As filed with the Securities and Exchange Commission on June 30, 2000

Registration No. 333-37402

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Amendment No. 1 to
FORM S-1

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

KERYX BIOPHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

Delaware	8731	13-4087132
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

Kiryat Mada 5

Har Hotzvim, Jerusalem, Israel 91326
+972-2-537-4997
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Robert Trachtenberg, Esq.

Kiryat Mada 5

Har Hotzvim, Jerusalem, Israel 91326
+972-2-537-4997
(Name and address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Robert G. Robison, Esq. Nathaniel T. Weiner, Esq. Morgan, Lewis & Bockius LLP 101 Park Avenue New York, New York 10178 (212) 309-6000 Fax: (212) 309-6273	Steven S. Pretsfelder, Esq. Jonathan J. Russo, Esq. Baer Marks & Upham LLP 805 Third Avenue New York, New York 10022 (212) 702-5700 Fax: (212) 702-5941

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), check the following box. [_]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following

box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [_]

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

+The information contained in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and we are not soliciting offers to buy these securities in any state where such offer or sale is not permitted.+

SUBJECT TO COMPLETION, JUNE 30, 2000

PROSPECTUS

4,600,000 Shares

[LOGO OF KERYX]

Common Stock

We are selling shares of our common stock. This is our initial public offering.

No public market currently exists for our common stock. We currently estimate that the initial public offering price per share will be between $10 and $12.

We have applied to have our common stock listed on the Nasdaq National Market under the symbol "KERX" and on the Alternative Investment Market of the London Stock Exchange under the symbol "KRX."

Investing in our common stock involves risks. See "Risk Factors" beginning on page 5.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total

Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

We have granted the underwriters a 30-day option to purchase up to an additional 690,000 shares of common stock to cover over-allotments at the initial public offering price less the underwriting discount.

The underwriters are offering the common stock as described under "Underwriting." Delivery of the shares will be made on or about , 2000.

Global Coordinators

Roth Capital Partners, Inc. WestLB Panmure Limited

U.S. Managers

Roth Capital Partners, Inc.

Gruntal & Co., L.L.C.

The date of this Prospectus is , 2000.

Inside front cover:

KinAce Drug Discovery Technology

Select Kinase Target

Apply KinAce Technology to Genomic Data

Screen Ten to Twenty Compounds

Discover New Drug Candidate

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PROSPECTUS SUMMARY

This summary highlights what we consider to be the most important features of this offering and the information contained elsewhere in this prospectus. To understand this offering and our business fully, you should carefully read the entire prospectus including the risk factors beginning on page 5 and the financial statements. Unless otherwise indicated, all share, per share and financial information in this prospectus gives effect to a common stock dividend of one share for each two shares held by a stockholder as of July 15, 2000, which will take effect on the closing of this offering.

Our Business

We use data discovered through the mapping of the human genome to generate drug candidates that target the regulation of protein kinases. Protein kinases play a key role in the way cells communicate. We believe that our approach to drug design allows us to discover more drug candidates in less time and with lower levels of toxicity than our competitors. Our KinAce platform has produced 13 lead compounds, eight of which have already produced positive results in animal (in vivo) tests. In addition to developing drug candidates with our KinAce platform, we have obtained a license for sulodexide (KRX-101) and are developing it for the treatment of a kidney disease known as diabetic nephropathy. To date, none of our drug candidates has received approval for sale in any market.

KinAce Drug Discovery Platform

When protein kinases give an inappropriate signal, the result is often a disease or other unwanted medical condition. Our KinAce platform focuses on the sequence of specific portions of a protein kinase to identify small compounds that can potentially inhibit or stimulate the activity of that kinase. To date, by targeting specific portions of protein kinases, our approach has produced 13 lead drug compounds. It has taken us an average of approximately four months to develop a drug candidate from concept to in vivo testing.

We expect to file an application to begin human clinical trials in Israel for our first KinAce compound, KRX-123 for hormone-resistant prostate cancer, in 2000. We believe hormone-resistant prostate cancer, for which there is currently no curative treatment, represents a potential market in excess of $450 million. We are developing our 12 other KinAce compounds through a combination of in-house efforts and research and development agreements with others. We recently entered into research and development agreements relating to five of these compounds with third parties including the National Institutes of Health, or NIH, Novo Nordisk A/S and Osteotech Inc.

KRX-101

In addition to our KinAce platform, we have obtained a license to develop sulodexide (KRX-101) to treat diabetic nephropathy and other conditions. Sulodexide is a drug that has been sold in Europe for many years by our licensor for other medical conditions and has a well-established safety profile. We have filed an application with the FDA to begin clinical trials in 2000 of KRX-101 to treat Type II diabetic nephropathy. This application contains data from a 200-person clinical trial for this condition conducted in Europe by the licensor. We have requested expedited FDA review, known as "fast track" review, for KRX-101 on the basis that there is currently no FDA-approved treatment for this indication. We estimate that the potential annual market for KRX-101 is in excess of $800 million. In addition, we believe that KRX-101 has significant potential to treat other diseases.

Our Strategy

We intend to:

- advance KRX-101 into clinical trials for diabetic nephropathy and pursue its use to treat additional diseases;
- complete pre-clinical development of KRX-123 for hormone-resistant prostate cancer and file an application to enter clinical trials in Israel for this drug candidate in 2000;
- use our KinAce platform to generate new drug candidates for a variety of conditions, such as cancer and metabolic, cardiovascular, immunological and neurological diseases;
- develop our drug candidates internally or license them to others based on an assessment of clinical and financial resources; and
- further develop and expand our relationships with corporate collaborators for the development, marketing and distribution of our drug candidates.

Corporate Information

We are a Delaware corporation. Although we started operating our business in November 1999, many of our principal technologies and drug candidates were developed by our predecessor company, Partec Ltd., and its subsidiaries during the period from January 1997 until November 1999. Consequently, in this prospectus, "we," "us" and "our" refer to Keryx Biopharmaceuticals, Inc., its predecessor company and their respective subsidiaries unless the context requires otherwise. Our registered office is at 1013 Centre Road, Wilmington, Delaware 19805. Our executive offices are located at Kiryat Mada 5, Har Hotzvim, Jerusalem, Israel 91326. Our telephone number is +972-2-537-4997. Our e-mail address is info@keryxbiopharm.com.

The Offering

Common stock offered by us.....	4,600,000 shares(1)
Common stock outstanding after the offering..	18,823,268 shares(1)(2)

Use of proceeds	To fund clinical trials for KRX-101 and KRX-123; to fund the discovery and further development of compounds using our KinAce platform; and to use as working capital and for general corporate purposes.
Proposed Nasdaq National Market symbol	KERX
Proposed Alternative Investment Market symbol	KRX

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(1) Excludes a 30-day option granted to the underwriters to purchase up to 690,000 additional shares of common stock to cover over-allotments, if any.

(2) Excludes 8,685,000 shares of common stock that are reserved for issuance under our stock option plans and 1,034,922 shares of common stock that are reserved for issuance under various warrants and non-plan options previously granted. On May 31, 2000 there was an aggregate of 4,387,032 options and 794,922 warrants outstanding at a weighted average exercise price of $0.14 per share.

Summary Consolidated Financial Information

This table summarizes our statements of operations data and our balance sheet data. The as-adjusted balance sheet data reflects the sale of 4,600,000 shares of our common stock in this offering at an assumed public offering price of $11.00 per share, after deducting the estimated underwriting discount and offering expenses, and the mandatory conversion of all of our outstanding shares of convertible preferred stock.

	Years Ended December 31,			Three Months Ended March 31, (unaudited)	
	1997	1998	1999	1999	2000
	(in thousands, except per share data)				
Statements of Operations Data:					
Revenue from management fees	$ 233	$ 66	$ --	$ --	$ --
Expenses:					
Research and development	569	1,407	6,923	414	1,253
General and administrative	525	1,011	1,813	263	614
Total operating expenses	1,094	2,418	8,736	677	1,867
Operating loss	(861)	(2,352)	(8,736)	(677)	(1,867)
Financing income/(expenses)	(11)	(157)	(257)	(10)	55
Net loss before taxes on income	(872)	(2,509)	(8,993)	(687)	(1,812)
Net loss	$ (882)	$ (2,539)	$ (9,003)	$ (687)	$(1,839)
Basic and diluted net loss per share	$ (0.11)	$ (0.31)	$ (1.11)	$(0.08)	$ (0.23)

	As of March 31, 2000 (unaudited)	
	Actual	As Adjusted
	(in thousands)	
Balance Sheet Data:		
Cash and cash equivalents	$6,551	$52,109
Working capital	6,469	52,027
Total assets	7,607	53,165
Long-term obligations	129	129
Total stockholders' equity	7,073	52,631

See notes to our financial statements for explanations of the determination of the number of shares used in computing per share data and the inclusion of data with respect to our predecessor company for the periods indicated.

RISK FACTORS

An investment in our common stock is risky. You should carefully consider the following risks, as well as the other information contained in this prospectus. If any of the following risks actually occur, our business could be materially harmed.

Risks Related to Our Business

We have a limited operating history and have incurred operating losses since our inception. We expect to incur losses in the future, and we may never become profitable.

We have a limited operating history. You should consider our prospects in light of the risks and difficulties frequently encountered by early stage companies. In addition, we have incurred operating losses since our inception and expect to incur operating losses for the foreseeable future. As of March 31, 2000, we had an accumulated deficit of approximately $14 million. We expect to expand our research and development efforts significantly, which will result in increasing losses. We may continue to incur substantial operating losses even if we begin to generate revenues from our drug candidates or technologies.

We have not yet commercialized any products or technologies, and we cannot be sure that we will ever be able to do so. Even if we commercialize one or more of our drug candidates or technologies, we may not become profitable. Our ability to achieve profitability depends on a number of factors, including our ability to complete our development efforts, to obtain regulatory approval for our drug candidates and to successfully commercialize our drug candidates and technologies.

Our drug discovery methods are unproven and may not lead to commercially viable drugs.

There is limited scientific understanding of protein kinase regulation and its role in complex diseases. Our drug discovery efforts are focused on a number of protein kinases whose functions have not yet been fully identified. As a result, the safety and effectiveness of our KinAce drug candidates have not yet been established, and our research and development activities may not result in commercially viable products. In addition, because the compounds we develop with our KinAce platform are made up of small peptides, we may be unable to produce drugs that can be taken orally. If we are unable to formulate an effective way to deliver our KinAce compounds, we may be unable to market these drug candidates. To date, we believe that only one product based on protein kinase regulation has been commercialized.

Our drug candidates are in early stages of development and may never receive necessary regulatory approvals.

Our drug candidates are in early stages of development. We have not received regulatory approval for clinical trials for any of these drug candidates. We will need to conduct significant additional research and human testing before

we can apply for product approval with the Food and Drug Administration, or FDA, or with regulatory authorities of other countries. Pre-clinical testing and clinical development are long, expensive and uncertain processes. Satisfaction of regulatory requirements typically depends on the nature, complexity and novelty of the product and requires the expenditure of substantial resources. Data obtained from pre-clinical and clinical tests can be interpreted in different ways, which could delay, limit or prevent regulatory approval. It may take us many years to complete the testing of our drug candidates, and failure can occur at any stage of this process. Negative or inconclusive results or medical events during a clinical trial could cause us to delay or terminate our development efforts.

Clinical trials also have a high risk of failure. A number of companies in the pharmaceutical industry, including biotechnology companies, have suffered significant setbacks in advanced clinical trials, even after achieving promising results in earlier trials. If we experience delays in the testing or

approval process or if we need to perform more or larger clinical trials than originally planned, our financial results and the commercial prospects for our drug candidates may be impaired. In addition, we have limited experience in conducting and managing the clinical trials necessary to obtain regulatory approval in the United States and abroad and, accordingly, may encounter unforeseen problems and delays in the approval process.

Recently we submitted an Investigational New Drug (IND) application for our KRX-101 drug candidate for the treatment of a complication of Type II diabetes known as diabetic nephropathy (a type of kidney disease). However, we do not know whether the FDA or regulatory authorities of other countries will allow us to commence clinicals trials for this drug candidate. Our IND proposes a reduction in the albumin excretion rate as a measure of the effectiveness of the drug (a clinical endpoint). In the past, the FDA has rejected this endpoint as a sufficient basis for approval. If the FDA does not accept our proposed endpoint for KRX-101 trials, we will need to resort to a combined clinical endpoint, which would significantly delay commercialization and significantly increase our costs. The commercialization of KRX-101 will also be delayed if we do not receive FDA "fast track" review of our IND application or if the FDA requires us to expand the size and/or scope of our clinical trials. In addition, we need to obtain additional pre-clinical data on our KRX-123 drug candidate before we can submit an application to conduct clinical trials in Israel for treatment of hormone-resistant prostate cancer. If we do not receive approval to conduct clinical trials for KRX-101 or KRX-123, or if approval is delayed, we will be unable to carry out our present business strategy.

Because we license our primary proprietary technologies and rely on sponsored research agreements with third parties, termination of these agreements would prevent us from developing our lead drug candidates.

We do not own the proprietary technologies underlying KRX-101 and our KinAce platform. We have licensed these technologies from others. These license agreements require us to meet development and financing milestones. In addition, under these agreements we must pay royalties on sales of products resulting from licensed technologies and pay the patent filing, prosecution and maintenance costs related to the licenses. If we do not meet our obligations in a timely manner or otherwise breach the terms of our agreements, our licensors could terminate the agreements, and we would lose the rights to KRX-101 and our KinAce technology.

In addition, we do not currently have our own laboratory facilities and depend on Yissum Research Development Company of the Hebrew University of Jerusalem, referred to in this prospectus as Yissum, to conduct research for our KinAce project. Under our research agreement, we must pay quarterly research fees and make other payments to Yissum. This agreement expires in November 2001. If we fail to make these payments, Yissum could terminate the research agreement. If the agreement is terminated and we are unable to quickly replace Yissum with another qualified research laboratory, our research would be delayed and we may be unable to complete development of or commercialize our drug candidates as planned or at all.

If we are unable to adequately protect our intellectual property, third parties may be able to use our technology, which could adversely affect our ability to

compete in the market.

Our commercial success will depend in part on our ability to obtain and maintain patent protection on our drug products and technologies and successfully defend these patents and technologies against third-party challenges. The patent positions of pharmaceutical and biotechnology companies can be highly uncertain and involve complex legal and factual questions. No consistent policy regarding the breadth of claims allowed in biotechnology patents has emerged to date. Accordingly, the patents we use may not be sufficiently broad to prevent others from practicing our technologies or from developing competing products. Furthermore, others may independently develop similar or alternative technologies or design around our patented technologies. The patents we use may be challenged, invalidated or fail to provide us with any competitive advantage.

We rely on trade secrets to protect technology where we believe patent protection is not appropriate or obtainable. However, trade secrets are difficult to protect. While we require our employees, collaborators and consultants to enter into confidentiality agreements, this may not be sufficient to adequately protect our trade secrets or other proprietary information. In addition, we share ownership and publication rights to data relating to some of our drug candidates with our research collaborators and scientific advisors. If we cannot maintain the confidentiality of this information, our ability to receive patent protection or protect our proprietary information will be at risk.

Litigation or third-party claims of intellectual property infringement could require us to spend substantial time and money and adversely affect our ability to develop and commercialize products.

Third parties may assert that we are using their proprietary technology without authorization. In addition, third parties may obtain patents in the future and claim that our technologies infringe their patents. If we are required to defend against patent suits brought by third parties, or if we sue to protect our patent rights, we may be required to pay substantial litigation costs, and our management's attention may be diverted from operating our business. In addition, any legal action against our licensors or us that seeks damages or an injunction of our commercial activities relating to the affected technologies could subject us to monetary liability and require our licensors or us to obtain a license to continue to use the affected technologies. We cannot predict whether we or our licensors would prevail in any of these types of actions or that any required license would be made available on commercially acceptable terms, if at all.

If we lose our key personnel or are unable to attract and retain additional personnel, our operations would be disrupted and our business would be harmed.

We have 10 employees and 27 persons working under sponsored research agreements or consulting agreements. To successfully develop our drug candidates, we must be able to attract and retain highly skilled scientists and clinical development personnel. In addition, if we lose the services of our current personnel, in particular, Dr. Morris Laster, our Chief Executive Officer, or Professor Shmuel Ben-Sasson, the Chief Scientist of our KinAce project, our ability to continue to develop our lead drug candidates will be materially impaired. We have purchased a $2.0 million keyman life insurance covering each of Dr. Laster and Dr. Ben-Sasson. This amount may not be sufficient to compensate us for the loss of either of their services. We have employment agreements with some of our key executives and a consulting agreement with Dr. Ben-Sasson; however, these agreements would not prevent any of them from terminating their employment with us.

If we do not establish drug development, manufacturing and marketing arrangements with third parties, we may be unable to commercialize our technologies into products.

A key part of our strategy is to establish drug development collaboration arrangements with third parties and enter into manufacturing and marketing arrangements with third parties. We are a young company and do not possess these capabilities on our own. We must successfully contract with third parties to:

- assist us in developing, testing, obtaining regulatory approval for and commercializing some of our compounds and technologies;
- manufacture our drug candidates; and
- market and distribute our drug candidates.

If we are unable to successfully contract with third parties for these services, or if existing arrangements for these services are terminated, whether or not through our actions, we may have to delay, scale back or end one or more of our drug development programs.

If our competitors develop and market products that are more effective than ours, our commercial opportunity may be reduced or eliminated.

Our commercial opportunity will be reduced or eliminated if our competitors develop and market products that are more effective, have fewer side effects or are less expensive than our drug candidates. Other companies have products or drug candidates in various stages of pre-clinical or clinical development to treat diseases for which we are seeking to discover and develop drug candidates. Some of these potential competing drugs are further advanced in development than our drug candidates and may be commercialized earlier. Even if we are successful in developing effective drugs, our products may not compete successfully with products produced by our competitors.

Our competitors include pharmaceutical companies and biotechnology companies, as well as universities and public and private research institutions. In addition, companies active in different but related fields represent substantial competition for us. Many of our competitors have significantly greater capital resources, larger research and development staffs and facilities and greater experience in drug development, regulation, manufacturing and marketing than we do. These organizations also compete with us to recruit qualified personnel, attract partners for joint ventures or other collaborations, and license technologies that are competitive with ours. As a result, our competitors may be able to more easily develop technologies and products that would render our technologies or our drug candidates obsolete or noncompetitive.

Because our principal operations are located in Israel, any significant political, economic or military instability in the region could materially disrupt our business.

Although we are incorporated in the State of Delaware, we maintain our principal offices and our research and development activities in the State of Israel. Currently, all of our personnel are located in Israel. Our business may be disrupted by political, economic and military conditions affecting Israel and other risks that are inherent in international business. These include:

- political and economic instability;
- the difficulty of administering business abroad;
- the need to comply with export laws, tariff regulations and regulatory requirements;
- currency fluctuations; and
- the obligation of male residents of Israel, including some of our employees, to perform annual military reserve duty and possibly to be called to active duty under emergency circumstances.

Risks Related to This Offering

If we are unable to obtain additional funds on terms favorable to us, or at all, our business would be harmed.

Based on our current plans, we believe our existing cash and cash equivalents, together with the net proceeds of this offering, will be sufficient to fund our operating expenses and capital requirements for at least

the next 18 months. However, the actual amount of funds that we will need

during or after the next 18 months will be determined by many factors, some of which are beyond our control. As a result, we may need funds sooner than we currently anticipate. These factors include:

- the progress of our research activities;
- the number and scope of our research programs;
- the progress of our pre-clinical and clinical development activities;
- the progress of the development efforts of parties with whom we have entered into research and development agreements;
- our ability to establish and maintain current and new research and development and licensing arrangements;
- our ability to achieve our milestones under licensing arrangements;
- the costs involved in enforcing patent claims and other intellectual property rights; and
- the costs and timing of regulatory approvals.

If our capital resources are insufficient to meet future capital requirements, we will have to raise additional funds. If we are unable to obtain additional funds on terms favorable to us, we may be required to cease or reduce our operating activities or sell or license to third parties some or all of our technology. If we raise additional funds by selling additional shares of our capital stock, the ownership interests of our stockholders will be diluted. If we raise additional funds through the sale or license of our technology, we may be unable to do so on terms favorable to us.

Concentration of ownership of our common stock among our existing executive officers, directors and principal stockholders may prevent new investors from influencing significant corporate decisions.

Upon completion of this offering, our executive officers, directors and principal stockholders (including their affiliates) will, in the aggregate, beneficially own approximately 45% of our outstanding common stock, or 43% if the underwriters' over-allotment option is exercised in full. As a result, these persons, acting together, will have the ability to effectively determine the outcome of all matters submitted to our stockholders for approval, including the election and removal of directors and any merger, consolidation or sale of all or substantially all of our assets. In addition, such persons, acting together, will have the ability to effectively control our management and affairs. Accordingly, this concentration of ownership may harm the market price of our common stock by discouraging a potential acquiror from attempting to acquire our company.

You may not be able to resell your shares at or above the initial offering price.

An active trading market for our common stock may not develop following this offering. As a result, you may not be able to sell your shares quickly or at the market price. The initial public offering price will be determined by negotiations between us and the Global Coordinators based upon a number of factors. The initial public offering price may not be indicative of prices that will prevail in the trading market.

Our stock price could be volatile and your investment could decline in value.

The trading price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in price in response to various factors, many of which are beyond our control, including:

- developments concerning our drug candidates;
- announcements of technological innovations by us or our competitors;

- new products introduced or announced by us or our competitors;
- changes in financial estimates by securities analysts;
- actual or anticipated variations in quarterly operating results;
- expiration or termination of licenses, research contracts or other collaboration agreements;
- conditions or trends in the regulatory climate and the biotechnology, pharmaceutical and genomics industries;
- changes in the market valuations of similar companies;
- additions or departures of key personnel; and
- sales of our common stock.

In addition, equity markets in general, and the market for biotechnology and life sciences companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies traded in those markets. These broad market and industry factors may materially affect the market price of our common stock, regardless of our development and operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted against that company. Such litigation, if instituted against us, could cause us to incur substantial costs and divert management's attention and resources, which could seriously harm our business.

Future sales of our common stock could cause our stock price to decline.

Sales of substantial amounts of our common stock in the public market after this offering could seriously harm prevailing market prices for our common stock. These sales may make it difficult for us to sell additional securities when we need to raise capital.

There will be 18,823,268 shares of common stock outstanding immediately following the offering, assuming the underwriters do not exercise their over-allotment option. The following will be available for sale in the public market:

- other than the 4,600,000 shares offered hereby, no shares will be eligible for sale upon completion of this offering;
- 1,520,635 shares will be eligible for sale at various times 110 days after the date of this prospectus;
- 5,322,980 shares will be eligible for sale upon the expiration of lock-up agreements, beginning 180 days after the date of this prospectus; and
- 7,379,654 shares will be eligible for sale upon the expiration of lock-up agreements, beginning one year after the date of this prospectus.

Anti-takeover provisions in our charter documents and Delaware law could make a third-party acquisition of us difficult. This could limit the price investors might be willing to pay in the future for our common stock.

Provisions in our certificate of incorporation and bylaws could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, or control us. These provisions could limit the price that certain investors might be willing to pay in the future for shares of our common stock. Our certificate of incorporation allows us to issue preferred stock with rights senior to those of the common stock without any further vote or action by the

stockholders and our bylaws eliminate the right of stockholders to call a special meeting of stockholders, which could make it more difficult for

stockholders to effect certain corporate actions. These provisions could also have the effect of delaying or preventing a change in control. The issuance of preferred stock could decrease the amount of earnings and assets available for distribution to the holders of our common stock or could adversely affect the rights and powers, including voting rights, of such holders. In certain circumstances, such issuance could have the effect of decreasing the market price of our common stock.

FORWARD-LOOKING STATEMENTS

Some statements contained in this prospectus are forward-looking statements concerning our operations, economic performance and financial condition. These forward-looking statements are included, for example, in the discussions about:

- our strategy;
- our need for additional capital in the future;
- revenues we may earn from collaborations;
- product development;
- our research and development and other expenses; and
- our operational and legal risks.

These statements involve risks and uncertainties. Actual results may differ materially from those expressed or implied in these statements. Factors that could cause these differences include, but are not limited to, those discussed under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

This prospectus contains trademarks and trade names of Keryx Biopharmaceuticals, Inc., including our name and logo, and the KinAce mark.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the sale of 4,600,000 shares of common stock offered through this prospectus (after deducting underwriting discounts and commissions and estimated offering expenses) of $45.6 million (or $52.6 million if the underwriters exercise their over-allotment option in full). We intend to use the net proceeds of this offering as follows:

- approximately $11.8 million to fund clinical trials for KRX-101 for diabetic nephropathy;
- approximately $2.7 million to fund clinical trials for KRX-123 for hormone-resistant prostate cancer;
- approximately $14.8 million to fund expansion of our KinAce platform and to further develop the compounds we have generated with it; and
- approximately $16.3 million to use as working capital and for general corporate purposes.

The timing and amounts of our actual expenditures will depend on several factors, including the timing of our entry into collaboration agreements, the progress of our clinical trials, the progress of our research and development programs, the results of other pre-clinical and clinical studies and the timing and costs of regulatory approvals.

Until we use the net proceeds, we intend to invest the funds in short-term, investment-grade, interest-bearing instruments.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock. We do not anticipate paying any cash dividends for the foreseeable future. The declaration of dividends is subject to the discretion of our board of directors and will take into account such matters as general business conditions, our financial results, capital requirements, contractual, legal and regulatory restrictions and such other factors as our board may deem relevant.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2000:

- on an actual basis;
- on a pro forma basis to give effect to the mandatory conversion of all of our outstanding shares of convertible preferred stock into our common stock upon the completion of the offering; and
- on a pro forma adjusted basis to reflect (i) the increase of our authorized share capital to 40,000,000 shares of common stock and the declaration of a common stock dividend of one share for each two shares held by a stockholder as of July 15, 2000, each of which will take effect on the closing of this offering; (ii) the sale of 4,600,000 shares of our common stock in this offering at an assumed public offering price of $11.00 per share, after deducting the estimated underwriting discount, commissions and offering expenses; and (iii) the mandatory conversion of all of our outstanding shares of convertible preferred stock into our common stock upon the completion of the offering.

The information set forth below is unaudited and should be read in conjunction with our consolidated financial statements and notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

	As of March 31, 2000 (unaudited)		
	Actual	Pro Forma	Pro Forma As Adjusted(1)
Long-term obligations	$ 129,160	$ 129,160	$ 129,160
Stockholders' equity:			
Preferred stock, $0.001 par value; 4,830,000 shares authorized, none issued and outstanding, actual; none issued and outstanding, as adjusted	--	--	--
Series A convertible preferred stock; $0.001 par value, 170,000 shares authorized, 118,645 issued and outstanding, actual; none issued and outstanding, as adjusted	118	--	--
Common stock, $0.001 par value; 20,000,000 shares authorized, 8,108,306 issued and outstanding, actual; 40,000,000 shares authorized, issued and outstanding, as adjusted	1,208	7,323	11,923
Additional paid-in capital	24,903,991	24,897,994	70,451,394
Deferred stock option compensation	(3,569,447)	(3,569,447)	(3,569,447)
Accumulated deficit	(14,262,863)	(14,262,863)	(14,262,863)
Total stockholders' equity	7,073,007	7,073,007	52,631,007

Total capitalization.....	$ 7,202,167	$ 7,202,167	$ 52,760,167

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(1) The number of shares as adjusted for this offering assumes no exercise of stock options and warrants outstanding as of March 31, 2000. As of March 31, 2000, there were 4,387,032 shares of common stock issuable upon conversion of outstanding stock options at a weighted average exercise price of $0.12 per share and 794,922 shares of common stock issuable upon exercise of outstanding warrants at a weighted average exercise price of $0.29 per share.

DILUTION

The net tangible book value of our common stock as of March 31, 2000 was $6.7 million, or $0.47 per share. After giving effect to our sale of 4,600,000 shares of common stock in this public offering at an assumed public offering price of $11.00 per share, assuming that the underwriters' over-allotment option is not exercised, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses, the adjusted net tangible book value as of March 31, 2000, would have been $52.3 million, or $2.78 per share. Net tangible book value per share before this offering has been determined by dividing net tangible book value (total tangible assets less total liabilities) by the number of shares of common stock outstanding as of March 31, 2000, adjusted to give effect to shares that will be issued in a common stock dividend of one share for each two shares held by a stockholder as of July 15, 2000 which will take effect on the closing of this offering. This offering will result in an immediate increase in net tangible book value per share of $2.31 to existing stockholders and an immediate dilution per share of $8.22 to new investors. Dilution is determined by subtracting net tangible book value per share after this offering from the assumed public offering price of $11.00 per share. The following table illustrates this dilution:

Assumed public offering price.....			$11.00
Net tangible book value per share prior to conversion.....	$0.83		
Effect of conversion of 6,114,962 shares that will be issued immediately prior to the offering upon conversion of our outstanding shares of Series A convertible preferred stock.....	(0.36)		
Net tangible book value per share at March 31, 2000.....		0.47	
Increase per share attributable to offering.....		2.31	
Net tangible book value per share after this offering.....			2.78
Dilution			$ 8.22

If the underwriters' over-allotment option is exercised in full, the net tangible book value per share after the offering would be $3.04 per share, the increase in net tangible book value per share to existing stockholders would be $2.57 per share and the dilution in net tangible book value to new investors would be $7.96 per share.

The following table summarizes, as of March 31, 2000, the differences between the total consideration paid to us and the average price per share paid by the existing stockholders and the new investors purchasing common stock in this offering, based on an assumed public offering price of $11.00 per share:

	Shares Purchased	Total Consideration	Average Price Per

	Number	Percent	Amount	Percent	Share
Existing stockholders.....	14,223,268	75.6%	$14,606,995	22.4%	$ 1.03
New investors.....	4,600,000	24.4	50,600,000	77.6%	11.00
Total.....	18,823,268	100.0%	$65,206,995	100.0%	

These tables assume no exercise of stock options and warrants outstanding as of March 31, 2000. As of March 31, 2000, there were 4,387,032 shares of common stock issuable upon exercise of outstanding stock options at a weighted average exercise price of $0.12 per share and 794,922 shares of common stock issuable upon exercise of outstanding warrants at a weighted average exercise price of $0.29 per share.

SELECTED FINANCIAL DATA

The statements of operations data for the years ended December 31, 1997, 1998 and 1999, and the balance sheet data as of December 31, 1997, 1998 and 1999, have been derived from our audited financial statements included elsewhere in this prospectus, which have been audited by Somekh Chaikin, a member firm of KPMG International, independent auditors. The statements of operations data for the three months ended March 31, 1999 and 2000, and the balance sheet data as of March 31, 2000, have been derived from our unaudited financial statements included elsewhere in this prospectus. Historical results are not necessarily indicative of future results. The data presented below have been extracted from our financial statements that have been prepared in accordance with generally accepted accounting principles and should be read with our financial statements, including the notes, and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

	Years Ended December 31,			Three Months Ended March 31, (unaudited)	
	1997	1998	1999	1999	2000
	(in thousands, except per share data)				
Statements of Operations Data:					
Revenue from management fees.....	$ 233	$ 66	$ --	$ --	$ --
Expenses:					
Research and development.....	569	1,407	6,923	414	1,253
General and administrative.....	525	1,011	1,813	263	614
Total operating expenses.....	1,094	2,418	8,736	677	1,867
Operating loss.....	(861)	(2,352)	(8,736)	(677)	(1,867)
Financing income/(expenses).....	(11)	(157)	(257)	(10)	55
Net loss before taxes on income....	(872)	(2,509)	(8,993)	(687)	(1,812)
Net loss.....	$ (882)	$(2,539)	$(9,003)	$ (687)	$(1,839)
Basic and diluted net loss per share.....	$(0.11)	$ (0.31)	$ (1.11)	$(0.08)	$ (0.23)

	As of March 31, 2000

	As of December 31,			(unaudited)	
	1997	1998	1999	Actual	As Adjusted
			(in thousands)		
Balance Sheet Data:					
Cash and cash equivalents	$ 647	$ 128	$4,127	$6,551	$52,109
Working capital	35	(157)	3,984	6,469	52,027
Total assets	832	620	4,948	7,607	53,165
Long-term obligations	1,028	527	118	129	129
Total stockholders' equity	(882)	(241)	4,436	7,073	52,631

See notes to our financial statements for explanations of the determination of the number of shares used in computing per share data and the inclusion of data with respect to our predecessor company for the periods indicated.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and the notes to those statements included elsewhere in this prospectus. This discussion includes forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth under "Risk Factors" and elsewhere in this prospectus, our actual results may differ materially from those anticipated in these forward-looking statements.

General

We were incorporated as a Delaware corporation in October 1998. We commenced operations in November 1999, following our acquisition of substantially all of the assets and certain liabilities of Partec Ltd., a company under common control. Consequently, our financial statements for previous periods include the activities of Partec by aggregating its financial information with our financial statements, as if it had formed a discrete operation under common management. From January 1997 until November 1999, Partec focused its drug discovery and development operations on obtaining the technology rights to the KinAce platform and on generating 6 of the 13 lead compounds we are currently developing. Partec had four subsidiaries, SignalSite, Inc. (85% owned) and its wholly owned subsidiary, SignalSite Israel Ltd., and Vectagen, Inc. (87.25% owned) and its wholly owned subsidiary, Vectagen Israel Ltd.

Since commencing operations, our activities have been primarily devoted to developing our technologies as well as business development, raising capital, purchasing assets and recruiting personnel. We are a development stage company and have no product sales to date. Our major sources of working capital have been proceeds from various private financings.

Research and development expenses consist primarily of salaries and related personnel costs, fees paid to consultants and outside service providers for laboratory development, legal expenses resulting from intellectual property prosecution and organizational affairs and other expenses relating to the design, development, testing, and enhancement of our product candidates. We expense our research and development costs as they are incurred.

General and administrative expenses consist primarily of salaries and related expenses for executive, finance and other administrative personnel, recruitment expenses, professional fees and other corporate expenses, including business development and general legal activities.

Our results include non-cash compensation expense as a result of the issuance of stock and stock option grants. Compensation expense for options granted to employees represents the difference between the fair value of our common stock and the exercise price of the options at the date of grant. We account for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and comply with the disclosure provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." Compensation for options granted to consultants has been

determined in accordance with SFAS No. 123 as the fair value of the equity instruments issued. APB Opinion No. 25 has been applied in accounting for fixed and milestone-based stock options to employees and directors as allowed by SFAS No. 123. This amount is being recorded over the respective vesting periods of the individual stock options. The expense is included in the respective categories of expense in the statement of operations. We expect to record additional non-cash compensation expense in the future, which may be significant. However, because some of the options are milestone-based, the total expense is uncertain.

Results of Operations

Three Months Ended March 31, 2000 and 1999

Revenues. We are a development stage company and have not had revenues from our planned principal operations.

Research and Development Expenses. Research and development expenses increased by $839,000 to $1,253,000 for the quarter ended March 31, 2000 as compared to $414,000 for the quarter ended March 31, 1999. This increase was primarily attributable to non-cash compensation expense of $534,000 related to stock options for the quarter ended March 31, 2000, as well as to the expansion of our existing research and development activities during the period. We expect our research and development costs to increase significantly over the next several years as we expand our research and product development efforts and implement our business strategy.

General and Administrative Expenses. General and administrative expenses increased by $351,000 to $614,000 for the quarter ended March 31, 2000 as compared to $263,000 for the quarter ended March 31, 1999. This increase was primarily attributable to non-cash compensation expense of $181,000 related to stock options for the quarter ended March 31, 2000, and professional advisor fees aggregating $126,000. We expect general and administrative expenses to continue to increase over the next several years as we implement our business strategy and commercialize our products.

Income Taxes. Most of our operating losses are attributable to our predecessor company and stock-based compensation, and accordingly, as of March 31, 2000, we had a minimal net operating loss carryforward for US federal income tax purposes. This loss carryforward is available to offset against future federal taxable income, if any, and begins expiring in 2019. Our net operating loss carryforward could significantly increase as a result of the exercise of options granted to employees, consultants and directors. However, utilization of net operating losses and credits in the US may be substantially limited due to the change in ownership provisions of the Internal Revenue Code of 1986 and similar state provisions. In addition, an annual limitation may result in the expiration of net operating losses and credits before utilization. Management believes that there is sufficient uncertainty regarding the realization of deferred tax assets such that a full valuation allowance is appropriate, and accordingly, no asset was recorded. Income tax expense attributable to income from the continuing operations of our subsidiary in Israel was $27,000 for the quarter ended March 31, 2000.

Years Ended December 31, 1999 and 1998

Revenue. We did not have any revenues for the year ended December 31, 1999 and had insignificant revenues for the year ended December 31, 1998. The revenues received in 1998 were in the form of management fees generated from formerly affiliated companies. We no longer have management fee arrangements.

Research and Development Expenses. Research and development expenses increased by $5,516,000 to $6,923,000 for the year ended December 31, 1999 as compared to $1,407,000 in 1998. This increase was primarily attributable to non-cash compensation expense of $5,426,000 related to stock option grants in 1999.

General and Administrative Expenses. General and administrative expenses increased by $801,000 to $1,812,000 for the year ended December 31, 1999 as compared to general and administrative expenses of $1,011,000 in 1998. This increase was primarily attributable to non-cash compensation expense of $588,000 related to stock option grants in 1999.

Income Taxes. We incurred a net operating loss for the year ended December 31, 1999 for US federal income tax purposes. The income tax expense attributable to income from continuing operations related to our subsidiary and predecessor company in Israel, and totalled $10,000 in 1999 and $30,000 in 1998.

Years Ended December 31, 1998 and 1997

Revenues. Revenues from management fees generated from formerly affiliated companies decreased by $167,000 from $233,000 for the year ended December 31, 1997 to $66,000 for the year ended December 31, 1998. This decrease was due to the cessation of our management activities in 1998.

Research and Development Expenses. Research and development expenses increased by $838,000 to $1,407,000 for the year ended December 31, 1998 as compared to $569,000 in 1997. This increase was due primarily to 12 months of research and development activities in 1998 as compared to nine months in the prior period.

General and Administrative Expenses. General and administrative expenses increased by $486,000 to $1,011,000 for the year ended December 31, 1998 as compared to $525,000 in 1997. This increase was due primarily to the hiring of additional employees and increased professional fees in 1998 and 12 months of operations as compared to nine months in the prior period.

Income Taxes. The income tax expense for the years ended December 31, 1998 and 1997, totalled $30,000 and $10,000, respectively, and was attributable to the predecessor company in Israel.

Liquidity and Capital Resources

We have financed our operations from inception primarily through various private financings. As of March 31, 2000, we had received gross proceeds of $11.6 million from issuances of common and preferred stock and $3.2 million through the contribution of notes by holders in our predecessor company.

As of March 31, 2000, we had $6.6 million in cash and cash equivalents. Cash used in operating activities for the quarter ended March 31, 2000 was $1.2 million as compared to $0.8 million for the quarter ended March 31, 1999. This increase was due primarily to increased losses associated with the expansion of our business. Net cash used in investing activities was $0.2 million for the quarter ended March 31, 2000, consisting primarily of prosecution of patent applications and related capital expenditures.

Current and Future Financing Needs. We have incurred negative cash flow from operations since we started our business. We have spent, and expect to continue to spend, substantial amounts in connection with implementing our business strategy, including our planned product development efforts, our clinical trials, and our research and discovery efforts. Based on our current plans, we believe that our cash and cash equivalents and net proceeds from this offering will be sufficient to enable us to meet our planned operating needs for at least the next 24 months. Over the next 24 months we expect to spend approximately $14 million on clinical trials, $15 million on discovery research (including $1.2 million in connection with sponsored research arrangements), $10 million on general corporate, $4 million on capital expenditures, $900,000 on patents and $500,000 on facilities rent, including a four-year operating lease obligation amounting to approximately $200,000. We expect to fund the $4 million estimated capital expenditures through financial leasing arrangements. However, the actual amount of funds we will need to operate is subject to many factors, some of which are beyond our control.

These factors include the following:

- the progress of our research activities;
- the number and scope of our research programs;

- the progress of our pre-clinical and clinical development activities;

- the progress of the development efforts of parties with whom we have entered into research and development agreements;

- our ability to maintain current research and development programs and to establish new research and development and licensing arrangements;

- our ability to achieve our milestones under licensing arrangements;

- the costs involved in prosecuting and enforcing patent claims and other intellectual property rights; and

- the costs and timing of regulatory approvals.

We have based our estimate on assumptions that may prove to be wrong. We may need to obtain additional funds sooner or in greater amounts than we currently anticipate. Potential sources of financing include strategic relationships, public or private sales of our shares or debt and other sources. We may seek to access the public or private equity markets when conditions are favorable due to our long-term capital requirements. We do not have any committed sources of financing at this time, and it is uncertain whether additional funding will be available when we need it on terms that will be acceptable to us, or at all. If we raise funds by selling additional shares of common stock or other securities convertible into common stock, the ownership interest of our existing stockholders will be diluted. If we are not able to obtain financing when needed, we may be unable to carry out our business plan. As a result, we may have to significantly limit our operations and our business, financial condition and results of operations would be materially harmed.

Plan of Operation

Our plan of operation for the remainder of the year ending December 31, 2000 and for the first six months of 2001 is to begin to implement our business strategy, including the clinical development of two of our compounds and to further develop our KinAce platform. We expect our principal expenditures during the next 18 months to include:

- operating expenses, including expanded research and development and general and administrative expenses;

- product development expenses, including the costs incurred with respect to applications to conduct clinical trials in Israel and the United States for KRX-123, filing an IND application with the FDA for KRX-101 and the initiation of such clinical trials; and

- the cost of new laboratory and computer equipment and software.

As part of our planned expansion, we anticipate hiring additional scientific and business development staff. In addition, we intend to use clinical research organizations and third parties to perform our clinical studies and manufacturing.

Financings

In February and April 1999, our predecessor company raised gross proceeds of $2.7 million through the issuance of 12% convertible notes. These notes, together with accrued interest of $253,000, were contributed to us in November 1999 in return for the issuance to the noteholders of 29,465 shares of Series A convertible preferred stock and ten-year warrants to purchase 303,832 shares of common stock at an exercise price of $0.0067 per share. The Series A convertible preferred stock will automatically convert into shares of common stock immediately prior to the closing of this offering at a ratio of 51.54 shares of common stock for each share of Series A preferred stock.

During December 1999 and January 2000, we raised gross proceeds of $8.9 million through the sale of 89,180 shares of Series A preferred stock.

Impact of Inflation

The effects of inflation and changing prices on our operations were not significant during the periods presented.

Recent Accounting Pronouncements

In April 1998, the Accounting Standards Executive Committee issued SOP 98-5 "Reporting on the Costs of Start-Up Activities." SOP 98-5 provides guidance on the financial reporting of start-up costs and organization costs and requires costs of start-up activities and organization costs to be expensed as they are incurred.

The SOP broadly defines start-up activities as those one-time activities related to opening a new facility, introducing a new product or service, conducting business in a new territory, conducting business with a new class of customers, initiating a new process in an existing facility, or commencing certain new operations. Start-up activities include activities related to organizing a new entity, known as organizational costs. We have adopted SOP 98-5 and have determined that its impact on our financial position and results of operations will not be material.

In June 1998, the Financial Accounting Standards Board issued FAS No. 133, Accounting for Derivative Instruments and Hedging Activities. FAS No. 133, as amended, establishes methods for valuing derivative financial instruments and hedging activities related to those instruments, as well as other hedging activities. We are required to adopt FAS No. 133 effective January 1, 2001. Because we do not currently hold any derivative instruments and do not engage in hedging activities, we do not currently believe that the adoption of FAS No. 133, as amended, will have a significant impact on our financial position, results of operations or cash flow.

Disclosure About Market Risk

Interest Rate Risk. The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive from our investments without significantly increasing risk. Some of the securities that we invest in may have market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. For example, if we hold a security that was issued with a fixed interest rate at the then-prevailing rate and the prevailing interest rate later rises, the principal amount of our investment will probably decline. We currently maintain an investment portfolio of primarily money market investments and certificates of deposits with maturities of less than 90 days. After the offering, we intend to maintain our portfolio in cash equivalents and short-term, interest bearing securities, including commercial paper, money market funds and government debt securities. The average duration of all of our investments in 1999 was less than one year. Due to the short-term nature of these investments, we believe we have no material exposure to interest rate risk arising from our investments. Therefore, no quantitative tabular disclosure is required.

Foreign Currency Rate Fluctuations. While our Israeli subsidiary primarily operates in New Israel Shekels or NIS, most operating expenses and commitments are linked to the US dollar. As a result, there is currently minimal exposure to foreign currency rate fluctuations. Any foreign currency revenues and expenses are translated using the daily average exchange rates prevailing during the year and any transaction gains and losses are included in net income. In the future, our subsidiary may enter into NIS-based commitments that may expose us to foreign currency rate fluctuations. We may use hedging instruments, including forward contracts, to minimize any foreign currency rate fluctuation exposure. Any hedging transactions that we enter into may not adequately protect us against currency rate fluctuations and may result in losses to us.

BUSINESS

Overview

We use data discovered through the mapping of the human genome to generate drug candidates that target the regulation of protein kinases. Protein kinases play a key role in the way cells communicate. We believe that our approach to drug design allows us to discover more drug candidates in less time and with lower levels of toxicity than our competitors. Our KinAce platform has produced 13 lead compounds, eight of which have already produced positive results in animal (in vivo) tests. In addition to developing drug candidates with our KinAce platform, we have obtained a license for sulodexide (KRX-101) and are

developing it for the treatment of a kidney disease known as diabetic nephropathy. To date, none of our drug candidates has received approval for sale in any market.

Our Strategy

We intend to:

- advance KRX-101 into clinical trials for diabetic nephropathy and pursue its use to treat additional diseases;
- complete pre-clinical development of KRX-123 for hormone-resistant prostate cancer and file an application to enter clinical trials in Israel for this drug candidate in 2000;
- use our KinAce platform to generate new drug candidates for a variety of conditions, such as cancer and metabolic, cardiovascular, immunological and neurological diseases;
- develop our drug candidates internally or license them to others based on an assessment of clinical and financial resources; and
- further develop and expand our relationships with corporate collaborators for the development, marketing and distribution of our drug candidates.

KRX-101

Overview

We have obtained a license to develop sulodexide (KRX-101) to treat diabetic nephropathy and other conditions. Sulodexide is a drug that has been sold in Europe for many years by our licensor for other medical conditions and has a well-established safety profile. We have filed an application with the FDA to begin clinical trials in 2000 of KRX-101 to treat nephropathy in Type II diabetics. This application contains data from a 200-person clinical trial for this condition conducted in Europe by the licensor. We have requested FDA fast track review for KRX-101 on the basis that there is currently no FDA-approved treatment for Type II diabetic nephropathy.

According to the American Diabetes Association (ADA) website, there are an estimated 10.3 million diagnosed diabetics in the United States, of whom approximately 90% have been diagnosed with Type II diabetes. Type II diabetes results from the body's inability to properly use insulin as distinguished from Type I diabetes, which results from the body's inability to manufacture insulin. The ADA estimates that between 10 and 20% of diagnosed Type II diabetics have nephropathy. These figures imply that between one and two million diagnosed Type II diabetics in the United States have nephropathy. Accordingly, we believe the potential annual market for KRX-101 for the treatment of diabetic nephropathy is in excess of $800 million.

Scientific Background

Diabetes often damages the intricate system of delicate capillary loops (glomeruli) in the human kidney. As these loops lose their structural integrity, their ability to selectively filter the blood's contents diminishes and protein, chiefly albumin, is lost into the urine, resulting in diabetic

nephropathy. The presence of albumin in urine, known as albuminuria, causes direct damage to other crucial kidney structures. This damage may eventually result in kidney failure, which can be treated only by dialysis or kidney transplantation.

KRX-101 repairs and maintains glomerular membranes, thus reducing protein leakage, and directly inhibits the inflammation and scarring of structures within the kidney. We believe these beneficial effects may delay or prevent kidney failure resulting from diabetic nephropathy.

Development Status

There have been more than 20 studies published in leading medical journals assessing the safety of KRX-101 in humans. KRX-101 has been administered to

more than 3,000 patients in clinical trials for the treatment of certain diabetic and non-diabetic conditions and, to our knowledge, has not demonstrated any significant side effects for those uses.

Although the FDA has not approved the use of ACE inhibitors for Type II diabetic nephropathy, they are the current standard of care recommended by the ADA to treat both Type I and Type II diabetic nephropathy. ACE inhibitors, however, are not as effective for nephropathy of Type II diabetes as they are for nephropathy of Type I diabetes. In addition, patients with Type II diabetes experience more frequent side effects from ACE inhibitors than the general population.

The licensor of KRX-101 conducted a 200-person clinical trial in Europe over a four-month period which showed a clear relationship between dosage levels and reduction in albuminuria. This trial also demonstrated a reduction in albuminuria in patients with Type II diabetes being treated with ACE inhibitors. We have filed an IND application with the FDA for permission to conduct a clinical trial for Type II diabetic nephropathy. This application contains data from the 200-person clinical trial for this condition conducted by the licensor. We have also requested "fast track" review for KRX-101 on the basis that there is currently no FDA-approved treatment for nephropathy in Type II diabetes. We have proposed that our clinical trial will involve approximately 200 Type II diabetic patients with nephropathy on ACE inhibitors with a reduction in albuminuria as the endpoint.

The FDA has not yet accepted a reduction in albuminuria as a valid endpoint, although the National Kidney Foundation has emphasized the role of albuminuria as a cause of progressive kidney failure and recommended that it be reduced to the greatest extent possible. (Source: Keane, W.F. and Eknoyan, G. Proteinuria, Albuminuria, Risk, Assessment, Detection, Elimination : A Position Paper of the National Kidney Foundation. American Journal of Kidney Diseases 33(5): 1004 (1999)). If the FDA does not change its current position, we will be required to conduct clinical trials with different endpoints that take longer than we currently anticipate, which would significantly lengthen the amount of time it takes us to develop KRX-101 for diabetic nephropathy.

Additional Indications

We believe KRX-101 has significant potential to treat other diseases. These conditions include pre-eclampsia, a complication of pregnancy involving a sudden rise in blood pressure; diabetic retinopathy, a disorder of the retina associated with diabetes; and thrombosis, a disorder in which harmful blood clots form within the body. There are currently no FDA-approved treatments for either pre-eclampsia of pregnancy or thrombosis.

KinAce Drug Discovery Platform

Overview

We believe our KinAce platform represents one of the first practical uses of the genomics database to systematically generate drug candidates that target protein kinases. We use computer programs to analyze genomic data which then enables us to create compounds that aim to regulate kinases.

Protein kinases play a key role in the way cells communicate. When protein kinases give an inappropriate signal, the result is often a disease or other unwanted medical condition. Our KinAce

platform focuses on the sequence of specific portions of a protein kinase to identify small compounds that can potentially inhibit or stimulate the activity of that kinase. By targeting these specific portions of protein kinases, our approach has produced 13 lead drug compounds. Eight of these compounds have already produced positive results in in vivo tests. It has taken us an average of approximately four months to develop a drug candidate from concept to in vivo testing.

We expect to file an application to enter human clinical trials in Israel for our first KinAce compound, KRX-123 for hormone-resistant prostate cancer, in 2000. We will conduct these trials according to FDA good clinical practice, or GCP, guidelines. We believe hormone-resistant prostate cancer, for which there is currently no curative treatment, represents a potential annual market

in excess of $450 million. We are developing our 12 other KinAce compounds through a combination of in-house efforts and research and development agreements with others. We recently entered into research and development agreements relating to five of these compounds with third parties including the NIH, Novo Nordisk and Osteotech.

Scientific Background

Cells within the human body, like those within all living organisms, communicate with each other to coordinate their growth and differentiation. The primary mechanism by which cells communicate is a messenger system comprising the transmission of biochemical signals. These "signals" are soluble molecules that are secreted by cells. In general, signals from outside a cell come into contact with a receptor on the cell surface and are then "transduced" across the cell membrane. Once a signal enters the cell, it is relayed as a message inside the cell. Protein kinases function as these cellular messengers.

Scientists have estimated that over 1,100 distinct protein kinases exist in the human genome. (Source: T. Hunter. Signaling--2000 and Beyond, Cell, 100: 122-123, 2000). Protein kinases control a variety of functions carried out by cells and may contribute to disease if they are "turned on" when they should be "turned off," or "turned off" when they should be "turned on." For example, in certain cancers, the excess activity of protein kinases allows uncontrolled cell division. "Turning off" these protein kinases may provide one method of halting the growth of malignancies. Conversely, increasing protein kinase activity when it is not sufficient may improve other unwanted medical conditions.

We use our KinAce platform technology to develop small compounds designed to inhibit or stimulate the activity of a precise region of a specific kinase. Each small compound mimics the precise region unique to the target kinase.

Advantages of the KinAce Approach

We believe that our KinAce platform has the following advantages over traditional drug discovery methods:

- Increased hit rate. Our KinAce platform targets highly specific kinase regions, and once identified it is less complicated to ascertain precisely which compound will have the desired biological effect on that region. Accordingly, we are able to focus our efforts on only ten to twenty compounds for testing per kinase target.

- Reduced time to discovery. Our approach enables us to generate compounds in an average time from concept to in vivo testing of approximately four months. The industry standard ranges from two to four years.

- Reduced toxicity. We believe the increased specificity of our drug candidates should result in less toxicity. Our drug candidates are designed to regulate a region unique to a particular kinase and cause biological changes that are specific to the functions of that kinase alone. Other drug discovery methods target a region that is common to many kinases and consequently are more likely to also cause biological changes in healthy cells. Toxicity may occur when the treatment has a negative impact on the functions of healthy cells as well as on the targeted site.

- Greater versatility. We believe that our ability to stimulate, as well as inhibit, protein kinases makes our drug candidates more versatile in the treatment of diseases and conditions. Compounds of our competitors typically aim only to inhibit kinase activity.

Product Development Pipeline

The following table outlines the drug candidates we have generated to date using our KinAce platform:

Compound	Indication	Development Status
KRX-123	Oncology: Hormone-Resistant Prostate Cancer	in vivo-preparing for clinical trials
KRX-131	Oncology: Chemotherapy-Induced Hair Loss	in vivo-research and development agreement
KRX-211	Immunology: Septic Shock	in vivo-research and development agreement
KRX-167	Orthopedics: Bone Growth Stimulant	in vivo-research and development agreement
KRX-291	Quality of Life: Sunless Tanning	in vitro-research and development agreement
KRX-613	Metabolism: Diabetes	in vitro-research and development agreement
KRX-168	Surgical Implants: Anti-Adhesion/Anti-Fibrotic	in vivo-under development
KRX-252	Immunology: Autoimmune Disease	in vivo-under development
KRX-341	Cardiovascular: Ischemic Heart Disease/Peripheral Vascular Disease	in vivo-under development
KRX-683	Metabolism: Type II Diabetes/Obesity	in vivo-under development
KRX-120	Oncology: Neuroblastoma	in vitro-under development
KRX-324	Oncology: Breast Cancer	in vitro-under development
KRX-411	Neurology: Neurodegenerative Disease	in vitro-under development

Lead KinAce Drug Candidate

KRX-123--Hormone-Resistant Prostate Cancer

Our leading KinAce drug candidate is KRX-123 for the treatment of hormone-resistant prostate cancer, referred to as HRPC, a currently incurable condition with a potential annual market size in excess of $450 million. Some Src protein kinases are over-expressed in HRPC, and we believe that by regulating these protein kinases we can treat HRPC. We have generated in vitro and in vivo data showing that HRPC can be treated through the regulation of a specific Src protein kinase. We also have observed significant regression in hormone-resistant prostate tumors during pre-clinical testing when compared to control groups. We have conducted several in vivo tests on mice, using three sample groups. The first group received chemotherapy treatment for HRPC, the second group received no treatment, while the third group received four shots of KRX-123. After four months, the KRX-123 groups had a survival rate of between 75 and 100%, compared to no survivors in either the group treated with chemotherapy or the control group.

We plan to file an application in 2000 with the Israeli Ministry of Health for a clinical trial for HRPC to be conducted in accordance with FDA GCP guidelines. In addition, we intend to file an IND application with the FDA by the end of 2000. Due to the rapidly fatal nature of HRPC and the absence of any FDA approved curative treatment for this condition, we believe we can attain FDA

fast track review status for our IND application. If we obtain marketing

approval for KRX-123, we intend to develop it to treat hormone-sensitive, or earlier stage, prostate cancers.

Other KinAce Drug Candidates

KRX-131--Chemotherapy-Induced Hair Loss

According to the American Cancer Society website, over 1.2 million cases of cancer are diagnosed annually in the United States (excluding most skin cancers). It has been estimated that more than 80% of cancer patients receive chemotherapy, which results in hair loss for the duration of treatment in nearly all recipients. (Source: Seminars in Oncology 25: 562, 1998). Hair loss poses a significant quality of life problem for chemotherapy patients.

TGF-^ is a protein that regulates hair growth. Chemotherapy causes over-expression of TGF-^ in the skin, resulting in hair loss. Using our KinAce platform, we designed KRX-131 to target and inhibit the activity of the TGF-^ receptor protein kinase. We believe that KRX-131 can prevent chemotherapy-induced hair loss and address this unmet healthcare need.

We have demonstrated the in vivo effectiveness of KRX-131 by treating mice undergoing chemotherapy with increasing doses of KRX-131. The test subjects treated with KRX-131 experienced hair retention in a dose-dependent manner, while members of the control group lost all of their hair.

We recently signed a research and development agreement for the testing of KRX-131. Following our evaluation of the results of these tests, we intend either to license KRX-131 or to continue to develop it internally through pre-clinical and Phase I clinical trials.

KRX-211--Septic Shock

There are an estimated 500,000 cases of septic shock in the United States each year. (Source: New England Journal of Medicine 340: 207, 1999). Septic shock is a life-threatening reaction to a severe infection, for which there is currently no FDA-approved treatment. During septic shock, bacteria produce toxins that cause a cascade of events resulting in extremely low blood pressure and subsequent multiple organ failure. The mortality rate for those with septic shock is approximately 50%.

We have designed KRX-211 to inhibit JAK3, a protein kinase that has been implicated in septic shock. We have demonstrated the effectiveness of KRX-211 in an in vivo model of septic shock. One hour after symptoms of septic shock arose, half of the test group was injected with KRX-211, and a control group was injected with a placebo solution. After 48 hours, 80% of the test group treated with KRX-211 survived, while none in the control group remained alive.

The NIH has selected KRX-211 to undergo extensive in vivo testing in preparation for clinical trials. Clinical testing for septic shock will be very expensive. Therefore, following NIH testing, we intend to license KRX-211 to a partner with the resources to clinically develop this compound.

KRX-167--Bone Growth Stimulant

There is a growing need to accelerate bone healing following medical procedures that affect bone structure. These procedures include joint replacements, bone grafts, spinal fusion and dental implants. The number of such procedures performed annually in the United States is estimated to exceed 500,000. (Source: Interpore Cross International, Annual Report, 1998). We estimate that a similar number of procedures are performed outside the United States each year.

Bone morphogenic proteins, referred to as BMPs, are involved in the regulation of the growth and differentiation of cartilage and bone. We designed KRX-167 to promote bone growth by stimulating BMP receptor protein kinases. We have tested KRX-167 in an in vivo fracture model. In these trials, bones treated with KRX-167 have consistently shown evidence of enhanced bone formation and increased relative bone density when compared to the control groups.

We have entered into a research and development agreement with Osteotech, a leading company in the field of bone grafts, for the testing of KRX-167. After we evaluate the results of these tests, we intend either to license KRX-167 or to continue to develop it internally through pre-clinical and Phase I trials.

KRX-291--Sunless Tanning

The American Cancer Society website estimates that there will be approximately 1.3 million cases of skin cancer diagnosed in the U.S. this year. Skin cancer can result from overexposure to the sun. Exposure to the sun also causes tanning by increasing the skin pigment, known as melanin. We designed KRX-291 to stimulate synthesis of melanin in skin cells without exposing them to the risks associated with overexposure to the sun. In in vitro testing of KRX-291, we have been able to demonstrate dose-dependent production of melanin. We believe that KRX-291 can be used to induce tanning without the risk of skin cancer.

We recently signed a research and development agreement for the testing of KRX-291. Following our evaluation of the results of these tests, we intend either to license KRX-291 or to continue to develop it internally through pre-clinical and Phase I trials.

KRX-613--Diabetes

Diabetes is among the most prevalent chronic diseases in the world and represents the fourth most common reason for patient contact with a physician in the United States. It is a major cause of disability and mortality. Historically, the mainstay of treatment of Type I diabetic patients and many Type II diabetic patients has been insulin. We believe the market size for insulin worldwide is in excess of $2 billion. Insulin is expensive to synthesize and must be administered by injection. As a result, many companies are searching for alternatives to insulin therapy for the treatment of diabetes.

Insulin acts by binding to a specific receptor on the cell surface. This receptor contains a protein kinase known as Insulin Receptor Kinase (IRK). When insulin binds to the receptor, IRK transduces a signal in the cell that results in an increase in glucose uptake. We believe KRX-613 stimulates the activity of IRK without requiring insulin. In vitro tests have shown that the application of KRX-613 leads to glucose uptake comparable to levels achieved with insulin.

We recently signed a research and development agreement with Novo Nordisk, the second largest purveyor of insulin products in the world, for the testing of KRX-613. Following our evaluation of the results of these tests, we intend either to license KRX-613 or to continue to develop it internally through pre-clinical and Phase I clinical trials.

Competition

KRX-101

ACE inhibitors are the current standard of care recommended by the ADA to treat diabetic nephropathy. ACE inhibitors are marketed by a number of companies. However, ACE inhibitors are not FDA-approved for, or as effective in, nephropathy of Type II diabetes as they are for nephropathy of Type I diabetes.

Preliminary clinical evidence suggests that KRX-101 may be additive with ACE inhibitors for nephropathy of both Type I and Type II diabetes by reducing albuminuria further than ACE therapy alone.

Other companies are developing drugs designed to treat diabetic complications, including Exocell, Inc., which has one compound aimed at nephropathy in a Phase III clinical trial. In addition, if the FDA accepts the reduction of albumin excretion as the endpoint for KRX-101 clinical trials, other drug companies may be encouraged to submit drug candidates based on this endpoint.

KinAce Platform

Several biotechnology and pharmaceutical companies are active in the field

of signal transduction, including Sugen, Inc. (recently acquired by Pharmacia-Upjohn), Ariad Pharmaceuticals Inc., Tularik, Inc., Ligand Pharmaceuticals Inc. and ICOS Corporation. In addition, Vertex Pharmaceuticals, Inc. and Novartis Pharma AG recently announced a major alliance to discover eight kinase inhibitors.

Generally, our competitors target common, non-specific regions within protein kinases to identify lead compounds. This drug discovery method generates a large number of compounds which must be tested by high throughput screening before a drug candidate is found. We believe that our targeted approach to drug discovery gives us a significant advantage over our competitors by allowing us to generate more drug candidates in less time and with potentially lower toxicities.

In addition, a significant number of products are in clinical development for HRPC. These products adopt a variety of therapeutic approaches and may compete with KRX-123 in the future.

Intellectual Property

General

Patents and other proprietary rights are very important to the development of our business. We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary rights are covered by valid and enforceable patents or are effectively maintained as trade secrets. It is our intention to seek and maintain patent protection for our drug candidates and our proprietary technologies.

KRX-101

Pursuant to our license for KRX-101, we have obtained rights to eleven families of patents and applications. These include at least 46 patents issued in various countries, of which nine are issued in the United States. The licensed patent families cover the use of KRX-101 to treat diabetic nephropathy and retinopathy, the use of related compounds to treat diabetic nephropathy, neuropathy and retinopathy, and processes for making diverse heparin derivatives. The licensed patent families also cover multiple processes for making a wide variety of heparin derivatives. These patents and applications are being maintained throughout the territories in which they were filed. In addition, as part of our effort to expand the indications for KRX-101, we have filed two new patent applications for novel indications for KRX-101. The KRX-101 related patents and applications expire at various times between 2009 and 2019. We believe that we will have sufficient time to commercially exploit these inventions covered by these patents during their effective lives.

KinAce Platform

We have an exclusive license to four families of patent applications associated with our KinAce platform, which have been filed in various countries, including the United States, countries of the

European Union, Japan, Canada, Australia and China. These applications identify and claim large classes of peptides that modulate the activity of protein kinases and include claims which encompass our lead drug candidates. In addition, the applications describe a wide variety of therapeutic uses for these classes of peptides, including the treatment of various cancers, diabetes, septic shock, multiple sclerosis and inflammatory bowel disease. The applications also identify and claim specific portions of these protein kinases upon which the selection of peptide drug candidates is based. We intend to continue to file patent applications to cover additional members of protein kinase families, specific drug candidates and additional therapeutic indications as they are developed. The KinAce related patent applications, if issued, will expire at various times between 2017 and 2019. We believe that we will have sufficient time to commercially exploit the inventions covered by these applications during their effective lives.

Other Intellectual Property Rights

In April 2000, we applied to register the names "Keryx" and "KinAce" as trademarks with the U.S. Patent and Trademark Office. In addition, we depend

upon trade secrets, know-how and continuing technological advances to develop and maintain our competitive position. To maintain the confidentiality of trade secrets and proprietary information, we require our employees, scientific advisors, consultants and collaborators, upon commencement of a relationship with us, to execute confidentiality agreements and, in the case of parties other than our research and development collaborators, to agree to assign their inventions to us. These agreements are designed to protect our proprietary information and to grant us ownership of technologies that are developed in connection with their relationship with us. These agreements may not, however, provide protection for our trade secrets in the event of unauthorized disclosure of such information.

Agreements

KRX-101

License Agreement. Our license with Alfa Wassermann SpA grants us the exclusive rights to KRX-101 for diabetic nephropathy, diabetic retinopathy and diabetic neuropathy in the United States, Canada, Japan, Australia, New Zealand, South Africa and Israel, and entitles Alfa Wassermann to ongoing royalties and fixed milestone payments. The license includes rights to at least 46 patents that have been registered in these countries, and rights in additional patent applications, and grants us exclusive, worldwide ownership of any novel indication for KRX-101 that we develop. Under the license, we must use our reasonable best efforts to commercialize and market KRX-101. Alfa Wassermann must pay us a royalty to the extent that it or its sub-licensees receive revenues from products that incorporate information or know-how developed by us. Alfa Wassermann must share a portion of the costs of data or intellectual property developed by us that it decides to utilize. Unless terminated for reason of breach or other customary termination provisions, the license terminates upon the later of the expiration of all underlying patent rights or ten years from the first commercial sale of KRX-101 by us. The most recent patent application was filed in April 1999 and, if granted, will expire in April 2019, subject to any extensions which may be granted.

Manufacturing Agreements. We have two manufacturing agreements for the production of KRX-101. Opocrin S.p.A., a manufacturer of bulk biological products, has agreed to manufacture and supply our raw requirements for sulodexide until 2009. Our agreement with Opocrin may be terminated by us or them on 180 days' notice for any reason. Pharmaceutics International, Inc., a manufacturer of medicinal gelcaps, has agreed to produce the KRX-101 gelcaps necessary for the proposed clinical trial. Until the agreed-upon manufacturing is completed, this agreement may be terminated only by us. Both Opocrin and Pharmaceutics International maintain cGMP-certified manufacturing facilities that will be used for the manufacture of KRX-101.

KinAce Platform

License Agreement. Pursuant to a license with Children's Medical Center Corporation, referred to as CMCC, we have the exclusive right to commercialize the KinAce platform and practice the claims contained in four patent applications owned by CMCC. The license gives us the right to develop, produce, manufacture, market and sublicense products based on CMCC's patent applications, any subsequently issued patents and future patent applications. Unless terminated for breach or other customary termination provisions, the license terminates upon the later of November 2014 or the expiration of the last patent covered by the license. The most recent patent application was filed in December 1999 and, if granted, will expire in December 2019, subject to the granting of any extensions.

Under the license, we must use our reasonable best efforts to commercialize and market one or more products based upon the signal transduction technology. The license contains certain development and financing milestones. To date, we have met all of our milestones under this agreement. According to the development milestones, we must file an IND application for a licensed product with the FDA (or a foreign equivalent) by December 2001, and we must file a New Drug Application, or NDA, with the FDA (or a foreign equivalent) within six years from our first filing of an IND application. If we fail to meet any of the development milestones that remain to be fulfilled, the license could be terminated, which would materially harm our business.

Sponsored Research Agreement. Professor Shmuel Ben-Sasson directs our KinAce research program pursuant to a research agreement with Yissum Research Development Company of the Hebrew University of Jerusalem. We also entered into a consulting agreement with Professor Ben-Sasson. Under the consulting agreement, Professor Ben-Sasson must provide consulting services to us to develop the KinAce platform. The consulting agreement may be terminated by us or him on 180 days' notice for any reason. We issued to Professor Ben-Sasson 402,768 shares of our common stock in connection with his consulting agreement. Under the research agreement, we must pay quarterly fees to Yissum. The research agreement expires in November 2001, although it may be extended by mutual agreement for additional periods of 180 days. We may terminate the research agreement and cease making payments to Yissum should Professor Ben-Sasson fail to meet any milestones contained in that agreement. In general, the milestones are project-specific and require Professor Ben-Sasson to meet enumerated product development timetables. The loss of Professor Ben-Sasson's services as a result of the termination of either the research agreement or the consulting agreement would disrupt and delay our KinAce research program.

Research and Development Agreements. We recently entered into research and development agreements for the advancement of five of our lead KinAce compounds with third parties, including the NIH, Novo Nordisk and Osteotech. In general, these agreements provide that the researcher will conduct pre-clinical testing at its own expense for up to three to six months. Upon completion of the testing, we will give the for-profit researchers an exclusive two- to three-month right of first negotiation to license from us the compounds covered by the agreement for further development and commercialization.

Partec Acquisition

Contribution Agreement. In November 1999, in connection with our purchase of assets from Partec Ltd., holders of Partec's 12% convertible notes exchanged their notes for an aggregate of 29,465 shares of our Series A preferred stock and ten-year warrants to purchase 303,832 shares of common stock at an exercise price of $0.0067 per share.

Asset Purchase Agreements. In November 1999, we entered into an asset purchase agreement with Partec pursuant to which we acquired substantially all of Partec's assets, which consisted primarily of intellectual property rights in exchange for $570,361 (plus accrued interest) of Partec's 12% convertible notes, which we had previously acquired from the holders thereof. In addition, we entered into employment agreements with Morris Laster, M.D., Benjamin Corn, M.D., Ira Weinstein and Bob Trachtenberg. Also in November 1999, our subsidiary Keryx (Israel) Ltd., pursuant to a separate agreement with Partec, purchased in exchange for $54,908, certain assets and assumed certain liabilities associated with Partec's business, including Partec's fixed assets, leases and employment and consultant agreements.

Government Regulation

Numerous governmental authorities in the United States, Israel and other countries regulate the manufacture and marketing of our drug candidates and our ongoing research and development activities. None of our drug candidates has been approved for sale in any market. Before marketing in the United States, any drug developed by us must undergo rigorous pre-clinical testing and clinical trials and an extensive regulatory approval process implemented by the FDA under the Federal Food, Drug, and Cosmetic Act. The FDA regulates, among other things, the development, testing, approval, manufacture, record keeping, labeling, storage, advertising, promotion, sale and distribution of biopharmaceutical products.

The regulatory review and approval process is lengthy, expensive and uncertain. We will have to submit extensive pre-clinical and clinical data and supporting information to the FDA for each indication or use to establish a drug candidate's safety and efficacy before we can secure FDA approval. The approval process takes many years, requires the expenditure of substantial resources, involves post-marketing surveillance, and may involve ongoing requirements for post-marketing studies. Before commencing clinical trials in humans, we must submit to, and receive approval from, the FDA of an IND application. We expect to rely on some of our collaborative partners to file IND applications and generally direct the regulatory approval process for some

of our drug candidates.

The FDA permits expedited development, evaluation, and marketing of new therapies intended to treat persons with serious or life-threatening conditions for which there is an unmet medical need under its Fast Track Drug Development Program. A sponsor can apply for fast track designation at the time of submission of an IND application, or at any time prior to receiving marketing approval of the NDA. To receive fast track designation, an applicant must demonstrate:

- that the drug is intended to treat a serious or life-threatening condition;
- that the drug is intended to treat a serious aspect of the condition; and
- that the drug has the potential to address unmet medical needs, and this potential is being evaluated in the planned drug development program.

The FDA generally responds to a request for fast track designation within 60 calendar days of receipt of the request. Over the course of drug development, a product in a fast track development program must continue to meet the criteria for fast track designation. Sponsors of products in fast track drug development programs must be in regular contact with the reviewing division of the FDA to ensure that the evidence necessary to support marketing approval will be developed and presented in a format conducive to an efficient review.

Sponsors of products in fast track drug development programs ordinarily are eligible for priority review and may be permitted to submit portions of an NDA to the FDA for review before the complete application is submitted. Sponsors of drugs designated as "fast track" also may seek approval under the accelerated approval regulations, which permit the FDA to grant accelerated

approval based on a determination that the effect on a surrogate endpoint is reasonably likely to predict clinical benefit. A surrogate endpoint is defined as a laboratory or physical sign that is used in therapeutic trials as a substitute for a clinically meaningful endpoint and the surrogate is expected to predict the effect of the therapy. Requirements for submitting "substantial evidence" to demonstrate effectiveness and for payment of user fees must still be met under accelerated approval regulations. Further, where an accelerated approval is based on a surrogate endpoint, postmarket studies ordinarily will be required to verify the drug's clinical benefit and the relationship of the surrogate endpoint to clinical benefit.

Before receiving FDA approval to market a product, we must demonstrate that the product is safe and effective on the patient population that will be treated. If the FDA grants approval, this approval will be limited to those disease states and conditions for which the product is effective, as demonstrated through clinical studies. The FDA prohibits marketing or promoting a drug for an unapproved indication or use. Clinical testing must meet requirements for institutional review board oversight, informed consent and good clinical practices, and must be conducted under FDA oversight. Upon approval, a product may be marketed only in those dosage forms and for those indications approved in the NDA. However, pursuant to recent US federal court decisions, drug marketers may, in some limited circumstances, distribute peer-reviewed materials concerning uses for an approved drug other than those uses approved by the FDA.

Clinical trials are conducted in sequential phases. In Phase I, the drug is administered to a small group of humans, either healthy volunteers or patients, to test for safety, dosage tolerance, absorption, metabolism, excretion, and clinical pharmacology. In Phase II, a slightly larger number of patients are studied to assess the efficacy of the product, to ascertain dose tolerance and the optimal dose range, and to gather additional data relating to safety and potential adverse events. In Phase III, studies establish safety and efficacy in an expanded patient population. The FDA can require Phase IV post-marketing studies.

The length of time necessary to complete clinical trials varies significantly and may be difficult to predict. Clinical results are frequently susceptible to varying interpretations that may delay, limit or prevent regulatory approvals. Additional factors that can cause delay or termination

of our clinical trials, or that may increase the costs of these trials, include:

- slow patient enrollment due to the nature of the clinical trial plan, the proximity of patients to clinical sites, the eligibility criteria for participation in the study or other factors;
- inadequately trained or insufficient personnel at the study site to assist in overseeing and monitoring clinical trials; or delays in approvals from a study site's review board;
- longer treatment time required to demonstrate effectiveness or determine the appropriate product dose;
- insufficient supplies of the drug candidate;
- adverse medical events or side effects in treated patients; and
- ineffectiveness of the drug candidate.

Any drug is likely to produce some toxicity or undesirable side effects in animals and in humans when administered at sufficiently high doses and/or for a sufficiently long time. Unacceptable toxicity or side effects may occur at any dose level at any time in the course of studies in animals designed to identify unacceptable effects of a drug candidate, known as toxicological studies, or clinical trials of drug candidates. The appearance of any unacceptable toxicity or side effect could cause us or regulatory authorities to interrupt, limit, delay or abort the development of any of our drug candidates and could ultimately prevent approval by the FDA or foreign regulatory authorities for any or all targeted indications.

We must submit and receive approval of an NDA and pay user fees prior to commercial marketing of the drug. As part of the approval process, the FDA must inspect and approve each manufacturing facility. Among the conditions of approval is the requirement that a manufacturer's quality control and manufacturing procedures conform to current good manufacturing practices, or cGMP. Manufacturers must expend time, money and effort to insure compliance with cGMP, and the FDA conducts periodic inspections to certify compliance. Violations may result in restrictions on the product or manufacturer, including costly recalls or withdrawal of the product from the market. It may be difficult for our manufacturers or us to comply with the applicable cGMP and other FDA regulatory requirements. If we or our contract manufacturers fail to comply, then the FDA will not allow us to market products that have been affected by our failure.

Should we wish to market our products outside the United States, we must receive marketing authorization from the appropriate regulatory authorities. The requirements governing the conduct of clinical trials, marketing authorization, pricing and reimbursement vary widely from country to country. At present, foreign marketing authorizations are applied for at a national level, although within the European Union, or EU, registration procedures are available to companies wishing to market a product in more than one EU member state. If the regulatory authority is satisfied that adequate evidence of safety, quality and efficacy has been presented, a marketing authorization will be granted. This foreign regulatory approval process involves all of the risks associated with FDA approval discussed above.

Sales and Marketing

We do not intend to build our own sales force. Instead, we intend to market any future products through corporate partnerships with leading biotechnology or pharmaceutical companies. By contracting with corporate partners for the manufacturing, marketing and distribution of products, we hope to limit our exposure to capital-intensive activities beyond our expertise and concentrate on developing new compounds and technologies.

Employees

We have 10 employees, four of whom hold M.D. degrees and four of whom hold other advanced degrees, and 27 persons working under sponsored research agreements or consulting agreements. Of these 37 persons, 30 are working in

research and development, and seven are working in administration and finance. None of our employees is represented by a collective bargaining agreement, nor have we ever experienced a work stoppage. We consider our relations with our employees and consultants to be good.

Properties

Our current facilities consist of 3,600 square feet of leased space in Jerusalem's primary high technology park, Har Hotzvim. The lease for this space extends to the end of 2008, but may be terminated earlier by us at our discretion in 2004. This facility provides space for our administrative and financial functions and will house an on-site laboratory devoted to bioinformatics and drug compound formulation to be completed during the second half of 2000. In addition, through our sponsored research agreements, we maintain two research and development facilities at the Hebrew University of Jerusalem, staffed by research personnel and equipped with advanced scientific equipment. We believe that our Har Hotzvim facility and the Hebrew University space will be sufficient for our needs until the end of 2001. We are confident that additional space will be available for future expansion.

We intend to open an office in Boston, Massachusetts in the third quarter of 2000. Personnel in this office will coordinate both our clinical trial programs and our financial, business development and investor relations functions.

Legal Proceedings

We are not a party to any legal or arbitration proceedings, nor are we aware of any that are pending or threatened, that may have, or have had in the previous twelve months, a significant effect on our financial position.

MANAGEMENT

The following table sets forth certain information regarding our executive officers and directors as of June 15, 2000.

Executive Officers and Directors

Name	Age	Title
Morris Laster, M.D.	36	Chairman and Chief Executive Officer, Director
Benjamin Corn, M.D.	39	President
Robert E. Gallahue, Jr.	40	Chief Financial Officer and Treasurer
Ira Weinstein	44	Chief Operating Officer
Bob Trachtenberg	43	General Counsel and Secretary
Peter Morgan Kash (1)	38	Director (Non-executive)
S. Leslie Misrock (2)	72	Director (Non-executive)
Mark H. Rachesky, M.D. (1)(2)	40	Director (Non-executive)
Lindsay A. Rosenwald, M.D.	45	Director (Non-executive)
Wayne Rothbaum (1)(2)	32	Director (Non-executive)

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(1) Member of the Compensation Committee.
(2) Member of the Audit Committee.

Morris Laster, M.D., has served as our Chairman and Chief Executive Officer since November 1999. From December 1996 to November 1999, Dr. Laster served as the Chief Executive Officer and President of Partec Ltd., our predecessor company. From 1990 to 1996, Dr. Laster was employed as Vice President of Medical Venture Capital with Paramount Capital Investments LLC., a New York-based biotechnology venture group. Dr. Laster received his M.D. from Downstate Medical Center, performed post-doctoral training in surgery at Case Western

Reserve University Hospital and served as a physician and officer with the paratroopers of the Israel Defense Forces.

Benjamin Corn, M.D., has served as our President since November 1999. From October 1998 to November 1999, Professor Corn was the Chief Executive Officer of SignalSite, Inc., a subsidiary of Partec Ltd., our predecessor company. From 1994 to 1998, he served as Professor and Vice-Chairman in the Department of Radiation Oncology at Thomas Jefferson University Hospital in Philadelphia. Professor Corn received his B.A. and M.D. degrees from Boston University and completed residency training at the University of Pennsylvania, where he later served as Assistant Professor of Radiation Oncology.

Robert E. Gallahue has served as our Chief Financial Officer and Treasurer since June 2000. From January 2000 to May 2000, Mr. Gallahue served as Senior Director, Finance at Millennium Pharmaceuticals. From November 1993 to December 1999, he served as Controller and then Senior Director, Finance at LeukoSite, Incorporated until its recent merger with Millennium Pharmaceuticals. From 1989 to 1993, Mr. Gallahue served as accounting manager and then Senior Financial Analyst at RepliGen Incorporated. From 1985 to 1989, he was an auditor at Coopers & Lybrand. Mr. Gallahue received his B.A. from Middlebury College and his M.S.A. from Bentley College and is a certified public accountant.

Ira Weinstein has served as our Chief Operating Officer since June 2000 and was our Chief Financial Officer and Treasurer from November 1999 to June 2000. From January 1997 to November 1999, Dr. Weinstein was the Chief Financial Officer of Partec Ltd. From 1989 to 1997, Dr. Weinstein was an accountant with the Association of Americans and Canadians in Israel. He has also served as a consultant to the New York State Department of Health and taught business management at

Baruch College, Touro College and St. John's University. Dr. Weinstein holds a Doctorate of Business Administration from Newport University and an M.B.A. in Management and a B.B.A. in Accountancy from Baruch College.

Bob Trachtenberg has served as our General Counsel and Secretary since November 1999. Prior to that date, from October 1998, he was the General Counsel of Partec Ltd. From June 1994 to October 1998, Mr. Trachtenberg was Senior Vice President for Administration and Legal Affairs at Accent Software International, Ltd. (now known as LanguageWare.net, Ltd.), a publicly traded software development company. Mr. Trachtenberg received his B.A. from the State University of New York at Binghamton and his J.D. from New York University.

Peter Morgan Kash has served on our board since October 1998. Mr. Kash has been a Senior Managing Director of Paramount Capital, Inc. and a Director of Paramount Capital Asset Management, Inc. since 1990. From 1989 to 1991, Mr. Kash served as an Associate Professor at the Polytechnic University. In addition, since 1996, he has served as a Lecturer in Entrepreneurship and International Venture Capital at the Wharton School of the University of Pennsylvania and has accepted an appointment as a visiting professor in entrepreneurship at Nihon University in Tokyo, Japan from 1999 to 2001. He holds a B.S. in Management Science from the State University of New York at Binghamton and an M.B.A. in Finance and Banking from Pace University.

S. Leslie Misrock has served on our board since November 1999. Mr. Misrock has been a partner of the law firm of Pennie & Edmonds LLP, a New York-based intellectual property firm, since 1961 and a senior partner since 1970. He is a member of the Visiting Committee of the Department of Biology and Chemistry at MIT, the Association for the Cure of Prostate Cancer (CaP CURE), the Board of Visitors of Fordham Law School, the Health Sciences Board of Columbia University's College of Physicians and Surgeons, and the National Prostate Cancer Coalition. Mr. Misrock is a Director of Cytogen Corporation, a publicly held biopharmaceutical company, as well as a director of several privately held biotechnology and medical informatics companies, including DirectGene Inc., Molecular Staging Inc., OANDA Corporation, Timbrel Systems Inc. and SerOptix Inc. Mr. Misrock is a managing director of Quintessential Technologies LLC, a technology investment company, and he is a general partner of Misrock Holdings LP, a Delaware limited partnership. Mr. Misrock holds an S.B. in Chemistry from the Massachusetts Institute of Technology, an A.M. in Chemistry from Columbia University and an L.L.B. degree from Fordham University.

Mark H. Rachesky, M.D., has served on our board since February 2000. Dr. Rachesky is the President of MHR Fund Management LLC, which he founded in 1996.

MHR is an investment manager of various private investment funds. Prior to founding MHR, from 1990 to 1996, Dr. Rachesky was employed in various capacities by Carl C. Icahn. He currently also serves as a director of the Samsonite Corporation and Neose Technologies, Inc. Dr. Rachesky received his B.S. from the University of Pennsylvania, and his M.D. and M.B.A. from Stanford University.

Lindsay A. Rosenwald, M.D., has served on our board since March 2000. He is an investment banker, as well as a venture capitalist and fund manager. Dr. Rosenwald has served as Chairman of Paramount Capital, Inc., an NASD-member broker-dealer since 1992, Chairman of Paramount Capital Investments LLC, a merchant and investment bank, since 1995, and Chairman of Paramount Capital Asset Management, Inc., which manages the investments of several funds specializing in the technology and biotechnology sectors, since 1994. He is also a director of Neose Technologies, Inc., Interneuron Pharmaceuticals, Inc., and Nephros, Inc. Dr. Rosenwald received his B.S. in Finance from Pennsylvania State University, and his M.D. from Temple University School of Medicine.

Wayne Rothbaum has served on our board since February 2000. He is a Managing Director at the Carson Group, a strategic consulting firm providing capital markets intelligence to over 400

publicly traded companies. Mr. Rothbaum has co-managed The Carson Group's life sciences team, which provides services ranging from traditional investor relations to strategic consulting to corporate finance for over 50 life sciences companies, since 1993. In addition, he is a principal at Evolution Capital, an NASD registered investment fund, which is a wholly owned subsidiary of The Carson Group. Mr. Rothbaum is also an advisory director to Enzon, Inc. and Maxim Pharmaceuticals, Inc. He received an M.A. from the Elliot School of International Relations at the George Washington University and a B.A. in Cognitive Psychology and Political Science from the State University of New York at Binghamton.

The business address of each of Morris Laster, Benjamin Corn, Robert Gallahue, Ira Weinstein and Bob Trachtenberg is Kiryat Mada 5, Har Hotzvim, Jerusalem, Israel 91326. The business address of Peter Kash and Lindsay Rosenwald is Paramount Capital, Inc., 787 Seventh Avenue, New York, New York 10019. The business address of S. Leslie Misrock is Pennie & Edmonds LLP, 1155 Avenue of the Americas, New York, New York 10036. The address of Mark Rachesky is 985 Fifth Avenue, New York, New York 10021. The business address of Wayne Rothbaum is 156 W. 56th Street, 10th Floor, New York, New York 10019.

Scientific Advisors

We rely on prominent scientists and physicians to advise us on our KinAce platform and the clinical development of KRX-101.

Prof. Shmuel Ben-Sasson is the inventor of the KinAce platform and serves as the Chief Scientific Officer. Dr. Ben-Sasson is the incumbent of the Joseph I. Bluestone Chair in Experimental Medicine at Hebrew University Hadassah Medical School in Jerusalem. He is the holder of multiple patents and the inventor of the TUNEL Assay, the most commonly cited assay for apoptosis in the medical literature. Dr. Ben-Sasson also maintains an appointment as a Visiting Professor in the Department of Surgical Research at Harvard Medical School.

The KinAce Scientific Advisory Board

Name	Current Position
James Broach, Ph.D.	Professor of Molecular Biology at Princeton University
Moshe Oren, Ph.D.	Dean of Life Sciences at Weizmann Institute (Rehovot, Israel)
Susan S. Taylor, Ph.D.	Professor of Biochemistry at the Howard Hughes Medical Institute of the University of California, San Diego

We have entered into agreements with Drs. Broach and Oren and intend to enter into an agreement with Dr. Taylor obligating them to provide scientific advisory services to us for a three-year period. The agreements are terminable by us upon agreement of a majority of our board of directors, or by the advisor, upon 30 days' written notice. In addition to a daily fee, each advisor will receive an option to purchase 1,500 shares of our common stock at the public offering price, half of which vest on the grant date and the balance of which vest in equal installments on each of the first and second anniversary of the grant date.

The KRX-101 Scientific Advisory Board

Name	Current Position
Steven M. Haffner, Ph.D.	Professor of Internal Medicine in the Department of Medicine/Clinical Epidemiology at the University of Texas Health Science Center
Job Harenberg, Ph.D.	Professor of Internal Medicine and Head of the Department of Haemostaseology at the University of Heidelberg (Heidelberg, Germany)
Michael Mauer, Ph.D.	Professor of Pediatrics at the University of Minnesota
Guisseppe Remuzzi, Ph.D.	Director of the Bergamo Laboratories of the Mario Negri Institute for Pharmacological Research (Bergamo, Italy)
Bernard Zinman, Ph.D.	Professor of Medicine and Director of the Banting & Best Diabetes Center at the University of Toronto

We have entered into agreements with each of these advisors obligating them to provide scientific advisory services to us for a three-year period. Each agreement entitles the advisor to a per diem fee and is terminable by us upon agreement of a majority of our board of directors, or by the advisor, upon 30 days' written notice.

Committees of the Board

Audit Committee. We have an audit committee composed of non-employee directors. The audit committee will recommend to our board the independent auditors to be retained by us and will meet with our independent auditors at least annually to review the results of the annual audit and discuss the financial statements. The audit committee will also receive and consider the accountants' comments as to controls, adequacy of staff, management performance and procedures in connection with audit and financial controls. Current members of the audit committee are Dr. Rachesky and Messrs. Rothbaum and Misrock.

Compensation Committee. Our compensation committee reviews and recommends to our board of directors the compensation and benefits of all our officers and reviews general policies relating to compensation and benefits of our employees. The compensation committee also administers the issuance of stock options under our stock option plan and otherwise. Current members of the compensation committee are Messrs. Kash, Rothbaum and Dr. Rachesky.

We have adopted the Model Code for AIM-listed companies with respect to the dealings of our directors in our common stock.

Appointment of Directors

Our bylaws provide that our directors are elected by our stockholders and, at each election, the persons receiving the greatest number of votes, up to the number of persons being elected, shall be the persons then elected. Our board consists of the number of directors determined by resolution of the board. Currently the number of directors is six. Each director holds office until a successor is elected and qualified or the director resigns or is removed. Any director or the entire board may be removed, with or without cause, by the

holders of a majority of shares then entitled to vote at an election of directors. Any vacancy in the board, whether because of death, resignation, disqualification, an increase in the number of directors or any other cause, may be filled by vote of the majority of the remaining directors, even if less than a quorum, or by a sole remaining director.

Compensation of Directors

Non-employee directors do not receive any cash compensation from us for their services as members of our board of directors or for attendance at committee meetings. These directors may be reimbursed for expenses in connection with attendance at board of directors and committee meetings. In November 1999, we granted to each of our non-employee directors, including Messrs. Kash and Misrock, options to purchase 37,500 shares of our common stock at an exercise price of $0.10 per share pursuant to our 1999 stock option plan. In February 2000, we granted to Dr. Rachesky and Mr. Rothbaum options to purchase 60,000 shares of our common stock. At the same time, we granted to Mr. Misrock additional options to purchase 22,500 shares of common stock, and we granted to Mr. Kash, in recognition of his efforts on our behalf in our most recent private placement, options to purchase 75,000 shares of common stock. All the February 2000 option grants carry an exercise price of $0.33 per share. In June 2000, our stockholders approved our 2000 Stock Option Plan. Part of this plan provides that any new non-employee directors will receive an option to purchase 25,000 shares of common stock upon their appointment to the board and all non-employee directors will receive an option to purchase 5,000 shares of common stock each year after our annual meeting. The exercise price of these options will be the fair market value of the shares on the date of the grant.

We estimate that, under the arrangements in place at the date of expected admission to listing of our shares on Nasdaq and the Alternative Investment Market, the aggregate remuneration payable and benefits in kind to be granted to our directors for the period of the current financial year, up to December 31, 2000, will amount to approximately $279,000, all of which is payable to Dr. Laster as salary and benefits for his services as Chief Executive Officer. The aggregate remuneration paid and benefits in kind granted to our directors for the year ended December 31, 1999, all of which was payable to Dr. Laster, was $259,000. We have not granted or provided any loan or guarantee to any director or any person connected with them.

Limitation of Directors' and Officers' Liability

Our bylaws provide that we will indemnify our directors and executive officers and may indemnify our other officers, employees and other agents to the fullest extent permitted by Delaware law. We are also permitted by our bylaws to enter into indemnification contracts with our directors and officers and to purchase insurance on behalf of any person we are required or permitted to indemnify.

We have obtained insurance to cover the liabilities that our officers and directors may incur in connection with their services to us, including matters arising under the Securities Act. In addition, our certificate of incorporation provides that, to the fullest extent permitted by Delaware law, our directors will not be liable for monetary damages for breach of their fiduciary duty of care to us and our stockholders. This provision does not eliminate the duty of care of our directors and, in appropriate circumstances, equitable remedies including an injunction or other forms of non-monetary relief would remain available under Delaware law. Under Delaware law, a director's liability to us or our stockholders may not be limited:

- for any breach of the director's duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or involving intentional misconduct;
- for knowing violations of law;
- for any transaction from which the director derived an improper personal benefit;
- for improper transactions between the director and us; and

. for improper distributions to stockholders and loans to directors and officers.

This provision does not affect a director's responsibilities under any other laws, including the federal securities laws or state or federal environmental laws.

There is no pending litigation or proceeding involving any of our directors or officers as to which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

Executive Compensation

The table below summarizes for the year ended December 31, 1999 the compensation earned for services rendered to us in all capacities by our chief executive officer and our other most highly compensated executive officer whose total compensation exceed $100,000 in such period. No individual who would otherwise have been includable in such table on the basis of total compensation earned during the year ended December 31, 1999 has resigned or otherwise terminated his or her employment during such period.

	Annual Compensation			Long-Term Compensation	
Name and Principal Position	Salary	Bonus	Other Annual Compensation(1)	Securities Underlying Options	All Other Compensation(2)
Morris Laster, M.D..... Chief Executive Officer, Chairman and Director	$225,000	--	$34,000	1,972,100	$7,645
Benjamin Corn, M.D..... President	$150,000	--	$22,000	274,026	--

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(1) Includes national insurance, pension, disability insurance premiums, payments in lieu of statutory severance and continuing education plans.
(2) Includes reimbursement for automobile expenses.

Option Grants in Last Fiscal Year

The following table sets forth certain information with respect to stock options granted to each of the named executive officers in the year ended December 31, 1999, including the potential realizable value over the ten-year term of the options, based on assumed rates of stock appreciation of 5% and 10% over the exercise price, compounded annually. These assumed rates of appreciation comply with the rules of the SEC and do not represent our estimates of our future stock price. Actual gains, if any, on stock option exercises will depend on the future performance of our common stock.

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(4)	
Name(1)	Number of Securities Underlying Options Granted	Percentage of Total Options Granted in 1999(2)	Exercise Price Per Share	Expiration Date(3)	5%($)	10%($)
Morris Laster, M.D.....	1,522,100	37.11%	$0.10	11/19/24	27,272,746	43,427,289
	450,000	10.97%	$0.10	11/19/09	8,063,028	12,839,025
Benjamin Corn, M.D.....	79,026	1.93%	$0.10	11/19/24	1,415,975	2,254,704
	195,000	4.75%	$0.10	11/19/09	3,493,979	5,563,578

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(1) The securities reflected in this chart are held by Delaware corporate entities controlled by irrevocable trusts of which the named executive officers are beneficiaries but over which they have no control. See "Principal Stockholders."

(2) Percentages shown under "Percentage of Total Options Granted in 1999" are based on an aggregate of 4,102,032 options granted to certain of our employees, consultants and directors under our share option plan during 1999.

(3) The options with an expiration date of November 19, 2024, all vested immediately upon grant. The options with an expiration date of November 19, 2009, vest, or have vested, as follows:

one-third on December 6, 1999; one-sixth on May 19, 2000; one-sixth on November 19, 2000; one-sixth on May 19, 2001; and one-sixth on November 19, 2001. The options will fully vest upon a merger or acquisition of our company, as defined in our 1999 option plan, unless the acquiring or merging entity assumes the options or substitutes similar options.

The potential realizable value of our options is calculated based on an assumed ten-year term of the option at the time of the grant even though some of the options have a 25-year term. Stock price appreciation of 5% and 10% is assumed pursuant to rules promulgated by the Securities and Exchange Commission and does not represent our prediction of our stock price performance. The potential realizable values of 5% and 10% appreciation are calculated by:

- multiplying the number of shares of common sock subject to a given option by the assumed initial public offering price of $11.00 per share;
- assuming that the aggregate stock value derived from that calculation compounds at the annual 5% or 10% rate shown in the table until the expiration of the options; and
- subtracting from that result the aggregate option exercise price.

Aggregate Option Exercises During the Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth information with respect to exercisable and unexercisable options held as of December 31, 1999, by the named executive officers.

	Number of Securities Underlying Unexercised Options at December 31, 1999		Value of Unexercised In-the-Money Options at December 31, 1999		Shares Acquired on Exercise	Value Realized
Name	Exercisable	Unexercisable	Exercisable	Unexercisable		
Morris Laster, M.D.(1)..	1,672,100	300,000	$18,225,890	$3,270,000	--	--
Benjamin Corn, M.D.(1)..	144,027	129,999	1,569,894	1,416,989	--	--

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(1) Our compensation committee has applied traditional valuation methodologies in order to arrive at the fair market values of our common stock on the date that options were granted. These methodologies include comparing us to similar early stage biotechnology companies and determining whether any significant operational or other developments occurred since the last arm's-length sale of securities.

Employment Agreements

Our Israeli operating subsidiary has entered into an employment agreement

with Morris Laster, M.D., and we, as the US parent, have entered into a complementary employment agreement with Dr. Laster. Dr. Laster has been retained to serve as our chief executive officer at a base salary of $225,000 per year for three years from November 18, 1999, with an annual discretionary bonus of up to 100% of his base salary based upon specific development and business milestones and achievements. The US agreement grants Dr. Laster a ten-year option to purchase 450,000 shares of our common stock at an exercise price of $0.10 per share. This option vests over a period of two years, with one-half having already vested, and the remaining one-half vesting in three equal portions each six months from November 19, 2000. Each agreement may be terminated on three months' notice and each contains both non-competition and non-solicitation provisions. The agreements also provide that if Dr. Laster's employment is terminated without cause or because of death or disability, he or his heirs will be paid his then-current salary for 15 months in monthly installments, in addition to the three-month notice payment, and our board of directors will cause any outstanding, unvested options to vest immediately and will extend the period in which they may be exercised for two years from the date of the termination of his employment.

Our Israeli operating subsidiary has entered into an employment agreement with Benjamin Corn, M.D., and we, as the US parent, entered into a complementary employment agreement with Dr. Corn. We have retained Dr. Corn to serve as our president at a current base salary of $157,500 per year for three years from November 18, 1999, with bonuses at the discretion of our chief executive officer acting in consultation with our board of directors. The US agreement grants Dr. Corn a ten-year option to purchase 195,000 shares of our common stock at an exercise price of $0.10 per share. This option vests over a period of two years, with one-half having already vested, and the remaining one-half vesting in three equal portions, each six months from November 19, 2000. Each agreement may be terminated on three months' notice and each contains both non-competition and non-solicitation provisions. The agreements also provide that if Dr. Corn's employment is terminated without cause or because of death or disability, he or his heirs will be paid his then-current salary for three months in monthly installments, inclusive of the three-month termination notice, and our board of directors will cause any outstanding, unvested options to vest immediately and will extend the period in which they may be exercised for two years from the date of the termination of his employment.

We require all of our officers and employees at the commencement of their employment to sign an employment agreement specifying basic terms and conditions of employment. Each of these agreements includes, at a minimum, obligations of confidentiality and assignment of inventions, which provide that the employee will not disclose any confidential information received during the course of employment and that the employee will assign to us any and all inventions conceived or developed during the course of employment.

Stock Incentive Plans

In November 1999, we adopted the 1999 Share Option Plan, referred to as the 1999 Plan. The 1999 Plan will expire in November 2009, unless terminated earlier by our board of directors at their discretion. In June 2000, our stockholders approved the 2000 Stock Option Plan, referred to as the 2000 Plan. Unless otherwise indicated, the following discussion refers to both the 1999 and 2000 Plans. Both the 1999 and 2000 Plans provide for the grant of options to purchase shares of our common stock, including:

- incentive stock options, as defined by Section 422 of the Internal Revenue Code, that may be granted solely to employees, including officers; and

- non-qualified stock options, being stock options other than incentive stock options, that may be granted to employees, including officers, non-employee directors and individuals with whom we have consulting agreements.

In addition, the 2000 Plan permits the grant of:

- restricted stock awards;

- stock bonuses;

- unrestricted stock awards;
- performance share awards; and
- stock appreciation rights.

Our board of directors has delegated the responsibility to administer the 1999 and 2000 Plans to its compensation committee.

Share Reserve. We initially authorized the issuance of 5,430,000 shares of our common stock pursuant to the 1999 Plan. In December 1999, our board of directors amended the 1999 Plan to change the number of shares reserved to 4,230,000 shares of common stock. As of May 31, 2000, non-qualified options to purchase 4,147,032 shares of our common stock were held by all participants under the 1999 Plan and 82,968 shares of our common stock remained available for grant.

The 2000 Plan calls for a reserve of 4,455,000 shares of common stock for issuance in accordance with awards granted by the compensation committee. As of the date of this prospectus, the compensation committee has issued incentive stock options to purchase 10,000 shares of common stock and non-qualified options to purchase 84,500 shares of common stock. 4,360,500 shares of our common stock remain available for grant under the 2000 Plan.

Shares subject to awards under either Plan that have expired or otherwise terminated without having been exercised in full again become available for the grant of awards under the Plans. Shares issued under either Plan may be previously unissued shares or reacquired shares of common stock.

Awards. Stock options may be granted under both the 1999 Plan and the 2000 Plan to our employees, non-employee directors and individuals with whom we have consulting agreements. The stock options granted will be either incentive stock options or non-qualified stock options.

An incentive stock option is a stock option that has met the requirements of Section 422 of the Internal Revenue Code and, except as set forth below, must be granted with an exercise price of at least 100% of the fair market value at the date of grant. Under current U.S. tax laws, no taxable income is recognized by an optionee upon the grant or exercise of an incentive stock option. If no disposition of the shares is made by the optionee within two years after the date of grant or within one year after the issuance of the shares to the optionee, then upon the optionee's resale of the shares, any amount realized in excess of the option exercise price will be treated as long-term capital gain and any loss sustained will be long-term capital loss. If the shares are disposed of before either of the holding periods described above, there has been a disqualifying disposition, and the difference between the exercise price and the fair market value of the shares on the exercise date will be taxed at ordinary income rates. The difference between the fair market value on date of exercise and the exercise price is an item of adjustment for purposes of the alternative minimum tax unless there is a disqualifying disposition in the year of exercise.

Under current U.S. tax laws, incentive stock options may be granted only to our employees. The aggregate fair market value, determined at the time of grant, of shares of our common stock with respect to incentive stock options that are exercisable for the first time by an option holder during any calendar year under all of our stock plans may not exceed $100,000. No incentive stock option, and, prior to our stock being publicly traded, no non-qualified stock option, may be granted to any person, who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of the total combined voting power of our company or any affiliate, unless the following conditions are satisfied:

- the option exercise price must be at least 110% of the fair market value of the stock subject to the option on the date of grant; and
- the term of any incentive stock option award must not exceed five years from the date of grant.

A non-qualified stock option is a stock option not intended to qualify as an incentive stock option. Under current U.S. tax laws, no taxable income is

recognized by an optionee on the date of grant. An optionee generally will recognize ordinary income on the date of exercise equal to the difference between exercise price and the fair market value of the shares on the date of exercise. If the optionee is also an employee at the time of grant, any income recognized upon exercise of a nonstatutory stock option will constitute wages for which withholding will be required. Generally, non-qualified options may be transferred without consideration to members of the optionee's family, to trusts for the benefit of such family members, to partnerships in which such family members are the only partners and to charities.

In addition, under the 2000 Plan restricted stock awards, unrestricted stock awards, performance share awards and stock appreciation rights may be granted.

- A restricted stock award is an offer to purchase shares of our common stock at par value or a price determined by the compensation committee. However, we may reacquire the shares

under this type of award at the original purchase price, if any, if the recipient's service to us and our affiliates is terminated before the shares vest. At the time the award vests, the recipient will generally recognize income equal to the difference between the fair market value of the restricted stock at the time of vesting and the amount paid for the restricted stock, if any.

- An unrestricted stock award is either a grant of shares of common stock to a grantee or an offer to sell common stock at a price determined by the compensation committee, free of any restrictions under the 2000 Plan. The right to receive such an award may not be transferred other than by will or the laws of descent.

- A performance share award is an award entitling the recipient to receive common stock upon the attainment of specified goals, either for no cost or for a price determined by the compensation committee. The right to receive such an award may not be transferred other than by will or the laws of descent.

- A stock appreciation right is an award entitling the recipient to receive an amount in cash in an amount equal to the excess of the fair market value of a share of our common stock over the exercise price per stock appreciation right set by the compensation committee at the time of grant, which price shall not be less than 85% of fair market value of a share of common stock at the time of grant.

The compensation committee may grant, subject to other applicable restrictions, any of these awards in tandem as it deems appropriate.

Plan Administration. Our board of directors has delegated the administration of the 1999 Plan and the 2000 Plan to the compensation committee. Subject to the terms of the Plans, the compensation committee determines recipients, the numbers and types of stock awards to be granted, and the terms and conditions of the stock awards, including the period of their vesting. The compensation committee also determines the exercise price of awards granted and may amend any outstanding award to accelerate vesting, extend the exercisability and waive conditions or restrictions applicable to any award. The exercise price of options granted under the 2000 Plan may not be less than 85% of their fair market value at the date of grant.

Term of Awards. In general, the term of stock options granted under the 1999 and 2000 Plans is ten years. In the event an awardee's service relationship with us ends, other than upon the awardee's death or disability, the award may be exercised within a period of 90 days following termination, provided that the award has already vested. If the awardee's termination of service is for cause, such period will not exceed thirty days. Any award not already vested, or not exercised within these periods shall terminate. If the awardee dies, any vested award may be exercised within the time period specified in the award agreement, being at least six months, or if no time is specified, twelve months.

Payment of Exercise Price. Awardees may pay the exercise price of their awards, if any, as determined by the compensation committee, and acceptable consideration includes cash, checks, and promissory notes. Generally, an option

holder may not transfer a stock option to any entity other than a spouse or descendants or to a trust, or other entity owned by such a trust, for the primary benefit of the option holder, his spouse and/or his descendants.

Changes in Control. Upon specified changes in control as provided under the Plans, all outstanding awards under the Plans either will be assumed or substituted by any surviving entity or its parent or subsidiary corporation, if any. If the surviving entity or its parent or subsidiary corporation, if any, determines not to assume or substitute the awards, our board of directors shall

provide for the awards to be fully exercisable for a period of at least 15 days from the date of notice, following which unexercised awards will terminate.

Additional Provisions. The compensation committee may, in its sole discretion, include additional provisions in any option or award granted or made under the Plans that are not inconsistent with the Plans or applicable law. The compensation committee may also, in its sole discretion, accelerate or extend the date or dates on which all or any particular award or awards granted under the Plans may be exercised.

RELATED PARTY TRANSACTIONS

Investments in our Company. The following table summarizes the material terms of transactions during the last three fiscal years, other than stock option exercises, in which our directors, executive officers, major stockholders and related persons purchased shares of our stock or the stock of our majority-owned subsidiaries for more than $60,000 or in which our founders purchased shares of our stock. In each transaction, the director, executive officer, major stockholder or related person purchased stock either at the same price and on the same terms as independent third-party investors purchased stock at the same time or, in the case of the purchases made in October 1998, at the same price and on the same terms as independent third parties could reasonably be expected to have invested.

Directors and Executive Officers	Purchase Date	Class of Stock	Number of Shares	Aggregate Purchase Price
Lindsay A. Rosenwald, M.D.(1)	10/98	Common Stock	5,496,750	$3,665
	11/99	Series A Preferred	6,224	$622,400
Peter Morgan Kash	10/98	Common Stock	867,750	$578
Mark Rachesky, M.D.	1/00	Series A Preferred	2,500	$250,000
Principal Stockholders				
Children's Medical Center Corporation	11/99	Common Stock	805,538	(2)

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(1) 4,860 shares of the Series A preferred stock listed under the name of Dr. Rosenwald are held by Paramount Capital Investments LLC, an affiliate of Dr. Rosenwald. See "Principal Stockholders" for more detail on these shares.

(2) These shares were issued in connection with the KinAce license agreement. David Kirshner, the Chief Financial Officer of Children's Medical Care Corporation, has voting and investment power over these shares.

We have entered into the following agreements or arrangements with certain of our stockholders and directors.

Private Placement. In connection with our private placement of Series A

preferred stock, Paramount Capital, Inc. received consideration of $375,400 and three-year warrants to buy 116,090 shares of common stock at an exercise price of $1.94 per share. Lindsay A. Rosenwald owns 100% of Paramount Capital.

Predecessor Company. Our predecessor company, Partec Ltd., was incorporated in Israel in December 1996 to pursue opportunities in the biotechnology field. Partec pursued individual biotechnology projects through the provision of management services to Delaware corporations set up around those projects. In October 1998, Dr. Rosenwald exchanged his interests in those companies for a 77% interest in Partec. In November 1999, we acquired substantially all of the assets and liabilities of Partec. At the time of this acquisition, Dr. Rosenwald and his affiliates owned approximately 77% of our outstanding common stock.

In connection with this acquisition, we agreed to retain Partec's management and staff in exchange for approximately $570,000, plus accrued interest, of Partec's indebtedness arising from a series of notes that it had issued in February and April 1999, which we had subsequently acquired in exchange for Series A preferred stock and warrants to purchase common stock. We also assumed various trade payables and financial obligations owed by Partec to the employees that we retained. To facilitate the transaction, we established an Israeli subsidiary named Keryx (Israel) Ltd. in November 1999. This subsidiary acts as our legal representative in Israel to conduct research and development and employ our Israel-based staff.

KinAce License Agreement. On November 18, 1999, we acquired a license to the KinAce platform from CMCC in exchange for certain royalty obligations and the issuance of 805,538 shares

of our common stock to CMCC. In addition, we granted CMCC warrants to purchase 375,000 additional shares of common stock at an exercise price of $0.0067 per share that expire ten years after they vest. Half of the warrants vest upon first approval of an IND application by the FDA for a product arising from patents we have licensed from CMCC, and the other half vest upon final marketing approval for such a product.

Controlling Stockholder. In accordance with UK best practice, we have entered into agreements with each of Dr. Rosenwald and Mr. Kash whereby they have agreed with us that we will be capable at all times of acting independently of them and that all transactions between us and them in the future will be on an arm's length basis.

Intercompany Agreement. Pursuant to an intercompany agreement, our Israeli subsidiary provides us with certain services for which we reimburse it for its costs plus a profit margin of 10% and value added tax. Except for income tax paid in Israel on the profits of the subsidiary, this arrangement has no effect on our consolidated financial statements.

Patent Attorneys. Pennie & Edmonds LLP acts as our patent counsel. S. Leslie Misrock, a director of our company, is a senior partner of Pennie & Edmonds.

We believe that all of the transactions discussed above were made on terms no less favorable to us than could have been obtained from unaffiliated third parties. A majority of our board of directors, including a majority of the independent and disinterested directors, will approve all future transactions, including loans, between us and our officers, directors, principal stockholders and their affiliates and will be on terms no less favorable to us than could be obtained from unaffiliated third parties. In addition to the transactions discussed above, Dr. Laster and Mr. Weinstein are brothers-in-law.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information known to us with respect to the beneficial ownership of our common stock as of May 31, 2000, and as adjusted to reflect the sale of our common stock offered by this prospectus, by:

. all persons who are beneficial owners of three percent (3%) or more of

our common stock;

. each of our directors;

. each of our executive officers; and

. all current directors and executive officers as a group.

Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table below have sole voting and investment power with respect to all shares of common stock held by them.

Applicable percentage ownership in the following table is based on 14,223,268 shares of common stock outstanding as of May 31, 2000, as adjusted to reflect the automatic conversion of all shares of Series A preferred stock outstanding immediately prior to this offering into 6,114,962 shares of common stock.

Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person that are currently exercisable or exercisable within 60 days of May 31, 2000 are deemed outstanding. Such shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

The business address of Children's Medical Center Corporation is 300 Longwood Avenue, Boston, Massachusetts 02115. The business addresses of the other beneficial owners may be found in the "Management" section of this prospectus.

		Percentage Beneficially Owned	
Name of Beneficial Owner	Number of Shares Beneficially Owned Prior to Offering	Before Offering	After Offering(1)
Morris Laster, M.D.(2).....	1,747,100	10.94%	8.49%
Benjamin Corn, M.D.(3).....	176,526	1.23%	*
Robert E. Gallahue, Jr.	--	--	*
Ira Weinstein(4).....	282,620	1.95%	1.48%
Bob Trachtenberg(5).....	263,870	1.82%	1.38%
Lindsay A. Rosenwald, M.D.(6).....	5,997,800	41.64%	31.56%
Peter Morgan Kash(7).....	980,250	6.84%	5.18%
Mark Rachesky, M.D.(8).....	128,850	*	*
S. Leslie Misrock(9).....	60,000	*	*
Wayne Rothbaum.....	--	--	--
Children's Medical Center Corporation.....	805,538	5.66%	4.28%
All executive officers and directors as a group (9 persons)(10).....	9,637,016	56.53%	44.52%

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* Represents beneficial ownership of less than one percent.

(1) Assumes no exercise of the underwriters' over-allotment option.

(2) Includes 1,747,100 shares of common stock issuable upon the exercise of vested options. All 1,747,100 options are held in the name of Mogul LLC, a Delaware limited liability company, the

sole member of which is an irrevocable trust of which Dr. Laster is a beneficiary, but over which he has no control.

(3) Includes 176,526 shares of common stock issuable upon the exercise of vested options. All 176,526 options are held in the name of Crown

Investment Holdings, Inc., a Delaware corporation, the sole stockholder of which is an irrevocable trust of which Dr. Corn is a beneficiary, but over which he has no control.

(4) Includes 282,620 shares of common stock issuable upon the exercise of vested options. All 282,620 options are held in the name of Radio Eon, LLC, a Delaware limited liability company, the sole member of which is an irrevocable trust of which Dr. Weinstein is a beneficiary, but over which he has no control.

(5) Includes 263,870 shares of common stock issuable upon the exercise of vested options. All 263,870 options are held in the name of Manzello Associates, LLC, a Delaware limited liability company, the sole member of which is an irrevocable trust of which Mr. Trachtenberg is a beneficiary, but over which he has no control.

(6) Includes 70,301 shares of common stock to be issued upon the conversion of 1,364 shares of Series A preferred stock held by Dr. Rosenwald, and 250,485 shares of common stock to be issued upon the conversion of 4,860 shares of Series A preferred stock held by Paramount Capital Investments LLC, an affiliate of Paramount Capital, Inc., of which Dr. Rosenwald is Chairman. It also includes 14,064 shares of common stock issuable upon the exercise of a vested warrant held by Dr. Rosenwald, 50,110 shares of common stock issuable upon the exercise of a vested warrant held by Paramount Capital Investments LLC, and 116,090 shares of common stock issuable upon the exercise of a vested warrant held by Paramount Capital, Inc.

(7) Includes 112,500 shares of common stock issuable upon the exercise of vested options. 30,000 shares of common stock beneficially owned by Mr. Kash are subject to a 10-year purchase option that Mr. Kash granted to an irrevocable family trust, and 16,500 shares are subject to a 10-year purchase option granted to a charitable foundation. In addition, Mr. Kash has granted each of three family members 10-year options to purchase 30,000 shares.

(8) Includes 128,850 shares of common stock to be issued upon the conversion of 2,500 shares of Series A preferred stock.

(9) Includes 60,000 shares of common stock issuable upon the exercise of vested options.

(10) Includes 2,642,616 shares of common stock issuable upon the exercise of vested options, 180,264 shares of common stock issuable upon the exercise of vested warrants and 449,634 shares of common stock to be issued upon the conversion of 8,724 shares of Series A preferred stock.

DESCRIPTION OF OUR CORPORATE STRUCTURE AND CAPITAL STOCK

Corporate Structure

We incorporated as a Delaware corporation under the Delaware General Corporation Law on October 22, 1998, with the name Paramount Pharmaceuticals, Inc. On November 22, 1999, we changed our name to Lakaro Biopharmaceuticals, Inc. On January 6, 2000, we changed our name to Keryx Biopharmaceuticals, Inc.

We have one subsidiary, Keryx (Israel) Ltd., which is incorporated in Israel. We hold 99 shares of NIS1.00 nominal value each in Keryx (Israel) Ltd. An additional one share of nominal value NIS1.00 is held by Morris Laster in trust for our benefit. No other shares in Keryx (Israel) have been issued, nor have any options or other rights been granted to any person to acquire or receive any Keryx (Israel) shares. Our subsidiary is our main operating company and operates primarily in and from Israel. Its registered office is located at Kiryat Mada 5, Har Hotzvim, Jerusalem, Israel 91326.

We currently hold 211,500 shares of $0.001 each nominal value in MTR Technologies, Inc., a company for which our predecessor company provided management services. We value these shares in our accounts at their nominal value. Our interest represents less than 5% of the issued share capital of MTR Technologies, Inc. We have not held any interests in any other undertakings since the date of our incorporation.

General Description of Our Capital Stock

Our authorized capital stock currently consists of 20,000,000 shares of common stock, $0.001 par value, and 5,000,000 shares of preferred stock, $0.001 par value. On June 14, 2000, our board of directors declared a common stock dividend of one share for each two shares held by a stockholder as of July 15, 2000 which will take effect on the closing of this offering. On June 26, 2000, our stockholders approved an increase in our authorized capital stock to 40,000,000 shares of common stock, par value $0.001, which increase will take effect on the closing of this offering. Immediately prior to the completion of this offering, there will be 14,223,268 shares of common stock outstanding (assuming conversion of all outstanding Series A preferred stock, but no exercise of outstanding stock options or warrants) and outstanding options and warrants to purchase 5,181,954 shares of common stock. The liability of our stockholders is limited to the value of their shares and any amount payable by them in respect of shares they have agreed to purchase.

The following summary of the terms and provisions of our capital stock does not purport to be complete. Reference should be made to our certificate of incorporation and our bylaws, and to applicable law, for the complete description of the terms and provisions of our capital stock.

Common Stock

The holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of common stock are entitled to receive ratably any dividends that may be declared by our board of directors out of funds legally available for dividend payments. Upon a liquidation, dissolution or winding up of our company, holders of the common stock are entitled to share ratably in all assets remaining after payment of liabilities and amounts due to the holders of outstanding shares of preferred stock, if any. Holders of common stock have no preemptive rights and no right to convert their common stock into any other securities. There are no redemption or sinking fund provisions that apply to our common stock. All outstanding shares of common stock are, and all shares of common stock to be outstanding upon completion of this offering will be, fully paid and non-assessable.

Preferred Stock

Our board of directors has the authority to issue up to 5,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions granted to or imposed upon the preferred stock, including dividend rights, conversion rights, terms of redemption, liquidation preference, sinking fund terms and the number of shares constituting any series or the designation of a series, without any further vote or action by the stockholders. Our board of directors, without stockholder approval, can issue preferred stock with voting and conversion rights which could adversely affect the voting power of the holders of common stock. The issuance of preferred stock could have the effect of delaying, deferring or preventing a change in control. On December 6, 1999, our board of directors designated 170,000 shares of preferred stock as Series A convertible preferred stock.

As of May 31, 2000, there were 118,645 shares of Series A preferred stock outstanding. All outstanding shares of Series A preferred stock will be converted into shares of common stock immediately prior to this offering. Following such conversion there will be no preferred stock outstanding, and we have no current plans to issue any further shares of preferred stock.

Warrants

As of May 31, 2000, the following warrants were outstanding:

- Warrants issued to CMCC to purchase 375,000 shares of common stock at an exercise price of $0.0067 per share. Half of these warrants vest upon the first approval of an IND application with the FDA for a product arising from patents we have licensed from CMCC and the other half vest upon the final marketing approval for such a product. These warrants expire ten years after they vest.

- Ten-year warrants to purchase 303,832 shares of common stock at an

exercise price of $0.0067 per share issued to holders of Series A preferred stock. All of these warrants are fully vested.

- Three-year warrants issued to Paramount Capital, Inc. to purchase 116,090 shares of common stock at an exercise price of $1.94. All of these warrants are fully vested.

Each of these warrants contains provisions for the adjustment of the exercise price and the aggregate number of shares issuable upon the exercise of the warrant in the event of stock dividends, stock splits, reorganizations, reclassifications or consolidations.

Registration Rights of Stockholders

In connection with the sale of our Series A preferred stock and warrants, we have agreed to register the common shares issuable pursuant to those securities under the Securities Act in the event we propose to register any of our securities in an offering under the Securities Act. The holders of these shares will be entitled to include, at our expense, their shares of common stock in up to two such registrations. In addition, we will be required to use our reasonable best efforts to have the registration statement declared effective. These rights become effective on the first anniversary of this offering, and shall terminate on the earlier of five years after the execution of the agreement providing for these rights, or when a holder is able to sell all its shares pursuant to Rule 144 under the Securities Act in any 90-day period. Attached to these registration rights are conditions and limitations, including the right of the underwriters to limit the number of shares included in the registration statement.

Anti-Takeover Provisions of Delaware Law and Charter Provisions

Delaware Anti-Takeover Law

We are subject to Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless the "business combination" or the transaction in which the person became an "interested stockholder" is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale or other transaction resulting in a financial benefit to the "interested stockholder." An "interested stockholder" is a person who, together with affiliates and associates, owns 15% or more of a corporation's outstanding voting stock at any time within the prior three years, other than "interested stockholders" prior to the time its common stock is publicly traded. This provision has an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging takeover attempts that might result in a premium over the market price for the shares of our common stock held by stockholders.

Change of Control

Our certificate of incorporation and bylaws include provisions that may have the effect of deterring hostile takeovers or delaying or preventing changes in control or management. Our certificate of incorporation provides that our board of directors can issue up to 5,000,000 shares of "blank check" preferred stock. Our bylaws provide that special meetings of stockholders may be called only by our board of directors, a committee thereof or an executive officer pursuant to a resolution adopted by a majority of the total number of authorized directors.

Stock Transfer Agent and Registrar

American Stock Transfer and Trust Company will serve as transfer agent and registrar for all of our common stock. The register will be maintained in the United States.

Listing

We have applied to list our common stock on the Nasdaq National Market under the symbol "KERX" and on the Alternative Investment Market of the London Stock Exchange under the symbol "KRX." The Nasdaq shares may be exchanged for AIM

shares, and vice versa, through the applicable procedures of the relevant clearing agency.

SUMMARY OF OUR CERTIFICATE OF INCORPORATION AND BYLAWS

Objects of the Company

Our certificate of incorporation provides that we are permitted to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law.

Variation of Capital

No change in the aggregate number of authorized shares of a class, increase or decrease in par value of shares of such class, nor any change in the powers, preferences or special rights of such class so as to affect them adversely, may be effected unless a majority of the outstanding shares of such class have voted in favor.

Reduction of Capital

Our certificate of incorporation and bylaws contain no provisions relating to reduction of capital.

Issue of Shares

Our bylaws permit our board to make such rules and regulations as it deems expedient, not inconsistent with our bylaws, concerning the issuance of certificates for shares of our stock. Under Delaware law, our board may issue shares of our capital stock in exchange for such consideration as it deems appropriate, provided that such consideration shall not be less than the par value of the shares issued.

Transfer of Shares

Shares of our common stock are transferable except to the extent such transfer violates a restriction on transfer. Our certificate of incorporation and bylaws currently do not contain any restrictions on transfer. No restriction on transfer of shares that are owned by any person or group of persons may be binding on the holders of shares issued prior to the adoption of the restriction unless the holders of the shares are parties to an agreement providing for the restriction or voted in favor of the restriction. Our board may make such rules and regulations as it deems expedient concerning the issue, transfer and registration of certificates for shares of our capital stock.

Dividends

Such dividends as are declared and paid, in cash, in property or in shares of capital stock, pursuant to a resolution of our board at any regular or special meeting may be paid out of surplus or, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. No dividends may be declared or paid out of such net profits for so long as our capital is diminished to an amount less than the aggregate amount of capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets. The directors have absolute discretion to set aside out of any funds available for dividends such sums as they deem proper as a reserve to meet contingencies, or to equalize dividends, or to repair or maintain any of our property, or for any proper purpose. Our board may also abolish such reserve.

Unclaimed Dividends

Delaware law provides that dividends declared with respect to shares of stock of a Delaware corporation that remain unclaimed for a period of five years or more devolve to the State of Delaware if at the end of such five-year period the issuer does not know the location of the owner.

Stockholder Meetings

Annual meetings of our stockholders may be held at such time, date and place as our board of directors determines by resolution. Our board of

directors may call special meetings of our

stockholders at any time. Notice of every meeting of our stockholders will be given no more than 60 and no less than 10 days before the meeting. Prior notice is not required for action by written consent in lieu of a stockholders' meeting. Unless otherwise provided by law, the holders of shares of our stock representing the majority of the outstanding voting interests will constitute a quorum.

Delivery of Stock Certificates

Each owner of our stock is entitled to have a certificate or certificates in the form prescribed by our board of directors certifying the number and class of shares of our stock owned by him.

Borrowing

Under Delaware law, we have the power to borrow money at such rates of interest as we may determine and to issue debt instruments.

Interested Transactions

No contract or transaction between us and one or more of our directors or any other corporation, partnership, association or other organization in which one or more of the directors are directors or officers or have a financial interest shall be void or voidable solely because the director is present at or participates in the meeting of the board of directors or committee which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if:

- the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the board of directors, and the board of directors in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors are less than a quorum;

- the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the disinterested stockholders; or

- the contract or transaction is fair as to our company as of the time it is authorized, approved or ratified, by the board of directors. Interested directors may be counted for the purpose of determining the presence of a quorum at a meeting of the board of directors or of a committee which authorizes the contract or transaction.

Amendments

Our certificate of incorporation can be amended by a majority vote of our stockholders, except for certain matters for which Delaware law requires supermajority approval. Our bylaws can be amended by a majority vote of our stockholders or by a majority vote of our board of directors, except for amendments providing for a staggered board, which require stockholder approval.

OUR AUTHORIZED AND ISSUED CAPITAL

History of Authorized and Issued Capital

On October 26, 1998, we issued 6,900,000 shares of common stock at $0.001 per share.

On November 17, 1999, in connection with the KinAce license agreement, we issued 805,538 shares of our common stock to CMCC. On November 19, 1999, in connection with our entry into a consulting agreement with Professor Shmuel Ben-Sasson, we issued 402,768 shares of our common stock to him.

On November 17, 1999, the directors designated 170,000 shares of our preferred stock as Series A convertible preferred stock, par value $0.001 each. This preferred stock will convert into 8,761,800 shares of common stock, which will take effect on the closing of this offering.

In November and December 1999, a total of 79,465 shares of our Series A convertible preferred stock was issued for $100 per share.

In January 2000, a total of 39,180 shares of our Series A convertible preferred stock was issued for $100 per share.

On June 14, 2000, our board of directors declared a common stock dividend of one share for each two shares held by a stockholder as of July 15, 2000, which will take effect on the closing of this offering.

On June 26, 2000, our stockholders approved an increase in our authorized capital stock from 20,000,000 to 40,000,000 shares of common stock, par value $0.001, which increase will take effect on the closing of this offering.

TAX CONSIDERATIONS

United States

The following is a summary of the material US federal income tax consequences relevant to the purchase, ownership and disposition of our common stock. The following summary is not binding on the US Internal Revenue Service, or IRS, and the IRS could take an opposing view with respect to the tax consequences described below.

This summary is based on the current provisions of the Internal Revenue Code of 1986, as amended, Treasury regulations and judicial and administrative authority, all of which are subject to change, possibly on a retroactive basis. This summary applies only to persons who hold common stock as capital assets, within the meaning of section 1221 of the Internal Revenue Code. This summary does not discuss the tax consequences to special classes of investors, including:

- brokers or dealers in securities or currencies;
- financial institutions;
- tax-exempt entities;
- life insurance companies;
- persons holding common stock as a part of a hedging, short sale, conversion or straddle transaction;
- persons who are US Holders (as defined below) whose functional currency is not the US dollar;
- persons who hold common stock through partnerships or other pass-through entities; or
- except as specifically noted, foreign holders and certain US expatriates.

Other than UK tax consequences, which are discussed below, state, local and foreign tax consequences of ownership of our common stock are not summarized.

We have not requested, and do not intend to request, any rulings from the IRS concerning the federal income tax consequences of an investment in our common stock. Prospective US Holders are advised to consult with their tax advisors regarding the consequences of acquiring, holding or disposing of our common stock in light of current tax laws, their particular investment circumstances, and the application of state, local and foreign tax laws.

References in the summary to a "US Holder" mean a beneficial owner of our common stock that is:

- a citizen or resident of the US for US federal income tax purposes;

- a corporation created or organized in the US or under the laws of the US or of any political subdivision thereof;

- an estate whose income is includable in gross income for US federal income tax purposes regardless of its source; or

- a trust if a court within the US is able to exercise primary supervision of the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust or a trust that has a valid election in effect under applicable US Treasury regulations to be treated as a US person.

References in the summary to a "Non-US Holder" mean a beneficial owner of our common stock that is not a US Holder.

US Holders

Taxation of Dividends

A cash distribution on our common stock will be treated as a dividend to the extent of our current or accumulated earnings and profits allocable to the distribution as determined under US federal income tax principles. The amount of our earnings and profits at any time will depend upon our future actions and financial performance. If the amount of the distribution exceeds current and accumulated earnings and profits allocable to the distribution, the distribution will be treated as a non-taxable return of capital and will be applied against and reduce the US Holder's adjusted tax basis in our common stock, but not below zero. The reduction in tax basis will increase the amount of any gain, or reduce the amount of any loss, that the US Holder would otherwise realize on the sale or other taxable disposition of our common stock. If the distribution exceeds both our current and accumulated earnings and profits allocable to the distribution and the US Holder's adjusted tax basis in our common stock, the excess will be treated as capital gain and will be either long-term or short-term capital gain, depending on the US Holder's holding period for our common stock.

Corporate investors in our common stock generally should be eligible for the 70% dividends-received deduction with respect to the portion of any distribution on our common stock taxable as a dividend. However, corporate investors should consider certain provisions that may limit the availability of the dividends-received deduction, including:

- the 46-day holding period required by section 246(c) of the Internal Revenue Code,

- the rules in section 246A of the Internal Revenue Code that reduce the dividends-received deduction for dividends on certain debt-financed stock, and

- the rules in section 1059 of the Internal Revenue Code that reduce the basis of stock in respect of certain extraordinary dividends.

Corporate investors should also consider the effect of the dividends-received deduction on the determination of alternative minimum tax liability.

Taxation of Capital Gains

If a US Holder sells or disposes of our common stock in a taxable transaction, the US Holder will recognize capital gain or loss equal to the difference between the amount of cash and the fair market value of property received and the US Holder's adjusted tax basis in the common stock disposed. The gain or loss will be long-term capital gain or loss if the US Holder's holding period for the common stock exceeds one year. For corporate taxpayers, long-term capital gains are taxed at the same rate as ordinary income. For individual taxpayers, net capital gains -- the excess of the taxpayer's net long-term capital gains over his or her net short-term capital losses -- are subject to a maximum tax rate of 20%.

Non-US Holders

Taxation of Dividends

Cash distributions received in respect of our common stock by a person that is a Non-US Holder, to the extent considered dividends for US federal income tax purposes, generally will be subject to withholding of US federal income tax at a 30% rate or at a lower rate specified by an applicable income tax treaty, unless the dividend is effectively connected with the Non-US Holder's conduct of a trade or business within the US or, where a tax treaty applies, is attributable to a US

permanent establishment maintained by the Non-US Holder. The US withholding tax rate on dividends paid by us to an individual who is a tax resident of the UK will be 15%. The US withholding tax rate on dividends paid by us to a UK corporation that owns 10% or more of our voting stock will be 5%.

If the dividend is effectively connected with the Non-US Holder's conduct of a trade or business within the United States or, where a tax treaty applies, is attributable to the Non-US Holder's US permanent establishment, the dividend will be subject to US federal income tax on a net income basis at applicable graduated individual or corporate rates and will be exempt from the withholding tax. In addition, such dividends may, under some circumstances, be subject to an additional "branch profits tax" at a 30% rate or at a lower rate specified by an applicable income tax treaty.

For purposes of obtaining a reduced rate of withholding under an income tax treaty, the Non-US Holder will be required to provide information concerning the Non-US Holder's country of residence and entitlement to tax treaty benefits on an appropriate form, currently IRS Form 1001 or Form W-8BEN. However, where a Non-US Holder is required to file a form after December 31, 2000 to obtain a reduced rate of withholding under an income tax treaty, whether by reason of the expiration of a form filed earlier or otherwise, such Non-US Holder will be required to file IRS Form W-8BEN and may be required to provide a taxpayer identification number thereon. If the Non-US Holder claims exemption from withholding with respect to dividends effectively connected with the Non-US Holder's conduct of a business within the US, the Non-US Holder must provide appropriate certification, currently IRS Form 4224 or Form W-8ECI, to us or our paying agent. If the Non-US Holder is eligible for a reduced rate of US federal withholding tax under an income tax treaty, the Non-US Holder may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund.

If a distribution exceeds our current and accumulated earnings and profits allocable to the distribution, it will be treated first as a return of the Non-US Holder's tax basis in our common stock to the extent of the Non-US Holder's adjusted tax basis in our common stock and then as gain from the sale of a capital asset, which would be taxable as described below. Any withholding tax on distributions in excess of our current and accumulated earnings and profits will be refundable to the Non-US Holder upon the timely filing of an appropriate claim for refund with the IRS.

Under currently applicable Treasury regulations, dividends paid to an address outside the US are presumed to be paid to a resident of that country unless the payor has knowledge to the contrary, for purposes of the withholding discussed above, and, under the current interpretation of these Treasury regulations, for purposes of determining the applicability of a tax treaty rate. Under Treasury regulations currently scheduled to be effective with respect to dividends paid after December 31, 2000, a Non-US Holder of our common stock that wishes to claim the benefit of an applicable treaty rate, and to avoid backup withholding as discussed below, will be required to satisfy applicable certification and other requirements. However, under either set of regulations, some payments to foreign partnerships and other fiscally transparent entities may not be eligible for a reduced rate of withholding tax under an applicable income tax treaty.

Taxation of Capital Gains

Generally, Non-US Holders will not be subject to US federal income tax on any gain recognized upon the sale or other disposition of our common stock. However, a Non-US Holder will be subject to federal income tax on the gain if:

(1) the gain is effectively connected with the Non-US Holder's US trade or business or, if a tax treaty applies, attributable to the Non-US Holder's US permanent establishment;

(2) the Non-US Holder is an individual who is a former citizen of the US who lost US citizenship within the preceding ten-year period, or a former long-term resident of the US who relinquished US residency on or after February 6, 1995, and the loss of citizenship or permanent residency had as one of its principal purposes the avoidance of US tax; or

(3) the Non-US Holder is a non-resident alien individual, the Non-US Holder is present in the US for 183 or more days in the taxable year of disposition and either (a) the Non-US Holder has a "tax home" in the US for US federal income tax purposes or (b) the gain is attributable to an office or other fixed place of business that the Non-US Holder maintains in the US.

The Non-US Holder will also be subject to US federal income tax on any gain from the sale of our common stock if we are or have been a "US real property holding corporation" within the meaning of section 897(c)(2) of the Internal Revenue Code at any time the Non-US Holder held the stock, or within the five-year period preceding the sale of the stock if the Non-US Holder holds the stock for more than five years. We believe that:

- we are not now a "US real property holding corporation";
- we have not been a "US real property holding corporation" at any time since we were formed; and
- based on the assumption that the fair market value of the US real property interests of each company in our group will continue to be less than 50 percent of the sum of the fair market value of our real property interests plus the fair market value of any other assets in the US that are used in a business, we should not be a "US real property holding corporation" in the future.

If we were a "US real property holding corporation" or were to become a "US real property holding corporation," the Non-US Holder would be subject to US federal income tax on any gain from sale of common stock if the Non-US Holder beneficially owned, or had owned at any time during the specified five-year period, more than 5% of the total fair market value of the class of stock the Non-US Holder sold.

Estate Tax

If a Non-US Holder is an individual Non-US Holder, common stock the Non-US Holder holds or is treated as owning at the time of death will be included in the Non-US Holder's US gross estate for US federal estate tax purposes and may be subject to US federal estate tax, unless an applicable estate tax treaty provides otherwise. The Estate and Gift Tax Treaty between the UK and the US generally exempts from the US federal estate tax common stock held by an individual who at the time of his death is domiciled in the UK.

Information Reporting and Backup Withholding

We generally will be required to report to certain US and Non-US Holders and to the IRS the amount of any dividends paid to the US and Non-US Holder in each calendar year and the amounts of tax withheld, if any, with respect to the dividend payments. Copies of the information returns reporting the dividends and withholding may also be made available to the tax authorities in the country in which a Non-US Holder resides under the provisions of an applicable income tax treaty.

Each holder of common stock, other than an exempt holder such as:

- a corporation, tax-exempt organization, or qualified pension or profit sharing trust,
- an individual retirement account, or

- a non-resident alien individual who provides certification as to his or her status as a nonresident,

will be required to provide, under penalties of perjury, a certification setting forth:

- the holder's name, address and correct federal taxpayer identification number, and

- a statement that the holder is not subject to backup withholding.

If a non-exempt US or Non-US Holder fails to provide the required certification, we will be required to withhold 31% of the amount otherwise payable to the US or Non-US Holder, and remit the withheld amount to the IRS as a credit against the US or Non-US Holder's federal income tax liability. However, no backup withholding will be required with respect to any payment subject to the 30% US withholding tax (or lower treaty rate) discussed above. US or Non-US Holders should consult their own tax advisors regarding qualification for exemption from backup withholding and the procedure for obtaining any applicable exemption.

The IRS has finalized Treasury regulations regarding the backup withholding and information reporting rules which are effective for payments made after December 31, 2000, subject to certain transition rules. In general, these regulations unify certification procedures and forms and clarify and modify reliance standards. Among other provisions, these regulations also include the new provisions discussed below regarding sales of stock outside the US by or for a broker. A Non-US Holder should consult its own tax advisor regarding the application of the new regulations.

Payment of the proceeds of a sale of our common stock by or through a US office of a broker will be subject to both backup withholding and information reporting unless the beneficial owner certifies under penalties of perjury that it is a Non-US Holder or otherwise establishes exemption. In general, backup withholding and information reporting will not apply to a payment of the proceeds of a sale of common stock by or through a foreign office of a broker. If, however, the broker is, for US federal income tax purposes:

- a US person,

- a "controlled foreign corporation,"

- a foreign person, 50% or more of whose gross income is effectively connected with a US trade or business for a specified three-year period, or

- for taxable years beginning after December 31, 2000, a foreign partnership in which one or more US persons, in the aggregate, own more than 50% of the income or capital interests in the partnership or if the partnership is engaged in a trade or business in the US,

payment of the proceeds will be subject to information reporting, but not backup withholding, unless:

- the broker has documentary evidence in its records that the beneficial owner is a Non-US Holder and certain other conditions are met, or

- the beneficial owner otherwise establishes an exemption.

For payments after December 31, 2000, certification will be required in the case of the disposition of shares of common stock held in an offshore account if the disposition is made through a foreign broker described in the immediately preceding paragraph.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the US or Non-US Holder's US federal income tax liability, provided the required information is furnished to the IRS.

The foregoing discussion is for general information and is not tax advice. Accordingly, each US or Non-US Holder of our common stock should consult its tax advisor as to the particular tax consequences to it of our common stock, including the applicability and effect of any state, local or foreign income

tax laws, and any recent or prospective changes in applicable tax laws.

United Kingdom

The comments below are of a general nature and are based on current UK law and Inland Revenue practice at the date of this prospectus and the provisions of the double taxation treaty between the UK and the US. The summary only covers the principal UK tax consequences of holding common stock for holders of common stock (1) who are resident or ordinarily resident in the UK for tax purposes; (2) who are not resident in the US; and (3) who do not have a permanent establishment or fixed base in the US with which the holding of common stock is connected ("UK Holders"). In addition, the summary (1) only addresses the tax consequences for UK Holders who hold our common stock as an investment; (2) assumes that the UK Holder is not a company that either directly or indirectly controls 10% or more of the voting power of our company; and (3) assumes that the UK Holder does not hold the common stock in trust.

Taxation of Dividends

A dividend paid by us may, depending on the circumstances of the person entitled to it, be subject to US tax. Under the current double tax treaty between the UK and the US, the amount of any tax withheld at source on dividends paid by us to a UK Holder will be limited to 15% in normal circumstances where the UK Holder is subject to UK tax on the dividend concerned.

Where a UK Holder is entitled to a dividend from us, the dividend may, depending upon the UK Holder's particular circumstances, be subject to UK income tax or corporation tax. A credit for US withholding tax should be given against any UK tax liability in respect of the dividend.

Where a UK paying agent makes a payment in respect of a dividend payable in respect of our common stock, that person will be required to withhold on account of UK income tax at the lower rate (currently 10%), subject to any setoff of foreign withholding tax. Assuming a 15% US withholding, no additional UK withholding will therefore be due. The payment may not, in any case, be a relevant payment, and therefore not subject to UK withholding tax, in a number of circumstances including:

- the common stock is held in a "recognized clearing system" (Euroclear and Cedel have each been designated as a "recognized clearing system" as such) and payments are made by the UK paying agent directly into this system or to its depository;

- the beneficial owner of the common stock and the related dividends is not resident in the UK or is specified by regulations;

- the dividends are payable to trustees of certain qualifying discretionary and accumulation trusts where the trustees are not resident in the UK and none of the beneficiaries of the trust are resident in the UK;

- the person beneficially entitled to the dividends is eligible under specified provisions for relief from UK tax in respect of the dividends; or

- the dividends fall to be treated as the income of, or of the government of, a sovereign power or of certain international organizations.

In each case the exemption is subject to any requirements under the paying agent scheme which have to be satisfied, such as a requirement that a declaration in the form required by law be

given, on the occasion of each payment or otherwise, as the case may be, to the person by whom, through whom or to whom the payment is made.

Where a UK person acts as a collecting agent, i.e., in the course of his trade or profession:

- acts as a custodian of the common stock and receives dividends, or directs that dividends be paid to another person, or consents to such payment;

- collects or secures payment of, or receives dividends on, the common stock for another person (except by means of clearing a cheque or arranging for the clearing of a cheque); or

- otherwise acts for another person in arranging to collect or secure payment of dividends on the common stock;

that person will be required to withhold on account of UK income tax at the lower rate (currently 10%) subject to any setoff of foreign withholding tax. Assuming a 15% US withholding, no additional UK withholding will therefore be due. The payment may not in any case be a relevant receipt (and therefore not subject to UK withholding tax) if:

- the common stock is held in a "recognized clearing system" (Euroclear and Cedel amongst others have been designated as such) and payments are made by the UK collecting agent into this system or to its depository;

- the beneficial owner of the common stock and the related dividends is not resident in the UK or is specified by regulations;

- the dividends are payable to trustees of certain qualifying discretionary and accumulation trusts where the trustees are not resident in the UK and none of the beneficiaries of the trust are resident in the UK;

- the person beneficially entitled to the dividends is eligible under specified provisions for relief from UK tax in respect of the dividends; or

- the dividends fall to be treated as the income of, or of the government of, a sovereign power or of certain international organizations.

In each case the exemption is subject to any requirements under the collecting agent scheme which have to be satisfied such as a requirement that a declaration in the form required by law be given, on the occasion of each payment or otherwise, as the case may be, to the person by whom, through whom or to whom the payment is made.

Finance Bill 2000

The Finance Bill published on April 7, 2000 includes draft provisions whereby the obligations on paying and collecting agents to withhold tax as described above would be abolished in respect of payments and receipts on or after 1 April 2001 and instead the Inland Revenue would be given powers to obtain information from such paying and collecting agents.

The Finance Bill also contains various provisions which are designed to improve the arrangements whereby the Inland Revenue exchanges information with other countries.

The Finance Bill is due to be enacted in July 2000 and the draft provisions referred to above could change prior to that date.

Taxation of Capital Gains

A gain arising to a UK Holder will not normally be subject to tax in the US. The disposal or deemed disposal of our common stock by a UK Holder will generally give rise to a chargeable gain

or an allowable loss for the purposes of UK taxation of capital gains. In the case of a UK Holder which is a company, an indexation allowance can be used to reduce or eliminate the gain but not to create or increase an allowable loss. If the UK Holder is an individual, in certain circumstances a tapering relief may be available to reduce a capital gain. A UK Holder who is an individual is entitled to an annual exemption from tax on capital gains, currently up to (Pounds)7,200.

A UK Holder subject to capital gains tax in the US on a disposal or deemed disposal of common stock should be entitled to a credit for such US taxation against his or her liability to UK tax.

Stamp Duty and Stamp Duty Reserve Tax

No Stamp Duty Reserve Tax ("SDRT") will be payable on an agreement to transfer shares of common stock unless they are registered in a register kept in the UK on behalf of our company (a "UK Register"). No liability to UK stamp duty will arise on a transfer of common stock provided that the instrument of transfer is executed outside the UK, unless it relates to something done or to be done in the UK.

UK stamp duty is generally paid at the rate of 0.5% of the price paid with the duty rounded up to the next (Pounds)5. SDRT is generally paid at the rate of 0.5% of the price paid.

Any instrument effecting or evidencing the transfer of common stock kept on a UK Register will not be admissible as evidence in UK civil proceedings unless duly stamped. There are no current proposals to register our shares of common stock on a UK Register.

Inheritance Tax

UK inheritance tax may be chargeable on the death of, or in certain circumstances on a gift of common stock by, the owner of common stock where the owner is an individual who is either (a) domiciled or is deemed to be domiciled in the UK, or (b) not domiciled in the UK and the common stock is primarily dealt with on a UK Register.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has not been any public market for our common stock. Sales of substantial amounts of common stock in the public market, or the perception that such sales could occur, could adversely affect the market price of the common stock and could impair our future ability to raise capital through the sale of equity securities.

Upon the closing of this offering, there will be an aggregate of 18,823,268 shares of common stock outstanding, assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options or warrants. Of the outstanding shares, the 4,600,000 shares being sold in this offering will be freely tradable, except that any shares held by our affiliates may only be sold in compliance with the limitations described below. Those 14,223,268 shares of common stock which are held by our current stockholders will be deemed "restricted securities" that may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144 or 701 under the Securities Act. These rules are summarized below.

Subject to the lock-up agreements described elsewhere in this prospectus and the provisions of Rules 144 and 701, shares in addition to those being offered by this prospectus will be available for sale in the public market as follows:

Number of Shares	Date
None	Immediately after the date of this prospectus
1,520,635	At various times 110 days after the date of this prospectus (subject to limitations in volume and manner of sale)
5,322,980	180 days after the date of this prospectus (subject to limitations in volume and manner of sale)
7,379,654	One year after the date of this prospectus

Approximately 180 days after completion of this offering, we intend to file a registration statement on Form S-8 under the Securities Act to register all of the shares of common stock reserved for future issuance under our stock

option plans. Based on the number of shares reserved for issuance as of June 30, 2000 this registration statement would cover approximately 8,685,000 shares. As of June 30, 2000, there was an aggregate of 4,480,032 options outstanding. Shares registered under the registration statement will generally be available for sale in the open market after the lock-up agreements expire.

In general, under Rule 144, as currently in effect, a person who owns shares that were acquired from the issuer or an affiliate of the issuer at least one year prior to the proposed sale is entitled to sell, within any three-month period commencing 90 days after the date of the prospectus, a number of shares that does not exceed the greater of 1% of the then outstanding shares of common stock (approximately 188,000 shares immediately after this offering, assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options or warrants) or the average weekly trading volume in the common stock during the four calendar weeks preceding the date on which notice of that sale is filed, subject to certain additional public information and notification requirements. In addition, if the shares were acquired from the issuer or an affiliate of the issuer at least two years prior to the proposed sale, a person who has not been an affiliate of the issuer during the preceding three months is entitled to sell those shares under Rule 144(k) without regard to the requirements described above.

In addition, any of our employees, directors, consultants or officers who purchased shares pursuant to a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701 of the Securities Act, which permits non-affiliates to sell their Rule 701 shares without

having to comply with the public information, holding period, volume limitation or notice provisions of Rule 144 and permits affiliates to sell their Rule 701 shares without having to comply with the holding period restrictions of Rule 144, in each case commencing 90 days after the date of this prospectus.

As of the date of this prospectus, options to purchase a total of 4,387,032 shares of common stock are outstanding, of which options to purchase 3,274,032 shares are currently exercisable and 794,922 warrants are outstanding. Subsequent to the closing of this offering, we intend to file a registration statement to register 4,230,000 shares of common stock reserved for issuance under our option plan. That registration statement will automatically become effective upon filing. Accordingly, shares issued upon the exercise of stock options granted under our option plan will be eligible for resale in the public market from time to time, subject to vesting restrictions and, in the case of some of the options, to lock-up agreements. See "Underwriting." At the closing of this offering, 419,922 shares of common stock will be issuable upon the exercise of outstanding warrants.

Beginning 12 months after this offering, some holders of our common stock will have rights to have their shares registered for resale under the Securities Act. See "Description of Our Corporate Structure and Capital Stock--Registration Rights of Stockholders."

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement, dated 2000, we have agreed to sell to the underwriters named below the following respective numbers of shares:

U.S. Underwriters	Number of Shares
Roth Capital Partners, Inc.	
Gruntal & Co., L.L.C.	
Subtotal	
International Underwriter	
WestLB Panmure Limited	

Total	

Roth Capital Partners, Inc. and WestLB Panmure Limited are acting as the Global Coordinators in connection with this offering. Roth Capital Partners, Inc. and Gruntal & Co., L.L.C. are acting as the US representatives for the several US underwriters.

All sales in the US will be made through US registered broker-dealers. The underwriting agreement provides that the underwriters are obligated to purchase (or in the case of the International Underwriter procure purchasers for) all of the common stock in this offering other than the common stock covered by the over-allotment option described below. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or this offering of common stock may be terminated.

The underwriters propose to offer the common stock initially at the public offering price listed on the cover page of this prospectus and to selling group members at that price less a concession of $ per share. The underwriters and selling group members may allow discounts of $ per share on sales to other broker-dealers. After this offering, the public offering price and concessions and discounts to dealers may be changed by the Global Coordinators.

The following table summarizes the compensation and estimated expenses we will pay:

	Per Share		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment
Underwriting discounts and commissions paid by us	$	$	$	$
Expenses payable by us	$	$	$	$

Pursuant to the agreement among the US and international underwriters, each US underwriter has agreed that, as part of its distribution of the common stock and subject to specified exceptions, it has not offered or sold, and will not offer or sell, directly or indirectly, any common stock or distribute any prospectus relating to the common stock to any person outside the United States or Canada or to any other dealer who does not so agree. The international underwriter has agreed that, as part of its distribution of our common stock, it has not offered or sold, and will not offer or sell, directly or indirectly, any common stock or distribute any prospectus relating to the common stock in the United States or Canada. The foregoing limitations do not apply to stabilization transactions or to transactions between the US and international underwriters. As used herein, "United States" or "US" means the United States of America, including each state and the District of Columbia, its territories, possessions and other areas subject to its jurisdiction. "Canada" means Canada, its provinces, territories, possessions and other areas subject to its jurisdiction. An offer or sale shall be in the United States or Canada if it is made to (1) any individual resident in the United States or Canada or (2) any corporation, partnership, pension, profit-sharing or other trust or entity, including any such entity acting as an investment adviser with discretionary authority, whose office most directly involved with the purchase is located in the United States or Canada.

We have agreed not to offer, sell or contract to sell or otherwise dispose of, directly or indirectly, or announce the offering of any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock, for a period of 90 days after the date of this prospectus without the prior written consent of the Global Coordinators. This

limitation does not apply to the issuance of shares pursuant to:

- the conversion or exchange of convertible or exchangeable securities existing on the date of this prospectus;
- the exercise of warrants, options or subscription rights existing on the date of this prospectus; or
- grants of employee stock options under the terms of a plan in effect on the date of this prospectus (provided the options are granted or issued at an exercise price not less than fair market value) and the exercise of these options.

In connection with the AIM admission rules, the following persons have agreed not to dispose of any interest in their common stock for a period of one year from the date of our admission to AIM:

Lindsay A. Rosenwald	Morris Laster
Paramount Capital, Inc.	Ira Weinstein
Paramount Capital Investments LLC	Bob Trachtenberg
Peter M. Kash	Michael Spero
Mark C. Rogers	Benjamin W. Corn
Shmuel Ben-Sasson	Wayne Rothbaum
Mark A. Rachesky	S. Leslie Misrock

The restrictions on disposal do not apply in the event of an intervening court order or a takeover offer for us becoming or being declared unconditional.

In addition to those persons who have agreed to the one-year lock-up, our beneficial owners who hold in excess of 112,500 shares and who have not otherwise agreed to the one-year lock-up as described above, and some of our employees have agreed, subject to specified exceptions, not to, directly or indirectly, offer, sell, contract to sell, pledge, hypothecate or otherwise dispose of any common stock or any options or warrants to purchase any common stock, or any securities convertible into or exchangeable for common stock owned as of the date of this prospectus, without the prior written consent of the Global Coordinators. This restriction terminates after the close of trading of our common stock on the 180th day following the date of this prospectus. However, the Global Coordinators may, in their sole discretion and at any time or from time to time before the termination of the 180-day period, without notice, release all or any portion of the securities subject to lock-up agreements. There are no existing agreements between the Global Coordinators and any of our stockholders who have executed a lock-up agreement providing consent to the sale of shares prior to the expiration of the lock-up period.

We have agreed to indemnify the underwriters against liabilities under the Securities Act as described in the underwriting agreement, or contribute to payments which the underwriters may be required to make in respect thereof.

Prior to this offering, there has been no public market for our common stock. The initial public offering price for our common stock has been determined by negotiation between us and the underwriters. Among the factors considered in determining the initial public offering price were prevailing market and economic conditions, our financial conditions and results of operations, market valuations of other companies engaged in activities similar to ours, estimates of our business

potential and prospects, the present state of our business operations, our management and other factors deemed relevant. We cannot assure you that a regular trading market for our common stock can be sustained. The price at which our common stock will sell in the public markets after this offering may be lower than the price at which our common stock is sold by the underwriters in this offering.

At our request, the underwriters have reserved up to 230,000 shares of common stock for certain of our directors, employees and friends. The number of shares available for sale to the general public in the offering will be reduced to the extent these persons purchase any reserved shares. Any reserved shares not purchased by these persons will be offered to the general public and to

institutional investors on the same basis as the other shares offered pursuant to this prospectus.

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase or place in the offering. Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the common stock while the offering is in progress.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities by the underwriters may stabilize, maintain or affect the market price of the common stock. As a result, the price of our common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected on The Nasdaq National Market, the Alternative Investment Market, in the over-the-counter market or otherwise.

LEGAL MATTERS

The validity of common stock offered by this prospectus will be passed upon for us by Morgan, Lewis & Bockius LLP, New York, New York and for the underwriters by Baer Marks & Upham LLP, New York, New York.

EXPERTS

Our balance sheets as of December 31, 1997, 1998 and 1999, and the statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1999, have been included in this registration statement in reliance on the report of Somekh Chaikin, a member firm of KPMG International, independent accountants, given on the authority of that firm as experts in accounting and auditing. An independent expert's report has been prepared by PA Strategy Partners Ltd., independent technology experts.

WHERE YOU CAN FIND MORE INFORMATION

Securities and Exchange Commission Requirements

We have filed with the SEC a registration statement, of which this prospectus forms a part, on Form S-1 with respect to the common stock being offered by this prospectus. This prospectus does not contain all of the information included in the registration statement and its exhibits and schedules. For further information with respect to our company and the shares of common stock we are offering, reference is made to the registration statement, including its exhibits and schedules. Statements contained in this prospectus as to the contents of any contract or other document we refer to are not necessarily complete and, where such contract is an exhibit to the registration statement, each such statement is qualified in all respects by the provisions of such exhibit, to which such reference is made. As a result of this offering, we will become subject to the information and reporting requirements of the Securities Exchange Act of 1934, and we will file periodic reports, proxy statements and other information with the SEC. You may read and copy any document we file with the SEC at the SEC's Public Reference Room located at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. Information on the operation of the Public Reference Room is available by calling 1-800-SEC-0330. You may also read and copy any document we file with the SEC at the SEC's Regional Offices located at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and 7 World Trade Center, 13th Floor, New York, New York 10048. Upon approval of the common stock for quotation on the Nasdaq National Market, such reports, proxy and information statements and other information may also be inspected at the National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington, D.C. 20006.

The SEC maintains a World Wide Web site that contains reports, proxy and

information statements and other information regarding registrants that file electronically with the SEC. The address of the SEC's website is http://www.sec.gov.

Alternative Investment Market Requirements

Copies of this document will be available for collection at the offices of Morgan, Lewis & Bockius, 2 Gresham Street, London EC2V 7PE.

ADDITIONAL INFORMATION FOR THE ALTERNATIVE INVESTMENT MARKET

Copies of the following documents will be available for inspection at the offices of Morgan, Lewis & Bockius, 2 Gresham Street, London EC2V 7PE for 14 days from the day the SEC declares this registration statement effective during usual business hours on any weekday (Saturdays and public holidays excepted):

(i) our certificate of incorporation and bylaws;

(ii) the report by P.A. Strategy Partners Ltd. set out on pages A-1 to A-14 of this prospectus;

(iii) the report by Somekh Chaikin, a member firm of KPMG International, set out on pages F-1 to F-18 of this prospectus;

(iv) the contracts referred to in "Management--Employment Agreements";

(v) the rules of our 1999 Share Option Plan and our 2000 Share Option Plan;

(vi) our consolidated audited accounts for each of the years ended December 31, 1997, 1998 and 1999;

(vii) letters of consent from PA Strategy Partners Ltd. and Somekh Chaikin referred to below; and

(viii) copies of each of the sources referred to in this prospectus.

1. We expect that conditional dealings in the offered shares on the Alternative Investment Market will commence at 2:30 p.m. (London time) on , 2000 and that unconditional dealings will commence at 2:30 p.m. (London time) on 2000.

2. Each of Morgan, Lewis & Bockius LLP and Baer Marks & Upham LLP has given and has not withdrawn its written consent to the inclusion of its name in the form and context in which they appear.

3. PA Strategy Partners Ltd. has given and has not withdrawn its written consent to the issue of this prospectus with its name included in it and the references thereto in the form and context in which they appear and has authorized the inclusion of their report set out on pages A-1 to A-14 of this prospectus for the purposes of Regulation 13(1)(g) of the Public Offers of Securities Regulations 1995.

4. Somekh Chaikin, a member firm of KPMG International, Certified Public Accountants, has given and has not withdrawn its written consent to the inclusion in this prospectus of their report set out on pages F-1 to F-18 of this prospectus for the purposes of Regulation 13(1)(g) of the Public Offers of Securities Regulations 1995 and has not become aware since the date of such report of any matter affecting the validity of the report and accepts responsibility for such report.

5. Somekh Chaikin, a member firm of KPMG International, audited our consolidated balance sheets and the balance sheets of Partec Ltd., our predecessor company, and its subsidiaries and our subsidiary as of December 31, 1997, 1998 and 1999 and the related consolidated statements of operations, statements of changes in stockholders' equity and consolidated statements of cash flows for each of the three financial years ended December 31, 1999.

6. Shares of our common stock will be issued in registered form. Subject to our certificate of incorporation, our directors and executive officers may determine that any class of shares may be held in uncertificated form and title to such shares may be transferred by means of a relevant system, as defined in

the Uncertified Securities Regulations 1995, or that shares of any class should cease to be held and transferred as aforesaid. No temporary documents of title will be issued.

7. In our opinion, taking into consideration the net proceeds of the offering receivable by us, the working capital available to us is sufficient for our present requirements, that is, for at least 12 months from the date of our expected admission to listing on the Nasdaq National Market and the Alternative Investment Market.

8. In the opinion of the directors, the minimum amount which must be raised pursuant to the offering for the purposes set out in paragraph 21(a) of Schedule 1 to the Public Offers of Securities Regulations 1995 is:

(i)	the purchase price of properties	$Nil
(ii)	commissions and expenses	$5,000,000
(iii)	repayment of borrowings	$Nil
(iv)	working capital	$29,300,000

9. The following persons (excluding professional advisors otherwise disclosed in this document and trade suppliers) have received, directly or indirectly, from us in the past twelve months, or are entitled to receive pursuant to contractual agreements not otherwise disclosed in this document, fees totaling (Pounds)10,000 or more, or securities or any other benefit with a value of (Pounds)10,000 or more:

Name of person	Nature of relationship	Amount received
Yigal Arnon & Co.	Legal advisor	$ 40,170.78
Dr. Mark Friedman Ltd.	Patent attorney	$ 23,773.82
Hadasit Medical Research Services & Development Company, Ltd.	KinAce research	$ 25,087.17
Hoyle Consulting.....	KRX-101 consulting	$104,735.27
Kleinberg Kaplan Wolff & Cohen, P.C.	Legal advisor	$ 54,320,96
Leumi & Co. Underwriters Ltd.....	Private placement underwriters	$ 88,275.00
Pennie & Edmonds LLP.....	Patent attorney	$ 83,414.04
Waymack, Inc.....	KRX-101 consulting	$ 26,400.00

10. The directors will apply for the common stock to be admitted to CREST to take effect upon admission to the Alternative Investment Market. Accordingly, it is expected that the common stock will be enabled for settlement in CREST by means of the cross border link which exists between CREST for UK settlement and the Depository Trust Company for US settlement, following admission to AIM. Under the placing, placees who are system members (as defined in the POS Regulations) may elect to have their common stock allocated to them in uncertificated form through CREST.

11. Share certificates representing the shares of common stock to be issued pursuant to the offering are expected to be despatched to applicants by mail at their risk on admission to listing of the common stock on the Nasdaq National Market and the Alternative Investment Market. Temporary documents of title will not be issued in connection with the offering.

12. Except as stated in this prospectus, we do not have any significant investments in progress, nor are there any exceptional facts that have influenced the our development.

13. Monies received from applicants pursuant to the offering will be held by the Joint Global Coordinators until the offering becomes unconditional in all respects. If the offering does not become unconditional in all respects by

, 2000, monies will be returned to applicants promptly at their risk without interest.

14. Payment for our common stock must be made to the Joint Global Coordinators by midnight (London time) on , 2000.

15. The directors do not believe that following this offering there will be any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over us.

16. The directors are the persons responsible for the consolidated financial statements set out on pages F-1 to F-24 of this document which they confirm have been properly prepared in accordance with applicable law and they accept responsibility for them.

17. The financial statements set out on pages F-19 to F-24 of this prospectus were prepared for the purposes of complying with Securities and Exchange Commission requirements for the admission of our common stock to the Nasdaq National Market.

Directors

At the date of this document no director has had any convictions relating to criminal proceedings, has been bankrupt or has made or been the subject of any individual voluntary arrangements.

None of our directors has been a director of any company at the time of, or within twelve months preceding the date of, its receivership, compulsory liquidation, creditors' voluntary liquidation administration, company voluntary arrangements or any composition or arrangements with its creditors generally or any class of its creditors. None of our directors has been a partner of any assets of such partnership nor have any of their assets been the subject of receivership.

Our directors are currently, or have been in the past five years, directors or partners of the following companies or partnerships, as appropriate:

Name	Company or Partnership	Whether Position Still Held
Morris Laster, M.D.	Progenitor Inc.	No
Peter Morgan Kash	Paramount Capital, Inc.	Yes
	Paramount Capital Asset Management, Inc.	Yes
S. Leslie Misrock	Pennie & Edmonds LLP	Yes
	Cytogen Corporation	Yes
	DirectGene Inc.	Yes
	Molecular Staging, Inc.	Yes
	OANDA Corporation	Yes
	Timbrel Systems Inc.	Yes
	SerOptix Inc.	Yes
	Quintessential Technologies LLC	Yes
	Misrock Holdings LP	Yes
	NetStage Corporation	No
Mark H. Rachesky, M.D.	Samsonite Corporation	Yes
	Neose Technologies, Inc.	Yes

	Culligan Water Technologies, Inc.	No
	Cadus Pharmaceuticals	No
Lindsay A. Rosenwald, M.D.	Paramount Capital, Inc.	Yes
	Paramount Capital Investments LLC	Yes
	Paramount Capital Asset Management, Inc.	Yes
	Neose Technologies, Inc.	Yes
	Nephros, Inc.	Yes
	Discovery Laboratories, Inc.	No

Name	Company or Partnership	Whether Position Still Held
	Atlantic Pharmaceuticals, Inc.	No
	Avigen, Inc.	No
	Biocryst Pharmaceuticals, Inc.	No
	Titan Pharmaceuticals, Inc.	No
	VIMRx Pharmaceuticals, Inc.	No
	Zenometrix, Inc.	No
	Interneuron Pharmaceuticals, Inc.	No
	Sparta Pharmaceuticals, Inc.	No
Wayne Rothbaum	The Carson Group	Yes
	Enzon, Inc.	Yes
	Maxim Pharmaceuticals	Yes

Substantial Stockholders

Our directors are aware of the following interests of persons other than directors, direct or indirect, as of April 30, 2000, which will, following the offering, represent three percent or more of the issued share capital of our company.

Stockholder	Number of Shares of Common Stock Following the Offering	Percentage of Issued Common Stock Following the Offering(1)
Children's Medical Center Corporation.....	805,538	4.29%

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(1) This percentage assume no exercise of the over-allotment option.

As of the date of this prospectus and immediately following the offering, the interests of each director and their related persons in the share capital and options and warrants of Keryx are:

	Percentage of Issued	Number of

Name	Number of Shares of Common Stock	Percentage of Issued Common Stock(1)	Common Stock Following this Offering	Options or Warrants	Exercise Price	Exercise Period
Morris Laster, M.D.	--	--	--	1,522,100	$0.10	25 years
				450,000	$0.10	10 years
Peter Morgan Kash.....	867,750	6.10%	4.76%	37,500	$0.10	10 years
				75,000	$0.33	10 years
S. Leslie Misrock.....	--	--	--	37,500	$0.10	10 years
				22,500	$0.33	10 years
Mark Rachesky, M.D.	128,850(2)	0.90%	0.71%	60,000	$0.33	10 years
Lindsay A. Rosenwald, M.D. ..	5,817,536(3)	40.90%	32.92%	64,174(4)	$0.0067	10 years
				116,090(5)	$1.94	3 years
Wayne Rothbaum.....	--	--	--	60,000	$0.33	10 years

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(1) These percentages assume no exercise of the over-allotment option.

(2) Represents common stock issued upon the conversion of 2,500 shares of Series A preferred stock.

(3) Includes 320,786 shares of common stock issuable upon the conversion of 6,224 shares of Series A preferred stock.

(4) Includes 14,064 shares of common stock issuable upon the exercise of warrants held directly and 50,110 shares of common stock issuable upon the exercise of warrants held by Paramount Capital Investments LLC.

(5) Represents common stock issuable upon the exercise of warrants held by Paramount Capital, Inc.

INDEX TO FINANCIAL STATEMENTS

KERYX BIOPHARMACEUTICALS, INC.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1997, 1998 AND 1999

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of

Keryx Biopharmaceuticals, Inc.

When the transaction referred to in Note 11 of the Notes to Financial Statements has been consummated, we will be in a position to render the

following report.

Somekh Chaikin

Certified Public Accountants (Isr.)

A member firm of KPMG International

We have audited the accompanying consolidated balance sheets of Keryx Biopharmaceuticals, Inc. (the "Company") and its subsidiary, a development stage company, as of December 31, 1997, 1998 and 1999, and the related consolidated statements of operations, statements of changes in stockholders' equity and consolidated statements of cash flows for each of the years in the three-year period ended December 31, 1999, and for the development stage period. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiary, a development stage company, at December 31, 1997, 1998 and 1999, and the results of their operations, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1999, and for the development stage period, in conformity with generally accepted accounting principles in the United States.

Jerusalem, Israel

May 19, 2000, except for Note 11

as to which the date is June 28, 2000

KERYX BIOPHARMACEUTICALS, INC.
(DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 1997, 1998 AND 1999

	1997	1998	1999
Assets			
Current assets:			
Cash and cash equivalents	$ 647,232	$ 127,872	$ 4,126,735
Other receivables	51,038	46,579	85,685
Prepaid expenses	21,876	2,103	166,137
Total current assets	720,146	176,554	4,378,557
Long-term investments in respect of fundings for severance benefits	22,000	44,673	64,047
Fixed assets	83,370	193,643	160,141
Other assets	6,372	205,040	345,471
Total assets	$ 831,888	$ 619,910	$ 4,948,216
Liabilities And Stockholders' Equity			

Current liabilities:			
Accounts payable and accrued liabilities	$ 185,238	$ 333,137	$ 252,934
Related party	500,000	515	141,483
Total current liabilities	685,238	333,652	394,417
Liability in respect of employee severance benefits	22,000	81,344	117,736
Long-term loans from related party	1,006,362	445,500	--
Total liabilities	1,713,600	860,496	512,153
Stockholders' equity (deficit):			
Series A convertible preferred stock, $0.001 par value each (liquidation preference--$100 per share plus all declared but unpaid dividends)	--	--	79
Common stock, $0.001 par value each	--	--	1,208
Additional paid-in capital	6	3,180,547	19,712,951
Unearned compensation	--	--	(2,854,280)
Accumulated deficit	(881,718)	(3,421,133)	(12,423,895)
Total stockholders' equity (deficit)	(881,712)	(240,586)	4,436,063
Total liabilities and stockholders' equity	$ 831,888	$ 619,910	$ 4,948,216

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

KERYX BIOPHARMACEUTICALS, INC.
(DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1997, 1998 AND 1999

	1997	1998	1999	Amounts Accumulated During the Development Stage
Management fees from related company	$ 233,335	$ 66,662	$ --	$ 299,997
Expenses:				
Research and development expenses (including stock compensation expense of $0, $0 and $5,425,974 in 1997, 1998 and 1999, respectively)	568,859	1,406,993	6,922,797	8,898,649
General and administrative expenses (including stock compensation expense of $0, $0 and $587,734 in 1997, 1998 and 1999, respectively)	525,544	1,011,286	1,812,508	3,349,338
Total operating expenses	1,094,403	2,418,279	8,735,305	12,247,987

Operating loss.....	(861,068)	(2,351,617)	(8,735,305)	(11,947,990)
Financing expenses.....	10,872	157,351	257,487	425,710
Net loss before taxes on income.....	(871,940)	(2,508,968)	(8,992,792)	(12,373,700)
Taxes on income.....	9,778	30,447	9,970	50,195
Net loss.....	$ (881,718)	$(2,539,415)	$(9,002,762)	$(12,423,895)
Basic and diluted net loss per common share.....	$ (0.11)	$ (0.31)	$ (1.11)	$ (1.53)
Weighted average shares used in computing basic and diluted net loss per common share.....	8,108,306	8,108,306	8,108,306	8,108,306

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

KERYX BIOPHARMACEUTICALS, INC.
(DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1997, 1998 AND 1999

	Series A Preferred Stock	Common Stock	Additional Paid-In Capital	Unearned Compensation	Accumulated Deficit	Total
Balance at January 1, 1997.....	$ --	$ --	$ --	$ --	$ --	$ --
Changes during the year:						
Contributed capital.....	--	--	6	--	--	6
Net loss for the year...	--	--	--	--	(881,718)	(881,718)
Balance at December 31, 1997.....	--	--	6	--	(881,718)	(881,712)
Changes during the year:						
Contributed capital.....	--	--	3,180,541	--	--	3,180,541
Net loss for the year...	--	--	--	--	(2,539,415)	(2,539,415)
Balance at December 31, 1998.....	--	--	3,180,547	--	(3,421,133)	(240,586)
Changes during the year:						
Conversion of convertible note of Partec into stock in Keryx.....	--	--	2,973,376	--	--	2,973,376
Issuance of shares (net of issue expenses).....	79	1,208	4,691,040	--	--	4,692,327
Stock-based compensation.....	--	--	8,867,988	(2,854,280)	--	6,013,708
Net loss for the year...	--	--	--	--	(9,002,762)	(9,002,762)
Balance at December 31, 1999.....	$ 79	$1,208	$19,712,951	$(2,854,280)	$(12,423,895)	$4,436,063
Amounts accumulated during the development stage						
Issuance of shares (net of issue expenses).....	79	1,208	4,691,040	--	--	4,692,327
Contributed capital.....	--	--	3,180,547	--	--	3,180,547
Conversion of convertible note of Partec into stock in Keryx.....	--	--	2,973,376	--	--	2,973,376
Stock-based compensation.....	--	--	8,867,988	(2,854,280)	--	6,013,708

Net loss.....	--	--	--	--	(12,423,895)	(12,423,895)
Balance at December 31, 1999.....	$ 79	$1,208	$19,712,951	$(2,854,280)	$(12,423,895)	$ 4,436,063

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

KERYX BIOPHARMACEUTICALS, INC.
(DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1997, 1998 AND 1999

	1997	1998	1999	Amounts Accumulated During the Development Stage
Cash flows from operating activities:				
Net loss.....	$ (881,718)	$(2,539,415)	$(9,002,762)	$(12,423,895)
Adjustments to reconcile cash flows from operating activities:				
Revenues and expenses not involving cash flows:				
Employees' stock compensation expense..	--	--	4,964,797	4,964,797
Consultants' stock compensation expense..	--	--	1,048,911	1,048,911
Interest on convertible notes.....	--	--	252,966	252,966
Provision for employee severance benefits....	22,000	81,344	36,392	139,736
Depreciation.....	12,035	27,938	36,195	76,168
Changes in assets and liabilities:				
Decrease (increase) in other receivables.....	(47,938)	27,248	(38,641)	(59,331)
Increase in prepaid expenses.....	(21,876)	(2,103)	(164,034)	(188,013)
Increase in amounts due to related party.....	--	515	140,968	141,483
Increase (decrease) in accounts payable and accrued liabilities...	179,983	142,876	(80,833)	242,026
Net cash used for operating activities.....	(737,514)	(2,261,597)	(2,806,041)	(5,805,152)
Cash flows from investing activities:				
Investment in fixed assets, net of disposals.....	(95,370)	(138,141)	(2,058)	(235,569)
Investment in other assets.....	(6,372)	(199,637)	(140,431)	(346,440)
Fundings in respect of employee severance benefits.....	(22,000)	(44,673)	(19,374)	(86,047)
Net cash used for				

investing activities.....	(123,742)	(382,451)	(161,863)	(668,056)
Cash flows from financing activities:				
Receipt of short-term loans.....	500,000	--	--	500,000
Receipt of long-term loans.....	1,006,362	2,119,679	124,861	3,250,902
Issuance of convertible notes, net.....	--	--	2,150,000	2,150,000
Issuance of shares, net and contributed capital.....	6	--	4,692,327	4,692,333
Net cash provided by financing activities.....	1,506,368	2,119,679	6,967,188	10,593,235
Effect of exchange rate on cash.....	2,120	5,009	(421)	6,708
Net increase (decrease) in cash and cash equivalents.....	647,232	(519,360)	3,998,863	4,126,735
Cash and cash equivalents at beginning of year.....	--	647,232	127,872	--
Cash and cash equivalents at end of year.....	$ 647,232	$ 127,872	$ 4,126,735	$ 4,126,735
Non-cash transactions				
Conversion of short-term loans into contributed capital.....	$ --	$ 500,000	$ --	$ 500,000
Conversion of long-term loans into contributed capital.....	--	2,680,541	--	2,680,541
Conversion of long-term loans into convertible notes of Partec.....	--	--	570,361	570,361
Conversion of convertible notes of Partec and accrued interest into stock in Keryx.....	--	--	2,973,376	2,973,376
Declaration of stock dividend.....	--	--	402	402
Supplementary disclosures of cash flow information				
Cash paid during the year for interest.....	--	120,336	13,719	134,055
Cash paid during the year for income taxes...	--	--	--	--

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

KERYX BIOPHARMACEUTICALS, INC.
(DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1997, 1998 AND 1999

Note 1--Organization and Summary of Significant Accounting Policies:

Keryx Biopharmaceuticals, Inc. (the "Company") was incorporated in Delaware in October 1998 (under the name Paramount Pharmaceuticals, Inc.) and commenced

activities in November 1999 as the successor company to Partec Limited (see Consolidated Financial Statements below). At the same time, the Company's name was changed to Lakaro Biopharmaceuticals, Inc. and was subsequently changed to Keryx Biopharmaceuticals, Inc. in January 2000. The Company owns a 100% interest in Keryx Israel Limited (the "subsidiary"), incorporated in Israel, and together with its subsidiary is engaged in biopharmaceutical research and development.

At present, substantially all of the Company's activities are in Israel and, therefore, the Company has one geographical segment. The Company operates in one segment of operations, namely the development and commercialization of clinical compounds and core technologies for the life sciences. The Company intends to expand its activities in the US beginning in the year 2000.

The Company is in the development stage and has not had revenues from its planned principal operations. Revenues in 1998 and 1997 arise from provision of management services to a related company. The Company is dependent upon significant financing to fund the working capital necessary to execute its business development plan. There can be no assurance that the Company will be able to obtain additional financing.

These consolidated financial statements include the Company's activities for the three years ended December 31, 1999 and amounts accumulated during the development stage.

Consolidated Financial Statements

The accompanying consolidated financial statements for the three years ended December 31, 1999 have been prepared in order to present the financial position, results of operations and cash flows relating to the Company's activities for all periods covered by the statements. Until November 1999, most of the Company's activities were carried out by Partec Limited, an Israeli corporation formed in December 1996, and its subsidiaries (hereinafter collectively referred to as "Partec"). The subsidiaries of Partec during the period prior to November 1999 were SignalSite Inc. (85% owned) and its wholly owned subsidiary, SignalSite Israel Ltd., and Vectagen Inc. (87.25% owned) and its wholly owned subsidiary, Vectagen Israel Ltd. In November 1999, the Company and its subsidiary acquired substantially all of the assets and liabilities of Partec and, as of that date, the activities formerly carried out by Partec are now performed by the Company and its subsidiary. Consequently, these financial statements include the activities performed in previous periods by Partec by aggregating the relevant historical financial information with the financial statements of the Company as if they had formed a discrete operation under common management for the entire development stage. This has been effected by means of an "as if" pooling and Partec is being presented as a predecessor company. Keryx and Partec are entities under common control. At the date of the aforementioned acquisition, the controlling interest owned approximately 79.7% and approximately 76% of Keryx and Partec, respectively.

Principles of Consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiary and the operations detailed above. Intercompany transactions and balances have been eliminated.

Rate of Exchange

The financial statements of the Israeli subsidiaries have been translated using the US dollar as the functional currency.

Transactions in foreign currency (primarily in New Israeli Shekels--"NIS") are recorded in the accounting records according to the representative exchange rate as of the transaction date. Assets and liabilities in foreign currency are stated on the basis of the representative rate of exchange of the NIS as of the balance sheet date. The representative rate of exchange of the NIS at December 31, 1999 was $1 = NIS 4.153 (1998 $1 = NIS 4.160, 1997 $1 = NIS 3.536).

Differences arising from changes in rates of exchange have been included in the statements of income.

Cash and Cash Equivalents

For the purposes of these financial statements, all highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Long-Term Investment

Long-term investment in respect of employee severance benefits is recorded at its current redemption value.

Fixed Assets

Fixed assets are stated at historical cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets at the following annual rates:

	%
Office furniture and equipment	6-15
Computers, software and related equipment	20-33

Leasehold improvements are depreciated over the lesser of 10 years or the total lease period inclusive of options.

Patents

In accordance with SFAS No. 2, "Accounting for Research and Development Costs," acquired patents are recorded at cost and are amortized over their estimated useful lives commencing when income results therefrom. Estimated useful life is re-evaluated on an annual basis. The Company has not yet begun amortization of the patents as no significant benefit has yet been derived therefrom. The Company estimates that amortization will not commence before the year 2002.

Revenue Recognition

Revenues from management fees are recognized ratably over the period for which the services are provided.

Research and Development Costs

Research and development costs are expensed as incurred.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using

enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. If the likelihood of realizing the deferred tax assets or liability is less than "more likely than not," a valuation allowance is then created.

Stock Option Plan

SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), established accounting and disclosure requirements using a fair value-based method of accounting for stock-based compensation plans. As allowed by SFAS 123, the Company applies the intrinsic value-based method of accounting prescribed by the Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, in accounting for its fixed and milestone-based plan stock options to employees and directors. As such, compensation expense would be recorded on the measurement date only if the current market price of the underlying stock exceeded the exercise price. SFAS 123 is applied to stock options granted to consultants. The Company has adopted the disclosure requirements of SFAS 123.

Impairment of Long-Lived Assets

The Company follows the provisions of SFAS No. 121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of." This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Net Loss Per Share

Basic and diluted net loss per share of common stock are presented in conformity with the SFAS No. 128, "Earnings Per Share" for all periods presented. The common stock equivalent of anti-dilutive securities not included in the computation of net loss per share amounts to 4,095,625 for all years presented. Diluted net loss per share is the same as basic net loss per share as the inclusion of common stock equivalents would be anti-dilutive. The number of shares of common stock outstanding reflects a declared but unpaid stock dividend, as described in Note 11.

Comprehensive Income

The Company follows SFAS No. 130 "Reporting Comprehensive Income," which states that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. It requires that an enterprise (a) classify items of other comprehensive income by their nature in financial statements and (b) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of the statement of financial position. Comprehensive loss is the same as net loss for all years presented.

Concentrations of Credit Risk

SFAS No. 105, "Disclosure of Information About Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk," requires disclosure of any significant off-balance-sheet risk and credit risk concentrations. The Company does not have significant off-balance-sheet risk or credit risk concentrations. The Company maintains its cash and cash equivalents with multiple financial institutions and invests in short-term, investment-grade securities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial

statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards

In July 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires that all derivative financial instruments be recognized as either assets or liabilities on the balance sheet. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of SFAS No. 133," which deferred the implementation of SFAS No. 133. SFAS No. 133 will be effective for the Company's first quarter in 2001. The Company holds no derivative financial instruments and is not engaged in hedging activities. The Company therefore believes that implementation of SFAS No. 133 is not expected to have any significant impact on its financial position, results of operations or liquidity.

In March 2000, the FASB issued Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation" (FIN No. 44). This interpretation clarifies the application of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," with respect to certain issues in accounting for employees stock compensation and is generally effective as of July 1, 2000. The Company does not expect FIN No. 44 to have a material effect on its financial statements.

In April 1998, the Accounting Standards Executive Committee ("AcSEC") issued SOP 98-5, "Reporting on the Costs of Start-Up Activities." SOP 98-5 provides guidance on the financial reporting of start-up costs and organization costs, and it requires costs of start-up activities and organization costs to be expensed as incurred.

The SOP broadly defines start-up activities as those one-time activities related to opening a new facility, introducing a new product or service, conducting business in a new territory, conducting business with a new class of customers, initiating a new process in an existing facility, or commencing certain new operations.

Start-up activities include activities related to organizing a new entity (organizational costs). The Company adopted SOP 98-5. The Company assessed the effects of adopting SOP 98-5 and has determined that the impact on its financial position and results of operations will not be material.

Fair Value of Financial Instruments

The Company's financial instruments include cash equivalents, accounts receivable, long-term finance receivable/payable, accounts payable and long-term debt.

The fair value of other financial instruments were not materially different from their carrying or contract values at December 31, 1999.

Note 2--Cash and Cash Equivalents:

	As of December 31,		
	1997	1998	1999
In or linked to US dollars	$672,100	$109,270	$4,041,513
In Israeli currency	(24,868)	18,602	85,222
	$647,232	$127,872	$4,126,735

	========	========	==========

Note 3--Fixed Assets:

	As of December 31,		
	1997	1998	1999
Cost:			
Office furniture and equipment	$48,615	$165,777	$153,119
Computers, software and related equipment	46,755	67,734	61,943
Leasehold improvements	--	--	2,275
	95,370	233,511	217,337
Accumulated depreciation	12,000	39,868	57,196
Total fixed assets	$83,370	$193,643	$160,141

Note 4--Other Assets:

	As of December 31,		
	1997	1998	1999
Patents	$ 3,025	$200,981	$341,405
Other	3,347	4,059	4,066
	$ 6,372	$205,040	$345,471

Note 5--Related Party:

The amount of $141,483 at December 31, 1999 is due to a preferred shareholder in connection with its activities relating to the Company's November 1999 private placement as explained below. This amount bore no interest and was paid upon the final closing of the private placement in January 2000.

The amount of $500,000 at December 31, 1997 represents a short-term loan from a controlling shareholder to Partec subsequently converted into a capital note in 1998.

Note 6--Liability in Respect of Employee Severance Benefits:

Under Israeli law, employers are required to make severance payments to dismissed employees and employees leaving employment in certain other circumstances, on the basis of the latest monthly salary for each year of service.

This liability is provided for by payments of premiums to insurance companies under approved plans and by a provision in these financial statements.

For the year ended December 31, 1999, $36,392 (1998--$59,344; 1997--$22,000) was recorded as salary expense in respect of future severance benefits and $19,374 (December 31, 1998--$22,673; 1997--$22,000) was funded under the severance payment plans and is included in these financial statements as long-term investments.

Note 7--Stockholders' Equity:

Composition

	As of December 31, 1998			As of December 31, 1999		
	Authorized	Issued	Issued and fully paid	Authorized	Issued	Issued and fully paid
	Number	Number	Number	Number	Number	Number
Common stock, $0.001 par value	20,000,000	6,900,000(/3/)	--	20,000,000	8,108,306(/3/)	1,208,306(/3/)
"Blank check" preferred stock, $0.001 par value(/1/)	5,000,000	--	--	4,830,000	--	--
Series A convertible preferred stock, $0.001 par value(/2/)	--	--	--	170,000	79,465	79,465

---

(1) In November 1999, the board of directors designated 170,000 shares of "blank check" preferred stock as Series A convertible preferred stock. Subsequent to the designation, 4,830,000 shares of "blank check" preferred stock remained authorized but unissued. Of the 79,465 shares of Series A Convertible preferred stock which had already been issued, 29,465 were issued (together with 303,832 warrants for common stock--see below) in consideration for the contribution of $2.7 million worth of 12% notes and 50,000 shares were issued to investors in a private placement.

(2) The shares of Series "A" convertible preferred stock have a stated value of $100 each and are convertible into shares of common stock at a ratio of 51.54 to 1. The voting and dividend rights associated with the stock are similar to those of the common stock, based on the number of shares which would have been received if the preferred shares had been converted at the record date. In January 2000, an additional 39,180 shares of Series A convertible preferred stock were issued as part of the continuation of the private placement. In total, the 79,465 shares, as referred to in (1) above, together with the 39,180 shares in January 2000, were issued in consideration for $8.9 million.

(3) Reflects a declared but unpaid stock dividend as described in Note 11.

(4) In June 2000, the stockholders approved an increase in authorized capital stock by 20,000,000 to 40,000,000 shares of common stock, par value $0.001, which increase will take effect on the completion of an initial public offering.

Stock Option Plan

In November 1999, the Company adopted a stock option plan (the "plan") pursuant to which the Company's board of directors may grant stock options to directors, consultants and employees. The plan authorizes option grants to purchase up to 4,230,000 shares of authorized but unissued common stock at a 1:1 ratio. At December 31, 1999, a total of 4,102,032 stock options have been granted as part of the plan with an exercise price of $0.10 per share and a fair value of $1.94 per share. No options have yet been exercised. The vesting and exercise terms are as follows:

To directors and employees:

Expiration Date	Vesting Terms	Number of Shares
25 years from date of grant	Immediately	2,096,587
10 years from date of grant	At different dates from December 1999 through November 2001	1,568,501
10 years from date of grant	Upon start of specific clinical trial (a)	19,999
		3,685,087

(a) Subsequent to the balance sheet date, the vesting terms were amended so that the options vest on the effective date of the Company's initial public offering on NASDAQ.

The Company applies APB Opinion No. 25 in accounting for its options granted to directors and employees. The Company has recorded $4,964,797 of compensation expense and $1,815,758 of compensation expense in regard to these options has been deferred. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS 123, the Company's net loss would have been increased to the pro forma amounts indicated below:

		For the Year Ended December 31,			Amounts Accumulated During the Development Stage
		1997	1998	1999	
Net loss.....	As reported	$(881,718)	$(2,539,415)	$(9,002,762)	$(12,423,895)
	Pro forma	$(881,718)	$(2,539,415)	$(9,048,812)	$(12,469,945)
Basic and diluted losses per common share.....	As reported	$ (0.11)	$ (0.31)	$ (1.11)	$ (1.53)
	Pro forma	$ (0.11)	$ (0.31)	$ (1.12)	$ (1.54)

The value of these options has been estimated using the Black-Scholes model. The assumptions used in the calculation of the fair value were a weighted average expected life of each option of three years, an expected volatility rate of 70% and a risk-free interest rate of 5%.

To consultants:

Expiration Date	Vesting Terms	Number of Shares
25 years from date of grant	Immediately	116,945
10 years from date of grant	December 6, 1999 (already vested)	120,000
10 years from date of grant	Upon commencement of various clinical trials	180,000
		416,945

KERYX BIOPHARMACEUTICALS, INC.
(DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

During 1999, the Company recorded $461,177 in compensation expense and $313,122 of deferred compensation expense in regard to these options based on the fair value at the grant date as determined using the Black-Scholes model under the assumptions stated above. In accordance with EITF 96-18, these options are revalued at every reporting period over the vesting period in order to determine the actual amount of deferred compensation expense. At December 31, 1999, there were a total of 2,805,534 options exercisable and none of the options had been exercised as of the balance sheet date.

Additional Stock Options

In February 2000, the board of directors granted 240,000 non-plan stock options to directors of the Company. These options have an exercise price of $0.33 per share, vest at varying dates in the year 2000 and expire ten years from the date of issuance. Additionally, on March 16, 2000, the board of directors granted 45,000 options to employees of the Company under the original stock option plan at an exercise price of $0.50 per share vesting at varying dates through the year 2003. From year-end through March 31, 2000, the Company recorded $67,500 of compensation expense in respect of these options.

Warrants

In November 1999, the board of directors granted warrants to purchase 678,832 shares of common stock to investors and others (not directors or employees). The Company recorded $587,734 in compensation expense and $725,400 of compensation expense in regard to these warrants has been deferred. The warrants are exercisable at $0.0067 per share with a fair value of $1.91, and have ten-year terms. There are 375,000 milestone-based warrants (vesting upon receipt of various FDA approvals) and at December 31, 1999, the remaining 303,832 were exercisable. No warrants had been exercised as of balance sheet date.

In January 2000, the board of directors granted warrants to a related party to purchase 116,090 shares of common stock. The warrants have three-year terms, have an exercise price of $1.94 per share, and vested immediately upon grant. Compensation expense was recorded when the warrants were granted totaling $113,621.

Note 8--Taxes on Income:

At December 31, 1999, for U.S. income tax purposes, the Company had approximately $292,000 of net operating loss carryforwards from November 1999 through December 31, 1999. Such net operating losses expire in 2019.

Because of the Company's lack of earnings history, the deferred tax assets have been fully offset by a valuation allowance. The valuation allowance for deferred tax assets was $2,207,000 as of December 31, 1999.

The Israeli subsidiary and Partec Ltd, the predecessor company, are subject to the Israeli Income Tax Law (Inflationary Adjustments), 1985. Under this law, operating results for tax purposes are measured in real terms, in accordance with the changes in the Israeli Consumer Price Index ("Israeli CPI"), and companies are entitled to deduct from their taxable income an "equity preservation deduction" (which partially compensates for the decrease in the value of stockholders' equity resulting from the annual rise in the Israeli CPI).

KERYX BIOPHARMACEUTICALS, INC.
(DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The taxes reported in the consolidated financial statements relate to Partec as well as to the subsidiary in Israel. Income tax expense attributable to

income from continuing operations was $9,778, $30,447 and $9,970 for the years ended December 31, 1997, 1998, and 1999, respectively, and differed from amounts computed by applying the US federal income tax rate of 35% to pretax loss from continuing operations as a result of the following:

	For the Year Ended December 31,		
	1997	1998	1999 (1)
Losses before taxes on income, as reported in the consolidated statements of operations	$(871,940)	$(2,508,968)	$(8,992,792)
Computed "expected" tax benefit	(305,179)	(878,139)	(3,147,477)
Increase in income taxes resulting from:			
Change in the balance of the valuation allowance for deferred tax assets allocated to income tax expense (1)	302,647	871,733	2,206,888
Losses of Partec not entitling Keryx to deferred tax assets	--	--	976,070
Permanent differences (mainly disallowed expenses)	1,473	1,049	--
Difference in tax rate of foreign subsidiary income	10,837	35,804	(25,511)
	$ 9,778	$ 30,447	$ 9,970

---

(1) Deferred tax assets of Partec were lost upon acquisition of operations by Keryx (see Note 1).

The significant components of deferred income tax expense (income) attributable to income from continuing operations are as follows:

	For the Year Ended December 31,		
	1997	1998	1999
Deferred tax expense (income)	$(302,647)	$(871,733)	$(2,206,888)
Increase in the valuation allowance for deferred tax assets	302,647	871,733	2,206,888
	$ --	$ --	$ --

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1998 and 1999, are presented below.

	December 31	
	1998	1999(1)
Deferred tax assets:		
Net operating loss	$ 1,072,570	$ 102,090
Timing differences in respect of vacation pay accruals and employee severance benefits	21,214	--
Timing differences in respect of stock		

compensation	--	2,104,798
Timing differences in respect of research and development costs	80,596	--
Total gross deferred assets	1,174,380	2,206,888
Less valuation allowance	(1,174,380)	(2,206,888)
Net deferred tax assets	$ --	$ --

---

(1) Deferred tax assets of Partec were lost upon acquisition of operations by Keryx (see Note 1).

Note 9--Earnings Per Share (EPS):

	Weighted average number of shares outstanding--basic and diluted(1)		
	December 31		
	1997(2)	1998(2)	1999
Common stock	8,108,306	8,108,306	8,108,306

---

(1) Options and warrants have not been included as their inclusion is anti-dilutive and reflects a declared but unpaid stock dividend as described in Note 11.

(2) Basic net loss per share has been computed using the number of shares issued by the Company immediately following the commencement of activities in November 1999 as if outstanding for the period of the predecessor company.

Note 10--Commitments and Contingencies:

Agreements

The Company entered into a license agreement with Alfa Wassermann SpA which grants it the exclusive rights to KRX-101 for diabetic nephropathy, diabetic retinopathy and diabetic neuropathy in the United States, Canada, Japan, Australia, New Zealand, South Africa and Israel, and entitles Alfa Wassermann to ongoing royalties and fixed milestone payments. The license requires Alfa Wassermann to pay the Company a royalty to the extent that it or its sub-licensees receive revenues from products that incorporate information or know-how developed by it and commits Alfa Wassermann to participate in the costs of data or intellectual property developed by the Company that it decides to utilize. Unless terminated for reason of breach or other customary termination provisions, the license terminates upon the later of the expiration of all underlying patent rights or ten years from the first commercial sale of KRX-101 by the Company.

Pursuant to a license with Children's Medical Center Corporation, referred to as CMCC, the Company has the exclusive right to commercialize the KinAce platform and practice the claims contained in four patent applications owned by them. Unless terminated for breach or other customary termination provisions, the license terminates upon the later of November 2014 or the

expiration of the last patent covered by the license.

The license obligates the Company to meet certain development and financing milestones. To date, the Company has met all of its milestones under this agreement. If the Company fails to meet any of the development milestones that remain to be fulfilled, the license could be terminated.

Professor Shmuel Ben-Sasson directs the KinAce research program pursuant to a research agreement with Yissum Research Development Company of the Hebrew University of Jerusalem, referred to as Yissum, and a consulting agreement with Professor Ben-Sasson. The consulting agreement obligates Professor Ben-Sasson to provide consulting services to the Company to develop the KinAce platform and may be terminated by the Company or him on 180 days' notice for any reason. The Company issued to Professor Ben-Sasson 402,768 shares of its common stock in connection with his consulting agreement. The research agreement obligates the Company to make quarterly payments to Yissum and expires in November 2001, although it may be extended by mutual agreement for additional periods of 180 days. It may terminate the research agreement and cease making payments to Yissum should Professor Ben-Sasson fail to meet any milestones contained in that agreement. In general, the milestones are project-specific and require Professor Ben-Sasson to meet enumerated product development timetables.

The Company has entered into sponsored research agreements for the development of specific products under which the Company is committed to finance up to $1.2 million of research costs through December 2001.

Manufacturing Agreements. Opocrin S.p.A., a manufacturer of bulk biological products, has agreed to manufacture and supply the Company's raw requirements for sulodexide until 2009. The agreement with Opocrin may be terminated by the Company or them on 180 days' notice for any reason. Pharmaceutics International, Inc., a manufacturer of medicinal gelcaps, has agreed to produce the KRX-101 gelcaps necessary for the proposed clinical trial. Until the agreed-upon manufacturing is completed, this agreement may be terminated only by the Company.

Research and Development Agreements. The Company has entered into four research and development agreements for the advancement of five of its lead KinAce compounds. In general, these agreements provide that the researcher will conduct pre-clinical testing at its own expense for up to three to six months. Upon completion of the testing, the Company will give the for-profit researchers an exclusive two- to three-month right of first negotiation to license from the Company the compounds covered by the agreement for further development and commercialization.

In addition, the Company has undertaken to make milestone payments to its licensors, contingent upon attaining certain goals, of up to approximately $3.75 million. In certain cases, such payments will reduce any royalties to be paid on sales of related products. In the event that the milestones are not achieved, the Company remains obligated to pay one licensor $100,000 annually for two years, commencing in 1999, and $50,000 annually thereafter until the licenses expire.

Leases

The subsidiary leases its premises under an operating lease which expires in December 2000. Annual lease payments under the lease amount to $40,900.

Additionally, the Company has signed (after December 31, 1999) a lease for new premises through April 2004 with an option for a four-year renewal and has informed its present lessor of its intention to vacate in June 2000. Future minimum annual lease payments under the new lease, assuming all options are exercised, are as follows:

2000	$47,810
2001	63,750
2002	63,750
2003	63,750
2004	15,940

The Company has bank guarantees of approximately $40,000 in connection with the new lease.

Note 11--Subsequent Events:

Initial Public Offering

In May 2000, the Company's board of directors approved management's plans to file a registration statement with the Securities and Exchange Commission for its initial public offering in the US on the Nasdaq National Market and on the Alternative Investment Market of the London Stock Exchange. There is no assurance that the planned initial public offering will be completed.

Stock Options

See Note 7--Stockholders' Equity above.

Authorized Capital

See Note 7--Stockholders' Equity above.

Stock Dividend

In June 2000, the board of directors declared a 3:2 common stock dividend to be effective in conjunction with the Company's initial public offering whereby the stockholders will receive one share of common stock for each two shares of common stock held at July 15, 2000.

Stock Option Plan

In June 2000, the Company adopted an additional stock option plan (the "new plan") pursuant to which the compensation committee of the Company's board of directors may grant stock options to directors, consultants and employees. The new plan authorizes option grants to purchase up to 4,455,000 shares of authorized but unissued common stock at a 1:1 ratio. As of June 2000, the compensation committee has issued incentive stock options to purchase 10,000 shares of common stock to employees and non-qualified options to purchase 84,500 shares of common stock to employees and consultants at an exercise price equal to the share price at the Company's initial public offering. 4,360,500 shares of common stock remain available for grant.

INDEX TO FINANCIAL STATEMENTS

KERYX BIOPHARMACEUTICALS, INC.
(DEVELOPMENT STAGE COMPANY)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 1999 AND 2000

KERYX BIOPHARMACEUTICALS, INC.
(DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2000, AND DECEMBER 31, 1999

	December 31, 1999	March 31, 2000
	(Audited)	(Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 4,126,735	$ 6,551,344
Other receivables	85,685	209,557
Prepaid expenses	166,137	112,324
Current assets	4,378,557	6,873,225
Long-term investments in respect of fundings for severance benefits	64,047	84,629
Fixed assets	160,141	169,390
Other assets	345,471	479,613
Total assets	$ 4,948,216	7,606,857
Liabilities And Stockholders' Equity:		
Current liabilities:		
Accounts payable and accrued liabilities	$ 252,934	$ 404,690
Related party	141,483	--
Total current liabilities	394,417	404,690
Liability in respect of employee severance benefits	117,736	129,160
Total liabilities	512,153	533,850
Stockholders' equity:		
Series A convertible preferred stock, $0.001 par value each (liquidation preference--$100 per share plus all declared but unpaid dividends)	79	118
Common stock, $0.001 par value each	1,208	1,208
Additional paid-in capital	19,712,951	24,903,991
Unearned compensation	(2,854,280)	(3,569,447)
Accumulated deficit	(12,423,895)	(14,262,863)
Total stockholders' equity	4,436,063	7,073,007
Total liabilities and stockholders' equity	$ 4,948,216	$ 7,606,857

The accompanying note is an integral part of the condensed consolidated

financial statements.

KERYX BIOPHARMACEUTICALS, INC.
(DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 1999 AND 2000

	Three Months Ended March 31,	
	1999	2000
	(Unaudited)	
Expenses:		
Research and development expenses (including stock compensation expense of $0 and $534,046 in 1999 and 2000, respectively)	$ 414,421	$ 1,252,964
General and administrative expenses (including stock compensation expense of $0 and $181,121 in 1999 and 2000, respectively)	263,305	613,555
Total operating expenses	677,726	1,866,519
Operating loss	(677,726)	(1,866,519)
Financing income/(expenses)	(9,599)	54,672
Net loss before taxes on income	(687,325)	(1,811,847)
Taxes on income	--	27,121
Net loss for period	(687,325)	(1,838,968)
Net loss at beginning of period	(3,421,133)	(12,423,895)
Net loss at end of period	$(4,108,458)	$(14,262,863)
Basic and diluted net loss per common share	$ (0.08)	$ (0.23)
Weighted average shares used in computing basic and diluted net loss per common share	8,108,306	8,108,306
Pro forma net loss per common share	$ (0.05)	$ (0.13)
Weighted average shares used in computing pro forma net loss per common share	14,223,268	14,223,268

The accompanying note is an integral part of the condensed consolidated financial statements.

KERYX BIOPHARMACEUTICALS, INC.
(DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 1999 AND 2000

	Three Months Ended March 31,	
	1999	2000

	(Unaudited)	
Cash flows from operating activities:		
Net loss	$(687,325)	$(1,838,968)
Adjustments to reconcile cash flows from operating activities:		
Revenues and expenses not involving cash flows:		
Employee stock compensation expense	--	381,056
Consultants' stock compensation expense	--	334,111
Provision for employee severance benefits	4,691	11,424
Depreciation	10,395	7,309
Changes in assets and liabilities:		
Increase in other receivables	(24,823)	(128,080)
Decrease in prepaid expenses	2,103	53,813
Decrease in related party	--	(141,483)
Increase (decrease) in accounts payable and accrued liabilities	(149,608)	141,892
Net cash used for operating activities	(844,567)	(1,178,926)
Cash flows from investing activities:		
Investment in fixed assets, net	(7,350)	(16,558)
Investment in other assets	--	(134,142)
Fundings in respect of employee severance benefits	--	(11,945)
Net cash used for investing activities	(7,350)	(162,645)
Cash flows from financing activities:		
Receipt of long-term loans from related party	999,863	--
Issuance of shares, net	--	3,760,745
Net cash provided by financing activities	999,863	3,760,745
Effect of exchange rate on cash	6,005	5,435
Net increase in cash and cash equivalents	153,951	2,424,609
Cash and cash equivalents at beginning of period	127,872	4,126,735
Cash and cash equivalents at end of period	$ 281,823	$ 6,551,344
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$ 433	$ 100
Cash paid during the period for income taxes	--	--

The accompanying note is an integral part of the condensed consolidated financial statements.

KERYX BIOPHARMACEUTICALS, INC.
(DEVELOPMENT STAGE COMPANY)

NOTE TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1--General:

The Company, in its opinion, has included all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results for the interim periods. The interim financial information is not necessarily indicative of the results that will occur for the full year. The financial statements and notes thereto should be read in conjunction with the financial statements and notes for the year ended December 31, 1999.

The accompanying consolidated financial statements for the period ended March 31, 2000, have been prepared in order to present the financial position, results of operations and cash flows relating to the Company's activities for all periods covered by the statements. Until November 1999, most of the Company's activities were carried out by Partec Limited, an Israeli

corporation, and its subsidiaries (hereinafter collectively referred to as "Partec"). The subsidiaries of Partec during the period prior to November 1999 were SignalSite Inc. (85% owned) and its wholly owned subsidiary, SignalSite Israel Ltd., and Vectagen Inc. (87.25% owned) and its wholly owned subsidiary, Vectagen Israel Ltd. In November 1999, the Company and its subsidiary acquired substantially all of the assets and liabilities of Partec and, as of that date, the activities formerly carried out by Partec are now performed by the Company and its subsidiary. Consequently, these financial statements include the activities performed in previous periods by Partec by aggregating the relevant historical financial information with the financial statements of the Company as if they had formed a discrete operation under common management for the entire development stage. This has been effected by means of an "as if" pooling and Partec is being presented as a predecessor company.

Note 2--Unaudited Pro Forma Net Loss Per Share:

The Company's board of directors approved plans for an initial public offering as described in Note 3 below. If the initial public offering is consummated, as presently anticipated, all shares of Series A convertible preferred stock will automatically convert into shares of common stock at a 51.54:1 ratio. The common stock equivalent of the preferred stock is 6,114,962. The unaudited pro forma net loss per share included in these financial statements reflects the conversion of the preferred stock as though it occurred at January 1, 1999.

Note 3--Stockholders' Equity:

1. In January 2000, 39,180 shares of Series A convertible preferred stock were issued as part of the continuation of the private placement commenced in 1999 in consideration for $3.9 million.

2. In June 2000, the stockholders approved an increase in authorized capital stock by 20,000,000 to 40,000,000 of common stock, par value $0.001, which increase will take effect on the completion of an initial public offering. The authorized share capital of the Company was increased by 20,000,000 shares of common stock, $0.001 par value.

3. In March 2000, the board of directors amended the vesting terms of 19,999 options granted in November 1999 as part of the Company's stock option plan. These options vest on the effective date of the Company's initial public offering on Nasdaq instead of upon start of a specific clinical trial. There is no difference in the fair value used to calculate the compensation involved as the expected life of the options used in the Black-Scholes model for option pricing is the same as the estimated period for reaching the milestone under the previous terms.

Note 4--Subsequent Events:

Initial Public Offering

In May 2000, the Company's board of directors approved management's plans to file a registration statement with the Securities and Exchange Commission for its initial public offering in the US on the Nasdaq National Market and on the Alternative Investment Market of the London Stock Exchange. There is no assurance that the planned initial public offering will be completed.

Stock Dividend

In June 2000, the board of directors declared a 3:2 common stock dividend to be effective in conjunction with the Company's initial public offering, whereby the stockholders will receive one share of common stock for each two shares of common stock held at July 15, 2000.

Stock Options

In June 2000, the Company adopted a stock option plan (the "new plan") pursuant to which the compensation committee of the Company's board of directors may grant stock options to directors, consultants, and employees. The new plan authorizes option grants to purchase up to 4,455,000 shares of authorized but unissued common stock at a 1:1 ratio. As of June 2000, the compensation committee has issued incentive stock options to purchase 10,000

shares of common stock to employees and non-qualified options to purchase 84,500 shares of common stock to employees and consultants at an exercise price equal to the share price of the Company's initial public offering. 4,360,500 shares of common stock remain available for grant.

APPENDIX: INDEPENDENT EXPERT'S REPORT

Our initial public offering is a global offering. In accordance with UK best practice, we have retained an independent expert in the field of life sciences to prepare a report which discusses our technology, drug candidates and development strategy. This report appears as an appendix to this prospectus. An updated copy of this report will be delivered to us and the underwriters subsequent to the date of this preliminary prospectus.

30 June 2000

The Directors
Keryx Biopharmaceuticals Inc

Kiryat Mada 5

Har Hotzvim
Jerusalem

[LETTERHEAD OF PA CONSULTING GROUP]

Israel 91326

Roth Capital Partners, Inc
24 Corporate Plaza
Newport Beach
California 92660
USA

The Directors
WestLB Panmure Limited
35 New Broad Street
London EC2M 1SQ
UK

Dear Sirs

PA Strategy Partners Ltd ("PA") is a wholly-owned subsidiary of PA Consulting Group (of which PA Holdings Ltd is the parent company), a leading international business and technology consultancy head-quartered in the UK and operating in Europe, North America, Scandinavia and Asia Pacific. PA has conducted many reviews of pharmaceutical, medical device and related companies which have involved assessing technology and advising companies on research and development matters. PA has prepared Experts' Reports in connection with the public offerings of Cantab Pharmaceuticals plc, Chiroscience Group plc, Shire Pharmaceuticals Group plc, Phytopharm plc, Biocompatibles International plc, Xenova Group plc, Powderject Pharmaceuticals plc, Gyrus Group plc, NMT Group plc and Maelor plc. PA Consulting Group employs specialists with knowledge of science, technology, product development, markets and business issues in these industries.

PA has been retained by Keryx Biopharmaceuticals, Inc. ("Keryx" or the "Company"), Roth Capital Partners, Inc., and WestLB Panmure Limited to review certain aspects of the Company, specifically:

1. To provide commentary upon, and assessment of, the general validity of Keryx's development strategy

2. To provide commentary upon, and assessment of, the KinAce(TM) technology platform

3. To provide commentary upon the achievability of Keryx's research and development programmes. Programmes included in the review are:

KRX-101: licensed from Alfa Wassermann and in clinical development for diabetic nephropathy;
KRX-123: an application for clinical trials is in preparation for the

indication of hormone refractory prostatic cancer;

KRX-131: the subject of research and development collaboration and is indicated in hair loss as a result of chemotherapy;
KRX-168: for post-surgical adhesions and implants;
KRX-167: in early research and development under an agreement with Osteotech for orthopaedic applications;
KRX-211: under investigation by NIH as a treatment for septic shock;

KRX-291: a product for sunless tanning under a research and development agreement; and
KRX-613: a candidate therapy for diabetes mellitus.

4. For each of these research and development programmes to comment upon:

(a) the project merits;

(b) specific risk factors in successful project completion;

(c) the commercial potential of the project; and

(d) the project's development plans, including the appropriateness of said plans.

In preparing this report, PA has conducted interviews with key Keryx staff, officers and associates, made an extensive review of documentation prepared by Keryx and assessed its activities by reference to our internal knowledge base. This has been supplemented by PA's independent review.

This report has been prepared with due diligence based upon information provided to PA by Keryx at the time of preparation. PA has no reason to doubt the veracity of such information but PA has only verified it to the extent indicated above. Changes in circumstances may render such information invalid at any time hereafter.

1. BACKGROUND TO KERYX

Keryx Biopharmaceuticals, Inc. is a company involved in the discovery, development and licensing of novel drugs identified through the application of a proprietary approach to drug discovery.

To date, the Company has also acquired the license to one drug, KRX-101, which is already marketed by the licensor in Europe for vascular indications and which Keryx is developing for use in a new indication, diabetic nephropathy. The remainder of its current portfolio has been developed through the exploitation of bioinformatics and rational drug design, a process Keryx has described as its KinAce(TM) technology.

Keryx seeks to exploit these discoveries by forming strategic collaborations with established pharmaceutical companies, although in specific cases the Company may choose to carry out the development itself. This is a strategy followed by many emerging biotechnology companies, which has the merit of seeking to share both the risk and the reward of the development of its discoveries.

Keryx does not have, nor does it intend to establish, the extensive facilities of an established pharmaceutical company, rather it will avail itself to the broad range of contract research, development, manufacturing and marketing capabilities of third parties. PA agrees with this strategy in that it reduces the fixed investment in infrastructure and maintains maximum financial flexibility.

2. PLATFORM TECHNOLOGY KinAce(TM)

Protein kinases are a class of enzymes which act to phosphorylate specific amino acid residues. Amino acids are the building blocks and key components of proteins and therefore play a key role in intracellular processes.

Protein kinases are important agents in the mediation of signal transduction (the complex cascade of molecular events that transduces a signal or stimulus) in multicellular organisms. Protein kinases may be present as membrane receptors or located inside the cell and act in biochemically important roles such as signal transduction to the cell nucleus. During signal transduction, protein kinases regulate intracellular events in response to external stimuli.

Agents which can modulate (increase or decrease) the activity of protein kinases have the potential to induce a broad range of effects on a large number of cellular biochemical mechanisms, for example cell hormone secretion, cell growth and inflammation. In addition, there are disease states which involve the up-regulation and down-regulation of the kinases themselves.

Protein kinase activity is based around the addition of phosphoryl groups which serves to modulate the activity of the target protein. In addition to this enzyme activity, kinases have a specific binding region which is used to recognise and bind the protein substrate.

On the basis of their amino acid sequences and enzymatic activity, kinases are classed in families. A large number of kinases have been identified and sequenced.

Whilst research into kinase modulation has been carried out for many years by a number of research groups, the focus of their investigation has been the site of enzymatic phosphorylation. It has become evident that binding in other regions on the kinase protein influences the enzymatic activity at this site. The modulation of these additional regions appears to have an effect on kinase activity.

Keryx's therapeutic approach is to construct short amino acid sequences of between 5 and 12 residues (i.e., a peptide) to modulate the kinase activity by serving as a decoy to those accessory regions. These regions are structurally discrete from the phosphorlyation site but are functionally linked. Through the use of a proprietary algorithm which analyses the kinase amino acid sequences, Keryx believes that the correct site for binding can be identified and the appropriate modulating peptide synthesised.

Through this approach, Keryx may be in a position to enhance or inhibit biochemical pathways of choice through kinase sequence analysis and peptide synthesis.

2.1 Merits of KinAce(TM)

The rational design and development of drugs targeting components of signal transduction pathways is a relatively new development. Many signal transduction pathways, their components, and effector molecules implicated in cancer patheogenesis were not even elucidated until 1990. However, in the past ten years, there have been significant advances in identifying, sequencing and cloning proteins characterising signal transduction pathways and the associated proteins.

Keryx's identification of regions of the kinase, which can modulate the activity of the enzyme, together with the recognition of a number of conserved amino acids in these regions, means that a relatively small number of molecules need to be screened for activity. Furthermore, while the majority of kinase modulators in development by other companies are inhibitors of the enzyme, Keryx's ability to activate the enzyme of choice provides a broader range of therapeutic approaches than its competitors.

PA believes that the KinAce(TM) approach to drug discovery is potentially an immensely powerful tool. The approach bridges the information gap between the output of bioinfomatics and the development of drugs. Keryx does not need to conduct its own basic research into the biochemistry of a disease state, relying instead on publically available information, and to date the approach has proven prolific in so far as candidate identification is concerned.

Conceptually the KinAce(TM) approach may be applied to the modulation of other functional protein families. PA notes that it is possible that Keryx has serendipitously selected a protein family (kinases) in which modulation by small peptides is possible and that this may not be the case in any other family. However, kinases have been implicated in a great many diseases including many cancers and immunological diseases, as well as in inflammatory

conditions and in pain. Thus, even if Keryx's approach to drug discovery is limited to kinase modulation, PA believes that there are significant opportunities for the Company.

2.2 Risks Associated with KinAce(TM)

PA believes that, although many companies have explored approaches to the modulation of kinases as a therapeutic approach, only one product based on this pharmacology has yet reached the market. This is a protein kinase inhibitor launched in Japan only for use as a therapy in haemorrhagic stroke. The risks detailed below may appear extensive but merely reflect the relatively new area of kinase modulation.

There is a number of risks associated with the development of peptides identified through Keryx's approach. Due to the early nature of Keryx's pipeline, many of these risks will apply to each compound and each will need to be addressed on a case-by-case basis. However, in PA's opinion these are no different to the risks facing any company developing pharmaceuticals. What does differ in the case of Keryx is the technical solution that Keryx or its partners may need to develop. This solution may differ from those required in more traditional pharmaceutical companies. The specific risks are:

Therapeutic targets

Keryx is targeting diseases with high unmet medical needs and for some indications, no cure or treatment. These diseases are complex and our current understanding is still evolving. Future research may validate the current kinase targets as the optimal method of treating a disease or may show the current targets will not produce the desired clinical effect. This is a risk inherent in all biotechnology research.

Lack of specificity of the peptide

Peptides of such a short chain length may not be specific to the proposed region of the kinase and may activate/deactivate several kinase molecules. This could manifest itself as toxicity or as adverse events in clinical development. PA believes, however, that the evidence to date supports Keryx's hypothesis that its current candidates are specific to the kinase of interest.

Up-regulation

Many biochemical systems, when inhibited, respond by up-regulation or by utilising alternative biochemical pathways to achieve the end effect. It is possible that inhibition of a specific kinase may result in increased cellular production of the kinase to compensate. This would result in a loss of efficacy with increasing treatment time. To date, no chronic studies have been conducted by Keryx with any of their candidates to investigate this aspect.

Drug delivery

All of the products of Keryx's approach to drug discovery are peptides (small proteins). Oral delivery of peptides is technically complex: the gastrointestinal tract contains enzymes which digest protein. Furthermore, there are circulating peptidases in the blood which similarly digest peptides. Thus, delivery by any route other than intravenous injection may be a technical challenge.

To date, Keryx has not addressed formulation issues. However, given the early stage of development of its candidates, this is not unsurprising. PA believes that there is a number of formulation technologies available, which may be appropriate to Keryx's products and that can be accessed at the appropriate time by the Company.

Multiple pathways

PA accepts that Keryx has developed the technology and understanding to modulate specific kinases, and that the kinases and their activity are moderately well known. However, it is possible

that in any specific indication there are multiple pathways, which result in the disease state. Therefore, the inhibition of a kinase-mediated pathway may result in a second pathway to the disease assuming greater importance.

Targeting of therapeutic action

The kinase targeted for modulation in the disease state may have a normal and needed function in other areas of the body. Therefore, Keryx may need to develop delivery technology or technologies that deliver active peptide only to diseased regions of the body.

3. DEVELOPMENT PIPELINE

None of the Company's development candidates have entered clinical trials. In each programme, the Company has generally only identified key clinical development milestones in cases where a collaborator has been secured. This is a pragmatic approach, which ensures that the timelines are prepared with input from established pharmaceutical companies and as such (subject to appropriate allocation of resources) are likely to be achievable.

3.1 KRX-101: Diabetic Nephropathy

KRX-101 (Sulodexide) is a hypolipaemic agent, developed by Alfa Wassermann and licensed to Keryx for development as a treatment for diabetic nephropathy. It is a glycosaminoglycan polysulfate, which has antiarteriosclerotic activity mediated by release of lipoprotein lipase.

Diabetic nephropathy is one of the most common complications of diabetes. It generally results in a chronic and progressive degradation of kidney function, to the point where the patient must undergo regular dialysis or obtain a kidney transplant to survive. About 40% of people with IDDM (Insulin Dependent Diabetes Mellitus, or Type I diabetes) will eventually develop diabetic nephropathy. At least 20% of people with NIDDM (Non Insulin Dependent Diabetes Mellitus, or Type II diabetes) will develop diabetic nephropathy but the time course of development of the disorder is variable.

The mechanism that causes diabetic nephropathy is unknown. The disease is characterised by proteinuria and the key measure of protein in urine is the assay of albumin. When the kidneys are normal, albumin is not measurable in the urine.

The disorder is progressive. The risk of disease progression is related to the control of the blood-glucose levels. The goals of treatment are to slow the progression of kidney damage and control related complications. Diabetic nephropathy is believed to be responsible for at least 25% of all renal dialysis patients, resulting in increased morbidity, mortality and economic cost. Diabetes is the fourth leading cause of death in the USA.

3.1.1 Project Merits

There are no current FDA approved therapies to prevent or reduce the onset of Type II diabetic nephropathy. The current standard of care involves the administration of angiotensin converting enzyme (ACE) inhibitors such as captopril, to patients with chronic nephropathy as a result of diabetes. However, ACE is not as effective in nephropathy of Type II diabetes.

KRX-101 has been in clinical use in Europe since the mid-1980s for other indications, and there is, therefore, significant experience of drug use in patients. Alfa Wassermann has conducted a clinical trial in Europe for diabetic nephropathy in over 200 patients and has demonstrated a dose-related reduction in albumin excretion in the urine (albuminuria), with no adverse events reported. Albuminuria has been identified as a cause of progressive loss of kidney function.

The effectiveness of sulodexide has been shown by a significant decrease in albuminuria in microalbuminuric and macroalbuminuric diabetic patients treated with the drug. PA believes that experimental data on the effects of sulodoxide, collected over the last seven years, indicate strongly that it may be an effective therapeutic used for the treatment of diabetic nephropathy. However, PA notes that additional studies may have to demonstrate improvements not only in albuminuria, but also in additional clinical endpoints, for example, renal function and morphologic abnormalities.

PA recognises that oral administration of KRX-101 compared to related compounds (such as heparin) may make it more attractive to physicians and

patients alike.

3.1.2 Project Risks

Whilst albuminuria has been implicated in progressive kidney disease, there is a range of opinion as to the true cause of diabetic nephropathy. For example, one school of thought believes that glycated albumin is involved in kidney pathogenesis and that early inhibition of glycosylation may be an approach to prevention.

PA understands that the mechanism of kidney pathogenesis in diabetic nephropathy is poorly understood and agrees with Keryx that reduction in albuminuria, whilst not necessarily preventing disease progression, may improve prognosis in this patient group. There is a risk, however, that this measure of kidney disease may not be acceptable to regulatory authorities as a demonstration of efficacy. Should this be the case, the timescale and cost of the clinical development programme may be significantly increased.

Numerous studies have examined the effects of treatment on progression of renal disease in diabetic nephropathy. Few of them, however, offer more than a suggestion regarding the value of a given therapy, because methodological issues such as small sample size, short duration of follow-up, poor patient compliance, inappropriate endpoint or lack of a proper control group hinder their interpretation.

3.1.3 Commercial Potential

In 1995, over 118 million people world-wide were suffering from some form of diabetes, and this is forecast to grow to over 220 million by the year 2010. Many cases of diabetes remain undiagnosed.

Keryx is seeking approval for therapy in Type II diabetes. PA estimates that there are approximately 11 million such patients in the US, and a further 3 million in the Far East, the territories for which Keryx has a license. Of these patients, approximately 20% will develop nephropathy in their lifetime.

The major areas of research addressing treatment are focused on two therapeutic and pharmacological approaches: antihypertensives (ACE inhibitors, angiotensin antagonists) and glycosylation antagonists (ARI's, AGE inhibitors).

Although AGE inhibitors have been associated with undesirable side effects, the second- generation AGE inhibitors are expected to have much improved efficacy and side-effect profiles. Since this class of agent addresses the underlying cause of diabetic complications they have the potential to become a mainstay in the treatment and prevention of diabetic nephropathy. However, PA notes that the second-generation AGE inhibitors are unlikely to reach market before 2004.

Diabetic nephropathy represents a significant unmet medical need. Despite new technologies in development there are still no products available that address the fundamental disease state.

3.1.4 Development Plans

Keryx has recently filed an IND (Investigational New Drug application) with the FDA. The Company anticipates submission in the second quarter of 2000. Should KRX-101 prove effective in reducing albuminuria significantly, or another endpoint agreed with the regulators, PA supports the Company's contention that it may receive fast-track approval from the FDA.

3.2 KRX-123: Hormone Refractory Prostatic Cancer

PA estimates that there are approximately 1.2 million prostatic cancer patients in the USA, Europe and Japan, with over 175,000 new cases diagnosed each year in the USA alone. Prostate cancer is the second leading cause of death in American men.

Radical prostatectomy and radiation therapy are treatments of choice for cancers that have not spread beyond the prostate gland itself. For patients whose cancers have spread beyond the prostate at the time of diagnosis, or whose local cancers have recurred after initial treatment, hormone therapy is the most common treatment. Hormone therapy does not cure the cancer, but it

slows the spread of the cancer by lowering the levels of male hormones (or androgens).

Prostate cancers that do not respond to hormone therapy are described as hormone-refractory or androgen-independent. Chemotherapy is a therapeutic option for such patients. Like hormone therapy, chemotherapy is not expected to cure the cancer, but it may be used to slow tumour growth and reduce pain. Some of the chemotherapy drugs used in treating prostate cancer that has returned, continued to grow or spread after treatment with hormonal therapy include doxorubicin (Adriamycin), estramustine, etoposide, mitoxantrone, vinblastine, carboplatin and paclitaxel. PA notes that all of the current pharmaceutical treatments for prostate cancer cause side effects.

3.2.1 Project Merits

KRX-123 is being developed to modulate Src kinase activity. Since Src kinase activity has been reported to play an important role in the proliferation and oncongenicity of several human cancers including human prostate carcinoma, PA considers that Keryx's approach may have merit. However, PA notes that the mechanism by which Src kinases contribute to oncogenesis remains to be fully elucidated.

Keryx has carried out laboratory studies using xenografts of human hormone refractory prostatic tumours in a model that PA believes is generally accepted as an appropriate method for screening candidate molecules. In these tests, the tumours in treated animals diminished, or totally disappeared. This, PA believes, supports Keryx's decision to progress KRX-123 to clinical trial. Moreover, Keryx has generated data, which demonstrates improved survival in laboratory animals with xenographs.

3.2.2 Project Risks

Given the early stage of development of KRX-123, PA has identified no project specific technology risks that are not described in Section 2.2-Risks Associated with KinAce(TM).

Competition for patients in cancer trials is intense, with a significant number of companies and products seeking limited numbers of patients. PA believes that compelling evidence of efficacy is one method of attracting clinicians to trials. Furthermore, a development partner with an established franchise in the cancer area may further assist in recruiting investigators to development programmes.

3.2.3 Commercial Potential

PA estimates that the world market for prostatic cancer treatments is approximately US$1.8 billion and is expected to rise to US$3 billion by 2006. There is a significant number of products in clinical development for hormone refractory prostatic cancer, adopting a variety of therapeutic approaches.

3.2.4 Development Plans

Keryx is currently preparing an application for the Israeli Ministry of Health to conduct Phase I/II clinical trials. Additionally, the Company is seeking to file an IND for submission to the FDA by the end 2000. The Company believes that on the basis of trials planned to begin in Israel by the end of this year, it may have sufficient data to enable supply on a named patient-basis in Europe which will have the effect of reducing time to market. There is also the possibility of imminent legislation that may give Keryx-123 Orphan Drug status in Europe. In PA's opinion this may be possible but is predicated on the Company demonstrating compelling results from a small group of patients. Israel has a Memorandum of Understanding with the FDA which ensures that clinical trials conducted in that country are acceptable to the Agency.

3.3 KRX-131: Hairloss as a Result of Chemotherapy

Anagen effluvium is the sudden hair loss from exposure to chemicals or radiation, such as certain types of chemotherapy or radiation treatment. Not all chemotherapy drugs cause hair loss but the effect of those that do range from a thinning of hair to complete loss. This is often the most distressing side effect of cancer treatments. Hair loss occurs because chemotherapy treatments attack rapidly dividing cells and the cells responsible for hair

growth are some of the fastest growing cells in the body. Hair loss normally occurs one to three weeks after exposure to the toxic chemicals or radiation. This is a temporary condition and hair growth will begin after treatment is stopped.

3.3.1 Project Merits

KRX-131 is being developed to modulate activity of transforming the growth factor-beta (TGF-^) receptor kinase. Since TGF-^ levels have been linked to hair growth, PA believes that Keryx's selected receptor kinase may have promise as a therapeutic target.

Hair loss from chemotherapy is often the most devastating side effect of cancer treatment. Although hard to quantify, retaining hair may lead to an improvement in the quality of life during a difficult time in a patient's treatment. Clinical opinion on the need for a treatment for chemically induced hair loss is divided. It has been argued that any compound that improves the quality of life has merit and will gain quick market acceptance. It has also been argued that hair loss is only a temporary side effect of chemotherapy. PA believes that an improvement in the quality of life may drive a market demand if this product is effective.

Currently there are no approved therapies to treat the loss of hair from chemotherapy. PA has identified a limited number of competing developments.

3.3.2 Project Risks

Given the early stage of development of KRX-131, PA has identified no project specific technology risks that are not described in Section 2.2-Risks Associated with KinAce(TM).

3.3.3 Commercial Potential

Keryx estimates that 30% of the 1.2 million cancer sufferers in the United States received chemotherapy in 1999 with a similar number in the rest of the world. Of these patients Keryx believes that 80% will suffer from hair loss. At this time, PA has not been able to confirm these estimates.

3.3.4 Development Plans

Keryx has recently signed a research and development agreement for the testing of KRX-131. Following an evaluation of these results, Keryx will decide to either license this compound or complete internal development.

3.4 KRX-168: Anti-fibrotic for Post-Surgical Adhesions and Implants

Post-operative adhesions involve the formation of connections between two traumatised mesothelial cell surfaces, or of one surface and the omentum. These connections are usually made of fibrin. The adhesions arise as a result of localised trauma which may be due to direct wounding of tissue arising during surgery itself or even from handling of tissues or organs by the surgical staff involved. Additionally, PA believes that there may be an emerging market in implant-related fibrosis.

To date, most clinical research on post-operative adhesions has focused on abdominal surgery. Adhesions occur more frequently with abdominal surgery, especially gastrointestinal, rectal and gynaecological procedures, because the peritoneum is extremely delicate and sensitive to trauma.

3.4.1 Project Merits

Transforming Growth Factor-^ (TGF-^) is a member of a common family of cytokines that bind to and stimulate serine/threonine kinase receptors. TGF-^ stimulates collagen and fibronectin synthesis by fibroblasts and may play a role in the formation of adhesions. PA, therefore, considers that this represents an appropriate target in this indication.

Substantial costs to healthcare services arise from post-operative adhesions. PA believes that there is a significant unmet medical need in managing post-operative adhesions, both for prophylactic treatment to prevent de novo adhesion formation and in treating reformed adhesions.

PA notes that there is only a limited number of products available to reduce the incidence of post-operative adhesions. All these products appear to have limitations. Absorbable adhesion barriers may well reduce adhesions, but as films they are surgically difficult to apply and require an intuitive decision by the surgeon as to the likely location of the adhesion site.

PA believes that to date approved products for managing post-operative adhesions have all used physical barrier technology. Consequently, there may be significant market opportunity for efficacious selective pharmaceuticals that target the biochemical pathways leading to adhesion formation, either to replace or to augment existing barrier methods.

Additionally, PA believes that there are currently no products approved for the use of reducing fibrosis associated with surgical implants. This application may represent a significant unmet medical need and a commercially attractive market.

3.4.2 Project Risks

PA is aware of at least four companies that are looking to establish broad anti-adhesion product portfolios. Three of these have already launched products. Accordingly, Keryx may encounter barriers to market penetration arising from late entry. Conversely, Keryx may find that this market situation increases the potential for favourable out-licensing of KRX-168.

Given the early stage of development of KRX-168, PA has identified no project specific technology risks that are not described in Section 2.2-Risks Associated with KinAce(TM).

3.4.3 Commercial Potential

PA believes that there is a substantial market for efficacious anti-adhesion products. For example, PA estimates that there are over 3 million abdominal and gynaecological surgeries performed annually in the USA, representing a market in excess of US$100 million, that may form the initial target market for KRX-168. With expanding indications and increased acceptance, PA estimates this market may grow to in excess of US$400 million by 2005.

3.4.4 Development Plans

There are currently no clinical development plans for this candidate. In line with its current strategy, the Company may develop this candidate under a joint research and development programme with the eventual collaborator on this project. Keryx will continue its internal in vivo development studies and evaluate its options within the next 6 months.

3.5 KRX-167: Bone Growth Compound for Orthopaedic Applications

In 1965, Marshall Urist discovered extracts with the ability to induce bone growth. Although Urist was unable to isolate substance responsible for bone morphogenesis, he did give it the name bone morphogenic proteins (BMP). It is now known that BMPs are members of a supergene family of regulatory proteins and binds serine/threonine kinase receptors. To date, more than 40 BMPs have been identified.

3.5.1 Project Merits

Bone formation involves the migration of undifferentiated mesenchymal cells, differentiation into cartilage, and subsequent bone replacement by osteoblasts and osteocytes. Studies have shown that BMP-4, when applied to cultured limb bud mesoderm, stimulated cartilage formation, as measured by incorporation of radioactive sulfate into sulfated proteoglycans. In mouse models, BMP-4 appears for a specific period of 12 to 72 hours after a fracture has occurred. PA agrees with the rational of researching a BMP-4 kinase stimulant. There is a substantial amount of literature supporting BMP-4's role in regulating and differentiating bone growth.

Bone fractures are a major source of costs to the healthcare community. According to a recent study conducted by the National Osteoporosis Foundation, the total economic cost of bone fractures caused by osteoporosis in the United States was an estimated $13 billion. These cost calculations were based solely on hip fractures and therefore under-represent the true cost of osteoporosis

bone fractures.

3.5.2 Project Risks

Given the early stage of development of KRX-167, PA has identified no project specific technology risks that are not described in Section 2.2--Risks Associated with KinAce(TM).

Products under development for the treatment of bone repair and fractures include other bone stimulating substances such as other BMPs and human osteogenic proteins linked to a bioresorbable barrier for non-union bone fractures. These compounds induce the formation of cartilage and regenerates new bone. Synthetic glycosaminoglycans for tissue modeling are also under development.

3.5.3 Commercial Potential

There are about six million Americans who suffer from bone fractures annually. Normally, the regenerative power of the bone will completely heal a fracture within a few months. However, an estimated 5 to 10% of these people will have delayed or impaired healing and may require surgical intervention to aid the healing process.

One of the leading causes of bone fractures is osteoporosis. Osteoporosis is suspected to cause approximately 1.5 million fractures and 250,000 hip fractures each year in the United States. Hip fractures are the leading cause of mortality associated with osteoporosis and are associated with the most morbidity. An estimated 20% of people with hip fractures die within a year.

3.5.4 Development Plans

Keryx has signed a research and development agreement with Osteotech. Keryx intends to license KRX-167 to either Osteotech or a leading pharmaceutical company following the successful completion of the agreement. The Company anticipates that the licensee will be responsible for financing clinical trials, manufacturing and marketing the compound. Keryx may earn milestone payments according to the progress of its drug in clinical trials and royalties on sales following a successful conclusion of human clinical trials and FDA marketing approval.

3.6 KRX-211: Septic Shock

Sepsis is the response by the body to infection, generally bacterial. Where the infection becomes severe, organ dysfunction or failure may follow--this is generally referred to as septic shock. Sepsis is considered to be the leading cause of death in non-coronary intensive care units with mortality occurring in 40-50% of patients diagnosed with sepsis.

Many therapeutic approaches to sepsis and septic shock have been followed to date, however none has proven effective in preventing death. Current therapies focus on eradicating the bacterial infection and supporting failing organs.

3.6.1 Project Merits

Septic shock has proven difficult to treat; many therapeutics have been administered, including antibiotics, antihypertensives, dopamine, diuretics and corticosteroids. To date, no therapeutic regime has been proven wholly effective. The mortality rate is high; as many as 40% of people diagnosed with severe sepsis in the USA will die as a result. Therefore, PA believes there is a significant unmet medical need.

KRX-211 is being developed to modulate JaK3 kinase activity. This family of kinases has been implicated in the signal transduction pathway involved in immunological modulation. Published data indirectly link JaK3 kinase activity to septic shock. Combining the limited published data along with Keryx's internal studies, PA considers this kinase may be a suitable target for developing new therapeutics against septic shock.

3.6.2 Project Risks

A variety of compounds are being researched for the treatment of septic shock, these compounds include: TNF and IL antagonists, anti-ELAM antibodies,

anti-infectives and Nitric oxide inhibitors. In general, these compounds can be categorized as acting upon inhibiting the cytokine cascade, anti-endotoxins, anti-coagulation or anti-inflammatory compounds.

A general risk in the development of any compound in septic shock is that the failure rate of previous discoveries has been high, as evidenced by the current lack of therapies. PA believes that there are many reasons for these failure rates, not least the difficulties of the design of the clinical programmes. The laboratory data generated by Keryx are, however, compelling.

3.6.3 Commercial Potential

PA estimates 800,000 to 1 million patients are diagnosed as suffering from septic shock annually in Europe and the USA. In the United States, the expenditure on treatment of resistant bacterial infections is estimated at $4 billion; in Europe, the total sepsis market is expected to reach $2.4 billion by 2003.

3.6.4 Development Plans

Keryx does not intend to carry out the development of KRX-211 itself. The Company has signed an agreement with the National Institutes of Health (NIH) under which NIH will carry out extensive pre-clinical testing. Thereafter, Keryx intends to license KRX-211 to a development partner.

3.7 KRX-291: Sunless Tanning

Melanins are the pigments that impart colour to skin and hair. Exposure to the sun can alter skin pigmentation by inducing melanin production. There is considerable evidence that melanin helps protect skin from harmful ultraviolet rays, which may induce skin cancers (basal and squamous cell carcinomas and melanoma) and skin aging due to sunlight (photoaging).

The skin cells that produce the melanins are called melanocytes and comprise 5 to 10% of the total cellular population in the epidermis. Tanning is mediated by melanocytes producing melanin, which is subsequently transferred to the keratinocytes. Keratinocytes are the most abundant cells in the epidermis and account for 80 to 90% of the total epidermal cellular population.

3.7.1 Project Merits

KRX-291 is being developed to modulate MSH receptor activity. Although the exact intracellular signals that trigger melanin production are not well understood, there is an abundant body of evidence implicating a role of MSH and its receptor in melanin production. PA considers this kinase as a suitable target for the development of sunless tanning.

People who tan poorly or sunburn easily are at the greatest risk for skin cancer. According to PA estimates, in the USA, Europe and Japan, there are approximately 57,000 new cases of skin cancer (melanoma) every year. Additionally, approximately 1.2 million cases of squamous cell and basal cell carcinomas, which are also related to sun exposure (though by no means as life-threatening as melanomas) are diagnosed each year in the US. Increasing melanin in the skin may provide protection against the effects of ultraviolet light on the skin. This may become of increasing importance as the ozone layer is depleted.

3.7.2 Project Risks

Research in sunless tanning is widespread. There are several products already on the market but they do have some limitations.

There is scientific debate about the role of alpha-MSH and its exact role in the pigmentation process. This debate stems from the fact there is conflicting evidence about (1) the lack of effect of alpha-MSH to effect melanogenesis in human cell cultures and (2) the amount of secreted alpha-MSH is very low in humans, unlike that of most other animals. However, there is some new evidence that is supporting the MSH's critical role in melanogenesis.

3.7.3 Commercial Potential

There are many products available for self tanning, working in a variety of

ways, although most act by dyeing the skin through the use of vegetable-based pigments. PA estimates that global sales of self tanning products were in excess of US$ 300 million in 1998.

3.7.4 Development Plans

In line with its current strategy, the Company has signed a research and development agreement. Consequently, Keryx will evaluate its options following its examination of the collaboration results.

3.8 KRX-613: Diabetes

Diabetes is among the most prevalent chronic diseases in the world. It is estimated that in the United States, there are 10 million cases diagnosed annually and another 5 million cases that remain undiagnosed. There are estimated to be around 143 million adult diabetics in the world, and this number is expected to more than double by 2025.

Insulin is used in the treatment of both types of diabetes, but while essential in Type I (around 10-15% of all diabetics), it is only used in the later stages of Type II diabetes, when diet and oral therapies are no longer sufficient. About 40% of Type II diabetics are thought to be on insulin, which together with Type I, means that more than half of all diabetic patients use insulin.

KRX-613 would be an alternative to insulin therapy. In order for insulin to act, it must bind to its specific receptor. The receptor contains a protein kinase domain (IRK), which transduces the signal intracellularly, leading to increased glucose uptake.

3.8.1 Project Merits

PA believes that a number of experiments have presented evidence that for insulin, intracellular signal transduction is a significant factor in the biological response. It has been shown that insulin binding results in rapid activation of the IRK (a necessary step for the lowering of blood glucose concentration) via a cascade of phosphorylation of intracellular signalling proteins, and the comparably rapid internalisation of the IRK. Thus PA believes that targeting IRK with KRX-613 is an appropriate therapeutic approach.

3.8.2 Project Risks

Given the early stage of development of KRX-613, PA has identified no project specific technology risks that are not described in Section 2.2-Risks Associated with KinAce(TM).

3.8.3 Comercial Potential

The total world wide market for insulin is estimated at US$2.8 billion, the main companies involved being Lilly, Novo Nordisk and Hoechst Marion Roussel who, between them, have 98% of the global market. The diabetes market is growing rapidly and the insulin segment of this market is growing with it, at a rate of around 13% per year.

3.8.4 Development Plans

Keryx has entered into a research & development agreement with Novo Nordisk for the evaluation of KRX-613. Following evaluation of the results of these tests, Keryx intends either to license KRX-613 or to continue its development internally through pre-clinical and Phase I clinical trials.

4. CONCLUSION

The discovery of pharmaceutical candidates has historically been, and remains, serendipitous. Despite the advances in science in recent years, drugs are still discovered by screening of thousands of substances against receptors using robotic systems. Despite all the publicity over the sequencing of the human genome, few companies have thus far capitalised on the research by using the data to derive drug development candidates.

PA believes that Keryx is one of the few companies that has been able to utilise publicly available peptide sequence data to derive drug candidates. The amino acid sequences for kinases are open to all; it is the understanding of the specific region against which to target a short chain protein that has enabled Keryx to discover a significant portfolio of candidate drugs in a very short time. One other advantage of the Company's approach is that it is not involved in the basic research to sequence these proteins, a costly and time consuming affair. Further, evidence to date suggests that the KinAce(TM) approach to discovery has been sufficiently predictive that the Company does not need to screen thousands of molecules against its target on the kinase.

Protein kinases are a large family of enzymes, which are implicated in a great many disease conditions. PA has found no evidence to suggest that the discovery approach adopted by Keryx cannot be applied to the modulation of other enzymes, although this has yet to be demonstrated.

The Company's portfolio of product candidates is still at an early stage, however PA believes that each product candidate is based on sound scientific principles. Few therapeutic peptides have been launched and it remains to be seen whether some of the technical challenges can be overcome. However, the Company has demonstrated its ability to generate a significant portfolio of product candidates in a limited time and PA believes that, should any one product fail in development, as is inevitable, Keryx has the ability to rapidly identify a successor.

Yours sincerely

Dr Keith Redpath
For and on behalf of PA Strategy Partners Ltd

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registration in accordance with Regulation 4(2) of the Public Offers of Securities Regulations 1995.

The directors of Keryx whose names appear on page 35 of this Document accept responsibility for the information contained in this Document. To the best of the knowledge and belief of such directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the shares of common stock of par value $.001 each of the Company issued and to be issued in connection with the offer described in this Document (the "Offer") to be admitted to the Alternative Investment Market of the London Stock Exchange plc ("AIM") and to the Nasdaq National Market. It is expected that dealings in the Company's common stock commence on AIM on a conditional basis at 2:30 p.m. (London time) on 2000, and unconditional dealings commence at 2:30 p.m. (London time) on 2000. All dealings between the commencement of conditional dealings and the commencement of unconditional dealings will be on a "when issued" basis. If the Offer does not become unconditional in all respects, all such dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks of investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial advisor. The rules of AIM are less demanding than those of the Official List of the UK Listing Authority. It is emphasized that no application is being made for admission of the Company's common stock to the Official List of the UK Listing Authority. Furthermore, neither the UK Listing Authority nor the London Stock Exchange has approved the contents of this Document.

Prospective investors should be aware that an investment in Keryx involves a high degree of risk. In particular, prospective investors should consider the section entitled "Risk Factors" commencing on page 5 of this Document.

[LOGO of KERYX BIOPHARMACEUTICALS, INC.]

KERYX BIOPHARMACEUTICALS, INC.

(incorporated under the laws of the State of Delaware, USA)

Offer of up to shares of common stock of par value $.001 each

(at a price of p/$ each)
and admission to listing on the Alternative Investment Market
of the London Stock Exchange and the Nasdaq National Market

Authorized shares of par value $.001 each		Issued, and to be issued, Shares of par value $.001 each fully paid	
Number	Amount	Number	Amount
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In connection with the Offer, WestLB Panmure Limited and/or Roth Capital Partners, Inc. may over-allot or effect transactions which stabilize or maintain the market price of the Company's common stock at levels above those which might otherwise prevail in the open market. Such transactions may be effected on AIM, the Nasdaq National Market or otherwise. Such stabilizing, if commenced, may be discontinued at any time. In connection with the Offer, Keryx has granted to the underwriters an option, exercisable for 30 days from the date of admission of the shares to AIM, to purchase up to 690,000 additional

shares of common stock at the public offering price less the underwriting discount. The underwriters may exercise such option solely for the purpose of covering over-allotments, if any, in connection with the Offer.

WestLB Panmure Limited and Roth Capital Partners, Inc. are advising the Company, and no one else, in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their customers nor for providing advice in relation to the Offer, the contents of this Document or any transaction or arrangement referred to herein. WestLB Panmure Limited is regulated by The Securities and Futures Authority Limited and is acting as Nominated Advisor and Nominated Broker to the Company for the purposes of the Rules of AIM. Roth Capital Partners, Inc. is a US registered broker-dealer.

Joint Global Coordinators

WestLB Panmure Limited
Roth Capital Partners, Inc.

Nominated Advisor and Broker

WestLB Panmure Limited

Dated: , 2000

DIRECTORS AND OFFICERS, REGISTERED OFFICE AND ADVISORS

Directors and Officers

Morris Laster, M.D. (Director, Chairman and Chief Executive Officer)
Benjamin W. Corn, M.D. (President)

Robert E. Gallahue, Jr. (Chief Financial Officer and Treasurer)

Ira Weinstein (Chief Operating Officer)
Peter M. Kash (Non-Executive Director)
S. Leslie Misrock (Non-Executive Director)
Mark H. Rachesky, M.D. (Non-Executive Director)
Lindsay A. Rosenwald, M.D. (Non-Executive Director)
Wayne Rothbaum (Non-Executive Director)

General Counsel and Secretary
Robert Trachtenberg, Esq.

Registered Office
1013 Centre Road, Wilmington, Delaware 19805, USA

Advisors

Joint Global Coordinators

Roth Capital Partners, Inc.
24 Corporate Plaza
Newport Beach, California
92660, USA

WestLB Panmure Limited
New Broad Street House
35 New Broad Street
London EC2M ISQ, UK

AIM Nominated Advisor and Broker
WestLB Panmure Limited
New Broad Street House
35 New Broad Street
London EC2M ISQ, UK

Legal Advisors to the Company
As to US law
Morgan, Lewis & Bockius LLP
101 Park Avenue
New York, New York 10178, USA

Legal Advisors to the Joint Global Coordinators
As to US law
Baer Marks & Upham LLP
805 Third Avenue
New York, New York 10022,
USA

As to English law
Morgan, Lewis & Bockius

As to English law
Ashurst Morris Crisp
Broadwalk House

2 Gresham Street
London EC2V 7PE, UK

5 Appold Street
London EC2A 2HA, UK

Registered Auditors and Reporting Accountants
Somekh Chaikin
a member firm of KPMG International
216 Jaffa Road
Sha'arei Ha'ir, Jerusalem, Israel 94383

Underwriters

WestLB Panmure Limited

Roth Capital Partners, Inc.

Technology Expert
PA Strategy Partners Ltd.
Cambridge Technology Centre
Melbourn
Hertfordshire SG8 6DP, UK

Registrar
American Stock Transfer and Trust Company
40 Wall Street
New York, New York 10005, USA

Overseas Distribution

This Document does not constitute an offer to sell, or the solicitation of an offer to buy, shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution in Australia or Japan. The shares have not been and will not be registerable under the applicable securities laws of Australia or Japan and, subject to certain exceptions, may not be offered or sold within Australia or Japan or to any national, resident or citizen of Australia or Japan. The distribution of this Document in other jurisdictions may be restricted by law and therefore persons into whose possession this Document comes should inform themselves about and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Unless otherwise stated, references to any legislation or regulations are to US legislation or regulations.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

12. Other Expenses of Issuance and Distribution.

The following table sets forth the expenses (other than underwriting compensation expected to be incurred) in connection with this offering. All of such amounts (except the SEC registration fee and the NASD filing fee) are estimated.

SEC registration fee	$ 19,800
NASDAQ listing fee	95,000
NASD filing fee	9,125
Blue Sky fees and expenses	7,500
Printing and engraving costs	175,000
Legal fees and expenses	826,575
Accounting fees and expenses	350,000
Transfer Agent and Registrar fees and expenses	7,500
Miscellaneous	9,500
Total	$1,500,000

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*To be completed by amendment.

13. Indemnification of Directors and Officers.

Our bylaws provide that we will indemnify our directors and executive officers and may indemnify our other officers, employees and other agents to the fullest extent permitted by Delaware law.

Our certificate of incorporation provides that, to the fullest extent

permitted by Delaware law, our directors will not be liable for monetary damages for breach of the directors' fiduciary duty of care to us and our stockholders. This provision does not eliminate the duty of care and, in appropriate circumstances, equitable remedies including an injunction or other forms of non-monetary relief would remain available under Delaware law.

Section 145 of the Delaware General Corporation Law permits a corporation, under specified circumstances, to indemnify its directors, officers, employees or agents against expenses (including attorneys' fees), judgments, fines and amounts paid in settlements actually and reasonably incurred by them in connection with any action, suit or proceeding brought by third parties by reason of the fact that they were or are directors, officers, employees or agents of the corporation, if such directors, officers, employees or agents acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reason to believe their conduct was unlawful. In a derivative action, i.e., one by or in the right of the corporation, indemnification may be made only for expenses actually and reasonably incurred by directors, officers, employees or agents in connection with the defense or settlement of an action or suit, and only with respect to a matter as to which they shall have acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made if such person shall have been adjudged liable to the corporation, unless and only to the extent that the court in which the action or suit was brought shall determine upon application that the defendant directors, officers, employees or agents are fairly and reasonably entitled to indemnity for such expenses despite such adjudication of liability.

Our bylaws also allow us to enter into indemnification contracts with our officers and directors and to purchase insurance on behalf of any person we are required or permitted to indemnify. We have obtained officer and director liability insurance to cover liabilities that our officers and directors may incur in connection with their services to us, including matters arising under the Securities Act.

The Underwriting Agreement, filed as Exhibit 1.1, provides that the underwriters named therein will indemnify us and hold us harmless and each of our directors, officers or controlling persons from and against certain liabilities, including liabilities under the Securities Act. The Underwriting Agreement also provides that such underwriters will contribute to certain liabilities of such persons under the Securities Act.

14. Recent Sales of Unregistered Securities.

During the past three years, we have sold the securities set forth below which were not registered under the Securities Act:

(1) On October 26, 1998, we issued 4,600,000 shares of common stock to several accredited investors for an aggregate purchase price of $4,600.

(2) In connection with an exclusive license agreement, on November 18, 1999, we issued to Children's Medical Center Corporation 537,025 shares of common stock and ten-year warrants to purchase an aggregate of 250,000 shares of common stock at a price of $0.01 per share.

(3) In connection with a consulting agreement, in November 18, 1999, we issued 268,512 shares of common stock to Professor Shmuel Ben-Sasson.

(4) On November 18, 1999, we issued 29,465 shares of our Series A preferred stock to several accredited investors for $100 per share.

(5) On December 6, 1999, we issued 27,000 shares of our Series A preferred stock to several accredited investors for $100 per share.

(6) On December 20, 1999, we issued 23,000 shares of our Series A preferred stock to several accredited investors for $100 per share.

(7) On January 6, 2000, we issued 25,700 shares of our Series A preferred stock to several accredited investors for $100 per share.

(8) On January 25, 2000, we issued 13,480 shares of our Series A

preferred stock to several accredited investors for $100 per share.

(9) In connection with compensation due under a finder's agreement, on January 25, 2000, we issued to Paramount Capital, Inc. a three-year warrant to purchase 77,393 shares of common stock at a purchase price of $2.91 per share.

(10) On December 14, 1999, we issued ten-year warrants to certain holders of Series A preferred stock to purchase an aggregate of 202,555 shares of common stock at an exercise price of $0.01 per share.

We believe that the sales of the above securities were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act, or Regulation D promulgated thereunder. The recipients of securities in each such transaction represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the instruments representing such securities issued in such transactions. All recipients either received adequate information about us or had adequate access, through their relationships with us, to such information.

15. Exhibits and Financial Statement Schedules.

(a) Exhibits

Exhibit Number	Description
1.1	--Form of Underwriting Agreement.
1.2	--Form of Nominated Broker Agreement between WestLB Panmure Limited and Keryx Biopharmaceuticals, Inc.
1.3	--Form of Nominated Advisor Agreement between WestLB Panmure Limited and Keryx Biopharmaceuticals, Inc.
2.1*	--Asset Purchase Agreement between Partec Ltd. and B.R.T. Biopharmaceuticals Ltd., dated as of November 11, 1999.
2.2*	--Asset Purchase Agreement between Partec Ltd. and Lakaro Biopharmaceuticals, Inc., dated as of November 18, 1999.
3.1*	--Certificate of Incorporation of Keryx Biopharmaceuticals, Inc, as amended.
3.2*	--Bylaws of Paramount Capital Pharmaceuticals, Inc.
4.1	--Specimen Common Stock Certificate.
4.2*	--Certificate of Designations of Series A Preferred Stock for Lakaro Biopharmaceuticals, Ltd., dated as of December 6, 1999.
4.3*	--Form of Stock Purchase Agreement for the purchase of shares of Common Stock.
4.4*	--Form of Contribution Agreement for the holders of 12% Convertible Notes of Partec Ltd.
4.5*	--Form of Subscription Agreement for the purchase of shares of Series A Preferred Stock.
4.6*	--Stockholder Agreement between Lindsay Rosenwald and Morris Laster, dated as of November 19, 1999.
4.7*	--Warrant No. 1 for the Purchase of Shares of Common Stock between Children's Medical Center Corporation and Lakaro Biopharmaceuticals, Inc., dated as of November 18, 1999.
4.8*	--Warrant No. 2 for the Purchase of Shares of Common Stock between Children's Medical Center Corporation and Lakaro Biopharmaceuticals, Inc., dated as of November 18, 1999.
4.9*	--Form of Warrant for the Purchase of Shares of Common Stock between certain holders of Series A Preferred Stock and Lakaro Biopharmaceuticals, Inc., dated as of December 14, 1999.
4.10*	--Warrant for the Purchase of Shares of Common Stock between Paramount Capital, Inc. and Lakaro Biopharmaceuticals, Inc., dated as of January 25, 2000.
5.1	--Opinion of Morgan, Lewis & Bockius LLP.
10.1*	--1999 Share Option Plan.
10.2*	--Employment Agreement between Morris Laster, M.D. and Lakaro Biopharmaceuticals, Inc., dated as of November 19, 1999.
10.3*	--Employment Agreement between Morris Laster, M.D. and Keryx (Israel)

Biopharmaceuticals Ltd., dated as of May 1, 2000.
10.4* --Employment Agreement between Benjamin Corn and Lakaro Biopharmaceuticals, Inc., dated as of November 19, 1999.
10.5* --Employment Agreement between Benjamin Corn and B.R.T. Biopharmaceuticals Ltd., dated as of July 15, 1999.
10.6** --Exclusive License Agreement between the Children's Medical Center Corporation and Lakaro Biopharmaceuticals, Inc., dated as of November 18, 1999.
10.7** --License Agreement between Alfa Wassermann S.p.A. and Partec Ltd., dated as of November 12, 1998.
10.8* --Consulting Agreement between Shmuel Ben-Sasson, Ph.D. and Lakaro Biopharmaceuticals, Inc., dated as of November 19, 1999.
10.9** --Research Agreement between Yissum Research and Development Company of the Hebrew University of Jerusalem and Lakaro Biopharmaceuticals, Inc., dated as of November 18, 1999.
10.10** --Manufacturing Agreement between Opocrin S.p.A. and Partec Ltd., dated as of April 16, 1999.

Exhibit Number	Description
10.11**	--Manufacturing Agreement between Pharmaceutics International, Inc. and Keryx Biopharmaceuticals, Inc., dated as of March 17, 2000.
10.12**	--Research and Development Agreement between National Institutes of Health Laboratories and Keryx Biopharmaceuticals, Inc., dated as of April 10, 2000.
10.13**	--Research Material Transfer and Collaboration Agreement between Osteotech, Inc. and Lakaro Biopharmaceuticals, Inc., dated as of December 27, 1999.
10.14**	--Research Material Transfer and Collaboration Agreement between Novo Nordisk A/S and SignalSite, Inc., dated as of June 17, 1999.
10.15**	--Research Material Transfer and Collaboration Agreement dated as of December 14, 1999.
10.16*	--Management Services Agreement between Lakaro Biopharmaceuticals, Inc. and B.R.T. Biopharmaceuticals Ltd., dated as of November 30, 1999.
10.17*	--Finder Agreement between Paramount Capital, Inc. and Lakaro Biopharmaceuticals, Inc., dated as of November 19, 1999.
10.18*	--Lease Agreement between Arbel Hafakot and Partec Ltd. dated as of December 26, 1996.
10.19*	--Management Agreement between Sha'arei Ha'ir Investments, Ltd. and Partec Ltd. dated as of December 2, 1996.
10.20	--Form of KRX-101 Scientific Advisory Board Agreement.
10.21	--Form of KinAce Scientific Advisory Board Agreement between Keryx Biopharmaceuticals, Inc. and Dr. James Broach.
10.22*	--Tenancy Agreement between Har Hotzvim Properties Ltd. and BRT Biopharmaceuticals Ltd., dated as of December 13, 1999.
10.23*	--Management Agreement between Park Meir Management Company Ltd. and BRT Biopharmaceuticals Ltd., dated December 13, 1999.
10.24	--Form of KinAce Scientific Advisory Board Agreement between Moshe Oren, Ph.D. and Keryx Biopharmaceuticals, Inc.
10.25	--2000 Share Option Plan
21.1*	--List of subsidiaries of Keryx Biopharmaceuticals, Inc.
23.1	--Consent of KPMG.
23.2	--Consent of Morgan, Lewis & Bockius LLP (contained in Exhibit 5.1).
23.3	--Consent of PA Strategy Partners Ltd.
24.1*	--Powers of Attorney (included on signature page).
27.1	--Financial Data Schedule

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* Previously filed.

** Previously filed and confidential treatment requested.

(b) Financial Statement Schedules

Financial Statement Schedules are omitted because the information is included in our financial statements or notes to those financial statements.

16. Undertakings

The undersigned registrant hereby undertakes as follows:

(1) The undersigned will provide to the underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(2) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance on Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it is declared effective.

(3) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 1 to this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on the 29th day of June, 2000.

Keryx Biopharmaceuticals, Inc.

By: /s/ Morris Laster, M.D.

Name: Morris Laster, M.D.
Title:Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, Amendment No. 1 to this Registration Statement has been signed by the following persons in the capacities and on the date indicated.

Signature	Title	Date

*	Chairman and Chief Executive Officer (Principal Executive Officer)	June 29, 2000
Morris Laster, M.D.		
*	President (Executive Officer)	June 29, 2000
Benjamin W. Corn, M.D.		
/s/ Robert E. Gallahue	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	June 29, 2000
Robert E. Gallahue		
*	Chief Operating Officer (Executive Officer)	June 29, 2000
Ira Weinstein		
*	Director	June 29, 2000
Peter M. Kash		

Signature	Title	Date
*	Director	June 29, 2000
S. Leslie Misrock		
*	Director	June 29, 2000
Mark H. Rachesky, M.D.		
*	Director	June 29, 2000
Lindsay A. Rosenwald, M.D.		
*	Director	June 29, 2000
Wayne Rothbaum		

By: /s/ Bob Trachtenberg

Bob Trachtenberg, as Attorney-in-Fact pursuant to the Power of Attorney previously provided as part of the Registration Statement.

EXHIBIT 1.1

U.S. and International Underwriting Agreement

July __, 2000

Roth Capital Partners, Inc.
Gruntal & Co., L.L.C.
As Representatives of the Several U.S. Underwriters
c/o Roth Capital Partners, Inc.
12626 High Bluff Drive
Suite 370
San Diego, California 92130

WestLB Panmure Limited
New Broad Street House
35 New Broad Street
London EC2M 1SQ
United Kingdom

Ladies and Gentlemen:

Introductory. Keryx Biopharmaceuticals, Inc., a Delaware corporation (the "Company"), proposes to issue and sell to the several Underwriters (as defined below) and to the places procured by the International Underwriter (as defined below), shares of its common stock, $.001 par value per share (the "Common Shares"). It is understood that, subject to the conditions hereinafter stated: (a) _____ Common Shares (the "U.S. Firm Shares") will be sold to the several U.S. underwriters named in Schedule A hereto (the "U.S. Underwriters") in connection with the offering (the "U.S. Offering") and sale of such U.S. Firm Shares in the United States, and (b) _____ Common Shares (the "International Firm Shares") will be sold to WestLB Panmure Limited (the "International Underwriter") in connection with the offering (the "International Offering" and, together with the U.S. Offering, the "Offering") and sale of such International Firm Shares outside the United States. Roth Capital Partners, Inc. (the "U.S. Lead Manager") and Gruntal & Co., L.L.C. (together with the U.S. Lead Manager, the "U.S. Representatives") shall act as the representatives of the several U.S. Underwriters. The U.S. Representatives and the International Underwriter are hereinafter collectively referred to as the "Representatives." U.S. Lead Manager and the International Underwriter will also serve as the joint global coordinators of the Offering (the "Global Coordinators"). The U.S. Underwriters and the International Underwriter are hereinafter collectively referred to as the "Underwriters."

In addition, for the sole purpose of covering over-allotments from sale of the U.S. Firm Shares and the International Firm Shares, the Company proposes to issue and sell: (a) to the U.S. Underwriters, at the option of the U.S. Representatives, an aggregate of not more than _____ Common Shares (the "U.S. Option Shares"), and (b) to the International Underwriter, at the option of the International Underwriter, an aggregate of not more than _____ Common Shares (the "International Option Shares"). The U.S. Firm Shares and the U.S. Option Shares are hereinafter called the "U.S. Shares;" the International Firm Shares and the International Option Shares are hereinafter collectively referred to as the "International Shares;" the U.S. Firm

Shares and the International Firm Shares are hereinafter collectively referred to as the "Firm Shares;" the U.S. Option Shares and the International Option Shares are hereinafter collectively referred to as the "Option Shares." The U.S. Shares and the International Shares are hereinafter collectively referred to as the "Shares."

The Company has prepared and filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-1 (File No. 333-37402), which contains the form of prospectus, subject to completion, to be used in connection with the public offering and sale of the Shares (it being understood that all of the Shares are being registered under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (collectively, the "Securities Act")). Each such prospectus, subject to completion, used in connection with such public U.S. Offering and International Offering is called a "preliminary prospectus." Such registration statement, as amended, including the financial statements, exhibits and schedules thereto, in the form in which it was declared effective by the Commission under the Securities Act, including any information deemed to be a part thereof at the time of effectiveness pursuant to Rule 430A under the Securities Act, is called the "Registration Statement." Any registration statement filed by the Company pursuant to Rule 462(b) under the Securities Act is called the "Rule 462(b) Registration Statement," and from and after the date and time of filing of the Rule 462(b) Registration Statement the term "Registration Statement" shall include the Rule 462(b) Registration Statement. The form of prospectus relating to the Shares, as first filed with the Commission pursuant to and in accordance with Rule 424(b) ("Rule 424(b)") under the Securities Act or, if no such filing is required, as included in the Registration Statement, is called the "Prospectus." All references in this underwriting agreement (the "Agreement") to the Registration Statement, the Rule 462(b) Registration Statement, a preliminary prospectus, the Prospectus or any amendments or supplements to any of the foregoing, shall include any copy thereof filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System ("EDGAR").

The Company hereby confirms its agreements with the Underwriters as follows:

Section 1. Representations and Warranties of the Company.

The Company hereby represents, warrants and covenants to each Underwriter as follows:

(a) Compliance with Registration Requirements. (i) The Registration Statement and any Rule 462(b) Registration Statement have been declared effective by the Commission under the Securities Act. The Company has complied to the Commission's satisfaction with all requests of the Commission for additional or supplemental information. No stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement is in effect and no proceedings for such purpose have been instituted or are pending, contemplated or threatened by the Commission.

(ii) Each preliminary prospectus and the Prospectus, when filed, complied in all material respects with the Securities Act and complied in all respects with the Public Offers of Securities Regulations 1995 (the "Pos Regs"), and, if filed by electronic transmission pursuant to EDGAR (except as may be permitted by Regulation S-T under the Securities Act), was identical

to the copy thereof delivered to the Underwriters for use in connection with the offer and sale of the Shares. Each of the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendment thereto, at the time it became effective and at all subsequent times, complied and will comply

in all material respects with the Securities Act and in all respects with the Pos Regs and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. Each preliminary prospectuses, as of its date, and the Prospectus, each as amended or supplemented, as of its date and at all subsequent times through the 30th day after the date hereof, did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties set forth in the two immediately preceding sentences do not apply to statements in or omissions from the Registration Statement, any Rule 462(b) Registration Statement, or any post-effective amendment thereto, preliminary prospectus or the Prospectus, or any amendments or supplements thereto, made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by the Representatives expressly for use therein. The expert reports (the "Expert Reports") prepared by each of PA Consulting Group and Gill Jennings & Every, as of their date, each as amended or supplemented, as of their date and at all subsequent times through the 30th day after the date hereof, did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(iii) The Prospectus and the press announcement to be released on _____, 2000 announcing the Offering (the "Press Announcement") contain all information required by, and the allotment and issue of the Shares and the issue of the Press Announcement and the issue and distribution of the Prospectus in the manner proposed will comply with, the Financial Services Act 1986 (the "FSA"), the Pos Regs, the rules and regulations of the London Stock Exchange and all other applicable laws, rules and regulations of the United Kingdom and all other relevant jurisdictions.

(iv) There are no contracts, agreements, instruments, leases, licenses, certifications or permits or other arrangements, whether written or oral, or other documents required to be described in the Prospectus or to be filed as exhibits to the Registration Statement, which have not been described or filed as required. The statements in the Registration Statement, preliminary prospectuses and the Prospectus summarizing the provisions of laws, rules, regulations, contracts, or other arrangements, whether written or oral, including, without limitation, the statements set forth under the captions "Risk Factors--We may be unable to obtain FDA or other regulatory approval for our drug candidates," "Business-Government Regulation" and "Business--Intellectual Property" accurately reflect the provisions of laws, rules, regulations, contracts, leases and other arrangements purported to be summarized and, to the Company's knowledge, there are no proposed amendments or additions to any such provisions of laws, rules, regulations, contracts, leases or other arrangements.

(v) In light of the matters referred to in paragraph 9(3) of the Pos Regs, the Prospectus contains all such information as investors would reasonably require and reasonably

expect to find there for the purpose of making an informed assessment of the assets and liabilities, financial position, profits or losses and prospects of the Company and the rights attaching to the Common Shares.

(b) Offering Materials Furnished to Underwriters. The Company has delivered to the Representatives four complete conformed (and four original) copies of the Registration Statement and of each consent and certificate of experts filed as a part thereof, and conformed copies of the Registration Statement (without exhibits) and each of the preliminary prospectuses and the Prospectus, as amended or supplemented, in such quantities and at such places as the Representatives have reasonably requested for each of the Underwriters. The Company has delivered one copy of the Prospectus to the registrar of companies (the "Registrar of Companies") in England and Wales in accordance with paragraph 4(2) of the Pos Regs.

(c) Distribution of Offering Material by the Company. The Company has not distributed and will not distribute, prior to the Second Closing Date (as defined below) and the completion of the Underwriters' distribution of the Shares, any offering material in connection with the offering and sale of the

Shares other than the preliminary prospectuses, the Prospectus or the Registration Statement.

(d) The Underwriting Agreement. This Agreement has been duly authorized, executed and delivered by, and is a valid and binding agreement of, the Company, enforceable in accordance with its terms, except as rights to indemnification hereunder may be limited by applicable law and except as the enforcement hereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights and remedies of creditors or by general equitable principles.

(e) Authorization of the Shares to be Sold by the Company. The Shares to be purchased by the Underwriters from the Company have been duly authorized for issuance and sale pursuant to this Agreement and, when issued and delivered by the Company pursuant to this Agreement, will be validly issued, fully paid and nonassessable. None of the shares will be issued in violation of any preemptive rights, rights of first refusal or other similar rights to subscribe for or purchase securities of the Company.

(f) No Applicable Registration or Other Similar Rights. There are no persons with registration or other similar rights to have any equity or debt securities registered for sale under the Registration Statement or included in the offerings contemplated by this Agreement.

(g) No Material Adverse Change. Subsequent to the respective dates as of which information is given in the Prospectus: (i) there has been no material adverse change, or any development that could reasonably be expected to result in a material adverse change, in the condition, financial or otherwise, or in the earnings, business, operations or prospects, whether or not arising from transactions in the ordinary course of business, of the Company and the Subsidiary, considered as one entity (any such change or effect, where the context so requires, is called a "Material Adverse Change" or a "Material Adverse Effect"); (ii) the Company and the Subsidiary, considered as one entity, have not incurred any liability or obligation, indirect, direct or contingent, not in the ordinary course of business nor entered into any transaction or agreement not in the ordinary course of business; and (iii) there has been (A) no dividend or

distribution of any kind declared, paid or made by the Company or its subsidiary on any class of capital stock, or (B) no repurchase or redemption by the Company or its subsidiary of any class of capital stock.

(h) Independent Accountants. Somekh Chaikin (a member firm of KPMG International), who has expressed its opinion with respect to the financial statements (which term as used in this Agreement includes the related notes thereto) of the Company and its subsidiary, Keryx (Israel) Biopharmaceuticals Limited (the "Subsidiary"), filed with the Commission as a part of the Registration Statement and included in the Prospectus, are independent public or certified public accountants as required by the Securities Act.

(i) Preparation of the Financial Statements. The financial statements filed with the Commission as a part of the Registration Statement and included in the Prospectus present fairly the consolidated financial position of the Company and the Subsidiary as of and at the dates indicated and the results of their operations and cash flows for the periods specified. The financial statements of the Company and the Subsidiary have been prepared in conformity with generally accepted accounting principles in the U.S. applied on a consistent basis throughout the periods involved, except as may be expressly stated in the related notes thereto. No other financial statements or supporting schedules are required to be included in the Registration Statement. The financial data set forth in the Prospectus under the captions "Prospectus Summary--Summary Consolidated Financial Information," "Capitalization" and "Selected Financial Data" fairly present the information set forth therein on a basis consistent with that of the audited financial statements contained in the Registration Statement.

The as adjusted condensed financial statements of the Company and the Subsidiary and the related notes thereto included under the captions "Prospectus Summary--Summary Consolidated Financial Information," "Selected Financial Data" and elsewhere in the Prospectus and in the Registration Statement present fairly the information contained therein, have been prepared in accordance with the Commission's rules and guidelines with respect to such financial statements and

have been properly presented on the bases described therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein.

(j) Company's Accounting Systems. Each of the Company and the Subsidiary maintain a system of accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles in the U.S. and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(k) Subsidiaries of the Company. Except as otherwise disclosed in the Prospectus, the Company does not own or control, directly or indirectly, any corporation, association or other entity other than the Subsidiary.

(l) Incorporation and Good Standing of the Company and the Subsidiary. Each of the Company and the Subsidiary has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction in which it is organized with full corporate power and authority to own its properties and conduct its business as described in the Prospectus, and is duly qualified to do business as a foreign corporation and is in good standing under the laws of each jurisdiction which requires such qualification.

(m) Capitalization of the Company's Subsidiary. All the outstanding shares of the Subsidiary have been duly and validly authorized and issued and are fully paid and nonassessable and, all outstanding shares of capital stock of the Subsidiary are owned by the Company free and clear of any security interests, claims, liens or encumbrances.

(n) No Prohibition from Paying Dividends or Making Other Distributions. The Subsidiary is not currently prohibited, directly or indirectly, from paying any dividends to the Company, from making any other distribution on such Subsidiary's capital stock, from repaying to the Company any loans or advances to such Subsidiary from the Company or from transferring any of such Subsidiary's property or assets to the Company.

(o) Capitalization and Other Capital Stock Matters. The authorized, issued and outstanding capital stock of the Company is as set forth in the Prospectus under the caption "Capitalization." The Common Shares (including the Shares) conform in all material respects to the description thereof contained in the Prospectus. All of the issued and outstanding Common Shares have been duly authorized and validly issued, are fully paid and nonassessable and have been issued in compliance with federal and state securities laws. None of the outstanding Common Shares were issued in violation of any preemptive rights, rights of first refusal or other similar rights to subscribe for or purchase securities of the Company. The Underwriters will receive good and valid title to the Shares purchased by them, free and clear of all liens, claims, security interests, pledges, charges, encumbrances and other defects of title. There are no authorized or outstanding options, warrants, preemptive rights, rights of first refusal or other rights to purchase, or equity or debt securities convertible into or exchangeable or exercisable for, any capital stock of the Company or the Subsidiary other than those accurately described in the Prospectus. The description of the Company's stock option and other stock plans and arrangements, and the options or other rights granted thereunder, in each case as set forth in the Prospectus, accurately and fairly presents the information required to be shown with respect to such plans, arrangements, options and rights.

(p) Stock Exchange Listing. The Shares have been approved for inclusion on The Nasdaq National Market ("Nasdaq") and AIM, subject only to official notice of issuance.

(q) No Consents, Approvals or Authorizations Required. No consent, approval, authorization, filing with or order of any court or governmental agency or regulatory body is required in connection with the transactions contemplated herein, except such as have been obtained or made under the Securities Act and such as may be required (and which have been obtained) (i)

under the blue sky laws of any jurisdiction in connection with the purchase and distribution of the Shares by the Underwriters in the manner contemplated herein and in the

Prospectus, (ii) by the National Association of Securities Dealers, Inc. (the "NASD"), and (iii) by the Nasdaq Stock Market, Inc.

(r) Non-Contravention of Existing Instruments Agreements. Neither the issue and sale of the Shares nor the consummation of the Offering or any other of the transactions herein contemplated nor the fulfillment of the terms hereof will conflict with, result in a breach or violation of, or will result in the imposition of any lien, charge or encumbrance upon any property or assets of the Company or the Subsidiary pursuant to (i) the charter or by-laws of the Company or the Subsidiary, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which the Company or the Subsidiary is a party or is bound or to which its property is subject, or (iii) any statute, law, rule, regulation, judgment, order or decree applicable to the Company or the Subsidiary of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over the Company or the Subsidiary or any of its respective properties.

(s) No Defaults or Violations. Neither the Company nor the Subsidiary is in violation or default of (i) any provision of its charter or by-laws, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which it is a party or is bound or to which its property is subject, or (iii) any statute, law, rule, regulation, judgment, order or decree of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over the Company or the Subsidiary or any of its respective properties.

(t) No Actions, Suits or Proceedings. No action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or the Subsidiary or any of its respective property is pending or threatened. Except as otherwise as disclosed in the Prospectus, no officer or director of the Company nor any person for whom the Company is or may be vicariously liable has any claim outstanding against them or is engaged in or has been engaged in any legal or arbitration or similar proceedings which, individually or collectively, are of material importance and no such legal or arbitration or similar proceedings are threatened or pending nor, to the best of the knowledge, information and belief of the Company's directors, are there any circumstances which are likely to give rise to any such legal or arbitration or similar proceedings. For this purpose "similar proceedings" includes any civil or criminal proceedings and any action by any governmental, public or regulatory authority (including any investment exchange and any authority or body which regulates investment business or takeovers or which is concerned with mergers or taxation matters) which did or could result in public censure.

(u) All Necessary Permits, Etc. Each of the Company and the Subsidiary possesses such valid and current certificates, authorizations or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies as is necessary to conduct its business, and neither the Company nor the Subsidiary has received any notice of proceedings relating to the revocation or modification of, or noncompliance with, any such certificate, authorization or permit.

(v) Title to Properties. Each of the Company and the Subsidiary has good and marketable title to all the properties and assets reflected as owned in the financial statements of the Company and the Subsidiary referred to in Section 1(i) above (or elsewhere in the Prospectus), in each case free and clear of any security interests, mortgages, liens, encumbrances, equities, claims and other defects. The real property, improvements, equipment and personal property held under lease by the Company or the Subsidiary, as the case may be, are held under valid and enforceable leases.

(w) Tax Law Compliance. Each of the Company and the Subsidiary has filed all necessary federal, state and foreign income, franchise and other applicable tax returns and has paid all taxes required to be paid by such entity and, if

due and payable, any related or similar assessment, fine or penalty levied against any of them. The Company has made adequate charges, accruals and reserves in the financial statements of the Company and the Subsidiary referred to in Section 1(i) above in respect of all federal, state and foreign income, franchise and other applicable taxes for all periods as to which the tax liability of the Company and the Subsidiary has not been paid. The Company is not aware of any tax deficiency that has been or might be asserted or threatened against the Company or the Subsidiary.

(x) Intellectual Property Rights. Each of the Company and the Subsidiary own or possess adequate rights to use all patents, patent applications, patent rights or licenses, inventions, collaborative research agreements, trade secrets, know-how, trademarks, service marks, trade names and copyrights which are necessary to conduct its businesses as described in the Registration Statement and Prospectus; the expiration of any patents, patent applications, patent rights, trade secrets, trademarks, service marks, trade names or copyrights would not result in a Material Adverse Change that is not otherwise disclosed in the Prospectus; neither the Company nor the Subsidiary has received any notice of, nor has knowledge of, any infringement of or conflict with asserted rights of the Company or the Subsidiary by others with respect to any patents, patent applications, patent rights, inventions, trade secrets, know-how, trademarks, service marks, trade names or copyrights; and neither of the Company nor the Subsidiary has received any notice of, nor has knowledge of, any infringement of or conflict with asserted rights of others with respect to any patents, patent applications, patent rights, inventions, trade secrets, know-how, trademarks, service marks, trade names or copyrights. There is no claim being made against the Company or the Subsidiary regarding patents, patent rights or licenses, inventions, collaborative research, trade secrets, know-how, trademarks, service marks, trade names or copyrights. Each of the Company and the Subsidiary do not, in the conduct of its business as now conducted or proposed to be conducted, in each case as described in the Prospectus, infringe or conflict with any right or patent of any third party, or any discovery, invention, product or process which is the subject of a patent application filed by any third party, known to the Company or the Subsidiary.

(y) No Transfer Taxes or Other Fees. There are no stamp or transfer taxes or other similar fees or charges under Federal law or the laws of any country or any state or county, or any political subdivision thereof, required to be paid in connection with the execution and delivery of this Agreement or the issuance and sale by the Company of the Shares.

(z) Company not an "Investment Company." The Company has been advised by Morgan, Lewis & Bockius LLP of the rules and requirements under the Investment Company Act of 1940, as amended (the "Investment Company Act"). The Company is not, and after receipt of payment for the Shares will not be, an "investment company" or an entity "controlled" by an "investment company" within the meaning of the Investment Company Act and will conduct its business in a manner so that it will not become subject to the Investment Company Act.

(aa) Insurance. Each of the Company and the Subsidiary are insured by recognized, financially sound and reputable institutions with policies in such amounts and with such deductibles and covering such risks as are generally deemed adequate and customary for its business including, but not limited to, policies covering real and personal property owned or leased by the Company or the Subsidiary, as the case may be, against product liability, clinical trial liability, theft, damage, destruction, acts of vandalism and earthquakes and general liability, directors and officers liability and key man life insurance for each of Morris Laster and Shmuel Ben-Sasson. The Company has no reason to believe that it or the Subsidiary will not be able (i) to renew its existing insurance coverage as and when such policies expire, or (ii) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that would not result in a Material Adverse Change. Neither the Company nor the Subsidiary has been denied any insurance coverage, which it has sought or for which it has applied.

(bb) Labor Matters. No labor disturbance by the employees of the Company or the Subsidiary exists or is imminent. The Company is not aware of any existing or imminent labor disturbance by the employees of any of its or the Subsidiary's principal suppliers that might be expected to result in a Material Adverse Change.

(cc) No Price Stabilization or Manipulation. The Company has not taken and

will not take, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Common Shares to facilitate the sale or resale of the Shares.

(dd) Lock-Up Agreements. The persons listed on Schedule C have signed an agreement substantially in the form attached hereto as Exhibit A-1 (the "12-Month Lock-up Agreement"). The persons listed on Schedule D have signed an agreement substantially in the form attached hereto as Exhibit A- 2 (the "Six-Month Lock-up Agreement" and collectively with the 12-Month Lock-up Agreement, the "Lock-Up Agreements"). The Company has provided to counsel for the Underwriters a complete and accurate list of all securityholders of the Company and the number and type of securities held by each securityholder. The Company has provided to counsel for the Underwriters true, accurate and complete copies of all of the Lock-up Agreements presently in effect or effected hereby.

(ee) Related Party Transactions. There are no business relationships or related-party transactions involving the Company or the Subsidiary or any other person required to be described in the Prospectus that have not been described as required.

(ff) Officers' Certificates. Any certificate signed by an officer of the Company and delivered to the Representatives or to counsel for the Underwriters shall be deemed to be a representation and warranty by the Company to each Underwriter as to the matters set forth therein.

(gg) No Unlawful Contributions or Other Payments. Neither the Company, nor the Subsidiary, nor any employee or agent of the Company or any Subsidiary, has made any contribution or other payment to any official of, or candidate for, any federal, state or foreign office in violation of any law or of the character required to be disclosed in the Prospectus.

(hh) ERISA Compliance. Each of the Company and the Subsidiary and any "employee benefit plan" (as defined under the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder (collectively, "ERISA")) established or maintained by the Company, the Subsidiary or their "ERISA Affiliates" (as defined below) is in compliance in all material respects with ERISA. "ERISA Affiliate" means, with respect to the Company or the Subsidiary, any member of any group of organizations described in Sections 414(b), (c), (m) or (o) of the Internal Revenue Code of 1986, as amended, and the regulations and published interpretations thereunder (the "Code") of which the Company or such Subsidiary is a member. No "reportable event" (as defined under ERISA) has occurred or is reasonably expected to occur with respect to any "employee benefit plan" established or maintained by the Company, the Subsidiary or any of their ERISA Affiliates. No "employee benefit plan" established or maintained by the Company, the Subsidiary or any of their ERISA Affiliates, if such "employee benefit plan" were terminated, would have any "amount of unfounded benefit liabilities" (as defined under ERISA). Neither the Company, the Subsidiary nor any of their ERISA Affiliates has incurred, or reasonably expects to incur, any liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "employee benefit plan" or (ii) Sections 412, 4971, 4975 or 4980B of the Code. Each "employee benefit plan" established or maintained by the Company, the Subsidiary or any of their ERISA Affiliates that is intended to be qualified under Section 401(a) of the Code is so qualified and nothing has occurred, whether by action or failure to act, which would cause the loss of such qualification.

(ii) Brokers and Finders. Other than as expressly provided for by this Agreement, the Company has not incurred any liability for any finder's or broker's fee or agent's commission in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

(jj) Working Capital. The cashflow and working capital projections prepared by the Company to support the statements contained in the Prospectus, including those statements in paragraph 7 under the heading "Additional Information for the Alternative Investment Market" have been prepared with all due care and attention by the Company and its directors on the basis of the assumptions set out in such projections and such assumptions are fair and reasonable and there are no facts known or which could on reasonable enquiry have been known to the Company or its directors which have not been taken into account in the preparation of such projections and which could reasonably be expected to have an effect thereon and all information supplied to the Representatives for the

purpose of their examination and review of

the working capital projections of the Company was when given and remains true and accurate in all material aspects and not misleading in any material respect. In light of the Company's available bank and other facilities and the proceeds of the Offering the Company will have sufficient working capital for its present and reasonably foreseeable future requirement.

(kk) Y2K. There are no Y2K issues related to the Company or any of its subsidiaries that (i) are of a character required to be described or referred to in the Registration Statement or Prospectus by the Securities Act or by the Exchange Act which have not been accurately described in all material respects in the Registration Statement or Prospectus or (ii) might reasonably be expected to result in any Material Adverse Change or that might materially affect their properties, assets or rights.

(ll) Environmental Laws. (i) The Company is in compliance with all rules, laws and regulations relating to the use, treatment, storage and disposal of toxic substances and protection of health or the environment ("Environmental Laws") which are applicable to its business, except where the failure to comply would not reasonably be expected to result in a Material Adverse Change, (ii) the Company has received no notice from any governmental authority or third party of an asserted claim under Environmental Laws, which claim is required to be disclosed in the Registration Statement or the Prospectus, (iii) the Company is not currently aware that it will be required to make future material capital expenditures to comply with Environmental Laws and (iv) to the knowledge of the Company, no property that is owned, leased or occupied by the Company has been designated as a Superfund site pursuant to the Comprehensive Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. (S) 9601, et seq.), or otherwise designated as a contaminated site under applicable state or local law.

(mm) Periodic Review of Costs of Environmental Compliance. The Company has conducted reviews of the effect of Environmental Laws on the business, operations and properties of the Company and the Subsidiary, in the course of which it has identified and evaluated associated costs and liabilities (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties). On the basis of such reviews and the amount of its established reserves, the Company has reasonably concluded that such associated costs and liabilities would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change.

Section 2. Purchase, Sale and Delivery of the U.S. Shares and the International Shares.

(a) The Firm Shares. The Company agrees to issue and sell to the several U.S. Underwriters and agrees to issue and sell to the International Underwriter or to persons nominated by the International Underwriter the U.S. Firm Shares and the International Firm Shares, respectively, upon the terms herein set forth. On the basis of the representations, warranties and agreements herein contained, and upon the terms but subject to the conditions herein set forth, (i) the several U.S. Underwriters agree, severally and not jointly, to purchase

from the Company the respective number of U.S. Firm Shares set forth opposite their names on Schedule A hereto, and (ii) the International Underwriter agrees to purchase from the Company or procure placees to purchase from the Company the number of International Firm Shares set forth opposite its name on Schedule B hereto. The purchase price per U.S. Firm Share to be paid by the several U.S. Underwriters to the Company shall be $_____/(Pounds)_____ (the "Offer Price"). The purchase price per Firm Shares to be paid by the International Underwriter shall be the Offer Price, and by persons nominated by the International Underwriter shall be $_____/(Pounds)_____ (the "Placing Price").

(b) The First Closing Date. Delivery of the Firm Shares to be purchased by the Underwriters and payment therefor shall be made by the Company and the Representatives at 10:00 a.m. New York time, at the offices of Morgan, Lewis & Bockius LLP, New York, New York (or at such other place as may be agreed upon

among the Representatives and the Company), on the fifth (5th) business day following the first day that the Shares are traded (or at such time and date to which payment and delivery shall have been postponed pursuant to Section 8 hereof), such time and date of payment and delivery being herein called the "First Closing Date;" provided, however, that if the Company has not made available to the Representatives copies of the Prospectus within the time provided in Sections 2(g) and 3(e) hereof, the Representatives may, in their sole discretion, postpone the Closing Date until no later that two (2) full business days following delivery of copies of the Prospectus to the Representatives.

(c) The Option Shares; the Second Closing Date. In addition, on the basis of the representations, warranties and agreements herein contained, and upon the terms but subject to the conditions herein set forth, the Company hereby grants an option to the several Underwriters to purchase, severally and not jointly, up to an aggregate of ___ Option Shares from the Company at the Offer Price. The option granted hereunder is for use by the Underwriters solely in covering any over-allotments in connection with the sale and distribution of the Firm Shares. The option granted hereunder may be exercised at any time upon notice by the U.S. Representatives to the Company, which notice may be given at any time within 30 days from the date of this Agreement. The time and date of delivery of the Option Shares, if subsequent to the First Closing Date, is called the "Second Closing Date" and shall be determined by the Representatives, and shall not be earlier than three nor later than five full business days after delivery of such notice of exercise. If any Option Shares are to be purchased, (i) each Underwriter agrees, severally and not jointly, to purchase the number of Option Shares (subject to such adjustments to eliminate fractional shares as determined by the Representatives) that bears the same proportion to the total number of Option Shares to be purchased as the number of Firm Shares set forth on Schedule A or B, as the case may be, opposite the name of such Underwriter bears to the total number of Firm Shares, and (ii) the Company agrees to sell the number of Option Shares which the Representatives shall specify upon exercise of the option as set forth in the paragraph "Introductory" of this Agreement. The Representatives may cancel its option at any time prior to their expiration by giving written notice of such cancellation to the Company.

(d) Public Offering of the Shares. The U.S. Representatives hereby advise the Company that the U.S. Underwriters intend to offer for sale to the public, as described in the

Prospectus, their respective portions of the Shares as soon after this Agreement has been executed and the Registration Statement has been declared effective as the U.S. Representatives, in their sole judgment, have determined is advisable and practicable.

(e) Payment for the Shares. Payment for the Firm Shares shall be made at the First Closing Date (and, if applicable, payment for the Option Shares shall be made at the Second Closing Date) by wire transfer in immediately available funds to the order of the Company. The International Underwriter shall be entitled to deduct and retain for its own benefit a commission of ___ percent of the aggregate value of the Placing Price of the Firm Shares bought by persons procured by it pursuant to Section 2(a) above. It is understood that the Representatives have been authorized, for their own account and the accounts of the several Underwriters, to accept delivery of and receipt for, and make payment of the purchase price for, the Firm Shares and any Option Shares the Underwriters have agreed to purchase. The Representatives, individually and not as a representative of the Underwriters, may (but shall not be obligated to) make payment for any Shares to be purchased by any Underwriter whose funds shall not have been received by the Representatives by the First Closing Date or the Second Closing Date, as the case may be, for the account of such Underwriter, but any such payment shall not relieve such defaulting Underwriter from any of its obligations under this Agreement.

(f) Delivery of the Shares. The Company shall deliver, or cause to be delivered, a credit representing the Firm Shares to an account or accounts at The Depository Trust Company, as designated by the Representatives for the accounts of the Representatives and the several Underwriters at the First Closing Date, against the irrevocable release of a wire transfer of immediately available funds for the amount of the purchase price therefor. The Company shall also deliver, or cause to be delivered, a credit representing the Option Shares the Underwriters have agreed to purchase at the First Closing Date (or the Second Closing Date, as the case may be), to an account or accounts at The

Depository Trust Company as designated by the Representatives for the accounts of the Representatives and the several Underwriters at the Second Closing Date, against the irrevocable release of a wire transfer of immediately available funds for the amount of the purchase price therefor. Time shall be of the essence, and delivery at the time and place specified in this Agreement is a further condition to the obligations of the Underwriters.

(g) Delivery of Prospectus to the Underwriters. Not later than 12:00 noon on the second business day following the date of this Agreement, the Company shall deliver or cause to be delivered copies of the Prospectus in such quantities and at such places as the Representatives shall request. The Company shall deliver two copies of the Prospectus to the Registrar of Companies in England and Wales as required by Regulation 4(2) of the Pos Regs within one business day following the effective date of the Registration Statement.

(h) Stabilization. In connection with the distribution of the Shares, the Representatives on behalf of the Underwriters may, to the extent permitted by applicable laws, regulations and the rules of the Commission and the Financial Services (Conduct of Business) Rules 1990 as amended by the Financial Services (Conduct of Business) Rules 1994, over-allot and effect transactions in the Shares in any over-the-counter market or otherwise, with a view to

stabilizing or maintaining the market price of the Shares at a level other than that which might otherwise prevail in the open market, but in doing so, the Representatives shall, as between the Underwriters on the one hand and the Company on the other hand, act as principal and not as agent for the Company and any loss resulting from over-allotment or stabilization shall be borne, and any profit arising therefrom shall be beneficially retained, by the Representatives on behalf of the Underwriters. The Representatives shall act as stabilization agent in connection with actions taken in accordance with this paragraph (i).

Section 3. Covenants of the Company.

The Company further covenants and agrees with each Underwriter as follows:

(a) Registration Statement Matters. The Company will (i) use its best efforts to cause a registration statement on Form 8-A (the "Form 8-A Registration Statement") as required by the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to become effective simultaneously with the Registration Statement, (ii) use its best efforts to cause the Registration Statement to become effective and, if the procedure in Rule 430A of the Securities Act is followed, to prepare and timely file with the Commission under Rule 424(b) under the Securities Act a Prospectus in a form approved by the Representatives containing information previously omitted at the time of effectiveness of the Registration Statement in reliance on Rule 430A of the Securities Act, and (iii) not file any amendment to the Registration Statement or supplement to the Prospectus of which the Representatives shall not previously have been advised and furnished with a copy or to which the Representatives shall have reasonably objected in writing or which is not in compliance with the Securities Act. If the Company elects to rely on Rule 462(b) under the Securities Act, the Company shall file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) under the Securities Act prior to the time confirmations are sent or given, as specified by Rule 462(b)(2) under the Securities Act, and shall pay the applicable fees in accordance with Rule 111 under the Securities Act.

(b) Securities Act Compliance. The Company will advise the Representatives promptly (i) when the Registration Statement or any post-effective amendment thereto shall have become effective, (ii) of receipt of any comments from the Commission, (iii) of any request of the Commission for amendment of the Registration Statement or for supplement to the Prospectus or for any additional information, and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the use of either of the Prospectus or of the institution of any proceedings for that purpose and will promptly provide them with copies of all correspondence including summaries of all oral correspondence. The Company will use its best efforts to prevent the issuance of any such stop order preventing or suspending the use of the Prospectus and to obtain as soon as possible the lifting thereof, if issued.

(c) Blue Sky Compliance. The Company will cooperate with the Representatives and counsel for the Underwriters in endeavoring to qualify the Shares for sale under the securities laws of such jurisdictions (both national

and foreign) as the Representatives may reasonably have designated in writing and will make such applications, file such documents,

and furnish such information as may be reasonably required for that purpose, provided the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction where it is not now so qualified or required to file such a consent. The Company will, from time to time, prepare and file such statements, reports and other documents, as are or may be required to continue such qualifications in effect for so long a period as the Representatives may reasonably request for distribution of the Shares.

(d) Amendments and Supplements to the Prospectus and Other Securities Act Matters. The Company will comply with the Securities Act and the Exchange Act and the rules and regulations of the Commission thereunder, the Pos Regs and the Rules of the London Stock Exchange, so as to permit the completion of the distribution of the Shares as contemplated in this Agreement and the Prospectus. If prior to the Second Closing Date any event shall occur which does or may constitute a significant change or new matter for the purposes of Regulation 10 of the Pos Regs, the Company shall notify the Representatives forthwith upon the Company becoming aware of the same, and without prejudice to Section 9 of this Agreement shall procure that any such change or new matter shall be dealt with in accordance with the Securities Act and the Exchange Act and the rules and regulation of the Commission thereunder, Pos Regs and the Rules of the London Stock Exchange, and shall prepare and file with the Commission and the Registrar of Companies in England and Wales, and furnish at its own expense to the Underwriters and to dealers an appropriate amendment to the Registration Statement or supplement to such Prospectus so that such Prospectus as so amended or supplemented will not, in the light of the circumstances when it is so delivered, be misleading, or so that such Prospectus will comply with all applicable laws and regulations. If during the period in which a prospectus is required by law to be delivered by an Underwriter or dealer, any event shall occur as a result of which, in the judgment of the Company or in the reasonable opinion of the Representatives or counsel for the Underwriters, it becomes necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances existing at the time the Prospectus is delivered to a purchaser, not misleading, or, if it is necessary at any time to amend or supplement the Prospectus to comply with any law, the Company promptly will prepare and file with the Commission, and furnish at its own expense to the Underwriters and to dealers, an appropriate amendment to the Registration Statement or supplement to the Prospectus so that the Prospectus as so amended or supplemented will not, in the light of the circumstances when it is so delivered, be misleading, or so that the Prospectus will comply with the law.

(e) Copies of any Amendments and Supplements to the Prospectus. The Company agrees to furnish the Representatives, without charge, during the period beginning on the date hereof and ending on the later of the First Closing Date or such date, as in the opinion of counsel for the Underwriters, the Prospectus is no longer required by law to be delivered in connection with sales by an Underwriter or dealer (the "Prospectus Delivery Period"), as many copies of the Prospectus and any amendments and supplements thereto as the Representatives may request.

(f) Notice of Subsequent Events; Public Statements.

(i) During the Offering and for a period of 25 days thereafter, the Company shall obtain the written consent of the Representatives prior to making any public presentations, statements or announcements regarding the Company or its affiliates or any terms of the Offering. If at any time during the ninety (90) day period after the Registration Statement becomes effective, any rumor, publication or event relating to or affecting the Company shall occur as a result of which, in the opinion of the Representatives, the market price of the Common Shares has been or is likely to be materially affected (regardless of whether such rumor, publication or event necessitates a supplement to or amendment of either of the Prospectus), the Company will, after written notice from the Representatives advising the Company to the effect set forth above, forthwith prepare, consult with the Representatives concerning the

substance of, and disseminate a press release or other public statement, reasonably satisfactory to the Representatives, responding to or commenting on such rumor, publication or event.

(ii) The Company hereby undertakes to the Representatives for itself and on behalf of the Underwriters that the Company will use all reasonable endeavors to procure that the Company will, during the period from the date hereof until (and including) the publication of the audited accounts of the Company for the quarter ending March 31, 2001:

(1) notify the Representatives in advance of, and discuss with the Representatives both the content and timing and manner of making or dispatch of, any announcement concerning the financial position or affairs of the Company or the Subsidiary or any announcement of profits or losses and dividends in respect of any financial period or part thereof and discuss with the Representatives any other material information which is likely to affect the general character or nature of the business of any member of the Company, the Subsidiary or may be necessary to be made known to the public in order to enable the Shareholders and the public to appraise the position of the Company and to avoid the establishment of a false market in its securities;

(2) forward to the Representatives for their review all proofs or drafts of all documents proposed to be dispatched to holders of the Company's securities and all press announcements; and

(3) notify the Representatives forthwith of any proposal to make any material alteration, revision or release in respect of any of the service agreements of the Company's officers or directors and of any material breach of any covenant, undertaking or warranty in any such agreement by any officer or director and consult with the Representatives prior to taking any action with regard to the foregoing.

(g) Use of Proceeds. The Company shall apply the net proceeds from the sale of the Shares sold by it in the manner described under the caption "Use of Proceeds" in the Prospectus.

(h) Transfer Agent and Registrar. The Company shall engage and maintain, at its expense, registrars and transfer agents for the Common Shares both in the United States and in the United Kingdom.

(i) Earnings Statement. As soon as practicable, the Company will make generally available to its security holders and to the Representatives an earnings statement (which need not be audited) covering the twelve-month period ending December 31, 2001 that satisfies the provisions of Section 11(a) of the Securities Act.

(j) Nasdaq Reporting Obligations. The Company shall file, on a timely basis, with Nasdaq all reports and documents required to be filed under the Exchange Act or the rules and regulations of Nasdaq.

(k) Agreement Not to Offer or Purchase or Sell Additional Securities. The Company will not, without the Representatives' prior written consent, offer, sell or contract to sell, or otherwise dispose of or enter into any transaction which is designed to, or could be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise by the Company or any affiliate of the Company or any person in privity with the Company or any affiliate of the Company) directly or indirectly, or announce the offering of, any Common Shares or any securities convertible into, or exchangeable for, Common Shares other than the Shares; provided, however, that the Company may (i) issue and sell Common Shares pursuant to any employee stock option plan of the Company in effect at the date of the Prospectus and described in the Prospectus so long as none of those shares may be transferred, the options are granted or issued at an exercise price not less than the fair market value of the Common Shares on the date of grant and the Company shall enter stop transfer instructions with its transfer agent and registrar against the transfer of any such Common Shares, and (ii) issue Common Shares issuable upon the conversion of securities or the exercise of warrants outstanding at the date of the Prospectus and described in the Prospectus. The Company will not, without the Representatives' prior written consent, purchase or contract to purchase or enter into any transaction which is designed to, or could be expected to, result in the acquisition, directly or indirectly, of any Common Shares or any securities convertible into or

exchangeable for Common Shares. These restrictions terminate after the close of trading of the Shares on the 90th day of (and including) the day the Shares commenced trading on Nasdaq.

(l) Future Reports to the Representatives. During the period of five years hereafter, the Company will furnish to the Representatives: (i) as soon as practicable after the end of each fiscal year, copies of the Annual Report of the Company containing the balance sheet of the Company as of the close of such fiscal year and statements of income, stockholders' equity and cash flows for the year then ended and the opinion thereon of the Company's independent public or certified public accountants; (ii) as soon as practicable after the filing thereof, copies of each proxy statement, Annual Report on Form 10-K, Quarterly Report on Form 10-Q, Current Report on Form 8-K or other report filed by the Company with the Commission, the NASD or any securities exchange; and (iii) as soon as available, copies of any report or communication of the Company mailed generally to holders of its capital stock.

(m) Regulatory Compliance. During the Prospectus Delivery Period, the Company will file all documents required to be filed with the Commission pursuant to Section 13, 14 or 15 of the Exchange Act in the manner and within the time periods required by the Exchange Act. Following the Offering, the Company shall use its best efforts to continue to comply with the rules and regulations of the Commission, Nasdaq and AIM, and the Pos Regs.

(n) Management and Directors. It is the Company's current intention that the management, as disclosed in the Registration Statement, will continue to be in place after the Offering for a reasonable period of time. Additionally, the Company will maintain a professional board of directors that will include at least two outside directors and complies with the Commission's Release No. 34-42266. The Representatives acknowledge that the Company's board of director as it exists on the date hereof meets this requirement.

(o) Future Advertisements. The Company agrees that the Representatives have the right to place advertisements in financial and other newspapers and journals at their own expense describing their services to the Company hereunder.

Section 4. Conditions of the Obligations of the Underwriters.

The obligations of the several Underwriters to purchase and pay for the Shares as provided herein on the First Closing Date and, with respect to the Option Shares, on the Second Closing Date, shall be subject to (i) the accuracy of the representations and warranties on the part of the Company set forth in Section 1 hereof as of the date hereof and as of the First Closing Date as though then made and, with respect to the Option Shares, as of the Second Closing Date as though then made, (ii) the timely performance by the Company of its covenants and other obligations hereunder, and (iii) each of the following additional conditions:

(a) Compliance with Registration Requirements; No Stop Order, No Objection from the NASD. The Registration Statement shall have become effective prior to the execution of this Agreement, or at such later date as shall be consented to in writing by the Representatives; and no stop order suspending the effectiveness thereof shall have been issued and no proceedings for that purpose shall have been initiated or, to the knowledge of the Company or any Underwriter, threatened by the Commission, and any request of the Commission for additional information (to be included in the Registration Statement or the Prospectus or otherwise) shall have been complied with to the satisfaction of Underwriters' counsel; and the NASD shall have raised no objection to the fairness and reasonableness of the underwriting terms and arrangements.

(b) Corporate Proceedings. All corporate proceedings and other legal matters in connection with this Agreement, the form of Registration Statement and the Prospectus, and the registration, authorization, issue, sale and delivery of the Shares, shall have been reasonably satisfactory to Underwriters' counsel, and such counsel shall have been furnished with such papers and information as they may reasonably have requested to enable them to pass upon the matters referred to in this Section.

(c) No Material Adverse Change. Subsequent to the execution and delivery of this Agreement and prior to the First Closing Date on the Second Closing Date, as the case

may be, there shall not have been any material adverse change in the condition (financial or otherwise), earnings, operations, business or business prospects of the Company and the Subsidiary considered as one enterprise from that set forth in the Registration Statement or Prospectus, which, in the sole judgment of the Representatives, is material and adverse or that makes it, in the sole judgment of the Representatives, impracticable or inadvisable to proceed with the public offering of the Shares as contemplated by the Prospectus.

(d) Opinion of Counsel for the Company. (i) You shall have received on the First Closing Date, or the Second Closing Date, as the case may be, an opinion of Morgan, Lewis & Bockius, LLP, counsel for the Company, substantially in the form of Exhibit B attached hereto, dated the First Closing Date, or the Second Closing Date, as the case may be, addressed to the Underwriters and with reproduced copies or signed counterparts thereof for each of the Underwriters.

(ii) Counsel rendering the opinion contained in Exhibit B may rely as to questions of law not involving the laws of the United States, the State of Delaware or the State of New York upon opinions of local counsel reasonably acceptable to the Representatives, and as to questions of fact upon representations or certificates of officers of the Company and of government officials, in which case their opinion is to state that they are so relying and that they have no knowledge of any material misstatement or inaccuracy in any such opinion, representation or certificate. Copies of any opinion, representation or certificate so relied upon shall be delivered to you, as Representatives of the Underwriters, and to Underwriters' counsel.

(e) Opinion of Intellectual Property Counsel for the Company. You shall have received on the First Closing Date or the Second Closing Date, as the case may be, an opinion of Pennie & Edmonds LLP, patent counsel for the Company, substantially in the form of Exhibit C hereto, dated the First Closing Date or the Second Closing Date, as the case may be. The Company shall have furnished to such counsel such documents as they may have requested for the purpose of enabling them to pass upon such matters.

(f) Accountants' Comfort Letter. You shall have received on the First Closing Date and on the Second Closing Date, as the case may be, a letter from Somekh Chaikin addressed to the U.S. Representatives and the International Underwriter, dated the First Closing Date, or the Second Closing Date, as the case may be, confirming that they are independent certified public accountants with respect to the Company and the Subsidiary within the meaning of the Securities Act and the applicable published rules and regulations and based upon the procedures described in such letter delivered to you concurrently with the execution of this Agreement (herein called the "Original Letter"), but carried out to a date not more than four (4) business days prior to the First Closing Date or the Second Closing Date, as the case maybe, (A) confirming, to the extent true, that the statements and conclusions set forth in the Original Letter are accurate as of the First Closing Date or the Second Closing Date, as the case may be, and (B) setting forth any revisions and additions to the statements and conclusions set forth in the Original Letter which are necessary to reflect any changes in the facts described in the Original Letter since the date of such letter, or to reflect the availability of more recent financial statements, data or information. The letter shall disclose any change in the condition (financial or otherwise), earnings, operations, business or business prospects of the Company and the

Subsidiary considered as one enterprise, from that set forth in the Registration Statement or Prospectus. The Original Letter shall be addressed to or for the use of the Underwriters in form and substance satisfactory to the Underwriters and shall (A) represent, to the extent true, that they are independent certified public accountants with respect to the Company and its subsidiaries, within the meaning of the Securities Act and the applicable published rules and regulations thereto and (B) set forth their opinion with respect to their examination of the consolidated balance sheet of the Company as of December 31, 1999 and 1998 and related consolidated statements of operations, shareholders' equity, and cash flows for the three years ended December 31, 1999. In addition, you shall have received from Somekh Chaikin a letter addressed to the Company, and made available to the Underwriters for the use of the Underwriters, stating that their review of the Company's systems of internal accounting controls, to the extent they are deemed necessary in establishing the scope of their examination

of the Company's consolidated financial statements as of December 31, 1999 and 1998, did not disclose any weaknesses in internal controls that they considered to be material weaknesses.

(g) Officers' Certificate. You shall have received on the First Closing Date and the Second Closing Date, as the case may be, a certificate of the Company, dated the First Closing Date or the Second Closing Date, as the case may be, signed by the Chief Executive Officer and Chief Financial Officer of the Company, to the effect that, and the Underwriters shall be satisfied that:

(i) The representations and warranties of the Company in this Agreement are true and correct, as made on and as of the First Closing Date or the Second Closing Date, as the case may be, and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the First Closing Date or the Second Closing Date, as the case may be;

(ii) No stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or threatened under the Act;

(iii) When the Registration Statement became effective and at all times subsequent thereto up to the delivery of such certificate, the Registration Statement and the Prospectus, and any amendments or supplements thereto, contained all information required to be included therein by the Securities Act, and the applicable rules and regulations of the Commission thereunder, the Pos Regs and the Rules of the London Stock Exchange and conformed in all respects to the requirements of the Securities Act, and the applicable rules and regulations of the Commission thereunder, the Pos Regs and the Rules of the London Stock Exchange, (A) the Registration Statement and any amendments thereto, did not and does not include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (B) the Prospectus and any amendments or supplements thereto, did not and does not include any untrue statement of a material fact or omit the statement of material fact required to be stated therein or necessary to make the statement therein not misleading in light of the circumstances under which they were made; and, since the effective date of the Registration Statement, there has occurred no

event required to be set forth in an amended or supplemented Prospectus which has not been so set forth; and

(iv) Subsequent to the respective dates as of which information is given in the Registration Statement and Prospectus, there has not been (a) any material adverse change in the condition (financial or otherwise), earnings, operations, business or business prospects of the Company and the Subsidiary considered as one enterprise, (b) any transaction involving the Company and the Subsidiary, except transactions entered into in the ordinary course of business, (c) any obligation, direct or contingent, incurred by the Company or the Subsidiary, except obligations incurred in the ordinary course of business consistent with past practices, (d) any change in the capital stock or outstanding indebtedness of the Company or the Subsidiary, (e) any dividend or distribution of any kind declared, paid or made on the capital stock of the Company or the Subsidiary, or (f) any loss or damage (whether or not insured) to the property of the Company or the Subsidiary which has been sustained or will have been sustained.

(h) Lock-up Agreement from Certain Stockholders of the Company. The Company shall have obtained and delivered to you agreements, substantially in the form of Exhibit A-1, attached hereto from the persons listed in Schedule C attached hereto, and agreements, substantially in the form of Exhibit A-2, from the persons listed on Schedule D which is annexed hereto.

(i) Stock Exchange Listing. The Shares shall have been approved for inclusion on Nasdaq, subject only to official notice of issuance, and AIM has agreed to admit the Common Shares, that are issued and are to be issued pursuant to the Offering, to the Official List of AIM.

(j) Compliance with Prospectus Delivery Requirements. The Company shall have complied with the provisions of Sections 2(g) and 3(e) hereof with respect to the furnishing of the Prospectus.

(k) Opinion of Counsel for the Underwriters. You shall have received on the First Closing Date or the Second Closing Date, as the case may be, an opinion of Baer Marks & Upham LLP, counsel for the Underwriters, substantially in the form of Exhibit D hereto. The Company shall have furnished to such counsel such documents as they may have requested for the purpose of enabling them to pass upon such matters.

(l) Insurance. The Company shall acquire and maintain a reasonable amount of director and officer liability insurance (provided that such insurance can be obtained at a reasonable cost as determined by the Company and the Representatives) from a responsible insurer, all satisfactory to the Representatives, prior to the effectiveness of the Registration Statement. The Company shall obtain key man life insurance for each of Morris Laster and Shmuel Ben-Sasson in the amount of $2 million per person.

(m) Deliveries to the Representatives. The Company shall deliver to the Underwriters the following documents:

(i) three original signed copies of the Expert's Report of PA Strategy Partners Ltd and the Patent Agent's Report of Gill Jennings & Every;

(ii) three original signed copies of the written consent of Somekh Chaikin to the inclusion in the Prospectus of the Report set out on pages F-1 to F-21 of the Prospectus and to their name in the form and context in which they are included;

(iii) three original signed responsibility statements and powers of attorney executed by each director of the Company in the form previously approved by the Representatives;

(iv) three original signed copies of the nominated advisor's agreement and the nominated broker's agreement;

(v) one certified copy of each of the employment agreements described in the Prospectus under the caption;

(vi) three original signed copies of a letter from Somekh Chaikin confirming the accuracy of certain financial information contained in the Prospectus;

(vii) three original signed copies of a letter from the Company addressed to the Representatives confirming that the working capital available to the Company is sufficient for its present requirements in the agreed form;

(viii) three original letters, referencing paragraph 16.30 of the Rules of the London Stock Exchange, from each of the Company, Morgan, Lewis & Bockius LLP, Somekh Chaikin, PA Strategy Partners Ltd. and Gill Jennings & Every; and

(ix) three original signed copies of the written consent of PA Strategy Partners Ltd. to the inclusion in the Prospectus of their report set out on pages A- 1 to A-14 of the Prospectus.

(n) Additional Documents. On or before each of the First Closing Date and the Second Closing Date, as the case may be, the Representatives and counsel for the Underwriters shall have received such information, documents, certificates and opinions as they may reasonably require for the purposes of enabling them to pass upon the issuance and sale of the Shares as contemplated herein, and in order for them to determine the accuracy of any of the representations and warranties and the satisfaction of any of the conditions or agreements herein contained.

If any condition specified in this Section 4 is not satisfied when and as required to be satisfied, this Agreement may be terminated by the Representatives by notice to the Company at any time on or prior to the First Closing Date and, with respect to the Option Shares, at any time prior to the Second Closing Date which termination shall be without liability on the part of any party to any other party, except that Section 5 (Payment of Expenses), Section 6 (Reimbursement of Underwriters' Expenses), Section 7 (Indemnification and Contribution) and

Section 12 (Representations and Indemnities to Survive Delivery) shall at all times be effective and shall survive such termination.

Section 5. Payment of Expenses.

The Company agrees to pay all costs, fees and expenses incurred in connection with the performance of its obligations hereunder and in connection with the transactions contemplated hereby, including without limitation (i) all expenses incident to the issuance and delivery of the Common Shares (including all printing and engraving costs), (ii) all fees and expenses of the registrar and transfer agent of the Common Shares, (iii) all necessary issue, transfer and other stamp taxes in connection with the issuance and sale of the Shares to the Underwriters, (iv) all fees and expenses of the Company's counsel, independent public or certified public accountants and other advisors, (v) all costs and expenses incurred in connection with the preparation, printing, filing, shipping and distribution of the Registration Statement (including financial statements, exhibits, schedules, consents and certificates of experts), each preliminary prospectus and the Prospectus, and all amendments and supplements thereto, and this Agreement, (vi) all filing fees and expenses incurred by the Company and the Underwriters in connection with qualifying or registering (or obtaining exemptions from the qualification or registration of) all or any part of the Shares for offer and sale in the U.S. under the state securities or blue sky laws or the securities laws, including any Blue Sky fees of the Underwriters' counsel in an amount not to exceed $10,000, and applicable laws in the U.K., (viii) the filing fees incident to, and the reasonable fees and expenses of counsel for the Underwriters in connection with, the NASD review and approval of the Underwriters' participation in the offering and distribution of the Common Shares, (viii) the fees and expenses associated with including the Common Shares on Nasdaq and AIM, (x) all expert reports related to the listing of the Common Shares on AIM or as otherwise required by the Representatives (including those reports prepared by PA Consulting Group and Gill, Jennings & Every), (xi) the costs of preparing up to eight bound volumes of the Offering documents for the Representatives and their counsel, (xi) all costs and expenses incident to the travel and accommodation of the Company's employees on the "roadshow," and (xii) all other fees, costs and expenses referred to in Item 12 and Item 13 of Part II of the Registration Statement. All fees shall be payable together with all value added tax thereon, if any.

Section 6. Reimbursement of Underwriters' Expenses.

If this Agreement is terminated by the Representatives pursuant to Section 4, Section 8 or Section 9, or if the sale to the Underwriters of the Shares is not consummated, the Company agrees to reimburse the Representatives and the other Underwriters (or such Underwriters as have terminated this Agreement with respect to themselves), severally, upon demand for all out-of- pocket expenses (and any related value added tax) that shall have been reasonably incurred by the Representatives and the other Underwriters in connection with the proposed purchase and the offering and sale of the Shares, including but not limited to fees and disbursements of counsel, including Blue Sky legal fees not to exceed $10,000, printing expenses, travel and accommodation expenses, postage, facsimile and telephone charges, provided, however, that the Company's obligation for reimbursement hereunder shall be limited to an aggregate of $600,000.

Section 7. Indemnification and Contribution.

(a) Indemnification of the Underwriters. (i) The Company agrees to indemnify and hold harmless each Underwriter, its officers and employees, and each person, if any, who controls any Underwriter within the meaning of the Securities Act and the Exchange Act against any loss, claim, damage, liability or expense, as incurred, to which such Underwriter or such controlling person may become subject, under the Securities Act, the Exchange Act or other federal, state or foreign statutory law or regulation, or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of the Company, which consent shall not be unreasonably withheld), including, without limitation, such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based (i) upon any untrue statement or alleged untrue statement of a fact

contained in the Registration Statement, or any amendment thereto, including any information deemed to be a part thereof pursuant to Rule 430A under the Securities Act, or the omission or alleged omission therefrom of a fact required to be stated therein or necessary to make the statements therein not misleading; or (ii) upon any untrue statement or alleged untrue statement of a fact contained in any preliminary prospectus or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; or (iii) in whole or in part upon any inaccuracy in the representations and warranties of the Company contained herein; or (iv) in whole or in part upon any failure of the Company to perform its obligations hereunder or under law; or (v) any untrue statement or alleged untrue statement of any fact contained in any audio or visual materials provided by the Company or based upon written information furnished by or on behalf of the Company including, without limitation, slides, videos, films or tape recordings, used in connection with the marketing of the Shares, including without limitation, statements communicated to securities analysts employed by the Underwriters; or (vi) any act or failure to act or any alleged act or failure to act by any Underwriter in connection with, or relating in any manner to, the Shares or the offering contemplated hereby, and which is included as part of or referred to in any loss, claim, damage, liability or action arising out of or based upon any matter covered by clause (i), (ii), (iii), (iv) or (v) above, provided that the Company shall not be liable under this clause (vi) to the extent that a court of competent jurisdiction shall have determined by a final non-appealable judgment that such loss, claim, damage, liability or action resulted directly from any such acts or failures to act undertaken or omitted to be taken by such Underwriter through its bad faith or willful misconduct; and to reimburse each Underwriter and each such controlling person for any and all expenses (including the fees and disbursements of counsel chosen by the Representatives) as such expenses are reasonably incurred by such Underwriter or such controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action; provided, however, that the foregoing indemnity agreement shall not apply to any loss, claim, damage, liability or expense to the extent, but only to the extent, arising out of or based upon any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company by the Representatives expressly for use in the Registration Statement, any preliminary prospectus or the Prospectus (or any amendment or supplement thereto); and provided, further, that with respect to any preliminary prospectus, the foregoing indemnity agreement shall not inure to the benefit of any Underwriter from whom the person asserting any

loss, claim, damage, liability or expense purchased Shares, or any person controlling such Underwriter, if copies of the Prospectus were timely delivered to the Underwriter pursuant to Section 2(g) and a copy of the Prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Underwriter to such person, if required by law so to have been delivered, and if the Prospectus (as so amended or supplemented) would have cured the defect giving rise to such loss, claim, damage, liability or expense. The indemnity agreement set forth in this Section 7(a) shall be in addition to any liabilities that the Company may otherwise have.

(b) Indemnification of the Company, its Directors and Officers. Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, each of its directors, each of its officers who signed the Registration Statement and each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act, against any loss, claim, damage, liability or expense, as incurred, to which the Company, or any such director, officer or controlling person may become subject, under the Securities Act, the Exchange Act, or other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of such Underwriter), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based upon any untrue or alleged untrue statement of a material fact contained in the Registration Statement, any preliminary prospectus or the Prospectus (or any amendment or supplement thereto), or arises out of or is based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission

or alleged omission was made in the Registration Statement, any preliminary prospectus, the Prospectus (or any amendment or supplement thereto), in reliance upon and in conformity with written information furnished to the Company by the Representatives expressly for use therein; and to reimburse the Company, or any such director, officer or controlling person for any legal and other expense reasonably incurred by the Company, or any such director, officer or controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action; provided, however, that in no case shall any Underwriter be liable or responsible for any amount in excess of the underwriting discounts and commissions applicable to the Shares purchased by such Underwriter. The indemnity agreement set forth in this Section 7(b) shall be in addition to any liabilities that each Underwriter may otherwise have.

(c) Information Provided by the Underwriters. The Company and each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act, hereby acknowledges that the only information that the Underwriters (including the Representatives) have furnished to the Company expressly for use in the Registration Statement, any preliminary prospectus or the Prospectus (or any amendment or supplement thereto) are the statements set forth in the fourth paragraph under the caption "Underwriting" in the Prospectus; and the Underwriters confirm that such statements are correct.

(d) Notifications and Other Indemnification Procedures. Promptly after receipt by an indemnified party under this Section 7 of notice of the commencement of any

action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Section 7, notify the indemnifying party in writing of the commencement thereof, but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party for contribution or otherwise. In case any such action is brought against any indemnified party and such indemnified party seeks or intends to seek indemnity from an indemnifying party, the indemnifying party will be entitled to participate in, and, to the extent that it shall elect, jointly with all other indemnifying parties similarly notified, by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party; provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that a conflict may arise between the positions of the indemnifying party and the indemnified party in conducting the defense of any such action or that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties at the expense of the indemnifying party. Upon receipt of notice from the indemnifying party to such indemnified party of such indemnifying party's election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 7 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel (together with local counsel), approved by the indemnifying party (the Representatives in the case of Section 7(b) and Section 12), representing the indemnified parties who are parties to such action), (ii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action, or (iii) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party, in each of which cases the fees and expenses of counsel shall be at the expense of the indemnifying party.

(e) Settlements. The indemnifying party under this Section 7 shall not be liable for any settlement of any proceeding effected without its written consent, which consent shall not be unreasonably withheld, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party against any loss, claim, damage,

liability or expense by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by Section 7(d) hereof, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 60 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement, compromise or consent to the

entry of judgment in any pending or threatened action, suit or proceeding in respect of which any indemnified party is or could have been a party and indemnity was or could have been sought hereunder by such indemnified party, unless such settlement, compromise or consent (i) includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such action, suit or proceeding and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(f) Contribution. (i) If the indemnification provided for in this Section 7 is unavailable to or insufficient to hold harmless an indemnified party under Section 7(a) or (b) above in respect of any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) then each indemnifying party shall contribute to the aggregate amount paid or payable by such indemnified party in such proportion as is appropriate to reflect the relative benefits received by such party on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of such party on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or its "control" stockholders on the one hand, or the Underwriters on the other, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(ii) The Company and Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 7(f) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 7(f). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to above in this Section 7(f) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (f), (i) no Underwriter shall be required to contribute any amount in excess of the underwriting discounts and commissions applicable to the Shares purchased by such Underwriter, and (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this Section 7(f) to contribute are several in proportion to their respective underwriting obligations and not joint.

(g) Timing of Any Payments of Indemnification. Any losses, claims, damages, liabilities or expenses for which an indemnified party is entitled to indemnification or contribution under this Section 7 shall be paid by the indemnifying party to the indemnified party as such losses, claims, damages, liabilities or expenses are incurred, but in all cases, no later than

forty-five (45) days of invoice to the indemnifying party. All sums payable to any indemnified party under this Section 7 shall be paid free and clear of all deductions or withholdings unless the deduction or withholding is required by law, in which event the person making payment shall pay such additional amount as shall be required to ensure that the net amount received by the indemnified party will equal the full amount which would have been received by it had no such deduction or withholding been made. If the United Kingdom Inland Revenue or any other taxing authority in any jurisdiction brings into any charge to tax (or into any computation of income, profits or gains for the purposes of any charge to tax) any sum payable to any indemnified party under this Section 7 then the amount so payable shall be grossed up by such amount as will ensure that after deduction of the taxation so chargeable there shall remain a sum equal to the amount that would otherwise be payable (additional payments being made on demand as may be necessary).

(h) Survival. The indemnity and contribution agreements contained in this Section 7 of this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter, the Company, its directors or officers or any persons controlling the Company, (ii) acceptance of any Shares and payment therefor hereunder, or (iii) any termination of this Agreement. A successor to any Underwriter, or to the Company, its directors or officers, or any person controlling the Company, shall be entitled to the benefits of the indemnity, contribution and reimbursement agreements contained in this Section 7.

(i) Acknowledgments of Parties. The parties to this Agreement hereby acknowledge that they are sophisticated business persons who were represented by counsel during the negotiations regarding the provisions hereof including, without limitation, the provisions of this Section 7, and are fully informed regarding said provisions. They further acknowledge that the provisions of this Section 7 fairly allocate the risks in light of the ability of the parties to investigate the Company and its business in order to assure that adequate disclosure is made in the Registration Statement and Prospectus as required by the Securities Act, the Exchange Act and the Pos Regs.

Section 8. Default of One or More of the Several Underwriters.

(i) If, on the First Closing Date or the Second Closing Date, as the case may be, any one or more of the several Underwriters shall fail or refuse to purchase Shares that it or they have agreed to purchase hereunder on such date, and the aggregate number of Common Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase does not exceed 10% of the aggregate number of the Shares to be purchased on such date, the other Underwriters shall be obligated, severally, in the proportions that the number of Firm Shares set forth opposite their respective names on Schedule A and Schedule B hereto bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as may be specified by the Representatives with the consent of the non-defaulting Underwriters, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date. If, on the First Closing Date or the Second Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares and the aggregate number of Shares with

respect to which such default occurs exceeds 10% of the aggregate number of Shares to be purchased on such date, and arrangements satisfactory to the Representatives and the Company for the purchase of such Shares are not made within 48 hours after such default, this Agreement shall terminate without liability of any party to any other party other than the defaulting Underwriter, except that the provisions of Sections 5, 6, 7, 10 and 12 shall at all times be effective and shall survive such termination. In any such case either the Representatives or the Company shall have the right to postpone the First Closing Date or the Second Closing Date, as the case may be, but in no event for longer than seven days in order that the required changes, if any, to the Registration Statement and the Prospectus or any other documents or arrangements may be effected.

(ii) As used in this Agreement, the term "Underwriter" shall be deemed to include any person substituted for a defaulting Underwriter under this Section 8. Any action taken under this Section 8 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under

this Agreement.

Section 9. Termination of this Agreement.

This Agreement may be terminated by the Representatives by notice given to the Company if: (a) at any time after the execution and delivery of this Agreement and prior to the First Closing Date (i) trading or quotation in any of the Company's securities shall have been suspended or limited by the Commission, Nasdaq, the London Stock Exchange or AIM, or trading in securities generally on either Nasdaq, AIM, the London Stock Exchange or the New York Stock Exchange shall have been suspended or limited, or minimum or maximum prices shall have been generally established on any of such stock exchanges by the Commission, the NASD, the New York Stock Exchange or otherwise; (ii) a general banking moratorium shall have been declared by any of federal or State of New York or U.K. authorities; (iii) there shall have occurred any outbreak or escalation of national or international hostilities or any crisis or calamity, or any change in the United States, the U.K. or international financial markets, or any substantial change or development involving a prospective change in the political, financial or economic conditions of the United States, the U.K. or internationally, as in the judgment of the Representatives is material and adverse and makes it impracticable or inadvisable to market the Shares in the manner and on the terms contemplated in the Prospectus or to enforce contracts for the sale of securities; (iv) in the judgment of the Representatives there shall have occurred any Material Adverse Change; or (v) the Company shall have sustained a loss by strike, fire, flood, earthquake, accident or other calamity of such character as in the judgment of the Representatives may interfere materially with the conduct of the business or operations of the Company regardless of whether or not such loss shall have been insured; or (b) in the case of any of the events specified in Section 9(i) through (v), such event singly or together with any other event, makes it, in the judgment of the Representatives, impracticable or inadvisable to market the Shares in the manner and on the terms contemplated in the Prospectus. Any termination pursuant to this Section 9 shall be without liability on the part of (x) the Company to any Underwriter, except that the Company shall be obligated to reimburse the expenses of the Representatives and the Underwriters pursuant to Sections 5, 6, 7 and 10 hereof, (y) any Underwriter to the Company or any person controlling the Company, or (z) of any party hereto

to any other party except that the provisions of Sections 5, 6, 7 and 10 shall at all times be effective and shall survive such termination.

Section 10. Pre-Offering Transaction Involving the Company; Break-Up Fee.

If (i) the Offering does not proceed and (ii) the Company is acquired, merges or sells all or substantially all of its assets or otherwise effects a corporate reorganization or other business combination or extraordinary corporate transaction, including a private or public financing (collectively, a "Transaction") on or prior to September 30, 2000, then the Company shall promptly pay to the Representatives a breakup fee equal to $150,000 in the aggregate (and any related value added tax) in immediately available funds. Such $150,000 fee shall be payable as follows: 55% shall be payable to the International Underwriter and 45% shall be payable to the U.S. Lead Manager. Such cash fee will be in addition to reimbursement by the Company of all fees and expenses of the Underwriters (without giving effect of the limitations contained in Section 6 above). If, however, one of the Representatives is engaged by the Company as its exclusive financial advisor in connection with a Transaction on terms satisfactory to the Representatives, the portion of the fee that is payable to such Representative as described immediately above will be deducted from the fees paid to the Representative in connection with such new engagement.

Section 11. Value Added Tax.

(a) Where, pursuant to this Agreement, a sum (a "Relevant Sum") is to be paid or reimbursed to the Representatives in respect of any cost or expense paid or incurred by the Representatives and that cost or expense includes an amount in respect of value added tax (the "VAT Element"), the Company shall pay an amount to the Representatives in respect of the VAT Element that shall be determined as follows:

(i) if the Relevant Sum constitutes for value added tax purposes payment to the Representatives for the supply by it of goods or services to

the Company, a sum equal to the proportion of the VAT Element that the Representatives certify as representing irrecoverable input tax in the hands of the Representatives, that certificate to be conclusive except in the case of manifest error; and

(ii) if the Relevant Sum constitutes for value added tax purposes the reimbursement of a cost or expense incurred by the Representatives as agent, for the Company, a sum equal to the whole of the VAT Element,

and where a sum equal to the VAT Element has been reimbursed to the Representatives under paragraph (ii) above, the Representatives shall provide the Company with a proper tax invoice in respect of the supply to which the Relevant Sum relates, that is to say a tax invoice naming the Company as the recipient of the supply and issued either by the Representatives or, if the Representatives have treated the relevant cost or expense as a disbursement for value added tax purposes, by the person making the supply.

(b) If the performance by the Representatives of any of their obligations under this Agreement shall represent for value added tax purposes the making by the Representatives

of any supply of goods or services to the Company that is taxable at a positive rate, the Company shall pay to the Representatives, in addition to the amounts otherwise payable by the Company to the Representatives pursuant to this Agreement (including, without limitation, amounts payable by the Company to the Representatives pursuant to clause (a), above, an amount equal to the value added tax chargeable on any such supply, that payment to be made within seven days of the Representatives requesting the same and against production by the Representatives of a proper tax invoice.

Section 12. Representations and Indemnities to Survive Delivery.

The respective indemnities, agreements, representations, warranties and other statements of the Company or any person controlling the Company, of its officers, and of the several Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or the Company or any of its or their partners, officers or directors or any controlling person, as the case may be, and will survive delivery of and payment for the Shares sold hereunder and any termination of this Agreement.

Section 13. Notices.

All communications hereunder shall be in writing and shall be mailed, hand delivered, delivered by a nationally recognized overnight delivery service or telecopied and confirmed to the parties hereto as follows:

If to the Representatives:

Roth Capital Partners, Inc.
12626 High Bluff Drive
Suite 370
San Diego, California 92130
Telephone: (858) 720-3660
Facsimile: (858) 720-9081
Attention: Lisa Walters-Hoffert, Managing Director

Gruntal & Co., L.L.C.
One Liberty Plaza
New York, NY 10006-1487
Telephone: (212) 820-8341
Facsimile: (212) 820-8335
Attention: Roger C. Kahn, Senior Managing Director

WestLB Panmure Limited
New Broad Street House
35 New Broad Street
London EC2M 1SQ
United Kingdom

Telephone: +44 207 860 3645
Facsimile: +44 207 860 1376
Attention: Chris Collins, Managing Director

with a copy to:

Baer Marks & Upham LLP
805 Third Avenue
20th Floor
New York, New York 10022
Telephone: (212) 702-5700
Facsimile: (212) 702-5941
Attention: Steven S. Pretsfelder, Esq. and
Jonathan J. Russo, Esq.

If to the Company:

Keryx Biopharmaceuticals, Inc.
216 Jaffa Road
Sha' arei Ha'ir
Jerusalem
94383 Israel
Telephone: +972 (2) 537 4997
Facsimile: +972 (2) 671 8946
Attention: Bob Trachtenberg, Esq.

with a copy to:

Morgan, Lewis & Bockius LLP
101 Park Avenue
45th Floor
New York, NY 10178-0060
Telephone: (212) 309-6000
Facsimile: (212) 309-6273
Attention: Robert G. Robison, Esq.

Any party hereto may change the address for receipt of communications by giving written notice to the others.

Section 14. Successors.

This Agreement will inure to the benefit of and be binding upon the parties hereto, including any substitute Underwriters pursuant to Section 8 hereof, and to the benefit of the employees, officers and directors and controlling persons referred to in Section 7, and to their respective successors and assigns, and no other person will have any right or obligation hereunder. The term "successors" shall not include any purchaser of the Shares as such from any of the Underwriters merely by reason of such purchase.

Section 15. Partial Unenforceability.

The invalidity or unenforceability of any Section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other Section, paragraph or provision hereof. If any Section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

Section 16. Governing Law Provisions.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York applicable to agreements made and to be performed in such state.

(b) Consent to Jurisdiction. Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby (a "Related Proceedings") may be instituted in the federal courts of the United States of America located in the City and County of New York or the courts of the State of New York in each case located in the City and County of New York (collectively, the "Specified Courts"), and each party irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court (a "Related Judgment"), as to which

such jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. Service of any process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or other proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such suit, action or other proceeding brought in any such court has been brought in an inconvenient forum.

Section 17. General Provisions.

This Agreement constitutes the entire agreement of the parties and supersedes all prior written or oral and all contemporaneous oral agreements, understandings and negotiations with respect to the subject matter hereof. This Agreement may be executed in two or more counterparts, each one of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement may not be amended or modified unless in writing by all of the parties hereto, and no condition herein (express or implied) may be waived unless waived in writing by each party whom the condition is meant to

benefit. Section headings herein are for the convenience of the parties only and shall not affect the construction or interpretation of this Agreement.

[The remainder of this page has been intentionally left blank.]

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

KERYX BIOPHARMACEUTICALS, INC.

By:_____
Morris Laster, M.D.
Chief Executive Officer

The foregoing Underwriting Agreement is hereby confirmed and accepted by the Representatives as of the date first above written.

On their behalf and on behalf of each of the several U.S. Underwriters named in Schedule A hereto.

BY: ROTH CAPITAL PARTNERS, INC.

By: _____
Lisa Walters-Hoffert
Managing Director

BY: GRUNTAL & CO., L.L.C.

By:_____
Roger C. Kahn
Senior Managing Director

On its own behalf:

BY: WEST LB PANMURE LIMITED

By:_____
C.I. Collins
Managing Director

By:_____
J. Ronald Openshaw
Executive Director

Schedule A

U. S. UNDERWRITERS	NUMBER OF U.S. FIRM SHARES TO BE PURCHASED
ROTH CAPITAL PARTNERS, INC.....	
GRUNTAL & CO., L.L.C.....	
Total.....	

Schedule B

INTERNATIONAL UNDERWRITER	NUMBER OF INTERNATIONAL FIRM SHARES TO BE PURCHASED
WESTLB PANMURE LIMITED.....	
Total.....	

Schedule C

Persons to Enter into 12-Month Lock-Up Agreement

Lindsay A. Rosenwald	Morris Laster
Paramount Capital, Inc.	Ira Weinstein
Paramount Capital Investments, LLC	Bob Trachtenberg
Peter M. Kash	Michael Spero
Mark C. Rogers	Benjamin W. Corn
Shmuel Ben-Sasson	Wayne Rothbaum
Mark A. Rachesky	S. Leslie Misrock

Schedule D

Persons to Enter into Six-Month Lock-up Agreement

David Tannen	Robert I. Falk
Wayne Rubin	Yitzchak Dankner
John Knox	Uzi Zucker
Children's Medical Center Corporation	Caxton Select I
N Shellac	Daisy Way Limited
S Green	Diversified Investment Fund
Banque SCS Alliance SA	Limited
Beacon Global Advisors Private Equity	Irwin Kessler
Fund, Ltd.	Pretac Investors LLC
Drax Holdings, L.P.	Renato Negrin
Goodsmith Partners	Ronald Beck
Gregory F. Kiernan	Sonostar Ventures, LLC
J.F. Shea Co., Inc. as Nominee 1999-117	The Holding Company
Keys Foundation	The Kiernan Family Trust
Nomura Bank (Switzerland) Ltd.	

Exhibit A-1

12-Month Lock-Up Agreement

A-1

DATED 2000

(1) THE COVENANTORS

and

(2) ROTH CAPITAL PARTNERS, INC.

and

(3) WEST LB PANMURE LIMITED

ORDERLY MARKETING AGREEMENT
IN RELATION TO KERYX BIOPHARMACEUTICALS, INC.

ASHURST MORRIS CRISP
Broadwalk House
5 Appold Street
London EC2A 2HA

Tel: 020-7638 1111
Fax: 020-7972 7990

MCJ/PXR/O51W00027

THIS AGREEMENT is made on _____, 2000

BETWEEN:

(1) THE SEVERAL PERSONS whose names are set out in the schedule hereto (the "Covenantors"); and

(2) Roth Capital Partners, Inc. whose registered office is at 24 Corporate Plaza, Newport Beach, California 92660, and West LB Panmure Limited, whose registered office is at New Broad Street House, 35 New Broad Street, London EC2M 1SQ, as representatives of the Underwriters (collectively the "Representatives").

WHEREAS:-

(A) The Company wishes to raise additional funds by the issue of shares of its common stock for cash and desires to obtain the admission to trading on the Nasdaq National Market and the Alternative Investment Market of its share capital in issue and to be issued pursuant to the IPO.

(B) The Covenantors are the registered holders of the Shares and/or options set against their respective names as set out in columns 2 and 3 of schedule 1.

(C) The Covenantors have agreed with the Representatives to enter into certain restrictions with regard to the disposal by them of the Shares and interests in shares in the Company held by them.

NOW IT IS HEREBY AGREED as follows:

1. INTERPRETATION

The following provisions of this clause shall have effect for the interpretation of this Agreement.

The following words and expressions shall, unless the context otherwise requires, have the following meanings:

"Admission" means admission to trading on the Alternative Investment Market and the Nasdaq National Market of the share capital of the Company in issue and to be issued pursuant to the IPO;

"Alternative Investment Market" means the Alternative Investment Market of the London Stock Exchange;

the "Company" means Keryx Biopharmaceuticals, Inc.;

"immediate family" means spouse, lineal descendants, father, mother, brother or sister;

"IPO" means the initial public offering of the Shares;

"London Stock Exchange" means London Stock Exchange Limited;

"Shares" means shares of common stock of par value $0.001 each in the capital of the Company; and

"Underwriters" means those persons who are to act as underwriters to the IPO.

Terms used in this agreement which are defined in the Companies Act 1985 shall bear the same meanings herein.

RESTRICTIONS

In consideration of the Representatives procuring the Admission, each of the Covenantors hereby severally undertakes to the Representatives not, at any time prior to the first anniversary of the date of Admission, to dispose of, or agree to dispose of, directly or indirectly, any Shares or any interest in any Shares in which it has a beneficial interest or which are registered in its name at the date hereof or any Shares resulting from the exercise of options or warrants issued by the Company or any securities convertible into or exercisable for, or any rights to purchase or acquire Shares, whether now owned or hereinafter acquired.

In this clause 2.1 "dispose" includes mortgaging, pledging, charging, assigning, offering, selling, contracting to sell, hypothecating, transferring or otherwise disposing directly or indirectly.

The provisions of clause 2.1 shall not apply to:

an acceptance of an offer for the entire issued share capital of the Company or the giving of an irrevocable undertaking to accept an offer for the entire issued share capital of the Company (in either case excluding Shares already held by the offeror) which has either been recommended for acceptance by the directors of the Company or has become unconditional as to acceptances;

transfers to a personal representative on the death of a Covenantor;

transfers pursuant to an intervening court order;

transfers by Covenantor to his or her immediate family or to a trust the beneficiaries of which are exclusively that Covenantor and/or a member or members of his or her immediate family;

transfers by Covenantor to its parent undertaking or another subsidiary undertaking of such parent undertaking,

PROVIDED ALWAYS that in the event of transfers permitted by paragraphs (d) and (e) above, prior to any such transfer each transferee shall execute an agreement satisfactory to the Representatives agreeing to hold such Shares or interest in Shares subject to the terms of this agreement, and in the case of a transfer permitted by paragraph (e) above, additionally agreeing to transfer the Shares or interest in Shares back to the relevant Covenantor upon the transferee ceasing to be the holding company of, or another subsidiary undertaking of the holding company of, that Covenantor.

EFFECT OF UNAUTHORIZED TRANSFERS

Any purported transfer of any Shares or other securities in violation of clause 2 hereof (an "Unauthorized Transfer") will be null and void. The Company will not be required to register, recognize or give effect to any Unauthorized Transfer and the purported transferee of any securities or any interest therein pursuant to an Unauthorized Transfer will not acquire any rights in such securities. The Company may issue stop transfer or similar instructions to the transfer agent for its Shares covering all such securities, but shall not be required to do so.

COUNTERPARTS

This agreement may be executed in any number of counterparts which together shall constitute one agreement.

GOVERNING LAW AND JURISDICTION

This agreement (and any dispute, controversy, proceedings or claim of whatever nature arising out of or in any way relating to this agreement or its formation) shall be governed by and construed in accordance with English law.

Each of the parties to this agreement irrevocably agrees that the courts of England shall have exclusive jurisdiction to hear and decide any suit, action or proceedings, and/or to settle any disputes, which may arise out of or in connection with this agreement and, for these purposes, each party irrevocably submits to the jurisdiction of the courts of England.

The Contracts (Rights of Third Parties) Act 1999 shall not apply to this agreement and no rights or benefits expressly or impliedly conferred by it shall be enforceable under that Act against the parties to it by any other person.

AS WITNESS whereof this agreement has been executed on the date first above written.

SCHEDULE 1
The Covenantors

(1) Name	(2) Shares held	(3) Options held
Morris Laster		1,014,733
Benjamin Corn	52,684	
Ira Weinstein	113,413	
Bob Trachtenberg	113,413	
Lindsay A. Rosenwald	3,878,356	120,176
Peter Kash	578,500	75,000
Paramount Capital Inc.	166,990	
M Rogers	108,500	
S Ben Sasson	268,512	
Mark Rachesky	85,900	40,000
M Spero	86,622	
Wayne Rothbaum		40,000
Leslie Misrock		40,000

Signed by MORRIS LASTER in the presence of:-)
)
)
)
)

Signed by BENJAMIN CORN in the presence of:-)
)
)
)
)

Signed by IRA WEINSTEIN in the presence of:-)
)
)
)
)

Signed by BOB TRACHTENBERG in the presence of:-)
)
)
)
)

Signed by LINDSAY A. ROSENWALD in the presence of:-)
)
)
)
)

Signed by PETER KASH in the presence of:-)
)
)
)
)

Exhibit A-2

Six-Month Lock-up Agreement

Roth Capital Partners, Inc.,
As Representative of the Several U.S. Underwriters
- and -
WestLB Panmure Limited,
As the International Manager

Re: Lock-up Agreement in Respect to Keryx Biopharmaceuticals, Inc.

Ladies and Gentlemen:

The undersigned officer, director, and/or shareholder (the "Shareholder") of Keryx Biopharmaceuticals, Inc., a Delaware corporation (the "Company"), wishes to facilitate the initial public offering (the "Offering") of shares of common stock of the Company. The Shareholder recognizes that the Offering will be of benefit to the Company and the Shareholder.

To induce you, as the representative and/or the manager (collectively, the "Representatives") of the underwriters of the Offering (collectively, the "Underwriters"), to enter into an underwriting agreement with the Company (the "Underwriting Agreement") relating to the Offering and to induce you and the Underwriters to complete the purchase of the shares of common stock pursuant to such Underwriting Agreement, the Shareholder hereby agrees with the Underwriters as follows:

1. During the term of this Agreement, as specified in paragraph 3 hereof, the Shareholder will not, directly or indirectly, offer, sell, contract to sell, pledge, hypothecate or otherwise dispose of any shares of the Company's common stock or any securities convertible into or exercisable or exchangeable for, or any rights to purchase or acquire, shares of the Company's common stock or the

beneficial ownership thereof, whether now owned or hereinafter acquired (collectively the "Subject Securities"), without your prior written consent as Representatives of the Underwriters. Notwithstanding the foregoing, (i) if the undersigned is an individual, he or she may transfer any shares of common stock or securities convertible into or exchangeable or exercisable for the Company's common stock either during his or her lifetime or on death by will or intestacy to his or her immediate family; (ii) if the undersigned is an entity, such entity may transfer any securities of the Company to (a) a beneficial owner (as that term is defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of such entity, in accordance with such beneficial owner's pro rata interest in such entity, or (b) an entity, the beneficial owner or owners of which are exclusively the beneficial owner or owners of the transferor entity and/or a member of his or her immediate family, (iii) the undersigned may make dispositions of common stock as bona fide gifts with the prior written consent of the Representatives, (iv) the undersigned may make dispositions of common stock in connection with any merger, tender offer or other change of control transaction involving the Company, and (v) the undersigned may sell or transfer shares acquired in open market transactions after

completion of the Offering, provided, however, that prior to any such transfer under clauses (i), (ii) or (iii) above, each transfer shall execute an agreement, satisfactory to the Representatives, pursuant to which each transferee shall agree to receive and hold such shares of common stock, or securities convertible into or exchangeable or exercisable for the common stock, subject to the provisions hereof.

2. Any purported transfer of any Subject Securities in violation of paragraph 1 hereof (an "Unauthorized Transfer") will be null and void. The Company will not be required to register, recognize or give effect to any Unauthorized Transfer and the purported transferee of any Subject Securities or any interest therein pursuant to an Unauthorized Transfer will not acquire any rights in such Subject Securities. The Company may issue stop transfer or similar instructions to the transfer agent for its common stock covering all Subject Securities, but shall not be required to do so.

3. This Agreement shall become effective upon the execution hereof by the Shareholder. This Agreement shall terminate without any prior notice upon the earlier of (i) the date which is one hundred and eighty (180) days after the effective date of the Registration Statement filed by the Company with the Securities and Exchange Commission in connection with the Offering, (ii) the termination or cancellation of the Underwriting Agreement for any reason prior to the sale of the common stock to the Underwriters, (iii) the abandonment of the Offering, or (iv) December 31, 2000, if the Offering is not consummated by such date.

4. This Agreement shall be construed and enforced in accordance with the laws of the State of New York. The Underwriters shall be entitled to all legal and equitable remedies in enforcing this Agreement, including without limitation an injunction against any sale of shares of the common stock in contravention of this Agreement. If at any time subsequent to the date of this Agreement any provision hereof shall be held by any court of competent jurisdiction to be illegal, void or unenforceable, such provision shall be of no force and effect, but the illegality or unenforceability of such provision shall have no effect upon, and shall not impair the legality or enforceability of, any other provision of this Agreement.

5. This Agreement may be executed in one or more counterparts, each of which shall be an original, but all of which taken together shall constitute one and the same instrument.

6. All of the terms and provisions of this Agreement shall inure to the benefit of and be binding upon the respective heirs, successors, personal representatives and permitted assigns of the parties hereto.

If the foregoing correctly sets forth the agreement between the undersigned and the Underwriters, please indicate your acceptance in the space provided below for that purpose.

Very truly yours,

(Signature)

Print Name

Print name of organization
(if other than an individual)

Exhibit B

Matters to be covered in the opinion of Morgan, Lewis & Bockius LLP

[To be inserted.]

Exhibit C

Matters to be Covered in Opinion of Pennie & Edmonds LLP

[To be inserted.]

Exhibit D

Matters to be Covered in the Opinion of Baer Marks Upham LLP

[To be inserted.]

EXHIBIT 1.2

Dated 2000

KERYX BIOPHARMACEUTICALS INC.

- and -

WEST LB PANMURE LIMITED

NOMINATED BROKER AGREEMENT

ASHURST MORRIS CRISP
Broadwalk House
5 Appold Street
London EC2A 2HA

Tel: 020-7638 1111
Fax: 020-7972 7990

MCJ/PXR/051W.00027

CONTENTS

THIS AGREEMENT is made on 2000.

BETWEEN:-

(1) KERYX BIOPHARMACEUTICALS INC. (incorporated in Delaware, USA) whose executive office is at Kiryat Mada 5, Har Hotzvim, Jerusalem, Israel 91326 (the "Company");

(2) WEST LB PANMURE (incorporated in England and Wales with registered no. 2002991) whose registered office is at New Broad Street House, 35 New Broad Street, London EC2M 1SQ (the "Broker"); and

RECITALS

(A) The Company is proposing to make an application to the London Stock Exchange for admission to AIM of all the Shares in issue and to be issued pursuant to the IPO.

(B) On and subject to the terms of this agreement, the Broker has agreed to act as nominated broker to the Company for the purposes of the AIM Rules in connection with the IPO and following Admission.

THE PARTIES AGREE AS FOLLOWS:-

1. DEFINITIONS AND INTERPRETATION

1.1 In this agreement the following words and expressions shall have the following meanings, unless the context otherwise requires:-

"Admission" means admission of the share capital of the Company, issued and to be issued pursuant to the IPO, to trading on AIM becoming effective as provided in paragraph 16.6 of the AIM Rules;

"Admission Document" means the document proposed to be published in connection with the IPO and the Company's admission to AIM as required by paragraph 16.07 of the AIM Rules and constituting a prospectus for the purposes of the POS Regulations;

"AIM" means the Alternative Investment Market of the London Stock Exchange;

"AIM Rules" means the AIM admission rules and AIM trading rules set out in chapters 16 and 17 of the Rules of the London Stock Exchange as amended from time to time and those other of its rules which govern the admission to trading on and the regulation of AIM;

"Business Day " means a day (excluding Saturdays) on which banks are open for business in the City of London;

"Directors" means the directors and officers of the Company;

"FSA" means the Financial Services Act 1986;

"Group" means the Company, its subsidiaries and subsidiary undertakings and each of them as the context admits and "Group Company" means any one of them;

"IPO" means the proposed IPO by the Company of new Shares pursuant to the IPO Agreement;

"IPO Agreement" means the underwriting agreement dated 2000 made between the Company, the Directors and Roth Capital Partners Inc. in connection with the IPO and more particularly described in the Admission Document;

"London Stock Exchange" means London Stock Exchange Limited;

"Model Code" means a code for dealings in the securities of the Company adopted by the Company in terms no less exacting than the model code contained in appendix 12 of the Rules of the London Stock Exchange as amended from time to time;

"POS Regulations" means the Public Offers of Securities Regulations 1995;

"Related Person" means in relation to any party its holding companies and subsidiaries and any subsidiary undertaking of any such holding company;

"Relevant Person" means the Broker and any subsidiary or holding company of the Broker and any subsidiary undertaking of any such holding company and any of their respective shareholders, directors, officers, employees, agents and advisers;

"Shares" means shares of common stock of par value of $0.001 each in the capital of the Company;

"VAT" means value added tax.

1.2 In this agreement unless otherwise specified, reference to:-

(a) a "subsidiary" or "holding company" is to be construed in accordance with section 736 of the Act and an "associated company" is to be construed in accordance with section 416 et seq of the Income and Corporation Taxes Act 1988;

(b) a document in the "agreed terms" is a reference to that document in the form approved and for the purposes of identification signed by or on behalf of each party;

(c) a party means a party to this agreement and includes the successors in title to substantially the whole of its undertaking and, in the case of an individual, to his or her estate and personal representatives;

(d) a person includes any person, individual, company, firm, corporation, government, state or agency of a state or any undertaking (whether or not having separate legal personality and irrespective of the jurisdiction in or under the law of which it was incorporated or exists);

(e) a statute or statutory instrument or any of their provisions is to be construed as a reference to that statute or statutory instrument or such provision as the same may have been amended or re-enacted;

(f) "recitals", "clauses", "paragraphs" or "schedules" are to recitals, clauses and paragraphs of and schedules to this agreement. The schedules form part of the operative provisions of this agreement and references to this agreement shall, unless the context otherwise requires, include references to the recitals and the schedules;

(g) "Writing" shall include typewriting, printing, lithography, photography and other modes of representing words in a legible form (other than writing on an electronic or visual display screen) or other writing in non-transitory form;

(h) words denoting the singular shall include the plural and vice versa and words denoting any gender shall include all genders; and

(i) the time of day is reference to time in London, England.

1.3 The index to and the headings in this agreement are for information only and are to be ignored in construing the same.

2. APPOINTMENT AND TERM

2.1 The Company hereby appoints the Broker as its nominated broker in respect of the IPO and the application to the London Stock Exchange for admission of the Shares to AIM and otherwise for the purposes of the AIM Rules on the terms set out in this agreement and the Broker hereby accepts such appointment. The Company hereby confirms that the appointment of the Broker hereunder confers on the Broker all powers, authorities and discretions on behalf of the Company which are reasonably necessary for, or reasonably incidental to, its role as the Company's nominated broker and the Company hereby agrees to ratify and confirm everything which the Broker may lawfully do in that capacity and pursuant to those powers, authorities and discretions.

2.2 The Broker's services as nominated broker will comprise the following:-

(a) using its reasonable endeavours to find during the "mandatory quote period" (as defined in the AIM Rules) matching business in the Company's securities if there is no market maker registered in respect of such securities;

(b) inputting to SEATS PLUS (or any such replacement) such information in relation to the Company as the London Stock Exchange may specify from time to time which information the Company undertakes to supply promptly to the Broker upon request being made by the Broker; and

(c) providing all the services (specified from time to time) in the AIM Rules as being the responsibility of the nominated broker.

2.3 Notwithstanding anything to the contrary in clauses 2.1 and 2.2 the Broker shall be under no obligation to carry out any research on behalf of or in relation to the Company or to prepare or publish any broker's research note or report or any other research or forecast of any nature whatsoever relating to the Company.

2.4 The Broker confirms to the Company that it is approved by the London Stock Exchange to act as nominated broker to the Company for the purposes of the AIM Rules. The Broker undertakes to advise the Company immediately upon the Broker being notified by the London Stock Exchange that such approval has been withdrawn.

2.5 Subject to clause 2.6 and clause 4, the appointment shall be for an initial period of 12 months from the date hereof and thereafter unless and until terminated by not less than three months' notice by either the Company or the Broker.

2.6 In the event that the IPO Agreement is terminated in accordance with its terms or in the event that Admission has not taken place by 2.30 p.m. on (or such later time and/or date as the Company and the Broker may agree) this agreement shall ipso facto cease and determine and, except as regards any breach of any provision of this agreement which has occurred prior to such termination, no party shall have any claim against any other party for any costs, damages, compensation or otherwise hereunder save that the provisions of clauses 1, 6, 7, 8, 9, 10, 11, 12, 13 and 14 shall continue to apply in accordance with their respective terms.

3. FEES AND EXPENSES

3.1 The Broker shall be entitled to charge such fees as may be agreed from time to time in respect of services to be provided as may be agreed between the Company and the Broker from time to time.

3.2 The Company shall reimburse the Broker the amount of any reasonably and properly incurred or paid expenses which the Broker may during the course of the appointment hereunder or in connection with the IPO pay or have paid or incurred on behalf of the Company. Such expenses shall be paid by the Company within 15 Business Days of production of an appropriate invoice.

3.3 Where pursuant to clause 3.2 or clause 6 a sum (a "Relevant Sum") is to be paid or reimbursed to the Broker in respect of any cost or expense paid or incurred by the Broker and that cost or expense includes an amount in respect of VAT (the "VAT Element"), the Company shall pay an amount to the Broker in respect of the VAT Element that shall be determined as follows:-

(a) if the Relevant Sum constitutes for VAT purposes payment to the Broker for the supply by it of goods or services to the Company, a sum equal to the proportion of the VAT Element that the Broker certifies as representing irrecoverable input tax in the hands of the Broker, that certificate to be conclusive save in the case of manifest error; and

(b) if the Relevant Sum constitutes for VAT purposes the reimbursement of a cost or expense incurred by the Broker as agent for the Company, a sum equal to the whole of the VAT Element,

and where a sum equal to the VAT Element has been reimbursed to the Broker under clause 3.3(b) above, the Broker shall provide the Company with a proper tax invoice in respect of the supply to which the Relevant Sum relates, that is to say a tax invoice naming the Company as the recipient of the supply and issued either by the Broker or, if the Broker has treated the relevant cost or expense as a disbursement for VAT purposes, by the person making the supply.

3.4 If the performance by the Broker of any of its obligations under this agreement shall represent for VAT purposes the making by the Broker of any supply of goods or services to the Company that is taxable at a positive rate, the Company shall pay to the Broker, in addition to the amounts otherwise payable by the Company to the Broker pursuant to this agreement (including, without limitation, amounts payable by the Company to the

Broker pursuant to clause 3.2), an amount equal to the VAT chargeable on any such supply, that payment to be made within seven days of the Broker requesting the same and against production by the Broker of a proper tax invoice.

4. TERMINATION

4.1 The Company shall be entitled to terminate this agreement forthwith if the Broker shall be in material breach of its obligations hereunder or if the Broker shall cease to be registered as a nominated broker for the purpose of the London Stock Exchange.

4.2 The Broker shall be entitled to terminate this agreement forthwith if:-

(a) the Broker shall become aware of:-

(i) any breach by the Company or any of the Directors of any of their respective obligations under this agreement or the AIM Rules or the Model Code or the POS Regulations or the FSA or any other laws or regulations to which the Company and/or its directors are subject from time to time; or

(ii) any fraudulent act by such persons; or

(b) any warranty or representation given in the IPO Agreement is found to be either untrue, inaccurate or misleading, in any material respect or any other term of the IPO Agreement is breached in any material respect by the Company or the Directors; or

(c) an administration order is made in relation to the Company or a receiver is appointed over an asset of the Company; or

(d) the Company makes an arrangement or composition with its creditors generally or makes an application to a court of competent jurisdiction for protection from its creditors generally; or

(e) the Company passes a resolution for its winding up, a court of competent jurisdiction makes an order for the Company's winding up or a petition is presented for the Company's winding up which is not dismissed within seven days (other than, in each case, for the purposes of solvent amalgamation or reconstruction and in such manner that the entity resulting from the amalgamation or reconstruction effectively agrees to be bound by or assume the Company's obligations under this agreement); or

(f) any director of the Company or any person connected with a director of the Company (as such term is defined in section 346 of the Act) breaches the terms of any orderly market undertaking and/or lock-in arrangement entered into with the Broker whether such undertakings or arrangements constitute terms of the IPO Agreement or a stand-alone agreement.

4.3 The Company shall notify the Broker promptly upon becoming aware that any of the events or circumstances set out in clause 4.2 has occurred.

4.4 In the event that this agreement is terminated pursuant to clauses 4.1 or 4.2, except in relation to:-

(a) any breach of any provision of this agreement prior thereto; and

(b) any right to damages or other remedy which the terminating party may have in respect of the event or circumstance which gave rise to the termination; and

(c) the rights of the Broker in respect of its fees and expenses as set out in clause 3, which will remain in full force and effect to the extent that the Company shall be obliged to pay to the Broker such fees and expenses on a pro rata basis up to the effective date of termination of its appointment to the extent that the same have not already been paid in accordance with clause 3 (and the Broker shall rebate to the Company any amount of overpayment),

no party shall have any claim against any other for any costs, damages, compensation or otherwise hereunder save that the provisions of clauses 1, 4, 6, 7, 8, 9, 10, 11, 12, 13 and 14 shall continue to apply in accordance with their respective terms.

5. CONTINUING OBLIGATIONS

5.1 The Company shall until the Broker ceases to be the Company's nominated broker:-

(a) notify the Broker in advance of and discuss with the Broker:-

(i) any proposal to pay or make any dividend or other distribution or to pass any dividend or interest payment;

(ii) any preliminary announcement of final results or announcement of interim results;

(iii) any proposed material change in capital structure or material borrowing requirements of any Group Company;

(iv) any proposed transaction which would be a substantial transaction, if undertaken, as set out in rule 16.23 of the AIM Rules;

(v) any information which is notifiable under the provisions of the Act or the AIM Rules forthwith on the same becoming known by the Company;

(vi) the appointment of any new director of the Company;

(vii) any decision to materially change the general character or materially change the nature of the business of any Group Company; and

(viii) particulars of any proposed dealings by directors or officers (or any person connected with the directors) in any of the securities of the Company;

(b) forward to the Broker not less than Business Days prior to despatch thereof to shareholders two copies of proofs, for information and consultation, of all circulars and other documents to holders of the Company's securities;

(c) forward to the Broker:-

(i) six copies of all circulars, notices, reports, announcements or other documents at the same time as they are issued to shareholders; and

(ii) six copies of all resolutions passed by the Company other than resolutions concerning ordinary business at an annual general meeting; and

(d) comply with the requirements of the AIM Rules (including for the avoidance of doubt the Model Code).

6. BROKER'S INDEMNITY

6.1 No claim shall be made against any Relevant Person by the Company, the Directors or any of them to recover any damage, loss, cost or expense which the Company or any of its shareholders, directors, officers, agents or employees or any other person may suffer or incur or claim to have suffered or incurred by reason of or arising out of the carrying out or performance by the Broker, or on its behalf, of any obligations or services (or exercise of rights) hereunder or otherwise in connection with the Broker being appointed nominated broker to the Company unless and to the extent that such loss or damage results from the negligence, wilful default, or fraud of the Broker.

6.2 The Company undertakes to and with the Broker (for itself and, on the basis that it shall enjoy an absolute discretion as to the enforcement of any claim under this clause 6.2, as trustee for each and every Relevant Person)

to indemnify each Relevant Person and hold each Relevant Person fully and effectively harmless from and against all claims, actions, demands, proceedings, liabilities or judgments made, brought, threatened or established

against any Relevant Person (whether or not successful, compromised or settled) in any jurisdiction by any subscriber, allottee, acceptor, buyer, placee or underwriter of any of the Shares pursuant to the IPO or any subsequent buyer or transferee thereof or by any other person, governmental agency or regulatory body whatsoever and against all liabilities, losses, costs, charges, expenses and taxes which any Relevant Person may pay, suffer or incur (including, but not limited to, those paid, suffered or incurred in investigating, seeking advice as to defending or disputing any claim, action, liability, demand or proceedings and/or in establishing its right to be indemnified pursuant to this clause 6.2 and/or in seeking advice as to any claim, action, liability, demand or proceedings aforesaid or in any way related or in connection with this indemnity or the IPO or the Broker carrying out its services to the Company pursuant to this agreement) and which in any such case is occasioned by or results from or is attributable to or would not have arisen but for (in each case whether directly or indirectly):-

(a) any breach, or alleged breach, by the Company of any of its obligations under this agreement or of any of the warranties set out in the IPO Agreement;

(b) the Admission Document not containing, or being alleged not to contain, all the information required by law or regulation (including, for the avoidance of doubt, the POS Regulations and the AIM Rules) to be contained therein or any statement contained in the Admission Document being, or being alleged to be, untrue, inaccurate, misleading or defamatory in any respect or not based on reasonable grounds or any misrepresentation or alleged misrepresentation by whomsoever being contained or being alleged to be contained in the Admission Document; or

(c) any breach, or alleged breach, of the laws or regulations of any country in connection with the IPO or the distribution of the Admission Document or any failure, or alleged failure, to comply with any such laws or regulations; or

(d) the approval or issue by any Relevant Person of any press release or of any investment advertisement (as defined in section 57(2) of the FSA) issued by or on behalf of the Company; or

(e) the performance by the Broker, or on its behalf, of any of its obligations or services (or exercise of rights) under this agreement or otherwise in connection with the IPO or its appointment as nominated broker and the preparation and distribution of the Admission Document; or

(f) any of the transactions expressly contemplated by this agreement,

unless and to the extent that the same result from the negligence, wilful default or fraud of the Broker provided that a Relevant Person shall not be entitled to be indemnified pursuant to this clause 6.2 in respect of any liabilities, losses, costs, charges, expenses or taxes suffered or incurred by such person as a result of it having been required to subscribe or purchase Shares under the IPO Agreement unless such liabilities, losses, costs, charges, expenses and taxes are occasioned by, or result from, or are attributable to or would not have arisen but for (in each case directly or indirectly) any breach by the Company of any of its obligations under this agreement.

6.3 The Broker shall, as soon as practicable after becoming aware of any claim made or threatened against any Relevant Person in respect of which indemnity may be sought pursuant to clause 6.2, notify the Company in writing thereof and enter into and thereafter maintain consultation with the Company on all material aspects of such claim and, subject to the

Broker and any other Relevant Person subject to the claim being fully indemnified and secured by the Company to the reasonable satisfaction of the Broker against all costs, damages and expenses thereby incurred, the Broker shall, at the request of the Company, take such action as the Company may reasonably require to avoid, dispute, resist, appeal, compromise or defend any such claim unless in the reasonable opinion of the Broker the repute or standing of the Broker or any other Relevant Person would thereby be adversely affected.

7. TIME OF THE ESSENCE

Save as otherwise expressly provided, time is of the essence to every obligation of this agreement and any agreement amending or substituting its terms.

8. WAIVER

8.1 A waiver of any term, provision or condition of, or consent granted under, this agreement shall be effective only if given in writing and signed by the waiving or consenting party and then only in the instance and for the purpose for which it is given.

8.2 No failure or delay on the part of any party in exercising any right, power or privilege under this agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

8.3 No breach of any provision of this agreement shall be waived or discharged except with the express written consent of the parties.

8.4 The rights and remedies herein provided are cumulative with and not exclusive of any rights or remedies provided by law.

9. INVALIDITY

If any provision of this agreement is or becomes (whether or not pursuant to any judgment or otherwise) invalid, illegal or unenforceable in any respect under the law of any jurisdiction:-

(a) the validity, legality and enforceability under the law of that jurisdiction of any other provision; and

(b) the validity, legality and enforceability under the law of any other jurisdiction of that or any other provision,

shall not be affected or impaired in any way thereby.

10. NOTICES

10.1 Any notice, demand or other communication given or made under or in connection with the matters contemplated by this agreement shall be in writing and shall be delivered personally or sent by fax or prepaid first class post (air mail if posted to or from a place outside the United Kingdom):-

in the case of the Company to:-

Keryx Biopharmaceuticals, Inc.
Kiryat Mada 5
Har Hotzvim
Jerusalem
Israel 91326

Fax: 00 972 2537 5098

Attention: Robert Trachtenberg

in the case of the Nominated Adviser to:-

WestLB Panmure Limited
New Broad Street House
35 New Broad Street
London EC2M 1SQ

Fax: 020 7860 1370

Attention: Chris Collins Esq.

and shall be deemed to have been duly given or made as follows:-

(a) if personally delivered, upon delivery at the address of the relevant party;

(b) if sent by first class post, two Business Days after the date of posting;

(c) if sent by air mail, five Business Days after the date of posting; and

(d) if sent by fax, when despatched provided always that a fax transmission report provides evidence of the successful transmission of the same;

provided that if, in accordance with the above provision, any such notice, demand or other communication would otherwise be deemed to be given or made after 5.00 p.m. such notice, demand or other communication shall be deemed to be given or made at 9.00 a.m. on the next Business Day.

10.2 A party may notify the other parties to this agreement of a change to its name, relevant addressee, address or fax number for the purposes of clause 10.1 provided that such notification shall only be effective on:-

(a) the date specified in the notification as the date on which the change is to take place; or

(b) if no date is specified or the date specified is less than five Business Days after the date on which notice is given, the date falling five Business Days after notice of any such change has been given.

11. COUNTERPARTS

This agreement may be executed in any number of counterparts which together shall constitute one agreement. Any party may enter into this agreement by executing a counterpart and this agreement shall not take effect until it has been executed by all parties.

12. ENTIRE AGREEMENT

12.1 Each party on behalf of itself and as agent for each of its Related Persons acknowledges and agrees with the other party (each such party acting on behalf of itself and as agent for each of its Related Persons) that:-

(a) this agreement together with the Nominated Adviser Agreement between the Nominated Broker and the Company of even date herewith and any other documents referred to in this agreement (together the "Transaction Documents") constitutes the entire and only agreement between the parties and their respective Related Persons relating to the subject matter of the Transaction Documents; and

(b) neither it nor any of its Related Persons have been induced to enter into any Transaction Document in reliance upon, nor have they been given, any warranty, representation, statement, assurance, covenant, agreement, undertaking, indemnity or commitment of any nature whatsoever other than as are expressly set out in the Transaction Documents and, to the extent that any of them have been, it (acting on behalf of itself and as agent on behalf of each of its Related Persons) unconditionally and irrevocably waives any claims, rights or remedies which any of them might otherwise have had in relation thereto;

PROVIDED THAT the provisions of this clause 12.1 shall not exclude any

liability which any of the parties or, where appropriate, their Related Persons would otherwise have to any other party or, where appropriate, to any other party's Related Persons or any right which any of them may have to rescind this agreement in respect of any statements made fraudulently by any of them prior to the execution of this agreement or any rights which any of them may have in respect of fraudulent concealment by any of them.

12.2 This agreement may be varied only by a document signed by both of the parties.

13. MISCELLANEOUS

13.1 Broker not providing legal advice

The Company acknowledges that the Broker is not responsible for providing any legal advice to the Company in respect of any laws and regulations applicable to the Company and the Company undertakes to obtain appropriate legal advice in respect of these matters.

13.2 Broker's services subject to SFA Rules

The Company acknowledges that all services provided by the Broker pursuant to this agreement and the IPO Agreement are subject to the rules and regulations from time to time of The Securities and Futures Authority Limited (or any replacement body which takes over its functions) (the "SFA Rules") and to the applicable rules and regulations for the time being of the Bank of England and the Securities and Investments Board. In providing its services, the Nominated Adviser is proposing to treat the Company as a "non-private customer" within the meaning of the SFA Rules and, as such, the Company will not obtain the benefit of those SFA Rules designed exclusively for the protection of private customers.

13.3 Assignment

(a) This agreement shall be binding upon and inure for the benefit of the successors in title of the parties but, except as set out in clause 13.3(b), shall not be assignable by any party without the prior written consent of the other.

(b) The Broker may assign the bene fit of this agreement to any undertaking which is, whether on or at any time after the date hereof, its subsidiary undertaking or its parent undertaking.

14. GOVERNING LAW AND JURISDICTION

14.1 Any dispute, controversy or claim of whatever nature arising out of or relating to this agreement or breach of this agreement shall be governed by and this agreement shall be construed in all respects in accordance with English law.

14.2 The Company agrees that the courts in England are to have exclusive jurisdiction to hear and decide any action or proceedings and/or to settle any disputes which do or might arise out of or in connection with this agreement and for the purpose of enforcement of any judgment against any of their respective assets ("Proceedings"). Nothing in this agreement shall (or shall be construed so as to) limit the right of either party to take Proceedings against the other in the courts of any country in which either party has assets to enforce a judgement obtained in England.

14.3 The parties agree that service of any claim form, notice or other document for the purpose of any proceedings begun in England shall be duly served upon it if delivered or sent by registered post, in the case of:-

(a) the Company to Morgan, Lewis & Bockius, 2 Gresham Street, London EC2V 7PE (marked for the attention of Zoe Ashcroft); and

(b) the Broker to its address as set out on page 1 hereof (marked for the attention of Chris Collins Esq.),

or such other address in England and/or Wales as the Company (on behalf of the Company or the Directors) shall notify the Broker in writing or vice versa from time to time. Nothing contained in this clause 14.3 affects the right to serve process in another manner permitted by law.

IN WITNESS whereof this agreement has been executed on the date first above written.

Signed by))
for and on behalf of)
KERYX BIOPHARMACEUTICALS INC.)
in the presence of:-

Signed by)
for and on behalf of)
WESTLB PANMURE LIMITED)
in the presence of:-)

EXHIBIT 1.3

Dated 2000

KERYX BIOPHARMACEUTICALS INC.

- and -

WEST LB PANMURE LIMITED

NOMINATED ADVISER AGREEMENT

ASHURST MORRIS CRISP
Broadwalk House
5 Appold Street
London EC2A 2HA

Tel: 020-7638 1111
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MCJ/PXR/051W.00027

CONTENTS

THIS AGREEMENT is made on 2000.

BETWEEN:-

(1) KERYX BIOPHARMACEUTICALS INC. (incorporated in Delaware, USA) whose

executive office is at Kiryat Mada 5, Har Hotzvim, Jerusalem, Israel 91326 (the "Company");

(2) WEST LB PANMURE (incorporated in England and Wales with registered no. 2002991) whose registered office is at New Broad Street House, 35 New Broad Street, London EC2M 1SQ ("Nominated Adviser").

RECITALS

(A) The Company is proposing to make an application to the London Stock Exchange for the admission to AIM of the Existing Shares and the New Shares.

(B) On and subject to the terms of this agreement, the Nominated Adviser has agreed to act as nominated adviser to the Company for the purposes of the AIM Rules in connection with the AIM Application and following Admission.

THE PARTIES AGREE AS FOLLOWS:-

1. DEFINITIONS AND INTERPRETATION

1.1 In this agreement the following words and expressions shall have the following meanings, unless the context otherwise requires:-

"Admission" means admission of the Existing Shares and the New Shares to trading on AIM becoming effective as provided in paragraph 16.6 of the AIM Rules;

"Admission Document" means the document proposed to be published in connection with the AIM Application as required by paragraph 16.10 of the AIM Rules and constituting a prospectus for the purposes of the POS Regulations;

"AIM" means the Alternative Investment Market of the London Stock Exchange;

"AIM Application" means the application to be made for the Existing Shares and the New Shares to be admitted to trading on AIM;

"AIM Rules" means the AIM admission rules and AIM trading rules set out in chapters 16 and 17 of the Rules of the London Stock Exchange as amended from time to time and those other of its rules which govern the admission to trading on and the regulation of AIM;

"Appointment" means the appointment of the Nominated Adviser as the Company's nominated adviser for the purposes of the AIM Rules pursuant to this agreement;

"Business Day" means a day (excluding Saturdays) on which banks are open for business in the City of London;

"Directors" means the directors and officers of the Company;

"Existing Shares" means the Shares in issue on the date of this document;

"Group" means the Company and its subsidiary and each of them as the context admits and "Group Company" means any one of them;

"IPO" means the initial public offering of the Shares;

"IPO Agreement" means the underwriting agreement dated [2000] made between the Company, the Directors and the Nominated Adviser and Roth Capital Partners, Inc. in connection with the IPO and more particularly described in the Admission Document;

"London Stock Exchange" means London Stock Exchange Limited;

"New Shares" means the new Shares which are the subject of the IPO;

"POS Regulations" means the Public Offers of Securities Regulations 1995;

"Related Person" means in relation to any party its holding companies and subsidiaries and any subsidiary undertaking of any such holding company;

"Relevant Person" means the Nominated Adviser and any subsidiary or holding company of the Nominated Adviser and any subsidiary undertaking of any such holding company and any of their respective shareholders, directors, officers, employees, agents and advisers;

"Shares" means shares of common stock of par value $0.001 each in the capital of the Company;

"VAT" means value added tax.

1.2 In this agreement unless otherwise specified, reference to:-

(a) a "subsidiary" or "holding company" is to be construed in accordance with section 736 of the Act and an "associated company" is to be construed in accordance with section 416 et seq of the Income and Corporation Taxes Act 1988;

(b) a document in the "agreed terms" is a reference to that document in the form approved and for the purposes of identification signed by or on behalf of each party;

(c) a party means a party to this agreement and includes the successors in title to substantially the whole of its undertaking and, in the case of an individual, to his or her estate and personal representatives;

(d) a person includes any person, individual, company, firm, corporation, government, state or agency of a state or any undertaking (whether or not having separate legal personality and irrespective of the jurisdiction in or under the law of which it was incorporated or exists);

(e) a statute or statutory instrument or any of their provisions is to be construed as a reference to that statute or statutory instrument or such provision as the same may have been amended or re-enacted;

(f) "recitals", "clauses", "paragraphs" or "schedules" are to recitals, clauses and paragraphs of and schedules to this agreement. The schedules form part of the operative provisions of this agreement and references to this agreement shall, unless the context otherwise requires, include references to the recitals and the schedules;

(g) Writing shall include typewriting, printing, lithography, photography and other modes of representing words in a legible form (other than writing on an electronic or visual display screen) or other writing in non-transitory form;

(h) words denoting the singular shall include the plural and vice versa and words denoting any gender shall include all genders; and

(i) the time of day is reference to time in London, England.

1.3 The index to and the headings in this agreement are for information only and are to be ignored in construing the same.

2. APPOINTMENT AND TERM

2.1 The Company hereby appoints the Nominated Adviser as its nominated adviser for the purposes of the AIM Rules on the terms set out in this agreement and the Nominated Adviser hereby accepts such appointment. The Company hereby confirms that the Appointment confers on the Nominated Adviser all powers, authorities and discretions on behalf of the Company which are reasonably necessary for, or reasonably incidental to, its role as the Company's nominated adviser and the Company hereby agrees to ratify and confirm everything which the Nominated Adviser may lawfully do in that capacity and pursuant to those powers, authorities and discretions.

2.2 The Nominated Adviser confirms to the Company that it is approved by the London Stock Exchange to act as Nominated Adviser to the Company for the purposes of the AIM Rules. The Nominated Adviser undertakes to advise the

Company immediately upon the

Nominated Adviser being notified by the London Stock Exchange that such approval has been withdrawn.

2.3 The Appointment shall commence on the date hereof and, subject to clause 2.4 and clause 10, the appointment shall be for an initial period of 12 months and thereafter unless and until terminated by either the Company or the Nominated Adviser giving to the other not less than three months' notice.

2.4 In the event that the IPO Agreement is terminated in accordance with its terms or in the event that Admission has not taken place by 2.30 p.m. on 2000 (or such later time and/or date as the Company and the Nominated Adviser may agree) this agreement shall ipso facto cease and determine and except as regards any breach of any provision of this agreement which has occurred prior to such termination, no party shall have any claim against any other party for any costs, damages, compensation or otherwise hereunder save that the provisions of clauses 1, 6, 9, 11, 12, 13, 14, 15, 16, 17 and 18 shall continue to apply in accordance with their respective terms.

3. AIM APPLICATION

The Company shall, through the Nominated Adviser, make application to the London Stock Exchange for the admission of the Existing Shares and the New Shares to trading on AIM. The Company undertakes to the Nominated Adviser that it will use all reasonable endeavours to procure that Admission takes place by not later than 2.30 p.m. on 2000 and, for such purpose, the Company shall supply or procure the supply of all such information and documentation, give or procure the giving of all such undertakings, execute all such documents, pay all such fees and generally do or procure to be done all such things, in each case as may be necessary, or properly required by the London Stock Exchange, in connection therewith.

4. DUTIES OF THE NOMINATED ADVISER FOLLOWING ADMISSION

The Nominated Adviser's services as nominated adviser will comprise the following:-

(a) advising, guiding and consulting with the Directors and the Company as to their respective responsibilities and obligations so as to facilitate their compliance, on an ongoing basis, with the AIM Rules insofar as they relate to the Company and its directors;

(b) providing to the London Stock Exchange such information in relation to the Company in such form and within such time limits as the London Stock Exchange may require (provided that the Nominated Adviser has been given the requisite information by the Directors in accordance with the provisions of this agreement);

(c) complying with the AIM Rules to the extent that they affect the Nominated Adviser in its capacity as the Company's nominated adviser and performing all of the duties

and obligations imposed upon the Company's nominated adviser by the AIM Rules; and

(d) providing guidance to the Company and the Directors in respect of making press releases and other public and/or shareholder communications by the Company.

5. OBLIGATIONS OF THE COMPANY AND THE DIRECTORS

5.1 The Company undertakes that it will for so long as the Nominated Adviser remains the nominated adviser to the Company:-

(a) except with the prior written consent of the Nominated Adviser, comply in all material respects with all undertakings contained in the Admission Document;

(b) consult with the Nominated Adviser prior to entering into or procuring or permitting any Group Company to enter into (i) any material commitment or material agreement or material arrangement or (ii) knowingly doing or permitting to be done any other act or thing which in any such case constitutes a significant change to the business of the Company as described in the Admission Document;

(c) keep the Nominated Adviser fully informed in respect of all material changes or material developments concerning or affecting the financial or trading position or prospects of the Company;

(d) execute and procure the execution of all such documents and do or procure the doing of all such things as (in each case) may be considered by the Nominated Adviser (acting reasonably) as necessary to comply with the requirements of the London Stock Exchange for the purposes of or in connection with its role as nominated adviser to the Company;

(e) for so long as the Company has securities admitted to AIM, comply with and abide by (on a timely basis) all relevant laws and regulations including without limitation the AIM Rules, the Financial Services Act 1986, the POS Regulations and the Criminal Justice Act 1993;

(f) provide to the Nominated Adviser without delay all information which the Company is obliged in accordance with the AIM Rules to notify to the Company Announcements Office of the London Stock Exchange;

(g) notify the Nominated Adviser in advance of and discuss with the Nominated Adviser any event or matter the occurrence or existence of which may give rise directly or indirectly to an obligation under the AIM Rules for a notification to be made to the Company Announcements Office (including, without prejudice to the generality of the foregoing, any contractual or other commitment or agreement which may require such notification, or the issue or creation of any shares in the capital of the Company);

(h) notify the Nominated Adviser of and consult with the Nominated Adviser in advance concerning the content and timing and manner of release or despatch of any circular, statement, announcement or document released or made available to the public or to shareholders of the Company or otherwise or proposed to be released or made so available which relates to the Company's results, dividends or prospects, or to any acquisition, disposal, re- organisation, takeover, management development (including the appointment or removal of directors of the Company whether executive or non-executive), material change between the Company's actual trading performance or financial position and any profit forecast, estimate or projection made public, or any other significant matter (similar or not to the foregoing) and which the Company proposes to publish;

(i) promptly forward to the Nominated Adviser proofs in final form of any accounts or of any public statement or document or information which the Company or any Group Company proposes to make or publish;

(j) inform the Nominated Adviser forthwith upon becoming aware of any breach by the Company and/or any of its directors of the AIM Rules and will request the advice and guidance of the Nominated Adviser in relation to all matters relevant to the Company's compliance with the AIM Rules;

(k) forward to the Nominated Adviser for discussion and approval and prior to the execution thereof, copies of all prospective agreements and/or arrangements which fall within Rules 16.24 and 16.25 of the AIM Rules (including variations or amendments thereto or termination thereof) to be entered into between the Company and/or its subsidiaries on the one hand and any related party (as such term is defined in the AIM Rules) on the other.

6. PUBLICITY AND OTHER MATTERS

6.1 The Company undertakes to the Nominated Adviser that the Company will not

publish or arrange the publication of any document which refers to the Nominated Adviser or any Relevant Person without the prior written consent of the Nominated Adviser save where such publication is required by law or regulation.

6.2 Neither the Nominated Adviser nor any Relevant Person will have any duty to disclose to the Company and the Directors any information which comes to their notice in the course of carrying on any other business or as a result of, or in connection with, the provision of services to other persons. The Company and the Directors acknowledge and agree that the Nominated Adviser and Relevant Persons may be prohibited from disclosing, or it may be inappropriate for them to disclose, information to the Company and the Directors even if it relates to the Company and/or the Directors.

6.3 The Company acknowledges that, when the Nominated Adviser gives the Company advice or provides other services in accordance with this agreement, the Nominated Adviser or any

Relevant Person or another client may have an interest, relationship or arrangement that is material in relation to the transaction or investment concerned. Where the Nominated Adviser becomes aware that a conflict of interest has arisen or is likely to arise, it will promptly inform the Company in writing, but will be under no obligation to provide details of the conflict other than such general particulars as may be necessary to enable the Company to assess its importance. Thereafter, the parties will in good faith and as soon as reasonably practicable consult with a view to resolving a satisfactory method or procedure in view of such conflict.

6.4 Any advice given by the Nominated Adviser under the Appointment will be confidential to the Company and solely for the Company's benefit. Such advice may not be relied on by the Company for any purpose other than for that which it is given and may not be disclosed to any third party (other than by the Company pursuant to a legal or regulatory obligation to disclose it) nor used or relied upon by any third party without the Nominated Adviser's prior written consent.

6.5 The Company undertakes that no information will be supplied to the Nominated Adviser in breach of any duty of confidentiality (whether contractual or arising at common law) owed by the Company to any third party.

7. DIRECTORS' DEALINGS

The Company undertakes to the Nominated Adviser that the Company shall adopt, maintain and enforce a code for dealings in the securities of the Company in terms agreed with the Nominated Adviser but in any event no less exacting than the model code for dealings in the securities of a company whose securities have been admitted to trading on AIM as set out in appendix 12 to the Rules of the London Stock Exchange as amended from time to time.

8. FEES AND EXPENSES

8.1 The Company shall reimburse the Nominated Adviser the amount of any reasonably and properly incurred or paid expenses incurred in connection with, and during the course of, the Appointment. Such expenses shall be paid by the Company within 15 Business Days of production of an appropriate invoice.

8.2 Where pursuant to clause 8.1 or clause 9, a sum (a "Relevant Sum") is to be paid or reimbursed to the Nominated Adviser in respect of any cost or expense paid or incurred by the Nominated Adviser and that cost or expense includes an amount in respect of VAT (the "VAT Element"), the Company shall pay an amount to the Nominated Adviser in respect of the VAT Element that shall be determined as follows:-

(a) if the Relevant Sum constitutes for VAT purposes payment to the Nominated Adviser for the supply by it of goods or services to the Company, a sum equal to the proportion of the VAT Element that the Nominated Adviser certifies as representing irrecoverable input tax in the hands of the Nominated Adviser, that certificate to be conclusive save in the case of manifest error; and

(b) if the Relevant Sum constitutes for VAT purposes the reimbursement of a cost or expense incurred by the Nominated Adviser as agent for the Company, a sum equal to the whole of the VAT Element,

and where a sum equal to the VAT Element has been reimbursed to the Nominated Adviser under clause 8.2(b) above, the Nominated Adviser shall provide the Company with a proper tax invoice in respect of the supply to which the Relevant Sum relates, that is to say a tax invoice naming the Company as the recipient of the supply and issued either by the Nominated Adviser or, if the Nominated Adviser has treated the relevant cost or expense as a disbursement for VAT purposes, by the person making the supply.

8.3 If the performance by the Nominated Adviser of any of its obligations under this agreement shall represent for VAT purposes the making by the Nominated Adviser of any supply of goods or services to the Company that is taxable at a positive rate, the Company shall pay to the Nominated Adviser, in addition to the amounts otherwise payable by the Company to the Nominated Adviser pursuant to this agreement (including, without limitation, amounts payable by the Company to the Nominated Adviser pursuant to clause 8.1), an amount equal to the VAT chargeable on any such supply, that payment to be made within seven days of the Nominated Adviser requesting the same and against production by the Nominated Adviser of a proper tax invoice.

9. INDEMNITY

9.1 No claim shall be made against any Relevant Person by the Company, the Directors or any of them to recover any damage, loss, cost or expense which the Company or any of its shareholders, directors, officers, agents or employees or any other person may suffer or incur or claim to have suffered or incurred by reason of or arising out of the carrying out or performance by the Nominated Adviser, or on its behalf, of any obligations or services (or exercise of rights) hereunder or otherwise in connection with the Appointment or its role as the Company's nominated adviser for the purposes of the AIM Rules unless and to the extent that such loss or damage results from the negligence, wilful default or fraud of the Nominated Adviser.

9.2 The Company undertakes to and with the Nominated Adviser (for itself and, on the basis that it shall enjoy an absolute discretion as to the enforcement of any claim under this clause 9.2, as trustee for each and every Relevant Person) to the fullest extent permitted by law to indemnify each Relevant Person and hold each Relevant Person fully and effectively harmless from and against all claims, actions, demands, liabilities, proceedings or judgments made, brought, threatened or established against any Relevant Person (whether or not successful, compromised or settled) in any jurisdiction by any subscriber, allottee, acceptor, buyer, placee or underwriter of any of the New Shares or any subsequent buyer or transferee thereof or by any governmental agency or regulatory body or any other person whatsoever and against all liabilities, losses, charges, costs, expenses and taxes which any Relevant Person may pay, suffer or incur (including, but not limited to, those paid, suffered or incurred in investigating, seeking advice as to defending or disputing any claim, action,

liability, demand or proceedings and/or in establishing its right to be indemnified pursuant to this clause 9.2 and/or in seeking advice as to any claim, action, liability, demand or proceedings aforesaid or in any way related to or in connection with this indemnity or the Appointment or the Nominated Adviser's role as the Company's nominated adviser pursuant to the AIM Rules) and which in any such case is occasioned by or results from or is attributable to or would not have arisen but for (in each case whether directly or indirectly):-

(a) any breach, or alleged breach, by the Company of any of its obligations under this agreement or of any of the warranties set out in the IPO Agreement; or

(b) the approval or issue by any Relevant Person of any press release or

of any investment advertisement (as defined in section 57(2) of the Financial Services Act 1986) issued by or on behalf of the Company; or

(c) the Admission Document not containing, or being alleged not to contain, all the information required by law or regulation (including, for the avoidance of doubt, the POS Regulations and the AIM Rules) to be contained therein or any statement contained in the Admission Document being, or being alleged to be, untrue, inaccurate, misleading or defamatory in any respect or not based on reasonable grounds or any misrepresentation or alleged misrepresentation by whomsoever being contained or being alleged to be contained in the Admission Document; or

(d) any of the transactions expressly contemplated by this agreement; or

(e) the performance by the Nominated Adviser, or on its behalf, of any of its obligations or services (or exercise of rights) under this agreement or otherwise in connection with the Appointment or its role as the Company's nominated adviser for the purposes of the AIM Rules or its role in the preparation and distribution of the Admission Document,

unless and to the extent that the same result from the negligence, wilful default or fraud of the Nominated Adviser provided that a Relevant Person shall not be entitled to be indemnified pursuant to this clause 9.2 in respect of any liabilities, losses, costs, charges, expenses or taxes suffered or incurred by such person as a result of it having been required to subscribe or purchase New Shares under the IPO Agreement unless such liabilities, losses, costs, charges, expenses and taxes are occasioned by, or result from, or are attributable to or would not have arisen but for (in each case directly or indirectly) any breach by the Company of any of its obligations under this agreement.

9.3 The Nominated Adviser shall, as soon as practicable after becoming aware of any claim made or threatened against any Relevant Person in respect of which indemnity may be sought pursuant to clause 9.2, notify the Company in writing thereof and enter into and thereafter maintain consultation with the Company on all material aspects of such claim and, subject to the Nominated Adviser and any other Relevant Person subject to the claim being fully indemnified and secured by the Company to the reasonable satisfaction of the Nominated Adviser against all costs, damages and expenses thereby incurred, the

Nominated Adviser shall, at the request of the Company, take such action as the Company may reasonably require to avoid, dispute, resist, appeal, compromise or defend any such claim unless in the reasonable opinion of the Nominated Adviser the repute or standing of the Nominated Adviser or any other Relevant Person would thereby be adversely affected.

10. TERMINATION

10.1 The Nominated Adviser shall be entitled to terminate this agreement forthwith if:-

(a) the Nominated Adviser shall become aware of:-

(i) any breach by the Company or any of the Directors of any of their respective obligations under this agreement or the AIM Rules or the code for dealings adopted pursuant to clause 7 or the POS Regulations or the Financial Services Act 1986 or any other laws or regulations to which the Company and/or its directors are subject from time to time and if the breach is capable of remedy, failing to remedy the breach within 14 days; or

(ii) any fraudulent act by such persons; or

(b) any warranty or representation given in the IPO Agreement is found to be untrue, inaccurate or misleading in any material respect or any other term of the IPO Agreement is breached in any material respect by the Company or the Directors; or

(c) an administration order is made in relation to the Company or a

receiver is appointed over or an encumbrancer takes possession of or sells an asset of the Company; or

(d) the Company makes an arrangement or composition with its creditors generally or makes an application to a court of competent jurisdiction for protection from its creditors generally; or

(e) the Company passes a resolution for its winding up, a court of competent jurisdiction makes an order for the Company's winding up or a petition is presented for the Company's winding up which is not dismissed within seven days (other than, in each case, for the purposes of solvent amalgamation or reconstruction and in such manner that the entity resulting from the amalgamation or reconstruction effectively agrees to be bound by or assume the Company's obligations under this agreement); or

(f) any director of the Company or any person connected with any director of the Company (as such term is defined in section 346 of the Act) breaches the terms of any orderly market undertaking and/or lock-in arrangement entered into with the Nominated Adviser whether such undertakings or arrangements constitute terms of the IPO Agreement or a stand-alone agreement.

10.2 In the event that this agreement is terminated pursuant to clauses 10.1 or 10.4, except in relation to:-

(a) any breach of any provision of this agreement prior thereto; and

(b) any right to damages or other remedy which the terminating party may have in respect of the event or circumstance which gave rise to the termination; and

(c) the rights of the Nominated Adviser in respect of its fees and expenses as set out in clause 8, which will remain in full force and effect to the extent that the Company shall be obliged to pay to the Nominated Adviser such fees and expenses on a pro rata basis up to the effective date of termination of its appointment to the extent that the same have not already been paid in accordance with clause 8 (and the Nominated Adviser shall rebate to the Company any amount of overpayment),

no party shall have any claim against any other for any costs, damages, compensation or otherwise hereunder save that the provisions of clauses 1, 6, 9, 10, 11, 12, 13, 14, 15, 16, 17 and 18 shall continue to apply in accordance with their respective terms.

10.3 The Company and/or the Directors shall notify the Nominated Adviser promptly upon becoming aware that any of the events or circumstances referred to in clause 10.2 has occurred.

10.4 The Company shall be entitled to terminate this agreement forthwith if the Nominated Adviser shall be in material breach of its obligations hereunder or under the IPO Agreement or if the Nominated Adviser shall cease to be registered as a nominated adviser for the purpose of the London Stock Exchange.

11. Time of the Essence

Save as otherwise expressly provided, time is of the essence to every obligation of this agreement and any agreement amending or substituting its terms.

12. Waiver

12.1 A waiver of any term, provision or condition of, or consent granted under, this agreement shall be effective only if given in writing and signed by the waiving or consenting party and then only in the instance and for the purpose for which it is given.

12.2 No failure or delay on the part of any party in exercising any right, power or privilege under this agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege

preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

12.3 No breach of any provision of this agreement shall be waived or discharged except with the express written consent of the parties.

12.4 The rights and remedies herein provided are cumulative with and not exclusive of any rights or remedies provided by law.

13. Invalidity

If any provision of this agreement is or becomes (whether or not pursuant to any judgment or otherwise) invalid, illegal or unenforceable in any respect under the law of any jurisdiction:-

13.1 the validity, legality and enforceability under the law of that jurisdiction of any other provision; and

13.2 the validity, legality and enforceability under the law of any other jurisdiction of that or any other provision,

shall not be affected or impaired in any way thereby.

14. NOTICES

14.1 Any notice, demand or other communication given or made under or in connection with the matters contemplated by this agreement shall be in writing and shall be delivered personally or sent by fax or prepaid first class post (air mail if posted to or from a place outside the United Kingdom):-

in the case of the Company and the Directors to:-

Keryx Biopharmaceuticals, Inc.
Kiryat Mada 5
Har Hotzvim
Jerusalem
Israel 91326

Fax: 00 972 2537 5098

Attention: Robert Trachtenberg

in the case of the Nominated Adviser to:-

WestLB Panmure Limited
New Broad Street House
35 New Broad Street
London EC2M 1SQ

Fax: 0207 920 9305

Attention: Chris Collins

and shall be deemed to have been duly given or made as follows:-

(a) if personally delivered, upon delivery at the address of the relevant party;

(b) if sent by first class post, two Business Days after the date of posting;

(c) if sent by air mail, five Business Days after the date of posting; and

(d) if sent by fax, when despatched provided always that a fax transmission report provides evidence of the successful transmission of the same;

provided that if, in accordance with the above provision, any such notice, demand or other communication would otherwise be deemed to be given or made after 5.00 p.m. such notice, demand or other communication shall be deemed to be given or made at 9.00 a.m. on the next Business Day.

14.2 A party may notify the other parties to this agreement of a change to its name, relevant addressee, address or fax number for the purposes of clause 14.1 provided that such notification shall only be effective on:-

(a) the date specified in the notification as the date on which the change is to take place; or

(b) if no date is specified or the date specified is less than five Business Days after the date on which the notice is given, the date falling five Business Days after notice of any such change has been given.

15. COUNTERPARTS

This agreement may be executed in any number of counterparts which together shall constitute one agreement. Any party may enter into this agreement by executing a counterpart and this agreement shall not take effect until it has been executed by all parties.

16. ENTIRE AGREEMENT

16.1 Each party on behalf of itself and as agent for each of its Related Persons acknowledges and agrees with the other party (each such party acting on behalf of itself and as agent for each of its Related Persons) that:-

(a) this agreement together with the Nominated Broker Agreement between the Nominated Advisor and the Company of even date herewith and any other documents referred to in this agreement (together the "Transaction Documents") constitutes the entire and only agreement between the parties and their respective Related Persons relating to the subject matter of the Transaction Documents; and

(b) neither it nor any of its Related Persons have been induced to enter into any Transaction Document in reliance upon, nor have they been given, any warranty, representation, statement, assurance, covenant, agreement, undertaking, indemnity or commitment of any nature whatsoever other than as are expressly set out in the Transaction Documents and, to the extent that any of them have been, it (acting on behalf of itself and as agent on behalf of each of its Related Persons) unconditionally and irrevocably waives any claims, rights or remedies which any of them might otherwise have had in relation thereto;

PROVIDED THAT the provisions of this clause 16.1 shall not exclude any liability which any of the parties or, where appropriate, their Related Persons would otherwise have to any other party or, where appropriate, to any other party's Related Persons or any right which any of them may have to rescind this agreement in respect of any statements made fraudulently by any of them prior to the execution of this agreement or any rights which any of them may have in respect of fraudulent concealment by any of them.

16.2 This agreement may be varied only by a document signed by both of the parties.

17. MISCELLANEOUS

17.1 Nominated Adviser not providing legal advice

The Company acknowledges that the Nominated Adviser is not responsible for providing any legal advice to the Company in respect of any applicable laws and regulations and the Company undertakes to obtain appropriate legal advice in respect of these matters.

17.2 Nominated Adviser's services subject to SFA Rules

The Company acknowledges that all services provided by the Nominated Adviser pursuant to this agreement are subject to the rules and regulations

from time to time of The Securities and Futures Authority Limited (or any replacement body which takes over its functions) (the "SFA Rules") and to the applicable rules and regulations for the time being of the Bank of England and the Securities and Investments Board. In providing its services, the Nominated Adviser is proposing to treat the Company as a "non-private customer" within the meaning of the SFA Rules and, as such, the Company will not obtain the benefit of those SFA Rules designed exclusively for the protection of private customers.

17.3 Assignment

(a) This agreement shall be binding upon and inure for the benefit of the successors in title of the parties but, except as set out in clause 17.3(b), shall not be assignable by any party without the prior written consent of the other;

(b) The Nominated Adviser may assign the benefit of this agreement to any undertaking which is, whether on or at any time after the date hereof, its subsidiary undertaking or its parent undertaking.

18. GOVERNING LAW AND JURISDICTION

18.1 Any dispute, controversy or claim of whatever nature arising out of or relating to this agreement or breach of this agreement shall be governed by and this agreement shall be construed in all respects in accordance with English law.

18.2 The Company and the Nominated Adviser each irrevocably agree that the courts in England are to have exclusive jurisdiction to hear and decide any action or proceedings and/or to settle any disputes which do or might arise out of or in connection with this agreement and for the purpose of enforcement of any judgment against any of their respective assets ("Proceedings"). Nothing in this agreement shall (or shall be construed so as to) limit the right of either party to take Proceedings against the other in the courts of any country in which either party has assets to enforce a judgment obtained in England.

18.3 The parties agree that service of any claim form, notice or other document for the purpose of any proceedings begun in England shall be duly served upon it if delivered or sent by registered post, in the case of:-

(a) any of the Company to Morgan, Lewis & Bockius, 2 Gresham Street, London EC2V 7PE (marked for the attention of Zoe Ashcroft); and

(b) the Nominated Adviser to its address as set out on page 1 hereof (marked for the attention of Chris Collins),

or such other address in England and/or Wales as the Company (on behalf of the Company or the Directors) shall notify the Nominated Adviser in writing or vice versa from time to time. Nothing contained in this clause 18.3 affects the right to serve process in another manner permitted by law.

IN WITNESS whereof this agreement has been executed on the date first above written.

Signed by)
for and on behalf of)
KERYX BIOPHARMACEUTICALS)
INC.)

Signed by)
for and on behalf of)
WESTLB PANMURE LIMITED)

EXHIBIT 4.1

Keryx Biopharmaceuticals, Inc.

40,000,000 SHARES PAR VALUE $.001 EACH
COMMON STOCK

See Reverse for
Certain Definition

This is to Certify that_____is the owner of

_____

FULLY PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK OF
Keryx Biopharmaceuticals, Inc.

transferable on the books of the Corporation by the holder hereof in person or by duly authorized Attorney upon surrender of this Certificate properly endorsed. Witness, the seal of the Corporation and the signatures of its duly authorized officers.

Dated

SECRETARY PRESIDENT

Exhibit 5.1

[Letterhead of Morgan, Lewis & Bockius LLP]

June 30, 2000

Keryx Biopharmaceuticals, Inc.
Kiryat Hamada 5
Har Hotzvim
Jerusalem, Israel 94383

RE: Keryx Biopharmaceuticals, Inc.
Registration Statement on Form S-1
(Reg. No. 333-37402)

Ladies and Gentlemen:

We have acted as counsel to Keryx Biopharmaceuticals, Inc., a Delaware corporation (the "Company"), in connection with the preparation and filing with the Securities and Exchange Commission (the "Commission") of a Registration Statement on Form S-1 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), by the Company, relating to the Company's initial public offering of up to 5,290,000 shares (the "Shares") of the Company's common stock, par value $.001 per share, including 690,000 shares purchasable by the underwriters upon exercise of their over-allotment option.

In so acting, we have examined originals, or copies certified or otherwise identified to our satisfaction, of (a) the Registration Statement and the exhibits thereto, (b) the Company's Articles of Incorporation, as amended, (c) the Company's By-laws, as amended, (d) certain records of the Company's corporate proceedings as reflected in its minute books and (e) such statutes, records and other documents as we have deemed relevant and necessary for the opinion hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion that the Shares registered on the Registration Statement, when issued by the

Company in the manner contemplated therein and against payment therefor, will be duly authorized, validly issued and fully paid and non-assessable.

Our opinion set forth above is subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

We are members of the Bar of the State of New York and we do not express any opinion herein concerning any laws other than the laws of the State of New York and the federal laws of the United States of America.

This opinion is rendered to you in connection with the above described transaction and may not be relied upon by you for any other purpose without our prior written consent.

We hereby consent to the use of this opinion as an Exhibit to the Registration Statement and to the reference to our firm under the caption "Legal Matters" in the Prospectus included therein. In giving such consent, we do not thereby admit that we are acting within the category of persons whose consent is required under Section 7 of the Securities Act and the rules or regulations of the Commission thereunder.

Very truly yours,

/s/ Morgan, Lewis & Bockius LLP

MORGAN, LEWIS & BOCKIUS LLP

EXHIBIT 10.20

FORM OF KRX-101

SCIENTIFIC ADVISORY BOARD
AGREEMENT

This Scientific Advisory Board Agreement (this "Agreement") is entered into effective as of April ___, 2000, by and between Keryx Biopharmaceuticals, Inc., a Delaware corporation, with a mailing address at 216 Jaffa Road, Jerusalem 94383 Israel ("the Corporation") and _____, with a mailing address of Department of Medicine, University of Texas Health Science Center, San Antonio, Texas 78284-7873 United States of America (the "Advisor").

1. The Scientific Advisory Board. The Advisor agrees to perform scientific advisory services for the Corporation, devoting such time, attention, knowledge and skill as reasonably requested by the Corporation's Board of Directors or their designee, and as the interests, needs, business or opportunities of the Corporation shall require, at such time and place as the Corporation's Board of Directors or their designee shall reasonably request (the "Services"), for a period of three (3) years, unless earlier terminated in accordance with Section 5 (the "Services Period"). The Services Period may be extended for additional one (1) year periods upon the written agreement of the parties hereto.

2. Compensation for Service Rendered. For providing the services, the Corporation shall pay the Advisor a per diem fee of $3,000.

3. Termination. The obligation of the Advisor to perform the services may be terminated by the Corporation during the Services Period with respect to the Advisor for any reason, with or without cause, upon the agreement of the majority of the Corporation's Board of Directors.

   The Advisor may voluntarily terminate his obligation to perform the Services for the Corporation at any time and for any reason (a "Voluntary Termination"). However, the Advisor agrees to provide thirty (30) days advance notice prior to the effective date of termination.

4. Agreement Not to Compete. During the Services Period and for twelve (12) months thereafter, the Advisor agrees that he will not affiliate in any material role, including affiliation as an employee, consultant agent, or contractor, with any business enterprise which is in direct conflict or competition with the Corporation in the field of the use of glycosaminoglycans in the treatment of diabetic complications nor will he found, promote or become a shareholder, partner, or owner in any other enterprise which competes with the Corporation in the field of the use of glycosaminoglycans in the treatment of diabetic complications other than as stockholder of up to five percent (5%) of the outstanding stock of any publicly traded corporation.

5. Noninterference With Employees. The Advisor agrees that for a period of twelve (12) months following the termination of the performance of the Services for the Corporation by the Advisor, the Advisor will not interfere with or attempt to impair the relationship between the Corporation and any of its employees, consultants, and advisors, nor will the Advisor attempt to solicit, to entice, to hire, or otherwise to induce any employee, consultant, or advisor of the Corporation to terminate association with the Corporation.

6. Remedies in the Event of Breach. The Corporation and the Advisor understand and agree that any breach or threatened breach by the Corporation or the Advisor of any of the provisions set forth in Section 4 and 5, cannot be remedied solely by the recovery of damages, and in the event of any such breach or threatened breach, the Corporation and the Advisor, as the case

may be, shall be entitled to seek injunctive relief, restraining the Advisor or the Corporation, as the case may be, and any business, firm, corporation, individual, or other entity participating in such breach or attempted breach from engaging in any activity which would constitute a breach. The Corporation and the Advisor further agree that any dispute arising under the terms of this Agreement, other than a dispute that would be remedied by injunctive relief, shall be decided in accordance with the then current rules of the International Chamber of Commerce, and any arbitration award may be entered in a court of competent jurisdiction and enforced as a judgement thereof. Nothing herein, however, shall be construed as prohibiting the Corporation or the Advisor from pursuing, in conjunction with an injunction or otherwise, any other remedies available in equity for any such breach or threatened breach, including the recovery of damages.

7. Non-Disclosure and Developments.

(a) Advisor shall not at any time, whether during or after the termination of this Agreement, disclose to any person or entity any of the trade secrets or confidential information concerning the organization, business or finances of the Corporation or of any third party which the Corporation is under an obligation to keep confidential (including but not limited to trade secrets or confidential information respecting inventions, patent applications, products, designs, methods, know-how, techniques systems, processes, software programs, works of authorship customer lists, projects, plans and proposals), except as may be required in the ordinary course of performing the Advisor's duties on behalf of the Corporation, and the Advisor shall keep secret all matters entrusted to the Advisor and shall not use or attempt to use any such information in any manner which may injure or cause loss or may be calculated to injure or cause loss whether directly to the Corporation.

Further, the Advisor agrees that during the term of this Agreement, the Advisor shall not make, use or permit to be used any notes, memoranda, reports, lists, records, drawings, sketches, specifications, software programs, data, documentation, or other materials of any nature arising out of, or in connection with, this Agreement otherwise than for the benefit of the Corporation. The Advisor further agrees that he shall not, after the termination of this Agreement, use or permit to be used any notes, memoranda, reports,

lists, records, drawings, sketches, specifications, software programs, data, documentation or other materials, it is being agreed that all of the foregoing shall be and remain the sole and exclusive property of the Corporation and that immediately upon the termination of this Agreement, the Advisor shall deliver all of the foregoing, and all copies thereof, in his possession or under his control to the Corporation, as its main office.

Notwithstanding the foregoing, the Advisor may disclose information (i) received from a third party (other than the Corporation) which is not subject to any confidentiality restriction, (ii) required by law to be disclosed, including, by way of example and not limitation, pursuant to a subpoena or other discovery device or a court order, or (iii) already in the public domain.

(b) If at any time or times during the Advisor's work for the Corporation, the Advisor (either alone or with others) makes, conceives, creates, discovers, invents, or reduces to practice any invention, modification, discovery, design, development, improvement, process, software program, work of authorship, documentation, formula, data, technique, know-how, trade secret or intellectual property right whatsoever or any interest therein (whether or not patentable or registerable under copyright, trademark or similar statuses (herein called "Developments") that (i) relates to the business of the Corporation or any customer of, or supplier to, the Corporation or any of the products or services being developed, manufactured or sold by the Corporation or which may be used in relation therewith, (ii) results from tasks assigned the Advisor by the Corporation or (iii) results from the use of premises or personal property (whether tangible or intangible) owned, leased or contracted for by the Corporation, the Advisor shall promptly disclose to the Corporation (or any persons designated by it) each such Development. The Advisor hereby assigns any rights (including, but not limited to, any copyrights and trademarks) the Advisor may have or acquire in the Developments and

benefits and/or rights resulting therefrom to the Corporation and its assigns without further compensation, as may be necessary to ensure the Corporation's ownership of such Developments, and shall communicate, without cost or delay, and without disclosing to others the same, all available information relating thereto (with all necessary plans and models) to the Corporation.

The Advisor shall during this Agreement, and at any time thereafter, at the request and cost of the Corporation, promptly sign, execute make and do all such deeds, documents, acts and things as the Corporation and its duly authorized agents may reasonably require (iv) to apply for, obtain register and vest in the name of the Corporation alone (unless the Corporation otherwise directs) letters patents, copyrights, trademarks or other analogous protection in any country through out the world and when so obtained or vested to renew and restore the same; and (v) to defend any judicial opposition or other proceedings in respect of such applications and any judicial, opposition or other proceedings or applications for revocation of such letters patent, copyright, trademark or other analogous protection.

In the event the Corporation is unable, after reasonable effort, to secure the Advisor's signature on any application for letters patent, copyright or trademark registration or other documents regarding any legal protection relating to the Developments, whether because of the Advisor's physical or mental incapacity or for any other reason whatsoever, the Advisor hereby irrevocably designated and appoints the Corporation and its duly authorized officers and agents as his agent and attorney-in-fact, to act for and in the Advisor's behalf and stead to execute and file any such application or applications or other documents and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent, copyright or trademarks registrations, or any other legal protection thereon with the same legal force and effect as if executed by the Advisor.

It is understood that any intellectual property or Developments which the Advisor has developed, or in the future may develop, which is or will be, owned or licensed by his current employer or any other permitted employer of his (other than the Corporation) shall not be subject to this Agreement. It is further understood that in the event that there is reasonable uncertainty whether certain information which Advisor has obtained is required to be disclosed to the Corporation pursuant to this Section (b), Advisor shall have reasonable amount of time to consult with his current employer or any other permitted employer of Advisor to whom such information may belong before determining whether or not to disclose such information to the Corporation.

(c) Advisor agrees that any breach of this Agreement by Advisor will cause irreparable damage to the Corporation and that in the event of such breach the Corporation shall have, in addition to any and all remedies of law, the right to seek an injunction, specific performance or other equitable relief to prevent the violation of the Advisor's obligations hereunder.

(d) The Advisor represents that the Developments identified in the pages, if any, attached hereto as Exhibit A comprise all the unpatented Developments and all copyrightable but unregistered Developments which the Advisor had made, conceived or created prior to his performance of Services for the Corporation, all of which Developments are excluded from this Agreement. The Advisor understands that it is only necessary to list the title and purpose of such Developments but not details thereof.

The Advisor further represents that his performance of all of the terms of this Agreement does not and will not breach any agreement to keep in confidence proprietary information acquired by him in confidence or in trust prior to his obligation to perform Services for the Corporation. The Advisor has not entered into, and agrees that he shall not enter into, any agreement either written or oral in conflict herewith.

8. Independent Contractor.

(a) The Advisor agrees that in rendering the Services hereunder, the Advisor and any person employed by, or subcontracting with, the Advisor to perform the Services, shall act (and be considered for all purposes) as an

independent contractor of the Corporation, and not as an employee or agent of the Corporation. In his capacity as an independent contractor, the Advisor agrees and represents, and the Corporation agrees, that the Advisor: (i) has the right to control and direct the means and methods of performing the Services by himself, his employees, and his subcontractors; (ii) will provide supervision of all his employees and subcontractors assigned to perform the Services; (iii) will utilize and pay for the Advisor's, and his employees' and subcontractors' own tools and equipment, and will reimburse the Corporation for the use of the Corporation's equipment and administrative services, facilities and other consideration provided by the Corporation; (iv) shall receive compensation from the Corporation only as set forth herein and will not participate in benefits of any sort which the Corporation offers to its subcontractors; (v) shall, to the extent practical, keep his equipment, materials, drawings, and the like separate from any Corporation property, and will not remove any Corporation property from the premises without prior written approval by an authorized representative of the Corporation; (vi) maintain a place of business at a location other than the premises of the Corporation; (vii) will not require that he, his employees, or his subcontractors be trained by the Corporation in the professional skills necessary to perform the Services, though the Corporation may give general directions and orientation instructions; (viii) shall be fully liable for the grossly negligent or willful injurious acts or omissions of himself, his employees, or his subcontractors, causing harm to persons or property, but shall not be liable for consequential damages due to defects in performance; and (ix) shall deal with the Advisor's employees' or subcontractors' trade or union representatives, negotiate all employee and subcontractor disputes and terminate or change all employee or subcontractor assignments as necessary.

(b) Inasmuch as the Advisor and the Corporation are contractors independent of one another, neither has the authority to bind the other to any third person or otherwise to act in any way as the representative of the other, unless otherwise expressly agreed to in writing signed by both parties hereto. The Advisor agrees not to represent himself as the Corporation's agent for any purpose to any party unless specifically authorized, in advance and in writing, to do so, and then only for the limited purposes(s) stated in such authorization. This prohibition includes the use by the Advisor of the Corporation's stationery and forms; all contracts with third parties shall be made on the Advisor's own stationery and in the Advisor's own name, as appropriate. The Advisor agrees to assume full liability for any contracts or agreements the Advisor, his employees, or his subcontractors, if any, enter into on behalf of the Corporation without the express knowledge and written consent of the Corporation.

(c) The Corporation shall indemnify and hold blameless the Advisor against any claims, losses, expenses, costs, obligations, and liabilities arising out of, or in connection with, the performance of the Services by the Advisor, except for (i) such claims, losses expenses, costs, obligations, and liabilities as arise out of the gross negligence or willful injurious acts or omissions of the Advisor and (ii) such claims, losses, expenses, costs, obligations, and liabilities as the Advisor may be answerable to the Corporation for.

9. Taxes. The Advisor shall be responsible for the withholding, and payment, as required by law, of all federal, state, and local taxes imposed on the Advisor because of the performance of the Services hereunder. Further, the Advisor shall comply with all federal, state, and local benefits laws applicable to the Advisor, including making deductions and contributions for social security and unemployment taxes. Each party to this Agreement shall otherwise be responsible for the payment of any other taxes imposed upon it or him in connection with, or as a result of, this Agreement.

10. Site of Services. The Advisor will perform the Services at a location other than the premises of the Corporation if possible, or if the Services are such that the Services must be performed on the Corporation's premises, the Corporation shall provide the Advisor with office space and facilities commensurate with that provided to its own employees to the extent necessary to perform the Services specified by this Agreement. The Advisor will restrict the performance of the Services to a separate assigned work area as

much as is feasible.

11. Travel Expenses. The Corporation will reimburse the Advisor for all reasonable travel expenses, approved in advance by the Corporation, upon receipt of supporting documentation.

12. Inventions. The Corporation shall compensate the Advisor on a case-by-case basis for any third party inventions licensed, assigned, or otherwise acquired by the Corporation through the efforts of the Advisor or conceived and reduced to practice by the Advisor and not otherwise the property of the Corporation in whole or in part.

13. Non-Exclusive Right. The Corporation may contract with individuals other than the Advisor for the Services. The Advisor does not have an exclusive right to provide the Services to the Corporation.

14. Waiver. Any waiver by the Corporation of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach of such provision or any other provision hereof.

15. Severability. If for any reason any clause or provision of this Agreement, or the application of any such clause or provision in a particular context or to a particular situation, circumstance or person, should be held unenforceable, invalid or in violation of law by any court or other tribunal, then the application of such clause or provision in contexts or to situations, circumstances or persons other than that in or to which it is held unenforceable, invalid or in violation of law shall not be affected thereby, and the remaining clauses and provisions hereof shall, nevertheless, remain in full force and effect.

16. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed, and the Advisor has executed this Agreement, as of the date first set forth above.

KERYX BIOPHARMACEUTICALS, INC.	ADVISOR
By:_____	By:_____
Name:_____	
Title:_____	

EXHIBIT 10.21

FORM OF
SCIENTIFIC ADVISORY BOARD
AGREEMENT

This Scientific Advisory Board Agreement (this "Agreement") is entered into effective as of _____, 2000, by and between Keryx Biopharmaceuticals, Inc., a Delaware corporation, with a mailing address at 216 Jaffa Road, Jerusalem 94383 Israel ("the Corporation") and Dr. James Broach, with a mailing address of _____ (the "Advisor").

1. The Scientific Advisory Board. The Advisor agrees to perform scientific advisory services for the Corporation, devoting such time, attention, knowledge and skill as reasonably requested by the Corporation's Board of Directors or their designee, and as the interests, needs, business or opportunities of the Corporation shall require, at such time and place as the Corporation's Board of Directors or their designee shall reasonably request (the "Services"), for a period of three (3) years, unless earlier terminated in accordance with Section 3 (the "Services Period"). The Services Period may be extended for additional one (1) year periods upon the written agreement of the parties hereto.

2. Compensation for Service Rendered.

(a) Per Diem Fee. For providing the services, the Corporation shall pay the Advisor a per diem fee of $2,500.

(b) Stock Options. Within twenty one (21) days of the execution of this Agreement by the Advisor, the Board of Directors of the Corporation or a duly formed committee thereof shall issue to the Advisor an option to purchase one thousand (1,000) shares of the Corporation's Common Stock at a price equal to offering price at the initial public offering of the Corporation's Common Stock. Of these, five hundred (500) shall be deemed vested as of the date of grant and the balance shall vest in two equal annual installments, with the first occurring on the first anniversary of the date of the grant, provided that on the each vesting date the Advisor is still being retained pursuant to this or a similar agreement with the Corporation. Such options shall be deemed to have been granted pursuant to, and shall be governed by, the Corporation's stock option program applicable to consultants to the Corporation. If this Agreement is terminated by the Corporation or the Advisor for any reason prior to the expiration of its term, the Corporation shall have the right to repurchase the vested portion of such options (or the shares resulting from the exercise of such options if such exercise has occurred) at the then-current fair market value of such shares or options, as reasonably determined by the Board of Directors of the Corporation. Such right shall be exercised by the Corporation and payment made, if at all, within ninety (90) days after the effective date of such termination.

3. Termination. The obligation of the Advisor to perform the Services may be terminated by the Corporation during the Services Period with respect to the Advisor for any reason, with or without cause, upon the agreement of a majority of the Corporation's Board of Directors.

The Advisor may voluntarily terminate his obligation to perform the Services for the Corporation at any time and for any reason (a "Voluntary Termination"). However, the Advisor agrees to provide thirty (30) days advance notice prior to the effective date of termination.

4. Agreement Not to Compete. During the Services Period and for twelve (12) months thereafter, the Advisor agrees that he will not affiliate in any material role, including affiliation as an employee, consultant agent, or contractor, with any business enterprise which is in direct conflict or competition with the Corporation in the modulation of protein kinases to discover or develop pharmaceutical products (the "Field") nor will he found, promote or become a shareholder, partner, or owner in any other enterprise which competes with the Corporation in the Field other than as stockholder

of up to five percent (5%) of the outstanding stock of any publicly traded corporation. Notwithstanding the foregoing, nothing in this Section shall prevent or inhibit the Advisor from conducting academic research in subjects related to the Field provided that the Advisor complies with the confidentiality obligations set forth in Section 7, below.

5. Noninterference With Employees. The Advisor agrees that for a period of twelve (12) months following the termination of the performance of the Services for the Corporation by the Advisor, the Advisor will not interfere with or attempt to impair the relationship between the Corporation and any of its employees, consultants, and advisors, nor will the Advisor attempt to solicit, to entice, to hire, or otherwise to induce any employee, consultant, or advisor of the Corporation to terminate association with the Corporation.

6. Remedies in the Event of Breach. The Corporation and the Advisor understand and agree that any breach or threatened breach by the Corporation or the Advisor of any of the provisions set forth in Section 4 and 5, cannot be remedied solely by the recovery of damages, and in the event of any such breach or threatened breach, the Corporation and the Advisor, as the case may be, shall be entitled to seek injunctive relief, restraining the Advisor or the Corporation, as the case may be, and any business, firm, corporation, individual, or other entity participating in such breach or attempted breach from engaging in any activity which would constitute a breach. The Corporation and the Advisor further agree that any dispute arising under the terms of this Agreement, other than a dispute that would be remedied by injunctive relief, shall be decided in accordance with the then current rules of the American Arbitration Association, and any arbitration award may be entered in a court of competent jurisdiction and enforced as a judgment thereof. Any such arbitration shall be heard at an appropriate location in the City of New York. Nothing herein, however, shall be construed as prohibiting the Corporation or the Advisor from pursuing, in conjunction with an injunction or otherwise, any other remedies available in equity for any such breach or threatened breach, including the recovery of damages.

7. Non-Disclosure and Developments.

(a) Advisor shall not at any time, whether during or after the termination of this Agreement, disclose to any person or entity any of the trade secrets or confidential information concerning the organization, business or finances of

the Corporation or of any third party which the Corporation is under an obligation to keep confidential (including but not limited to trade secrets or confidential information respecting inventions, patent applications, products, designs, methods, know-how, techniques systems, processes, software programs, works of authorship customer lists, projects, plans and proposals), except as may be required in the ordinary course of performing the Advisor's duties on behalf of the Corporation, and the Advisor shall keep secret all matters entrusted to the Advisor and shall not use or attempt to use any such information in any manner which may injure or cause loss or may be calculated to injure or cause loss whether directly to the Corporation.

Further, the Advisor agrees that during the term of this Agreement, the Advisor shall not make, use or permit to be used any notes, memoranda, reports, lists, records, drawings, sketches, specifications, software programs, data, documentation, or other materials of any nature arising out of, or in connection with, this Agreement otherwise than for the benefit of the Corporation. The Advisor further agrees that he shall not, after the termination of this Agreement, use or permit to be used any such notes, memoranda, reports, lists, records, drawings, sketches, specifications, software programs, data, documentation or other materials, it is agreed that all of the foregoing shall be and remain the sole and exclusive property of the Corporation and that immediately upon the termination of this Agreement, the Advisor shall deliver all of the foregoing, and all copies thereof in his possession or under his control, to the Corporation, at its main office.

Notwithstanding the foregoing, the Advisor may disclose information (i) received from a third party (other than the Corporation) which is not

subject to any confidentiality restriction, (ii) required by law to be disclosed, including, by way of example and not limitation, pursuant to a subpoena or other discovery device or a court order, or (iii) already in the public domain.

(b) If at any time or times during the Advisor's work for the Corporation, the Advisor (either alone or with others) makes, conceives, creates, discovers, invents, or reduces to practice any invention, modification, discovery, design, development, improvement, process, software program, work of authorship, documentation, formula, data, technique, know-how, trade secret or intellectual property right whatsoever or any interest therein (whether or not patentable or registerable under copyright, trademark or similar statuses (herein called "Developments") that (i) relates to the business of the Corporation or any of the products or services being developed, manufactured or sold by the Corporation or which may be used in relation therewith, (ii) results from tasks assigned the Advisor by the Corporation or (iii) results from the use of premises or personal property (whether tangible or intangible) owned, leased or contracted for by the Corporation, the Advisor shall promptly disclose to the Corporation (or any persons designated by it) each such Development. The Advisor hereby assigns any rights (including, but not limited to, any copyrights and trademarks) the Advisor may have or acquire in the Developments and benefits and/or rights resulting therefrom to the Corporation and its assigns without further compensation, as may be necessary to ensure the Corporation's ownership of such Developments, and

shall communicate, without cost or delay, and without disclosing to others the same, all available information relating thereto (with all necessary plans and models) to the Corporation.

The Advisor shall during this Agreement, and at any time thereafter, at the request and cost of the Corporation, promptly sign, execute make and do all such deeds, documents, acts and things as the Corporation and its duly authorized agents may reasonably require (iv) to apply for, obtain register and vest in the name of the Corporation alone (unless the Corporation otherwise directs) letters patents, copyrights, trademarks or other analogous protection relating to the Developments in any country throughout the world and when so obtained or vested to renew and restore the same; and (v) to defend any judicial opposition or other proceedings in respect of such applications and any judicial, opposition or other proceedings or applications for revocation of such letters patent, copyright, trademark or other analogous protection.

In the event the Corporation is unable, after reasonable effort, to secure the Advisor's signature on any application for letters patent, copyright or trademark registration or other documents regarding any legal protection relating to the Developments, whether because of the Advisor's physical or mental incapacity or for any other reason whatsoever, the Advisor hereby irrevocably designated and appoints the Corporation and its duly authorized officers and agents as his agent and attorney-in-fact, to act for and in the Advisor's behalf and stead to execute and file any such application or applications or other documents and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent, copyright or trademarks registrations, or any other legal protection thereon with the same legal force and effect as if executed by the Advisor.

It is understood that any intellectual property or Developments which the Advisor has developed, or in the future may develop, which is or will be, owned or licensed by his current employer or any other permitted employer of his (other than the Corporation) shall not be subject to this Agreement. It is further understood that in the event that there is reasonable uncertainty whether certain information which Advisor has obtained is required to be disclosed to the Corporation pursuant to this Subsection (b), Advisor shall have a reasonable amount of time to consult with his current employer or any other permitted employer of Advisor to whom such information may belong before determining whether or not to disclose such information to the Corporation.

(c) Advisor agrees that any breach of this Agreement by Advisor will cause irreparable damage to the Corporation and that in the event of such breach the Corporation shall have, in addition to any and all remedies of law, the right to seek an injunction, specific performance or other equitable relief to prevent the violation of the Advisor's obligations hereunder.

(d) The Advisor represents that the Developments identified in the pages, if any, attached hereto as Exhibit A comprise all the unpatented Developments and all copyrightable but unregistered Developments which the Advisor had

made, conceived or created prior to his performance of Services for the Corporation, all of which Developments are excluded from this Agreement. The Advisor understands that it is only necessary to list the title and purpose of such Developments but not details thereof.

The Advisor further represents that his performance of all of the terms of this Agreement does not and will not breach any agreement to keep in confidence proprietary information acquired by him in confidence or in trust prior to his obligation to perform Services for the Corporation. The Advisor has not entered into, and agrees that he shall not enter into, any agreement either written or oral in conflict herewith.

8. Independent Contractor.

(a) The Advisor agrees that in rendering the Services hereunder, the Advisor and any person employed by, or subcontracting with, the Advisor to perform the Services, shall act (and be considered for all purposes) as an independent contractor of the Corporation, and not as an employee or agent of the Corporation. In his capacity as an independent contractor, the Advisor agrees and represents, and the Corporation agrees, that the Advisor: (i) has the right to control and direct the means and methods of performing the Services by himself, his employees, and his subcontractors; (ii) will provide supervision of all his employees and subcontractors assigned to perform the Services; (iii) will utilize and pay for the Advisor's, and his employees' and subcontractors' own tools and equipment, and will reimburse the Corporation for the use of the Corporation's equipment and administrative services, facilities and other consideration provided by the Corporation; (iv) shall receive compensation from the Corporation only as set forth herein and will not participate in benefits of any sort which the Corporation offers to its subcontractors; (v) shall, to the extent practical, keep his equipment, materials, drawings, and the like separate from any Corporation property, and will not remove any Corporation property from the premises without prior written approval by an authorized representative of the Corporation; (vi) maintain a place of business at a location other than the premises of the Corporation; (vii) will not require that he, his employees, or his subcontractors be trained by the Corporation in the professional skills necessary to perform the Services, though the Corporation may give general directions and orientation instructions; (viii) shall be fully liable for the grossly negligent or willful injurious acts or omissions of himself, his employees, or his subcontractors, causing harm to persons or property, but shall not be liable for consequential damages due to defects in performance; and (ix) shall deal with the Advisor's employees' or subcontractors' trade or union representatives, negotiate all employee and subcontractor disputes and terminate or change all employee or subcontractor assignments as necessary.

(b) Inasmuch as the Advisor and the Corporation are contractors independent of one another, neither has the authority to bind the other to any third person or otherwise to act in any way as the representative of the other, unless otherwise expressly agreed to in writing signed by both parties hereto. The Advisor agrees not to represent himself as the Corporation's agent for any

purpose to any party unless specifically authorized, in advance and in writing, to do so, and then only for the limited purposes(s) stated in such authorization. This prohibition includes the use by the Advisor of the Corporation's stationery and forms; all contracts with third parties shall be made on the Advisor's own stationery and in the Advisor's own name, as appropriate. The Advisor agrees to assume full liability for any contracts or agreements the Advisor, his employees, or his subcontractors, if any, enter into on behalf of the Corporation without the express knowledge and written consent of the Corporation.

(c) The Corporation shall indemnify and hold blameless the Advisor against any claims, losses, expenses, costs, obligations, and liabilities arising

out of, or in connection with, the performance of the Services by the Advisor, except for (i) such claims, losses expenses, costs, obligations, and liabilities as arise out of the gross negligence or willful injurious acts or omissions of the Advisor and (ii) such claims, losses, expenses, costs, obligations, and liabilities as the Advisor may be answerable to the Corporation for.

9. Taxes. The Advisor shall be responsible for the withholding, and payment, as required by law, of all federal, state, and local taxes imposed on the Advisor because of the performance of the Services hereunder. Further, the Advisor shall comply with all federal, state, and local benefits laws applicable to the Advisor, including making deductions and contributions for social security and unemployment taxes. Each party to this Agreement shall otherwise be responsible for the payment of any other taxes imposed upon it or him in connection with, or as a result of, this Agreement.

10. Site of Services. The Advisor will perform the Services at a location other than the premises of the Corporation if possible, or if the Services are such that the Services must be performed on the Corporation's premises, the Corporation shall provide the Advisor with office space and facilities commensurate with that provided to its own employees to the extent necessary to perform the Services specified by this Agreement. The Advisor will restrict the performance of the Services to a separate assigned work area as much as is feasible.

11. Travel Expenses. The Corporation will reimburse the Advisor for all reasonable travel expenses, approved in advance by the Corporation, upon receipt of supporting documentation.

12. Inventions. The Corporation shall compensate the Advisor on a case-by-case basis for any third party inventions licensed, assigned, or otherwise acquired by the Corporation through the efforts of the Advisor or conceived and reduced to practice by the Advisor and not otherwise the property of the Corporation in whole or in part.

13. Non-Exclusive Right. The Corporation may contract with individuals other than the Advisor for the Services. The Advisor does not have an exclusive right to provide the Services to the Corporation.

14. Waiver. Any waiver by the Corporation of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach of such provision or any other provision hereof.

15. Severability. If for any reason any clause or provision of this Agreement, or the application of any such clause or provision in a particular context or to a particular situation, circumstance or person, should be held unenforceable, invalid or in violation of law by any court or other tribunal, then the application of such clause or provision in contexts or to situations, circumstances or persons other than that in or to which it is held unenforceable, invalid or in violation of law shall not be affected thereby, and the remaining clauses and provisions hereof shall, nevertheless, remain in full force and effect.

16. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed, and the Advisor has executed this Agreement, as of the date first set forth above.

KERYX BIOPHARMACEUTICALS, INC. ADVISOR

By:______________________________ By:______________________

Name:____________________________

Title:___________________________

Exhibit 10.24

FORM OF
SCIENTIFIC ADVISORY BOARD AND CONSULTANT
AGREEMENT

This Scientific Advisory Board and Consultant Agreement (this "Agreement") is entered into effective as of _____, 2000, by and between Keryx Biopharmaceuticals, Inc., a Delaware corporation, with a mailing address at 216 Jaffa Road, Jerusalem 94383 Israel ("the Corporation") and Moshe Oren, Ph.D., with a mailing address of _____ (the "Advisor").

1. Services of the Advisor.

(a) The Advisor agrees to perform scientific advisory services for the Corporation as a member of its Scientific Advisory Board and shall provide consultant services, devoting such time, attention, knowledge and skill as reasonably requested by the Corporation's Board of Directors or their designee, and as the interests, needs, business or opportunities of the Corporation shall require, at such time and place as the Corporation's Board of Directors or their designee shall reasonably request (the "Services"), for a period of three (3) years, unless earlier terminated in accordance with Section 3 (the "Services Period"). The Services Period may be extended for additional one (1) year periods upon the written agreement of the parties hereto.

(b) The Corporation acknowledges that the Advisor is an employee of the Weizmann Institute (the "Institute") and is subject to the Institute's policies, including policies concerning consulting, conflicts of interest, and intellectual property.

(c) The scope of the Advisor's work as a consultant of the Corporation shall be the modulation of protein kinase activity by short peptides or derivatives thereof (the "Project"). To the best of the parties' knowledge, the Project does not overlap or conflict with any work the Advisor is doing at the Institute.

2. Compensation for Service Rendered.

(a) Monthly Consulting Fee. The Corporation shall pay the Advisor in his capacity as a consultant to the Corporation at a rate of two thousand dollars ($2,000) per month, payable monthly in arrears upon presentation of an invoice.

(b) Stock Options. Within twenty one (21) days of the execution of this Agreement by the Advisor, the Board of Directors of the Corporation or a duly formed committee thereof shall issue to the Advisor an option to purchase one thousand (1,000) shares of the Corporation's Common Stock at a price equal to offering price at the initial public offering of the Corporation's Common Stock. Of these, five hundred (500) shall be deemed vested as of the date of grant and the balance shall vest in two equal annual installments, with the first occurring on the first anniversary of the date of the grant, provided that on the each vesting date the Advisor is still being retained pursuant to this or a similar agreement with the Corporation. Such options shall be deemed to have been granted pursuant to, and

shall be governed by, the Corporation's stock option program applicable to consultants to the Corporation. If this Agreement is terminated by the Corporation or the Advisor for any reason prior to the expiration of its term, the Corporation shall have the right to repurchase the vested portion of such options (or the shares resulting from the exercise of such options if such exercise has occurred) at the then-current fair market value of such shares or options, as reasonably determined by the Board of Directors of the Corporation. Such right shall be exercised by the Corporation and payment made, if at all, within ninety (90) days after the effective date

of such termination.

3. Termination. The obligation of the Advisor to perform the Services may be terminated by the Corporation during the Services Period with respect to the Advisor for any reason, with or without cause, upon the agreement of a majority of the Corporation's Board of Directors.

The Advisor may voluntarily terminate his obligation to perform the Services for the Corporation at any time and for any reason (a "Voluntary Termination"). However, the Advisor agrees to provide thirty (30) days advance notice prior to the effective date of termination.

4. Agreement Not to Compete. During the Services Period and for twelve (12) months thereafter, the Advisor agrees that he will not affiliate in any material role, including affiliation as an employee, consultant agent, or contractor, with any business enterprise which is in direct conflict or competition with the Corporation in the modulation of protein kinases to discover or develop pharmaceutical products (the "Field") nor will he found, promote or become a shareholder, partner, or owner in any other enterprise which competes with the Corporation in the Field other than as stockholder of up to five percent (5%) of the outstanding stock of any publicly traded corporation. Notwithstanding the foregoing, nothing in this Section shall prevent or inhibit the Advisor from conducting academic research in subjects related to the Field provided that the Advisor complies with the confidentiality obligations set forth in Section 7, below. In addition, the Corporation acknowledges and agrees that the Advisor's activities in connection with his employment by the Institute shall not be considered competitive and nothing in this Agreement shall affect the Advisor's obligations to, or research on behalf of, the Institute, including, without limitation, obligations or research of the Advisor in connection with a transfer by the Institute of materials or intellectual property developed in whole or in part by the Advisor, or in connection with research collaborations.

5. Noninterference With Employees. The Advisor agrees that for a period of twelve (12) months following the termination of the performance of the Services for the Corporation by the Advisor, the Advisor will not interfere with or attempt to impair the relationship between the Corporation and any of its employees, consultants, and advisors, nor will the Advisor attempt to solicit, to entice, to hire, or otherwise to induce any employee, consultant, or advisor of the Corporation to terminate association with the Corporation.

6. Remedies in the Event of Breach. The Corporation and the Advisor understand and agree that any breach or threatened breach by the Corporation or the Advisor

of any of the provisions set forth in Section 4 and 5, cannot be remedied solely by the recovery of damages, and in the event of any such breach or threatened breach, the Corporation and the Advisor, as the case may be, shall be entitled to seek injunctive relief, restraining the Advisor or the Corporation, as the case may be, and any business, firm, corporation, individual, or other entity participating in such breach or attempted breach from engaging in any activity which would constitute a breach. The Corporation and the Advisor further agree that any dispute arising under the terms of this Agreement, other than a dispute that would be remedied by injunctive relief, shall be decided in accordance with the then current rules of the American Arbitration Association, and any arbitration award may be entered in a court of competent jurisdiction and enforced as a judgment thereof. Any such arbitration shall be heard at an appropriate location in the City of New York. Nothing herein, however, shall be construed as prohibiting the Corporation or the Advisor from pursuing, in conjunction with an injunction or otherwise, any other remedies available in equity for any such breach or threatened breach, including the recovery of damages.

7. Non-Disclosure and Developments.

(a) Advisor shall not at any time, whether during or after the termination of this Agreement, disclose to any person or entity any of the trade secrets or confidential information concerning the organization, business or finances of the Corporation or of any third party which the Corporation is under an obligation to keep confidential (including but not limited to trade secrets or confidential information respecting inventions, patent applications, products, designs, methods, know-how, techniques systems, processes, software programs, works of authorship customer lists, projects, plans and proposals), except as may be required in the ordinary course of performing the Advisor's duties on behalf of the Corporation, and the Advisor shall keep secret all matters entrusted to the Advisor and shall not use or attempt to use any such information in any manner which may injure or cause loss or may be calculated to injure or cause loss whether directly to the Corporation.

Further, the Advisor agrees that during the term of this Agreement, the Advisor shall not make, use or permit to be used any notes, memoranda, reports, lists, records, drawings, sketches, specifications, software programs, data, documentation, or other materials of any nature arising out of, or in connection with, this Agreement otherwise than for the benefit of the Corporation. The Advisor further agrees that he shall not, after the termination of this Agreement, use or permit to be used any such notes, memoranda, reports, lists, records, drawings, sketches, specifications, software programs, data, documentation or other materials, it is agreed that all of the foregoing shall be and remain the sole and exclusive property of the Corporation and that immediately upon the termination of this Agreement, the Advisor shall deliver all of the foregoing, and all copies thereof in his possession or under his control, to the Corporation, at its main office.

Notwithstanding the foregoing, the Advisor may disclose information (i) received from a third party (other than the Corporation) which is not subject to any confidentiality restriction, (ii) required by law to be disclosed, including,

by way of example and not limitation, pursuant to a subpoena or other discovery device or a court order, or (iii) already in the public domain.

(b) All products, concepts, ideas and other work product of the Advisor relating to the Project and resulting from the Services the Advisor provides to the Corporation pursuant to this Agreement (herein called "Developments") , whether patentable or not, shall be deemed to be the exclusive property of the Corporation. The Advisor shall promptly disclose to the Corporation (or any persons designated by it) each such Development. The Advisor hereby unconditionally assigns any rights (including, but not limited to, any copyrights and trademarks) the Advisor may have or acquire in the Developments and benefits and/or rights resulting therefrom to the Corporation and its assigns without further compensation, as may be necessary to ensure the Corporation's ownership of such Developments, and shall communicate, without cost or delay, and without disclosing to others the same, all available information relating thereto (with all necessary plans and models) to the Corporation.

The Advisor shall during this Agreement, and at any time thereafter, at the request and cost of the Corporation, promptly sign, execute make and do all such deeds, documents, acts and things as the Corporation and its duly authorized agents may reasonably require (iv) to apply for, obtain register and vest in the name of the Corporation alone (unless the Corporation otherwise directs) letters patents, copyrights, trademarks or other analogous protection relating to the Developments in any country throughout the world and when so obtained or vested to renew and restore the same; and (v) to defend any judicial opposition or other proceedings in respect of such applications and any judicial, opposition or other proceedings or applications for revocation of such letters patent, copyright, trademark or other analogous protection.

In the event the Corporation is unable, after reasonable effort, to secure the Advisor's signature on any application for letters patent, copyright or trademark registration or other documents regarding any legal protection relating to the Developments, whether because of the Advisor's physical or mental incapacity or for any other reason whatsoever, the Advisor hereby

irrevocably designated and appoints the Corporation and its duly authorized officers and agents as his agent and attorney-in-fact, to act for and in the Advisor's behalf and stead to execute and file any such application or applications or other documents and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent, copyright or trademarks registrations, or any other legal protection thereon with the same legal force and effect as if executed by the Advisor.

It is understood that any intellectual property or Developments which the Advisor has developed, or in the future may develop, which is or will be, owned or licensed by his current employer or any other permitted employer of his (other than the Corporation) shall not be subject to this Agreement. It is further understood that in the event that there is reasonable uncertainty whether certain information which Advisor has obtained is required to be disclosed to the Corporation pursuant to this Subsection (b), Advisor

shall have a reasonable amount of time to consult with his current employer or any other permitted employer of Advisor to whom such information may belong before determining whether or not to disclose such information to the Corporation.

(c) Advisor agrees that any breach of this Agreement by Advisor will cause irreparable damage to the Corporation and that in the event of such breach the Corporation shall have, in addition to any and all remedies of law, the right to seek an injunction, specific performance or other equitable relief to prevent the violation of the Advisor's obligations hereunder.

(d) The Advisor further represents that his performance of all of the terms of this Agreement does not and will not breach any agreement to keep in confidence proprietary information acquired by him in confidence or in trust prior to his obligation to perform Services for the Corporation. The Advisor has not entered into, and agrees that he shall not enter into, any agreement either written or oral in conflict herewith.

8. Independent Contractor.

(a) The Advisor agrees that in rendering the Services hereunder, the Advisor and any person employed by, or subcontracting with, the Advisor to perform the Services, shall act (and be considered for all purposes) as an independent contractor of the Corporation, and not as an employee or agent of the Corporation. In his capacity as an independent contractor, the Advisor agrees and represents, and the Corporation agrees, that the Advisor: (i) has the right to control and direct the means and methods of performing the Services by himself, his employees, and his subcontractors; (ii) will provide supervision of all his employees and subcontractors assigned to perform the Services; (iii) will utilize and pay for the Advisor's, and his employees' and subcontractors' own tools and equipment, and will reimburse the Corporation for the use of the Corporation's equipment and administrative services, facilities and other consideration provided by the Corporation; (iv) shall receive compensation from the Corporation only as set forth herein and will not participate in benefits of any sort which the Corporation offers to its subcontractors; (v) shall, to the extent practical, keep his equipment, materials, drawings, and the like separate from any Corporation property, and will not remove any Corporation property from the premises without prior written approval by an authorized representative of the Corporation; (vi) maintain a place of business at a location other than the premises of the Corporation; (vii) will not require that he, his employees, or his subcontractors be trained by the Corporation in the professional skills necessary to perform the Services, though the Corporation may give general directions and orientation instructions; (viii) shall be fully liable for the grossly negligent or willful injurious acts or omissions of himself, his employees, or his subcontractors, causing harm to persons or property, but shall not be liable for consequential damages due to defects in performance; and (ix) shall deal with the Advisor's employees' or subcontractors' trade or union representatives, negotiate all employee and subcontractor disputes and terminate or change all employee or subcontractor assignments as necessary.

(b) Inasmuch as the Advisor and the Corporation are contractors independent of one another, neither has the authority to bind the other to any third person or otherwise to act in any way as the representative of the other, unless otherwise expressly agreed to in writing signed by both parties hereto. The Advisor agrees not to represent himself as the Corporation's agent for any purpose to any party unless specifically authorized, in advance and in writing, to do so, and then only for the limited purposes(s) stated in such authorization. This prohibition includes the use by the Advisor of the Corporation's stationery and forms; all contracts with third parties shall be made on the Advisor's own stationery and in the Advisor's own name, as appropriate. The Advisor agrees to assume full liability for any contracts or agreements the Advisor, his employees, or his subcontractors, if any, enter into on behalf of the Corporation without the express knowledge and written consent of the Corporation.

(c) The Corporation shall indemnify and hold blameless the Advisor against any claims, losses, expenses, costs, obligations, and liabilities arising out of, or in connection with, the performance of the Services by the Advisor, except for (i) such claims, losses expenses, costs, obligations, and liabilities as arise out of the gross negligence or willful injurious acts or omissions of the Advisor and (ii) such claims, losses, expenses, costs, obligations, and liabilities as the Advisor may be answerable to the Corporation for.

9. Taxes. The Advisor shall be responsible for the withholding, and payment, as required by law, of all federal, state, and local taxes imposed on the Advisor because of the performance of the Services hereunder. Further, the Advisor shall comply with all federal, state, and local benefits laws applicable to the Advisor, including making deductions and contributions for social security and unemployment taxes. Each party to this Agreement shall otherwise be responsible for the payment of any other taxes imposed upon it or him in connection with, or as a result of, this Agreement.

10. Site of Services. The Advisor will perform the Services at a location other than the premises of the Corporation if possible, or if the Services are such that the Services must be performed on the Corporation's premises, the Corporation shall provide the Advisor with office space and facilities commensurate with that provided to its own employees to the extent necessary to perform the Services specified by this Agreement. The Advisor will restrict the performance of the Services to a separate assigned work area as much as is feasible.

11. Travel Expenses. The Corporation will reimburse the Advisor for all reasonable travel expenses, approved in advance by the Corporation, upon receipt of supporting documentation.

12. Inventions. The Corporation shall compensate the Advisor on a case-by-case basis for any third party inventions licensed, assigned, or otherwise acquired by the Corporation through the efforts of the Advisor or conceived and reduced to practice by the Advisor and not otherwise the property of the Corporation in whole or in part.

13. Non-Exclusive Right. The Corporation may contract with individuals other than the Advisor for the Services. The Advisor does not have an exclusive right to provide the Services to the Corporation.

14. Waiver. Any waiver by the Corporation of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach of such provision or any other provision hereof.

15. Severability. If for any reason any clause or provision of this Agreement, or the application of any such clause or provision in a particular context or to a particular situation, circumstance or person, should be held

unenforceable, invalid or in violation of law by any court or other tribunal, then the application of such clause or provision in contexts or to situations, circumstances or persons other than that in or to which it is held unenforceable, invalid or in violation of law shall not be affected thereby, and the remaining clauses and provisions hereof shall, nevertheless, remain in full force and effect.

16. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed, and the Advisor has executed this Agreement, as of the date first set forth above.

KERYX BIOPHARMACEUTICALS, INC. ADVISOR

By:_____ By:_____

Name: _____

Title: _____

EXHIBIT 10.25

KERYX BIOPHARMACEUTICALS, INC.

2000 STOCK OPTION PLAN

1. PURPOSES OF THE PLAN

The purposes of this Stock Option Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees, Directors and Consultants, and to promote the success of the Company's business. The Company intends that these purposes will be effected by the granting of incentive stock options ("Incentive Options") as defined in Section 422 of the United States Internal Revenue Code of 1986, as amended (the "Code"), nonqualified stock options ("Nonqualified Options"), restricted stock ("Restricted Stock Awards"), unrestricted stock ("Unrestricted Stock Awards"), performance shares ("Performance Share Awards"), and stock appreciation rights ("Stock Appreciation Rights").

2. DEFINITIONS

(a) "Administrator" means the Board or any of its Committees as shall be administering the Plan, in accordance with Section 4 hereof.

(b) "Applicable Laws" means the requirements relating to the administration of share option plans under U.S. state corporate laws, U.S. federal and state securities laws, and the rules promulgated thereunder, U.S. tax laws, the stock exchange or quotation system on which the Shares are listed or quoted and the applicable laws of any country or jurisdiction where the Shares are registered or Awards are granted under the Plan.

(c) "Award" means Options, Restricted Stock Awards, Unrestricted Stock Awards, Performance Share Awards, and Stock Appreciation Rights.

(d) "Award Agreement" means a written agreement between the Company and a Grantee evidencing the terms and conditions of an individual Award grant.

(e) "Award Share" means the Shares subject to an Award.

(f) "Board" means the Board of Directors of the Company.

(g) "Committee" means a committee of Directors appointed by the Board in accordance with Section 4 hereof.

(h) "Company" means Keryx Biopharmaceuticals, Inc., a corporation formed under the laws of the State of Delaware.

(i) "Consultant" means any person who is engaged by the Company or any Parent or Subsidiary to render consulting or advisory services to such entity.

(j) "Director" means a member of the Board.

(k) "Employee" means any person, including officers of the Company (within the meaning of the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder), and Directors employed by the Company or any Parent or Subsidiary of the Company. A person employed by the Company or any Parent or Subsidiary shall not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, any Parent, any Subsidiary, or any successor. Neither service as a Director nor payment of a

director's fee by the Company shall be sufficient to constitute "employment" by the Company for purposes of granting Incentive Options.

(l) "Fair Market Value" means, as of any date, the value of a Share determined as follows:

(i) If the Shares are listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, Fair Market Value shall be the average closing sales price for such Shares (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last five full market trading days prior to the time of determination (except with regard to Incentive Options, where Fair Market Value shall be based on the price on the full market trading day immediately prior to the date of grant) as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Shares are regularly quoted by a recognized securities dealer but selling prices are not reported, Fair Market Value shall be the mean between the high bid and low asked prices for the Shares for the last five full market trading day prior to the day of determination (except with regard to Incentive Options, where the Fair Market Value shall be based on the price on the on the full market day immediately prior to the date of grant; or

(iii) In the absence of an established market for the Shares, Fair Market Value thereof shall be determined in good faith by the Administrator.

(m) "Grantee" means the holder of an outstanding Award granted under the Plan.

(n) "Non-employee Director" means a Director who is not also an employee or officer of the Company or any Parent or Subsidiary.

(o) "Option" means an Incentive Option or a Nonqualified Option.

(p) "Parent" means any company other than the Company, whether now or hereafter existing, in an unbroken chain of companies ending with the Company if, at the time of the granting of the Award, each of the companies other than the Company owns shares possessing 50 percent or more of the total combined voting power of all classes of shares in one of the other companies in such chain.

(q) "Plan" means this Keryx Biopharmaceuticals, Inc. 2000 Stock Option Plan.

(r) "Repurchaser" means (i) the Company, if permitted by Applicable Laws; (ii) if the Company is not permitted by Applicable Laws, then any affiliate or subsidiary of the Company designated by the Board; or (iii) if the Board so decides, any other third party or parties

designated by the Board, provided in no case shall the Company provide financial assistance to any other party to purchase the Awards if doing so is prohibited by Applicable Laws.

(s) "Service Provider" means an Employee, Director or Consultant.

(t) "Share" means a share of the Company's common stock having a par value of $0.001, as adjusted in accordance with Section 16 below.

(u) "Subsidiary" means any company other than the Company, whether now or hereafter existing, in an unbroken chain of companies beginning with the Company if, at the time of the granting of the Option, each of the companies other than the last company in an unbroken chain owns shares possessing 50 percent or more of the total combined voting power of all classes of shares in

one of the other companies in such chain.

3. AUTHORIZED SHARES

(a) Options, Restricted Shares, Unrestricted Shares and Performance Share Awards may be granted under the Plan subject to the provisions of Section 16 of the Plan, for up to an aggregate of 2,970,000 Shares.

(b) If an Award expires or becomes unexercisable without having been exercised in full, the unpurchased Award Shares which were subject thereto shall become available for future grant under the Plan (unless the Plan has terminated); provided, however, that Shares that have actually been issued under the Plan shall not be returned to the Plan and shall not become available for future grant under the Plan.

4. ADMINISTRATION

(a) Procedure. The Plan shall be administered by the Board or a Committee appointed by the Board, which Committee shall be constituted to comply with Applicable Laws.

(b) Powers of the Administrator. Subject to the terms and conditions of the Plan, and in the case of a Committee, the specific duties delegated by the Board to such Committee, and subject to the approval of any relevant authorities, the Administrator shall have the authority, in its discretion:

(i) to determine Fair Market Value;

(ii) to select the Service Providers to whom Awards may from time to time be granted hereunder;

(iii) to determine from time to time the Awards to be granted to eligible persons under the Plan and to prescribe the terms and conditions (which need not be identical) of Awards granted under the Plan to such persons;

(iv) to approve forms of the Award Agreements for use under the Plan;

(v) to determine the terms and conditions of any Award granted hereunder, including, without limitation, the vesting schedule, and whether and to what extent an Option shall be an Incentive Option;

(vi) to determine whether and under what circumstances an Award may be settled in cash as set forth under subsection 14(f) instead of Shares;

(vii) to reduce the exercise price of any Award to the then current Fair Market Value, if the Fair Market Value of the Shares covered by such Award has declined since the date the Award was granted;

(viii) to exercise such powers and to perform such acts as are deemed necessary or expedient to promote the best interests of the Company with respect to the Plan, including but not limited to prescribe, amend and rescind any rules related to the Plan;

(ix) to amend any outstanding Award, subject to Section 17 hereof, and to accelerate the vesting or extend the exercisability of any Award and to waive conditions or restrictions on any Award, to the extent it shall deem appropriate;

(x) subject to Applicable Laws, to allow Grantees to satisfy withholding tax obligations by electing to have the Company, if permitted under Applicable Laws, withhold from the Shares to be issued upon exercise of an Award that number of Shares having a Fair Market Value equal to the amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by Grantees to have Shares withheld for this purpose shall be made in such form and under such conditions as the Administrator may deem necessary or advisable; and

(xi) to construe and interpret the terms of the Plan the Award Agreements and Awards.

(c) Effect of Administrator's Decision. All decisions, determinations and interpretations of the Administrator shall be final and binding on all Grantees.

(d) Grants to Committee Members. If the Administrator is a Committee appointed by the Board, the grant of Awards under the Plan to members of such Committee, if any, shall be made by the Board and not by such Committee.

5. ELIGIBILITY

(a) General. Incentive Options may be granted only to officers or other employees of the Company or any Parent or Subsidiary, including to members of the Board who are also officers or employees of the Company or any Parent or Subsidiary. All other Awards may be granted to officers or other employees of the Company, its Parent or Subsidiary and to Consultants and Non-employee Directors. Nonqualified Options shall be granted to Non-employee Directors pursuant to Section 8. In addition to the automatic grants set forth in Section 8, Nonqualified Options may be granted to Non-employee Directors in the discretion of the Administrator, but such Option Awards shall be made subject to approval by the stockholders of the Company.

(b) Limit on Incentive Option Grants. Notwithstanding any other provision of the Plan, the aggregate fair market value (determined as of the time an Incentive Option is granted) of the Shares with respect to which Incentive Options are exercisable for the first time by any individual during any calendar year (under all plans of the Company, or any Parent or Subsidiary, if any) shall not exceed $100,000.

(c) Continuing Relationship. The Plan and the Award Agreements shall not confer upon any Grantee any right with respect to continuing the Grantee's relationship as a Service Provider with the Company or its Parent or Subsidiary, nor shall it interfere in any way with his or her right or the Company's right, or the right of its Parent or Subsidiary, subject to any employment agreements, to terminate such relationship at any time, with or without cause.

(d) Award Agreements. Subject to the terms and conditions of the Plan, each Award Agreement shall contain provisions as the Committee shall from time to time deem appropriate. Award Agreements need not be identical, but each Award Agreement shall include by appropriate language the substance of the applicable provisions set forth herein, and any such provision may be included in the Award Agreement by reference to the Plan. In the case of a conflict between the terms of any Award Agreement and the Plan, the terms of the Plan shall control in all cases.

6. TERM OF THE PLAN

The Plan shall become effective upon its adoption by the Board. It shall continue in effect for a term of ten (10) years after the earlier of its adoption by the Board or its approval by the Company's stockholders, unless sooner terminated under Section 17 of the Plan.

7. OPTION AWARDS

(a) Expiration. Unless otherwise stated in the Award Agreement, each Option shall expire on the tenth anniversary of the date on which the Award was granted, as specified in the Award Agreement.

(b) Exercise; Minimum Shares Exercisable. Each Award shall be exercisable in such installments (which need not be equal) and at such times as may be designated by the Committee. The minimum number of shares with respect to which an Award may be exercised at any time shall be one hundred (100) shares, or such lesser number as is subject to exercise under the Option at the time. To the extent not exercised, installments shall accumulate and be exercisable, in whole or in part, at any time after becoming exercisable, but not later than the date the Award expires.

(c) Purchase Price. The purchase price per Share subject to each Award shall be determined by the Administrator but shall not be less than 85% of the Fair Market Value of the Shares at the time of grant; provided, however, that the purchase price per Share subject to each Incentive Option shall be not less than the Fair Market Value of the Shares at the time of grant.

(d) Transfer. No Award granted hereunder shall be transferable by the Grantee other than by will or by the laws of descent and distribution. Awards may be exercised during the Grantee's lifetime only by the Grantee, or his or her guardian or legal representative. Notwithstanding the foregoing, Nonqualified Options may be transferred without consideration to members of the Grantee's immediate family, to trusts for the benefit of such family members, to partnerships in which such family members are the only partners and to charities unless otherwise provided in the applicable Award Agreement.

(e) Award Agreement to Israeli Grantees. At the discretion of the Administrator, the Award Agreement to Israeli Grantees may contain specific provisions relating to the allocation of Options to a Trustee on behalf of the Grantees and additional provisions as may be deemed appropriate pursuant to relevant changes in tax legislation in Israel.

8. OPTIONS GRANTED TO NON-EMPLOYEE DIRECTORS

(a) Automatic Grant. Each Non-Employee Director shall automatically be granted on the day he or she first becomes Director, a Nonqualified Option to acquire 25,000 Shares and each Non-employee Director who is serving as Director of the Company on the next business day after the adjournment of each annual stockholders meeting, after the 2000 annual meeting, shall automatically be granted on such day a Nonqualified Option to acquire 5,000 Shares. The exercise price per share for the Shares covered by an Award Agreement granted under this Section 8 shall be equal to the Fair Market Value of the Shares on the date the Award is granted. An Award granted hereunder shall be subject to the provisions set forth in Section 7 unless provided otherwise in the Award Agreement.

(b) Exercise. An Award granted under this Section 8 shall become exercisable in accordance with the Award Agreement. Awards granted under this Section 8 may be exercised only by the written notice to the Company specifying the number of Shares to be purchased and tender of the full purchase price of the Shares pursuant to one or more of the methods specified in Section 15(a) hereof.

(c) Transfer. No Award granted hereunder shall be transferable by the Grantee other than by will or by the laws of descent and distribution. Awards may be exercised during the Grantee's lifetime only by the Grantee, or his or her guardian or legal representative. Notwithstanding the foregoing, Nonqualified Options may be transferred without consideration to members of the Grantee's immediate family, to trusts for the benefit of such family members, to partnerships in which such family members are the only partners and to charities unless otherwise provided in the applicable Award Agreement.

9. RESTRICTED STOCK AWARDS

(a) Nature of Restricted Stock Awards. A Restricted Stock Award is an Award entitling the recipient to acquire Shares, at par value or such other purchase price determined by the Administrator subject to such restrictions and conditions as the Administrator may determine at the time of grant ("Restricted Stock"). Conditions may be based, among other things, on continuing employment (or other business relationship) and/or achievement of pre-established performance goals and objectives.

(b) Rights as Stockholder. Upon execution of a written instrument setting forth the Restricted Stock Award and paying any applicable purchase price, Grantee shall have the rights of a stockholder with the respect to the

voting of the Restricted Stock, subject to such conditions and terms contained in the written instrument evidencing the Restricted Stock Award. Unless the Administrator shall otherwise determine, certificates evidencing the Restricted Stock shall remain in the possession of the Company until such Restricted Stock is vested as provided in Section 9(d) below.

(c) Transfer. Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the written instrument evidencing the Restricted Stock Award. If a Grantee's employment (or other business relationship) with the Company or its Parent or Subsidiary terminates for any reason, the Company shall have the right to repurchase all shares of Restricted Stock with the respect to

which conditions have not lapsed at their purchase price, from the Grantee or the Grantee's legal representative.

(d) Conditions of Vesting. The Administrator at the time of grant shall specify the date or dates and/or the attainment of pre-established performance goals, objectives and other conditions on which the non-transferability of the Restricted Stock and the Company's right of repurchase or forfeiture shall lapse. Subsequent to such date or dates and/or the attainment of such pre-established performance goals, objectives and other conditions, the Shares on which all restrictions have lapsed shall no longer be Restricted Stock and shall be deemed "vested." Except as may otherwise be provided by the Administrator at any time, a Grantee's rights in any shares of Restricted Stock that have not vested shall automatically terminate upon Grantee's termination of employment (or other business relationship with the Company and its Subsidiary) and such shares shall either be forfeited or subject to the Company's right of repurchase as provided in this Section 9.

(e) Payment. The Award Agreement evidencing the Restricted Stock Award may require or permit the immediate payment, waiver, deferral or investment of dividends paid on the Restricted Stock.

10. UNRESTRICTED STOCK AWARDS

(a) Nature of Unrestricted Stock Awards. The Administrator may, in its sole discretion, grant (or sell at a purchase price determined by the Administrator) an Unrestricted Stock Award, pursuant to which the Grantee may receive Shares free of any restrictions under the Plan. Unrestricted Stock Awards may be granted or sold as described in the preceding sentence in respect of past services or other valid consideration, or in lieu of cash compensation due to such Grantee.

(b) Deferral of Receipt of Award. The Administrator may permit the Grantee of any Unrestricted Stock Award to elect in advance to defer receipt of such Award in accordance with such rules and procedures as may be established by the Administrator for that purpose.

(c) Transfer. The right to receive Shares on a deferred basis may not be sold, assigned, transferred, pledged or otherwise encumbered, other than by will or the laws of decent and distribution.

11. PERFORMANCE SHARE AWARDS

(a) Nature of Performance Share Awards. A Performance Share Award is an Award entitling the recipient to receive Shares upon the attainment of performance goals specified in the Award Agreement. The Administrator in its sole discretion shall determine whether and to whom Performance Share Awards shall be made, the performance goals applicable under each such Award, the periods during which performance is measured, the price, if any, to be paid by the Grantee for such Performance Shares upon the achievement of the performance goals, and all other limitations and conditions applicable to the Performance Share Awards.

(b) Restrictions on Transfer. Unless otherwise permitted by the

Administrator, Performance Share Awards and all rights with respect to such Awards may not be sold, assigned,

transferred, pledged or otherwise encumbered, other than by will or the laws of descent and distribution.

(c) Rights as a Stockholder. A Service Provider receiving a Performance Share Award shall have the rights of a stockholder only as to Shares actually received by the Service Provider under the Plan and only upon satisfaction of all conditions specified in the Award Agreement evidencing the Performance Share Award (or in a performance plan adopted by the Administrator).

(d) Termination. Except as may otherwise be provided by the Administrator, at any time prior to termination of employment (or other business relationship), a Service Provider's rights in all Performance Share Awards shall automatically terminate upon the termination of his or her employment (or business relationship) with the Company and any Parent or Subsidiary for any reason.

12. STOCK APPRECIATION RIGHTS AWARDS

(a) Nature of Stock Appreciation Rights. A Stock Appreciation Right is an Award entitling the recipient to receive an amount in cash in an amount equal to the excess of the Fair Market Value of a Share, on the date of exercise over the exercise price per Stock Appreciation Right set by the Administrator at the time of grant, which price shall not be less than 85% of the Fair Market Value of the Shares on the grant date (or of the option exercise price per share, if the Stock Appreciation Right was granted in tandem with an Option) multiplied by the number of Shares with respect to which the Stock Appreciation Right shall have been exercised.

(b) Grant of Stock Appreciation Rights. A Stock Appreciation Right may be granted by the Administrator in tandem with, or independently of, any Award granted pursuant to the Plan (other than Options granted pursuant to Section 8). In the case of a Stock Appreciation Right granted in tandem with a Nonqualified Option, such Stock Appreciation Right may be granted either at or after the time of the grant of such Option. In the case of a Stock Appreciation Right granted in tandem with an Incentive Option, such Stock Appreciation Right may be granted only at the time of the grant of the Incentive Option.

(c) Terms and Conditions of Stock Appreciation Rights. Stock Appreciation Rights shall be subject to such terms and conditions as shall be determined from time to time by the Committee, subject to the following:

(i) Stock Appreciation Rights granted in tandem with an Option shall be exercisable at such time or times and to the extent that the related Option shall be exercisable.

(ii) A Stock Appreciation Right or applicable portion thereof granted in tandem with an Option shall terminate and no longer be exercisable upon the termination or exercise of the related Option. Upon exercise of Stock Appreciation Right, the applicable portion of any related Option shall be surrendered.

(iii) Stock Appreciation Rights granted in tandem with an Option shall be transferable only when and to the extent that the underlying Option would be transferable. Unless otherwise permitted by the Administrator, Stock Appreciation Rights not granted in tandem with

an Option shall not be transferable otherwise than by will or the laws of descent or distribution. All Stock Appreciation Rights shall be exercisable during the Grantee's lifetime only by the Grantee, the Grantee's legal representative or a permitted transferee.

13. CONDITIONS UPON ISSUANCE OF SHARES

(a) Legal Compliance. Shares shall not be issued pursuant to the

exercise of an Award unless the exercise of such Award, the method of payment and the issuance and delivery of such Shares shall comply with Applicable Laws and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Award, the Administrator may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment purposes and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is in the best interests of the Company.

14. METHOD OF EXERCISE

(a) Delivery of Notice. Any Award granted under the Plan may be exercised by the Grantee in whole or, subject to Section 7(b) hereof, in part by delivering to the Company on any business day a written notice stating the number of Shares the Grantee then desires to purchase.

(b) Procedure for Exercise; Rights as a Stockholder. Any Award granted hereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and/or set forth in the Award Agreement. Unless the Administrator provides otherwise, vesting of Awards granted hereunder shall be tolled during any unpaid leave of absence other than leave pursuant to law. An Award may not be exercised for a fraction of a Share. A pro rata cash payment will be made to a Grantee in lieu of fractional shares that may be due to such Grantee upon exercise of an Award.

An Award shall be deemed exercised when the Company receives: (i) written notice of exercise (in accordance with the Award Agreement) from the person entitled to exercise the Award, and (ii) full payment for the Shares with respect to which the Award is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by Applicable Laws, the Award Agreement and the Plan. Shares issued upon exercise of an Award shall be issued in the name of the Grantee or, if requested by the Grantee, in the name of the Grantee and his or her spouse, or in the name of a valid transferee. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Shares, notwithstanding the exercise of the Award. To avoid doubt, until the Shares are issued, such Grantee shall not have the right to vote at any meeting of the stockholders of the Company, nor shall the Grantees be deemed to be a class of stockholders or creditors of the Company. Upon their issuance, the Shares shall carry equal voting rights as the common stock of the company on all matters where such vote is permitted by Applicable Law. The Company shall issue (or cause to be issued) such Shares promptly after the Award is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 16 of the Plan.

If any law or regulation requires the Company to take any action with respect to the Shares specified in such notice before the issuance thereof, then the date of their issuance shall be delayed for the period necessary to take such action.

Exercise of an Award in any manner shall result in a decrease in the number of Shares thereafter available, for delivery under the Award, by the number of Shares as to which the Award is exercised.

(c) Termination of Relationship as a Service Provider. Unless the Administrator determines that a longer period is applicable or such longer period is otherwise set forth in the Award Agreement, if a Grantee ceases to be a Service Provider, other than upon the Grantee's death or Disability (as defined below), the Grantee may exercise his or her Award within a period of ninety (90) days following the Grantee's termination to the extent that the Award is vested on the date of termination (but in no event later than the expiration of such Award as set forth in the Award Agreement). Notwithstanding the foregoing, should the Grantee's termination be for cause (as determined by the Company), such period shall not exceed thirty (30) days following the

Grantee's termination. Unless otherwise determined by the Administrator, if, on the date of termination, the Grantee is not vested as to his or her entire Award, the unvested portion shall not be exercisable and the Shares covered by the unvested portion of the Award shall revert to the Plan. If, after termination, the Grantee does not exercise within the time specified by the Award Agreement, the Plan or the Administrator the portion of his or her Award that had vested, the vested portion of the Award shall terminate, and the Shares covered by such portion shall revert to the Plan.

(d) Disability of Grantee. If a Grantee ceases to be a Service Provider as a result of a physical or mental impairment, which has lasted or is expected to last for a continuous period of not less than 12 months and which causes the Grantee's total and permanent disability to engage in any substantial gainful activity ("Disability"), the Grantee may exercise his or her Award within such period of time as is specified in the Award Agreement (such period shall be at least six (6) months) to the extent the Award is vested on the date of termination, but in no event later than the expiration date of the term of such Award as set forth in the Award Agreement. In the absence of a specified time in the Award Agreement, the Award shall remain exercisable for twelve (12) months following the Grantee's termination. If, on the date of termination, the Grantee is not vested as to the entire Award, the unvested portion shall not be exercisable and the Shares covered by the unvested portion of the Award shall revert to the Plan. If, after termination, the Award is not exercised within the time specified herein, the Award shall terminate, and the Shares covered by such Award shall revert to the Plan.

(e) Death of Grantee. If a Grantee dies while a Service Provider, the Award may be exercised within such period of time as is specified in the Award Agreement (such period be at least six (6) months) to the extent that the Award is vested on the date of death (but in no event later than the expiration of the term of such Award as set forth in the Award Agreement) by the Grantee's estate or by a person who acquires the right to exercise the Award by bequest or inheritance. In the absence of a specified time in the Award Agreement, the Award shall remain exercisable for twelve (12) months following the Grantee's death, unless otherwise extended by the Administrator. If, at the time of death, the Grantee is not vested as to the entire Award, the unvested portion shall not be exercisable and the Shares covered by the unvested portion of the Award shall revert to the Plan. If the Award is not so exercised within the time specified herein, the Award shall terminate, and the Shares covered by such Award shall revert to the Plan.

(f) Buyout Provisions. The Administrator may at any time, if permitted under Applicable Laws, offer to buy out for a payment in cash or Shares, an Award previously granted, based on such terms and conditions as the Administrator shall establish and communicate to the Grantee at the time that such offer is made. No such offer shall obligate the Grantee to relinquish his or her Award.

15. PAYMENT OF PURCHASE PRICE

(a) Payment. Payment for the Shares purchased pursuant to the exercise of an Award may be made in such form as shall be acceptable to the Administrator in its sole discretion and may consist entirely of (1) cash, (2) check, (3) promissory note, (4) consideration received by the Company under a formal cashless exercise program, or (5) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

(b) Use of Proceeds. The proceeds received by the Company from the issuance of Shares subject to the Awards will be added to the general funds of the Company and used for its corporate purposes.

16. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION OR MERGER

(a) Changes in Capitalization. Subject to any required action by the

stockholders of the Company, the number of Shares covered by or underlying each outstanding Award and the number of Shares which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Award, as well as the exercise price per Share of each such outstanding Award shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a share split, reverse share split, share dividend, recapitalization, combination or reclassification of the Shares, rights issues or any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities (including the Series A Convertible Preferred Stock) of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Administrator, whose determination shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Award.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify each Grantee as soon as practicable prior to the effective date of such proposed transaction. The Administrator in its sole discretion may provide for a Grantee to have the right to exercise his or her Awards until fifteen (15) days prior to such transaction as to all of the Shares, including Shares as to which the Award would not otherwise be exercisable. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.

(c) Merger or Acquisition. In the event of a merger of the Company with or into another company, or the sale of all or substantially all of the assets or shares of the Company,

each outstanding Award shall be assumed or an equivalent Award substituted by the successor company or a parent or subsidiary of the successor company. In the event that the successor company refuses to assume or substitute for the Award, the Grantee shall fully vest in and have the right to exercise the Award as to all of the Shares, including Shares as to which it would not otherwise be vested or exercisable. If an Award becomes fully vested and exercisable in lieu of assumption or substitution in the event of a merger or acquisition, the Administrator shall notify the Grantee in writing that the Award shall be fully exercisable for a period not less than (15) days from the date of such notice, and the Award shall terminate upon the expiration of such period. The Administrator shall determine, in its discretion, the proper exchange ratio of the Awards and the fair value of such Awards for purpose of such substitution, shall be authorized to accelerate the vesting date of any or all Awards and shall be authorized to make all necessary adjustments in the terms of the Awards and the substituted Awards (including, without limitation, adjustments in the exercise price) that are fair under the circumstances.

For the purposes of this Section 16(c), the Award shall be considered assumed if, following the merger or acquisition, the Award (or substitute Award) confers upon the Grantee the right to purchase or receive, for each Share of Award Shares for which the Award was exercisable immediately prior to the merger or acquisition, the pro rata consideration (whether shares, options, cash, or other securities or property) received in the merger or acquisition by holders of Shares for each Share held on the effective date of the transaction (and if such holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that if such consideration received in the merger or acquisition is not solely common shares (or their equivalent) of the successor company or its parent, the Administrator may, with the consent of the successor company, provide for the consideration to be received upon the exercise of the Award, for each Share of Award Shares, to be solely common shares (or their equivalent) of the successor company or its parent equal in fair market value to the per share consideration received by holders of a majority of the outstanding shares in the merger or acquisition, and provided further that the Administrator may determine, in its sole discretion, that in lieu of such assumption or substitution of Awards for awards by the acquiring corporation or its parent or subsidiary, such Awards will be substituted for by any other type of asset or property including cash which is fair under the circumstances.

17. AMENDMENT AND TERMINATION OF THE PLAN

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan.

(b) Stockholder Approval. The Board shall obtain stockholder approval of any Plan amendment to the extent necessary to comply with Applicable Laws.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Grantee, unless mutually agreed otherwise between the Grantee and the Administrator, which agreement must be in writing and signed by the Grantee and the Company. Termination of the Plan shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

18. INABILITY TO OBTAIN AUTHORITY

The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary for the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

19. RESERVATION OF SHARES

The Company, during the term of this Plan, shall at all times reserve and keep available and authorized for issuance such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

20. STOCKHOLDER APPROVAL OF PLAN

The Plan shall be subject to approval by the stockholders of the Company obtained in the manner and to the degree required under applicable laws and the Company's organizational documents.

21. GOVERNING LAW

This Plan shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware, except to the extent that such law is preempted by federal law.

22. TAX CONSEQUENCES

Any tax consequences arising from the grant or exercise of any Award, from the payment for Shares, or from any other event or act (of the Company or the Grantee) hereunder, shall be borne solely by the Grantee. Furthermore, the Grantee shall agree to indemnify the Company and hold it harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the Grantee.

23. PROVISIONS FOR FOREIGN PARTICIPANTS

The Board of Directors may, without amending the Plan, modify Awards granted to participants who are foreign nationals or employed outside the United States to recognize differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employee benefits or other matters.

Adopted by the Board of Directors
June 14, 2000

EXHIBIT 23.1

The Board of Directors
Keryx Biopharmaceuticals, Inc.:

We consent to the use of our report included herein and to the reference to our firm under the heading "Experts" in the prospectus.

Somekh Chaikin
Certified Public Accountants (Isr.)
A member firm of KPMG International

Jerusalem, Israel;
June 30, 2000

Exhibit 23.3

[Logo of PA Consulting Group]

30 June 2000

The Directors
Keryx Biopharmaceuticals, Inc.
216 Jaffa Road
Sh'arei Ha'ir
Jerusalem
Israel 94383

Dear Sirs

Keryx Biopharmaceuticals

We hereby consent to the references to our experts report contained in the Registration Statement on Form S-1 of Keryx Biopharmaceuticals, Inc. and to the reference to us under the heading "Experts" in the preliminary prospectus, which is a part of such Registration Statement.

We hereby consent for the purposes of section 13(1)(g) of the Public Offers of Securities Regulations 1995 to the issue of the preliminary prospectus to be issued by you in relation to your admission to trading on the Nasdaq National Market and the Alternative Investment Market of the London Stock Exchange, a proof of which is annexed hereto and initialled by us for the purposes of identification, with the inclusion therein of a copy of our report and to the references to our name in the form and context in which they appear.

Yours faithfully,
For and on behalf of
PA STRATEGY PARTNERS LIMITED

/s/ Keith Redpath

Keith Redpath
Management Group - PA

<ARTICLE> 5
<LEGEND>
This schedule contains summary financial information extracted from the audited consolidated financial statements at December 31, 1999 and for the year then ended and from the condensed consolidated financial statements at March 31, 2000 and for the three month period then ended, and is qualified in its entirety by reference to such financial statements.
</LEGEND>

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