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March 31, 2004

Dr. Kunwar Shailubhai
Callisto Pharmaceuticals
7 Deer Park Dr. Suite N
Monmouth Junction, NJ 08852

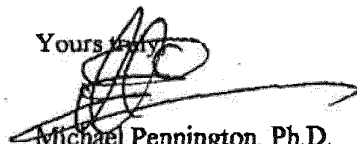
Dear Shailu,

We are pleased to offer you a quote for the scale up of your compound SP-304. We will be able to offer you a quotation for 1 g of peptide for \$20,000. We will also gladly provide you with the parent compound uroguanylin at a price of \$5000 for 50 mg.

We are confident that the molecule, which you have chosen to pursue in your scale-up, will afford a much better synthetic product. We found that this product was much better behaved during both solid-phase syntheses as well as during folding and purification. As you are well aware, the urogaunylins are notorious for forming interconverting conformers, which are extremely difficult to purify. You have succeeded in developing an uroguanylin analog with superior physical properties, which is no longer subject to this interconversion. Therefore, the scale-up of this product will be greatly simplified making large-scale production viable. During our initial work on this product, we observed a negligible amount of the second conformer with only one primary product peak. Therefore, we do not anticipate any potential problem in scale up of these procedures for chemical synthesis and folding of the product. Purification was greatly simplified allowing us to offer the very favorable price above.

Bachem Bioscience represents the research and development arm of the Bachem Group. Your project should it require cGMP manufacturing can easily be transferred within our organization and receive the same priority treatment as you have already experienced with us.

Yours truly,



Michael Pennington, Ph.D.
President and C.O.O.

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