 1, 2003, there were approximately 5 independent directors, 191 employees and 7 consultants eligible to receive options under the 2000 Plan. As of October 1, 2003, there were 272,974 shares of Common Stock available for future option awards under the 2000 Plan and the Company had granted options to purchase 2,127,026 shares under the 2000 Plan, which shares had a fair market value of approximately \$37,584,549 on October 1, 2003. The weighted average exercise price per share of options that were outstanding as of October 1, 2003 was \$19.07. As of October 23, 2003, the fair market value of the Common Stock was \$17.39 per share, which was the closing price reported by The Nasdaq National Market.

The following information sets forth the number of options granted to the persons and groups listed as of October 1, 2003 pursuant to the 2000 Plan since plan inception: Dr. Leonard Bell, Chief Executive Officer and Director, 139,855; David W. Keiser, President, Chief Operating Officer and Director, 76,500; Stephen P. Squinto Ph.D., Executive Vice-President and Head of Research, 58,000; Thomas I.H. Dubin, Vice-President and General Counsel, 91,000; Dr. Christopher F. Mojcik, Vice-President, Clinical Development, 46,000; all current executive officers (as a group), 804,855; Max Link, Ph.D., Director, 4,000; Jerry T. Jackson, Director, 4,000; Joseph A. Madri, Ph.D., Director, 4,000; R. Douglas Norby, Director, 4,000; Alvin S. Parven, Director, 4,000; all directors who are not executive officers (as a group), 20,000; and all employees and consultants (as a group, excluding the executive officers), 1,302,171. Each of the Company's current directors is standing for re-election at the Annual Meeting. There are no persons not named in the above who received more than 5% of such options and no awards have been made under the 2000 Plan to associates of directors or executive officers of the Company.

### **U.S. Federal Income Tax Consequences**

The holder of a non-qualified option will not recognize taxable income upon the grant of the option. In general, the holder of a non-qualified option will recognize ordinary income upon the exercise of the option in an amount equal to the excess of the fair market value of the shares of Common Stock with respect to which the option is exercised at such time over the aggregate exercise price of such shares (*i.e.*, the option spread). The Company generally will receive a corresponding tax deduction at such time. Upon a later sale of the Common Stock, the optionee will recognize capital gain or loss equal to the difference between the sale price and the sum of the exercise price plus the amount of ordinary income recognized on exercise.

The holder of an incentive stock option will not recognize taxable income upon the grant or exercise of the option (although, upon exercise, the option spread is includable as income for purposes of the alternative minimum tax). If the common stock acquired upon exercise of an incentive stock option is sold or otherwise disposed of within two years from the grant date or within one year from the exercise date, then, in general, gain realized on the sale is treated as ordinary income to the extent of the ordinary income that would have been recognized upon exercise if the option had been a non-qualified option, and we will generally receive a corresponding deduction. Any remaining gain is treated as capital gain.

If the Common Stock acquired pursuant to the exercise of an incentive stock option is held for at least two years from the grant date and one year from the exercise date and the optionee is employed by us at all times beginning on the grant date and ending on the date three months (or, in the case of disability, one year) prior to the exercise date, then all gain or loss realized upon the sale will be capital gain or loss and we will not be entitled to a deduction. A special basis adjustment applies to reduce the gain for alternative minimum tax purposes.





In general, Section 162(m) of the Code denies a publicly-held corporation a deduction for federal income tax purposes for remuneration paid in excess of \$1,000,000 per year per person to its chief executive officer and the four other officers whose compensation is disclosed in its proxy statement, subject to certain exceptions. Although the 2000 Plan has been designed so that remuneration attributable to the exercise of non-qualified options granted under the 2000 Plan will qualify for an exception from the deduction limitation, it is possible that, in certain instances, remuneration attributable to options granted under the 2000 Plan will not be deductible by us by virtue of Section 162(m) of the Code.

The 2000 Plan is not, nor is it intended to be, qualified under Section 401(a) of the Code.

Rules covering the taxation of stock options are complex and subject to change. The preceding summary is only a summary of the basic U.S. federal income tax consequences with respect to options granted under the 2000 Plan, based upon management's understanding of existing federal income tax laws. Participants are urged to consult with their own tax advisors regarding the specific tax consequences associated with their participation in the 2000 Plan.

### EQUITY COMPENSATION PLAN INFORMATION

The following table provides information about shares of the Company's Common Stock that may be issued upon the exercise of options and rights under all of the Company's existing equity compensation plans as of July 31, 2003.

<u>PLAN CATEGORY</u>	<u>NUMBER OF SHARES OF COMMON STOCK TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS<sup>(2)</sup></u>	<u>WEIGHTED- AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS(\$)</u>	<u>NUMBER OF SHARES OF COMMON STOCK REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS</u>
Equity compensation plans approved by stockholders <sup>(1)</sup>	3,982,225	\$ 22.62	671,836
Equity compensation plans not approved by stockholders			

<sup>(1)</sup> Reflects aggregate options outstanding and available for issuance, if applicable, under the Company's 1992 Stock Option Plan, 1992 Stock Option Plan for Outside Directors, and 2000 Stock Option Plan.

<sup>(2)</sup> Does not include 38,585 shares of common stock to be issued upon exercise of options granted under Prolifaron Inc. 1999 Long Term Incentive and Stock Option Plan with a weighted average exercise price of \$45.24 per share. The stock options granted under this plan were converted into options to acquire shares of the Company's common stock in connection with the Company's acquisition of Prolifaron, Inc. in September 2000. No subsequent grants of options will be made under this plan.

#### Vote Required

The affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote on this proposal at the Annual Meeting is necessary to approve the amendment to the 2000 Plan. If you hold your shares in your own name and abstain from voting on this matter, your abstention will have the effect of a vote against this matter. If you hold your shares through a broker, bank or other nominee and you do not instruct them on how to vote on this proposal, your broker, bank or other nominee will not have authority to vote your shares and accordingly, a broker non-vote will have the effect of a vote against this Proposal.

**THE BOARD OF DIRECTORS DEEMS PROPOSAL NO. 2 TO BE IN THE BEST INTERESTS OF THE COMPANY AND ITS STOCKHOLDERS AND RECOMMENDS A VOTE FOR APPROVAL OF THE AMENDMENT TO THE COMPANY S 2000 STOCK OPTION PLAN.**

**PROPOSAL NO. 3 - RATIFICATION OF APPOINTMENT OF INDEPENDENT  
PUBLIC ACCOUNTANTS**

The appointment of PricewaterhouseCoopers LLP as the independent public accountants of the Company has been recommended by the Audit Committee of the Board. PricewaterhouseCoopers LLP served as the independent public accountants to audit the Company s consolidated financial statements for the fiscal years ended July 31, 2003 and 2002. Subject to stockholder approval, the Board of Directors has appointed PricewaterhouseCoopers LLP as the Company s independent public accountants for fiscal year 2004. Representatives of PricewaterhouseCoopers LLP are expected to attend the Annual Meeting. They will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate stockholder questions.

**Vote Required**

The affirmative vote of holders of a majority of the shares present in person or represented by proxy and entitled to vote, a quorum being present, is required for the adoption of this proposal. Abstentions have the same legal effect as a vote cast against the proposal and broker non-votes will not have an effect and accordingly, a broker non-vote will have the effect of a vote against the proposal.

**THE BOARD OF DIRECTORS DEEMS PROPOSAL NO. 3 TO BE IN THE BEST  
INTEREST OF THE COMPANY AND ITS STOCKHOLDERS AND RECOMMENDS A  
VOTE FOR APPROVAL THEREOF.**

**STOCKHOLDER PROPOSALS**

All stockholder proposals that are intended to be presented at the 2004 Annual Meeting of Stockholders of the Company must be received by the Company no later than July 7, 2004 for inclusion in the Board of Directors proxy statement and form of proxy relating to that meeting.

**OTHER BUSINESS**

The Board of Directors knows of no other business to be acted upon at the Annual Meeting. However, if any other business properly comes before the Annual Meeting, it is the intention of the persons named in the enclosed proxy to vote on such matters in accordance with their best judgment.



The prompt return of your proxy will be appreciated and helpful in obtaining the necessary vote. Therefore, whether or not you expect to attend the Annual Meeting, please sign the proxy and return it in the enclosed envelope.

By Order of the Board of Directors

Leonard Bell, M.D.

*Secretary*

Dated: November 3, 2003

A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K WILL BE SENT  
WITHOUT CHARGE TO ANY STOCKHOLDER REQUESTING IT IN WRITING  
FROM: ALEXION PHARMACEUTICALS, INC., ATTENTION: GENERAL COUNSEL,  
352 KNOTTER DRIVE, CHESHIRE, CONNECTICUT 06410

**ALEXION PHARMACEUTICALS, INC.**

**2000 STOCK OPTION PLAN**

**(Approved by stockholders, December 8, 2000; Amended and approved by stockholders, December 12, 2002;**

**As amended, subject to stockholder approval on December 16, 2003)**

1. Purpose. The purpose of the Alexion Pharmaceuticals, Inc. 2000 Stock Option Plan (the Plan) is to establish a vehicle through which Alexion Pharmaceuticals, Inc. (the Company) can make discretionary grants of Options to purchase shares of the Company's common stock, par value \$0.0001 (the Common Stock) to members of the Board of Directors of the Company (the Board), to officers and other employees of the Company and its Affiliates and to consultants and other independent contractors of the Company and its Affiliates, with a view toward promoting the long-term financial success of the Company and enhancing stockholder value.

2. Definitions. For purposes of the Plan, the following terms shall have the following meanings:

(a) Affiliate shall mean an affiliate within the meaning of Rule 12b-2 under the Exchange Act.

(b) Cause shall mean, unless otherwise determined by the Committee: (1) in the case where there is no employment or consulting agreement between the optionee and the Company or its Affiliates at the time of grant or where such an agreement exists but does not define cause (or words of like import), the optionee's dishonesty, fraud, insubordination, willful misconduct, refusal to perform services, unsatisfactory performance of services or material breach of any written agreement between the optionee and the Company or its Affiliates, or (2) in the case where there is an employment or consulting agreement between the optionee and the Company or its Affiliates at the time of grant which defines cause (or words of like import), the meaning ascribed to such term under such agreement.

(c) Code shall mean the Internal Revenue Code of 1986, as amended.

(d) Committee shall mean the committee, consisting of at least two (2) directors, appointed by the Board from time to time to administer the Plan or, if no such committee is appointed, the Board.

(e) Detrimental Activity shall mean any of the following, unless authorized by the Company: (1) the rendering of services for any organization or engaging directly or indirectly in any business which is or becomes competitive with the Company or its Affiliates, or which organization or business, or the rendering of services to such organization or business, is or becomes otherwise prejudicial to or in conflict with the interests of the Company or its Affiliates, (2) the disclosure to anyone outside the Company or its Affiliates, or the use in other than the Company's or its Affiliates' business, without authorization from the Company, of any confidential information or material relating to the business of the Company or its Affiliates, acquired by the optionee either during or after employment or other service with the Company or its Affiliates, (3) the failure or refusal to disclose promptly and to assign to the Company or its Affiliates all right, title and interest in any invention or idea, patentable or not,

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made or conceived by the optionee during employment by or other service with the Company or its Affiliates, relating in any manner to the actual or anticipated business, research or development work of the Company or its Affiliates or the failure or refusal to do anything reasonably necessary to enable the Company or its Affiliates to secure a patent where appropriate in the United States and in other countries insofar as any matter referred to in this clause (3) violates any obligation of the option holder to the Company or its Affiliates, or (4) any attempt directly or indirectly to induce any employee of the Company or its Affiliates to be employed or perform services elsewhere or any attempt directly or indirectly to solicit the trade or business of any current or prospective customer, supplier or partner of the Company or its Affiliates.

(f) Disability shall mean, unless as otherwise determined by the Committee or as provided in an employment agreement, the inability of an optionee to perform the customary duties of his or her employment or other service for the Company or its Affiliates by reason of a physical or mental incapacity which is expected to result in death or to be of indefinite duration.

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(g) **Effective Date** shall mean the date on which the Plan was adopted by the Board, subject to the approval of the Company's stockholders within twelve (12) months of such date.

(h) **Exchange Act** shall mean the Securities Exchange Act of 1934, as amended.

(i) **Exchange Transaction** shall mean a merger (other than a merger of the Company in which the holders of Common Stock immediately prior to the merger have the same proportionate ownership of Common Stock in the surviving corporation immediately after the merger), consolidation, acquisition of property or stock, separation, reorganization (other than a mere reincorporation or the creation of a holding company) or liquidation of the Company, as a result of which the stockholders of the Company receive cash, stock or other property in exchange for or in connection with their shares of Common Stock.

(j) **Fair Market Value** as of any date shall mean, unless otherwise required by the Code or other applicable law, the closing sale price per share of Common Stock as published by the principal national securities exchange on which the Common Stock is traded on such date or, if there is no sale of Common Stock on such date, the average of the bid and asked prices on such exchange at the close of trading on such date, or if shares of the Common Stock are not listed on a national securities exchange on such date, the closing price or, if none, the average of the bid and asked prices in the over-the-counter market at the close of trading on such date, or if the Common Stock is not traded on a national securities exchange or the over-the-counter market, the value of a share of the Common Stock on such date as determined in good-faith by the Committee.

(k) **Incentive Stock Option** shall mean an Option that is intended to be an incentive stock option within the meaning of Section 422 of the Code.

(l) **Non-Qualified Stock Option** shall mean an Option that is not an Incentive Stock Option.

(m) **Option** shall mean an Incentive Stock Option or a Non-Qualified Stock Option granted pursuant to the Plan.

(n) **Securities Act** shall mean the Securities Act of 1933, as amended.

(o) **Subsidiary** shall mean any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code.

(p) **Ten Percent Stockholder** shall mean a person owning, at the time of grant, stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any parent or subsidiary corporation within the meaning of Section 424 of the Code.

### 3. Administration.

(a) Committee. The Plan shall be administered and interpreted by the Committee.



(b) Authority of Committee. Subject to the limitations of the Plan, the Committee, acting in its sole and absolute discretion, shall have full power and authority to: (1) select the persons to whom Options shall be granted, (2) grant Options to such persons and prescribe the terms and conditions of such Options (including, but not limited to, the exercise and vesting conditions applicable thereto), (3) interpret and apply the provisions of the Plan and of any agreement or other instrument evidencing an Option, (4) carry out any responsibility or duty specifically reserved to the Committee under the Plan, and (5) make any and all determinations and interpretations and take such other actions as may be necessary or desirable in order to carry out the provisions, intent and purposes of the Plan. A majority of the members of the Committee shall constitute a quorum. The Committee may act by the vote of a majority of its members present at a meeting at which there is a quorum or by unanimous written consent. The determinations of the Committee, including with regard to questions of construction, interpretation and administration, shall be final, binding and conclusive on all persons.

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(c) Indemnification. The Company shall indemnify and hold harmless each member of the Committee and the Board and any employee of the Company who provides assistance with the administration of the Plan from and against any loss, cost, liability (including any sum paid in settlement of a claim with the approval of the Board), damage and expense (including the advancement of reasonable legal and other expenses incident thereto) arising out of or incurred in connection with the Plan, unless and except to the extent attributable to such person's fraud or willful misconduct.

4. Eligibility. Options may be granted under the Plan to any member of the Board (whether or not an employee of the Company or its Affiliates), to any officer or other employee of the Company or its Affiliates and to any consultant or other independent contractor who performs or will perform services for the Company or its Affiliates. Notwithstanding the foregoing, Incentive Stock Options may only be granted to persons who are employed by the Company or a Subsidiary at the time of grant.

5. Available Shares. Subject to adjustment as provided in Section 10, (a) the maximum number of shares of Common Stock that may be issued under the Plan shall not exceed 3,400,000 shares, and the (b) maximum number of shares of Common Stock with respect to which Options may be granted to any employee of the Company or its Affiliates in any calendar year shall not cover more than 200,000 shares. Shares of Common Stock available for issuance under the Plan may be either authorized and unissued or held by the Company in its treasury. New Options may be granted under the Plan with respect to Shares of Common Stock which are covered by the unexercised portion of an Option which has terminated or expired by its terms, by cancellation or otherwise. No fractional shares of Common Stock may be issued under the Plan.

#### 6. Stock Options.

(a) Type of Options. Subject to the provisions hereof, the Committee may grant Incentive Stock Options and Non-Qualified Stock Options to eligible personnel upon such terms and conditions as the Committee deems appropriate.

(b) Option Term. Unless sooner terminated, all Options shall expire not more than ten (10) years after the date the Option is granted (or, in the case of an Incentive Stock Option granted to a Ten Percent Stockholder, not more than five (5) years).

(c) Exercise Price. The exercise price per share of Common Stock covered by an Option may not be less than one hundred percent (100%) of the Fair Market Value of a share of Common Stock on the date the Option is granted (or, in case of an Incentive Stock Option granted to a Ten Percent Stockholder, one hundred ten percent (110%) of the Fair Market Value of a share of Common Stock on the date the Option is granted).

(d) Exercise of Options. The Committee may establish such vesting and other conditions and restrictions on the exercise of an Option and/or upon the issuance of Common Stock in connection with the exercise of an Option as it deems appropriate. All or part of the exercisable portion of an Option may be exercised at any time during the Option term, except that, without the consent of the Committee, no partial exercise of an option may be for less than one hundred (100) shares.

(e) Payment of Exercise Price. An Option may be exercised by transmitting to the Company: (i) a written notice specifying the number of shares to be purchased, and (ii) payment of the exercise price, together with the amount, if any, deemed necessary by the Committee to enable the Company to satisfy its federal, state, foreign or other tax withholding obligations with respect to such exercise. The Committee may establish such rules and procedures as it deems appropriate for the exercise of Options. The exercise price of shares of Common Stock acquired pursuant to the exercise of an Option may be paid in cash, certified or bank check and/or such other form of payment as may be approved by the Committee and permitted by applicable law from time to time, including, without limitation, shares of Common Stock which have been owned by the holder for at least six (6) months (free and clear of any liens and encumbrances).

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(a) Limitation on Repricing of Options. Notwithstanding anything herein to the contrary, unless and to the extent otherwise approved by the Company's stockholders, under no circumstances may the Board or the Committee, directly or indirectly, reprice or otherwise modify any outstanding Options granted pursuant to the Plan to effect a reduction in the exercise price thereof.

7. Non-Transferability. No Option shall be transferable by an optionee other than upon the optionee's death to a beneficiary designated by the optionee, or, if no designated beneficiary shall survive the optionee, pursuant to the optionee's will or by the laws of descent and distribution. All Options shall be exercisable during an optionee's lifetime only by the optionee. Any attempt to transfer any Option shall be void, and no such Option shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person who shall be entitled to such Option, nor shall it be subject to attachment or legal process for or against such person. Notwithstanding the foregoing, the Committee may, in its sole discretion, permit an optionee to transfer a Non-Qualified Stock Option, in whole or in part, to such persons and/or entities as are approved by the Committee from time to time and subject to such terms and conditions as the Committee may determine from time to time, including, without limitation, such terms and conditions as are necessary or desirable to comply with applicable law.

8. Effect of Termination of Employment or Other Service. Except as otherwise provided herein or determined by the Committee, the following rules shall apply with regard to Options held by an optionee at the time of his or her termination of employment or other service with the Company and its Affiliates:

(a) Termination due to Death or Disability. If an optionee's employment or other service terminates due to his or her death or Disability (or if the optionee's employment or other service is terminated by reason of his or her Disability and the optionee dies within one year of such termination of employment or other service), then: (i) that portion of an Option that is not exercisable on the date of termination shall immediately terminate, and (ii) that portion of an Option that is exercisable on the date of termination shall remain exercisable, to the extent exercisable on the date of termination, by the optionee (or the optionee's designated beneficiary or representative) during the one year period following the date of termination (or, during the one year after the later death of a disabled optionee) or, if sooner, until the expiration of the stated term thereof, and, to the extent not exercised during such period, shall thereupon terminate.

(b) Termination for Cause or at a Time when Cause Exists. If an optionee's employment or other service is terminated by the Company or an Affiliate for Cause or if, at the time of his or her termination, grounds for a termination for Cause exist, then any Option held by the optionee (whether or not then exercisable) shall immediately terminate and cease to be exercisable.

(c) Other Termination. If an optionee's employment or other service terminates for any reason or no reason, then, except as provided for in an employment agreement: (i) that portion of an Option held by the optionee that is not exercisable on the date of termination shall immediately terminate, and (ii) that portion of an Option that is exercisable on the date of termination shall remain exercisable, to the extent exercisable on the date of termination, by the optionee during the ninety (90) day period following the date of termination or, if sooner, until the expiration of the stated term thereof, and, to the extent not exercised during such period, shall thereupon terminate.

9. Cancellation of Options. Unless an Option agreement specifies otherwise, the Committee will cancel, rescind, suspend, withhold or otherwise limit or restrict any unexpired Option at any time if the optionee is not in compliance with all material applicable provisions of the award agreement and the Plan, or if the optionee engages in a Detrimental Activity. Upon exercise of an Option, the optionee shall certify in a manner acceptable to the Company that he or she is in compliance with the terms and conditions of the Plan and has not engaged in any Detrimental Activities. In the event an optionee engages in any Detrimental Activity prior to, or during the six (6) months after, any exercise, such exercise will be rescinded within two (2) years thereafter. In the event of any such rescission, the optionee shall pay to the Company, in the form of Company Common Stock, the amount of any gain realized as a result of the rescinded exercise, in such manner and on such terms and conditions as may be required, and the Company and its Affiliates shall be entitled to set-off against the amount of any such gain, any amount owed to the optionee by the Company or its Affiliates.



10. Capital Changes; Reorganization; Sale.

(a) Adjustments upon Changes in Capitalization. The aggregate number and class of shares which may be issued under the Plan, the maximum number and class of shares with respect to which an Option may be granted to any employee during any calendar year and the number and class of shares and the exercise price per share in effect under each outstanding Option shall all be adjusted proportionately for any increase or decrease in the number of issued shares of Common Stock resulting from a split-up or consolidation of shares or any like capital adjustment, or the payment of any stock dividend.

(b) Cash, Stock or other Property for Stock. Except as otherwise provided in this subparagraph, in the event of an Exchange Transaction, all optionees shall be permitted to exercise their outstanding Options (whether or not otherwise exercisable) at least fifteen (15) days prior to the Exchange Transaction (and the Board shall notify each optionee of such acceleration at least fifteen (15) days prior to the Exchange Transaction) and any outstanding Options not exercised before the consummation of the Exchange Transaction shall thereupon terminate. Notwithstanding the preceding sentence, if, as a part of the Exchange Transaction, the stockholders of the Company receive capital stock of another corporation ( Exchange Stock ), and if the Board, in its sole discretion, so directs, then all outstanding Options shall be converted into Options to purchase shares of Exchange Stock. The amount and price of the converted options shall be determined by adjusting the amount and price of the Options granted hereunder on the same basis as the determination of the number of shares of Exchange Stock the holders of Common Stock shall receive in the Exchange Transaction.

(c) Fractional Shares. In the event of any adjustment in the number of shares covered by an Option, any fractional shares resulting from such adjustment shall be disregarded, and each such Option shall cover only the number of full shares resulting from the adjustment.

(d) Determination of Board to be Final. All adjustments under this Section 10 shall be made by the Board, and its determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive.

11. Rights as a Stockholder. No shares of Common Stock shall be issued in respect of the exercise of an Option until full payment therefor has been made, and the applicable income tax withholding obligation has been satisfied. The holder of an Option shall have no rights as a stockholder with respect to any shares covered by the Option until the date a stock certificate (or an equivalent) for such shares is issued to the holder. Except as otherwise provided herein, no adjustments shall be made for dividend distributions or other rights for which the record date is prior to the date such stock certificate (or an equivalent) is issued.

12. Tax Withholding. As a condition to the exercise of any Option or the lapse of restrictions on any shares of Common Stock, or in connection with any other event under the Plan that gives rise to a federal or other governmental tax withholding obligation on the part of the Company or its Affiliates: (a) the Company may deduct or withhold (or cause to be deducted or withheld) from any payment or distribution to an optionee whether or not pursuant to the Plan, and (b) the Company shall be entitled to require that the optionee remit cash to the Company (through payroll deduction or otherwise), in each case in an amount sufficient in the opinion of the Company to satisfy such withholding obligation. If the event giving rise to the withholding obligation involves a transfer of shares of Common Stock, then, unless the applicable agreement provides otherwise, at the discretion of the Committee, the optionee may satisfy the withholding obligation described under this Section 12 by electing to have the Company withhold shares of Common Stock (which withholding shall be at a rate not in excess of the statutory minimum rate) or by tendering previously-owned shares of Common Stock, in each case having a Fair Market Value equal to the amount of tax to be withheld (or by any other mechanism as may be required or appropriate to conform with local tax and other rules).

13. Amendment and Termination. The Board may amend or terminate the Plan at any time, provided that no such action may adversely affect the rights of the holder of any outstanding Option without his or her consent. Except as otherwise provided in Section 10, any amendment which increases the aggregate number of shares of Common Stock that may be issued under the Plan, modifies the class of employees eligible to

receive Options under the Plan or otherwise requires stockholder approval shall, to the extent required by applicable law, be subject to the

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approval of the Company's stockholders. The Committee may amend the terms of any agreement or certificate made or issued hereunder at any time and from time to time provided that any amendment which would adversely affect the rights of the holder may not be made without his or her consent.

14 Term of the Plan. The Plan shall be effective on the Effective Date. The Plan will terminate on the tenth anniversary of the Effective Date, unless sooner terminated by the Board. The rights of any person with respect to an Option granted under the Plan that is outstanding at the time of the termination of the Plan shall not be affected solely by reason of the termination of the Plan and shall continue in accordance with the terms of the Option (as then in effect or thereafter amended) and the Plan.

15. Miscellaneous.

(a) Documentation. Each Option granted made under the Plan shall be evidenced by a written agreement or other written instrument the terms of which shall be established by the Committee. To the extent not inconsistent with the provisions of the Plan, the written agreement or other instrument evidencing an Option shall govern the rights and obligations of the optionee (and any person claiming through the optionee) with respect to the Option.

(b) No Rights Conferred. Nothing contained herein shall be construed to confer upon any individual any right to be retained in the employ or other service of the Company or its Affiliates or to interfere with the right of the Company or its Affiliates to terminate an optionee's employment or other service at any time.

(c) Governing Law. The Plan shall be governed by the laws of the State of Delaware, without regard to its principles of conflicts of law.

(d) Decisions and Determinations. All decisions or determinations made by the Board and, except to the extent rights or powers under the Plan are reserved specifically to the discretion of the Board, all decisions and determinations of the Committee, shall be final, binding and conclusive.

(e) Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

(f) Requirements of Law. The grant of Options and issuance of shares under the Plan shall be subject to compliance with all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as the Committee deems necessary or desirable.

(g) Listing and Other Conditions. As long as the Common Stock is listed on a national securities exchange or system sponsored by a national securities association, the issue of any shares of Common Stock pursuant to an Option shall be conditioned upon such shares being listed on such exchange or system. If at any time counsel to the Company shall be of the opinion that any sale or delivery of shares of Common Stock pursuant to an Option is or may in the circumstances be unlawful or result in the imposition of excise taxes on the Company under the statutes, rules or regulations of any applicable jurisdiction, the Company shall have no obligation to make such sale or delivery, or to make any application or to effect or to maintain any qualification or registration under the Securities Act or otherwise with respect to shares of Common Stock or Options, and the right to exercise any Option shall be suspended until, in the opinion of said counsel, such sale or delivery shall be lawful or shall not result in the imposition of excise taxes on the Company.



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### AUDIT COMMITTEE CHARTER

The Audit Committee is a committee of the Board of Directors (the "Board"). Its primary function is to assist the Board of Alexion Pharmaceuticals, Inc., a Delaware corporation (the "Company") in fulfilling its oversight responsibilities. The Audit Committee oversees the Company's accounting and financial reporting processes, reviews its internal control systems and oversees the audit of the Company's financial statements.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles ("GAAP") and applicable rules and regulations. These are the responsibilities of management and the independent auditors.

#### *Charter of the Audit Committee*

**RESOLVED**, therefore, that the Audit Committee shall:

1. Oversee that management has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company;
2. Oversee that management has established, documented, maintained and periodically re-evaluates its processes to assure that an adequate system of internal control is functioning within the Company; and
3. Be responsible for the appointment, compensation, independence and oversight of the work of the Company's outside accounting firm and auditors.

#### *Membership of the Audit Committee*

**RESOLVED**, that:

1. The Audit Committee shall consist of at least three independent (as defined in Section 10(A)(m)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Nasdaq Marketplace Rule 4200) members of the Board who shall serve at the pleasure of the Board;

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2. Audit Committee members and the Audit Committee Chairman shall be designated by the full Board upon the recommendation of the Nominating and Governance Committee;

3. Members of the Audit Committee shall have a familiarity with basic finance and accounting practices and shall be able to read and understand financial statements; and

4. The Board will endeavor to ensure that at least one member of the Audit Committee shall be a financial expert as that term is defined by the Securities and Exchange Commission.

**RESOLVED**, that the Audit Committee shall:

### *General Duties and Powers*

1. Hold at least four regular meetings per year and such special meetings as may be called by the Chairman of the Audit Committee or at the request of the independent auditors or management, and include in such meetings members of management to provide information as needed. The Audit Committee shall invite the independent auditors to attend the meetings as deemed necessary by the Audit Committee.

2. Meet with the internal auditing staff, the independent auditors, and management in separate executive sessions to discuss any matters that the Audit Committee or these groups believe should be discussed privately with the Audit Committee, and resolve any disagreements between the parties.

3. Provide independent, direct communication between the Board, management and the independent auditors;

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4. Report to the Board following the meetings of the Audit Committee such recommendations as the Audit Committee deems appropriate;

5. Maintain minutes or other records of meetings and activities of the Audit Committee;

*Duties and Powers Related to the Company's Relationship with the Independent Auditors*

6. Be responsible for the appointment (subject, if applicable, to shareholder ratification), compensation (which the Company shall pay), independence and oversight of the work of the Company's outside accounting firm and auditors;

7. Review and approve the independent auditors' annual engagement letter;

8. Have the independent auditors report directly to the Audit Committee, and oversee audit partner rotation as required by law;

9. Review and discuss with the independent auditors all relationships they have with the Company which may impact the auditors' independence;

10. Obtain and review a report by the Company's independent auditors describing the firm's internal quality-control procedures and any material issues raised by the most recent internal quality-control review, or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any issues;

11. Evaluate the qualifications, performance and independence of the Company's independent auditors, including considering whether the independent auditors' quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the independent auditors' independence. The Audit Committee shall present its conclusions with respect to the independent auditors to the Board at least once a year;

12. Discuss the planning and staffing of the audit with the independent auditors prior to the audit;

13. Review and pre-approve the scope and cost of all audit and permissible non-audit services performed by the independent auditors, subject to the de minimus exception for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Audit Committee prior to the completion of the audit;

14. Form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such a subcommittee to grant pre-approvals shall be presented to the full Audit Committee at its next scheduled meeting;

*Duties and Powers Relating to the Company's Internal Audit Procedures*

15. Review the adequacy of the Company's systems of internal control;

16. Obtain from the independent auditors and management their recommendations regarding internal controls and other matters relating to the accounting procedures and the books and records of the Company and its subsidiaries and review the correction of controls deemed to be deficient;

17. Review and approve the Company's internal audit plans and reports, annual audit plans and budgets;

*Duties and Powers Relating to the Company's Financial Statements and Disclosure*

18. Confer with the independent auditors and management concerning the scope of their examinations of the books and records of the Company and its subsidiaries; direct the attention of the auditors to specific matters or areas deemed by the Audit Committee or management to be of special significance; and authorize the auditors to perform such supplemental review or audits as the Audit Committee may deem desirable;

19. Discuss with the independent auditors their reports regarding (a) all critical accounting policies and practices used by the Company, (b) all material alternative accounting treatments within GAAP that have been discussed with management, including the ramifications of the use of the alternative treatments and the treatment preferred by the accounting firm, and (c) other material written communications between the accounting firm and management such as any management letter or schedule of unadjusted differences;

20. Review with management and the independent auditors significant risks and exposures, audit activities and significant audit findings;

21. Discuss with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management;

22. Review and discuss with management and the independent auditors the Company's audited annual financial statements and the independent auditors' opinion rendered with respect to such financial statements, including reviewing the nature and extent of any significant changes in accounting principles or the application thereof, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K;

23. Review and discuss with management and the independent auditors the Company's interim financial reports before they are filed on Form 10-Q;

24. Review disclosures made to the Audit Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls;

25. Review the Company's quarterly earnings releases and the Company's annual fiscal year earnings release, including the use of pro forma or adjusted non-GAAP information as well as financial information and earnings guidance, before such releases are made public;

26. Discuss with management and the independent auditors any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies;

*Duties and Powers Relating to Compliance Oversight*

27. Approve all transactions between the Company and any affiliate or related party;

28. Obtain assurance from the independent auditors that, in the course of their audit, the auditors have not become aware that any illegal act has occurred at the Company;

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29. Conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities;

30. Establish procedures to receive, retain and treat complaints, including confidential, anonymous complaints, regarding accounting, internal accounting controls, or auditing matters;

31. Engage independent legal, accounting or other outside advisors in circumstances where the Audit Committee determines that retaining outside advisors is in the best interests of the Company and its shareholders and determine the appropriate compensation for any advisors, which funding shall be paid by the Company; and

32. Consider such other matters in relation to the financial affairs of the Company and its accounts, and in relation to the internal and external audit of the Company as the Audit Committee may, in its discretion, determine to be advisable.

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**ALEXION PHARMACEUTICALS, INC.**

**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 16, 2003.**

Leonard Bell, M.D. and David W. Keiser, and each of them, as the true and lawful attorneys, agents and proxies of the undersigned, with full power of substitution, are hereby authorized to represent and to vote all shares of Common Stock of Alexion Pharmaceuticals, Inc. held of record by the undersigned on October 23, 2003, at the Annual Meeting of Stockholders to be held at 10:00 a.m. on Tuesday, December 16, 2003, at the Park Avenue Room at the Hotel Inter-Continental, 111 East 48th Street, New York, New York 10017 and any adjournment thereof. Any and all proxies heretofore given are hereby revoked.

**WHEN PROPERLY EXECUTED, THIS PROXY WILL BE VOTED AS DESIGNATED BY THE UNDERSIGNED. IF NO CHOICE IS SPECIFIED, THE PROXY WILL BE VOTED FOR EACH OF THE NOMINEES FOR DIRECTOR LISTED BELOW AND IN FAVOR OF PROPOSALS 2 AND 3.**

1. Proposal Election of Directors Nominees are:

Leonard Bell, Jerry T. Jackson, David W. Keiser, Max Link, Joseph A. Madri, R. Douglas Norby and Alvin S. Parven.

“ FOR all listed nominees (except do not vote for the nominee(s) whose name(s) appears(s) below):

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“ WITHHOLD AUTHORITY to vote for the listed nominees.

2. Proposal No. 2 Approval of the Amendment to the Company's 2000 Stock Option Plan.

“ FOR “ AGAINST “ ABSTAIN



3. Proposal No. 3 Appointment of PricewaterhouseCoopers LLP as the Company's independent public accountants.

“ FOR “ AGAINST “ ABSTAIN

Discretionary authority is hereby granted with respect to such other matters as may properly come before the meeting.

**IMPORTANT: Please sign exactly as name appears below. Each joint owner shall sign. Executors, administrators, trustees, etc. should give full title as such. If signor is a corporation, please give full corporate name by duly authorized officer. If a partnership, please sign in partnership name by authorized person.**

Dated \_\_\_\_\_, 2003

\_\_\_\_\_

**Signature**

\_\_\_\_\_

**Signature if held jointly**

The above-signed acknowledges receipt of the Notice of Annual Meeting of Stockholders and the Proxy Statement furnished therewith.

**PLEASE SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.**