TERCICA INC
Form PRER14A
September 11, 2008
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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No. 2)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement
¨ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

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

Tercica, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box)

¨ No fee required.

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

1. Title of each class of securities to which transaction applies:
Common Stock, par value $0.001 per share, of Tercica, Inc.

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2. Aggregate number of securities to which transaction applies:
38,642,729 shares of Tercica common stock outstanding and owned by stockholders other than shares held in treasury by Tercica and other than shares owned by members of the Purchaser Group (as defined in the merger agreement described in this proxy statement); 6,052,352 shares of Tercica common stock underlying options to purchase Tercica common stock with exercise prices below $9.00; and 250,603 shares of Tercica

common stock represented by outstanding Restricted Stock Units (as defined in the merger agreement described in this proxy statement).

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

The filing fee was determined based upon the sum of (a) the product of 38,642,729 shares of Tercica common stock and the merger consideration of $9.00 per share of Tercica common stock, (b) the product of options to purchase 6,052,352 shares of Tercica common stock and $2.71 (which is the difference between $9.00 and $6.29, the weighted-average exercise price per share of the options to purchase Tercica common stock with an exercise price below $9.00), and (c) the product of 250,603 shares of Tercica common stock, represented by outstanding Restricted Stock Units and the merger consideration of $9.00 per share of Tercica common stock represented by such securities. In accordance with Section 14(g) of the Exchange Act, the filing fee was determined by calculating a fee of $39.30 per $1,000,000 of the aggregate value of the transaction.

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4. Proposed maximum aggregate value of transaction:

$366,441,862

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5. Total fee paid:

$14,402

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x Fee paid previously with preliminary materials.

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

6. Amount Previously Paid:

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7. Form, Schedule or Registration Statement No.:

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8. Filing Party:

9. Date Filed:

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PRELIMINARY COPY SUBJECT TO COMPLETION

TERCICA, INC.

2000 Sierra Point Parkway

Suite 400

Brisbane, California 94005

(650) 624-4900

Dear Stockholder:

We cordially invite you to attend a special meeting of stockholders of Tercica, Inc. (Tercica , we , us or our) to be held at Tercica s offices locat at 2000 Sierra Point Parkway, Brisbane, California 94005, at a.m., local time, on , 2008 (the Special Meeting). Holders of record of Tercica common stock at the close of business on , 2008 will be entitled to vote at the Special Meeting or any adjournment of the Special Meeting.

At the Special Meeting, we will ask you to adopt the Agreement and Plan of Merger, dated as of June 4, 2008 (the merger agreement), by among Tercica, Beaufour Ipsen Pharma (the Purchaser) and Tribeca Acquisition Corporation, a wholly owned subsidiary of the Purchaser (Merger Sub). As a result of the merger contemplated by the merger agreement (the merger), Tercica will become a wholly owned subsidiary of the Purchaser and its affiliates. This is a going-private transaction for the purposes of the rules and regulations of the Securities and Exchange Commission. Certain affiliates of the Purchaser collectively hold an aggregate of approximately % of Tercica s outstanding common stock as of , 2008, the record date for the Special Meeting.

We are also asking you to expressly grant the authority to vote your shares to adjourn the Special Meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Special Meeting to adopt the merger agreement.

If the merger is completed, you will be entitled to receive $9.00 in cash, without interest, for each share of Tercica common stock that you own, and you will have no ongoing ownership interest in the continuing business of Tercica. We cannot complete the merger unless all of the conditions to closing are satisfied, including the adoption of the merger agreement by holders of a majority of the outstanding shares of Tercica common stock.

A special committee of our board of directors composed of three independent non-employee directors (the Special Committee) reviewed and considered the terms and conditions of the merger. Based on the recommendation of the Special Committee and on its own review, our board of directors has determined that the merger and the merger agreement are substantively and procedurally fair to, and in the best interests of, Tercica and its stockholders (other than the Purchaser and its affiliates), approved the execution, delivery and performance of obligations under the merger agreement, declared the merger agreement and the merger to be advisable and recommended that Tercica s stockholders vote to adopt the merger agreement.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR

THE ADOPTION OF THE MERGER AGREEMENT.

YOUR VOTE IS IMPORTANT.

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In the materials accompanying this letter, you will find a Notice of Special Meeting of Stockholders, a proxy statement relating to the actions to be taken by our stockholders at the Special Meeting and a proxy card. Included in the proxy statement is the opinion of the Special Committee s financial advisor, Lehman Brothers Inc., relating to the fairness, from a financial point of view, of the consideration to be received by the holders of Tercica common stock (other than the Purchaser and its affiliates) in the merger. The proxy statement includes other important information about the merger agreement and the merger. We encourage you to read the entire proxy statement (including its annexes) carefully.

All of our stockholders are cordially invited to attend the Special Meeting in person. Whether or not you plan to attend the Special Meeting, however, please complete, sign, date and return your proxy card in the enclosed envelope or appoint a proxy over the Internet or by telephone as instructed in these materials. It is important that your shares be represented and voted at the Special Meeting. If you attend the Special Meeting, you may vote in person as you wish, even though you have previously returned your proxy card or appointed a proxy over the Internet or by telephone.

On behalf of our board of directors, I thank you for your support and urge you to vote FOR the adoption of the merger agreement.

Sincerely,

Stephen N. Rosenfield

Secretary

Brisbane, California

, 2008

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PRELIMINARY COPY SUBJECT TO COMPLETION

TERCICA, INC.

2000 Sierra Point Parkway

Suite 400

Brisbane, California 94005

(650) 624-4900

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON , 2008

Dear Stockholder:

You are cordially invited to attend the Special Meeting of Stockholders of Tercica, Inc., a Delaware corporation (Tercica , we , us or our), that will be held at Tercica s offices located at 2000 Sierra Point Parkway, Brisbane, California 94005, at a.m., local time, on , 2008 (the Special Meeting), for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of June 4, 2008 (the merger agreement), by among Tercica, Beaufour Ipsen Pharma (the Purchaser) and Tribeca Acquisition Corporation, a wholly owned subsidiary of the Purchaser (Merger Sub); and

2. To consider and vote upon a proposal to approve the adjournment of the Special Meeting, if necessary, for the purpose of soliciting additional proxies to vote in favor of the adoption of the merger agreement.

A special committee of our board of directors composed of three independent non-employee directors (the Special Committee) reviewed and considered the terms and conditions of the merger contemplated by the merger agreement (the merger). The Special Committee determined that the merger and the merger agreement are substantively and procedurally fair to, and in the best interests of, Tercica and its stockholders (other than the Purchaser and its affiliates), and unanimously recommended that our board of directors approve the merger agreement and the transactions contemplated thereby, including the merger, and that our board of directors recommend that Tercica s stockholders vote to adopt the merger agreement. Our board of directors then determined that the merger and the merger agreement are substantively and procedurally fair to, and in the best interests of, Tercica and its stockholders (other than the Purchaser and its affiliates), approved the execution, delivery and performance of obligations under the merger agreement, declared the merger agreement and the merger to be advisable and recommended that Tercica s stockholders vote to adopt the merger agreement. This item of business to be submitted to a vote of the stockholders at the Special Meeting is more fully described in the attached proxy statement, which we urge you to read carefully. Our board of directors also recommends that you expressly grant the authority to vote your shares to adjourn the Special Meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Special Meeting to adopt the merger agreement. No other business may be transacted at the Special Meeting.

Stockholders of record at the close of business on , 2008, the record date, are entitled to notice of and to vote at the Special Meeting and any adjournment of the meeting. All stockholders are cordially invited to attend the Special Meeting in person. Adoption of the merger agreement will require the affirmative vote of the holders of a majority of the shares of Tercica common stock outstanding on the record date.

Tercica stockholders will have the right to demand appraisal of their shares of common stock and obtain payment in cash for the fair value of their shares of common stock, but only if they submit a written demand for an appraisal before the vote is taken on the merger agreement and comply with the applicable provisions of Delaware law. A copy of the Delaware statutory provisions relating to appraisal rights is attached as Annex C to the attached proxy statement, and a summary of these provisions can be found under Special Factors Appraisal Rights in the attached proxy statement.

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You should not send any certificates representing shares of Tercica common stock with your proxy card. Upon closing of the merger, you will be sent instructions regarding the procedure to exchange your stock certificates for the cash merger consideration.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR

THE ADOPTION OF THE MERGER AGREEMENT AND, IF NECESSARY, THE

ADJOURNMENT OF THE SPECIAL MEETING FOR THE PURPOSES OF SOLICITING

ADDITIONAL PROXIES TO VOTE IN FAVOR OF THE ADOPTION OF THE MERGER

AGREEMENT.

YOUR VOTE IS IMPORTANT.

Your vote is very important, regardless of the number of shares you own. Even if you plan to attend the Special Meeting in person, we request that you complete, sign, date and return the enclosed proxy card, or appoint a proxy over the Internet by visiting the website http://www.investorvote.com/TRCA and following the voting instructions provided or by telephone from the United States, Canada or Puerto Rico, by dialing, toll free, 1-800-652-VOTE (8683) and following the recorded instructions, to ensure that your shares will be represented at the Special Meeting if you are unable to attend. If you do attend the Special Meeting and wish to vote in person, you may withdraw your proxy and vote in person. If your shares are held in the name of your broker, bank or other nominee, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote in person at the Special Meeting.

No person has been authorized to give any information or to make any representations other than those set forth in the proxy statement in connection with the solicitation of proxies made hereby, and, if given or made, such information must not be relied upon as having been authorized by Tercica or any other person.

By Order of the Board of Directors

Stephen N. Rosenfield

Secretary

Brisbane, California

, 2008

The proxy statement is dated , 2008, and is first being mailed to stockholders of Tercica on or about , 2008.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE TRANSACTION, PASSED UPON THE MERITS OR FAIRNESS OF SUCH TRANSACTION, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE DISCLOSURE CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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SUMMARY TERM SHEET

This summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. To fully understand the merger contemplated by the merger agreement, and for a more complete description of the legal terms of the merger agreement, you should read carefully this entire proxy statement, including the annexes. See Other Matters Where You Can Find More Information on page 106. We have included page references in parentheses to direct you to a more complete description of the topics presented in this summary. The merger agreement is attached as Annex A to this proxy statement. We encourage you to read the merger agreement as it is the legal document that governs the merger.

Tercica, Inc. (page 16)

Tercica is biopharmaceutical company developing and marketing a portfolio of endocrine products.

Ipsen, Suraypharm, Beaufour Ipsen Pharma and Tribeca Acquisition Corporation (page 16)

Ipsen, S.A. (Ipsen) is a *société anonyme* organized under the laws of France. Ipsen is engaged primarily in the business of creating, manufacturing and marketing pharmaceutical products. Suraypharm, S.A.S (Suraypharm), is a *société par actions simplifiée* organized under the laws of France and a wholly owned subsidiary of Ipsen and its subsidiaries. Suraypharm owns 12,527,245 shares of Tercica common stock which were issued in connection with Ipsen s prior investment in Tercica. Suraypharm is principally engaged in the business of creating, manufacturing and marketing pharmaceutical products. The Purchaser, Beaufour Ipsen Pharma, is a *société par actions simplifiée* organized under the laws of France and a subsidiary of Ipsen. The Purchaser is principally engaged in the business of creating, manufacturing and marketing pharmaceutical products. Merger Sub, Tribeca Acquisition Corporation, is a newly formed corporation organized under the laws of the State of Delaware and a wholly owned subsidiary of the Purchaser. Merger Sub has been organized by the Purchaser solely for the purpose of facilitating the merger and has not engaged in any business other than in furtherance of this purpose.

The Merger (page 72)

Under the merger agreement, Merger Sub will merge with and into Tercica. After the merger, the Purchaser and its affiliates will own all of our outstanding stock. Stockholders (other than the Purchaser and its affiliates and those stockholders not exercising appraisal rights) will receive cash in the merger in exchange for their shares of Tercica common stock.

Going-Private Transaction (page 16)

This is a going-private transaction for purposes of the rules and regulations of the Securities and Exchange Commission (the SEC). Certain affiliates of the Purchaser, including Ipsen, may vote up to an aggregate of 29,180,778 shares of Tercica common stock, or % of Tercica common stock outstanding as of the record date, and have agreed to vote such shares in favor of the adoption of the merger agreement. In addition, one of the members of our board of directors is an executive officer of Ipsen. Merger Sub is a wholly owned subsidiary of the Purchaser. If the merger is completed, Tercica will cease to be a publicly traded company. You will no longer have any interest in Tercica s future earnings or growth. Following completion of the merger, the registration of Tercica common stock and our reporting obligations with respect to our common stock under the Securities Exchange Act of 1934, as amended (the Exchange Act), will be terminated upon application to the SEC. In addition, upon completion of the merger, shares of our common stock will no longer be listed on any stock exchange or quotation system, including the NASDAQ Global Market.

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Merger Consideration (page 72)

Upon the completion of the merger, each share of Tercica common stock issued and outstanding immediately prior to the effective time of the merger (other than shares held by the Purchaser and its affiliates and shares held by holders who have validly exercised appraisal rights) will be converted into the right to receive $9.00 in cash, without interest. Tercica and the Purchaser expect the aggregate merger consideration payable to Tercica s stockholders (other than shares held by the Purchaser and its affiliates) to be approximately $366 million assuming that all vested options to purchase common stock with exercise prices below $9.00 are not exercised prior to the effective time of the merger. After the merger is completed, unless you dissent and seek appraisal of the fair value of your shares in accordance with Delaware law, you will have the right to receive the merger consideration, but you will no longer have any rights as a Tercica stockholder.

Treatment of Stock Options, Restricted Stock Units and Purchase Rights (page 73)

All Tercica stock options that would be outstanding and unexercised as of immediately prior to the effective time of the merger will vest in full and be fully exercisable for a period of 15 days prior to the effective time, contingent upon completion of the merger. If such a stock option is not exercised within this time, then, contingent upon the completion of the merger, such stock option will expire at the end of the 15-day period and will be converted into a right to receive, at the effective time of the merger, an amount in cash equal to, for each share of Tercica common stock underlying such option, the excess (if any) of $9.00 over the exercise price per share of such option, without interest and subject to any applicable withholding taxes.

All restricted stock units outstanding and not then vested as of immediately prior to the effective time of the merger will vest and become free of restrictions, and at the effective time of the merger, each holder will become entitled to receive, for each restricted stock unit, $9.00 in cash, without interest, subject to any applicable withholding taxes.

Pursuant to the terms of the merger agreement, and contingent upon the consummation of the merger, Tercica s 2004 Employee Stock Purchase Plan (the ESPP) will terminate immediately prior to the effective time of the merger. In accordance with the terms of the merger agreement, we have established, for the purchase periods in progress as of the date of the merger agreement, a new exercise date of July 17, 2008. All offering periods and purchase periods under the ESPP ended on this new exercise date. Subject to the consummation of the merger, no new offering periods or purchase periods will commence under the ESPP following the date of the merger agreement.

Market Price (page 92)

Our common stock is listed on the NASDAQ Global Market under the ticker symbol TRCA. On June 4, 2008, the last full trading day prior to the public announcement of the merger, Tercica common stock closed at $4.41 per share. On , 2008, the last full trading day prior to the date of this proxy statement, Tercica common stock closed at $ per share. Our stock price can fluctuate broadly even over short periods of time. It is impossible to predict the actual price of our stock immediately prior to the effective time of the merger.

Special Committee (page 36)

Formed by our board of directors, the Special Committee consists of three independent non-employee directors. The Special Committee was created to establish, monitor and direct the process and procedures related to the review, evaluation and negotiation of a possible transaction with Ipsen or any alternative transaction, solicit expressions of interest or other proposals for alternative transactions to the extent the Special Committee deemed appropriate, to determine the substantive and procedural fairness of a transaction on behalf of our board of directors, and to make reports and recommendations to our entire board of directors regarding any possible

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transaction, with the understanding that, with respect to each of its functions, the Special Committee was to act for the benefit of Tercica and those Tercica stockholders who may participate solely as sellers in possible transaction with Ipsen or any alternative transaction. Our board of directors also, among other things, authorized and empowered the Special Committee to utilize and retain legal and financial advisors as the Special Committee deemed necessary or appropriate. In this capacity, the Special Committee retained and received advice from Lehman Brothers Inc. (Lehman Brothers), as financial advisor, and Morris, Nichols, Arsht & Tunnell LLP, as legal advisor. To date, the members of the Special Committee have received an aggregate of $71,500 in connection with the performance of their duties as members of the Special Committee. See Special Factors Past Contacts, Transactions, Negotiations and Agreements Background of the Merger beginning on page 26, Special Factors Reasons for the Merger of Tercica and Recommendation of the Special Committee and Board of Directors beginning on page 36 and Special Factors Interests of Our Directors and Executive Officers in the Merger beginning on page 56.

Position of Tercica as to the Fairness of the Merger (page 36)

The Special Committee unanimously determined that the merger and the merger agreement are substantively and procedurally fair to, and in the best interests of, Tercica and its stockholders (other than the Purchaser and its affiliates), and recommended that our board of directors approve the merger agreement and the transactions contemplated thereby, including the merger, and that our board of directors recommend that Tercica s stockholders vote to adopt the merger agreement. Our board of directors then determined that the merger and the merger agreement are substantively and procedurally fair to, and in the best interests of, Tercica and its stockholders (other than the Purchaser and its affiliates), approved the execution, delivery and performance of the obligations under the merger agreement, declared the merger agreement and the merger to be advisable and recommended that Tercica s stockholders vote to adopt the merger agreement.

Opinion of Financial Advisor to Tercica s Special Committee (page 40)

On June 4, 2008, Lehman Brothers rendered its opinion to the Special Committee that, as of such date, and based on and subject to the matters stated in its opinion, from a financial point of view, the consideration to be received by Tercica s stockholders (other than the Purchaser and its affiliates) in the merger was fair to such stockholders. Lehman also delivered the opinion to our full board of directors. Stockholders are encouraged to carefully read the description of Lehman Brothers opinion beginning on page 40 of this proxy statement for a description of the assumptions made, procedures followed, factors considered and limitations on the review undertaken by Lehman Brothers in rendering its opinion to the Special Committee. Lehman Brothers advisory services and opinion were provided for the information and assistance of the Special Committee in connection with its consideration of the merger. Lehman Brothers opinion is not intended to be and does not constitute a recommendation to any Tercica stockholder as to how such stockholder should vote in connection with the merger. As compensation for Lehman Brothers services in connection with the merger, Tercica paid Lehman Brothers an initial retainer fee of $250,000 upon the signing of its engagement letter, a fee of $500,000 on the rendering of Lehman Brothers opinion to the Special Committee, and agreed to pay a financial advisory fee of approximately $4.1 million, $3.35 million of which is payable on the completion of the merger (after subtracting the initial creditable retainer and opinion fee previously paid). Additionally, Tercica may increase the financial advisory fee by up to $2.0 million at its discretion if, in the judgment of the Special Committee, Lehman Brothers role, the importance of Lehman Brothers expertise, the outcome of the transaction, Lehman Brothers contribution to the results obtained, and the intensity and duration of Lehman Brothers efforts, warrants such an increase.

Recommendation to Tercica Stockholders (page 40)

Our board of directors recommends that you vote FOR the adoption of the merger agreement and, if necessary, FOR the approval of the adjournment of the Special Meeting for the purpose of soliciting additional proxies to vote in favor of the adoption of the merger agreement.

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Position of Ipsen, Suraypharm, the Purchaser and Merger Sub as to the Fairness of the Merger (page 49)

Ipsen, Suraypharm, the Purchaser and Merger Sub (the Ipsen Parties) believe that the merger is substantively and procedurally fair to Tercica s stockholders (other than the Purchaser and its affiliates). The Ipsen Parties believe that this conclusion is supported by their knowledge and analysis of available information about Tercica and by factors discussed below in Special Factors Position of the Ipsen Parties as to the Substantive and Procedural Fairness of the Merger to Tercica s Unaffiliated Stockholders.

Voting Agreements (page 53)

As an inducement to enter into the merger agreement, certain Tercica stockholders, including certain officers and members of Tercica s board of directors, executed voting agreements with and delivered irrevocable proxies to the Purchaser relating to the shares of Tercica common stock owned by each of them. These stockholders collectively own an aggregate of 969,568 shares of Tercica common stock, or approximately 1.9% of the outstanding shares on June 15, 2008. In addition, these stockholders may acquire an aggregate of an additional 2,572,416 shares of Tercica common stock subject to outstanding options and restricted stock units as of June 15, 2008; however, since these options had not been exercised, and the shares of common stock underlying these restricted stock units were not outstanding as of the record date, any shares of common stock to be issued under these options and restricted stock units will not be eligible to vote at the Special Meeting. Under the voting agreements, these stockholders agreed to vote their shares of Tercica common stock or other securities and any newly acquired shares or other securities in favor of the adoption of the merger agreement, and approval of the merger and the other actions contemplated by the merger agreement and any action in furtherance of the foregoing.

Financing (page 52)

Completion of the merger is not subject to a financing condition. The Purchaser has, and will have, as of the closing of the merger, available cash to finance the merger and will obtain such funds from borrowing under an Ipsen group revolving bank credit facility directly by the Purchaser and by the on-lending to the Purchaser of amounts borrowed by certain Ipsen group companies under such facility and, in the event that third party financing is not available to meet the Purchaser s funding obligations arising out of and in connection with the merger agreement, Ipsen will cause all necessary funds to be provided to the Purchaser to consummate the merger and the other transactions contemplated by the merger agreement.

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Interests of Our Directors and Executive Officers in the Merger (page 56)

In considering the recommendation of Tercica s board of directors with respect to the adoption of the merger agreement, you should be aware that some of Tercica s directors and officers have interests in the merger that are different from, or in addition to, the interests of our stockholders generally, including the vesting of shares of our common stock subject to outstanding stock options and restricted stock units, severance and other benefits payable pursuant to executive employment agreements in connection with a termination of employment following a change of control, and continuation of certain indemnification and insurance arrangements. These interests may present them with actual or potential conflicts of interest, and these interests, to the extent material, are described in this proxy statement. Below is a tabular summary of the total compensation and benefits received or to be received by Tercica s executive officers and directors as a result of the merger, which compensation and benefits are described in more detail beginning on page 56 of this proxy statement and relate to the treatment of stock options and restricted stock units and the payment of fees to members of the Special Committee. As noted above and as described beginning on page 58 of this proxy statement, Tercica s executive officers may be entitled to additional compensation and benefits in the event of the termination of their service following the merger.

Name of Director and/or Executive Officer	Total Realizable Value of all Options with an Exercise Price less than $9.00 per share(1)	Realizable Value of Restricted Stock Units that Vest as a Result of the Merger(1)	Special Committee Fees(2)	Total
John A. Scarlett, M.D.	$ 1,771,160.00	$ 301,500.00	$	$ 2,072,660.00
Ross G. Clark, Ph.D.(3)	$ 360,600.00	$ 90,000.00	$	$ 450,600.00
Ajay Bansal	$ 959,290.00	$ 126,000.00	$	$ 1,085,290.00
Richard A. King	$ 1,199,510.00	$ 189,000.00	$	$ 1,388,510.00
Stephen N. Rosenfield	$ 800,017.79	$ 121,500.00	$	$ 921,517.79
Andrew J. Grethlein, Ph.D.	$ 1,443,650.58	$ 121,500.00	$	$ 1,565,150.58
Thorsten von Stein, M.D., Ph.D.	$ 612,285.00	$ 121,500.00	$	$ 733,785.00
Susan S. Wong	$ 724,167.50	$ 60,750.00	$	$ 784,917.50
Alexander Barkas, Ph.D.	$ 488,398.08	$ 59,994.00	$ 32,500.00	$ 580,892.08
Karin Eastham	$ 211,574.04	$ 29,997.00	$	$ 241,571.04
Faheem Hasnain	$ 50,175.00	$	$	$ 50,175.00
Christophe Jean	$ 171,686.54	$ 29,997.00	$	$ 201,683.54
Mark Leschly	$ 261,574.04	$ 29,997.00	$ 19,500.00	$ 311,071.04
David L. Mahoney	$ 152,449.04	$ 29,997.00	$ 19,500.00	$ 201,946.04
Total	$ 9,206,537.61	$ 1,311,732.00	$ 71,500.00	$ 10,589,769.61

(1) Based on stock options and restricted stock units held by Tercica s executive officers and directors as of June 15, 2008.
(2) The fees listed in this column represent compensation earned as of July 31, 2008. The Chairman of the Special Committee, Dr. Barkas, received a fee of $2,500 for each Special Committee Meeting attended. Each of the non-Chairman members of the Special Committee received a fee of $1,500 for each Special Committee meeting attended.
(3) Assumes the merger is consummated on or before the latest date Dr. Clark s vested stock options are scheduled to expire.

Appraisal Rights (page 62)

If you do not wish to accept the $9.00 per share merger consideration in the merger, you have the right under Delaware law to have your shares appraised by the Delaware Court of Chancery. This right of appraisal is

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subject to a number of restrictions and technical requirements. Generally, in order to exercise appraisal rights, among other things (1) you must NOT vote in favor of the adoption of the merger agreement, (2) you must make a written demand for appraisal in compliance with Delaware law before the vote on the merger agreement and (3) you must hold shares of Tercica common stock on the date of making the demand for appraisal and continuously hold such shares through the effective time of the merger. The fair value of your shares of Tercica common stock as determined in accordance with Delaware law may be more or less than, or the same as, the merger consideration to be paid to non-dissenting stockholders (other than the Purchaser and its affiliates). Merely voting against adoption of the merger agreement without other action will not preserve your right of appraisal under Delaware law. Annex C to this proxy statement contains a copy of the Delaware statute relating to stockholders right of appraisal. Failure to follow all of the steps required by this statute will result in the loss of your appraisal rights.

Material United States Federal Income Tax Consequences (page 65)

The merger will be taxable for U.S. federal income tax purposes. Generally, this means that Tercica s stockholders (other than the Purchaser and its affiliates) will recognize a taxable gain or loss equal to the difference between the cash you receive in the merger and your adjusted tax basis in your shares. ***Tax matters can be complicated and the tax consequences of the merger to you will depend on the facts of your own situation. You should consult your own tax advisor to understand fully the tax consequences of the merger to you.***

Regulatory Matters (page 67)

The merger of Merger Sub with and into Tercica and the conversion of shares of Tercica common stock into the right to receive the merger consideration was subject to expiration or termination of the waiting period under the provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the HSR Act) and a similar antitrust regulatory approval in Germany. Tercica and Ipsen filed the required notification and report forms with the Antitrust Division of the Department of Justice and the Federal Trade Commission on June 18, 2008 and the HSR Act waiting period expired at 11:59 p.m. (Eastern) on July 18, 2008. On June 25, 2008, the Purchaser, on its and Tercica s behalf, filed the required materials with the German antitrust regulatory authority and on July 9, 2008, the German antitrust regulatory authority granted early clearance to the proposed merger of Merger Sub with and into Tercica pursuant to the merger agreement. At any time before or after the completion of the merger, notwithstanding that the applicable regulatory waiting periods have terminated or approvals have been granted, any state, foreign country, or private individual could take action to enjoin the merger under the antitrust laws as it deems necessary or desirable in the public interest or any private party could seek to enjoin the merger on anti-competitive grounds. Tercica cannot guarantee that a challenge to the merger will not be made or that, if a challenge is made, that Tercica will prevail.

The Special Meeting of Tercica Stockholders (page 68)

Time, Date, Place and Purpose. The Special Meeting will be held to consider and vote upon the proposal to adopt the merger agreement and, if necessary, to approve the adjournment of the Special Meeting for the purpose of soliciting additional proxies to vote in favor of the adoption of the merger agreement, at Tercica s offices located at 2000 Sierra Point Parkway, Brisbane, California 94005, at a.m., local time, on , 2008.

Record Date and Voting Power. You are entitled to vote at the Special Meeting if you owned shares of Tercica common stock at the close of business on , 2008, the record date for the Special Meeting. You will have one vote at the Special Meeting for each share of Tercica common stock you owned at the close of business on the record date. There are shares of Tercica common stock entitled to be voted at the Special Meeting.

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Procedure for Voting. To vote, you can either (1) complete, sign, date and return the enclosed proxy card, (2) appoint a proxy over the Internet or by telephone or (3) attend the Special Meeting and vote in person. If your shares are held in street name by your broker, bank or other nominee, you should instruct your broker to vote your shares by following the instructions provided by your broker. Your broker will not vote your shares without instruction from you. Failure to instruct your broker to vote your shares will have the same effect as a vote AGAINST the adoption of the merger agreement.

Required Votes. The adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Tercica common stock at the close of business on the record date. The proposal to approve the adjournment of the Special Meeting, if necessary, for the purpose of soliciting additional proxies to vote in favor of the adoption of the merger agreement requires the affirmative vote of the holders of a majority of the shares of Tercica common stock present, in person or by proxy, at the Special Meeting (which shares voting affirmatively also constitute a majority of the required quorum).

The Merger Agreement (page 72)

Limitation on Considering Other Takeover Proposals. We have agreed to limitations on, among other things, our ability to solicit proposals for, or participate in discussions with respect to, other acquisition transactions as described in this proxy statement. See the section entitled The Merger Agreement Covenants No Solicitation of Transactions by Tercica beginning on page 78 for a discussion of these limitations.

Conditions to the Merger. The obligations of both the Purchaser and Tercica to complete the merger are subject to the satisfaction or, to the extent permitted by law, waiver of the following conditions:

- the adoption of the merger agreement by the requisite vote of Tercica s stockholders;
- no governmental entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law or order that is in effect and individually, or in the aggregate, either (i) restrains, enjoins or otherwise prohibits consummation of the merger or (ii) imposes limitations upon the ability of the Purchaser and its affiliates effectively exercising full rights of ownership of Tercica or the surviving corporation in the merger;
- other than filing the certificate of merger, all notices, reports and other filings required to be made prior to the closing date by Tercica or the Purchaser with, and all consents, registrations, approvals, permits and authorizations required to be obtained prior to the closing date by Tercica or the Purchaser from, any governmental entity in the United States, Austria and Germany in connection with the execution and delivery of the merger agreement and the consummation of the merger and the other transactions contemplated by the merger agreement shall have been made or obtained; and
- the waiting period applicable to the consummation of the merger under the HSR Act, if any, and under any other laws in the United States, Austria and Germany shall have expired or been terminated, and, if the SEC has received and/or provided comments to this proxy statement, such comments and any related issues or matters with the SEC shall have been resolved.

The Purchaser s and Merger Sub s obligations to complete the merger are also subject to the following conditions:

- our representations and warranties must be true and correct in all respects as of the date of the closing of the merger, except as would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on us, other than certain specified representations and warranties which much be true and correct in all respects as of the date of the closing of the merger (except for inaccuracies that have a *de minimis* effect on Tercica or cause only a *de minimis* payment by the Purchaser);
- the Purchaser must have received an officer s certificate from us certifying as to the satisfaction of certain closing conditions;

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we must have performed in all material respects all of our obligations under the merger agreement;

there must not be any proceeding commenced (and not finally resolved) by a governmental entity against us or the Purchaser or any of its affiliates that would be reasonably likely to have the effect of preventing, delaying, making illegal, or otherwise materially interfering with the merger or any other transaction contemplated by the merger agreement, or that seeks to impose material limitations on the ability of the Purchaser or any of its affiliates effectively exercising full rights of ownership of Tercica or the surviving corporation; or

a new exercise date (established under the ESPP) must have occurred and no further offering period or purchase periods have commenced under the ESPP after the new exercise date;

since the date of the merger agreement through the closing date of the merger, there must not have occurred any event or circumstance that has had or is reasonably likely to have a material adverse effect on us; and

a contemplated stock issuance, referred to in the confidential disclosure letter delivered by us at the signing of the merger agreement, must have been consummated (which stock issuance was subsequently consummated).

See the section entitled The Merger Agreement Conditions to the Merger beginning on page 81 for more information about conditions to the merger.

Termination of the Merger Agreement. The Purchaser and Tercica can terminate the merger agreement if the merger is not completed by January 1, 2009 and in other circumstances described in this proxy statement. See the section entitled The Merger Agreement Termination of the Merger Agreement beginning on page 84.

Termination Fee. The merger agreement requires us to pay the Purchaser a termination fee in the amount of $11.0 million if the merger agreement is terminated under certain circumstances. See the section entitled The Merger Agreement Fees and Expenses beginning on page 84.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What will happen to Tercica as a result of the merger?

A: If the merger is completed, Tercica will become a subsidiary of the Purchaser and will cease to be a publicly traded company. You will no longer have any interest in our future earnings or growth. Following completion of the merger, the registration of Tercica common stock and our reporting obligations with respect to our common stock under the Exchange Act will be terminated upon application to the SEC. In addition, upon completion of the merger, shares of our common stock will no longer be listed on any stock exchange or quotation system, including the NASDAQ Global Market.

Q: What will happen to my shares of Tercica common stock after the merger?

A: Upon completion of the merger, each outstanding share of Tercica common stock (other than shares held by the Purchaser and its affiliates, shares held in treasury by Tercica and shares held by holders who have validly exercised appraisal rights) will be converted into the right to receive $9.00 in cash, without interest, subject to any applicable withholding taxes.

Q: Will I own any shares of Tercica common stock or securities of the Purchaser after the merger?

A: No. You will be paid cash for your shares of Tercica common stock. Our stockholders will not have the option to receive shares of the Purchaser or its affiliates (including Ipsen) in exchange for their shares instead of cash.

Q: What happens to Tercica stock options in the merger?

A: All Tercica stock options that would be outstanding and unexercised as of immediately prior to the effective time of the merger will vest in full and be fully exercisable for a period of 15 days prior to the effective time, contingent upon completion of the merger. If such a stock option is not exercised within this time, then, contingent upon the completion of the merger, such stock option will expire at the end of the 15-day period and will be converted into a right to receive, at the effective time of the merger, an amount in cash equal to, for each share of Tercica common stock underlying such option, the excess (if any) of $9.00 over the exercise price per share of such option, without interest and subject to any applicable withholding taxes.

Q: What happens to Tercica restricted stock units in the merger?

A: All restricted stock units outstanding and not then vested as of immediately prior to the effective time of the merger will vest and become free of restrictions, and at the effective time of the merger, each holder will become entitled to receive, for each restricted stock unit, $9.00 in cash, without interest, subject to any applicable withholding taxes.

Q: What happens to purchase rights under the ESPP?

A: Contingent upon the consummation of the merger, the ESPP will terminate immediately prior to the effective time of the merger. In accordance with the terms of the merger agreement, we have established, for the purchase periods in progress as of the date of the merger

agreement, a new exercise date of July 17, 2008. All offering periods and purchase periods under the ESPP ended on this new exercise date. No new offering periods or purchase periods will commence under the ESPP following the date of the merger agreement.

Q: Will the merger be taxable to me?

A: Generally, yes. For U.S. federal income tax purposes, generally Tercica s stockholders (other than the Purchaser and its affiliates) will recognize a taxable gain or loss as a result of the merger measured by the

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difference, if any, between $9.00 per share and your adjusted tax basis in that share. This gain or loss will be a long-term capital gain or loss if you have held your Tercica shares more than one year as of the effective time of the merger.

Q: Does Tercica s board of directors recommend adoption of the merger agreement?

A: Yes. Our board of directors recommends that our stockholders adopt the merger agreement.

Q: Why did our board of directors form the Special Committee?

A: Our board of directors formed the Special Committee of three independent non-employee directors who are not officers or employees of Tercica or otherwise affiliated with the Purchaser to establish, monitor and direct the process and procedures related to the review, evaluation and negotiation of a possible transaction with Ipsen or any alternative transaction, solicit expressions of interest or other proposals for alternative transactions to the extent the Special Committee deemed appropriate, to determine the substantive and procedural fairness of a transaction on behalf of our board of directors, and to make reports and recommendations to our entire board of directors regarding any possible transaction, with the understanding that, with respect to each of its functions, the Special Committee was to act for the benefit of Tercica and those Tercica stockholders who may participate solely as sellers in possible transaction with Ipsen or any alternative transaction.

Q: What was the recommendation of the Special Committee to the Tercica board of directors?

A: The Special Committee unanimously determined that the merger and the merger agreement are substantively and procedurally fair to, and in the best interests of, Tercica and its stockholders (other than the Purchaser and its affiliates), and unanimously recommended that our board of directors approve the merger agreement and the transactions contemplated thereby, including the merger, and that our board of directors recommend that Tercica s stockholders vote to adopt the merger agreement. In arriving at this recommendation, the Special Committee considered, among other factors, the opinion of Lehman Brothers, its independent financial advisor that, as of the date of such opinion, and based on and subject to the matters stated in its opinion, from a financial point of view, the consideration to be received by our stockholders (other than the Purchaser and its affiliates) in the merger was fair to such stockholders.

Q: What am I being asked to vote on?

A: You are being asked to consider and vote upon a proposal to adopt the merger agreement, pursuant to which Merger Sub will merge with and into Tercica with Tercica continuing as the surviving corporation in the merger (the surviving corporation). You are also being asked to expressly grant the authority to vote your shares to adjourn the Special Meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Special Meeting to adopt the merger agreement.

Q: What vote of the stockholders is required to adopt the merger agreement?

A: To adopt the merger agreement, stockholders of record as of , 2008 holding a majority of the outstanding shares of Tercica common stock must vote FOR the adoption of the merger agreement. The proposal to adopt the merger agreement does not require the approval of holders of a majority of the Tercica common stock held by stockholders that are unaffiliated with the Purchaser or its affiliates or unaffiliated with Tercica. There are shares of Tercica common stock entitled to be voted at the Special Meeting. As described in Special Factors Voting Agreements, pursuant to the voting agreements executed by certain Tercica stockholders, including certain officers and members of Tercica s board of directors who are not members of the Special committee, such stockholders have agreed to vote an aggregate of shares, or % of Tercica common stock outstanding on , 2008, the record date, in favor of

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the adoption of the merger agreement. In addition, the Purchaser has agreed to ensure that its affiliates, who collectively hold an aggregate of 29,180,778 shares of Tercica common stock, or % of Tercica common stock outstanding as of the record date, vote any shares of Tercica common stock held by them in favor of the adoption of the merger agreement. Assuming that all of those stockholders vote as previously agreed, approximately additional shares, or % of Tercica common stock outstanding as of the record date, must be voted in favor of the proposal to adopt the merger agreement for the proposal to be approved.

Q: How do Tercica s directors and executive officers intend to vote?

A: As of , 2008, the record date, the directors and officers of Tercica held and are entitled to vote, in the aggregate, shares of our common stock representing approximately % of the outstanding shares. As described in Special Factors Voting Agreements, certain of our directors who are not members of the Special committee and officers have executed voting agreements with the Purchaser and Merger Sub in which each of them agreed to vote their shares of Tercica common stock or other securities and any newly acquired shares or other securities in favor of the adoption of the merger agreement, the merger and the other actions contemplated by the merger agreement and any action in furtherance of the foregoing. We believe that our directors and officers intend to vote all of their shares of our common stock FOR the adoption of the merger agreement. In addition, as described in Special Factors Voting Agreements, the Purchaser has agreed to ensure that its affiliates, who collectively hold an aggregate of shares of Tercica common stock, or % of Tercica common stock outstanding as of the record date, vote any shares of Tercica common stock held by them in favor of the adoption of the merger agreement.

Q: Am I entitled to appraisal rights?

A: Yes. Under Delaware law, you have the right to seek appraisal of the fair value of your shares as determined by the Delaware Court of Chancery if the merger is completed, but only if you submit a written demand for an appraisal before the vote on the merger agreement, do not vote in favor of adopting the merger agreement and otherwise comply in all respects with the Delaware law procedures, which are explained in this proxy statement.

Q: What is the date, time and location of the special meeting?

A: The Special Meeting will be held at Tercica s offices located at 2000 Sierra Point Parkway, Brisbane, California 94005, at a.m., local time, on , 2008.

Q: What do I need to do now?

A: We urge you to read this proxy statement carefully, including its annexes, and consider how the merger affects you. Then mail your completed, dated and signed proxy card in the enclosed return envelope or appoint a proxy over the Internet or by telephone as soon as possible so that your shares can be voted at the Special Meeting.

Q: What happens if I do not return a proxy card?

A: The failure to return your proxy card (or to appoint a proxy over the Internet or by telephone or to vote in person) will have the same effect as a vote AGAINST the adoption of the merger agreement and will have no effect on the proposal to approve the adjournment of the Special Meeting.

Q: How are votes counted?

A: Votes will be counted by the inspector of election appointed for the Special Meeting, who will separately count FOR and AGAINST votes, abstentions and broker non-votes. A broker non-vote occurs when a nominee, such as a broker or bank, holding shares for a beneficial owner is precluded from exercising its

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voting discretion with respect to the approval of non-routine matters such as the adoption of the merger agreement, and thus, absent specific instructions from the beneficial owner of those shares, the nominee is not empowered to vote the shares with respect to the approval of those proposals. Because the adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Tercica common stock entitled to vote at the Special Meeting, broker non-votes and abstentions will have the same effect as votes AGAINST the adoption of the merger agreement. Abstentions and broker non-votes will, however, be treated as shares present for the purpose of determining the presence of a quorum for the transaction of business at the Special Meeting. For the proposal to approve the adjournment of the Special Meeting, if necessary, to solicit additional proxies to vote in favor of the adoption of the merger agreement, abstentions will have the same effect as AGAINST votes. Broker non-votes are not counted as votes FOR or AGAINST the proposal to approve the adjournment of the Special Meeting. However, broker non-votes, together with abstentions, can have the effect of preventing the approval the proposal to approve the adjournment of the Special Meeting where the number of FOR votes, though a majority of the votes cast on such proposal, does not constitute a majority of the required quorum. If you sign and return your proxy and do not indicate how you want to vote, your proxy will be voted FOR the proposal to adopt the merger agreement, and FOR the proposal to approve the adjournment of the Special Meeting, if necessary, to solicit additional proxies to vote in favor of the adoption of the merger agreement. Please do NOT send in your share certificates with your proxy.

Q: May I vote in person?

A: Yes. You may vote in person at the Special Meeting, rather than signing and returning your proxy card, if you own shares in your own name. However, we encourage you to return your signed proxy card to ensure that your shares are voted. You may also vote in person at the Special Meeting if your shares are held in street name through a broker or bank provided that you bring a legal proxy from your broker or bank and present it at the Special Meeting. You may also be asked to present photo identification for admittance.

Q: May I appoint a proxy over the Internet or by telephone?

A: Yes. You may appoint a proxy over the Internet or by telephone by following the instructions included in these materials.

Q: May I change my vote after I have mailed my signed proxy card?

A: Yes. You may change your vote at any time before the shares reflected on your proxy card are voted at the Special Meeting. You can do this in one of three ways. First, you can submit another properly completed proxy card with a later date. Second, you can send a written, dated notice to our Corporate Secretary stating that you are revoking your proxy. Third, you can attend the Special Meeting and vote in person. Your attendance alone will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow the directions received from your broker to change your instructions.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Your broker will not vote your shares without instructions from you. You should instruct your broker to vote your shares, following the procedure provided by your broker. Without instructions, your shares will not be voted, which will have the same effect as voting AGAINST the adoption of the merger agreement.

Q: Should I send in my stock certificates now?

A: No. After the merger is completed, you will receive written instructions for exchanging your shares of Tercica common stock for the merger consideration of $9.00 in cash, without interest, for each share of Tercica common stock.

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Q: What if I have lost my stock certificate?

A: If you have lost a stock certificate, or if it has been stolen or destroyed, then before you will be entitled to receive the merger consideration, you will have to make an affidavit of the loss, theft or destruction. Additionally, if required by the Purchaser or the surviving corporation in the merger, you will have to post a bond in customary amount and upon such terms as the Purchaser or the surviving corporation may determine are necessary as indemnity against any claim that may be made with respect to that certificate.

Q: Where will I find the results of the stockholder vote?

A: After the stockholder votes are counted, we will promptly file a final amendment to the Schedule 13E-3 filed with the SEC by Tercica, Ipsen, Suraypharm, the Purchaser and Merger Sub that will describe the results of the stockholder vote. In addition, we also intend to file a Current Report on Form 8-K to announce the results of the stockholder vote. See Other Matters Where You Can Find More Information beginning on page 106.

Q: What happens if the stockholders do not approve the merger?

A: If the stockholders do not approve the merger, our board of directors currently intends to direct management to continue to operate Tercica as a publicly traded company in accordance with our current operating plans.

Q: When do you expect the merger to be completed?

A: We are working toward completing the merger as quickly as possible, but we cannot predict the exact timing. We currently expect the merger to be completed in the third quarter of 2008 or early in the fourth quarter of 2008. In addition to obtaining stockholder approval, all other closing conditions must be satisfied or waived. However, we cannot assure you that all conditions to the merger will be satisfied or, if satisfied, the date by which they will be satisfied.

Q: When will I receive the merger consideration for my shares of Tercica common stock?

A: After the merger is completed, you will receive written instructions, including a letter of transmittal, that explain how to exchange your shares for the $9.00 per share merger consideration. When you properly return and complete the required documentation described in the written instructions, you will promptly receive from the paying agent a payment of the merger consideration for your shares.

Q: Where can I find more information about the companies?

A: Tercica files reports and other information with the SEC. Some of these reports and this other information are attached as annexes hereto. The Purchaser, Merger Sub and their respective affiliates are also required to file information with the SEC in connection with their ownership interest or potential ownership interest in Tercica. You may read and copy this information at the SEC s public reference facilities. Please call the SEC at 1-800-SEC-0330 for information about these facilities. This information is also available at the SEC s website maintained at www.sec.gov. You can also request copies of the documents we file with the SEC from us. See Other Matters Where You Can Find More Information beginning on page 106.

Q: Who can help answer my questions?

A: If you would like additional copies, without charge, of this proxy statement or if you have questions about the merger, including the procedures for voting your shares, you should contact us, as follows:

Tercica, Inc.

Investor Relations

2000 Sierra Point Parkway, Suite 400

Brisbane, California 94005

Telephone: (650) 624-4949

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement, and the documents to which we refer you in this proxy statement, include forward-looking statements that reflect our current views as to our financial condition, results of operations, plans, objectives, future performance, business, and the expected completion and timing of the merger and other information relating to the merger. These statements can be identified by the fact that they do not relate strictly to historical or current facts. You can identify these statements by words such as expect, anticipate, intend, plan, believe, seek, e may, strategy, will and continue or similar words. You should be aware that forward-looking statements involve known and unknown risks and uncertainties. The forward-looking statements included in this proxy statement are not protected by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995; however, these forward-looking statements speak only as of the date on which the statements were made, and we undertake no obligation to update or revise any forward-looking statements made in this proxy statement or elsewhere as a result of new information, future events or otherwise, except as required by law. In addition to other factors and matters contained in this proxy statement and the documents to which we refer you in this proxy statement, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

- the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement;
- the outcome of any legal proceedings that may be instituted against Tercica or others relating to the merger agreement;
- the inability to complete the merger due to the failure to obtain stockholder approval or the failure to satisfy other conditions;
- the failure of the merger to close for any other reason;
- the risk that the merger disrupts current plans and operations and the potential difficulties in employee retention as a result of the pending merger;
- the effect of the announcement of the merger on our business relationships, operating results and business generally;
- the amount of the costs, fees, expenses and charges related to the merger; and
- other risks detailed in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 attached hereto as Annex E and filed with the SEC on August 6, 2008. See Other Matters Where You Can Find Additional Information beginning on page 106.

The foregoing list and the risks reflected in this proxy statement and the documents to which we refer you in this proxy statement should not be construed to be exhaustive. We believe the forward-looking statements in this proxy statement are reasonable; however, there is no assurance that the actions, events or results of the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations or financial condition or on the merger. In light of the significant uncertainties inherent in the forward-looking statements contained herein, you should not place undue reliance on forward-looking statements, which reflect management s views only as of the date hereof. We cannot guarantee any future results, levels of activity, performance or achievements.

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RISK FACTORS

In addition to the risk factors detailed in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 attached hereto as Annex E and filed with the SEC on August 6, 2008, below please find two additional risk factors that relate to the merger. You should consider the following factors in conjunction with the other information included in this proxy statement and the documents to which we refer you in this proxy statement.

If the merger is not completed, our business could be harmed and our stock price could decline.

The completion of the merger is conditioned upon, among other things, the adoption of the merger agreement by our stockholders and the satisfaction or waiver of other closing conditions. Therefore, the merger may not be completed or may not be completed in a timely manner. If the merger agreement is terminated, the market price of our common stock will likely decline. In addition, our stock price may decline as a result of the fact that we have incurred and will continue to incur significant expenses related to the merger prior to its closing that will not be recovered if the merger is not completed. As of July 31, 2008, we had incurred a total of approximately $1.7 million in expenses related to the merger and expect to incur a total of approximately $5.2 million related to the merger, not including the potential increase to the financial advisory fee payable to Lehman Brothers of up to $2.0 million if, in the judgment of the Special Committee, the circumstances warrant such an increase. If the merger agreement is terminated under certain circumstances, we may be obligated to pay to the Purchaser a termination fee of $11.0 million. As a consequence of the failure of the merger to be completed, as well as of some or all of these potential effects of the termination of the merger agreement, our business could be harmed. Concerns about our viability are likely to increase, thereby likely making it more difficult to retain employees, maintain existing business and strategic relationships, including with Ipsen, and to effectively pursue new business development opportunities.

The fact that there is a merger pending could harm our business, revenue and results of operations.

While the merger is pending, it creates uncertainty about our future and we are subject to a number of risks that may harm our business, revenue and results of operations, including:

- the diversion of management and employee attention;
- the unavoidable disruption to our business relationships, including relationships with suppliers and manufacturers, which may detract from our ability to grow revenues and minimize costs;
- the possible loss of strategic relationships or business development opportunities;
- the incurrence of significant expenses related to the merger prior to its closing; and
- our weakened ability to respond effectively to competitive pressures, industry developments and future opportunities.

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THE COMPANIES

Tercica, Inc.

Tercica is biopharmaceutical company developing and marketing a portfolio of endocrine products. Tercica currently has the following products and product candidates in its commercialization and development portfolio:

- Increlex®, which is approved for marketing in both the United States and the European Union;
- Somatuline® Depot, which is approved for marketing in both the United States and Canada; and
- two product candidates containing different combinations of Increlex® and Genentech, Inc. s recombinant human growth hormone (Nutropin AQ®).

In October 2006, Tercica consummated a worldwide strategic collaboration in endocrinology with Ipsen as described under Special Factors Past Contracts, Transactions, Negotiations and Agreements Certain Transactions Transactions with Ipsen and its Affiliates. Tercica was incorporated under the laws of the State of Delaware in December 2001. Tercica maintains its principal executive offices at 2000 Sierra Point Parkway, Suite 400, Brisbane, California 94005, and its telephone number is (650) 624-4900.

Ipsen, S.A.

Ipsen is a *société anonyme* organized under the laws of France, with principal executive offices located at 42, rue du Docteur Blanche, 75016 Paris, France, and its telephone number is +33 (01) 44 30 4343. Ipsen is principally engaged in creating, manufacturing, and marketing pharmaceutical products. Ipsen is also the ultimate parent company of Suraypharm.

Suraypharm, S.A.S.

Suraypharm is a *société par actions simplifiée* organized under the laws of France and a wholly owned subsidiary of Ipsen and its subsidiaries, with principal executive offices located at 42, rue du Docteur Blanche, 75016 Paris, France, and its telephone number is +33 (01) 44 96 1010. Suraypharm is principally engaged in the business of creating, manufacturing and marketing pharmaceutical products. Suraypharm owns 12,527,245 shares of Tercica common stock which were issued in connection with Ipsen s prior investment in Tercica and has undertaken to vote these shares in favor of the merger as described herein.

Beaufour Ipsen Pharma, S.A.S.

The Purchaser, Beaufour Ipsen Pharma, is a *société par actions simplifiée* organized under the laws of France and a wholly owned subsidiary of Ipsen and its subsidiaries, with principal executive offices located at 24, rue Erlanger, 75016 Paris, France, and its telephone number is +33 (01) 44 96 1313. The Purchaser is principally engaged in creating, manufacturing and marketing pharmaceutical products and is the principal operating company within the Ipsen group.

Tribeca Acquisition Corporation

Merger Sub, Tribeca Acquisition Corporation, is a newly formed corporation organized under the laws of the State of Delaware and a wholly-owned subsidiary of the Purchaser, with principal executive offices located at 42, rue du Docteur Blanche, 75016 Paris, France, and its telephone number is +33 (01) 44 30 4343. Merger Sub has been organized by the Purchaser solely for the purpose of facilitating the merger and has not engaged in any business other than in furtherance of this purpose. Merger Sub s corporate existence will terminate upon completion of the merger.

SPECIAL FACTORS

The discussion of the merger and the merger agreement contained in this proxy statement summarizes the material terms of the merger. Although we believe that the description covers the material terms of the merger

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and the merger agreement, this summary may not contain all of the information that is important to you. We urge you to read this proxy statement, the merger agreement, a copy of which is attached to this proxy statement as Annex A, and the other documents referred to herein (including the annexes) carefully for a more complete understanding of the merger.

Past Contacts, Transactions, Negotiations and Agreements

Certain Transactions

Transactions with Ipsen and its Affiliates

On July 18, 2006, we entered into a Stock Purchase and Master Transaction Agreement (the Ipsen Transaction Agreement) with Ipsen that sets forth the terms of a worldwide strategic collaboration in endocrinology. Under the terms of the Ipsen Transaction Agreement, we agreed to issue to Ipsen (or its designated affiliate): (i) 12,527,245 shares of common stock (the First Closing Shares) for an aggregate purchase price of approximately $77.3 million; (ii) a convertible note in the principal amount of $25,037,000 (the First Convertible Note); (iii) a second convertible note in the principal amount of approximately $37,600,000 (based on an effective currency conversion ratio of Euros to U.S. Dollars on July 18, 2006) (the Second Convertible Note); (iv) a third convertible note in the principal amount of $15,000,000 (the Third Convertible Note and together with the First Convertible Note and the Second Convertible Note, the Convertible Notes); and (v) a warrant to purchase a minimum of 4,948,795 shares of our common stock (the Ipsen Warrant) at an exercise price of $7.41 per share (subject to certain adjustments). The initial closing under the Ipsen Transaction Agreement was consummated on October 13, 2006 (the First Closing) after receiving approval by our stockholders of the required aspects of the transactions contemplated by the Ipsen Transaction Agreement at a Special Meeting of Tercica s Stockholders held on October 12, 2006.

In accordance with the Ipsen Transaction Agreement, at the First Closing, we issued the First Closing Shares to Suraypharm, Ipsen s designated affiliate, and also issued the First Convertible Note and the Ipsen Warrant to Ipsen. At the First Closing, we also entered into the following agreements with Ipsen and/or its affiliates:

- Affiliation Agreement, dated October 13, 2006, by and between Tercica, Suraypharm and Ipsen (the Affiliation Agreement);
- Registration Rights Agreement, dated October 13, 2006, by and between Tercica, Suraypharm and Ipsen (the Ipsen Rights Agreement);
- Increlex License and Collaboration Agreement, dated October 13, 2006, by and between Tercica and the Purchaser (the Increlex License); and
- Somatuline License and Collaboration Agreement, dated October 13, 2006, by and between Tercica, the Purchaser and SCRAS, an affiliate of Ipsen (the Somatuline License and together with the Increlex License, the License Agreements).

In connection with the First Closing, we also adopted certain amendments to our amended and restated certification of incorporation and adopted a stockholder rights plan, which stockholder rights plan is described below under Agreements Involving Tercica s Securities. Pursuant to the Somatuline License, Ipsen granted to us and our affiliates the exclusive right under Ipsen s patents and know-how to develop and commercialize Somatuline® Depot (known as Somatuline® Autogel® in territories outside of the United States including Canada) in the United States and Canada for all indications other than opthalmic indications. Pursuant to the Increlex License, we granted to Ipsen and its affiliates the exclusive right under our patents and know-how to develop and commercialize Increlex® in all countries of the world except the United States, Japan, Canada, and for a certain period of time, Taiwan and certain countries of the Middle East and North Africa, for all indications, other than treatment of central nervous system indications and diabetes indications. Ipsen s territory would expand, subject to the approval of Genentech, Inc. (Genentech), to include Taiwan and any of the excluded countries of the Middle East or North Africa upon termination or expiry of certain third-party distribution agreements in such countries. Pursuant to the License Agreements, we and Ipsen granted to each other product

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development rights and agreed to share the costs for improvements to, or new indications for, Somatuline® Depot and Increlex®, and also agreed to rights of first negotiation for their respective endocrine pipelines. The terms of the Affiliation Agreement and the Ipsen Rights Agreement are described below under Agreements Involving Tercica s Securities.

At the First Closing, we received proceeds of approximately $77.3 million for the issuance of the First Closing Shares. Further, we received from Ipsen approximately $11.8 million, after tax withholding, as an upfront license fee under the Increlex License. Under the Somatuline License, we made an upfront payment of approximately $25.0 million to Ipsen, which was financed through the issuance by us of the First Convertible Note to Ipsen at the First Closing. At the First Closing, we also issued the Ipsen Warrant to Ipsen.

On July 30, 2007, we issued 519,101 shares of our common stock to Ipsen for an aggregate purchase price of approximately $2.9 million in connection with the transactions contemplated by the Genentech Purchase Agreement as described below under Agreements Involving Tercica s Securities Genentech Purchase Agreement.

In August 2007, the European Commission granted marketing authorization for Increlex® in the European Union for the long-term treatment of growth failure in children and adolescents with severe primary insulin-like growth factor deficiency. Under the Increlex License, Ipsen paid us a milestone payment of approximately $19.3 million, after tax withholding, for receiving marketing authorization of Increlex® in the European Union for the targeted product label set forth in the Increlex License. Increlex® was launched in Ipsen s territory in November 2007, and Ipsen began paying royalties to Tercica on a sliding scale from 15% to 25% of net sales, in addition to a supply price of 20% of the average net sales price of Increlex®. For the year ended December 31, 2007 and the six-months ended June 30, 2008, we recorded royalty revenue of $42,547 and $160,160, respectively, from sales of Increlex® by Ipsen.

On September 17, 2007, we consummated the second closing of the transactions contemplated by the Ipsen Transaction Agreement (the Second Closing), in connection with which we issued to Ipsen the Second Convertible Note and the Third Convertible Note. Each of the Convertible Notes we issued to Ipsen carried a coupon of 2.5% per annum from the date of issuance, compounded quarterly, and were convertible into shares of our common stock at an initial conversion price per share equal to $7.41 per share (with respect to the Second Convertible Note, the initial conversion price per share is based on an effective currency conversion ratio of Euros to U.S. dollars on July 18, 2006), subject to certain adjustments. Under the Somatuline License, we made a milestone payment of approximately $41.6 million (based on an effective currency conversion ratio of Euros to U.S. Dollars on September 17, 2007) to Ipsen, which was financed through the issuance by us of the Second Convertible Note to Ipsen at the Second Closing. The milestone payment became due under the Somatuline License following approval by the FDA for marketing Somatuline® Depot in the United States. Somatuline® Depot was commercially available in Tercica s territory in November 2007. We pay royalties to Ipsen, on a sliding scale from 15% to 25% of net sales of Somatuline® Depot, in addition to a supply price of 20% of the average net sales price of Somatuline® Depot, and for the year ended December 31, 2007 and the six-months ended June 30, 2008, we incurred royalty expense to Ipsen from sales of Somatuline® Depot by us in the amounts of $32,356 and $385,641, respectively.

As described under Special Factors Letter Regarding Ipsen Warrant and Convertible Notes, Ipsen committed to exercise the Ipsen Warrant and convert the Convertible Notes in full following the execution of the merger agreement. On July 22, 2008, Ipsen (i) exercised in full the Ipsen Warrant for 4,948,795 shares of our common stock (the Warrant Shares) at an aggregate cash exercise price of approximately $36.7 million and (ii) converted in full the Convertible Notes resulting in the issuance to Ipsen of an aggregate of 10,774,806 shares of our common stock (the Note Shares). Upon such exercise and conversions, the Ipsen Warrant and the Convertible Notes were cancelled.

In connection with the execution of the merger agreement, pursuant to the terms of the Affiliation Agreement, on June 4, 2008 Suraypharm delivered to us a letter of consent to the merger and, pursuant to the terms of the Convertible Notes, on June 4, 2008, Ipsen delivered to us a letter of consent to the merger.

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On July 22, 2008, we issued 410,831 shares of our common stock to Ipsen for an aggregate purchase price of approximately $3.7 million in connection with the transactions contemplated by the Genentech Purchase Agreement as described below under Agreements Involving Tercica s Securities Genentech Purchase Agreement.

Other Transactions

Other than as set forth in this proxy statement and except for transactions involving or arising out of compensatory arrangements relating to services rendered as an employee, officer, director, member or partner of Tercica or its affiliates that are not natural persons, during the past two years, none of Tercica or any of its executive officers or directors have been involved in a transaction (i) with Tercica or any of its affiliates that are not natural persons where the aggregate value of the transaction exceeded more than 1% of our consolidated revenues during the fiscal year in which the transaction occurred, or during the past portion of 2008 if the transaction occurred in 2008, or (ii) with any executive officer, director or affiliate of Tercica that is a natural person where the aggregate value of the transaction or series of similar transactions exceeded $60,000.

Other than as set forth in this proxy statement, during the past two years, none of the Ipsen Parties or their respective executive officers or directors have been involved in a transaction (i) with us or any of our affiliates that are not natural persons where the aggregate value of the transaction exceeded more than 1% of our consolidated revenues during the fiscal year in which the transaction occurred, or during the past portion of 2008, if the transaction occurred in 2008 or (ii) with any executive officer, director or affiliate of Tercica that is a natural person where the aggregate value of the transaction or series of similar transactions exceeded $60,000.

Past Contacts and Negotiations

Other than as described under Background of the Merger or as otherwise set forth in this proxy statement, there have not been any negotiations, transactions or material contacts during the past two years concerning any merger, consolidation, acquisition, tender offer or other acquisition of any class of our securities, election of our directors or sale or other transfer of a material amount of our assets (i) between us or any of our affiliates, on the one hand, and the Ipsen Parties or any of their respective subsidiaries, executive officers or directors or managing members, on the other hand, (ii) between any affiliates of Tercica or (iii) between Tercica or any of its affiliates, on the one hand, and any person not affiliated with Tercica who would have a direct interest in such matters, on the other hand.

Agreements Involving Tercica s Securities

Except as set forth below or as otherwise set forth in this proxy statement, there are no agreements, arrangements or understandings between Tercica, the Ipsen Parties or their respective executive officers or directors and any other person with respect to Tercica s securities.

Affiliation Agreement

Under the terms of the Affiliation Agreement, so long as Ipsen holds at least 15% of our outstanding shares of common stock, Ipsen is entitled to nominate up to two out of the nine authorized members of our board of directors, provided that in the event Ipsen holds at least 60% of our then outstanding shares of common stock, Ipsen is entitled to nominate an unlimited number of directors to our board of directors and in the event that Ipsen holds less than 15% but at least 10% of our outstanding shares of common stock, Ipsen is entitled to nominate one director to our board of directors. Ipsen is also entitled to nominate additional independent director nominees (which nominees must be independent of Ipsen) for election to our board of directors starting in 2008, as follows: one nominee in 2008, two nominees in 2009 and four nominees in 2010, provided that these rights would terminate if Ipsen holds less than 15% of the outstanding shares of our common stock, and are subject to reductions under certain circumstances. Christophe Jean, the Chief Operating Officer of Ipsen, currently serves

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on our board of directors as an Ipsen designee under the Affiliation Agreement and is presently the only Ipsen designee on our board of directors. The Affiliation Agreement also includes certain provisions with respect to the establishment and composition of the standing committees of our board of directors.

Under the Affiliation Agreement, the approval of Ipsen is required for us to take certain actions, including:

- making, or permitting any subsidiary to make, loans to, or owning any stock or other securities in another corporation, partnership or other entity, with certain exceptions with respect to certain permitted investments, including those permitted under our investment policy;
- adopting any plan or arrangement with respect to our dissolution or liquidation;
- entering into any material transaction or contract unless it would reflect the execution of a budget approved by our board of directors and would not be reasonably anticipated to increase future budgets beyond current projections (or where no current projections have been formally prepared, beyond reasonably anticipated growth based on our recent operating performance);
- disposing of or acquiring any property or assets other than in the ordinary course of business, provided that we may not in any event acquire or dispose of any property or assets with an aggregate value exceeding $5.0 million without Ipsen s written consent, other than certain permitted transfers;
- merging or consolidating with any other person;
- establishing or approving an operating budget with anticipated research and development spending in excess of $25.0 million per year, plus amounts approved by the Joint Steering Committee under the Somatuline License for spending related to the products of Ipsen or its affiliates;
- entering into any transaction or agreement that would be reasonably likely to require an increase in research and development spending above the amount specified above;
- incurring capital expenditures of more than $2.0 million in any given year;
- making any investment, other than certain permitted investments;
- subject to certain limited exceptions, incurring any indebtedness other than indebtedness evidenced by the Convertible Notes and other than certain permitted indebtedness; provided that, with respect to permitted indebtedness, if following the incurrence of such permitted indebtedness, our total indebtedness exceeds $2.5 million, then such permitted indebtedness will not be permitted unless immediately prior and after giving effect to the incurrence of such permitted indebtedness, our ratio of net indebtedness to EBITDA does not exceed 1 to 1;
- subject to certain limited exceptions, changing our principal business, entering into new lines of business or exiting our current line of business;

declaring or paying any cash dividend on or redeeming or repurchasing any shares of our capital stock, other than repurchases upon termination of services to us;

increasing or decreasing the number of authorized directors on our board of directors or any committee thereof;

deregistering our common stock under the Exchange Act;

amending, altering or repealing any provision of our amended and restated certificate of incorporation or amended and restated bylaws;

entering into any transaction or agreement that results, or is reasonably likely to result, in competition with any business of Ipsen or its affiliates carried on anywhere in the world at the time that such transaction or agreement would otherwise be entered into by us;

hiring a new Chief Executive Officer;

changing our fiscal year;

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adopting, implementing, amending, redeeming, waiving or otherwise terminating or causing to come into effect or failing to apply any takeover defense measures, including without limitation any stockholder rights plan, or any change of control provisions in contracts that would reasonably be expected to have a material impact on our operations, prospects or financial condition or the value of Ipsen s (or its affiliates) holdings in us in the event that Ipsen, or its affiliates, increase their aggregate holdings in us;

supporting, recommending or endorsing any offer by any person or group to acquire more than 9.9% of the then-outstanding shares of our common stock, where such person or group is not already the beneficial owner of 9.9% of our common stock or, in the case of a person or group who currently beneficially owns more than 9.9% of our common stock, where such acquisition would increase the percentage beneficially owned by such person or group;

creating any additional class or series of shares of stock or increasing the shares of any authorized class of stock, unless the same ranks junior to our common stock with respect to liquidation and redemption rights and the payment of dividends;

issuing or selling shares of our capital stock or securities exercisable for or convertible into shares of our capital stock, other than:

issuances or sales, used solely for working capital and research and development purposes, after the second anniversary of the date of the First Closing that may not exceed $25.0 million in any three-year period,

issuances or sales of our capital stock, the proceeds of which would be used to repay the Convertible Notes,

issuances or sales pursuant to options, warrants or other grants or purchase rights or shares to be issued after the date of the Affiliation Agreement to employees, directors or consultants of us or our subsidiaries pursuant to plans or arrangements approved by the board of directors, or

issuances or sales pursuant to any rights or agreements outstanding as of the date of the Affiliation Agreement; and

granting to any party or issue any security the terms of which contain any preemptive right.

Under the terms of the Affiliation Agreement, Ipsen is not permitted, without our prior written consent, to sell, transfer or dispose of any shares of our common stock to any person or persons known to Ipsen or its affiliates to be a group (within the meaning of Section 13(d)(3) of the Exchange Act) who would, to Ipsen s or its affiliates knowledge, beneficially own more than 14.9% of our then-outstanding common stock. In addition, during the period commencing on October 13, 2007 and expiring on the fourth anniversary of such date, Ipsen is not permitted, without our written consent, to take any action to effect, directly or indirectly, the acquisition of beneficial ownership by Ipsen of any additional shares of our common stock from persons other than us, other than certain permitted offers and acquisitions in connection with maintenance of Ipsen s percentage ownership interest in Tercica, acquisitions by other stockholders and an increase in Ipsen s ownership position to at least 60% (subject to adjustment) of our outstanding common stock. If at any time Ipsen and/or its affiliates beneficially own 90% or more of our outstanding common stock Ipsen will, or will cause its affiliate to, effect a short-form merger with us in accordance with Delaware law (provided that Ipsen would then be entitled to effect a short-form merger with us in accordance with Delaware law).

Pursuant to the Affiliation Agreement, except as Ipsen may agree in writing, neither Ipsen, nor any of its affiliates nor any of their respective directors, officers or employees would be liable to us or our stockholders for breach of any fiduciary duty by reason of the activities of Ipsen or any of Ipsen s affiliates. If Ipsen or any of its affiliates acquires knowledge of a potential transaction or matter that may be a corporate opportunity for both Ipsen (or its affiliates) and us, neither Ipsen nor its affiliates would have a duty to offer such opportunity to us. Further, neither Ipsen nor it affiliates would be held liable to us or our stockholders for breach of fiduciary duty

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as a stockholder or controlling person of a stockholder of Tercica if Ipsen or its affiliates pursues or acquires such corporate opportunity for itself, directs the opportunity to a third party or does not disclose the existence of, or offer, such opportunity to us. Further, if a person who is a director, officer or employee of Tercica as well as a director, officer or employee of Ipsen or any of Ipsen s affiliates acquires knowledge, other than solely as result of his or her position as a director, officer or employee of Tercica, of a potential transaction that may be a corporate opportunity for both us and Ipsen or Ipsen s affiliates (whether such transaction is proposed by a third party or conceived by such person), then such person would be entitled to offer such opportunity to us, Ipsen or Ipsen s affiliates in such person s sole discretion, and would have no obligation to offer such opportunity to us. This waiver would not apply, however, if such person had knowledge of such an opportunity that was acquired solely as a result of his or her position as a director, officer or employee of Tercica. We also agreed to renounce any interest or expectancy in, or in being offered an opportunity to participate in (i) any such corporate opportunity and (ii) any other potential transaction or matter that may be a corporate opportunity for us and Ipsen or Ipsen s affiliates of which Ipsen or any of Ipsen s affiliates acquires knowledge, except to the extent that a director, officer or employee of Ipsen or any of its affiliates acquires such knowledge solely as a result of his or her position as a director, officer or employee of Tercica. Ipsen also has a preemptive right under the Affiliation Agreement to purchase its pro-rata portion of new securities offered by us, subject to certain exceptions and conditions (the Pro Rata Purchase Right).

Ipsen Rights Agreement

Under the terms of the Ipsen Rights Agreement, we have agreed to provide Ipsen and Suraypharm (and any subsequent holders to which Ipsen and/or Suraypharm have transferred their rights under the Ipsen Rights Agreement) certain demand and piggyback registration rights under the Securities Act of 1933, as amended (the Securities Act) with respect to the First Closing Shares, any shares issued to Ipsen in exercise of its Pro Rata Purchase Rights in connection with issuances to Genentech under the Genentech Purchase Agreement, the Warrant Shares and the Note Shares (and shares of our common stock related to the foregoing shares issued in connection with any exchange, conversion, stock split, stock dividend, distribution or similar event (collectively, the Ipsen Registrable Securities)). In general, we would bear all the expenses of any registrations under the Ipsen Rights Agreement, except for underwriting discounts and commissions, fees and disbursements of counsel for any holders, brokers or other selling commissions and stock transfer taxes which would be borne by the holders selling Ipsen Registrable Securities. As a condition to the filing of any registration statement under the demand registration rights, Ipsen, Suraypharm and each of their affiliates would agree that for so long as they collectively beneficially own ten percent or more of our outstanding common stock, they would sell shares registered pursuant to the Ipsen Rights Agreement only (i) in organized sales, meaning sales in an underwritten offering or by utilizing a placement agent or agents with a minimum aggregate offering price of at least $10.0 million (net of underwriter or placement agent discounts, fees or commissions) or sales to a single purchaser or group of purchasers in a block trade with a minimum aggregate offering price of at least $5.0 million; or (ii) in unorganized sales, meaning sales that are not organized sales, for so long as the total number of shares sold by Ipsen, Suraypharm and their affiliates in unorganized sales does not exceed an aggregate of 15% of our outstanding common stock as measured at the time of the most recent sale. We have agreed to indemnify the holders of registration rights under the Ipsen Rights Agreement under certain circumstances with respect to the registration of such Ipsen Registrable Securities. The registration rights are assignable by Ipsen, Suraypharm and their affiliates to any transferee of at least 1,500,000 shares of Ipsen Registrable Securities. For so long as the approval rights described under Affiliation Agreement above remain in effect, and subject to certain exceptions, the prior written consent of Ipsen would be required before we may grant certain registration rights to other holders of our common stock. From and after the date the approval rights set forth under Affiliation Agreement cease to remain effective, and subject to certain exceptions, we are required to provide the holders of Ipsen Registrable Securities with written notice at least 15 business days prior to effecting any registration.

Prior Voting Agreements

In connection with entering into the Ipsen Transaction Agreement, certain of our current and former directors and their affiliated entities entered into voting agreements with Ipsen and Suraypharm (the Prior

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Voting Agreements). These directors and their affiliated entities include all of our current directors (other than Messrs. Jean and Hasnain) as well as the entities affiliated with MPM Capital L.P., Prospect Management Co. II, LLC and Rho Capital Partners, Inc. Under the Prior Voting Agreements, these stockholders agreed to vote in favor of the transactions contemplated by the Ipsen Transaction Agreement. In addition, until such time as Ipsen is no longer entitled to designate at least one director to our board of directors pursuant to the terms of the Affiliation Agreement, these stockholders have agreed to vote, and have granted an irrevocable proxy to certain representatives of Ipsen to vote, all shares of our common stock legally or beneficially held by these stockholders as follows:

- in favor of each director that Ipsen is then entitled to designate to our board of directors pursuant to the Affiliation Agreement (not including the additional independent director nominees Ipsen is entitled to nominate to our board of directors), and, to the extent necessary, withhold votes for all other nominees for director;

- in favor of the number of authorized directors to be set and remain at nine and against any change in such number, except as agreed between Tercica and Ipsen;

- against any proposal to remove any Ipsen designee from our board of directors that Ipsen is then entitled to designate to our board of directors pursuant to the Affiliation Agreement;

- for the approval of any transactions contemplated by the Ipsen Transaction Agreement and each of the agreements contemplated by the Ipsen Transaction Agreement, and in favor of any related matter presented for approval by our stockholders; and

- against the approval of any other action or contract that is intended to or could reasonably be expected to impede, interfere with, delay or discourage the transactions contemplated by the Ipsen Transaction Agreement and the agreements contemplated by the Ipsen Transaction Agreement.

Genentech Purchase Agreement

Under the terms of a Common Stock Purchase Agreement we entered into with Genentech in July 2007 (the Genentech Purchase Agreement), we agreed to sell, and Genentech agreed to purchase, up to a maximum of 2,603,328 shares of our common stock (the Genentech Shares) in three separate closings. The Genentech Purchase Agreement was entered into in connection with the Combination Product Development and Commercialization Agreement we entered into with Genentech in July 2007 (the Combination Product Agreement). In July 2007, we and Genentech consummated the first closing under the Genentech Purchase Agreement pursuant to which we issued 708,591 shares of our common stock for an aggregate purchase price of approximately $4.0 million, or $5.645 per share (the First Genentech Closing). In connection with the First Genentech Closing, Ipsen exercised its Pro Rata Purchase Rights pursuant to which Ipsen purchased 519,101 shares of our common stock for an aggregate purchase price of approximately $2.9 million, or $5.63 per share.

On June 17, 2008, Genentech provided notice to us that it desired to acquire certain secondary opt-in rights under the Combination Product Agreement. In connection with the acquisition of such secondary opt-in rights, on July 11, 2008, Genentech purchased 590,580 shares of our common stock (the Second Option Shares) in a subsequent closing under the Genentech Purchase Agreement (the Second Option Closing) for an aggregate purchase price of approximately $4.0 million, or $6.773 per share. In connection with the Second Option Closing, on July 22, 2008, Ipsen exercised its Pro Rata Purchase Rights pursuant to which Ipsen purchased 410,831 shares of our common stock for an aggregate purchase price of approximately $3.7 million, or $8.92 per share.

In the event that neither party elects to opt out under the Combination Product Agreement and a certain regulatory milestone event is achieved, upon our request, Genentech would, subject to customary closing conditions, purchase up to 1,052,632 shares of our common stock (the Milestone Shares) in a subsequent closing (the Milestone Closing) at a price per share equal to the average of the closing prices of our common stock for the 20 trading days ending on the trading date immediately prior to the effective date of the regulatory milestone event (the Milestone Price), provided that Genentech may purchase no more than $5.0 million of our common stock in

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such Milestone Closing. Assuming that the merger is completed prior to the time at which we would complete the Milestone Closing, we do not expect to request that Genentech purchase the Milestone Shares.

Genentech is entitled to certain registration rights with respect to the Genentech Shares as described under Investor Rights Agreement below. In the event that the Combination Product Agreement is terminated, the Genentech Purchase Agreement would terminate in its entirety.

Committed Equity Financing Facility

Under the terms of a committed equity financing facility (CEFF) we entered into with Kingsbridge Capital Limited (Kingsbridge) in October 2005, Kingsbridge committed to purchase a maximum of 6,036,912 newly issued shares of our common stock over a three-year period beginning in October 2005, for cash up to an aggregate of $75.0 million, subject to certain conditions and restrictions. We may draw down under the CEFF in tranches of up to the lesser of $7.0 million or 2% of its market capitalization at the time of the draw down of such tranche, subject to certain conditions. The common stock to be issued for each draw down would be issued and priced over an eight-day pricing period at discounts ranging from 6% to 10% from the volume weighted average price of our common stock during the pricing period. During the term of the CEFF, Kingsbridge may not short our common stock, nor may it enter into any derivative transaction directly related to our common stock. The minimum acceptable purchase price, prior to the application of the appropriate discount for any shares to be sold to Kingsbridge during the eight-day pricing period, is determined by the greater of $3.00 or 90% of the closing share price of our common stock on the trading day immediately prior to the commencement of each draw down. In connection with the CEFF, we issued a warrant to Kingsbridge to purchase up to 260,000 shares of our common stock at an exercise price of $13.12 per share (the Kingsbridge Warrant). In connection with the CEFF, we entered into a Registration Rights Agreement with Kingsbridge (the Kingsbridge Rights Agreement) pursuant to which we agreed to register the shares of our common stock underlying the CEFF and the Kingsbridge Warrant and to keep such registration statement effective for up to two years following the termination of the CEFF. Under the Kingsbridge Rights Agreement, in the event we fail to maintain the effectiveness of registration statement filed pursuant to the Kingsbridge Rights Agreement or we suspend the use of such registration statement, then, under certain circumstances, we may be required to pay certain amounts to Kingsbridge (or issue to Kingsbridge additional shares of common stock in lieu of cash payment) as liquidated damages.

Investor Rights Agreement

We, the prior holders of our preferred stock (including Genentech) and Dr. Scarlett and Dr. Clark have entered into an agreement pursuant to which these stockholders were granted the right to require us to register their shares of our common stock under the Securities Act, subject to limitations and restrictions, on two occasions. Also, if at anytime we propose to register any of its securities under the Securities Act, either for our account or for the account of other securities holders, the holders of these shares will be entitled to notice of the registration and will be entitled to include, at our expense, their shares of our common stock in the registration. In addition, these stockholders may require us, at our expense and on not more than two occasions in any 12-month period, to file a registration statement on Form S-3 under the Securities Act covering their shares of our common stock. These rights terminate on the earlier of five years after the effective date of our initial offering public offering in March 2004, or, with respect to an individual stockholder, when such holder is able to sell all its shares pursuant to Rule 144 under the Securities Act in any 90-day period; provided, however, that with respect to the Genentech Shares, the rights will not terminate until the third anniversary of the final closing under the Genentech Purchase Agreement (or earlier if the holder(s) of the Genentech Shares is able to sell all its shares pursuant to Rule 144 under the Securities Act in any 90-day period). These registration rights are subject to conditions and limitations, including the right of underwriters to limit the number of shares of our common stock included in the registration statement.

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Stockholder Rights Plan

In October 2006, we entered into a Rights Agreement with Computershare Trust Company, N.A., as rights agent (the Rights Agreement), that provides for a dividend distribution of one preferred share purchase right (a Right) for each outstanding share of our common stock. Each Right entitles the registered holder to purchase from us one one-hundredth of a share of Series A Preferred, at a price of $40.00 per one one-hundredth of a share of Series A Preferred, subject to adjustment. Each one one-hundredth of a share of Series A Preferred has designations and powers, preferences and rights, and the qualifications, limitations and restrictions that make its value approximately equal to the value of a share of our common stock. Pursuant to the Rights Agreement, if we are restricted from taking certain actions pursuant to the Affiliation Agreement, then our board of directors may only take action with respect to the Rights with the concurrence of Ipsen.

The Rights are currently evidenced by the stock certificates representing our common stock outstanding, and no separate Right Certificates, as defined below, have been distributed. Until the earlier to occur of (i) ten business days following the public announcement that a person or group of affiliated or associated persons has become an Acquiring Person ; or (ii) ten business days (or such later date as may be chosen by our board of directors so long as the Requisite Percentage threshold has not been crossed) after such time as a person or group commences or announces its intention to commence a tender or exchange offer, the consummation of which would result in beneficial ownership by such person or group of the Requisite Percentage or more of our common stock (the earlier of such dates being called the Distribution Date), the Rights will be evidenced, with respect to any of the shares of our common stock outstanding, by such common stock certificates. As a general matter, the Requisite Percentage under the Rights Agreement is 9.9% of our outstanding common stock. However, with respect to (i) MPM Capital L.P. and its affiliates so long as they do not acquire any additional shares, the Requisite Percentage is the greater of 9.9% and the percentage owned by MPM Capital L.P. and its affiliates; (ii) Ipsen, so long as it does not acquire beneficial ownership of any shares other than shares acquired pursuant to the terms of the stock purchase and master transaction agreement between us and Ipsen and the other documents contemplated by such stock purchase and master transaction agreement, the Requisite Percentage is the greater of 9.9% and the percentage owned by Ipsen; and (iii) any entity that acquires shares from Ipsen, such entity s Requisite Percentage would be 14.9%. An Acquiring Person is a person, the affiliates or associates of such person, or a group, which is or becomes the beneficial owner of the Requisite Percentage.

Until the Distribution Date (or earlier redemption or expiration of the Rights), the Rights are transferable with and only with our common stock. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights (Right Certificates) will be mailed to holders of record of our common stock as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights. The Rights are not exercisable until the Distribution Date. In the event a person (or group of affiliated or associated persons) becomes an Acquiring Person, each holder of a Right, other than Rights beneficially owned by the Acquiring Person and its associates and affiliates (which will thereafter be void), will for a 60-day period have the right to receive upon exercise that number of shares of our common stock having a market value of two times the exercise price of the Right (or, if such number of shares is not and cannot be authorized, we may issue Series A Preferred, cash, debt, stock or a combination thereof in exchange for the Rights). Furthermore, in the event that Tercica is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold to an Acquiring Person, its associates or affiliates or certain other persons in which such persons have an interest, each holder of a Right will thereafter have the right to receive, upon the exercise thereof at the then current exercise price of the Right, that number of shares of common stock of the acquiring company that at the time of such transaction will have a market value of two times the exercise price of the Right.

Our board of directors may redeem the Rights at any time prior to the earliest of (i) the Distribution Date or (ii) the Final Expiration Date (as defined below) at a redemption price of $0.001 per Right. In addition, our board of directors may, after any time a person becomes an Acquiring Person (but prior to the acquisition by such Acquiring Person of 50% or more of Tercica s outstanding common stock), exchange each Right for one share of

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our common stock per Right (or, at our election, we may issue cash, debt, stock or a combination thereof in exchange for the Rights), subject to adjustment.

In connection with the execution and delivery of the merger agreement, we entered into an amendment to the Rights Agreement in order to prevent the merger agreement, the voting agreements, the merger or the consummation of any other transactions contemplated by the merger agreement or the voting agreements from triggering the distribution and/or exercise of the Rights. The amendment to the Rights Agreement provides that, among other things, (i) no Distribution Date will be deemed to have occurred as a result of, among other things, the approval, execution and delivery of the merger agreement or the voting agreements, or the consummation of the merger or any other transactions contemplated thereby; (ii) no party to the merger agreement or the voting agreements (including such party s affiliates and associates) will be or become an Acquiring Person as a result of, among other things, the approval, execution and delivery of the merger agreement or the voting agreements, or the consummation of the merger or any other transactions contemplated thereby; and (iii) the Rights will expire on the earlier to occur of October 26, 2016 or immediately prior to the Effective Time (the Final Expiration Date). On June 4, 2008, pursuant to the terms and conditions of the Affiliation Agreement and the Convertible Notes, Suraypharm and Ipsen each delivered to Tercica a letter consenting to the amendment to the Rights Agreement.

Tercica Equity Compensation Plans

Tercica s executive officers and directors are eligible participants in our stock plans that provide for the grant of stock option awards, restricted stock unit awards and other types of equity awards. Our executive officers are also eligible to participate in the ESPP.

Background of the Merger

On January 24, 2008, the board of directors of Ipsen held a board meeting at which, as part of the board s regular periodic review process, Ipsen s existing investment in and relationship with Tercica was considered. The performance of Tercica was discussed, including its possible evolution and potential to meet financial objectives. As part of this discussion and review, the board of directors of Ipsen also considered the feasibility of a possible business combination transaction between Ipsen and Tercica including the risks associated with pursuing such a transaction and how Tercica might fit into Ipsen s broader strategy for growing its direct presence in the United States following, or without, a business combination transaction.

Following the meeting of board of directors, Ipsen decided to assess in more detail the value that an increase in its holding in Tercica, through a business combination, might provide to its U.S. growth plans and possible processes with respect to any such business combination with Tercica. Goldman Sachs Paris Inc. et Cie (together with its affiliates Goldman Sachs) was requested to provide assistance to the Ipsen Parties in connection with that review and, in particular, to provide project management support to Ipsen and to perform certain illustrative financial analyses relating to the proposed transaction. Goldman Sachs, an internationally recognized investment banking firm, is Ipsen s regular financial advisor and is familiar with Ipsen s relationship with Tercica having acted as Ipsen s financial advisor in connection with Ipsen s 2006 equity investment in Tercica.

On February 14, 2008, Mr. Bélingard, Ms. Giraut and Mr. Mathot (Ipsen s Chief Executive Officer, Chief Financial Officer and General Counsel, respectively) met with representatives of Goldman Sachs and Freshfields Bruckhaus Deringer U.S. LLP (Freshfields) in New York. The purpose of this meeting was to discuss the impact, structure and timing of, and process for, approaching Tercica regarding discussion and review of the possibility of and issues associated with a possible transaction, including a business combination transaction, between Ipsen and Tercica. Goldman Sachs provided discussion materials detailing equity research analyst coverage for Tercica and illustrative financial analyses, including historic premia for industry transactions, projection comparisons and an illustrative discounted cash flow analysis for Tercica based upon information published by equity research analysts covering Tercica. At this meeting, Goldman Sachs was instructed to

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prepare materials for a meeting of the board of directors of Ipsen on February 26, 2008, which materials would include illustrative financial analyses.

On February 26, 2008, the board of directors of Ipsen held a board meeting at which representatives of Goldman Sachs gave a presentation relating to the possible strategies for increasing Ipsen s investment in Tercica and Ipsen s general U.S. strategy was discussed. Goldman Sachs provided Ipsen s management with an illustrative discounted cash flow analysis for Tercica based upon information published by equity research analysts covering Tercica, a historical trading value analysis of Tercica common stock based upon the preceding 52-week trading range, a research analyst target price analysis of Tercica based on selected equity research reports, an illustrative analysis of premia paid in selected U.S. minority buyout transactions based on publicly available information, and an illustrative analysis of premia paid in selected non-minority buyout transactions in the biotech sector based on publicly available information. Goldman Sachs also discussed with Ipsen s board of directors possible structures, and financing alternatives, for such a business combination transaction.

At the meeting of the board of directors of Ipsen on February 26, 2008, it was resolved by Ipsen s board of directors that management should continue its evaluation of a possible business combination transaction between Ipsen and Tercica.

Throughout the first quarter of 2008, Ipsen s senior management continued its internal consideration of the advantages and disadvantages of a possible increase in its holding in Tercica by way of a business combination transaction.

On March 11, 2008, members of Ipsen s senior management met with representatives of Goldman Sachs in Paris as part of the continued evaluation of a possible business combination transaction between Ipsen and Tercica. Members of Ipsen s senior management also met with representatives of Goldman Sachs on March 18 and March 26, 2008. At these meetings, Goldman Sachs discussed with Ipsen s senior management financial and strategic considerations including, among other things: Tercica s actual, and relative, historical and current stock price performance; equity analyst coverage of Tercica and Ipsen s investment in Tercica; premia paid in selected prior transactions; projections for Ipsen and Tercica (based on information made available by Ipsen to Goldman Sachs); updated valuation benchmarks derived from illustrative analyses of historical trading prices, price targets published by Wall Street analysts, premia paid in selected U.S. minority buyout transactions, premia paid in selected biotech transactions and discounted cash flows based on Wall Street research estimates; the possible evolution of product, and geographical, mix and illustrative synergies that would arise from a business combination transaction (including updated projections based on publicly available information and information provided by Ipsen); Tercica s stockholder profile (based on publicly available information); Ipsen s rights and options under its existing arrangements with Tercica (based on publicly available information); and the strategies that may be adopted in any negotiations that may arise with Tercica.

On March 31, 2008, the board of directors of Ipsen held a board meeting at which representatives of Goldman Sachs updated certain information discussed on February 26, 2008, including valuation benchmarks, Tercica s historical share performance, financial analyst perspectives on, including their published target prices for, Tercica, and an overview of the possible processes that might be followed in executing a potential business combination between Ipsen and Tercica. Goldman Sachs also provided, based on information provided by management of Ipsen, a preliminary draft of an illustrative analysis of the financial impact that a business combination with Tercica would have on Ipsen, including illustrative synergies. At this meeting the board of directors of Ipsen resolved that management should continue its evaluation of a possible transaction, including a business combination transaction, between Ipsen and Tercica.

Following the meeting of the board of directors of Ipsen, members of Ipsen s senior management met with representatives of Goldman Sachs in Paris to discuss details of a potential transaction. At this meeting, and at meetings on April 9 and April 11, 2008, Goldman Sachs provided such management with, and discussed with such management, updates of information that had been provided in earlier meetings, including, among other things, the strategies that may be adopted in any negotiations that may arise with Tercica and premia to the then

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current share price, and historical share prices, represented by various potential offer prices already under consideration by Ipsen s management.

On April 16, 2008, John A. Scarlett, M.D., our Chief Executive Officer, met with Mr. Bélingard, at Mr. Bélingard s request. At that meeting, Mr. Bélingard informed Dr. Scarlett that Ipsen was evaluating a potential acquisition of the outstanding shares of our capital stock not currently owned by Ipsen and wanted to know whether Tercica would find joint discussions worthwhile at an indicative price of $8.00 per share. The proposed price represented a 39% premium over the closing price of our common stock on April 16, 2008 of $5.75 per share. In light of the existing relationship between Ipsen and the Company, Dr. Scarlett conveyed to Mr. Bélingard that he would consult with our board of directors and legal advisors before engaging in any further or more detailed discussions regarding a potential transaction. Following that meeting, Dr. Scarlett spoke with Alexander Barkas, Ph.D., the Chairman of our board of directors, to update him on his meeting with Mr. Bélingard. Dr. Scarlett and Dr. Barkas decided to call a meeting of our board of directors to discuss the potential transaction.

The following day, we contacted Lehman Brothers, Inc. (Lehman Brothers), an investment banking firm that had advised us in connection with our prior transactions with Ipsen, as well as our public offerings, and Cooley Godward Kronish LLP (Cooley), our outside counsel, requesting that they participate in the board meeting to discuss the potential transaction.

On April 18, 2008, our board of directors held a telephonic meeting that was also attended by Dr. Scarlett, Richard A. King, our President and Chief Operating Officer, Ajay Bansal, our Chief Financial Officer, and Stephen N. Rosenfield, our General Counsel, representatives of Cooley and representatives of Lehman Brothers. Christophe Jean, a member of our board of directors who is affiliated with Ipsen, did not attend this meeting (or any subsequent meetings of Tercica s board of directors relating to a potential transaction with Ipsen in view of Mr. Jean s relationship affiliation with Ipsen). A representative of Cooley made a presentation regarding, and discussed with our board of directors, the fiduciary duties of our board of directors with respect to considering a possible change of control transaction. Members of our management made a presentation discussing our business and the then-current draft of our 2008-2012 business plan.

On April 18, 2008, certain members of Ipsen s senior management reviewed the possibility of a business combination transaction with Tercica in the context of Ipsen s overall U.S. strategy and the prospects for realizing any synergies through such a transaction based upon Tercica s 2007 business plan as previously provided by Tercica to Ipsen in accordance with the policies and procedures set forth under the Affiliation Agreement. The following day, certain members of Ipsen s senior management held a telephonic meeting with representatives of Goldman Sachs and Freshfields at which the strategy for continued discussions between Tercica and Ipsen was discussed in the context of Tercica s then current stock price and general macroeconomic and equity capital market conditions.

Our board of directors met again on April 21, 2008. This meeting was attended by Dr. Scarlett, Mr. King, Mr. Bansal, Mr. Rosenfield, representatives of Cooley and representatives of Lehman Brothers, but not by Mr. Jean. At this meeting, members of our management and representatives of Lehman Brothers presented materials with respect to management s financial projections, the state of our business, strategic alternatives and preliminary valuation ranges. Potential timing and process considerations, including formation of a special committee, were also discussed. Following that discussion, our board of directors created a committee of independent board members (the Special Committee) consisting of Dr. Barkas, Mark Leschly and David L. Mahoney to establish, monitor and direct the process and procedures related to the review, evaluation and negotiation of a possible transaction with Ipsen or any alternative transaction (including the authority to determine not to proceed with any such process, procedures, review, evaluation or negotiation), solicit expressions of interest or other proposals for alternative transactions to the extent the Special Committee deemed appropriate, determine the fairness of a transaction, and make reports and recommendations to our entire board of directors regarding any possible transaction, with the understanding that, with respect to each of its functions, the Special Committee was to act for the benefit of those of our stockholders who may participate solely as sellers in

the possible transaction with Ipsen or any alternative transaction. Our board of directors also, among other things, authorized and empowered the Special Committee to utilize and retain legal and financial advisors as the Special Committee deemed necessary or appropriate.

Dr. Scarlett called Mr. Bélingard on April 23, 2008, informing him that the Special Committee had been formed and that further discussions with respect to the potential transaction would be with, or at the direction of, the Special Committee or members thereof and not with Dr. Scarlett.

At the first meeting of the Special Committee on April 24, 2008, at which representatives of Morris, Nichols, Arsht & Tunnell LLP (Morris Nichols), Dr. Scarlett, Mr. Bansal, Mr. Rosenfield, representatives of Cooley and representatives of Lehman Brothers were also present, the Special Committee approved retaining Morris Nichols as its legal advisor. Representatives of Morris Nichols discussed the fiduciary duties of the Special Committee. The Special Committee determined that in addition to Morris Nichols, the Special Committee would ask Cooley for assistance as transaction and securities counsel for us if a transaction were to develop. The Special Committee also approved retaining Lehman Brothers to provide financial advisory services, subject to negotiation of an acceptable engagement agreement with Lehman Brothers. The Special Committee discussed the strategy for negotiations with Ipsen and evaluation of the potential transaction, including the possibility and feasibility of soliciting alternative bids or conducting another form of market check , such as a go shop , in light of Ipsen s ownership position (including its stock, convertible debt and warrants), business/license relationship with us (including license termination rights) and other contractual rights (including a consent right with respect to a sale of the Company) all of which were facts that the Special Committee believed made it unlikely that an alternative bid from a third party would be obtained or that an alternative transaction could be completed without Ipsen s support for such alternative bid or transaction. It was noted that Ipsen had a contractual right under the Affiliation Agreement to make a direct tender offer to our stockholders after a 30-day notice period during which, as provided in the Affiliation Agreement, the parties would discuss in good faith a potential acquisition and after which Ipsen would be permitted to launch a tender offer. It was noted that Freshfields had indicated to representatives of Cooley in recent conversations that Ipsen expected to deliver a notice initiating such period in the near future. Mr. Bansal then updated the Special Committee on our latest financial results. After discussion, the Special Committee determined that Dr. Barkas should contact Mr. Bélingard to discuss price, timing and structure of a potential transaction and indicate that the Special Committee viewed the appropriate price range as in the double digits. As of this meeting, the Special Committee was in the early stages of its analysis of the potential transaction and had not determined the appropriate valuation for an acquisition of Tercica by Ipsen, including a more specific range within the double digits that it considered appropriate. The Special Committee s communication to Mr. Bélingard indicating a per share price range in the double digits reflected both a negotiating stance intended to encourage Ipsen to increase the price from the $8.00 per share proposed on April 16, 2008 and the early stage of the Special Committee s evaluation of the potential transaction and its resulting inability at that time to propose and support a specific counter-offer. At this meeting, and at various of the Special Committee meetings described below, the Special Committee excused from the meeting all non-committee participants other than Morris Nichols to further discuss matters in executive session.

Dr. Barkas spoke with Mr. Bélingard on April 25, 2008, informing him that the current offer was unacceptable and that while the Special Committee was not prepared to make a counter-proposal, it believed there to be justification for an offer that had a double-digit price. Mr. Bélingard requested that we provide information to Ipsen that could justify a value higher than $8.00 per share. Dr. Barkas agreed to do so, and then asked Mr. Bélingard to consider whether there was a price at which Ipsen would consider being a seller (i.e., to another potential acquiror), rather than a buyer, of our shares. In various communications thereafter, Mr. Bélingard and representatives of Freshfields conveyed to us and our counsel that Ipsen did not consider there to be a price at which Ipsen would reasonably be likely to support the sale of its shares in the Company in an alternative transaction. In light of Ipsen s position on this matter, the Special Committee believed that it would not be productive to solicit alternative bids.

During a telephonic meeting on April 28, 2008, Ipsen updated certain representatives of Goldman Sachs and Freshfields regarding the discussions between Dr. Barkas and Mr. Bélingard where it was concluded that no

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adjustment to the proposal of $8.00 per share would be considered without first obtaining access to due diligence information, including a current business plan, so as to evaluate whether a higher value could be justified. In addition, continuing discussions with Tercica in accordance with the provisions and process set forth in the Affiliation Agreement was considered by Ipsen s senior management and Tercica to be the most productive strategy at this point in time.

At a Special Committee meeting on April 29, 2008 at which Dr. Scarlett, Mr. Bansal, Mr. Rosenfield and representatives of Morris Nichols, Cooley and Lehman Brothers were also present, Dr. Barkas updated the Special Committee on his conversation with Mr. Bélingard. The Committee requested that Lehman Brothers and management create written materials to assist the Committee in its negotiations with Ipsen for the highest possible value obtainable for our stockholders other than Ipsen and related entities.

On April 30, 2008, members of Ipsen management met with representatives of Goldman Sachs to discuss certain financial considerations in contemplation of a possible business combination, including an analysis of combined key financial data. At this meeting, Ipsen decided to send, and later in the day sent us, a written indication of interest letter constituting a consultation notice for purposes of, and as such term is used in, the Affiliation Agreement, which indicated a potential acquisition at a price of $8.00 per share. This notice began a 30-day period during which the Affiliation Agreement provided for the parties to discuss in good faith a potential acquisition and after which Ipsen would be permitted to make a tender offer directly to our stockholders if it decided to pursue a transaction but Tercica and Ipsen could not come to agreement on the terms. In this letter, Ipsen stated that the notice neither was delivered with the intention of signaling hostility or expectation of a non-consensual process nor indicated a binding or firm proposal, but rather that the sole purpose of the notice was to initiate the process of good faith discussions provided for under the Affiliation Agreement. Ipsen also sent us its initial list of key diligence questions.

Later in the day on April 30, 2008, the Special Committee held a meeting at which Dr. Scarlett, Mr. King, Mr. Bansal, Mr. Rosenfield and representatives of Morris Nichols, Cooley and Lehman Brothers were also present, during which it discussed with Lehman Brothers and management a draft 2008-2012 business plan. The Special Committee also requested that Lehman Brothers work with management to create a valuation model highlighting the value of future development opportunities and to prepare a second document illustrating the potential cost savings for Ipsen in acquiring the remainder of our equity (including synergies, cost avoidance and use of the current Company platform (the Cost Savings Document)). It was determined that, because Ipsen s response to the Special Committee s April 25, 2008 communication that it believed there to be justification for an offer that had a double digit price was a request that we provide information to Ipsen that could justify a value higher than $8.00 per share, the Special Committee s counterproposal would not include a definitive price, but rather a case, built upon the business plan and Cost Savings Document, for Ipsen to raise its offer. The Special Committee agreed that its negotiating stance would not be influenced by the prospect of a non-consensual tender offer made to our stockholders at the end of the 30-day notice period based on the belief that Ipsen was unlikely to commence such an offer. This belief was based on Dr. Barkas April 25, 2008 discussion with Mr. Bélingard, statements made by Ipsen in its April 30, 2008 indication of interest letter and the Special Committee s assessment of the business and other risks to Ipsen if it pursued a non-consensual acquisition of Tercica.

The Special Committee met again on May 1, 2008, with Dr. Scarlett, Mr. King, Mr. Bansal, Mr. Rosenfield and representatives of Morris Nichols, Cooley and Lehman Brothers also in attendance, and reviewed the draft 2008-2012 business plan and the Cost Savings Document. Following discussion, the Committee decided that the 2008-2012 business plan and Cost Savings Document should be provided to Ipsen in connection with a call to be scheduled between Dr. Barkas and Mr. Bélingard. These materials were sent to Mr. Bélingard and others at Ipsen on May 1 and May 2, 2008.

On May 3, 2008, Ms. Giraut held a telephonic meeting with certain representatives of Goldman Sachs and Freshfields to discuss the 2008-2012 business plan and Costs Savings Document provided by Lehman Brothers where it was determined by Ms. Giraut that until detailed analysis could be undertaken with respect to the

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materials provided, in next speaking to Dr. Barkas later that day, Mr. Bélingard would reiterate that Ipsen, in consultation with its advisers, would work expeditiously within the framework set forth in the Affiliation Agreement but would be looking to devise its own financial analysis of the business plan and potential synergies before revisiting the proposed price.

On May 3, 2008, Dr. Barkas and Mr. Bélingard briefly discussed the models and data contained in the materials that had been provided to Ipsen and determined that the parties management teams and financial advisors should further discuss the draft 2008-2012 business plan and the Cost Savings Document we provided to Ipsen in order to provide Ipsen with the information necessary to justify a higher valuation. Dr. Barkas also conveyed to Mr. Bélingard that the Special Committee believed that Ipsen commencing a non-consensual tender offer made to our stockholders at the end of the 30-day notice period would not be in the best interests of either Ipsen or the Company. The Special Committee s belief that a non-consensual tender offer would not be in the best interest of Ipsen was based on the uncertainty of Ipsen s ability to complete a transaction without the support of our Board of Directors and executive officers in light of the significant number of shares of our common stock (approximately 20.2% as of June 15, 2008) beneficially owned by the members of our Board of Directors, affiliated entities and our executive officers, the resulting lack of a complete diligence and disclosure process, the absence of representations and warranties as to our business and closing conditions that would be provided by a definitive merger agreement agreed by us, risks related to Ipsen s ability to retain key employees following a non-consensual transaction, risks related to the perception by other biotechnology companies of Ipsen as a strategic partner if it pursued a non-consensual acquisition at a price not believed by our Board of Directors to be in the best interest of our stockholders and risks to Tercica that would result from the uncertain outcome of a non-consensual tender offer, which could impair the value of Ipsen s equity interest in Tercica from a longer-term perspective in the event the tender offer was not successful. The Special Committee s belief that a non-consensual tender offer would not be in the best interest of our stockholders was based on the risks to Tercica that would result from the uncertain outcome of a non-consensual tender offer and its view that Ipsen was likely to offer a higher price to our stockholders following a complete diligence and disclosure process and negotiation by the Special Committee, and with the benefit of representations and warranties and closing conditions that would be provided by a definitive merger agreement agreed by us, than it would offer in a non-consensual tender offer that was subject to the risks to Ipsen identified above, among others.

On May 5, 2008, members of Ipsen s senior management met with representatives of Goldman Sachs in Paris. At this meeting, Goldman Sachs discussed with Ipsen, among other things, those aspects of the draft 2008-2012 business plan and Costs Savings Document provided by Tercica that required additional analysis by Ipsen and that would form the basis of further discussion with Tercica. In light of the fact that the 2007 business plan had formed the basis for Ipsen s financial analysis to date, Ipsen, together with its advisors, carefully studied the 2008-2012 business plan provided by Tercica, as it included a number of projections that were updated from the 2007 business plan and raised certain questions for Ipsen, each of which Ipsen found significant and considered in formulating its further approach to the transaction.

On May 5, 2008, representatives of Morris Nichols, Cooley, Freshfields and Richards, Layton & Finger, P.A., Delaware counsel to Ipsen (Richards Layton), participated by telephone in a meeting during which they discussed the structure of the proposed transaction, as well as certain Delaware law principles that might apply to the transaction. Counsel for Ipsen stated that Ipsen was unwilling to structure a transaction that was subject to approval or acceptance by a majority of those stockholders who are unaffiliated with Ipsen.

On May 6, 2008, Dr. Scarlett, Mr. King, Mr. Bansal, Mr. Rosenfield, Susan Wong, our Chief Accounting Officer, and certain members of Ipsen s management, along with representatives of Lehman Brothers and Goldman Sachs held a conference call to discuss the draft 2008-2012 business plan and the Cost Savings Document we provided to Ipsen.

Mr. Bélingard called Dr. Barkas on May 7, 2008 to discuss the continuing valuation work and diligence process, indicating that Ipsen, in consultation with Goldman Sachs, was continuing its analysis and awaiting several diligence items from us.

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On May 8, 2008, Tercica and Ipsen agreed on the terms of a confidentiality agreement, and we provided Ipsen and its representatives with access to diligence materials. Beginning May 8, 2008 through the announcement of the transaction, the parties engaged in a due diligence review in connection with the transaction, with the parties and their representatives engaging in numerous diligence calls on a variety of matters relating to the Company.

The Special Committee met on May 9, 2008, with Karin Eastham and Faheem Hasnain, our other independent directors, Dr. Scarlett, Mr. King, Mr. Bansal, Mr. Rosenfield, Thorstein Von Stein, M.D., Ph.D., our Chief Medical Officer, and representatives of Morris Nichols, Cooley and Lehman Brothers also in attendance, at which the Special Committee reviewed our first quarter financial results and its projections and instructed management and Lehman Brothers to prepare a revised 2008-2012 business plan to provide for a delay case in respect of Increlex® approval and, after consultation with Lehman Brothers, to prepare an updated Cost Savings Document to be provided to Ipsen. The Special Committee instructed management and Lehman Brothers to prepare a revised 2008-2012 business plan to provide for a delay case in respect of Increlex® product approval for the Primary IGFD indication as a result of an initial draft opinion received from the FDA indicating that the FDA would likely be requesting additional long-term clinical data as part of the process for seeking Increlex® product approval for the Primary IGFD indication from the FDA, which could potentially result in a substantial delay of such approval.

On May 12, 2008, we publicly reported 2008 first quarter financial results. Our stock declined 14% on the following day, to $4.30 per share from a previous day close of $4.99 per share.

Between May 14 and May 16, 2008, certain members of Ipsen s senior management held a series of meetings, at which certain representatives of Goldman Sachs were present. The purpose of these meetings was to consider in detail Tercica s 2008-2012 business plan and to reassess Ipsen s proposed offer price in light of such business plan, concerns with the business plan identified by Ipsen and qualifications of the risks associated with such concerns, which Ipsen considered as one factor impacting value and pricing. By comparison with Tercica s 2007 business plan, Ipsen considered the fact that Tercica s 2008-2012 business plan was both more conservative about the prospects for Tercica s existing product portfolio while also being more optimistic with respect to new products under development. Compared to the 2007 business plan projections, in the 2008-2012 business plan projections: the acromegaly market (the FDA approved indication for Somatuline® Depot) was considerably smaller; the neuroendocrine tumor market (for which Somatuline® Depot is not yet approved by the FDA) was considerably larger; the rate of new patient acquisition for Increlex® was significantly smaller; and the drop-out rate of patients on Increlex® therapy increased considerably. All of these factors created risks and raised questions relating to the timing and amount of peak sales estimates and profits generated from Tercica s commercial operations. The impact of each of these changes in the assumptions behind business plan projections were discussed individually and as a group for their overall impact on Increlex® and Somatuline® Depot revenue projections. Ipsen considered that certain potential risks associated with the Tercica s products under development were not adequately reflected in the 2008-2012 business plan, which risks, if realized, would result in lower projected revenues, margins and operating income. Specifically, Ipsen s management believed that Tercica s probability of success estimates associated with the combination growth hormone and IGF-1 products for its various indications, and for IPLEX in Myotonic Muscular Dystrophy, were too optimistic. Lower success estimates would result in lower projected revenues, margins and operating income. Accordingly, Ipsen s senior management, based on the information made available to Ipsen, would be reluctant to continue to support an offer price of $8.00 per share. Following those discussions, Goldman Sachs provided to Lehman Brothers a document summarizing items for discussion arising from Ipsen s preliminary due diligence review of the 2008-2012 business plan and Costs Savings Document.

On May 16, 2008, representatives of Goldman Sachs also contacted representatives of Lehman Brothers and informed them that based upon Ipsen s analysis of the 2008-2012 business plan and Costs Savings Document, and in view of Ipsen s other financial due diligence including Tercica s quarterly announcement of its results of operations, Ipsen s assessment of fair price was then closer to $7.00 per share than to $8.00 per share. Members of the Special Committee and management, as well as representatives of Morris Nichols, Cooley and Lehman

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Brothers held a conference call later that day to discuss this development. The Special Committee decided to inform Ipsen that a price in the $7.00 per share range would not be acceptable to the Special Committee.

Dr. Barkas conveyed this message to Mr. Bélingard during a call that took place on May 17, 2008. Dr. Barkas and Mr. Bélingard determined that the companies financial advisors and members of management should arrange further discussion of valuation. Goldman Sachs, Lehman Brothers and members of the respective parties management teams engaged in such discussions on May 19 and May 20, 2008. Such discussions centered on the revenue projections for Increlex® in severe Primary IGFD as well as in the expanded indication of Primary IGFD. The parties discussed the current penetration in the severe Primary IGFD market and the impact of a likely delay in obtaining FDA approval for the Primary IGFD indication on Increlex® revenues.

On May 19, 2008, members of Ipsen management met with representatives of Goldman Sachs in Paris where the materials to be provided by Goldman Sachs to Lehman Brothers, and topics for discussion, were considered.

On May 19, 2008, the Special Committee held a meeting at which Dr. Scarlett, Mr. Bansal, Mr. Rosenfield and representatives of Morris Nichols, Cooley and Lehman Brothers were also present. Lehman Brothers advised the Special Committee that prior to the meeting, Goldman Sachs had delivered to Lehman Brothers a list of topics for supplementary valuation discussions between management of the parties to occur for the following day as well as a written financial analysis (based upon information provided by Ipsen) indicating illustrative range of values generally from approximately $6.30 to $6.90 per share. Dr. Scarlett informed the Special Committee that Ipsen had not approached management regarding any sort of employee retention arrangements. The Special Committee determined that Dr. Barkas should communicate to Mr. Bélingard that should Ipsen desire to retain management or other employees, Ipsen must fully bear the price of such retention, such that any retention packages could not affect the value that our stockholders would receive in a transaction.

On May 20, 2008, our board of directors held a regularly scheduled meeting at which the proposed transaction was not formally discussed.

On May 21, 2008, members of Ipsen s senior management met with representatives of Goldman Sachs in Paris to discuss, among other things, Ipsen s conclusions arising from its due diligence and discussions with Tercica and its representatives including Ipsen s views of the 2008-2012 business plan and related risks following detailed discussions with Tercica. In support of this discussion, Goldman Sachs provided quantification, on a discounted cash flow basis, of the possible impact of the risks associated with the 2008-2012 business plan to Tercica s value. At this meeting Ipsen determined that, as a result of the discussions that had taken place between the parties, including with respect to the status of Tercica s products under development, Ipsen was able to gain some additional comfort to it with respect to some of the risks to the 2008-2012 business plan that Ipsen had originally identified. Ipsen was therefore able to conclude that, while it continued to find elements of the business plan to potentially under-estimate certain potential risks associated with Tercica s products under development, it could indicate to Tercica a higher offer price than that communicated on May 19, 2008. Accordingly, certain members of Ipsen s senior management, in consultation with Goldman Sachs, gave consideration to negotiation strategy and Ipsen s next steps in the negotiation process.

On May 22, 2008, Mr. Bélingard sent an email to Dr. Barkas to advise him that Ipsen had the necessary information to complete its valuation analysis and would suggest next steps once it had completed its analysis.

On May 25, 2008, members of Ipsen management met with representatives of Goldman Sachs in Paris to discuss, among other things, premia, relative to historical share prices, represented by different possible offer prices. Ipsen management conveyed its belief at this meeting that a revised offer price of $8.00 per share would be reasonable in light of the analyses and discussions with Tercica that Ipsen had undertaken since May 19, 2008, and the additional comfort that Ipsen had regarding of the risks and uncertainties that Ipsen had previously identified.

Mr. Bélingard called Dr. Barkas on May 25, 2008 to inform him that, in the context described in the preceding paragraph, Ipsen had returned to a valuation of $8.00 per share. Dr. Barkas conveyed the Special Committee s views on valuation, as discussed at the Special Committee s meeting on May 19, 2008.

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The Special Committee held a meeting on May 26, 2008 at which Dr. Scarlett, Mr. Rosenfield and representatives of Morris Nichols, Cooley and Lehman Brothers were also present. The Special Committee determined that Dr. Barkas should inform Mr. Bélingard that a higher valuation would be required.

Dr. Barkas conveyed the Special Committee s position to Mr. Bélingard in a call on May 27, 2008. In that call, Mr. Bélingard indicated that based on its financial analyses of Tercica s operations, Ipsen was not willing to pay more than $8.00 per share. Dr. Barkas restated the Committee s position that $8.00 per share was unacceptable, and that even if Ipsen could not reach the Special Committee s initial double digit range, a significant price increase was required for the Special Committee to seriously consider recommending a transaction.

Later in the day on May 27, 2008, the Special Committee held a meeting, at which representatives of Morris Nichols, Cooley and Lehman Brothers were also present, during which the Special Committee was updated regarding the discussion between Dr. Barkas and Mr. Bélingard. Also at that meeting, it was noted that the notice period pursuant to the Affiliation Agreement would expire soon and at the end of such notice period, Ipsen would be permitted to make a tender offer directly to our stockholders.

Following the discussion between Mr. Bélingard and Mr. Barkas, Ipsen considered its strategic alternatives for building a U.S. platform, along with its assessment of the role Tercica could play in its U.S. strategy, and Tercica, and general sector-based, valuation issues. Given Ipsen s view of Tercica s value and potential, the perceived risks and costs associated with pursuing a tender offer upon the expiration of the notice period pursuant to the Affiliation Agreement (specifically the prospect of being left with minority stockholders upon completion of a tender offer and, at a later date, having to enter into a further business combination transaction if Ipsen then decided to seek to secure full control of Tercica), the uncertainties and timing costs of alternative strategic options that could be pursued in line with Ipsen s intention to build a U.S. platform and the potential synergies that may be realized through a business combination transaction between Ipsen and Tercica, Ipsen decided that it could increase its proposed offer price above $8.00 per share with the objective of expeditiously coming to agreement on detailed terms and conditions with Tercica.

On May 28, 2008, Mr. Bélingard called Dr. Barkas and proposed a price of $9.00 per share, a 115% premium to that day s closing share price of $4.19. Mr. Bélingard conveyed that this was Ipsen s absolute highest offer, that his counsel had prepared draft transaction documents based on that price, and that any significant deviation from the terms of those documents could cause Ipsen to reduce the proposed price. Dr. Barkas reiterated that the deal price must represent full value to our stockholders, and that any discussions with management concerning retention or related matters, which he understood had not yet taken place, could not change the price to be received by our stockholders.

Later that day, the Special Committee met, with Ms. Eastham, Mr. Hasnain, Dr. Scarlett, Mr. Bansal, Mr. Rosenfield, Mr.King and representatives of Morris Nichols, Cooley and Lehman Brothers also attending, to discuss Ipsen s proposal. Following discussion, including discussion of various matters included and described in more detail below under Reasons for the Merger , the Special Committee determined to inform Ipsen that it would be receptive to an offer at $9.00 per share. Dr. Barkas called Mr. Bélingard to relay that determination following the Special Committee meeting.

On May 29, 2008, Ipsen sent us, via our respective outside counsel, a draft merger agreement, noting that an offer letter indicating a $9.00 per share price would follow (which was sent by Ipsen on May 30, 2008).

The Special Committee met on May 30, 2008, with Ms. Eastham, Mr. Hasnain, Dr. Scarlett, Mr. Bansal, Mr. Rosenfield and representatives of Morris Nichols, Cooley and Lehman Brothers also attending, to discuss the issues raised by Ipsen s draft merger agreement. Following discussion, the Special Committee directed Cooley and Morris Nichols to proceed with negotiations as discussed during the meeting.

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Later on May 30, 2008, Cooley and Morris Nichols conveyed to Freshfields an initial list of key issues raised by the draft merger agreement including issues relating to: the absence of a go shop provision allowing Tercica to actively seek an alternative transaction following the announcement of a transaction with Ipsen; the inclusion of a requirement that certain Tercica stockholders enter into voting agreements obligating such stockholders to vote in favor of the transaction; the parties termination rights and related break-up fees and expense reimbursement provisions; conditions to closing; and restrictions on the Tercica board of directors ability to change its recommendation following announcement of a transaction.

On May 31, 2008, representatives of Cooley and Freshfields negotiated the matters on the issues list. Later that day, Cooley and Morris Nichols sent a revised draft merger agreement to Freshfields. Between May 31, 2008 and the execution of the merger agreement, counsel for the parties engaged in negotiations of the merger agreement and related documents, including through numerous calls, the exchange of documents and other communications.

The Special Committee held a meeting on June 1, 2008 with Ms. Eastham, Mr. Hasnain, Dr. Scarlett, Mr. King, Mr. Bansal, Mr. Rosenfield and representatives of Morris Nichols, Cooley and Lehman Brothers attending, during which the status of negotiations and the Special Committee s views on the key open issues were discussed.

Later on June 1, 2008, Freshfields reconveyed to Cooley that Ipsen did not consider there to be a price at which Ipsen would reasonably be likely to support the sale of its shares in the Company in an alternative acquisition transaction. In addition, Ipsen s counsel further informed us that Ipsen intended to exercise its warrant and intended to convert its notes prior to the record date for the Special Meeting.

On June 2, 2008, the Special Committee held a meeting with Ms. Eastham, Mr. Hasnain, Dr. Scarlett, Mr. King, Mr. Bansal, Mr. Rosenfield and representatives of Morris Nichols, Cooley and Lehman Brothers also attending. Cooley provided an update on the status of negotiations and open issues, and the Special Committee discussed its positions on the various key open issues including issues relating to: the absence of a go shop provision allowing Tercica to actively seek an alternative transaction following the announcement of a transaction with Ipsen; the inclusion of a requirement that certain Tercica stockholders enter into voting agreements obligating such stockholders to vote in favor of the transaction; the parties termination rights and related break-up fees; and conditions to closing. In light of Ipsen s position that it did not consider there to be a price at which Ipsen would reasonably be likely to support the sale of its shares in Tercica in an alternative acquisition transaction, the Special Committee believed that it would not be productive to insist upon a go shop provision in the merger agreement.

On June 3, 2008, the Special Committee held a meeting, at which Dr. Scarlett, Mr. Bansal, Mr. Rosenfield and representatives of Morris Nichols, Cooley and Lehman Brothers were also present, during which the Special Committee received an update from Cooley and Morris Nichols on the status of the proposed transaction. During the meeting, a representative of Cooley presented a summary of the terms of the draft merger agreement and related agreements and the proposed resolution of the remaining open issues in the agreements. A representative of Lehman Brothers made a presentation regarding the financial terms of the proposed transaction. Lehman Brothers then provided the Special Committee with its oral opinion (subsequently confirmed in writing) that, as of such date, and based on and subject to the matters stated in its opinion, from a financial point of view, the consideration to be received by our stockholders (other than the Purchaser and its affiliates) in the merger was fair to such stockholders. The Special Committee then met in a separate session with Morris Nichols. Following that session, representatives of Cooley and Lehman Brothers rejoined the meeting. The Special Committee, having deliberated regarding the terms of the proposed acquisition, and taking into account the terms of the proposed merger agreement, the opinion delivered by Lehman Brothers and the factors described below under Reasons for the Merger of Tercica and Recommendation of the Special Committee and Board of Directors , unanimously determined that the merger and the merger agreement, with the changes to be made prior to execution as described by counsel, are substantively and procedurally fair to, and in the best interests of, our unaffiliated stockholders and unanimously recommended that our board of directors approve such merger

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agreement and the transactions contemplated thereby, including the merger and the voting agreements and that our board of directors recommend that our stockholders vote to adopt such merger agreement. Following that resolution, the remaining board members, other than Mr. Jean, then joined the meeting, and a board meeting was convened. Following the Special Committee s communication of its recommendation to our board of directors, a representative of Cooley presented a summary of the terms of the merger agreement and related agreements and the proposed resolution of the remaining open issues in the agreements. A representative of Lehman Brothers made a presentation regarding the financial terms of the proposed transaction. Following discussion, our board of directors, by unanimous vote of those directors in attendance, determined that the merger and the merger agreement, with the changes to be made prior to execution as described by counsel, are substantively and procedurally fair to, and in the best interests of, the Company and our stockholders (other than the Purchaser and its affiliates), approved the execution, delivery and performance of obligations under the merger agreement declared such merger agreement and the merger to be advisable and recommended that our stockholders vote to adopt the merger agreement.

On June 4, 2008, the board of directors of Ipsen met to consider the potential transaction. Representatives of Goldman Sachs gave a presentation to the board of directors of Ipsen, regarding the financial terms of the merger by reference to an illustrative range of financial analyses, including, among other things, the premium, relative to historical trading prices, represented by $9.00 per share, equity analysts target prices for Tercica common stock and an illustrative discounted cash flow analysis based on Ipsen s forecasts for Tercica s business. The board of directors of Ipsen also reviewed the terms of the proposed merger agreement. Following its review and discussion of the financial considerations of the merger and the terms of the merger agreement, the board of directors of Ipsen unanimously resolved that the merger and the merger agreement be approved.

On June 4, 2008, the Special Committee held a meeting, at which Dr. Scarlett, Mr. Bansal, Mr. Rosenfield and representatives of Morris Nichols, Cooley and Lehman Brothers were also present, for the purpose of reviewing the final merger agreement, previously distributed to the Special Committee and to our board of directors, and discussing the final resolution of the open issues discussed during the prior Special Committee meeting. Following this review and discussion, the Special Committee unanimously confirmed that the resolution of these issues was consistent with its approval the previous night and Lehman Brothers reaffirmed its fairness opinion. Other board members then joined the meeting, and a board of directors meeting was convened. Cooley then once again reviewed the final resolution of the open issues discussed during the prior board meeting. Following this review and discussion, by unanimous vote of those directors in attendance, the board of directors confirmed that the resolution of these issues was consistent with its approval the previous night, and Lehman Brothers reaffirmed its fairness opinion.

The merger agreement and related documents were executed on the afternoon, Pacific time, of June 4, 2008. The related documents executed on June 4, 2008 included letters of consent to the merger and letters of consent to the amendment to the Rights Agreement delivered by Ipsen and Suraypharm to Tercica, a letter of undertaking to vote the shares of Tercica common stock in favor of the merger from Ipsen and Suraypharm to the Purchaser, and a letter of confirmation of financing in connection with the merger from Ipsen to the Purchaser. Before the opening of the market on June 5, 2008, the parties announced the execution of the merger agreement.

Reasons for the Merger of Tercica and Recommendation of the Special Committee and Board of Directors

Reasons for the Recommendation of the Special Committee

In considering the transaction with Ipsen, the Special Committee consulted with Lehman Brothers regarding the financial aspects of the merger and sought and received Lehman Brothers written opinion that, as of the date of such opinion, and based on and subject to the matters stated in its opinion, from a financial point of view, the consideration to be received by our stockholders (other than the Purchaser and its affiliates) in the merger was fair to such stockholders, which opinion is described below under Special Factors Opinion of Financial Advisor To Tercica s Special Committee. The Special Committee also consulted with representatives of Morris Nichols, outside counsel to the Special Committee, and with representatives of Cooley, outside counsel to the

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Company, regarding the fiduciary duties of the members of the Special Committee and our board of directors, legal due diligence matters and the terms of the merger agreement and related agreements. Based on these consultations and opinions, and the factors discussed below, the Special Committee unanimously determined that the merger and the merger agreement are substantively and procedurally fair to, and in the best interests of, our stockholders (other than the Purchaser and its affiliates) and recommended that our board of directors approve the merger agreement and the transactions contemplated thereby, including the merger, and the voting agreements and that our board of directors recommend that our stockholders vote to adopt the merger agreement.

In the course of reaching that determination and recommendation, the Special Committee considered a number of potentially positive factors in its deliberations, including the following:

- its belief that we face many challenges in our efforts to increase stockholder value as an independent publicly traded company, including risks associated with developing and commercializing our products, obtaining and maintaining regulatory approvals and other execution risks, as well as business and market risks generally;

- current financial projections of Tercica provided by Tercica to Ipsen, including the risk related to the achievement of such projections in light of Tercica s prior history of achieving its projections and current market conditions as discussed below;

- the fact that the merger consideration of $9.00 per share represented a premium of 111% to the closing price of our common stock of $4.26 on June 3, 2008, a premium of approximately 73% and 49% to the volume weighted-average closing share prices of $5.21 and $6.04 during the three months and six months preceding June 3, 2008, respectively;

- the fact that the merger consideration is all cash, which provides certainty of value to our stockholders;

- the merger will provide liquidity, without the brokerage and other costs typically associated with market sales, for stockholders unaffiliated with the Purchaser, Merger Sub or their respective affiliates;

- its belief that the merger agreement provides for the highest price per share that was reasonably available from Ipsen;

- its belief that in light of Ipsen s existing ownership position, its veto rights and its license termination rights, it was not reasonable to expect that we would be able to solicit or conclude an alternative transaction with another party at a higher price;

- the likelihood that the merger would be consummated, in light of, among other factors, the absence of any financing condition to Ipsen s obligation to complete the merger;

- the financial analyses of Lehman Brothers presented to the Special Committee on June 3, 2008, including, without limitation, analyses regarding current and historical market prices, prices paid in comparable acquisitions, valuations implied by multiples of certain measures of financial performance and forecasted financial results and valuations of comparable companies, and the opinion of Lehman Brothers delivered to the Special Committee, that, as of the date of such opinion, and based on and subject to the matters stated in its opinion, from a financial point of view, the consideration to be received by our stockholders (other than the Purchaser and its affiliates) in the merger was fair to such stockholders (the full text of the written opinion setting forth the assumptions made, matters considered and limitations in connection with the opinion attached to this proxy statement as Annex B, which stockholders are urged to read in its entirety);

the fact that our board of directors, acting on the recommendation of the Special Committee, in the exercise of its fiduciary duties in accordance with the merger agreement and subject to the terms and conditions thereof, and prior to obtaining stockholder approval of the adoption of the merger agreement, can authorize our management to furnish information to, and engage in negotiations with, a third party following receipt of a bona fide written unsolicited proposal or offer that our board of

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directors (or the Special Committee) determines constitutes, or is reasonably likely to result in, a superior proposal in the manner provided in the merger agreement, subject to specified terms and conditions in the merger agreement;

the fact that, prior to obtaining stockholder approval of adoption of the merger agreement, our board of directors, acting on the recommendation of the Special Committee, in the exercise of its fiduciary duties in accordance with the merger agreement, can terminate the merger agreement following receipt of a bona fide written superior proposal in the manner provided in the merger agreement, subject to specified conditions, including the payment of a $11.0 million termination fee; and

the fact that the merger would be subject to the approval of our stockholders and the availability of appraisal rights to our stockholders, which allow stockholders, who do not vote in favor of adoption of the merger agreement and who comply with certain procedural requirements, to have the fair value of their shares determined by the Delaware Court of Chancery and paid to them in cash.

With respect to the risk related to the achievement of the current financial projections of Tercica provided to Ipsen, including the risk related to the achievement of such projections in light of Tercica s prior history and current market conditions, the Special Committee considered that the uptake of both of Tercica s commercial products, Increlex® and Somatuline® Depot, had been slow following commercial launches in January 2006 and November 2007, respectively. In this regard, net product sales of Increlex® were $1.3 million in 2006, $9.6 million in 2007 and $3.4 million in the first quarter of 2008. Revenue numbers in 2006 were significantly below both Tercica s internal targets and Wall Street expectations. In 2007, although Tercica met its Increlex® budget revenue numbers, the revenues were disappointing considering the withdrawal of a competitive product (IPLEX) in the first quarter of 2007. Increlex® net sales for the first quarter of 2008 were also below Tercica s internal projections as well as Wall Street estimates. In addition, net product sales for Somatuline® Depot were $0.2 million in the fourth quarter of 2007 and $1.0 million in first quarter of 2008. In both of these quarters, net sales of Somatuline® Depot were below Tercica s internal targets as well as Wall Street expectations. While, as demonstrated by the revenue projections in the 2008-2012 business plan, Tercica believed that sales of both Increlex® and Somatuline® Depot were on a growth trajectory, there is risk associated with such future sales projections. Additionally, after Tercica announced its financial results for the first quarter of 2008, Tercica s stock price came under considerable pressure, declining from $6.27 per share in March 2008 to $3.82 per share in the week following the announcement of Tercica s first quarter financial results in May 2008. Further, the broader equity markets were increasingly reflecting the negative effects of the credit crunch and the mortgage crisis, and small biotech companies were facing a difficult climate in terms of investor interest, stock price appreciation and ability to raise capital. The pressure on Tercica s stock price had not materially impacted Tercica s business over the past 18 months since Tercica had not needed to raise funds from the capital markets following Tercica s collaboration with Ipsen that commenced in October 2006. However, Tercica was facing a likely need for a capital raise in late 2008 or early 2009, and continued pressure on Tercica s stock price could have caused Tercica to seek materially dilutive financing from the capital markets.

In addition to the positive factors noted above, the Special Committee believed that the process by which we entered into the merger agreement was fair, and in reaching that determination, the Special Committee took into account the following:

the consideration and negotiation of the transaction was conducted entirely under the oversight of the members of the Special Committee, consisting of independent members of our board of directors, and no limitations were placed on the authority of the Special Committee;

the Special Committee was free to reject the proposed merger and explore other alternatives;

the Special Committee had exclusive authority to review, evaluate and negotiate the terms of the transaction, and the Special Committee was thus able to adequately represent our unaffiliated stockholders (and was charged with representing our unaffiliated stockholders), particularly as none of the members of the Special Committee has any financial interest in the merger that is different from

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our unaffiliated stockholders generally, although the merger agreement includes customary provisions for indemnification and the continuation of liability insurance for our officers and directors; and

the Special Committee was advised by legal counsel and a recognized financial advisor engaged by it.

The Special Committee also took into account the potentially countervailing factor that while the merger is subject to the approval by majority vote of all our stockholders, it is not subject to majority of minority approval (i.e., it is not subject to approval by a majority vote of our stockholders other than Ipsen and its affiliates), and that as of June 2, 2008 Ipsen and its affiliates could vote up to an aggregate of approximately 42.7% of our common stock in favor of a merger, including shares of Tercica common stock issuable upon exercise of the Ipsen Warrant and conversion of the Convertible Notes that Ipsen had committed to convert (but excluding the exercise of any outstanding options or other warrants to purchase Tercica common stock).

The Special Committee also considered a number of additional potentially countervailing factors in its deliberations concerning the merger, including the following:

that we will no longer exist as an independent company and our stockholders will no longer participate in our growth or from any future increase in our value or from any synergies that may be created by the merger;

that, under the terms of the merger agreement, we cannot solicit other acquisition proposals and we must pay to Ipsen a termination fee of $11.0 million in cash, if the merger agreement is terminated under certain circumstances specified in the merger agreement, including if we exercise our right to terminate the merger agreement, which may deter others from proposing an alternative transaction;

the fact that we had not solicited other acquisition proposals prior to the execution of the merger agreement; and

that, under the terms of the merger agreement, we agreed that we will carry on our business in the ordinary course of business consistent with past practice and, subject to specified exceptions, that we will not take a number of actions related to the conduct of our business as further described in The Merger Agreement Covenants Conduct of Tercica Business on page 75 of this proxy statement.

The Special Committee also considered the interests of our directors and executive officers in the merger which existed as of the time of the Special Committee s determination and recommendation, which are described below under Special Factors Interests of Our Directors and Executive Officers in the Merger.

The Special Committee did not attempt to assess the liquidation value of our assets, and such factor was not considered to be relevant, as the Special Committee believed that we are more valuable as a going concern than the sum value of assets that could be liquidated. While the Special Committee did not calculate a specific going concern value, other factors considered by the Special Committee, such as the analyses and methodologies used by its financial advisor as a whole, are relevant indicators of our going concern value. Our net book value as of March 31, 2008 was $0.92. The Special Committee does not believe that net book value was relevant to its analysis as such measure also does not fully reflect our value as a going concern as evidenced by the fact that the market price of our common stock was significantly higher than our net book value. With respect to those specified factors considered by the Special Committee included in Lehman Brothers fairness analysis, the Special Committee relied on and participated in the presentation by Lehman Brothers described under Opinion of the Financial Advisor to Tercica s Special Committee. Although the members of the Special Committee are not experts in the areas addressed by Lehman Brothers, the Special Committee adopted as appearing reasonable the analysis of these factors presented by Lehman Brothers.

The preceding discussion is not meant to be an exhaustive description of the information and factors considered by the Special Committee but is believed to address the material information and factors considered. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the Special Committee did not find it practicable to, and did not, quantify or

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otherwise attempt to assign relative weights to the various factors considered in reaching its determination. In considering the factors described above, individual members of the Special Committee may have given different weight to different factors.

After its consideration of the preceding factors and deliberations, the Special Committee unanimously determined that the merger and the merger agreement are substantively and procedurally fair to, and in the best interests of Tercica and our stockholders (other than the Purchaser and its affiliates) and unanimously recommended that our board of directors approve the merger agreement and the transactions contemplated thereby, including the merger, and that our board of directors recommend that our stockholders vote to adopt the merger agreement.

Reasons for the Recommendation of the Board of Directors

In considering the proposed transaction, our board of directors received the recommendation of the Special Committee as described above, including the Special Committee s determination as to fairness, and considered the factors considered by the Special Committee described above, including the financial analyses of Lehman Brothers presented to the board of directors on June 3, 2008 and the fairness opinion of Lehman Brothers as described above. Our board of directors, by unanimous vote of those directors in attendance (Mr. Jean having recused himself from board meetings owing to his affiliation with Ipsen), then determined that the merger and the merger agreement are substantively and procedurally fair to, and in the best interests of, the Company and its stockholders (other than the Purchaser and its affiliates), approved the execution, delivery and performance of the obligations under the merger agreement, declared the merger agreement and the merger to be advisable and recommended that our stockholders vote to adopt the merger agreement.

Opinion of the Financial Advisor to Tercica s Special Committee

As of April 20, 2008, the Special Committee engaged Lehman Brothers to act as its financial advisor with respect to its evaluation of strategic alternatives for Tercica. On June 4, 2008, Lehman Brothers rendered its opinion to the Special Committee that, as of such date, and based on and subject to the matters stated in its opinion, from a financial point of view, the consideration to be received by Tercica s stockholders (other than the Purchaser and its affiliates) in the merger was fair to such stockholders.

The full text of Lehman Brothers written opinion, dated June 4, 2008, is attached as Annex B to this proxy statement. Stockholders are encouraged to read Lehman Brothers opinion carefully in its entirety. The following is a summary of Lehman Brothers opinion and the methodology that Lehman Brothers used to render its opinion.

Lehman Brothers opinion, the issuance of which was approved by Lehman Brothers Fairness Opinion Committee, was provided for the use and benefit of the Special Committee and our board of directors and was rendered to the Special Committee in connection with its consideration of the merger. Lehman Brothers opinion was not intended to be and does not constitute a recommendation to any Tercica stockholder as to how such stockholder should vote in connection with the merger. Lehman Brothers was not requested to opine as to, and Lehman Brothers opinion did not address, Tercica s underlying business decision to proceed with or effect the merger. In addition, Lehman Brothers expressed no opinion on, and its opinion did not in any manner address, the fairness of the amount or the nature of any compensation to any officers, directors or employees of any parties to the merger, or any class of such persons, relative to the consideration to be received by the stockholders of Tercica in the merger.

In arriving at its opinion, Lehman Brothers reviewed and analyzed, among other things:

- the merger agreement and the specific terms of the merger;

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publicly available information concerning Tercica that Lehman Brothers believed to be relevant to its analysis, including Tercica s Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and Tercica s Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2008;

financial and operating information with respect to the business, operations and prospects of Tercica furnished to Lehman Brothers by Tercica, including financial projections of Tercica prepared by management of Tercica;

a trading history of Tercica common stock from June 2, 2006 to June 3, 2008 and a comparison of that trading history with those of other companies that Lehman Brothers deemed relevant and the recent trading volume of Tercica common stock;

independent equity research analysts estimates of Tercica s future financial performance;

a comparison of the historical financial results and present financial condition of Tercica with those of other companies that Lehman Brothers deemed relevant;

a comparison of the financial terms of the merger with the financial terms of certain other transactions that Lehman Brothers deemed relevant; and

certain agreements and arrangements between Tercica and Ipsen and its affiliates all relating to Ipsen s 2006 equity investment in Tercica, including the Affiliation Agreement, the terms of the stockholder rights plan, Convertible Notes and the Ipsen Warrants and the Licensing Agreements, and the effects of such agreements and arrangements.

In addition, Lehman Brothers had discussions with the management of Tercica concerning its business, operations, assets, liabilities, financial condition and prospects and undertook such other studies, analyses and investigations as it deemed appropriate.

In arriving at its opinion, Lehman Brothers assumed and relied on the accuracy and completeness of the financial and other information used by Lehman Brothers without any independent verification of such information. Lehman Brothers further relied on the assurances of Tercica s management that they were not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the financial projections of Tercica, upon advice of Tercica Lehman Brothers assumed that such projections were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of Tercica as to the future financial performance of Tercica. Lehman Brothers assumed no responsibility for and it expressed no view as to any such projections or estimates or the assumptions on which they were based. In arriving at its opinion, Lehman Brothers did not conduct a physical inspection of the properties and facilities of Tercica and did not make or obtain any evaluations or appraisals of the assets or liabilities of Tercica. In addition, the Special Committee did not authorize Lehman Brothers to solicit, and Lehman Brothers did not solicit, any indications of interest from any third party with respect to the purchase of all or a part of Tercica s business. Lehman Brothers opinion was necessarily based on market, economic and other conditions as they existed on, and could be evaluated as of, June 4, 2008. The Special Committee imposed no limitations on Lehman Brothers with respect to the scope of the investigations made or procedures followed in rendering its opinion.

The following is a summary of the material financial analyses used by Lehman Brothers in connection with providing its opinion to the Special Committee. The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses used by Lehman Brothers, the tables must be read together with the text of each summary. Considering any portion of such analyses and of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying Lehman Brothers opinion.

Historical Share Price Analysis

Lehman Brothers considered historical data with regard to the trading prices of shares of Tercica common stock for the period from June 2, 2006 to June 3, 2008, the last trading day prior to the date that Tercica entered

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into the agreement with the Purchaser and Merger Sub. This analysis was presented to the Special Committee to provide it with background information and perspective with respect to the relative historical stock prices of Tercica common stock. Lehman Brothers noted that within the year ended June 3, 2008, the intraday per share price of Tercica common stock ranged from a low of $3.70 to a high of $8.11, as compared to the per share merger consideration of $9.00.

Comparable Company Analysis

In order to assess how the public market values shares of similar publicly traded companies, Lehman Brothers, based on its experience with companies in the biopharmaceutical industry, reviewed and compared specific financial and operating data relating to Tercica with selected companies that Lehman Brothers deemed comparable to Tercica, consisting of BioMarin Pharmaceutical, Inc., Amylin Pharmaceuticals, Inc., Alexion Pharmaceuticals, Inc., United Therapeutics Corporation, OSI Pharmaceuticals, Inc., Cubist Pharmaceuticals, Inc., The Medicines Company and CV Therapeutics, Inc.

As part of its comparable company analysis, Lehman Brothers calculated and analyzed Tercica s and each of the comparable companies ratios of current enterprise value to estimated 2009 revenue, commonly referred to as a EV/Revenue multiple. The enterprise value of each company was obtained by adding its short-term and long-term debt to the sum of the market value of its common equity and the book value of any minority interest, and subtracting its cash and cash equivalents. Lehman Brothers included expected Tercica revenue for this analysis based on four projection scenarios provided by Tercica s management, and ratios for the selected comparable companies were calculated based on publicly available financial data and estimates and closing prices as of June 3, 2008. The four projection scenarios are the same as those included in the business plan provided by Tercica to the Purchaser and described in Important Information Concerning Tercica Certain Projected Financial Information below. The ratios for Tercica were calculated using the closing price of Tercica common stock on June 3, 2008 of $4.26 per share. The results of these analyses are summarized as follows:

	Comparison of Enterprise Value / 2009 Revenue
Low	1.71x
Median	3.25x
Mean	3.70x
High	9.58x
Tercica as of June 3, 2008	3.14x

Based upon the results of the comparable company analysis, Lehman Brothers developed a range of multiples to apply to the projection scenarios provided by Tercica s management and calculated an implied per share stock price for each of the scenarios. The median 2009 EV/Revenue of the Comparable Company Analysis (3.25x) was used as the mid-point of the comparable companies range of 2.00x-4.50x. The results of these analyses are summarized as follows:

Per Share Range	**Per Share Merger Consideration**
$2.95 - $7.62	$ 9.00

Lehman Brothers selected the comparable companies above because their businesses and operating profiles are reasonably similar to those of Tercica. However, because of the inherent differences between the business, operations and prospects of Tercica and the businesses, operations and prospects of the selected comparable companies, no comparable company is exactly the same as Tercica. Therefore, Lehman Brothers believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the comparable company analysis. Accordingly, Lehman Brothers also made qualitative judgments concerning differences between the

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financial and operating characteristics and prospects of Tercica and the companies included in the comparable company analysis that would affect the public trading values of each in order to provide a context in which to consider the results of the quantitative analysis. These qualitative judgments related primarily to the differing sizes, growth prospects, profitability levels and degree of operational risk between Tercica and the companies included in the comparable company analysis.

Present Value of Equity Research Analysts 12-Month Price Targets Analysis

Lehman Brothers evaluated equity research analysts projected 12-month price targets for Tercica common stock. The following table presents the results of this analysis:

Research Analysts Price Targets	12-Month Price Target
Low	$ 6.00
Mean	$ 8.20
High	$ 10.00

Lehman Brothers then evaluated the present value of these price targets and compared them to the closing price of Tercica common stock as of June 3, 2008 of $4.26 per share and the proposed $9.00 per share merger consideration. The present value of the research analysts price targets was obtained by dividing the current 12-month price target as of June 3, 2008 by one plus a range of Tercica s estimated cost of equity. The following table presents the results of this analysis:

Present Value of 12-Month Price Target	Per Share Merger Consideration
$5.00 - $8.70	$ 9.00

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