

# ORE PHARMACEUTICAL HOLDINGS INC. (ORXE)

## 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filed on 5/15/2009

Filed Period 3/31/2009

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

(Mark One)

Quarterly Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934  
For the quarterly period ended March 31, 2009

OR

Transition Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-23317

---

**ORE PHARMACEUTICALS INC.**  
(Exact name of registrant as specified in its charter)

---

Delaware  
(State or other jurisdiction of  
incorporation or organization)

06-1411336  
(I.R.S. Employer  
Identification No.)

610 Professional Drive, Suite 101  
Gaithersburg, Maryland 20879  
(Address of principal executive offices)  
(240) 361-4400  
(Registrant's phone number, including area code)

---

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days: YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files): YES  NO

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

The number of shares outstanding of the Registrant's Common Stock, \$.01 par value, was 5,483,519 as of April 30, 2009.

---

---

ORE PHARMACEUTICALS INC.

TABLE OF CONTENTS

<u>PART I</u>	<u>FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	<u>Financial Statements</u>	3
	<u>Consolidated Condensed Balance Sheets at March 31, 2009 and December 31, 2008</u>	3
	<u>Consolidated Condensed Statements of Operations for the Three Months Ended March 31, 2009 and 2008</u>	4
	<u>Consolidated Condensed Statements of Cash Flows for the Three Months Ended March 31, 2009 and 2008</u>	5
	<u>Notes to Consolidated Condensed Financial Statements</u>	6
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	10
<u>Item 4.</u>	<u>Controls and Procedures</u>	12
<u>PART II</u>	<u>OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u>	12
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	12
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	13
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u>	13
<u>Item 5.</u>	<u>Other Information</u>	13
<u>Item 6.</u>	<u>Exhibits</u>	13
<u>Signatures</u>		14

## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

ORE PHARMACEUTICALS INC.  
CONSOLIDATED CONDENSED BALANCE SHEETS  
(in thousands, except share data)

	March 31, 2009 (unaudited)	December 31, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 7,077	\$ 10,784
Prepaid expenses	333	200
Notes receivable, net	3,315	3,252
Other current assets	67	70
Total current assets	10,792	14,306
Property and equipment, net	427	483
Other intangibles, net	575	573
Note receivable, net	348	338
Total assets	<u>\$ 12,142</u>	<u>\$ 15,700</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Accounts payable	\$ 401	\$ 623
Accrued compensation and employee benefits	1,201	1,185
Other accrued expenses	1,045	1,267
Current portion of long-term debt	463	477
Total liabilities	3,110	3,552
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred stock, \$.01 par value; 10,000,000 shares authorized; and no shares issued and outstanding as of March 31, 2009 and December 31, 2008	-	-
Common stock, \$.01 par value; 60,000,000 shares authorized; 5,483,519 shares issued and outstanding as of March 31, 2009 and December 31, 2008	55	55
Additional paid-in-capital	384,950	384,922
Accumulated other comprehensive loss	-	-
Accumulated deficit	(375,973)	(372,829)
Total stockholders' equity	9,032	12,148
Total liabilities and stockholders' equity	<u>\$ 12,142</u>	<u>\$ 15,700</u>

See accompanying notes.

ORE PHARMACEUTICALS INC.  
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS  
(in thousands, except per share data)  
(unaudited)

	Three Months Ended March 31,	
	2009	2008
Services revenue	\$ —	\$ 750
Expenses:		
Research and development	941	2,842
Selling, general and administrative	2,289	5,164
Total expenses	3,230	8,006
Loss from operations	(3,230)	(7,256)
Interest (income), net	(86)	(316)
Net loss	\$ (3,144)	\$ (6,940)
Basic and diluted net loss per share	\$ (0.57)	\$ (1.12)
Shares used in computing basic and diluted net loss per share	5,474	6,206

See accompanying notes.

ORE PHARMACEUTICALS INC.  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
(in thousands)  
(unaudited)

	Three Months Ended March 31,	
	2009	2008
Cash flows from operating activities:		
Loss from operations	\$ (3,144)	\$ (6,940)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation and amortization	56	296
Non-cash stock-based compensation expense	28	159
Other non-cash items	(30)	71
Changes in operating assets and liabilities:		
Prepays and other assets	(130)	1,795
Accounts payable	(222)	399
Accrued expenses	(206)	(1,666)
Deferred revenue	-	(750)
Net cash flows from operating activities	(3,648)	(6,636)
Cash flows from investing activities:		
Purchases of property and equipment	-	(97)
Purchases of licenses and patent costs	(45)	(152)
Proceeds from sale of marketable securities available-for-sale	-	6,522
Purchase of marketable securities available-for-sale	-	(2,975)
Net proceeds received from sale of Genomics Assets	-	501
Net proceeds received from sale of Preclinical Division	-	272
Net cash flows from investing activities	(45)	4,071
Cash flows from financing activities:		
Purchase of common stock	-	(2,991)
Repayments of an equipment loan	(14)	-
Net cash flows from financing activities	(14)	(2,991)
Net decrease in cash and cash equivalents	(3,707)	(5,556)
Cash and cash equivalents, beginning of period	10,784	26,323
Cash and cash equivalents, end of period	\$ 7,077	\$ 20,767
Supplemental disclosure:		
Interest paid	\$ -	\$ 1

See accompanying notes.

ORE PHARMACEUTICALS INC.

Notes to Consolidated Condensed Financial Statements  
March 31, 2009  
(in thousands, except share and per share data)  
(unaudited)

Note 1 — Organization and summary of significant accounting policies

Description of Business

Ore Pharmaceuticals Inc. (the “Company”) is a drug asset development company with a focus on acquiring and developing clinical-stage drug candidates that have already undergone substantial safety testing in humans. The Company currently has three compounds in its development pipeline: ORE1001 (formerly known as GL1001), our lead compound, ORE5002 (tiapamil) and ORE5007 (romazarit). New therapeutic uses for each of these compounds were identified through the Company’s now discontinued drug repositioning program. In the fourth quarter of 2008, the Company completed a multiple ascending dose human tolerability Phase I clinical trial of ORE1001 under an Investigative New Drug Application (“IND”) filed with the FDA and expects to advance the compound into additional clinical trials as a potential treatment for inflammatory bowel disease.

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (“GAAP”) for interim financial information and the instructions to Form 10-Q and Article 8-03 of Regulation S-X. The consolidated condensed balance sheet as of March 31, 2009, consolidated condensed statements of operations for the three months ended March 31, 2009 and 2008 and the consolidated condensed statements of cash flows for the three months ended March 31, 2009 and 2008 are unaudited, but include all adjustments (consisting of normal recurring adjustments) that the Company considers necessary for a fair presentation of the financial position, operating results and cash flows, respectively, for the periods presented. Although the Company believes that the disclosures in these financial statements are adequate to make the information presented not misleading, certain information and footnote information normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”). All material intercompany accounts and transactions have been eliminated in consolidation.

In 2008, the Company sold its wholly owned subsidiary, DioGenix Inc., its molecular diagnostics business. The results of operations for the Company’s molecular diagnostic business are not considered material and, therefore, have not been classified as a discontinued operation. There was no revenue from the Company’s molecular diagnostics business.

Results for any interim period are not necessarily indicative of results for any future interim period or for the entire year. The accompanying unaudited consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2008.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

The Company adopted Statement of Financial Accounting Standards (“SFAS”) No. 157 “Fair Value Measurements” (“SFAS 157”) for financial assets and liabilities on January 1, 2008. The Company adopted SFAS 157 for non-financial assets and liabilities on January 1, 2009.

SFAS No. 157 discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). The statement utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

The Company's recurring financial assets and liabilities subject to fair value measurements and the necessary disclosures are as follows:

	Fair Value as of March 31, 2009	Fair Value Measurements at March 31, 2009 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 7,077	\$ 7,077	\$ -	\$ -
Total	\$ 7,077	\$ 7,077	\$ -	\$ -

There were no required fair value measurements for non-financial assets and liabilities in the first quarter of 2009.

#### Comprehensive Loss

The Company accounts for comprehensive loss as prescribed by SFAS No. 130, "Reporting Comprehensive Income." Comprehensive income (loss) is the total net income (loss) plus all changes in equity during the period except those changes resulting from investment by and distribution to owners. Total comprehensive loss was \$3,144 and \$6,894 for the three months ended March 31, 2009 and 2008, respectively.

#### New Accounting Pronouncements

In February 2008, the Financial Accounting Standards Board ("FASB") issued a one-year deferral for non-financial assets and liabilities to comply with SFAS No. 157. The Company adopted SFAS No. 157 for financial assets and liabilities effective January 1, 2008 (see Note 1, Fair Value Measurements). The Company adopted SFAS No. 157 as it pertains to non-financial assets and liabilities effective January 1, 2009 and the adoption had no impact on the Company's financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141 Revised, "Business Combinations" ("SFAS 141R"). SFAS 141R requires an acquirer to determine the fair value of the consideration exchanged as of the acquisition date (i.e. the date the acquirer obtains control). Previously, an acquisition was valued as of the date the parties agreed upon the terms of the transaction. SFAS 141R also modifies, among other things, the accounting for direct costs associated with an acquisition, contingencies acquired and contingent consideration. The Company adopted SFAS 141R effective January 1, 2009 for business combinations occurring after the effective date.

In December 2007, the FASB ratified Emerging Issues Task Force No. 07-1, "Accounting for Collaborative Agreements" ("EITF 07-1"). EITF 07-1 provides guidance regarding financial statement presentation and disclosure of collaborative arrangements, as defined therein. The Company adopted EITF 07-1 effective January 1, 2009 and the adoption had no impact on the Company's financial position or results of operations.

#### Note 2 – Liquidity and management's plans

Since inception, the Company has incurred, and continues to incur, significant losses from operations. At March 31, 2009, the Company had \$7,077 in cash and cash equivalents. The Company has realigned its corporate resources and as a result significantly reduced its workforce from 71 employees on December 31, 2007 to 11 employees as of March 31, 2009. In addition, the Company assigned its Cambridge, Massachusetts lease and subleased back a smaller portion through June 2009 and expects to lease new space thereafter at a lower cost. The Company believes that its cash and cash equivalents on hand, continuing cash savings resulting from its ongoing realignment and cash conservation efforts and proceeds from the collection of its outstanding notes receivable, will be sufficient to allow the Company to complete the Phase Ib/IIa clinical trial for ORE1001, which is expected to be completed in mid to late 2010. However, there can be no assurance that the Company will be successful in its continuing realignment and cash conservation efforts, the collection of its outstanding notes receivable or, if necessary, attracting additional financing to allow the Company to complete the clinical trial. Furthermore, there is no assurance if the Company completes its Phase Ib/IIa clinical trial, that the results will be satisfactory or will enable the Company to successfully outlicense its compound. If the Company is not successful in achieving its objectives, it might be necessary to liquidate the Company in late 2010. The balance sheet at March 31, 2009 does not include any adjustments relating to recoverability and classification of recorded asset amounts or the amounts and classifications of liabilities that might be necessary in the event of such liquidation.

Note 3 — Stock-based compensation

At March 31, 2009, the Company has the following stock-based compensation plans: the 1997 Equity Incentive Plan (the "Stock Plan") and the 1997 Non-Employee Directors' Stock Option Plan (the "Directors' Plan").

The Company recorded stock-based compensation expense of \$28 and \$159 for the three months ended March 31, 2009 and 2008, respectively.

Stock Option Awards

The Company determined the fair value of each option grant on the date of grant using the Black-Scholes option pricing model for the indicated periods, with the following assumptions:

	Three Months Ended March 31,	
	2009	2008
Weighted average fair value of grants	\$0.21	\$1.90
Expected volatility	79%	61%
Risk-free interest rate	1.31%	3.04%
Expected lives	3 years	3 years
Dividend rate	0%	0%

The following is a summary of option activity for the three months ended March 31, 2009:

	Number of Shares	Per Share Weighted- Average Exercise Price	Aggregate Intrinsic Value
Outstanding at January 1, 2009	683,847	\$ 24.10	
Options granted	550,000	\$ 0.40	
Options exercised	—	\$ —	
Options cancelled	(142,108)	\$ 13.93	
Outstanding at March 31, 2009	<u>1,091,739</u>	<u>\$ 13.48</u>	<u>\$ 2</u>
Exercisable at March 31, 2009	<u>489,929</u>	<u>\$ 29.06</u>	<u>\$ —</u>

Of the stock options outstanding at March 31, 2009, 271,519 are stock options held by the employees that have been or are expected to be terminated as part of the Company's workforce reductions and therefore will be subject to cancellation within three months after the date of their termination in accordance with the Stock Plan.

The aggregate intrinsic value in the table above represents the total intrinsic value (the excess of the Company's closing stock price on the last trading day of March 2009 over the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on March 31, 2009. This amount is subject to change based on changes to the fair market value of the Company's Common Stock.

Restricted Stock Awards

The Committee approved grants for shares of restricted stock under the Stock Plan subject to certain performance- or time-based vesting conditions which, if not met, would result in forfeiture of the shares and the reversal of any previously recognized related stock-based compensation expense.

The following is a summary of restricted stock awards activity for the three months ended March 31, 2009:

	Number of Shares	Per Share Weighted- Average Grant-Date Fair Value
Outstanding at January 1, 2009	10,000	\$ 6.15
Restricted stock granted	—	\$ —
Restricted stock vested	—	\$ —
Restricted stock forfeited	—	\$ —
Outstanding at March 31, 2009	<u>10,000</u>	<u>\$ 6.15</u>

Performance-based non-vested restricted stock awards are recognized as compensation expense over the expected vesting period based on the fair value at the date of grant and the number of shares ultimately expected to vest. At March 31, 2009, the Company continues to believe that the achievement of the performance milestones for the remaining outstanding award is not probable. In a prior period, the Company had reversed the previously recognized related stock-based compensation expense for this restricted stock award.

As of March 31, 2009, \$196 of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 1.9 years. This estimate does not include the impact of other possible stock-based awards that may be made during future periods.

Note 4 — Subsequent events

The Company recently received a notice requiring repayment of all amounts potentially due under a loan and a grant agreement with the State of Maryland that total \$705 at March 31, 2009. The Company has recorded the amounts due under the loan and grant agreement within current portion of long-term debt and other accrued expenses. The Company is in discussions with the State of Maryland concerning the terms of potential repayment of this amount.

In the second quarter of 2009, the Company will close its Gaithersburg, Maryland facility and expects to record a non-cash accelerated lease expense and write-down of leasehold improvements and other related assets of approximately \$900.

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

This Quarterly Report on Form 10-Q ("Form 10-Q") contains forward-looking statements regarding future events and the future results of Ore Pharmaceuticals Inc. ("Ore Pharmaceuticals") that are based on current expectations, estimates, forecasts and projections about the industries in which Ore Pharmaceuticals operates and the beliefs and assumptions of the management of Ore Pharmaceuticals. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," variations of such words, and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that might cause or contribute to such differences include those discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 under the section entitled "Risk Factors" and in our subsequent filings with the United States Securities and Exchange Commission ("SEC"). Ore Pharmaceuticals undertakes no obligation to revise or update publicly any forward-looking statements to reflect any change in management's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statements are based.

Unless the context otherwise requires, references in this Form 10-Q to "Ore Pharmaceuticals," "DioGenix," the "Company," "we," "us," and "our" refer to Ore Pharmaceuticals Inc. and its formerly wholly owned subsidiary, DioGenix Inc.

### Overview

We are a drug asset development company with a focus on acquiring and developing clinical-stage drug candidates that have already undergone substantial safety testing in humans. By restricting our development focus to compounds with prior evidence of a favorable safety profile in human testing, we believe we may have a higher probability of development success, since safety issues are the most common technical reasons for failure in clinical trials.

We currently have three compounds in our development pipeline: ORE1001 (formerly known as GL1001), our lead candidate, ORE5002 (tiapamil) and ORE5007 (romazarit). Each of these candidates has been successfully tested for safety in humans in at least one Phase I clinical study. We are currently in negotiations to secure rights to develop additional compounds to expand and diversify our pipeline; however, there can be no assurances that we will be able to conclude these transactions.

In December 2008, we completed a multiple ascending dose human tolerability Phase I clinical trial for ORE1001. Results of that trial showed that the drug candidate was well tolerated, with no serious adverse effects observed. We plan to begin a Phase Ib/IIa clinical trial for ORE1001, which is expected to begin mid 2009 and to be completed in mid to late 2010. Successful completion of this clinical trial should enable us to either outlicense the compound on terms more favorable to us or attract additional financing. However, there can be no assurance that we will be able to do so. We also plan to continue to exploit our portfolio of other drug candidates.

We continue to actively explore a variety of commercial and financial arrangements to further fund the long-term development of these compounds and of our business.

Our Common Stock is currently below the NASDAQ listing requirement of \$1.00 price, but NASDAQ has temporarily suspended the listing requirement through at least July 19, 2009.

We have incurred net losses in each year since our inception, including losses of \$22.5 million in 2008 and \$34.7 million in 2007. At March 31, 2009, we had an accumulated deficit of \$376.0 million. Our losses have resulted principally from costs incurred from the businesses we sold and the development of our drug development business. We expect to incur additional losses in the future.

### Results of Operations

#### Three Months Ended March 31, 2009 and 2008

**Revenue.** We had no revenue for the three months ended March 31, 2009 compared to \$0.8 million for the three months ended March 31, 2008. During the three months ended March 31, 2008, our revenue resulted from a licensing agreement for certain technology unrelated to our core drug asset development business.

**Research and Development Expense.** Research and development expenses, which now consist almost entirely of costs associated with the further development of ORE1001, decreased to \$0.9 million for the three months ended March 31, 2009 from \$2.8 million for the same period in 2008. The decrease is primarily a result of lower employee and facility-related costs due to our significant workforce reductions. For 2009, we expect a significant decrease in research and development expenses over 2008, primarily as a result of workforce reductions.

**Selling, General and Administrative Expense.** Selling, general and administrative expenses, which now consist primarily of accounting, legal, human resources and other general corporate expenses, decreased to \$2.3 million for the three months ended March 31, 2009 from \$5.2 million for the same period in 2008 primarily as a result of lower employee and facility-related costs due to our significant workforce reductions, reduced professional fees relating to strategic planning and the absence of \$0.5 million in accelerated lease costs and \$0.4 million of expense related to the purchase of shares from a former director that occurred in 2008. For 2009, we expect a significant decrease in selling, general and administrative expenses over 2008, primarily as a result of workforce reductions.

Net Interest Income. Net interest income decreased to \$0.1 million for the three months ended March 31, 2009 from \$0.3 million for the same period in 2008, due to the decline in the balance of our cash and cash equivalents and marketable securities available-for-sale and a decrease in our rates of return on investments.

#### Liquidity and Capital Resources

Historically, we have financed our operations through the issuance and sale of equity securities, payments from customers and sales of parts of our business and assets from time to time. As of March 31, 2009, we had approximately \$7.1 million in cash and cash equivalents, compared to \$10.8 million as of December 31, 2008.

Net cash from operating activities increased to a negative \$3.6 million for the three months ended March 31, 2009 from a negative \$6.6 million for the same period in 2008, primarily due to our reduced net loss for the three months ended March 31, 2009. Based on current expectations of cash usage and collection of outstanding notes, we presently anticipate that we will have sufficient cash to initiate and complete the Phase Ib/IIa clinical trial for ORE1001, which is expected to begin mid 2009 and to be completed in mid to late 2010. We currently expect our cash usage for the second quarter of 2009 to be similar to that of the first quarter (not taking into account the collection of the Ocimum \$3.0 million promissory note that is due June 2009). We also expect our cash usage for the second half of 2009 to be significantly lower than the first half.

For the three months ended March 31, 2009, our investing activities were not significant.

In connection with the 2008 sale of DioGenix Inc. to Nerveda, Inc., the balance of the purchase price is due pursuant to a \$0.8 million interest bearing promissory note, with receipt of two principal payments of \$0.4 million plus interest due December 2009 and June 2010, subject to acceleration in certain events.

In 2008, we assigned our lease in Cambridge, Massachusetts, but remain liable under the lease in the event of the assignee's default. The lease expires in August 2013 and at March 31, 2009, the total remaining amounts due under the lease for the balance of the term is \$5.0 million.

In connection with the 2007 sale of the assets of our Genomics Division to Ocimum Biosolutions, Inc. ("Ocimum"), the balance of the sales price is due pursuant to a \$3.0 million non-interest bearing promissory note due June 2009. Ocimum also assumed the lease obligations of our former Genomics laboratory and office facility, but we remain liable under the lease in the event of Ocimum's default. Our liability expires for obligations under the lease in February 2011, and at March 31, 2009, we could be liable for amounts due under the lease that total \$2.0 million. Ocimum has deposited \$0.8 million in escrow to partially secure both Ocimum's performance under the lease and payment of the note.

In connection with the 2006 sale of our Preclinical Division to Bridge Pharmaceuticals, Inc. ("Bridge"), less than \$0.1 million of the sales price remains in escrow pending resolution between the parties. We continue to guarantee two leases now held by Bridge. The leases expire in February 2011 and December 2013 and at March 31, 2009, the total remaining amounts due under the leases for the balance of the terms is \$1.1 million and \$3.4 million, respectively.

Our financing activities for the three months ended March 31, 2008 consisted of the purchase of shares from a former director for \$3.0 million.

We recently received a notice requiring repayment of all amounts potentially due under a loan and a grant agreement with the State of Maryland that total \$0.7 million. We have recorded the amounts due under the loan and grant agreement within current portion of long-term debt and other accrued expenses. We are in discussions with the State of Maryland concerning the terms of potential repayment of this amount.

We believe that existing cash and cash equivalents, the anticipated receipt of \$3.0 million and \$0.8 million relating to the promissory notes from Ocimum and Nerveda, respectively, and our ongoing realignment and cash conservation efforts, will enable us to support our operations through mid to late 2010, including completion of the Phase Ib/IIa clinical trial for ORE1001, which is expected to be completed in mid to late 2010. However, there can be no assurance that we will be successful in our continuing realignment and cash conservation efforts, the full collection of our outstanding notes receivable or, if necessary, attracting additional financing to allow us to complete the clinical trial. Furthermore, there is no assurance if we complete our clinical trial, that the results will be satisfactory or will enable us to successfully outlicense our compound. If we are not successful in achieving our objectives, it might be necessary to liquidate the Company in late 2010. We currently expect long-term support of our operations to come from possible future financings and payments from commercial arrangements from our pipeline of drug candidates. These estimates are forward-looking statements that involve risks and uncertainties. Our actual future capital requirements and the adequacy of our available funds will depend on those factors discussed above and in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 under the section entitled "Risk Factors" and in our subsequent filings with the SEC.

#### Recently Issued Accounting Pronouncements

In February 2008, the Financial Accounting Standards Board (“FASB”) issued a one–year deferral for non–financial assets and liabilities to comply with SFAS No. 157, “Fair Value Measurements” (“SFAS No. 157”). We adopted SFAS No. 157 for financial assets and liabilities effective January 1, 2008. We adopted SFAS No. 157 as it pertains to non–financial assets and liabilities effective January 1, 2009 and the adoption had no impact on our financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141 Revised, “Business Combinations” (“SFAS 141R”). SFAS 141R requires an acquirer to determine the fair value of the consideration exchanged as of the acquisition date (i.e. the date the acquirer obtains control). Previously, an acquisition was valued as of the date the parties agreed upon the terms of the transaction. SFAS 141R also modifies, among other things, the accounting for direct costs associated with an acquisition, contingencies acquired and contingent consideration. We adopted SFAS 141R effective January 1, 2009 for business combinations occurring after the effective date.

In December 2007, the FASB ratified Emerging Issues Task Force No. 07–1, “Accounting for Collaborative Agreements” (“EITF 07–1”). EITF 07–1 provides guidance regarding financial statement presentation and disclosure of collaborative arrangements, as defined therein. We adopted EITF 07–1 effective January 1, 2009 and the adoption had no impact on our financial position or results of operations.

#### Item 4. Controls and Procedures

##### Evaluation of Disclosure Controls and Procedures

As of March 31, 2009, under the supervision and with the participation of our management, including the Chief Executive Officer (“CEO”) and former Chief Financial Officer (“CFO”), an evaluation was performed of the effectiveness of the design and operation of our “disclosure controls and procedures” (“Disclosure Controls”). These are controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed under the Exchange Act, such as this Form 10–Q, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Disclosure Controls are also designed to reasonably assure that such information is accumulated and communicated to our management, including the CEO and CFO as appropriate, to allow timely decisions regarding required disclosure. Based on that evaluation, our CEO and CFO have concluded that, as of March 31, 2009, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC, and that material information relating to us is made known to management, including the CEO and CFO, particularly during the period when our periodic reports are being prepared.

Our management, including the CEO and CFO, does not expect that our Disclosure Controls or our internal control over financial reporting will prevent or detect all errors and all instances of fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision–making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based, in part, on certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

##### Changes in Internal Control Over Financial Reporting

There were no changes in our internal controls over financial reporting during the first quarter of 2009 that materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

#### PART II OTHER INFORMATION

##### Item 1. Legal Proceedings

We are not currently a party to any material legal proceedings.

##### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits

- \*10.58c Executive Employment Agreement, dated as of December 31, 2008, between Registrant and Philip L. Rohrer, Jr. (1)
- \*10.95a Form of Amendment to Employment Agreement for Employment Agreements between Registrant and Charles L. Dimmler, III, Stephen Donahue, Philip L. Rohrer, Jr. and F. Dudley Staples. (2)
- \*10.105 Letter Agreement, dated February 26, 2009, between Registrant and Mark J. Gabrielson. (3)
- \*10.108 Professional Services Agreement, dated February 26, 2009, between Registrant and F. Dudley Staples.
- \*10.109 Employment Agreement, as amended, dated July 23, 2007, between Registrant and Stephen Donahue.
- \*10.110 Professional Services Agreement, dated March 25, 2009, between Registrant and Philip L. Rohrer, Jr.
- 31 Certifications pursuant to Rule 13a-14(a)/15d-14(a).
- 32 Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Indicates management compensatory plan, contract or arrangement.

- (1) Filed as an exhibit to Registrant's Current Report on Form 8-K with respect to the Company's employment of Phillip L. Rohrer, Jr., filed on January 15, 2009, and incorporated herein by reference.
- (2) Filed as an exhibit to Registrant's Current Report on Form 8-K with respect to amendments to certain agreements to comply with Section 409A of the Internal Revenue Code of 1986, as amended, filed on October 2, 2008, and incorporated herein by reference.
- (3) Filed as an exhibit to Registrant's Current Report on Form 8-K with respect to the Company's employment of Mark J. Gabrielson, filed on March 3, 2009, and incorporated herein by reference.

SIGNATURES

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

ORE PHARMACEUTICALS INC.

Date: May 15, 2009

By: /s/ Mark J. Gabrielson  
Mark J. Gabrielson  
President and Chief Executive Officer  
(Principal Executive and Financial Officer)

## Professional Services Agreement

This Professional Services Agreement ("Agreement") is entered into by Ore Pharmaceuticals Inc. ("Ore") having an address at 610 Professional Drive, Suite 101, Gaithersburg, MD 20879 and Dudley Staples, ("Consultant") having an address at 9806 Mahogany Run, Ijamsville, MD 21754.

The parties hereto agree as follows:

1. Term of Agreement. This agreement will begin on the later of January 19, 2009 or the first business day after Consultant's last day of full-time employment by Ore (the "Effective Date") and shall terminate on June 30, 2009.
2. Scope of Work. Consultant will, on an advisory basis for review by appropriate Ore staff, draft, prepare and review draft documents and memos and perform such other tasks comparable to those he previously performed as Secretary, General Counsel and Senior Vice President, Administration of Ore that may be requested by Ore and that are acceptable to Consultant (collectively the "Services"). Any request must be in writing or e-mail and specify the projects being requested. Either party may suspend performance of the Services in whole or as to specific projects upon written notice to the other, provided that Ore shall pay Consultant for all work performed through the date that notice of any such suspension is received by the recipient. Consultant will perform Services only as requested by Ore's General Counsel.
3. Compensation. Ore shall pay Consultant a consulting fee for the performance of the Services as follows:
  - Ore shall pay Consultant for documented and invoiced Services performed hereunder at an hourly rate of \$300 per hour for Services. In no event will Consultant work more than 40 hours per calendar month without the prior written or e-mail consent of Ore's Chief Financial Officer or General Counsel. Consultant shall be responsible for ensuring that he does not exceed such limits without an appropriate consent. However nothing herein is intended to agree to use any specific number of hours of Services or to guarantee any minimum number of hours of Services will be requested. If Consultant is requested to assist in a change of control transaction as defined in Ore's Executive Severance Plan, then, if such change of control transaction is consummated, Consultant shall be entitled to an additional \$50 per hour for all Services provided related to such transaction, which amount shall be due and payable within 15 days after the later of consummation of such a transaction or receipt of an itemized statement showing time spent in providing such Services. If Consultant is requested to travel to corporate offices in Gaithersburg, Consultant may charge a minimum charge of one hour even if he spends less than one hour at such site. If other travel is requested, travel time will count as work time.
  - Reasonable expenses, with itemized receipts, incurred by Consultant in performance of the Services will be reimbursed. Consultant is familiar with Ore's policies on reasonable travel and other business expenses and will comply with such policies.
  - Consultant shall maintain a record of hours worked, Services performed and expenses incurred and shall submit such record to Ore monthly. Ore shall make payment of all properly documented undisputed charges to Consultant within thirty (30) days from Ore's receipt of an accurate invoice.
  - Ore will make available an office and computer facilities for use by Consultant when Consultant is at Ore's offices. Ore will also provide at its expense any other office equipment, telecommunication capabilities or other resources that Consultant may need to provide the Services.
4. Manner of Performance. Consultant will perform such Services in an efficient manner with diligence and care. EXCEPT WITH RESPECT TO THE PARTIES' OBLIGATIONS UNDER SECTION 7 (CONFIDENTIALITY), IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES ARISING OUT OF OR RELATING TO THIS AGREEMENT, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

All work requiring interaction with Ore staff shall be scheduled to occur during normal working hours or at other mutually convenient and acceptable times and Consultant is not obligated to perform Services that interfere with his other planned vacation or activities.

5. Independent Contractor. Notwithstanding the fact that Consultant is a former employee of Ore, Consultant is now an independent contractor, and nothing in this agreement or otherwise shall be deemed to confer upon Consultant the status of full-time or part-time employee or agent of Ore. Nothing in this Agreement shall authorize or empower Consultant to obligate Ore in any way. The relationship created by this Agreement is non-exclusive and Ore shall be free to acquire services similar to the Services from alternative sources without obligation to Consultant.

6. Conflicts of Interest. Consultant represents that he is not a party to any relationship with third parties, including competitors of Ore, which would present a conflict of interest with the rendering of the Services, or which would prevent Consultant from carrying out the terms of this Agreement or which would present a significant opportunity for the disclosure of confidential information. During the term of this Agreement, Consultant agrees not to provide services similar to the Services provided hereunder for any competitor of Ore.

7. Confidentiality. Consultant entered into a Proprietary Information and Inventions Agreement with Ore dated May 30, 2002, a copy of which is attached hereto as Exhibit A, and hereby agrees that Sections 1, 2, 7 and 8 of said Proprietary Information and Inventions Agreement shall continue in effect during the term of this Agreement, including any extensions or renewals of this Agreement, and shall apply to additional information that, during the course of performing Services under this Agreement, Consultant may learn of and that Ore regards as confidential or proprietary.

At the termination of this Agreement, unless otherwise agreed by Ore's General Counsel, Consultant will return to Ore all non-public documents, drawings, specifications, manuals and other printed or reproduced material provided to Consultant related to the Services contemplated herein and any copies of such information made by Consultant, except that Consultant may keep one copy of any memo or legal document prepared by him as an archive or, subject to removal of any information specifically about Ore or any third party, for use as a form.

8. Work Product. All work product generated by Consultant pursuant to the Services shall be deemed, to the maximum extent permitted by applicable law, a "work for hire" and, to the extent it does not qualify as a "work for hire", Consultant hereby assigns all right, title and interest to the work product to Ore. Such work product may include without limitation computer software or firmware, multi-media content, images, algorithms, protocols, diagrams, documents, letters, memoranda, writings, technical data, and records of any sort, as well as ideas, expressions, inventions, discoveries, improvements, or other information (whether or not patentable, copyrightable, or subject to trademark protection). Such work product shall be the sole and exclusive property of Ore, and Ore shall have the unilateral and unrestricted right to use or permit others to use such work product in any way. Consultant shall perform all lawful acts requested by Ore to: (a) perfect Ore's title to such work product, including the execution of any assignments; and (b) enable Ore or its nominee to obtain and maintain patent, copyright, trademark, trade secret, or other legal protection of such work product anywhere in the world. Notwithstanding the above, the wording of legal documents, forms and memoranda shall not be deemed works for hire if used by Consultant as forms in a different context not related to Ore and with no reference to Ore or proprietary information of Ore in any such document.

9. Termination. Notwithstanding the specified term of this Agreement, either of Consultant or Ore may terminate this Agreement without cause by giving the other party five (5) business days prior written notice. In addition, either party may terminate this Agreement effective the day of notice by giving the other party written notice of termination if the other party materially breaches any obligations under the Agreement. Ore may terminate this Agreement effective the day of notice by giving Consultant written notice of termination if Consultant fails to provide the standard of performance of Services that substantially meets Ore's reasonable expectations. The provisions set forth in Section 7 (Confidentiality), and Section 8 (Work Product), as well as any other provision of this Agreement that reasonably may be expected to survive, shall survive the expiration or termination of this Agreement.

10. Responsibility for Work, Limitation of Liability and Indemnification. Consultant entered into an Indemnity Agreement with Ore dated May 30, 2002, a copy of which is attached hereto as Exhibit B. The parties agree said Indemnification Agreement shall continue in effect during the term of this Agreement, including any extensions or renewals of this Agreement, and shall apply to the performance of Services by Consultant under this Agreement to the same extent as if Consultant had remained an employee of Ore. Notwithstanding the previous, any documents prepared or other Services provided by Consultant are advisory drafts, recommendations or suggestions only. Ore shall determine whether to accept such drafts, recommendations and suggestions or to modify or reject them and shall be responsible for any and all consequences thereof. Therefore, Ore agrees that Consultant shall not have any liability to Ore or anyone claiming by, through or for Ore with respect to the Services or anything resulting from the Services, except to the extent it is finally judicially determined to have resulted from Consultant's intentional wrongdoing. Ore further hereby agrees to indemnify and hold harmless Consultant from and against any claim, action, suit, proceedings (including those of shareholders), loss, cost, damage or expense resulting from claims, action suit or proceeding by any third parties, including stockholders, with regard to the Services or anything resulting from the Services, and to advance legal fees and expenses necessary to defend against such claims if any such claims are made. Ore agrees that it will not, without Consultant's prior written consent, settle, compromise or consent to entry of any judgment in any matter for which Consultant may seek indemnification. Ore acknowledges that the fees charged hereunder would have been higher and the Services provided would have been more limited had Ore not agreed to this provision and that this provision is therefore reasonable.

11. General.

- Consultant may not assign, transfer, or delegate any of its rights or obligations under this Agreement.
- This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland, without reference to any conflict of laws principles.
- If any term of this Agreement is found to be unenforceable in any jurisdiction, then such term shall be enforced to the maximum extent permitted by law, rather than voided, and the remaining terms of this Agreement shall remain in full force and effect.
- This Agreement and all Exhibits and other documents incorporated herein shall constitute the complete, final, and exclusive statement of the terms of the agreement between Consultant and Ore regarding the subject matter hereof, and shall supersede all prior or contemporaneous representations, understandings, and communications relating thereto.
- Consultant has read this Agreement carefully and understands and accepts the obligations that it imposes on Consultant without reservation. No promises or representations have been made to induce Consultant to sign this Agreement. Consultant signs this Agreement voluntarily and freely.

IN WITNESS WHEREOF, the undersigned as authorized representatives of the parties have caused this Agreement to be executed on the dates set forth below.

Ore Pharmaceuticals Inc.

Dudley Staples

/s/ Philip L. Rohrer, Jr.

/s/ Dudley Staples

Signature

Signature

Philip L. Rohrer, Jr.

February 26, 2009

Printed Name

Date

Chief Financial Officer

Title

February 26, 2009

Date

EXHIBIT A

Copy of Proprietary Information and Inventions Agreement of Consultant

EXHIBIT B

Copy of Indemnity Agreement of Consultant

## EXECUTIVE EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of the 23<sup>rd</sup> day of July, 2007 by and between Gene Logic Inc., a Delaware corporation (the "Company"), and Stephen Donahue, M.D. (the "Executive").

The Company desires to secure the services of Executive and Executive desires to perform such services for the Company on the terms and conditions as set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises made below, the parties agree as follows:

1. Employment, Duties and Acceptance.

1.1 Employment.

(a) Effective upon the later of the date of this agreement or the date the Executive first reports for work for the Company (the "Effective Date"), the Company shall employ the Executive as Sr. Vice President, Clinical Development, initially reporting to the Chief Executive Officer ("CEO") of the Company. In such capacity, the Executive shall perform such executive and management duties and assume such other responsibilities as may be assigned from time to time by the individual to whom the Executive reports, the CEO or anyone else designated by the CEO. The Executive accepts such employment and shall perform his duties faithfully and to the best of his abilities.

(b) The Executive shall devote his full working time and creative energies to the performance of his duties hereunder and will at all times devote such additional time and efforts as are reasonably sufficient for fulfilling the significant responsibilities entrusted to him. So long as such activities, in the aggregate, do not interfere with the performance by the Executive of his duties hereunder, the Executive shall be permitted a reasonable amount of time to (i) supervise his and his family's personal, passive investments and (ii) participate (as board member, officer or volunteer) in civic, political and charitable activities. If the Executive wishes to undertake any other outside activities, including any activities for which he would receive compensation in any form, the Executive must obtain prior written approval in accordance with Company policies.

1.2 Place of Employment. The Executive's principal place of employment shall be at the Company's facility located at 38 Sidney Street, Cambridge, Massachusetts or other Company facility in the Greater Boston Metropolitan Area specified by the individual to whom the Executive reports, or as otherwise mutually agreed by the parties, subject to such travel as may be reasonably required by his employment pursuant to the terms hereof. The Executive shall not be required to relocate outside of the Greater Boston Metropolitan Area during the Term unless the Executive so agrees and Company provides relocation benefits reasonably acceptable to the Executive.

2. Term of Employment. The Executive's term of employment with the Company (the "Term") shall commence on the Effective Date and continue thereafter on an at-will basis until terminated by either party pursuant to Section 4, subject to certain rights upon termination as provided in Section 4. If Executive's employment hereunder with the Company is terminated by the Executive or by the Company, Executive shall thereby be removed from, and Executive agrees to resign immediately from, all other positions with the Company and its affiliates and subsidiaries (collectively the "GLGC Group").

3. Compensation.

3.1 Salary. As compensation for all services to be rendered pursuant to this Agreement, the Company shall pay to the Executive during the Term a salary at the rate of \$295,000.00 per annum (the "Base Salary") less such deductions as shall be required to be withheld by applicable tax and other laws and regulations or as otherwise authorized by the Executive. The Base Salary shall accrue from and after the Effective Date, and shall be payable during the Term, in equal periodic installments, not less frequently than semi-monthly. The Executive's Base Salary shall be reviewed annually and may be increased based upon various factors, including the evaluation of the Executive's performance and the compensation policies of the Company in effect at the time of each such review. The Base Salary shall be prorated for the first calendar year of employment and for any other year in which Executive is not employed by the Company for the entire year based on the portion of the year in which Executive is employed on a full-time basis by the Company.

---

3.2 Incentive Compensation. Executive will be eligible to participate in any incentive compensation plan established by the Company's Board of Directors (the "Board") or the Compensation Committee of the Board (the "Compensation Committee") and generally applicable to full-time employees of the Drug Repositioning Division of the Company. Payment of incentive compensation under any such plan will be contingent on achieving such targets and levels of performance as are specified by the Compensation Committee. Such targets and levels of performance may be specified for individuals or groups of individuals, by department and/or on a company-wide basis. Incentive compensation payments for any applicable plan will be made on the terms specified in the plan, subject to prior approval by the Compensation Committee. The target incentive compensation for Executive for the Company's fiscal year 2007, which shall be based on achieving 100% of the targets and levels of performance established by the Compensation Committee, will be 40% of the base salary specified in Section 3.1 of this Agreement, for a full calendar year, less applicable withholding, prorated based on the portion of the year in which Executive is employed by the Company. To receive incentive compensation for any period, except as specifically provided in section 4.7, the Executive must be employed by the Company on a full-time basis as of the last business day of the period for which the incentive compensation is paid.

3.3 Stock Options. Upon and subject to approval by the Board of Directors of the Company or its Compensation Committee, Executive will receive a stock option grant under the Company's 1997 Equity Incentive Plan (the "Plan") to acquire 100,000 shares of Company Common Stock at an exercise price equal to the fair market value per share at date of grant (which, for administrative purposes, is the closing price on the last business day preceding the date of grant); the date of grant will be the later of the Executive's first day of employment hereunder or the date on which the Board or Compensation Committee approve the grant. The stock options will vest and become exercisable at the rate of one-fourty eighth per month at the end of each month of employment. The options will have a 10-year term and be subject to the other terms and conditions of the Plan and the standard form of stock option grant agreement thereunder. The stock option will be an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended, ("Code") to the maximum extent permitted by the law and the Plan; any remaining portion of the stock option will be treated as a Non-Statutory Stock Option.

3.4 Performance-Based Shares. Upon and subject to approval by the Board of Directors of the Company or its Compensation Committee, Executive will receive a grant for 70,000 performance-based restricted shares. Of these, 40,000 will vest if, within 2 years of grant date, Executive accomplishes a clinical development milestone to be defined separately by the CEO. The second 30,000 will vest if, within the same 2 year period, a second successful milestone is achieved as defined by the CEO. In both cases the Board or CEO will determine that the milestones have been achieved to its or his satisfaction, which will in turn, cause the restrictions to lapse. Executive will be fully responsible for taxes incurred upon lapsing of restrictions on these shares.

3.5 Participation in Benefit Plans. The Executive shall be permitted during the Term, to the extent eligible, to participate in any group life, medical, dental, vision, or disability insurance plans, accidental death and dismemberment plan, 401(k) Plan, or similar benefit plans of the Company that may be available generally to other senior executives of the Company, but nothing herein shall prevent the Company from adding to, changing or eliminating such benefits from time to time.

3.6 Paid Time Off. The Executive shall accrue and may use paid time off ("PTO") in accordance with the Company's policies. PTO accruing in the first calendar year of employment and in any other year in which Executive is not employed by the Company for the entire year shall be prorated based on the portion of the year in which Executive is employed by the Company.

3.7 Holidays. The Executive shall be eligible for holidays in accordance with the Company's policy and schedule

3.8 Expenses. In accordance with the Company's policies, the Executive will be reimbursed for all ordinary, necessary and reasonable business expenses (including, without limitation, travel, meetings, dues, subscriptions, fees, educational expenses, and expenses incurred for operation of mobile telephones,) actually incurred or paid by the Executive during the Term in the proper performance of the Executive's services under this Agreement, upon presentation of expense statements or vouchers or such other supporting information as the Company or Board may reasonably require.

3.9 Withholding. The Company is authorized to withhold from the amount of any Base Salary and bonuses and any other payments or benefits paid or provided to or for the benefit of the Executive, all sums authorized by the Executive or required to be withheld by law, court decree, or executive order, including (but not limited to) such things as income taxes, employment taxes, and employee contributions to fringe benefit plans sponsored by the Company.

3.10 Change of Control. If so designated by the Board, the Executive shall be included in the Company's Executive Severance Plan (the "Change-of-Control Severance Plan"), which may provide certain benefits if the Executive's employment is terminated as a result of a change in control of the Company.

4. Termination.

4.1 General. The employment of the Executive hereunder may be terminated as provided in this Section 4.

4.2 Termination Upon Mutual Agreement. The Company and the Executive may, by mutual written agreement, terminate this Agreement and/or the employment of the Executive at any time.

4.3 Death or Disability of Executive.

(a) The employment of the Executive hereunder shall terminate upon (i) the death of the Executive, or (ii) at the option of the Company upon not less than thirty (30) days prior written notice to the Executive or his personal representative or guardian, if the Executive suffers a Total Disability (as defined in Section 4.3(b) below).

(b) For purposes of this Agreement, "Total Disability" shall mean (i) if the Executive is subject to a legal decree of incompetency (the date of such decree being deemed the date on which such disability occurred), or (ii) the written determination by a physician selected by the Company that, because of a medically determinable disease, injury or other physical or mental disability, the Executive is substantially unable to perform his essential duties, without reasonable accommodation, and that such disability has lasted for the immediately preceding ninety (90) days and is, as of the date of determination, reasonably expected to last an additional ninety (90) days or longer after the date of determination. If requested by the Company, Executive agrees to appear at a medical examination by a physician selected by the Company and to furnish to such physician such medical information as is needed for a determination under this Section 4.3(b). Nothing in this provision is intended to restrict rights or obligations under the Americans with Disabilities Act or other applicable law.

(c) Any leave on account of illness or temporary disability which is short of Total Disability shall not constitute a breach of this Agreement by the Executive and in no event shall any party be entitled to terminate this Agreement for Cause (as defined below) due to any such leave. All physicians selected hereunder shall be Board-certified in an appropriate specialty related to the nature of the disability alleged to exist.

4.4 Termination for Cause. The Company may, upon action of the Board or, in the case of an officer or other officer who has not been designated an executive officer by the Board, the CEO, and upon written notice to the Executive specifying in reasonable detail the reason therefore, terminate the employment of the Executive at any time for Cause (as defined in Attachment A); provided, however, that if the reason for termination for Cause is susceptible of cure as determined by the Company, the Executive shall have a period of fifteen (15) business days after such written notice to effect a cure satisfactory to the Company and, if so cured, such termination in such instance shall be deemed withdrawn, but any such withdrawal shall not affect the right of the Company to initiate a termination for any other cause or in any other instance, including a recurrence of the circumstances that led to the initial decision to terminate.

4.5 Termination Without Cause. The Company may also terminate the employment of the Executive without Cause upon 30 days advance written notice to the Executive, which termination shall constitute a "Termination Without Cause". Termination without Cause shall not include a termination due to death or Total Disability. The Company may limit the activities of the Executive on behalf of the Company during such thirty day period or assign transitional or other duties not inconsistent with the position held by the Executive or provide pay in lieu of such notice.

4.6 Termination by Executive. The Executive may resign (and thereby terminate his employment under this Agreement) at any time, by giving the Company not less than thirty (30) days' prior written notice to the Company, but the Company after receipt of such notice, may waive all or part of such notice period.

4.7 Payments Upon Termination Without Cause.

(a) If Executive's employment is terminated by the Company without Cause, the Company shall pay the Executive:

(i) Severance pay of twelve (12) months' base salary, payable in a single lump sum within fifteen (15) days after receipt of the signed release described in subsection (b) below and expiration of any period allowed for revocation of that release. This amount is in addition to and not in lieu of base salary for the period prior to termination of employment made to fulfill any requirement under the Agreement for prior notice of termination of up to 30 days or pay in lieu thereof.

(ii) Reimbursement or, at the Company's option, direct payment by the Company of that portion of group health insurance premium for post-employment coverage (including without limitation medical, dental and vision coverage) for which Executive is eligible, and which the Executive timely elects under COBRA because of his prior employment by Company, equal to the percentage of the premium that Company was paying as of the last day of Executive's employment by Company, for a period equal to the lesser of (x) twelve (12) months or (y) until Executive becomes eligible for coverage under a new employer's group health plan. Such reimbursement or direct payment will also include coverage for any dependents of Executive who are eligible for, and timely elect, coverage under COBRA for the same period as Executive equal to the percentage of the premium for dependent coverage that Company was paying as of the last day of Executive's employment by Company. Such reimbursement or direct payment is for a period that is part of, and not in addition to, the total period of eligibility for continuation of health insurance benefits to which Executive, and/or the covered dependents, are entitled under COBRA.

If the option selected by the Company is reimbursement, such reimbursement will be provided within a reasonable time following receipt by the Company of confirmation of payment of the cost of such health insurance by Executive (and, if applicable, covered dependents) for the number of weeks covered. Executive (and, if applicable, covered dependents) may request periodic reimbursement, but not more often than monthly. Any such reimbursement must be requested by Executive (and, if applicable, covered dependents) no later than thirty (30) days following the end of the calendar year in which occurred the due date for the respective premium and, if timely requested by Executive (and, if applicable, covered dependents), will be reimbursed by Company no later than thirty (30) days following receipt of the reimbursement request.

If the option selected by the Company is direct payment, the Executive (and, if applicable, covered dependents) must pay to the Company the Executive's (and, if applicable, covered dependents) portion of the COBRA premium no later than the first of each month for which COBRA coverage is continued.

(iii) Outplacement services paid for and through a program and vendor selected by Company and at a level appropriate for an executive for a period not to exceed six (6) months, and in no event costing more than twenty thousand dollars (\$20,000.00), to be used and completed within twelve (12) months after termination of employment, unless otherwise agreed in writing by Company, but in no event later than the end of the second calendar year following the year of termination. Executive may not elect any payment in lieu of such outplacement services and such services will only become available after any release required under subsection (b) below is signed and the revocation period specified therein has been completed without revocation.

(b) Any payments made under this Section 4.7 will be conditioned upon execution by Executive of a comprehensive and full release of all claims arising from or connected with his employment by the Company in such form as may be specified by the Company (excluding from any such release any rights Executive may have to (x) indemnification or to insurance coverage with respect to his actions while employed by the Company, whether by contract, under Directors and officers or other insurance maintained by the Company or under the Company's indemnification policies and agreements and applicable law concerning indemnification, (y) coverage at the Executive's expense under applicable health care policies to the extent Executive is entitled to continued coverage under COBRA) and (z) payment of compensation earned but not paid prior to termination. Such release shall be presented to Executive as soon as practicable and in any event no later than ten (10) days following Executive's termination of employment. The release must be signed and returned to Company by Executive no later than twenty-one (21) days after Executive's receipt of the release, or such longer time limit as may be stated in the release, and must not be revoked within the period allowed for revocation as stated in the release in order for Executive to become entitled to the severance and other benefits hereunder.

(c) Notwithstanding anything to the contrary above, if the Executive is eligible for and has met the conditions for receiving cash severance and benefits under the Company's Executive Severance Plan, as amended and restated effective February 23, 2001 or as subsequently amended or under any successor plan providing severance and/or other benefits to executives upon or in connection with a change of control of the Company (the "Executive Severance Plan"), then the provisions set forth in the Executive Severance Plan shall apply in lieu of severance and benefits under this Agreement, including without limitation this Section 4.7. If Executive becomes entitled to cash severance and other benefits under the Executive Severance Plan after receiving severance or other benefits under this Agreement, the severance and other benefits under this Agreement shall be credited against the cash severance and benefits due under the Executive Severance Plan. In no event shall the aggregate severance and other benefits actually paid and provided to Executive exceed the greater of the amount payable under this Agreement, including without limitation this Section 4.7, or under the Executive Severance Plan as the result of a termination of Executive's employment.

(d) The Company shall have no further liability to the Executive pursuant to this Agreement, in the event of termination by the Company in a Termination Without Cause except as set forth in this Section 4.7 including, without limitation, any liability to pay the Executive any severance, bonus or any other compensation.

(e) The Company also waives, releases and remises (A) any obligation or duty under applicable law on the part of the Executive to seek or obtain other engagements or employment or to otherwise mitigate any damages to which the Executive may be entitled by reason of any termination of this Agreement; and (B) any right in or claim to any remuneration or compensation received by Executive pursuant to any engagements or employment subsequent to the termination of this Agreement.

#### 4.8 Payments upon Termination for Cause or due to Death or Disability of the Executive

(a) If the Executive's employment is terminated (i) by the Company for Cause, or (ii) by the Executive, then the Company shall have no duty to make any payments or provide any benefits to the Executive pursuant to this Agreement other than payment of the amount of the Executive's Base Salary and benefits accrued through the date of termination of his employment.

(b) Upon termination of Executive's employment for death or Total Disability, the Company shall pay to the Executive, or to his guardian or personal representative, as the case may be, in addition to any insurance or disability benefits to which he may be entitled under applicable insurance and benefit programs contemplated by Section 3.4 and then in effect, all amounts accrued or vested prior to such termination; provided, however, if cash severance benefits are payable under the Change-of-Control Severance Plan as a result of such termination, then the provisions set forth in such plan shall apply in lieu of the foregoing. The Company shall have no further liability to the Executive, guardian or personal representative pursuant to this Agreement, including, without limitation, any liability to pay the Executive, guardian or personal representative any severance, bonus or any other compensation.

#### 4.9 No Disparaging Comments Upon Termination.

Upon termination of this Agreement and thereafter, the Executive shall refrain from making any disparaging remarks about the businesses, services, products, stockholders, officers, directors or other personnel of the GLGC Group.

#### 5. Certain Covenants of the Executive.

5.1 Necessity for Covenants. The Executive acknowledges that (i) the GLGC Group (as defined below) is engaged and will in the future be engaged in the Business as defined in Section 5.2 below; (ii) his employment pursuant to this Agreement will give him access to customers and suppliers of the GLGC Group; (iii) his employment will give him access to confidential information and other trade secrets concerning the GLGC Group's products, services and the Business and (iv) the agreements and covenants contained in this Section 5 are essential to protect the business and goodwill of the GLGC Group. To induce the Company to enter into this Agreement and pay the compensation and other benefits at the levels requested by the Executive, the Executive enters into the following covenants:

#### 5.2 Definitions.

(a) "Business" for purposes of this Article 5 shall mean the provision by the GLGC Group of genomic information and bioinformatics products and services, pre-clinical testing services and drug repositioning services to the pharmaceutical and biotechnology industry. The Business includes:

(i) biosample collection, handling and processing, genomic data production and analysis, and data management and software systems development, to create a broad range of gene expression-based information solutions that facilitate the drug discovery and development process,

(ii) drug repositioning and drug indication seeking programs conducted by the Company either for itself or with partners,  
(iii) the development and sale or licensing of molecular diagnostics products and services and  
(iv) any other products and services offered from time to time by the GLGC Group as described in its annual and quarterly reports filed with the Securities and Exchange Commission.

(b) "GLGC Group" for purposes of this Article 5 shall include the Company, and all of its wholly or majority owned subsidiaries and affiliates and successors and assigns of any of the foregoing.

(c) "Business Contact" shall mean any (i) customer which has purchased goods or services provided by the GLGC Group during the Term, (ii) prospective customer whom the Executive or persons working for or directly with the Executive has contacted during the Term for the purpose of endeavoring to sell the goods or services of the GLGC Group to the prospective customer, or (iii) provider of material amounts of goods or services to the GLGC Group.

(d) "Service Area" means North America, Eastern Europe and Japan..

(e) "Term" means the term of employment as specified in Section 2 hereof

### 5.3 Restrictive Covenants.

5.3.1 Restrictions. During the Term and for a period of one (1) year after the date (the "Termination Date") the Executive's employment hereunder is terminated (the "Restricted Period") regardless of whether such termination is voluntary or involuntary, with or without Cause or by resignation, the Executive shall not, directly or indirectly, for himself or on behalf of any other person, firm, corporation or other entity, whether as a principal, agent, employee, stockholder, partner, officer, member, adviser, consultant, director, sole proprietor, or otherwise:

(a) call upon or solicit any Business Contact for the purpose of persuading the Business Contact to engage the Executive or any other person, firm, corporation or other entity to provide goods or services which are the same as or similar to those the GLGC Group provided or proposed to provide to the Business Contact or to engage the Business Contact to provide to any other person, corporation or other entity goods or services which are the same as or similar to those the Business Contact provided to the GLGC Group to any other person, firm, corporation or other entity;

(b) solicit, participate in or promote the solicitation of any person who was employed by the GLGC Group at any time during the twelve (12) months preceding the Termination Date to leave the employ of the GLGC Group, or hire or engage or assist anyone to hire or engage any of those persons;

(c) make any disparaging remarks about the GLGC Group's business, services or personnel in any manner that is likely to have an adverse effect on the GLGC Group's business, services or personnel, provided that Executive may respond accurately and fully to any questions, inquiry or request for information when required by legal process or in response to an inquiry from an administrative agency.;

(d) interfere in any way with the GLGC Group's Business, prospects or personnel of the GLGC Group in existence prior to the Termination Date or contemplated by the GLGC Group during such period; or

(e) render services in any capacity (other than services unrelated to the Business) to, or become affiliated with, any person, company or other entity engaged in any business that competes with the Business within the Service Area, directly or indirectly, in any capacity;

provided, however, that the Executive may own, directly or indirectly, solely as an investment, securities which are publicly traded if the Executive (a) is not a controlling person of, or a member of a group which controls, the issuer and (b) does not, directly or indirectly, own 5% or more of any class of securities of the issuer.

5.3.2 Severability of Covenants. The Executive acknowledges and agrees that the Restrictive Covenants are reasonable and valid in geographical and temporal scope and in all respects. If any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect, without regard to the invalid portions.

5.3.3 Blue-Penciling. If any court determines that any of the Restrictive Covenants, or any part thereof, is unenforceable because of the duration or geographic scope of such provision, such court shall have the power to reduce the duration or scope of such provision, as the case may be, and, in its reduced form, such provision shall then be enforceable and shall be enforced. If any such court declines to so revise such covenant, the parties agree to negotiate in good faith a modification that will make such duration or scope enforceable.

5.4 Rights and Remedies Upon Breach. If the Executive breaches, or threatens to commit a breach of, any of the provisions of Section 5.3 (the "Restrictive Covenants"), the Company shall, in addition to its right immediately to terminate this Agreement for Cause, have the right and remedy (which right and remedy shall be independent of others and severally enforceable, and which shall be in addition to, and not in lieu of, any other rights and remedies available to the Company under law or in equity) to have the Restrictive Covenants specifically enforced by any court having jurisdiction, it being acknowledged and agreed that any such breach or threatened breach could cause irreparable injury to the Company and that money damages may not provide an adequate remedy to the Company.

6. Representations of Executive. The Executive represents and warrants that:

(a) his employment by the Company will not (i) violate any non-disclosure agreements, covenants against competition, or other restrictive covenants or agreements made by the Executive with, to or for the benefit of any previous employer or partner, or (ii) violate or constitute a breach or default under, any statute, law, judgment, order, decree, writ, injunction, deed, instrument, contract, lease, license or permit to which the Executive is a party or by which the Executive is bound;

(b) there is no litigation, proceeding or investigation of any nature (either civil or criminal) which is pending or, to the best of the Executive's knowledge, threatened against or affecting the Executive or which would adversely affect his ability to substantially perform the duties herein; and

(c) he has received or been given the opportunity to review the provisions of this Agreement, and the meaning and effect of each provision, with independent legal counsel of the Executive's choosing.

7. Confidentiality and Proprietary Inventions Agreement. As a condition to his employment by the Company, the Executive agrees to enter into and be bound by the provisions set forth in the Company's Proprietary Information and Inventions Agreement, which is expressly incorporated by reference thereto.

8. Dispute Resolution.

8.1 Arbitration Policy. Subject to the Company's right to seek injunctive or other equitable relief as specified in Section 5.4 of this Agreement or in the Proprietary Information and Inventions Agreement, the Parties agree that arbitration is the required and exclusive forum for the resolution of any and all disputes between them, including claims arising under statute, common law, or this Agreement. This mandatory arbitration provision includes without limitation any claims or actions under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866 ("Section 1981"), the Americans with Disabilities Act, the Family and Medical Leave Act, the Age Discrimination in Employment Act, the Fair Labor Standards Act, the Equal Pay Act, the Employee Retirement Income Security Act, and any other federal, state or local statute, law or regulation regarding employment, employment discrimination, terms and conditions of employment, compensation or termination of employment. This mandatory arbitration provision includes any dispute between the Executive and the Company or its parents, subsidiaries and affiliates, and its and their current and former officers, directors, employees and agents.

Any covered dispute must be submitted to arbitration in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association. Any such arbitration will be conducted in Montgomery County, Maryland, and will be decided in accordance with and determined by the laws of the State of Maryland and/or applicable federal law. The Executive specifically agrees that the Company may seek specific performance of this provision, as well as other injunctive relief, from the state or federal courts in Maryland. The arbitrator shall not have the authority to award punitive damages, costs or attorneys' fees to either Party except where expressly provided for by the applicable law.

Except as otherwise provided by applicable law, the administrative costs of the arbitration (filing fees, cost for the arbitration site, other AAA fees, arbitrator's fee) shall be divided equally between the parties. In the event that the National Rules for the Resolution of Employment Disputes of the American Arbitration Association, any express statutory provisions, or controlling case law conflicts with this allocation and requires the payment of administrative costs of arbitration by the Company, the administrative costs of arbitration will be paid by the Company. The fees and expenses of any witness shall be paid by the Party requiring the presence of such witness. Each Party shall bear its own costs and expenses in all other respects. The resolution of any dispute achieved through such arbitration shall be final and binding and enforceable by a court of competent jurisdiction.

8.2 No Jury Trial. NEITHER PARTY SHALL ELECT A TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT.

8.3 Personal Jurisdiction. Both parties agree to submit to the jurisdiction and venue of the state courts in Montgomery County, Maryland as to matters involving enforcement of this Agreement, including any award under an arbitration proceeding.

9. Other Provisions.

9.1 Notices. Any notice or other communication required or which may be given hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission, sent by nationally recognized overnight courier service such as FedEx or UPS or sent by certified, registered or express mail, postage paid, and shall be deemed given when so delivered personally, telegraphed, telexed or sent by facsimile transmission or, if sent by courier on the second business after delivery by the courier service or, if mailed, four days after the date of mailing, as follows:

(a) if to the Company, to:

Gene Logic Inc.  
50 West Watkins Mill Road  
Gaithersburg, MD 20878  
Attention: Chief Executive Officer

with copies to:

Ariel Vannier, Esquire  
Venable, Baetjer, Howard and Civiletti, LLP  
575 7th Street, NW  
Washington, DC 20004

(b) if to the Executive, to:

Stephen Donahue, M.D.  
28 Slocum Road  
Lexington, MA 02421

Any party may by notice given in accordance with this Section to the other party designate another address or person for receipt of notices hereunder.

9.2 Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, written or oral, with respect thereto.

9.3 Waivers and Amendments. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms and conditions hereof may be waived, only by a written instrument signed by the Executive and a duly authorized officer of the Company (each of the Executive and Company, in such capacity, a party) or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any right, power or privilege hereunder, nor any single or partial exercise of any right, power or privilege hereunder, preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

9.4 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Maryland without regard to conflicts of laws principles.

9.5 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

9.6 Confidentiality. Neither party shall disclose the contents of this Agreement to any person, firm or entity, except the agents or representatives of the parties, or except as required by law.

9.7 Word Forms. Whenever used herein, the singular shall include the plural and the plural shall include the singular. The use of any gender or tense shall include all genders and tenses.

9.8 Headings. The Section headings have been included for convenience only, are not part of this Agreement, and are not to be used to interpret any provision hereof.

9.9 Binding Effect and Benefit. This Agreement shall be binding upon and inure to the benefit of the parties, their successors, heirs, personal representatives and other legal representatives. This Agreement may be assigned by the Company to any entity that buys substantially all of the Company's assets or to any affiliate of the Company with the consent of the Executive that shall not be unreasonably withheld. However, the Executive may not assign this Agreement without the prior written consent of the Company.

9.10 Separability. The covenants contained in this Agreement are separable, and if any court of competent jurisdiction declares any of them to be invalid or unenforceable, that declaration of invalidity or unenforceability shall not affect the validity or enforceability of any of the other covenants, each of which shall remain in full force and effect.

IN WITNESS WHEREOF, the parties, intending to be legally bound, have executed this Agreement as of the last date of signature below.

GENE LOGIC INC.

July 24, 2007  
Dated

By /s/ Charles L. Dimmler, III (SEAL)  
President and Chief Executive Officer

EXECUTIVE:

July 20, 2007  
Dated

/s/ Stephen Donahue (SEAL)

Attachment A  
Definition of "Cause"

"Cause" shall mean:

- i) commission of an act or an omission that the Company determines would constitute:
  - a) a felony or
  - b) a misdemeanor which, in the Company's reasonable opinion, could have a material adverse effect on the Company's business, financial condition, prospects or reputation or the Executive's performance of his duties, under the laws of the United States or of any state or
  - c) a crime involving moral turpitude, including, but not limited to, fraud, theft, embezzlement or any crime that results in or is intended to result in personal enrichment at the expense of the Company;
- ii) a material breach by the Executive of any agreement entered into between the Executive and the Company including without limitation the violation by the Executive of the provisions of the Proprietary Information and Inventions Agreement or any restrictive covenants in this Agreement dealing with the same subject matter or a material violation of the Company's Code of Ethics;
- iii) willful misconduct by the Executive or gross negligence of the Executive which could reasonably be expected to have a material adverse impact on the Company;
- iv) a material failure of the Executive in the performance of the Executive's duties provided that, if susceptible of cure as determined by the Company, notice is provided and Executive does not cure such failure within fifteen (15) business days after the date of such notice in a manner satisfactory to the Company; or
- v) engagement in any activity that constitutes a material conflict of interest with the Company unless fully disclosed and consented to by the Board.

With respect to any criminal act, the Company may base such a determination on facts available to it or on an arrest or charges by an appropriate government authority (without liability if the Executive is subsequently acquitted or the prosecution is terminated without conviction) and may, at its option in lieu of immediate termination, suspend the Executive with or without pay in lieu of immediate termination in the event of any criminal charges, pending additional information, criminal conviction or other action enabling a final decision on whether termination should be "for cause".

## Professional Services Agreement

This Professional Services Agreement ("Agreement") is entered into by Ore Pharmaceuticals Inc. ("Ore") and Philip L. Rohrer, Jr., ("Consultant").

The parties hereto agree as follows:

1. Term of Agreement. This agreement will begin on April 1, 2009 and shall terminate on March 31, 2010.
2. Scope of Work. Consultant will perform the following tasks and services (collectively the "Services").
  - Develop and provide the Chief Executive Officer ("CEO") with perspectives on the finance, tax and accounting implications of various corporate restructuring and financing alternatives.
  - Assist the CEO in hiring a suitable replacement Chief Financial Officer ("CFO") to be based in Cambridge Massachusetts.
  - Assist the CEO in evaluating acquisition or divestiture options.
  - Review and assist in preparing public filings as required.
  - Develop various forecasts and budgets as requested by the CEO.
  - Assist the CEO in researching and managing various equity grant strategies.
  - Provide the CEO with general business advice and consultation as required.
  - Provide transition services as needed.
  - Other tasks and projects as are mutually agreeable by the Consultant and the CEO.

Any request must be in writing or e-mail and specify the projects being requested. Either party may suspend performance of the Services in whole or to specific projects upon written notice to the other, provided that Ore shall pay Consultant for all work performed through the date that notice of any such suspension is received by the recipient. Consultant will perform Services only as requested by Ore's CEO.

3. Compensation. Ore shall compensate Consultant for the performance of the Services as follows:
  - Nothing herein is intended to agree to use any specific number of hours or days of Services,
  - Ore shall pay Consultant for documented and invoiced Services performed hereunder at an hourly rate of \$250 per hour for Services provided at Ore's offices in Maryland.
  - Ore shall pay Consultant \$2,000 for each day or part of day when Consultant provides Services in person at Ore's request at any site other than Ore's offices in Maryland or at his home.
  - At such time as Ore's equity plans allow for such grant and subject to approval by the Board of Directors, Ore will issue an option grant of a mutually acceptable quantity of shares with a mutually agreeable vesting schedule and with an exercise period for vested options post termination equal to at least 24 months.
  - Reasonable expenses, with itemized receipts, incurred by Consultant in performance of the Services will be reimbursed. Consultant is familiar with Ore's policies on reasonable travel and other business expenses and will comply with such policies.
  - Consultant shall maintain a record of hours worked, Services performed and expenses incurred and shall submit such record to Ore monthly. Ore shall make payment for all Services to Consultant within thirty (30) days from Ore's receipt of invoice.

- Ore will make available an office and computer facilities for use by Consultant when Consultant is at Ore's offices. With prior approval by the CEO, Ore will also provide at its expense any other office equipment, telecommunication capabilities or other resources that Consultant may need to provide the Services. Ore will maintain consultant's access to e-mail and office telephone service during the period consultant provides the Services.

4. Manner of Performance. Consultant will perform such Services in an efficient manner with diligence and care. EXCEPT WITH RESPECT TO THE PARTIES' OBLIGATIONS UNDER SECTION 7 (CONFIDENTIALITY), IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES ARISING OUT OF OR RELATING TO THIS AGREEMENT, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

All work requiring interaction with Ore staff shall be scheduled to occur during normal working hours or at other mutually convenient and acceptable times.

5. Independent Contractor. Consultant is an independent contractor, and nothing in this agreement or otherwise shall be deemed to confer upon Consultant the status of full-time or part-time employee or agent of Ore. Nothing in this Agreement shall authorize or empower Consultant to obligate Ore in any way. The relationship created by this Agreement is non-exclusive and Ore shall be free to acquire services similar to the Services from alternative sources without obligation to Consultant.

6. Conflicts of Interest. During the term of this Agreement, Consultant agrees not to provide services similar to the Services provided hereunder for any competitor of Ore.

7. Confidentiality. Consultant previously entered into a Proprietary Information and Inventions Agreement with Ore and hereby agrees that Sections 1, 2, 7 and 8 of said Proprietary Information and Inventions Agreement shall continue in effect during the term of this Agreement, including any extensions or renewals of this Agreement, and shall apply to additional information that, during the course of performing Services under this Agreement, Consultant may learn of and that Ore regards as confidential or proprietary.

At the termination of this Agreement, upon request, Consultant will return to Ore all documents, provided to Consultant related to the Services contemplated herein.

8. Work Product. All work product generated by Consultant pursuant to the Services shall be deemed, to the maximum extent permitted by applicable law, a "work for hire" and, to the extent it does not qualify as a "work for hire", Consultant hereby assigns all right, title and interest to the work product to Ore. Such work product shall be the sole and exclusive property of Ore, and Ore shall have the unilateral and unrestricted right to use or permit others to use such work product in any way. Consultant shall perform all lawful acts requested by Ore to: (a) perfect Ore's title to such work product, including the execution of any assignments; and (b) enable Ore or its nominee to obtain and maintain patent, copyright, trademark, trade secret, or other legal protection of such work product anywhere in the world. Notwithstanding the above, the wording of legal documents, accounting work papers and spreadsheets, forms and memoranda shall not be deemed works for hire if used by Consultant as forms in a different context not related to Ore and with no reference to Ore or proprietary information of Ore in any such document.

9. Termination. Notwithstanding the specified term of this Agreement, either of Consultant or Ore may terminate this Agreement without cause by giving the other party fifteen (15) business days prior written notice. In addition, either party may terminate this Agreement effective the day of notice by giving the other party written notice of termination if the other party materially breaches any obligations under the Agreement. Ore may terminate this Agreement effective the day of notice by giving Consultant written notice of termination if Consultant fails to provide the standard of performance of Services that substantially meets Ore's reasonable expectations. The provisions set forth in Section 7 (Confidentiality), and Section 8 (Work Product), as well as any other provision of this Agreement that reasonably may be expected to survive, shall survive the expiration or termination of this Agreement.

10. Responsibility for Work, Limitation of Liability and Indemnification. Consultant previously entered into an Indemnity Agreement with Ore. The parties agree said Indemnification Agreement shall continue in effect during the term of this Agreement, including any extensions or renewals of this Agreement, and shall apply to the performance of Services by Consultant under this Agreement to the same extent as if Consultant had remained an employee of Ore. Notwithstanding the previous, any documents prepared or other Services provided by Consultant are advisory drafts, recommendations or suggestions only. Ore shall determine whether to accept such drafts, recommendations and suggestions or to modify or reject them and shall be responsible for any and all consequences thereof. Therefore, Ore agrees that Consultant shall not have any liability to Ore or anyone claiming by, through or for Ore with respect to the Services or anything resulting from the Services, except to the extent it is finally judicially determined to have resulted from Consultant's intentional wrongdoing. Ore further hereby agrees to indemnify and hold harmless Consultant from and against any claim, action, suit, proceedings (including those of shareholders), loss, cost, damage or expense resulting from claims, action suit or proceeding by any third parties, including stockholders, with regard to the Services or anything resulting from the Services, and to advance legal fees and expenses necessary to defend against such claims if any such claims are made. Ore agrees that it will not, without Consultant's prior written consent, settle, compromise or consent to entry of any judgment in any matter for which Consultant may seek indemnification. Ore acknowledges that the fees charged hereunder would have been higher and the Services provided would have been more limited had Ore not agreed to this provision and that this provision is therefore reasonable.

11. General.

- Consultant may not assign, transfer, or delegate any of his rights or obligations under this Agreement.
- This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland, without reference to any conflict of laws principles.
- If any term of this Agreement is found to be unenforceable in any jurisdiction, then such term shall be enforced to the maximum extent permitted by law, rather than voided, and the remaining terms of this Agreement shall remain in full force and effect.
- This Agreement and all Exhibits and other documents incorporated herein shall constitute the complete, final, and exclusive statement of the terms of the agreement between Consultant and Ore regarding the subject matter hereof, and shall supersede all prior or contemporaneous representations, understandings, and communications relating thereto.

Consultant has read this Agreement carefully and understands and accepts the obligations that it imposes on Consultant without reservation. No promises or representations have been made to induce Consultant to sign this Agreement. Consultant signs this Agreement voluntarily and freely.

IN WITNESS WHEREOF, the undersigned as authorized representatives of the parties have caused this Agreement to be executed on the dates set forth below.

Ore Pharmaceuticals Inc.

/s/ Mark J. Gabrielson  
Signature  
Mark J. Gabrielson  
Printed Name  
Chief Executive Officer  
Title

Philip L. Rohrer, Jr.

/s/ Philip L. Rohrer, Jr.  
Signature  
March 25, 2009  
Date

## CERTIFICATIONS

I, Mark J. Gabrielson, certify that:

1. I have reviewed this report on Form 10-Q of Ore Pharmaceuticals Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2009

By: /s/ Mark J. Gabrielson

Mark J. Gabrielson  
President, Chief Executive Officer and  
Principal Financial Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES–OXLEY ACT OF 2002

The undersigned hereby certifies, in his capacity as an officer of Ore Pharmaceuticals Inc. (the “Company”), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002, that to the best of his knowledge:

- The Quarterly Report of the Company on Form 10–Q for the quarterly period ended March 31, 2009, as filed with the Securities and Exchange Commission as of the date hereof (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2009

By: /s/ Mark J. Gabrielson  
Mark J. Gabrielson  
President, Chief Executive Officer and  
Principal Financial Officer