ARIUS RESEARCH INC.

INVESTOR RIGHTS AGREEMENT

September 27, 2004

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ARIUS RESEARCH INC.

INVESTOR RIGHTS AGREEMENT

THIS INVESTOR RIGHTS AGREEMENT (the "Agreement") is entered into as of the 27th day of September, 2004, by and among **ARIUS RESEARCH INC.**, an Ontario corporation (the "Company"), David S. Young (the "Founder") and the investors listed on *Exhibit A* hereto, referred to hereinafter as the "Investors" and each individually as an "Investor." Capitalized terms that are not defined herein shall have the meanings ascribed to them in the Securities Purchase Agreement (as defined below).

RECITALS

WHEREAS, the Investors are purchasing 3,400,000 of the Company's common shares (the "Investors Original Shares") and Warrants to purchase 3,400,000 common shares (the "Warrants") pursuant to a Securities Purchase Agreement (the "Securities Purchase Agreement") of even date herewith (the "Financing");

WHEREAS, the Founder established the Company, is its largest shareholder and is its President and Chief Scientific Officer;

WHEREAS, the Investors' willingness to execute and deliver the Securities Purchase Agreement and perform their obligations set out in the Securities Purchase Agreement are conditioned upon the execution and delivery of this Agreement by Company and Founder; and

WHEREAS, in connection with the consummation of the Financing, the parties desire to enter into this Agreement in order to grant information rights, protective rights and other rights to the Investors as set forth below.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree hereto as follows:

SECTION 1. GENERAL.

1.1 Definitions. As used in this Agreement the following terms shall have the following respective meanings:

"1933 Securities Act" shall mean the Securities Act of 1933, as amended, or any similar successor federal statute and the rules and regulations thereunder, all as the same shall be in effect from time to time.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any similar successor federal statute and the rules and regulations thereunder, all as the same shall be in effect from time to time.

"Founder" means David S. Young, the President of the Company.

"Investors Original Shares" shall mean the 3,400,000 common shares issued by the Company pursuant to the Securities Purchase Agreement.

"Permitted Assign" shall mean any affiliate of an Investor including, without limitation, any member, partner, shareholder or former member, partner or shareholder of an Investor.

"SEC" or "Commission" means the Securities and Exchange Commission.

SECTION 2. INVESTORS' PROTECTIVE PROVISIONS.

2.1 Protective Provisions. So long as the Investors continue to hold at least 1,300,000 of the Investors Original Shares (as adjusted for stock splits, recapitalizations and similar events), the prior written consent of Investors holding a majority of the Investors Original Shares then held by Investors, shall be required for:

(a) any sale or other disposition by the Company of all or substantially all of its assets including the property and assets of any subsidiary;

(b) any liquidation, dissolution or winding up of the Company;

(c) any acquisition, merger, consolidation, reorganization or similar transaction involving the Company (or any subsidiary) with one or more other entities or persons in which the shareholders of the Company prior to such transaction or series of transactions hold voting securities representing less than a majority of the voting power of the outstanding securities of the surviving entity immediately after such transaction or series of transaction;

(d) any redemption or repurchase of any securities of the Company (other than in connection with agreements related to the termination of services giving the Company the right to purchase shares);

(e) any action that authorizes, creates or issues shares of any class of stock having voting, dividend, liquidation or other preferences superior to or on a parity with the common shares;

(f) any action that reclassifies any outstanding shares into shares having preferences or priority as to dividends or assets senior to or on a parity with the common shares;

(g) any amendment of the Company's charter documents or bylaws or entering into any indenture that adversely affects the rights of the common shares;

(h) any action that would result in the Company incurring or guaranteeing any indebtedness or form of debt, except commercial bank operating loans or lines of credit, in excess of Two Hundred Fifty Thousand Dollars ($250,000) or such other greater amount as may be agreed to by a majority of the Investors and the Company in writing. For purposes of this clause, the parties agree that the term "indebtedness" shall mean and include all obligations of the Company which in accordance with Canadian generally accepted accounting principles applicable at the time shall be classified upon a balance sheet as liabilities of the Company and shall also include any obligations secured by any lien or encumbrance upon property or assets owned by the Company, even though the Company has not assumed or become liable for the payment of such obligation;

(i) the creation of any subsidiary or the issuance of the shares of a subsidiary to anyone other than the Company;

(j) any amendment to the Company's articles of incorporation or bylaws that fixes the exact number of directors at more than five (5), except as otherwise contemplated elsewhere in this Agreement;

(k) entering into any contract to sell, assign transfer, license, pledge, reduce, hypothecate, grant a security interest in or otherwise dispose or encumber, in whole or in part, any of the Company's intellectual property or any patents, trade secrets, other intellectual property rights or royalties (collectively, "IP") or the IP payments associated with or arising out of said IP or any products or compounds comprised, in whole or in part, of IP or any improvements thereon or amend or modify any agreement or contract related to the foregoing, except as (i) first approved by the Company's board of directors; (ii) the applicable contract is entered into in the ordinary course of the Company's business; and (iii) a general security interest is extended by the Company pursuant to commercial bank debt or equipment leasing arrangements;

(l) Any variation in either the total expenses or total liabilities line item in the then applicable monthly operating budget of the Company provided to and, if applicable, accepted by the Investors pursuant to section 3.1(d) herein in excess of 20%; and

(m) enter into any contract, arrangement or understanding to do any of the foregoing.

SECTION 3. COVENANTS OF THE COMPANY.

3.1 Basic Financial Information and Reporting.

(a) The Company will maintain true and accurate books and records of account in which full and correct entries will be recorded, processed, summarized and reported in connection with all of its business transactions pursuant to a system of accounting and financial reporting controls and procedures established and administered in accordance with Canadian generally accepted accounting principles consistently applied, and will set aside on its books all such proper accruals and reserves as shall be required under Canadian generally accepted accounting principles consistently applied. The Company shall maintain an adequate internal control framework as necessary to assure that the Company's ability to comply with the preceding sentence and the Company's financial reporting obligations under applicable Canadian law are effective

(b) As soon as practicable after the end of each fiscal year of the Company, and in any event within ninety (90) days thereafter, the Company will furnish each Investor a balance sheet of the Company, as at the end of such fiscal year, and a statement of income and a statement of cash flows of the Company, for such year, all prepared in accordance with generally accepted accounting principles consistently applied and setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail. All such financial statements shall be consolidated with subsidiaries, if any. Such financial statements shall be accompanied by a report and opinion thereon by independent public accountants of a "Big Four" accounting firm.

(c) The Company will furnish each Investor, as soon as practicable after the end of the first, second and third quarterly accounting periods in each fiscal year of the Company, and in any event within forty-five (45) days thereafter, a balance sheet of the Company as of the end of each such quarterly period, and a statement of income and a statement of cash flows of the Company for such period and for the current fiscal year to date, prepared in accordance with generally accepted accounting principles, with the exception that no notes need be attached to such statements and year-end audit adjustments may not have been made.

(d) The Company will furnish each Investor, as soon as practicable, but in any event at least forty-five (45) days prior to the end of each fiscal year, a proposed budget and business plan for the next fiscal year, prepared on a monthly basis, including balance sheets, and sources and applications of funds statements (and such other statements as reasonably requested by the Investors) for such months and, as soon as prepared, any other budgets or revised budgets prepared by the Company. With respect to the budget for the fiscal year ending November 31, 2005 only, the Investors shall provide comments to the Company with respect to said proposed budget and the Company shall use its best efforts to modify and revise the proposed budget until it is reasonably acceptable to the Investors. Until the foregoing budget is accepted, the budget for the 12 months ending August 31, 2005 shall be deemed the accepted budget for the purposes of Section 2.1(l).

(e) The Company will also furnish to each Investor (i) within two (2) days after the filing thereof with applicable Canadian securities authorities, a copy (electronic or otherwise) of its annual and interim financial statements; (ii) on the same day as the release thereof, a copy (electronic or otherwise) of all press releases issued by the Company; and (iii) copies (electronic or otherwise) of any notices and other information made available or given to the shareholders of the Company generally, contemporaneously with the making available or giving thereof to the shareholders.

3.2 Inspection Rights. Each Investor (with its affiliates) shall have the right to visit and inspect any of the properties of the Company or any of its subsidiaries, and to discuss the affairs, finances and accounts of the Company or any of its subsidiaries with its officers, and to review such information as is reasonably requested all at such reasonable times and as often as may be reasonably requested.

3.3 Confidentiality of Records. Each Investor agrees to use, and to use its best efforts to insure that its authorized representatives use, the same degree of care as such Investor uses to protect its own confidential information to keep confidential any information furnished to it which the Company identifies as being confidential or proprietary (so long as such information is not in the public domain), except that such Investor may disclose such proprietary or confidential information to any partner, subsidiary or parent of such Investor for the purpose of evaluating its investment in the Company as long as such partner, subsidiary or parent is advised of the confidentiality provisions of this Section 3.3.

3.4 Corporate Existence; Listing of common shares.

(a) The Company shall use its best efforts to maintain its corporate existence;

(b) The Company shall maintain its listing on the TSX Venture Exchange (and the Toronto Stock Exchange ("TSX") if it becomes listed thereon) and make all required filings on a timely basis under applicable Canadian law and the rules of the TSX Venture Exchange and/or the TSX. If the Company commences to file periodic or other reports with the SEC under the 1933 Securities Act or the Exchange Act, it will make all required filings thereafter on a timely basis under applicable United States law and the rules and regulations of the SEC.

3.5 Investors' Right to Elect or Appoint Director. The Company agrees that from time to time the Investors have the right to elect or appoint one person to the Board of Directors in the manner set forth herein and the Company's bylaws. Upon written notice from a majority of the Investors stating that they are exercising their right to have a representative on the Board of Directors and naming the person to become a director, the Company's Board of Directors shall: (i) If the size of the Company's Board of Directors is set at 4 or fewer or if there is a vacancy on the Board of Directors, then the Board shall increase the size of the Board by one (if necessary) and appoint the nominee of the Investors to the Board; (ii) if the annual meeting of shareholders is scheduled to be held within forty-five (45) after the date of the Investors' notice, the Board shall nominate said person as a member of management's' slate of directors (as one of five nominees to be elected as directors) and shall unanimously recommend to the Company's shareholders that all such nominees be elected; and (iii) if the annual meeting of shareholders referenced above is not held for any reason or if the meeting is scheduled to be held more than forty-five days after the date of the Investors' notice, within thirty days of the date of the Investors' notice, the Board of Directors shall amend the Company's bylaws to increase the authorized number of directors to six and shall immediately appoint the Investors' representative to the Board of Directors. At the next succeeding annual meeting and each successive meeting, the Board of Directors shall follow the procedure set forth in clause (ii) above, so long as the Investors desire to maintain such representative on the Board. To the extent the Board of Directors fails to take the actions required in this section, the Company's bylaws shall be deemed to have been amended to increase the authorized number of directors to six and the person nominated by the Investors shall be deemed to have been unanimously appointed to the Board of Directors by the Board and said person shall continue to serve as a director thereafter until his or her successor has been elected and qualified, the person resigns or the rights set forth herein terminate.

3.6 Reservation of Stock Issuable Upon Exercise of Warrants The Company shall at all time reserve and keep available out of its authorized but unissued common shares, solely for the purpose of effecting the exercise of the Warrants, such number of common shares as shall from time to time be sufficient to effect the issuance of common shares to be issued upon exercise of the Warrants; and if at any time the number of authorized but unissued common shares shall not be sufficient to effect the foregoing, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued common shares to such number of shares as shall be sufficient for such purpose.

3.7 No Impairment The Company shall not, through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid, seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Agreement and in the taking of all such actions as may be necessary or appropriate in order to protect the rights of the Investors against impairment.

SECTION 4. RIGHT OF PARTICIPATION.

4.1 Subsequent Offerings. Each Investor shall have a right to purchase its *pro rata* share, as defined below, of any Equity Securities (as defined below) that the Company may, from time to time, sell and issue after the date of this Agreement, other than the Equity Securities excluded by Section 4.4 hereof. Each Investor's *pro rata* share is equal to the ratio of (a) the number of the Company's common shares (including all common shares issued or issuable upon conversion of the Warrants) which such Investor is deemed to be a holder immediately prior to the issuance of such Equity Securities to (b) the total number of outstanding common shares of the Company (including all common shares issued or issuable upon the exercise of any outstanding warrants, convertible securities or options) immediately prior to the issuance of the Equity Securities. The term "Equity Securities" shall mean (i) any common shares, preferred shares or other equity security of the Company, (ii) any security convertible, with or without consideration, into any common shares, preferred shares or other equity security (including any option to purchase such a convertible security), (iii) any security carrying any warrant or right to subscribe to or purchase any common shares, preferred shares or other equity security or (iv) any such warrant or right.

4.2 Exercise of Right. If the Company proposes to issue any Equity Securities, it shall give each Investor written notice of its intention, describing the Equity Securities, the quantity proposed to be sold, the price and the terms and conditions upon which the Company proposes to issue the same and the amount of such Equity Securities each Investor is entitled to purchase. To exercise its purchase right, an Investor must within 15 days of such notice provide the Company with notice of the quantity of such Equity Securities it wishes to purchase, up to its *pro-rata* share. Upon the closing of the sale Equity Securities described in the Company's notice, the Company will sell to each Investor who has exercised its purchase right such number of Equity Securities as the Investor has indicated in its notice; *provided that* if the number of shares the Company is selling in the offering is less than the number of shares described in the notice to Investors, then the number of shares each Investor is entitled to purchase shall be proportionately reduced; *provided further that* if the number of shares included in the offering is so reduced, an Investor may decline to participate in the offering. Notwithstanding the foregoing, the Company shall not be required to offer or sell such Equity Securities to any Investor if such offer or sale would cause the Company to be in violation of applicable Canadian securities laws by virtue of such offer or sale. If the Company has not closed the sale of any Equity Securities within ninety days after giving notice to the Investors of its intention to sell such Equity Securities or if the Company alters the price or other material terms and conditions upon which it proposes to sell such Equity Securities, the Company shall not thereafter issue or sell any such Equity Securities without first offering such Equity Securities again to the Investors.

4.3 Waiver of Rights of Participation. Any waivers to such right to participate shall be effective only if section 7.7 is satisfied.

4.4 Excluded Securities. The rights to purchase established by this Section 4 shall have no application to any of the following Equity Securities:

(a) up to an aggregate amount of 800,000 common shares issuable under the Company's existing stock option plan as adjusted for any stock dividends, combinations, splits, recapitalizations and the like issued or to be issued after the date hereof to employees, officers or directors of, or consultants to the Company or pursuant to stock option plans or other arrangements that are approved by the Board of Directors and a majority of the shareholders after the date of this Agreement;

(b) stock issued pursuant to any rights or agreements outstanding as of the date of this Agreement, options and warrants outstanding as of the date of this Agreement; and stock issued pursuant to any such rights or agreements granted after the date of this Agreement; *provided* that the rights of participation established by this Section 4 applied with respect to the initial sale or grant by the Company of such rights or agreements;

(c) any Equity Securities issued for consideration other than cash pursuant to a merger, consolidation, acquisition, or similar business combination or strategic alliance approved by the Board of Directors and the Investors as contemplated hereunder;

(d) common shares issued in connection with any stock split, stock dividend or recapitalization by the Company;

(e) common shares issued upon exercise of the Warrants;

(f) any Equity Securities issued pursuant to any equipment leasing or loan arrangement, or debt financing from a bank or similar financial or lending institution approved by the Board of Directors and the Investors as contemplated hereunder; and

(g) any Equity Securities that are issued by the Company in connection with a public offering pursuant to a registration statement filed under the 1933 Securities Act or applicable Canadian securities laws.

SECTION 5. LIMITED RIGHT OF FIRST REFUSAL

5.1 Subsequent Offerings. In addition to any other rights of the Investors, each Investor shall have a right of first refusal, subject to any TSXV policies, to purchase any common shares or any security convertible into, exchangeable for or exercisable for common shares if the Company proposes to offer or sell any such security at a price per share equivalent to $1.50 (CDN) or less (the "Dilutive Securities") during the period ending one (1) year after September 27, 2004, other than the Dilutive Securities excluded by Section 5.4 hereof.

5.2 **Exercise of Right.** If the Company proposes to issue any Dilutive Securities, it shall give each Investor actual written notice (the "Company Notice") of its intention, describing the Dilutive Securities, the quantity proposed to be sold, the price and the material terms and conditions upon which the Company proposes to issue the same and the amount of such Dilutive Securities proposed to be offered or sold. The Investors shall have the right to purchase any or all of the Dilutive Securities on the terms and conditions set forth in the Company Notice. To exercise its purchase right, an Investor must within 60 days after such Company Notice provide the Company with notice of the quantity of such Dilutive Securities it wishes to purchase. Any such exercise by an Investor of its right to purchase any of the Dilutive Securities shall be subject to the Company actually selling any remaining amount of the Dilutive Securities first initially proposed by the Company in the Company Notice to other persons (unless the Investor exercises its right to purchase all of the Dilutive Securities). Upon expiration of the aforesaid 60 day notice period and the notice period required by section 5.3 below, any Dilutive Securities that will not be purchased by the Investors pursuant to the right of first refusal may be sold by the Company to another person on the terms and conditions set out in the Company Notice. However, prior to closing the sale of Dilutive Securities described in the Company Notice to any person other than the Investors, the Company shall (i) issue a notice to the Investors indicating the names and addresses of all proposed purchasers and provide copies of all definitive documents to be executed by the Company in connection with the sale of the Dilutive Securities and (ii) shall state that the closing conditions in said documentation have been met (with the exception of the rights set forth in section 5.3 below)and the proposed closing date of the sale of Dilutive Securities (the "Closing Notice").

5.3 **Subsequent Right.** In the event any Investor fails to exercise its respective right to purchase any or all of the Dilutive Securities set out in the Company Notice pursuant to Section 5.2 hereof, upon delivery of the Closing Notice, such Investor shall have a further right, exercisable upon written notice to the Company within thirty (30) days after receipt of the Closing Notice (as set out in section 5.2), to purchase such amount of Dilutive Securities as the Investor is entitled as set out in the Company Notice on the final terms and conditions set forth in the definitive documentation delivered to the Investors with the Closing Notice.

5.4 **Closing.** Upon closing of the sale of the Dilutive Securities described in the Closing Notice, the Company will sell to each Investor who has exercised its purchase right such number of Dilutive Securities as the Investor has indicated in its notice. Notwithstanding the foregoing, the Company shall not be required to offer or sell such Dilutive Securities to any Investor if such offer or sale would cause the Company to be in violation of applicable Canadian securities laws by virtue of such offer or sale. If the Company has not closed the sale of any Dilutive Securities within 120 days after the date of delivery of the Company Notice or if the Company alters the price or other material terms and conditions upon which it proposes to offer or sell such Dilutive Securities, the Company shall not thereafter issue or sell any such Dilutive Securities without first offering such Dilutive Securities again to the Investors based on the procedures set forth in sections 5.2 and 5.3 above.

5.5 Excluded Securities. The rights to purchase established by this Section 5 shall have no application to any of the following Dilutive Securities:

(a) up to an aggregate amount of 800,000 common shares issuable under the Company's existing stock option plan as adjusted for any stock dividends, combinations, splits, recapitalizations and the like issued or to be issued after the date hereof to employees, officers or directors of, or consultants to the Company or pursuant to stock option plans or other arrangements that are approved by the Board of Directors and a majority of the shareholders after the date of this Agreement;

(b) stock issued pursuant to any rights or agreements outstanding as of the date of this Agreement, options and warrants outstanding as of the date of this Agreement; and stock issued pursuant to any such rights or agreements granted after the date of this Agreement; *provided* that the rights of first refusal established by this Section 5 applied with respect to the initial sale or grant by the Company of such rights or agreements;

(c) any Dilutive Securities issued for consideration other than cash pursuant to a merger, consolidation, acquisition, strategic alliance, or similar business combination approved by the Board of Directors and the Investors as contemplated hereunder;

(d) common shares issued in connection with any stock split, stock dividend or recapitalization by the Company;

(e) common shares issued upon exercise of the Warrants;

(f) any Dilutive Securities issued pursuant to any equipment leasing or loan arrangement, or debt financing from a bank or similar financial or lending institution approved by the Board of Directors and the Investors as contemplated hereunder; and

(g) any Dilutive Securities that are issued by the Company in connection with a public offering pursuant to a registration statement filed under the 1933 Securities Act or applicable Canadian securities laws.

SECTION 6. COVENANT OF INVESTORS.

6.1 Acquisitions of Securities. After the Closing, the Investors (including any person or entities that control, are controlled by, or under the common control with an Investor) shall not acquire, offer to acquire or agree to acquire, directly or indirectly, by purchase or otherwise, individually or jointly any outstanding voting securities or outstanding securities convertible into or exchangeable for voting securities, of the Company except any purchase pursuant to the Right of First Refusal and Co-Sale Agreement.

6.2 Termination. This section 6 shall terminate upon the earlier of: (i) September 27, 2006, (ii) a material breach of this Agreement by the Company, and (iii) termination of the Voting Agreement in accordance with its terms.

SECTION 7. MISCELLANEOUS.

7.1 **Governing Law; Specific Performance.** This Agreement shall be governed by and construed under the laws of the Province of Ontario and the federal laws applicable therein as applied to agreements entered into among Ontario residents. It is agreed and understood that monetary damages would not adequately compensate an injured party for the breach of this Agreement by any party, that this Agreement shall be specifically enforceable, and that any breach or threatened breach of this Agreement shall be the proper subject of a temporary or permanent injunction or restraining order, without bond. Further, each party hereto waives any claim or defense that there is an adequate remedy at law for such breach or threatened breach.

7.2 **Survival.** The representations, warranties, covenants, and agreements made herein shall survive the closing of the transactions contemplated hereby. All statements as to factual matters contained in the recitals, any certificate or other instrument delivered pursuant hereto in connection with the transactions contemplated hereby shall be deemed to be representations and warranties under this Agreement.

7.3 **Termination.** This Agreement shall terminate upon the completion of any of the transactions described in Sections 2.1(a), (b) or (c). In addition, Sections 3.1, 3.2, 3.4, and 3.5 shall terminate if at any point the Investors hold less than 1,300,000 Investors Original Shares (as adjusted for stock splits, reverse stock splits, recapitalizations and like events). In addition Sections 4 and 5 shall terminate if the aggregate number of common shares held by the Investors is less than 10% of the total outstanding common shares of the Company.

7.4 **Successors and Assigns.** The rights provided by this Agreement may be transferred, in whole or in part, by any Investor to its Permitted Assigns in connection with any transfer of Investors Original Shares. Upon such transfer, the Permitted Assign receiving such Investors Original Shares shall be treated as an Investor for all purposes under this Agreement, except that any entitlements to notice and any entitlements to be furnished documentation pursuant to this Agreement to Permitted Assigns shall be satisfied by the Company and/or Founder through delivery to BVF Arius DI Fund L.P. on behalf of the Permitted Assigns. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors, and administrators of the parties and Permitted Assigns hereto. Notwithstanding the foregoing, prior to the receipt by the Company of adequate written notice of the transfer of rights hereunder specifying the full name and address of the transferee and the number of Investors Original Shares transferred, the Company shall have no obligation to such transferee with respect to this Agreement.

7.5 **Entire Agreement.** This Agreement and the Exhibit hereto, the Securities Purchase Agreement and the other documents delivered pursuant thereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and no party shall be liable or bound to any other in any manner by any representations, warranties, covenants and agreements except as specifically set forth herein and therein.

7.6 **Severability.** In the event one or more of the provisions of this Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

7.7 Amendment and Waiver.

(a) Except as otherwise expressly provided, this Agreement may be amended or modified only upon the written consent of the Company and Investors holding at least sixty-six and two-thirds percent (66 2/3%) of the Investors Original Shares then held by Investors.

(b) Except as otherwise expressly provided, the obligations of the Company and the rights of the Investors under this Agreement may be waived only with the written consent of Investors holding at least sixty-six and two-thirds percent (66 2/3%) of the Investors Original Shares then held by Investors.

7.8 Delays or Omissions. It is agreed that no delay or omission to exercise any right, power, or remedy accruing to any holder, upon any breach, default or noncompliance of the Company under this Agreement shall impair any such right, power, or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent, or approval of any kind or character on any Investor's part of any breach, default or noncompliance under the Agreement or any waiver on such Investor's part of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law, or otherwise afforded to holders, shall be cumulative and not alternative.

7.9 Notices. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the party to be notified at the address as set forth on the signature pages hereof or Exhibit A hereto or at such other address as such party may designate by ten (10) days advance written notice to the other parties hereto.

7.10 Attorneys' Fees. In the event that any suit or action is instituted to enforce any provision in this Agreement, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

7.11 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

7.12 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

IN WITNESS WHEREOF, the parties hereto have executed this INVESTOR RIGHTS AGREEMENT as of the date set forth in the first paragraph hereof.

COMPANY:

ARIUS RESEARCH INC.

By: ______________________
David S. Young
President

By: ______________________
William T. Bodenhamer
Director

INVESTORS:

BVF ARIUS DI FUND L.P.

By: BVF Partners L.P., its general partner

By: BVF Inc., its general partner

By: ______________________
Mark N. Lampert
President

WITNESS:

____

FOUNDER:

____
David S. Young

IN WITNESS WHEREOF, the parties hereto have executed this INVESTOR RIGHTS AGREEMENT as of the date set forth in the first paragraph hereof.

COMPANY:

ARIUS RESEARCH INC.

By:________________________
David S. Young
President

By:________________________
William T. Bodenhamer
Director

INVESTORS:

BVF ARIUS DI FUND L.P.

By: BVF Partners L.P., its general partner

By: BVF Inc., its general partner

By: ________________________
Mark N. Lampert
President

WITNESS:

____

FOUNDER:

____
David S. Young

EXHIBIT A

SCHEDULE OF INVESTORS

NAME AND ADDRESS	SHARES	AGGREGATE PURCHASE PRICE
BVF ARIUS DI FUND L.P. One Sansome Street, 31st Floor San Francisco, CA 94104 Attn: Mark Lampert	3,400,000	$2,550,000
TOTAL:	3,400,000	$2,550,000

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