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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
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AMENDMENT NO. 1

TO

FORM S-1  
REGISTRATION STATEMENT UNDER  
THE SECURITIES ACT OF 1933  
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CORCEPT THERAPEUTICS INCORPORATED  
(Exact Name of Corporation as Specified in Its Charter)

Delaware	2834	77-0487658
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

Corcept Therapeutics Incorporated  
275 Middlefield Road, Suite A  
Menlo Park, CA 94025  
(650) 327-3270  
(Address, including zip code, and telephone number, including area code, of Corcept Therapeutics Incorporated's principal executive offices)

Joseph K. Belanoff, M.D.  
Chief Executive Officer  
Corcept Therapeutics Incorporated  
275 Middlefield Road, Suite A  
Menlo Park, CA 94025  
(650) 327-3270  
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the

following box and list the Securities Act registration number of the earlier effective registration statement for the same offering:  \_\_\_\_\_

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:  \_\_\_\_\_

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box:

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THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the Securities and Exchange Commission declares our registration statement effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated January 25, 2002

Preliminary Prospectus

4,500,000 Shares

CORCEPT THERAPEUTICS INCORPORATED

Common Stock

\$ per share

[LOGO] Corcept Therapeutics

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- . Corcept Therapeutics Incorporated is offering 4,000,000 shares and the selling stockholder is offering 500,000 shares. . This is our initial public offering and no public market currently exists for our shares.
- . We anticipate that the initial public offering price will be between \$14.00 and \$16.00 per share. . Proposed trading symbol: Nasdaq National Market -- CORT.

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This investment involves risk. See "Risk Factors" beginning on page 7.  
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	Per Share	Total
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Public offering price.....	\$	\$
Underwriting discount.....	\$	\$
Proceeds to Corcept Therapeutics Incorporated....	\$	\$
Proceeds to the selling stockholder.....	\$	\$

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The underwriters have a 30-day option to purchase up to 675,000 additional shares of common stock from us and the selling stockholder to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved of anyone's investment in these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

U.S. Bancorp Piper Jaffray

CIBC World Markets

Thomas Weisel Partners LLC

The date of this prospectus is , 2002

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any state where the offer or sale is not permitted. The information in this prospectus is complete and accurate as of the date on the front cover, but the information may have changed since that date.

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#### SUMMARY

The items in the following summary are described in more detail later in this prospectus. This summary provides an overview of the key aspects of this offering and does not contain all of the information you should consider. Therefore, you should also read the more detailed information set out in this prospectus, the financial statements and the other information contained in this prospectus.

#### Overview

We are a pharmaceutical company engaged in the development of drugs for the treatment of severe psychiatric and neurological diseases. Our lead product candidate, C-1073, is currently in Phase III clinical trials for the treatment of psychotic major depression, a disorder that affects more than three million people in the United States each year and for which current treatments are inadequate.

#### Market Opportunity

Psychotic major depression, or PMD, is a serious psychiatric disorder that is more prevalent than either schizophrenia or manic depressive illness. The disorder is characterized by severe depression accompanied by psychosis. Psychosis is delusional thinking and/or hallucinations. PMD is not a simple combination of psychosis and depression, but rather a complex interaction between a predisposition to become psychotic and a predisposition to become severely depressed. People with PMD are approximately 70 times more likely to commit suicide in their lifetime than the general population.

There is no treatment for PMD approved by the United States Food and Drug Administration, or FDA. However, there are two treatment approaches currently used by psychiatrists, electroconvulsive therapy, or ECT, and combination drug therapy. Both of these approaches can have debilitating side effects. Even using these approaches, PMD patients often require lengthy and expensive hospital stays.

Of the two approaches, the more effective is ECT which involves passing an electrical current through the brain until the patient has a seizure. ECT requires the use of an operating room as well as the participation of a psychiatrist, an anesthesiologist and a nurse. General anesthesia is necessary to avoid fractures of the spine that otherwise could result from the seizures caused by ECT. Although ECT can reduce depressive and psychotic symptoms, the procedure can result in cognitive impairment, including permanent memory loss, cardiovascular complications, headache, muscle ache and nausea. In addition, complications can arise from general anesthesia. Each patient typically requires six to twelve ECT procedures over a three to five-week period.

An alternative treatment for PMD is combination drug therapy, which involves the simultaneous administration of antidepressant and antipsychotic medications. Combination drug therapy is not as effective as ECT in relieving the symptoms of PMD and often requires three or more weeks before patients show improvement in their condition. In addition, combination drug therapy is associated with significant side effects, including sexual dysfunction, sedation, weight gain and permanent movement disorders.

We are currently evaluating our lead product candidate, C-1073, in two Phase III clinical trials for the treatment of PMD. C-1073, also known as mifepristone, works by selectively blocking the binding of cortisol, a steroid hormone, to one of its two known receptors. We have an exclusive license to a method of use patent covering the use of mifepristone for the treatment of PMD, although we do not have rights to the product patent for mifepristone. Mifepristone is the active ingredient in RU-486, a drug that is used to terminate pregnancies. Elevated levels and abnormal release patterns of cortisol have been implicated in a broad range of human disorders, including PMD. By correcting the level and release pattern of cortisol within the human body, we believe that C-1073 will be able to treat PMD quickly and effectively.

In January 2001, we completed a Phase II clinical trial evaluating the efficacy, tolerability and dose response of C-1073 for the treatment of PMD. After one week of treatment, approximately two-thirds of the patients in the two higher dosage groups experienced clinically meaningful reductions in psychosis, as measured by a widely-used psychiatric rating scale. In addition, none of the patients in the trial experienced clinically meaningful side effects.

Based on the encouraging results from our Phase II trial, we have initiated two pivotal, double-blind, placebo-controlled Phase III clinical trials designed to evaluate the safety and efficacy of C-1073 for the treatment of PMD. The trials are underway and will be conducted at more than 25 centers in the United States. Each trial will include approximately 200 patients. Efficacy assessments will be based on psychiatric rating scales that are widely used to support regulatory approval of new antipsychotic and antidepressant medications. We expect to complete the analysis of our first Phase III trial by the end of 2002 and of our second trial by the end of 2003.

Given the serious nature of PMD, the lack of approved drugs for the disorder and the data from our Phase II trials, the FDA has granted fast track designation to C-1073 for the treatment of PMD. Fast track status is a form of facilitated FDA filing process that is granted to some new drugs that treat life-threatening conditions for which there is an unmet need. In addition, the FDA has indicated that C-1073 will receive a priority review if no other treatment is approved for PMD at the time we submit our New Drug Application, or NDA.

#### GR-II Antagonist Platform

We believe that C-1073 exerts its effects by blocking the action of cortisol at one of its two known receptors, known as the GR-II receptor. A receptor is a structure which accepts a chemical messenger and creates a signal for biologic action. We also believe that elevated levels and abnormal release patterns of cortisol are involved in several other psychiatric and neurological diseases. We have assembled a broad intellectual property portfolio covering the treatment of psychiatric and neurological disorders that may benefit from drugs that block, or antagonize, the GR-II receptor. In addition to PMD, we own or have exclusively licensed allowed patents or patent applications for the use of GR-II antagonists to treat other disorders, including early dementia, mild cognitive impairment, psychosis associated with cocaine addiction, delirium, Down's syndrome and post-traumatic stress disorder.

We intend to pursue further research using C-1073 or alternative GR-II blockers, or antagonists, for the treatment of additional disorders included in our intellectual property portfolio. A clinical trial is being conducted by Stanford University with C-1073 under an Investigational New Drug application, or IND, to demonstrate proof of concept for the use of a GR-II antagonist in Alzheimer's disease.

## Our Business Strategy

Our objective is to develop and commercialize drugs that address severe psychiatric and neurological diseases. We are pursuing the following strategies to achieve our objective:

- . Rapidly develop C-1073 for PMD;
- . Establish C-1073 as first-line therapy for PMD;
- . Maximize value of C-1073 by retaining marketing rights;
- . Build a portfolio of GR-II receptor antagonists;
- . Acquire or in-license additional products; and
- . Employ an experienced team with a proven track record in developing and commercializing pharmaceuticals.

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## The Offering

Common stock offered by us.....	4,000,000 shares
Common stock offered by the selling stockholder...	500,000 shares
Common stock to be outstanding after this offering	23,935,270 shares
Offering price.....	\$14.00 to \$16.00 per share
Use of proceeds.....	We intend to use the net proceeds of this offering to fund clinical trials, preclinical testing and other research and development activities, sales and marketing expenses, working capital and other general corporate purposes. We will not receive any proceeds from the shares sold by the selling stockholder. See discussion of "Use of Proceeds" for a more detailed description.
Proposed Nasdaq National Market symbol.....	CORT

The number of shares of our common stock outstanding after this offering is based on shares outstanding on December 31, 2001 and does not take into account:

- . 232,398 shares issuable upon exercise of outstanding options to purchase our common stock at a weighted average exercise price of \$0.24 per share and 36,000 shares issuable upon exercise of an option granted in January 2002 outside of our option plans with an exercise price of \$0.008 per share;
- . 2,400,000 shares reserved for future issuance under our stock option plans; and
- . 32,133 shares of our common stock issuable upon conversion of a promissory note, at the election of the holder, following the completion of this offering at a price per share equal to the assumed initial public offering price of \$15.00 per share.

Unless otherwise indicated, all information in this prospectus:

- . assumes no exercise of the underwriters' over-allotment option to purchase up to 675,000 shares;
- . reflects the conversion of all preferred stock into 8,561,043 shares of our common stock upon the completion of this offering; and
- . reflects a 1.2-for-1 forward stock split to be completed prior to the closing of this offering.

Corporate Information

We were incorporated in the State of Delaware on May 13, 1998. Corcept(TM) is our trademark. We have applied to register this trademark with the U.S. Patent and Trademark Office. Other service marks, trademarks and tradenames referred to in this prospectus are the property of their respective owners.

Our principal executive offices are located at 275 Middlefield Road, Suite A, Menlo Park, California 94025, and our telephone number is (650) 327-3270.

Summary Financial Data

(in thousands, except per share data)

	Years Ended December 31,			Period from inception (May 13, 1998) to December 31,
	1999	2000	2001	2001
	-----	-----	-----	-----
Statements of Operations Data:				
Operating expenses:				
Research and development*.....	\$ 140	\$ 1,319	\$ 6,009	\$ 7,468
General and administrative*.....	174	577	2,292	3,054
	-----	-----	-----	-----
Total operating expenses.....	314	1,896	8,301	10,522
	-----	-----	-----	-----
Loss from operations.....	(314)	(1,896)	(8,301)	(10,522)
Interest and other income, net.....	4	50	552	606
	-----	-----	-----	-----
Net loss.....	\$ (310)	\$ (1,846)	\$ (7,749)	\$ (9,916)
	=====	=====	=====	=====
Net loss per share				
Basic and diluted.....	\$ (0.09)	\$ (0.33)	\$ (1.08)	
	=====	=====	=====	
Weighted average shares--basic and diluted.	3,544	5,600	7,201	
	=====	=====	=====	
Pro forma net loss per share				
Basic and diluted.....	\$ (0.04)	\$ (0.15)	\$ (0.52)	
	=====	=====	=====	
Weighted average shares--basic and diluted.	8,673	12,086	14,994	
	=====	=====	=====	
* Includes non-cash stock-based compensation of the following:				
Research and development.....	\$ 7	\$ 90	\$ 1,169	\$ 1,266
General and administrative.....	--	--	680	680
	-----	-----	-----	-----
Total stock-based compensation.....	\$ 7	\$ 90	\$ 1,849	\$ 1,946
	=====	=====	=====	=====

	As of December 31, 2001	
	Actual	As Adjusted (unaudited)
Balance Sheet Data:		
Cash and cash equivalents.....	\$22,980	\$77,480
Working capital.....	22,224	76,724
Total assets.....	24,259	78,759
Long-term liabilities.....	463	463
Deficit accumulated during the development stage	(9,916)	(9,916)
Total stockholders' equity.....	22,376	76,876

The as adjusted balance sheet data above assumes the issuance of 4,000,000 shares of our common stock in this offering at an assumed initial public offering price of \$15.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

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#### RISK FACTORS

You should carefully consider the following risk factors before you decide to purchase shares of our common stock. If any of these risks actually occurs, our business prospects, financial condition, operating results or cash flows could be materially adversely affected. This could cause the trading price of our common stock to decline, and you may lose part or all of your investment.

##### Risks Related to Our Business

We have incurred losses since inception and anticipate that we will incur continued losses for the foreseeable future.

We are a development stage company with no current source of product revenue. We have a limited history of operations and have focused primarily on clinical trials and seeking FDA regulatory clearance to market C-1073. We have incurred losses in each year since our inception in 1998. As of December 31, 2001, we had a deficit accumulated during the development stage of approximately \$9.9 million. We do not know when or if we will generate product revenue. We expect our research and development expenses to increase in connection with our two Phase III clinical trials for C-1073 to treat PMD and in connection with additional development activities for other product candidates. In addition, we expect to incur significant marketing and sales expenses related to our market research activities for C-1073 for the treatment of PMD and our development of a marketing and sales staff. As a result, we expect that our losses will increase for the foreseeable future. We are unable to predict the extent of any future losses or whether or when we will become profitable.

We depend heavily on the success of our only product in development, C-1073 for the treatment of PMD. If we are unable to commercialize C-1073, we will be unable to generate revenues and our stock price will decline.

We have invested a significant portion of our time and financial resources since our inception in the development of C-1073 for the treatment of PMD. We anticipate that for the foreseeable future our ability to generate revenues and achieve profitability will be solely dependent on the successful commercialization of C-1073 for the treatment of PMD. We have not yet completed our Phase III clinical trials on C-1073 for the treatment of PMD and do not anticipate that the trials will be completed until the end of 2003. We may decide to, or the FDA may require us to, pursue additional Phase III trials or



other studies on C-1073 for the treatment of PMD. The fast track designation granted to C-1073 for the treatment of PMD will not necessarily result in expedited FDA review. If we are unable to successfully conclude our clinical development program and obtain regulatory approval for C-1073 for the treatment of PMD, we will be unable to generate revenue and our stock price will decline.

Many factors could harm our efforts to develop and commercialize C-1073 for the treatment of PMD, including:

- . negative, inconclusive or otherwise unfavorable results from our clinical development program;
- . significant delays in our clinical development program;
- . significant increases in the costs of our clinical trials;
- . an inability to obtain, or delay in obtaining, regulatory approval for the commercialization of C-1073 for the treatment of PMD;
- . an inability to manufacture C-1073 for the treatment of PMD in commercial quantities and at acceptable cost; and

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- . political concerns relating to mifepristone that could limit the market acceptance of C-1073 for the treatment of PMD, as described further under "Even if we receive approval for the marketing and sale of C-1073 for the treatment of PMD, it may never be accepted as a treatment for PMD."

If our ongoing clinical trials of C-1073 for the treatment of PMD do not demonstrate safety and efficacy, or if the clinical trials are delayed, our business will be harmed.

To gain regulatory approval from the FDA for C-1073 for the treatment of PMD, our ongoing clinical trials must demonstrate the safety and efficacy of C-1073. There are many risks associated with clinical trials. We may be unable to achieve the same level of success in our Phase III trials as we did in our Phase II trial. Our ongoing clinical trials measure the efficacy of C-1073 for the treatment of PMD 7 and 28 days after treatment began, whereas our Phase II clinical trials measured efficacy 7 days after treatment began. Our ongoing clinical trials may not demonstrate that C-1073 is effective 28 days after treatment began. In addition, the data we obtain from our Phase III clinical trials are susceptible to varying interpretations that could impede regulatory approval.

Many factors could delay or result in termination of our ongoing clinical trials, including:

- . inconclusive results requiring additional clinical study;
- . slow patient enrollment;
- . adverse medical events or side effects among patients; and
- . real or perceived lack of effectiveness or safety of C-1073.

We have relied, in support of our IND, on toxicology data contained in a third party's NDA for the use of mifepristone to terminate pregnancy. The FDA approved our IND to conduct our clinical trials, but has not yet determined whether any additional toxicology tests will be required. In addition, we could be required to conduct carcinogenicity studies, which can take as long as three years, depending on the data required. If the FDA requires us to conduct toxicology tests or carcinogenicity studies, commercialization of C-1073 might be delayed.

We have agreements with a number of third parties relating to our human clinical trials for C-1073. Because we rely on third parties for our clinical trials, we do not control every aspect of these activities. Third parties may not complete testing activities on schedule, or may not conduct our clinical trials in accordance with regulatory requirements. The failure of these third parties to carry out their contractual duties could delay or prevent the development and commercialization of C-1073.

If we are unable to obtain or maintain regulatory approval, we will be limited in our ability to commercialize our products, including C-1073, and our business will be harmed.

The development and sale of all of our products in development will be subject to extensive regulation by governmental authorities. Obtaining and maintaining regulatory approval typically is costly and takes many years. The FDA has substantial discretion to terminate clinical trials, delay or withhold registration and marketing approval in the United States, and mandate product recalls. Outside the United States, we can market a product only if we receive a marketing authorization and, in some cases, pricing approval, from the appropriate regulatory authorities. This foreign regulatory approval process includes all of the risks, and in some cases, additional, associated with the FDA approval process.

Future governmental action or changes in FDA policy or similar regulatory agencies outside of the United States may also result in delays or rejection of an application for marketing approval either in the United States or elsewhere. We may not be able to obtain product registration or marketing approval based on

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the results of our clinical trials. In addition, because of the only currently FDA-approved use of mifepristone, we expect there to be significant labeling requirements on C-1073, which could limit the marketability of C-1073. Failure to comply with regulatory requirements may result in criminal prosecution, civil penalties, recall or seizure of products, total or partial suspension of production or injunction, as well as other actions.

Even if we receive approval for the marketing and sale of C-1073 for the treatment of PMD, it may never be accepted as a treatment for PMD.

Many factors may affect the market acceptance and commercial success of C-1073 for the treatment of PMD. Although there is currently no FDA-approved treatment for PMD, there are two treatment approaches currently used by psychiatrists: ECT and combination drug therapy. Even if the FDA approves C-1073 for the treatment of PMD, physicians may not adopt C-1073.

In addition, mifepristone, the active ingredient in C-1073, commonly known as RU-486, is used to terminate pregnancy. Mifepristone has been the subject of considerable ethical and political debate in the United States and elsewhere. Public perception of mifepristone may limit our ability to procure manufacturers and may limit the commercial acceptance of C-1073. Although public debate over mifepristone has focused on its use to terminate pregnancy, physicians may limit prescriptions of C-1073 even if appropriate precautions are in place to avoid prescribing C-1073 to pregnant women.

Other factors that may affect the market acceptance and commercial success of C-1073 for the treatment of PMD include:

- . the effectiveness of C-1073, including any side effects, as compared to alternative treatment methods;
- . the product labeling or product insert required by the FDA for C-1073;
- . the cost-effectiveness of C-1073 and the availability of insurance or other third-party reimbursement, in particular Medicare and Medicaid, for patients using C-1073;
- . the timing of market entry of C-1073 relative to competitive products;
- . the extent and success of our marketing and sales efforts;
- . the rate of adoption of C-1073 by physicians and by target patient population; and
- . negative publicity concerning C-1073, RU-486 or mifepristone.

If we fail to identify and develop additional uses for GR-II antagonists, we will be unable to market additional products.

We have no product in development other than C-1073 for the treatment of PMD.

To develop additional sources of revenues, we believe that we must identify and develop additional product candidates. We own or have exclusively licensed allowed patents and patent applications covering the use of GR-II antagonists to treat early dementia, mild cognitive impairment, psychosis associated with cocaine addiction, delirium, Down's syndrome, post-traumatic stress disorder, weight gain following treatment with antipsychotic medication and for modulation of the blood-brain barrier. We may not develop product candidates for any of these indications. Our product development efforts may not lead to commercially viable products. The use of GR-II antagonists may not be effective to treat these conditions. In addition, we could discover that the use of GR-II antagonists in these patient populations have unacceptable side effects or are otherwise not safe. We only have experience with C-1073 and we may determine that it is not desirable for uses other than PMD. In that event, we would have to identify and may need to secure rights to a different GR-II antagonist. Even if product candidates are identified, we may abandon further development efforts before we reach clinical trials or after expending significant

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expense and time conducting clinical trials. Moreover, governmental authorities may enact new legislation or regulations that could limit or restrict our development efforts. If we are unable to successfully discover and commercialize new uses for GR-II antagonists, we may be unable to generate sufficient revenue to support our operations.

If C-1073 or future product candidates conflict with the patents of others or if we become involved in other intellectual property disputes, we could have to engage in costly litigation or obtain a license and we may be unable to commercialize our products.

Our success depends in part on our ability to obtain and maintain adequate patent protection for the use of C-1073 for the treatment of PMD and other potential uses of GR-II antagonists. If we do not adequately protect our intellectual property, competitors may be able to use our intellectual property and erode our competitive advantage.

Patent positions are often uncertain and usually involve complex legal and factual questions. While we have an exclusive license to a patent covering the use of GR-II antagonists, including mifepristone, to treat PMD, the Population Council holds a product patent for mifepristone. Based on its grant date, that patent was scheduled to expire in January 2002. However, the U.S. Patent and Trademark Office has granted a one year interim extension so the patent is now scheduled to expire in January 2003. Additional interim extensions could be granted, further extending the termination date.

The holder of the mifepristone product patent has applied for a patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984. If the patent term extension application is granted, the patent term could be extended in accordance with the terms of the patent extension legislation for up to a five-year period, that is, up to January 2007. The length of time that the patent could be extended is based on determinations made by the FDA, including a determination about the length of time that the FDA was conducting its regulatory review. The FDA has made a determination that the regulatory review exceeded five years. Although we, the patent holder or a third party may challenge a determination as to the length of time to extend the patent, the outcome of a challenge cannot be predicted. If the patent term were extended beyond our commercial launch of C-1073 for the treatment of PMD and if the extension were found to cover our use, we could be required to pay damages and would be unable to market C-1073 unless we obtained a license. Attempts to obtain a license have not been successful to date, and we may not be able to obtain a license on acceptable terms in the future, if at all.

To date, we own or have exclusively licensed one issued and two allowed United States patents and one patent application, in each case along with any corresponding foreign patents and/or applications. We also have five patent applications for uses of GR-II antagonists. We have applied, and will continue to apply, for patents covering our product candidates as we deem appropriate. Our patent applications may be challenged by third parties and our patent applications may not result in issued patents. Any issued patents on our own

intellectual property may not provide us with adequate protection. Third-party patents may impair or block our ability to conduct our business. Third parties may independently develop products similar to our products, duplicate our unpatented products, or design around any patented products we develop.

If a third party were successful in asserting an infringement claim against us, we could be forced to pay damages and prevented from developing, manufacturing or marketing our potential products. A third party could require us to obtain a license to continue to use their intellectual property, and we may not be able to do so on commercially acceptable terms, or at all. We believe that significant litigation will continue in our industry regarding patent and other intellectual property rights. If we become involved in litigation, it could consume a substantial portion of our resources. Regardless of the merit of any particular claim, defending a lawsuit takes significant time, is expensive and diverts management's attention from other business.

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If we are unable to protect our trade secrets and proprietary information, our ability to compete in the market could be diminished.

In addition to patents, we rely on a combination of confidentiality, nondisclosure and other contractual provisions, laws protecting trade secrets, and security measures to protect our trade secrets and proprietary information. Nevertheless, these measures may not adequately protect our trade secrets or other proprietary information. If they do not adequately protect our rights, third parties could use our proprietary information, which could diminish our ability to compete in the market. In addition, employees, consultants and others who participate in the development of our products may breach their agreements with us regarding our trade secrets and other proprietary information, and we may not have adequate remedies for the breach. We also realize that our trade secrets may become known through means not currently foreseen. Notwithstanding our efforts to protect our trade secrets and proprietary information, our competitors may independently develop similar or alternative products that are equal or superior to our product candidates without infringing on any of our proprietary information or trade secrets.

Our licensed patent is a use patent rather than a product patent, which increases the risk that physicians will prescribe another manufacturer's mifepristone for the treatment of PMD rather than C-1073.

We have an exclusive license from Stanford University to a patent covering the use of GR-II antagonists, including mifepristone, in the treatment of PMD. All of our patent applications and our additional licenses relate to use patents. The patents and patent applications we own or have exclusively licensed do not cover the composition of mifepristone or any other compound. Accordingly, we cannot prevent others from manufacturing or marketing mifepristone or any other GR-II antagonist. If others receive approval to manufacture and market mifepristone or any other GR-II antagonist, physicians could prescribe mifepristone or any other GR-II antagonist for PMD patients instead of C-1073. Although any such "off-label" use would violate our licensed patent, effectively monitoring compliance with our licensed patent will be difficult and costly.

Failure to raise additional capital or generate the significant capital necessary to expand our operations and invest in new products could reduce our ability to compete.

We anticipate that our existing capital resources and the net proceeds from this offering will enable us to maintain currently planned operations through the next two years. However, our expectations are based on our current operating plan, which may change as a result of many factors. Consequently, we may need additional funding sooner than anticipated. We currently have no credit facility or committed sources of capital. Our inability to raise capital would harm our business and product development efforts. In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities could result in dilution to our then-existing stockholders.

We have no manufacturing capabilities and we are dependent on third parties to manufacture C-1073 and any future products. If these manufacturers fail to meet

our requirements, our product development and commercializing efforts may be delayed.

We currently have no experience in, and we do not own facilities for, manufacturing any products. We have a contract with an active pharmaceutical ingredient manufacturer of mifepristone, and one with a tablet manufacturer for C-1073 that we intend to provide us with commercial supplies. The active pharmaceutical ingredient manufacturer and the tablet manufacturer both will be single suppliers to us. In the event we are unable, for whatever reason, to obtain the active pharmaceutical ingredient or C-1073 tablets from our contract manufacturers, we may not be able to obtain alternate manufacturers in a timely manner, if at all.

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Our suppliers and manufacturers must comply with the FDA's current Good Manufacturing Practices, or cGMP, regulations and guidelines. If the operations of any current or future supplier or manufacturer were to become unavailable for any reason, commercialization of C-1073 could be delayed or our revenues from product sales could be reduced.

We intend to use a different third-party manufacturer to produce commercial quantities of C-1073 than we are using in our clinical trials. The FDA requires us to conduct a study to demonstrate that the tablets used in our clinical trials are equivalent to the final commercial product. If we are unable to establish that the tablets are equivalent or if the FDA disagrees with the results of our study, commercial launch of C-1073 for the treatment of PMD would be delayed.

We may have substantial exposure to product liability claims and may not have adequate insurance to cover those claims.

We may be subject to product liability or other claims based on allegations that the use of our products has resulted in adverse effects, whether by participants in our clinical trials or by patients using our products. We may also be subject to liability based on claims that participants in our clinical trials or patients using our products lack the capacity to consent to receive C-1073. In addition, the active ingredient in C-1073 is used to terminate pregnancy. Therefore, necessary and strict precautions must be taken by clinicians using the drug in our clinical trials and, if approved by the FDA, physicians prescribing the drug to women with childbearing potential. The failure to observe these precautions could result in significant product claims.

We have only limited product liability insurance coverage. We intend to expand our product liability insurance coverage of any products for which we obtain marketing approval. However, this insurance may be prohibitively expensive or may not fully cover our potential liabilities. Our inability to obtain adequate insurance coverage at an acceptable cost could prevent or inhibit the commercialization of our products. Defending a lawsuit could be costly and significantly divert management's attention from conducting our business. If a third party successfully sues us for any injury caused by our products, our liability could exceed our total assets.

We have no sales and marketing staff and will need to develop marketing and sales capabilities to successfully commercialize C-1073 and any future uses of GR-II antagonists.

We have limited experience in marketing or selling pharmaceutical products and currently have no sales and marketing staff. To achieve commercial success for any approved product, we must either develop a sales and marketing force or enter into arrangements with others to market and sell our products. We currently plan to establish a small, specialty sales force to market and sell C-1073 in the United States for the treatment of PMD. However, our sales and marketing efforts may not be successful or cost-effective. In the event that the commercial launch of C-1073 is delayed due to FDA requirements or other reasons, we may establish a sales and marketing force too early relative to the launch of C-1073. This may be expensive, and our investment would be lost if the sales and marketing force could not be retained. If our efforts to develop a sales and marketing force are not successful, cost-effective and timely, we may not achieve profitability.

We will need to substantially increase our organization, and we may experience

difficulties in managing growth.

We have experienced substantial growth in recent months which has strained our operations, product development and other managerial and operating resources. Future growth will impose significant added responsibilities on members of management, including the need to identify, recruit, maintain and integrate additional employees. To date, we have relied on a small management team, including a

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number of part-time contributors. Our future financial performance and our ability to compete effectively will depend, in part, on our ability to manage any future growth effectively. To that end, we must be able to:

- . manage our research and development efforts effectively;
- . manage our clinical trials effectively;
- . integrate additional management, administrative and sales and marketing personnel;
- . expand the capacity, scalability and performance of our management team;
- . develop our administrative, accounting and management information systems and controls; and
- . hire and train additional qualified personnel.

We may not be able to accomplish these tasks, and our failure to accomplish any of them could harm our business.

If we are unable to obtain acceptable prices or adequate reimbursement for our products from third-party payors, we will be unable to generate significant revenues.

The continuing efforts of government and third-party payors to contain or reduce the costs of health care may limit our revenues. Our dependence on the commercial success of C-1073 alone makes us particularly susceptible to any cost containment or reduction efforts. Accordingly, even if C-1073 or future product candidates are approved for commercial sale, unless government and other third-party payors provide adequate coverage and reimbursement for our products, physicians may not prescribe them. We intend to sell C-1073 directly to hospitals if we receive FDA approval. As a result, we will need to obtain approval from hospital formularies to receive wide-spread third-party reimbursement. If we fail to obtain that approval, we will be unable to generate significant revenues.

In some foreign markets, pricing and profitability of prescription pharmaceuticals are subject to government control. In the United States, we expect that there will continue to be federal and state proposals for similar controls. In addition, increasing emphasis on managed care in the United States will continue to put pressure on the pricing of pharmaceutical products. Cost-control initiatives could decrease the price that we are able to receive for any products. Further, cost-control initiatives could impair or diminish our ability or incentive to commercialize our products. Our ability to commercialize pharmaceutical products may depend on the availability of reimbursement for our products from:

- . government and health administration authorities;
- . private health insurers; and
- . other third-party payors, including Medicare and Medicaid.

We cannot predict the availability of reimbursement for newly-approved health care products.

We face competition from companies with substantial financial, technical and marketing resources, which could limit our future revenues from the

commercialization of C-1073 for the treatment of PMD.

If approved for commercial use, C-1073 as a treatment for PMD will compete with established treatments, including ECT and combination drug therapy. While we are unaware of any other ongoing clinical trials, other companies may be developing new drug products to treat PMD. Our present and potential competitors include major pharmaceutical companies, as well as specialized pharmaceutical firms, universities and public and private research institutions. Moreover, we expect competition to intensify as technical advances are made. These competitors, either alone or with collaborative parties,

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may succeed with the development and commercialization of drug products that are superior and more cost-effective than C-1073. Many of our competitors and related private and public research and academic institutions have substantially greater experience, financial resources and larger research and development staffs than we do. In addition, many of these competitors, either alone or together with their collaborative partners, have significantly greater experience than we do in developing drugs, obtaining regulatory approvals and manufacturing and marketing products.

Accordingly, our present or potential competitors may succeed in developing drug products that are superior to C-1073 and render C-1073 obsolete or non-competitive. If we are unable to establish C-1073 as a superior and cost-effective treatment for PMD, or any future use, we may be unable to generate the revenues necessary to support our business.

If we lose our key personnel or are unable to attract and retain additional skilled personnel, we may be unable to pursue our product development and commercialization efforts.

We depend substantially on the principal members of our management and scientific staff, including Joseph K. Belanoff, M.D., our Chief Executive Officer, and Robert L. Roe, M.D., our President. We do not have agreements with any of our executive officers that provide for their continued employment with us or employment insurance covering any of our key personnel. Any officer or employee can terminate his or her relationship with us at any time and work for one of our competitors. The loss of these key individuals could result in competitive harm because we could experience delays in our product research, development and commercialization efforts without their expertise.

Our ability to operate successfully and manage our potential future growth depends significantly upon retaining key research, technical, sales, marketing, managerial and financial personnel, and attracting and retaining additional highly qualified personnel in these areas. We face intense competition for such personnel from numerous companies, as well as universities and nonprofit research organizations in the highly competitive northern California business area. Although we believe that we have been successful in attracting and retaining qualified personnel to date, we may not be able to attract and retain sufficient qualified personnel in the future. The inability to attract and retain these personnel could result in delays in the research, development and commercialization of our potential products.

If we acquire other GR-II antagonists, we will incur a variety of costs and may never realize the anticipated benefits of the acquisition.

If appropriate opportunities become available, we may attempt to acquire other GR-II antagonists, particularly GR-II antagonists that do not terminate pregnancies. We currently have no commitments, agreements or plans for any acquisitions. The process of acquiring rights to another GR-II antagonist may result in unforeseen difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of our business. In addition, we may fail to realize the anticipated benefits of any acquired GR-II antagonist. Future acquisitions could dilute your

ownership interest in us and could cause us to incur debt, expose us to future liabilities and result in amortization or other expenses related to goodwill and other intangible assets.

The occurrence of a catastrophic disaster or other similar events could cause damage to our or our manufacturers' facilities and equipment, which could require us to cease or curtail operations.

Because our executive offices are located in the San Francisco Bay Area and our manufacturers are located in earthquake-prone areas, our business is vulnerable to damage from various types of disasters or other similarly disruptive events, including earthquake, fire, flood, power loss and communications failures. In addition, political considerations relating to mifepristone may put us and our manufacturers at increased risk for terrorist attacks, protests or other disruptive events. If any disaster or other similar

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event were to occur, we may not be able to operate our business and our manufacturers may not be able to produce our products. Our insurance may not be adequate to cover our losses resulting from disasters or other business interruptions.

#### Risks Related to this Offering

The market price of our common stock may experience extreme price and volume fluctuations.

The market prices for securities of life sciences companies in general have been highly volatile and may continue to be highly volatile in the future. The following factors, in addition to other risk factors described in this section, may have a significant impact on the market price of our common stock:

- . the timing of commercialization of C-1073 and future product candidates;
- . announcements of technological innovations or new products by us or our competitors;
- . announcement of FDA approval or non-approval of our products or delays in the FDA review process;
- . the success rate of our research efforts and clinical trials;
- . developments or disputes concerning patents or proprietary rights, including announcements of claims of infringement, interference or litigation against us or our licensors;
- . announcements concerning our competitors, or the biotechnology, specialty pharmaceutical or pharmaceutical industry in general;
- . public concerns as to the safety of C-1073 and future product candidates or our competitors' products;
- . changes in the reimbursement policies of third-party insurance companies or government agencies;
- . actual or anticipated fluctuations in our operating results;
- . changes in financial estimates or recommendations by securities analysts;
- . sales of large blocks of our common stock;
- . political considerations relating to mifepristone;
- . the absence of a public market for our securities prior to this



offering;

- . changes in accounting principles; and
- . the loss of any of our key scientific or management personnel.

Significant volatility may lead to securities class action litigation against us. Whether or not meritorious, litigation brought against us could result in substantial costs and a diversion of management's attention and resources. Our insurance to cover claims of this sort may not be adequate.

If our existing stockholders sell a substantial number of shares of our common stock in the public market, our stock price may decline.

After this offering, we will have outstanding 23,935,270 shares of common stock. Of these shares, the 4,500,000 shares being offered in this offering will be freely tradable under federal and state securities laws. Our directors, executive officers and substantially all of our stockholders have agreed that they will not sell or otherwise dispose of any shares of our common stock without the prior written consent of U.S. Bancorp Piper Jaffray for a period of at least 180 days after the effective date of the registration statement of which this prospectus is a part. However, U.S. Bancorp Piper Jaffray may, in its sole

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discretion release all or any portion of the common stock from the restrictions of the lock-up agreements. 16,330,055 of the 19,435,270 shares of our common stock that are not being sold in this offering but which were outstanding as of December 31, 2001 will be eligible for sale in the public market 180 days after the effective date, and the 3,105,215 shares beneficially owned by the selling stockholder will be eligible for sale one year after the effective date, under Rules 144, 144(k) and 701, subject in some cases to volume and other limitations.

In addition, of the 268,398 shares issuable upon exercise of options to purchase our common stock outstanding as of January 22, 2002, approximately 139,828 shares will be vested and eligible for sale 180 days after the date of this prospectus. For a further description of the eligibility of shares for sale into the public market following this offering, see "Shares Eligible for Future Sale." In the future, we may issue additional shares to our employees, directors or consultants, in connection with corporate alliances or acquisitions, and to raise capital. Due to these factors, sales of a substantial number of shares of our common stock in the public market could occur at any time.

Our officers, directors and principal stockholders will control 73% of our common stock and will be able to significantly influence corporate actions.

After this offering, our officers, directors and principal stockholders will control approximately 73% of our common stock. As a result, these stockholders, acting together, will be able to significantly influence all matters requiring approval by our stockholders, including the election of directors and the approval of mergers or other business combination transactions. The interests of this group of stockholders may not always coincide with our interests or the interests of other stockholders. See "Principal Stockholders" for details of our stock ownership.

Anti-takeover provisions in our charter, bylaws and under Delaware law may make an acquisition of us or a change in our management more difficult, even if an acquisition or a management change would be beneficial to our stockholders.

Provisions in our certificate of incorporation and bylaws as in effect immediately after this offering may delay or prevent a change in our management. Some of these provisions divide our board into three classes with only a portion of our directors subject to election at each annual meeting, allow us to issue preferred stock without any vote or further action by the stockholders, require advance notification of stockholder proposals and nominations of candidates for election as directors and prohibit stockholders from acting by written consent. In addition, a supermajority vote of stockholders is required to amend our bylaws. Our bylaws provide that special meetings of the stockholders may be called only by our Chairman, President or the board of directors and that the authorized number of directors may be changed only by resolution of the board of directors. These provisions may prevent or delay a change in our board of directors or our management, which is appointed by our board of directors. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law. Section 203 may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us. These provisions in our charter, bylaws and under Delaware law could reduce the price that investors might be willing to pay for shares of our common stock in the future and result in the market price being lower than it would be without these provisions.

We may spend a substantial portion of the net proceeds of this offering in ways that do not yield a favorable return.

We have broad discretion to allocate the net proceeds from this offering. As a result, investors in this offering will be relying upon our judgment with only limited information about our specific intentions regarding the use of proceeds. We cannot assure you that the proceeds will be applied in a manner that yields a favorable return.

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The book value of the shares investors purchase in this offering will be substantially less than the price that investors pay for the shares, and if a liquidation were to occur, investors might receive significantly less than the purchase price the investors paid for the shares.

The assumed initial public offering price is substantially higher than the book value per share of our common stock. Investors purchasing common stock in this offering will, therefore, incur immediate dilution of \$11.79 in net tangible book value per share of common stock, based on an assumed initial public offering price of \$15.00 per share. Investors will incur additional dilution upon the exercise of outstanding stock options. As a result of this dilution, investors purchasing stock in this offering may receive significantly less than the full purchase price that they paid for the shares purchased in this offering in the event of a liquidation. See "Dilution" for a more detailed discussion of the dilution new investors will incur in this offering.

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#### INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. The forward-looking statements are contained principally in the sections entitled "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not

limited to, statements about:

- . the progress of our research, development and clinical programs and timing of the introduction of C-1073 and future product candidates;
- . our ability to market, commercialize and achieve market acceptance for C-1073 or other future product candidates;
- . our estimates for future performance; and
- . our estimates regarding our capital requirements and our needs for additional financing.

In some cases, you can identify forward-looking statements by terms such as "anticipates," "believes," "could," "estimates," "expects," "may," "plans," "potential," "predicts," "projects," "should," "will," "would," and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. We discuss many of these risks in this prospectus in greater detail under the heading "Risk Factors." Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our estimates and assumptions only as of the date of this prospectus. You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

Except as required by law, we assume no obligation to update such forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in such forward-looking statements, even if new information becomes available in the future.

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#### USE OF PROCEEDS

We estimate that the net proceeds from the sale of 4,000,000 shares of common stock that we are selling in this offering will be approximately \$54.5 million based on an assumed initial public offering price of \$15.00 per share after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters' over-allotment option is exercised in full, we estimate that we will receive net proceeds of approximately \$62.9 million. We will not receive any proceeds from the sale of common stock by the selling stockholder.

We intend to use the net proceeds of this offering to fund our operations, including approximately \$40.0 million for clinical trials, preclinical testing and other research and development activities, approximately \$14.0 million for selling and general and administrative expenses and the remainder for working capital and other general corporate purposes.

The amounts actually expended for these purposes may vary significantly and will depend on a number of factors, including the amount of our future revenues, expenses and the other factors described under "Risk Factors." We may also use a portion of the proceeds for the acquisition of, or investment in, technologies or products that complement our business. However, we have no present understandings, commitments or agreements to enter into any potential acquisitions. In addition, we will retain broad discretion in the allocation of the net proceeds of this offering. Pending these uses, we intend to invest the net proceeds from this offering in interest-bearing, investment-grade securities.

#### DIVIDEND POLICY

Since our incorporation, we have not declared or paid any cash dividends on our common stock and do not expect to do so in the foreseeable future. We currently intend to retain all available funds for use in the operation and expansion of

our business.

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2001 on an actual and pro forma as adjusted basis. This table does not include:

- . 232,398 shares issuable upon exercise of outstanding options to purchase our common stock at a weighted average exercise price of \$0.24 per share and 36,000 shares issuable upon exercise of an option granted in January 2002 outside of our option plans with an exercise price of \$0.008 per share;
- . 2,400,000 shares reserved for future issuance under our stock option plans; and
- . 32,133 shares of our common stock issuable upon conversion of a promissory note at the election of the holder following the completion of this offering at a price per share equal to the assumed initial public offering price of \$15.00 per share.

This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operation" and the financial statements and related notes included elsewhere in this prospectus.

	As of December 31, 2001	
	Actual	Pro Forma As Adjusted
	-----	-----
		(unaudited)
Cash and cash equivalents.....	\$22,979,740	\$77,479,740
	=====	=====
Convertible note payable.....	\$ 462,929	\$ 462,929
Stockholders' equity (deficit):		
Preferred stock, \$0.00001 par value, 10,000,000 shares authorized, actual and pro forma as adjusted; 5,095,654 shares issued and outstanding, actual; no shares issued and outstanding pro forma as adjusted.....	51	
Common stock, \$0.00001 par value, 140,000,000 shares authorized, actual and pro forma as adjusted; 11,374,227 shares issued and outstanding, actual; 23,935,270 shares issued and outstanding pro forma as adjusted.....	114	244
Additional paid-in capital.....	41,321,742	95,821,663
Stockholder notes receivable.....	(438,165)	(438,165)
Deferred compensation.....	(8,591,917)	(8,591,917)
Deficit accumulated during the development stage..	(9,916,114)	(9,916,114)
	-----	-----
Total stockholders' equity.....	22,375,711	76,875,711
	-----	-----
Total capitalization.....	\$22,838,640	\$77,338,640

The pro forma as adjusted information gives effect to the sale in this offering of 4,000,000 shares of common stock at an assumed initial public offering price of \$15.00, less underwriting discounts and commissions and estimated offering expenses payable by us. The pro forma as adjusted information also assumes the conversion of all preferred stock into 8,561,043 shares of common stock immediately prior to the completion of this offering.

DILUTION

The pro forma net tangible book value of our common stock as of December 31, 2001 was \$22.4 million, or approximately \$1.12 per share. Pro forma net tangible book value per share represents our total tangible assets less our total liabilities divided by the number of shares of our common stock outstanding after giving effect to the conversion of all outstanding shares of our convertible preferred stock into common stock upon the closing of this offering.

After giving effect to the sale by us of 4,000,000 shares of our common stock in this offering at an assumed initial public offering price of \$15.00 per share, less the underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of December 31, 2001 would have been \$76.9 million, or approximately \$3.21 per share. This represents an immediate increase in pro forma net tangible book value of \$2.09 per share to existing stockholders and an immediate dilution of \$11.79 per share to new investors purchasing our common stock in this offering.

The following table illustrates the per share dilution to new investors:

Assumed initial public offering price per share.....	\$15.00
Pro forma net tangible book value per share as of December 31, 2001.....	\$1.12
Increase in pro forma net tangible book value per share attributable to this offering.....	2.09
	-----
Adjusted pro forma net tangible book value per share after this offering.....	3.21
	-----
Dilution in per share to new investors in this offering.....	\$11.79
	=====

The following table summarizes, on a pro forma as adjusted basis as of December 31, 2001, the differences between the number of shares of common stock purchased from us, the total price and the average price per share paid by existing stockholders and by the new investors, before deducting the underwriting discounts and commissions and estimated offering expenses payable by us, at an assumed initial public offering price of \$15.00 per share.

Shares Purchased	Total Consideration	Average Price
-----	-----	-----

	Number	Percent	Amount	Percent	Per Share
	-----	-----	-----	-----	-----
Existing stockholders.....	19,935,270	83%	\$30,345,397	36%	\$ 1.52
New investors.....	4,000,000	17%	54,500,000	64	\$13.63
	-----	---	-----	---	
Total.....	23,935,270	100%	\$84,845,397	100%	
	=====	===	=====	===	

If the underwriters' over-allotment option is exercised in full, the number of shares held by the new investors will be increased to 4,675,000, or approximately 19% of the total numbers of shares of our common stock outstanding after this offering.

The existing stockholder amounts in the table above have been calculated on a pro forma basis, which includes shares outstanding as of December 31, 2001, but excludes:

- . 232,398 shares issuable upon exercise of outstanding options to purchase our common stock at a weighted average exercise price of \$0.24 per share and 36,000 shares issuable upon exercise of an option granted in January 2002 outside of our option plans with an exercise price of \$0.008 per share;
- . 2,400,000 shares reserved for future issuance under our stock option plans; and
- . 32,133 shares of our common stock issuable upon conversion of a promissory note at the election of the holder following the completion of this offering at a price per share equal to the assumed initial public offering price of \$15.00 per share.

After this offering and assuming the exercise in full of all options outstanding and exercisable as of December 31, 2001, our pro forma net tangible book value per share as of December 31, 2001 would be \$3.18 per share, representing an immediate increase in net tangible book value of \$2.05 per share to existing stockholders and an immediate dilution in net tangible book value of \$11.82 per share to new investors.

SELECTED FINANCIAL DATA  
(in thousands, except per share data)

The selected financial data set forth below are derived from our financial statements. The statements of operations data for the years ended December 31, 1999, 2000, and 2001 and for the period from inception (May 13, 1998) through December 31, 2001, and the balance sheet data as of December 31, 2000 and 2001 are derived from our audited financial statements included in this prospectus. The selected financial data set forth below should be read in conjunction with our financial statements, the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

	Years Ended December 31,			Period from inception (May 13, 1998) to December 31,
	1999	2000	2001	2001
	-----	-----	-----	-----
Statements of Operations Data:				
Operating expenses:				
Research and development*	\$ 140	\$ 1,319	\$ 6,009	\$ 7,468
General and administrative*	174	577	2,292	3,054
	-----	-----	-----	-----
Total operating expenses	314	1,896	8,301	10,522
	-----	-----	-----	-----
Loss from operations	(314)	(1,896)	(8,301)	(10,522)
Interest and other income, net	4	50	552	606
	-----	-----	-----	-----
Net loss	\$ (310)	\$ (1,846)	\$ (7,749)	\$ (9,916)
	=====	=====	=====	=====
Net loss per share				
Basic and diluted	\$ (0.09)	\$ (0.33)	\$ (1.08)	
	=====	=====	=====	
Weighted average shares--basic and diluted	3,544	5,600	7,201	
	=====	=====	=====	
Pro forma net loss per share				
Basic and diluted	\$ (0.04)	\$ (0.15)	\$ (0.52)	
	=====	=====	=====	
Weighted average shares--basic and diluted	8,673	12,086	14,994	
	=====	=====	=====	
* Includes stock-based compensation of the following:				
Research and development	\$ 7	\$ 90	\$ 1,169	\$ 1,266
General and administrative	--	--	680	680
	-----	-----	-----	-----
Total stock-based compensation	\$ 7	\$ 90	\$ 1,849	\$ 1,946
	=====	=====	=====	=====

	As of December 31,		
	1999	2000	2001
	-----	-----	-----
Balance Sheet Data:			
Cash and cash equivalents	\$416	\$1,000	\$22,980
Working capital	375	(227)	22,224
Total assets	421	1,046	24,259
Long-term liabilities	--	--	463
Total stockholders' equity (net capital deficiency)	379	(196)	22,376

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Pro forma net loss per share is based upon the historical weighted average shares of common stock issuable upon conversion of the outstanding preferred stock and the expiration of repurchase rights upon completion of the initial public offering. See note 8 of the notes to the financial statements.

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

The following discussion should be read in conjunction with our financial statements and related notes appearing elsewhere in this prospectus. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results and the

timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of selected factors, including those set forth under "Risk Factors" and elsewhere in this prospectus. We believe that the section entitled "Risk Factors" includes all material risks that could harm our business.

#### Overview

We are a pharmaceutical company developing medications for the treatment of severe psychiatric and neurological diseases. Since our inception in May 1998, our activities have primarily been associated with the development of our lead product, C-1073, for the treatment of PMD. We have been granted fast track status by the FDA with respect to C-1073 and it is currently in Phase III clinical trials. The trials are being conducted in more than 25 clinical sites and we expect to complete the analysis of the first Phase III trial by the end of 2002 and of the second phase by the end of 2003. Specifically, our activities have included:

- . product development;
- . designing, funding and overseeing clinical trials;
- . regulatory and clinical affairs; and
- . intellectual property prosecution and expansion.

Historically, we have financed our operations and internal growth primarily through private placements of preferred stock rather than through collaborative or partnership agreements. Therefore we have no research funding or collaborative payments payable to us nor have we received any payments which are refundable or subject to performance milestones.

We have incurred significant losses since our inception because we have not generated any revenues. As of December 31, 2001 we had a deficit accumulated during the development stage of \$9,916,114. Our historical operating losses have resulted principally from our research and development activities, including Phase III and Phase II clinical trial activities for C-1073, and general and administrative expenses. We expect to continue to incur net losses over the next several years as we complete our C-1073 clinical trials, apply for regulatory approvals, expand development of GR-II antagonists for new indications, acquire and develop treatments in other therapeutic areas, establish sales and marketing capabilities and expand our operations. We expect that our financial results will fluctuate from quarter to quarter and that such fluctuations may be substantial and will vary dependent on many factors, including:

- . the number of patients enrolled in clinical trials in each reporting period;
- . the progress of C-1073 in the regulatory process;
- . the development and commercialization of C-1073 and other GR-II antagonists for additional indications;
- . acquisitions or in-licensing of other treatments;
- . our investment in manufacturing set-up and capacity availability; and
- . development of a sales and marketing staff and initial sales activities if C-1073 is approved for commercialization.

Our business is subject to significant risks, including the risks inherent in our research and development efforts, the results of the C-1073 clinical trials, uncertainties associated with obtaining and enforcing patents, the lengthy and expensive regulatory approval process and competition from other products. Our ability to successfully generate revenue in the foreseeable future is dependent upon our ability, alone or with others, to develop, obtain regulatory approval, manufacture and market our lead product.



## Deferred Stock-Based Compensation

Deferred stock-based compensation arises from the granting of stock options to employees and directors as well as non-employees.

We recorded deferred stock-based compensation of approximately \$10,225,000, \$248,000 and \$65,000 for the years ended December 31, 2001, 2000 and 1999, respectively. We recognized stock-based compensation expense of approximately \$1,849,000, \$90,000 and \$7,000 for the years ended December 31, 2001, 2000 and 1999, respectively. Such expenses are allocated to research and development or general and administrative costs based upon the function of the individual receiving the stock-based compensation. We expect that our total deferred stock-based compensation expense will be approximately \$4.1 million, \$2.3 million, \$1.3 million, \$0.7 million and \$0.2 million for the years ending December 31, 2002, 2003, 2004, 2005 and 2006, respectively.

Employee and Director Option Grants. Deferred stock-based compensation related to option grants to employees and directors represents the difference between the exercise price of an option and the deemed fair value of our common stock on the date of the grant. We recognized stock-based compensation expense related to option grants to employees and directors of approximately \$1,533,000, \$8,000 and \$0 for the years ended December 31, 2001, 2000 and 1999, respectively. Such amounts are included as a reduction of stockholders' equity and are being amortized to expense using the graded vesting method over the vesting period of the underlying options, generally five years. The graded vesting method provides for vesting of portions of the overall awards at interim dates and results in greater vesting in earlier years than the straight-line method.

Non-employee Option Grants. Deferred stock-based compensation related to option grants to non-employees represents the difference between the exercise price of an option and the fair value of our common stock on the date that these options vest. We recognized stock-based compensation expense related to option grants to non-employees of approximately \$316,000, \$82,000 and \$7,000 for the years ended December 31, 2001, 2000 and 1999, respectively. Such amounts are recorded as expenses in the periods these options vest.

## Results of Operations

### Years Ended December 31, 2001 and 2000

Total Revenues. We generated no revenues during the year ended December 31, 2001 or the year ended December 31, 2000.

Research and Development. Research and development expenses increased 355% to \$6,008,986 for the year ended December 31, 2001, from \$1,319,453 for the year ended December 31, 2000. This increase of \$4,689,533 was primarily due to increases in non-cash stock-based compensation of \$1,078,378, expenses related to stock issued below fair value of \$511,813, clinical trial expenses of \$1,914,395, costs associated with purchasing clinical supplies and developing manufacturing capacity of \$741,422 and consulting fees of \$413,701. We expect that research and development expenditures will continue to increase substantially during 2002 and subsequent years due to the continuation and expansion of Phase III trials for C-1073, the expansion of C-1073 pharmaceutical development for other indications and additional study expenditures for new product candidates. We expect to continue to expand the scope of our research and development programs in future periods which may result in substantial

increases in research and development expenses. Research and development expenses include the personnel costs related to our development activities and clinical trial preparations, enrollment and monitoring expenses, any regulatory matters, patent expenses and the costs of manufacturing development.

Many factors can affect the cost and timing of our trials including inconclusive results requiring additional clinical trials, slow patient enrollment, adverse side effects among patients and real or perceived lack of effectiveness or safety of our trials. In addition, the development of all of our products will be subject to extensive governmental regulation. These factors make it difficult for us to predict the timing and costs of the approval of our products.

General and Administrative. General and administrative expenses increased 297% to \$2,292,159 for the year ended December 31, 2001, from \$576,683 for the year ended December 31, 2000. This increase of \$1,715,476 was primarily due to non-cash stock-based compensation of \$680,158, payroll and fees associated with increases in staffing of \$449,671, professional fees of \$227,914 and rent on facilities of \$150,039. We expect that general and administrative expenditures will continue to increase during 2002 and subsequent years due to increasing payroll, commercialization efforts, business development costs associated with growth in our market research, and expanded operational infrastructure. An increase in general and administrative expenses is also expected to accompany our infrastructure growth associated with our public company reporting activities. General and administrative expenses consist primarily of the costs of administrative personnel and related facility costs along with legal, accounting and professional fees.

Interest and Other Income, net. Interest and other income, net increased to \$600,420 for the year ended December 31, 2001 from \$53,616 for the year ended December 31, 2000. The increase was principally attributable to higher average cash and cash equivalents balances during the year ended December 31, 2001 as compared to the year ended December 31, 2000.

Interest Expense. Interest expense of \$48,113 for the year ended December 31, 2001 primarily represents interest on \$1,050,000 of convertible promissory notes with several investors in addition to interest on a \$462,929 convertible note issued to support research activities. Interest expense during the year ended December 31, 2000 totaled \$3,646.

#### Years Ended December 31, 2000 and 1999

Total Revenues. We generated no revenues during the year ended December 31, 2000 or the year ended December 31, 1999.

Research and Development. Research and development expenses increased 843% to \$1,319,453 for the year ended December 31, 2000, from \$139,977 for the year ended December 31, 1999. This increase of \$1,179,476 primarily resulted from increases due to the initiation of clinical trials, increases in consulting fees and patent costs of \$984,574.

General and Administrative. General and administrative expenses increased 232% to \$576,683 for the year ended December 31, 2000, from \$173,542 for the year ended December 31, 1999. This increase of \$403,141 was primarily due to payroll and fees associated with increases in staffing, legal fees and rent on new facilities of \$304,156.

Interest and Other Income, net. Interest and other income, net increased to \$53,616 for the year ended December 31, 2000 from \$4,839 for the year ended December 31, 1999. The increase was principally attributable to higher average cash and cash equivalents balances during the year ended December 31, 2000 as compared to the year ended December 31, 1999.

Interest Expense. Interest expense of \$3,646 for the year ended December 31, 2000 represents interest on \$900,000 convertible promissory notes with several investors. Interest expense of \$1,382 for the year ended December 31, 1999 primarily represents interest on \$30,000 of convertible promissory notes issued to investors.

Years Ended December 31, 1999 and 1998

We generated no revenue and incurred total expenses of \$11,048 in the year ended December 31, 1998. Due to immateriality, no comparison is presented for this period.

#### Quarterly Results of Operations

The following tables present our quarterly results of operations for the four quarters of fiscal 2001 and 2000. The information for these quarters is unaudited but has been prepared on the same basis as the audited financial statements appearing elsewhere in this prospectus. In the opinion of management, all necessary adjustments, consisting only of normal recurring adjustments, have been included to present fairly the unaudited quarterly results when read in conjunction with our audited consolidated financial statements and the related notes. These operating results are not necessarily indicative of the results of any future period. All expense categories below include stock-based compensation.

	Three Months Ended							
	Mar. 31, 2000	June 30, 2000	Sept. 30, 2000	Dec. 31, 2000	Mar. 31, 2001	June 30, 2001	Sept. 30, 2001	Dec. 31, 2001
	(in thousands)							
Operating expenses:								
Research and development.....	\$ 113	\$ 262	\$ 467	\$ 477	\$ 485	\$ 1,373	\$ 600	\$ 3,551
General and administrative.....	94	128	152	203	295	502	332	1,163
Total operating expenses.	207	390	619	680	780	1,875	932	4,714
Operating loss.....	(207)	(390)	(619)	(680)	(780)	(1,875)	(932)	(4,714)
Interest and other income (expense), net.....	13	17	15	5	(10)	158	243	161
Net loss.....	\$(194)	\$(373)	\$(604)	\$(675)	\$(790)	\$(1,717)	\$(689)	\$(4,553)

In the past, our quarterly operating results have varied significantly and we expect these fluctuations to continue. Future operating results may vary depending on a number of factors, many of which are outside of our control.

#### Liquidity and Capital Resources

We have incurred annual operating losses since inception, and at December 31, 2001, we had incurred a deficit accumulated during the development stage of \$9,916,114. Since our inception, we have relied primarily on the proceeds from private placements of preferred stock to fund our operations.

At December 31, 2001 we had cash and cash equivalents of \$22,979,740, compared to \$1,000,395 at December 31, 2000 and \$416,359 at December 31, 1999. Net cash used in operating activities for the years ended December 31, 2001, 2000 and 1999 was \$5,430,382, \$1,468,349 and \$264,588, respectively. The increase resulted from the increase in the number and size of our C-1073 trials and general expansion of our operations. Net cash used in investing activities for the years ended December 31, 2001, 2000 and 1999 was \$14,087, \$28,380 and

\$4,464,

respectively. Net cash provided by financing activities for the years ended December 31, 2001, 2000 and 1999 was \$27,423,814, \$2,080,765 and \$655,948, respectively. The net cash provided by financing activities was primarily attributable to the sale of preferred stock.

We believe that the net proceeds from this offering, together with our current cash balances and interest thereon, will be sufficient to complete our ongoing and planned clinical trials reflected in the description of business, to conduct appropriate development studies and to satisfy our other anticipated cash needs for operating expenses for at least the next two years. However, we cannot be certain that additional funding will not be required and, if required, will be available on acceptable terms, or at all. Further any additional equity financing may be dilutive to stockholders, and debt financing, if available, may involve restrictive covenants. If adequate funds are not available, we may be required to delay, reduce the scope of or eliminate one or more of our research or development programs or to obtain funds through collaborations with others that are on unfavorable terms or that may require us to relinquish rights to certain of our technologies or lead product that we would otherwise seek to develop on our own.

#### Quantitative and Qualitative Disclosures About Market Risk

The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive from our invested cash without significantly increasing risk of loss. As of December 31, 2001, our cash and cash equivalents consisted primarily of money market funds maintained at one major U.S. financial institution. The recorded carrying amounts of cash and cash equivalents approximate fair value due to their short-term maturities. Therefore, no quantitative tabular disclosure is required.

#### Recently Issued Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." We are required to adopt FAS 133 for the year ending December 31, 2001. FAS 133 establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. We currently hold no derivative financial instruments and do not currently engage in hedging activities. The adoption of FAS 133 has not had a material impact on our financial position or results of operations.

In March 2000, the FASB issued Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation--An Interpretation of APB Opinion No. 25." FIN 44 clarifies the application of APB 25 and, among other issues, clarifies the following: the definition of an employee for the purposes of applying APB 25, the criteria for determining whether a plan qualifies as a noncompensatory plan, the accounting consequences of various modifications to the terms of previously fixed stock options or awards, and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. The adoption of certain of the conclusions of FIN 44 covering events occurring during the period after December 15, 1998 or January 12, 2000 and the adoption of FIN 44 on July 1, 2000 did not have a material effect on our financial position or results of operations.

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 141, "Business Combinations," and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

FAS 141 supercedes Accounting Principles Board Opinion No. 16, "Business Combinations." The most significant changes made by FAS 141 are: (1) requiring that the purchase method of accounting be used

for all business combinations initiated after June 30, 2001, (2) establishing specific criteria for the recognition of intangible assets separately from goodwill, and (3) requiring unallocated negative goodwill to be written off immediately as an extraordinary gain (instead of being deferred and amortized). FAS 142 supercedes Accounting Principles Board Opinion No. 17, "Intangible Assets." FAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to business combinations (i.e., the postacquisition accounting). The provisions of FAS 142 are effective for fiscal years beginning after December 15, 2001; however, certain provisions of this new standard may also apply to any acquisitions concluded subsequent to June 30, 2001. The most significant changes made by FAS 142 are: (1) goodwill and indefinite lived intangible assets will no longer be amortized, (2) goodwill will be tested for impairment at least annually at the reporting unit level, and (3) intangible assets deemed to have an indefinite life will be tested for impairment at least annually.

We are required to adopt FAS 141 and FAS 142 on a prospective basis as of January 1, 2002; however, certain provisions of these new standards may also apply to any acquisitions concluded subsequent to June 30, 2001. The adoption of these standards is not expected to have a material impact on our financial position or results of operations.

## BUSINESS

### Overview

We are a pharmaceutical company engaged in the development of drugs for the treatment of severe psychiatric and neurological diseases. Our current focus is on the development of drugs for disorders that are associated with a steroid hormone called cortisol. Elevated levels and abnormal release patterns of cortisol have been implicated in a broad range of human disorders. Our scientific founders are responsible for many of the critical discoveries illustrating the link between psychiatric and neurological disorders and aberrant cortisol and we have a broad intellectual property portfolio in this area.

Our lead product in development, C-1073, has been granted "fast track" status by the FDA and is currently in Phase III clinical trials for the treatment of psychotic major depression. C-1073, also known as mifepristone, modulates the effect of cortisol by selectively blocking the binding of cortisol to one of its two known receptors.

Psychotic major depression, or PMD, is a serious psychiatric disorder that is more prevalent than either schizophrenia or manic depressive illness. The disorder is characterized by severe depression accompanied by delusions and/or hallucinations. People with PMD are approximately 70 times more likely to commit suicide in their lifetime than the general population and often require lengthy and expensive hospital stays ranging from three to five weeks.

There is no FDA-approved treatment for PMD. However, there are two treatment approaches for PMD currently used by psychiatrists, electroconvulsive therapy, or ECT, which involves passing an electrical current through the brain until the patient has a seizure and combination drug therapy, which involves the simultaneous use of antidepressant and antipsychotic medications. Both ECT and combination drug therapy often have significant adverse side effects.

We have exclusively licensed the patent for the treatment of PMD. We also own or have exclusively licensed allowed patents or patent applications relating to the treatment of several disorders that we believe also result from prolonged exposure to elevated cortisol. These include early dementia, mild cognitive impairment, psychosis associated with cocaine addiction, delirium, Down's syndrome, post-traumatic stress disorder, weight gain following treatment with antipsychotic medication and for modulation of the blood-brain barrier. We are currently investigating additional indications such as Alzheimer's disease, a

form of dementia, that may benefit from treatment with a drug that blocks the GR-II receptor.

#### The Role of Cortisol in Disease

Cortisol is a steroid hormone that plays a significant role in the way the body reacts to stressful conditions and is essential for survival. Cortisol significantly influences metabolism, exerts a clinically useful anti-inflammatory effect and contributes to emotional stability. Insufficient levels of cortisol may lead to dehydration, hypotension, shock, fatigue, low resistance to trauma, infection, stress and hypoglycemia. Excessive levels of cortisol may lead to edema, hypertension, fatigue and impaired glucose tolerance.

Elevated levels and abnormal release patterns of cortisol have also been linked to a broad range of psychiatric and neurological conditions, such as nervousness, insomnia and mood changes. Cognition, including attention, concentration and memory, are negatively influenced by elevated levels and abnormal release patterns of cortisol. Elevated levels of cortisol are also directly neurotoxic and may accelerate the dementia process in patients with cognitive disorders such as Alzheimer's disease.

Many studies have shown that PMD patients have particularly elevated levels and abnormal release patterns of cortisol. More than fifteen years ago, one of our scientific co-founders postulated that elevated levels of cortisol in PMD patients produce elevated levels of dopamine, an important chemical

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substance found in the brain. Elevated dopamine has been implicated in both delusional thinking and hallucinations. This was a clinically relevant hypothesis because it led to the concept that antipsychotic medications, which act by blocking dopamine, in combination with antidepressant medications, could be useful in treating PMD. The hypothesis also led to the concept that by regulating the level and release patterns of cortisol, one could normalize dopamine levels in the brain, which may, in turn, ameliorate the symptoms of PMD. In addition to cortisol's effect on dopamine levels, research has shown that prolonged elevated cortisol may also play a direct role in causing the symptoms of PMD.

The challenge in regulating levels of cortisol, however, is that the hormone is needed at some level for natural processes in the human body. Destroying the ability of the body to make cortisol or to drastically reduce its presence would result in serious detrimental effects. To have a viable therapeutic effect, a compound must be able to selectively modulate cortisol effects.

#### Glucocorticoid Receptor Antagonists

Cortisol is produced by the adrenal glands and is carried in the bloodstream to the brain, where it directly influences neurological function. In the early 1990s it was found that, in the brain, cortisol binds to two receptors, Glucocorticoid Receptor I and Glucocorticoid Receptor II, also known as GR-I and GR-II. GR-I is a high-affinity receptor that is involved in the routine functions of cortisol. Its binding sites are filled with cortisol nearly all the time. In general, GR-II binding sites do not fill until levels of cortisol become elevated. Short-term activation of GR-II has benefits, which include helping the individual be more alert and better able to function under stressful conditions. Long-term activation of GR-II, however, has been shown to have significant toxicity and appears to be linked to multiple psychiatric disease states, particularly PMD. The action of cortisol can be prevented by the use of blockers, or antagonists, that prevent the binding of the hormone to its receptors. These antagonists, referred to as glucocorticoid receptor antagonists, may prevent the undesirable effects of elevated levels and abnormal release patterns of cortisol.

Our lead product, C-1073, works by selectively blocking the binding of cortisol to GR-II while not affecting GR-I. The discovery that the brain had high affinity and low affinity receptors for cortisol was critical to our scientific approach in treating PMD because it allowed for a specific target for a potential therapeutic. Because of its selective affinity, we believe that C-1073 can have a therapeutic benefit by modulating the effects of aberrant cortisol without compromising the necessary normal functions of cortisol.

## Overview of Psychotic Major Depression

PMD is a serious psychiatric disease in which a patient suffers from severe depression accompanied by delusions and/or hallucinations. These psychotic features typically develop after the onset of a depressed mood, but may develop concurrently as well. Once psychotic symptoms occur, they usually reappear with each subsequent depressive episode. When the patient's mood returns to normal the psychosis also resolves.

PMD is not a simple combination of psychosis and depression, but rather a complex interaction between a predisposition to become psychotic and a predisposition to become severely depressed. In addition to psychosis, clinical features that distinguish psychotic from nonpsychotic depression include elevated levels and abnormal release patterns of cortisol, motor abnormalities, a substantially higher suicide rate, more prominent sleep abnormalities and more potential for gross brain injury.

Data from the most recent congressionally mandated study, the National Co-Morbidity Survey (1994) and the Textbook of Psychopharmacology published by the American Psychiatric Press indicate that each year, approximately 10% of the United States population aged 15 to 54 years and 20% of the United States population aged 55 years or older, or over 20 million people in total, experience a major depressive

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episode. Of those people, many surveys show that approximately 15%, or over three million people, have PMD. Most PMD patients suffer their first episode of depression between the ages of 30 and 40 and the majority will experience more than a single episode in their lifetime.

We believe that people afflicted with PMD are, as a group, underrecognized and undertreated due to:

- . reluctance on the part of people with PMD to accurately report their psychotic symptoms;
- . misdiagnosis of the disease by primary care physicians;
- . reluctance of patients and their families to be associated with the stigma of hospitalization for psychiatric care; and
- . adverse side effects associated with current treatments for PMD.

### Current Treatments for PMD

There are two treatment approaches for PMD currently used by psychiatrists, ECT and combination drug therapy. Neither of these treatments has been approved by the FDA for PMD and both approaches can have slow onsets of action and debilitating side effects.

Of the two approaches, the more effective treatment for PMD is ECT. ECT involves passing an electrical current through the brain until the patient has a seizure. Approximately 100,000 patients receive ECT each year in the United States, with each patient requiring approximately six to twelve procedures over three to five weeks. ECT is administered while the patient is under general anesthesia. The administration of ECT requires the use of an operating room, as well as the participation of a psychiatrist, an anesthesiologist and a nurse. General anesthesia and muscle relaxants are necessary in order to avoid fractures of the spine that otherwise could result from the seizures caused by ECT. Although ECT provides a reduction in depressive and psychotic symptoms, the procedure can result in cognitive impairment, including permanent memory loss, cardiovascular complications, headache, muscle ache and nausea, in addition to complications that can arise from general anesthesia.

An alternative treatment for PMD is combination drug therapy. Combination drug therapy is the simultaneous administration of an antipsychotic drug, such as olanzapine, haloperidol or chlorpromazine, and an antidepressant drug, such as fluoxetine or imipramine. Combination drug therapy, although not approved by the FDA as a treatment for PMD, is used because PMD patients typically have a poor response to standard antidepressant or antipsychotic therapy alone.

Combination drug therapy often requires three weeks or more before patients show improvement in their condition. Combination drug therapy is also associated with significant adverse effects such as sexual dysfunction, sedation, weight gain and permanent movement disorders.

Because a therapeutic response to ECT and combination drug therapy does not occur for several weeks, both approaches often require lengthy and expensive hospital stays. Consequently, we believe there is a significant need for a safe, fast-acting and more effective treatment for PMD. We believe that C-1073 will provide a superior treatment approach and enable PMD patients to regain normal function more quickly and with fewer troubling side effects than either ECT or combination drug therapy.

#### C-1073 for the Treatment of PMD

We are developing C-1073 as an oral treatment for PMD patients. C-1073 is a GR-II antagonist that appears to mitigate the elevated and abnormal release patterns of cortisol in PMD patients. We intend C-1073 to be a once-daily treatment given to patients over seven consecutive days in a hospital setting.

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#### C-1073 Clinical Trials

Phase II Clinical Trials. In January 2001, we completed a Phase II clinical trial evaluating the efficacy, tolerability and dose response of C-1073 for the treatment of PMD. The trial was an "open label" trial, or a trial in which only one treatment, and no placebo, was administered. Treatment with C-1073 was assessed in 30 patients with PMD at six academic centers. The patients were randomly assigned to receive once-daily dosages of C-1073 in either a low dose (50 mg) or one of two higher doses (600 mg or 1,200 mg) over seven consecutive days.

The patients remained hospitalized if clinically necessary during the week-long trial. Patients who had been taking antidepressant and/or antipsychotic medications regularly prior to the trial were allowed to continue taking those medications during the trial. The patients were between 23 and 74 years old and none had an unstable medical problem. Pregnant women were not allowed to participate in the trial, nor were patients who had recently taken illicit drugs or who consumed more than two alcoholic drinks daily.

Psychiatric rating scales that are widely used in clinical trials to support regulatory approval of new antipsychotic and antidepressant medications were used to assess the efficacy of C-1073 for the treatment of PMD. These include the:

- . BPRS: The Brief Psychiatric Rating Scale is an 18-item instrument to assess psychopathology. It incorporates a range of psychiatric symptoms, including anxiety, depression, guilt, hostility and suicidality. Each of the 18 symptoms is scored on a numeric scale ranging from 1 (not present) to 7 (extremely severe).
- . BPRS Positive Symptom Subscale: This subscale is based on four items of the BPRS and measures a patient's conceptual disorganization, suspiciousness, hallucinatory behavior and unusual thought content.
- . HAM-D-21: This is a 21-item instrument designed to measure the severity of a number of depressive symptoms such as insomnia, depressed mood, concentration, ability to experience pleasure, and agitation. Each question has 3 to 5 possible responses, with associated scores ranging from 0 to 4. The total score is calculated from all 21 items.

Baseline scores for the BPRS, the positive symptom subscale of the BPRS and the HAM-D scale were obtained for each of the patients immediately before the trial began. An identical three-component evaluation was repeated after three and seven days of treatment. A favorable response was defined as a 30% reduction in the BPRS and a 50% reduction in the BPRS positive symptom subscale and HAM-D.

The scores taken after seven days of treatment revealed clinically meaningful reductions in psychosis and depression for patients in the 600 mg and 1,200 mg treatment groups. Efficacy results in these patients are shown in the table below.



	50 mg Dose Group	600 mg Dose Group	1,200 mg Dose Group	600 mg and 1,200 mg Dose Groups Combined
30% or greater reduction in BPRS.....	4/11 (36%)	7/10 (70%)	6/9 (67%)	13/19 (68%)
50% or greater reduction in positive symptom subscale of BPRS.....	3/11 (27%)	6/10 (60%)	6/9 (67%)	12/19 (63%)
50% or greater reduction in Ham-D scale.....	2/11 (18%)	5/10 (50%)	3/9 (33%)	8/19 (42%)

Although results were similar in the 600 mg and 1,200 mg dose groups, there was an apparent dose-response relationship when the results of the 50 mg group were compared to the two higher dose groups. Sixty-eight percent of patients in the higher dose groups (600 mg and 1,200 mg combined) had a clinically meaningful reduction in psychotic symptoms, measured by the BPRS, compared to 36% in the 50 mg group. The items in the BPRS that are most specific to PMD are contained in the BPRS positive symptom subscale. Every PMD patient experiences one or more of these symptoms. Over 60% of patients in the higher dosage groups had a 50% or greater reduction in the positive symptom subscale within one week of treatment. This is a clinically meaningful reduction in symptoms that would be readily recognized by patients, family members, physicians and hospital staff.

Similarly, 42% of patients in the combined high-dose groups had a clinically meaningful reduction in depressive symptoms, measured by the HAM-D scale, compared to 18% in the low-dose group. Patients with a positive treatment response were discharged from the hospital in seven days or less. In addition, none of the patients in the trial experienced clinically consequential side effects and none dropped out of the trial due to side effects. Three patients in the high-dosage group reported uterine cramping and one patient in the low-dosage group along with one patient in the high-dosage group reported a rash.

Phase III Clinical Trials. Based on positive results from our Phase II trial, in August 2001 we initiated two pivotal, double-blind, placebo-controlled Phase III clinical trials designed to evaluate the safety and efficacy of C-1073 in the treatment of PMD patients. Each of these trials is designed to enroll approximately 200 patients who are randomly assigned to receive a once-daily 600 mg dosage of C-1073 or placebo for seven consecutive days. Neither the investigators nor the patients are aware of whether C-1073 or placebo is being administered. The efficacy and safety of C-1073 will be compared to that of the placebo. The only difference between the two trials is that the first trial includes patients who are receiving antidepressant and/or antipsychotic medication when they enter the trial and the second trial includes patients who are not.

The primary efficacy assessment will be based on the speed and duration of response to treatment. A treatment response is defined as a 30% or greater decrease from baseline in the BPRS total score. The efficacy analysis will classify patients into four groups: (A) patients whose BPRS scores decrease by at least 30% seven days after treatment begins and 28 days after treatment begins (Rapid Responder); (B) patients whose BPRS scores decrease by at least 30% 28 days after treatment begins but not seven days after treatment begins (Responder); (C) patients whose BPRS scores decrease by at least 30% seven days after treatment begins but response is not maintained at 28 days (Non-Responder); and (D) patients whose BPRS scores do not decrease by at least 30% after 28 days (Non-Responder).

Group	Response at Day 7	Response at Day 28	Level of Response
A	Yes	Yes	Rapid Responder
B	No	Yes	Responder
C	Yes	No	Non Responder
D	No	No	Non Responder

Secondary efficacy assessments will include measurement of the positive symptom subscale of the BPRS, the HAM-D scale, the Montgomery-Asberg depression rating scale and the Clinical Global Impression scale. The Montgomery-Asberg depression rating scale is a 10-item scale designed to assess the severity of depression. In the Clinical Global Impression scale, the investigator provides his or her global impression of the severity of the patient's mental illness on a scale of 1 to 7 and the change in the severity of the patient's illness from the patient's baseline, also on a scale of 1 to 7. Scores on the BPRS and each of the other scales described above will be taken immediately before treatment begins and 3, 7, 14 and 28 days after treatment begins. In addition, brief follow-up clinical assessments will be made after 35 days to monitor safety and after 56 days to assess recurrence.

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The trials are being conducted at more than 25 clinical sites. We expect to complete the analysis of our first Phase III trial before the end of 2002 and the analysis of our second clinical trial by the end of 2003. The additional time required for recruitment of patients into our second trial is due to the more stringent requirement that patients not be taking antidepressant or antipsychotic medications at the time they are entering the trial.

Given the serious nature of PMD, the lack of approved drugs for the disorder and the data from our Phase II clinical trial, the FDA has granted a fast track designation for C-1073 in the treatment of PMD. In addition, the FDA has indicated that C-1073 will receive a priority review if no other treatment is approved for PMD at the time we submit our NDA.

Additional Clinical Trials. The following clinical trials, the results of which will be included in our NDA submission, will be conducted concurrently with our pivotal Phase III clinical trials:

- . Re-treatment Trial: We will conduct a small trial to assess the safety of retreating patients with C-1073. This trial will include patients who have met the treatment response criteria in either of the two Phase III pivotal clinical trials and who subsequently experience another episode of PMD. We expect about 50 patients to enroll in this study.
- . Pharmacokinetic Trials: Several trials will also be conducted in healthy volunteers to evaluate how the human body processes C-1073 by measuring blood levels of the drug under various conditions. These conditions include varying the dose of C-1073 to assess dose proportionality, administering the drug with and without food to determine whether or not the presence of food will effect the blood levels of C-1073, administering the drug along with other commonly used antipsychotic and antidepressant medications to evaluate the potential for drug interactions. Each of these trials will be performed at a single site and will enroll 12 to 24 patients.
- . Bioequivalence Trials: In the Phase III pivotal clinical trials, the 600 mg dose is administered as three 200 mg tablets. To make dosing more convenient, we are also developing a 300 mg tablet that will allow patients to take two tablets per day instead of three. Prior to marketing the 300 mg tablet, we need to demonstrate that the oral administration of two different tablet formulations will result in equivalent blood levels of C-1073. Therefore, after the 300 mg tablet is available for clinical use, we will conduct a study in healthy volunteers to compare the blood levels following administration of the 200 mg and 300 mg tablets.
- . Open Label Safety Trial: Although the placebo-controlled clinical trials are sufficiently large to demonstrate efficacy with statistical significance, we will need to study additional patients to generate an appropriately large safety database for FDA review. We plan to conduct an open label safety trial that will include 300 to 500 patients. All patients in this trial will receive 600 mg of C-1073.

In addition to our clinical trials, we are currently conducting limited toxicology studies on C-1073. Generally, in support of our IND, we have relied on toxicology data contained in a third party's NDA for the use of mifepristone to terminate pregnancy. The FDA approved our IND to conduct our clinical

trials, but has not yet determined whether any additional toxicology tests will be required. In addition, we could be required to conduct carcinogenicity studies, which can take as long as three years, depending on the data required. If the FDA requires us to conduct toxicology tests or carcinogenicity studies, commercialization of C-1073 might be delayed.

#### GR-II Antagonist Platform

We have assembled a broad intellectual property portfolio covering the treatment of psychiatric and neurological disorders that may benefit from drugs that block the GR-II receptor. In addition to PMD,

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we own or have exclusively licensed pending patent applications for the use of GR-II antagonists to treat early dementia, mild cognitive impairment, psychosis associated with cocaine addiction, delirium, Down's syndrome, post-traumatic stress disorder, weight gain following treatment with antipsychotic medication and for modulation of the blood-brain barrier.

We are currently investigating additional indications such as Alzheimer's disease, a form of dementia. Alzheimer's disease is the most common form of dementia, accounting for approximately 50% of patients with progressive cognitive decline. More than 3.5 million people in the United States have Alzheimer's disease and with the aging of the population, this number continues to grow each year.

Studies conducted by our founders and scientific advisors indicate that elevated cortisol may accelerate the dementia process in patients with Alzheimer's disease. Hence, by modulating the effects of cortisol, we believe that a GR-II antagonist may be able to slow the cognitive deterioration in these patients. To demonstrate proof of concept for the use of a GR-II antagonist in Alzheimer's disease, a clinical trial is being conducted by Stanford with C-1073 under an investigator IND. This trial is designed to evaluate the safety and efficacy of C-1073 in slowing the cognitive decline in patients with mild to moderate disease.

Although C-1073 is being evaluated in the initial Alzheimer's disease clinical trial, we are also seeking to develop other GR-II receptor antagonists that do not have the anti-progesterone activity associated with mifepristone.

#### Our Business Strategy

Our objective is to develop and commercialize drugs that address severe psychiatric and neurological diseases for which there is a significant unmet clinical need. We are pursuing the following strategies to achieve this objective:

- . Rapidly develop C-1073 for PMD. Mifepristone, the active ingredient in C-1073, has been approved by the FDA for another use, and as a result, we have been able to accelerate development of C-1073 for the treatment of PMD. Phase III trials are ongoing, and if the results are positive, we intend to actively pursue approval by the FDA and other regulatory authorities outside of the United States. The FDA has granted a fast track designation for C-1073 for the treatment of PMD because of the lack of approved drugs for this serious disorder. The FDA has also indicated that C-1073 will receive a priority review if no other treatment has been approved for PMD at the time we submit our NDA.
- . Establish C-1073 as first-line therapy for PMD. We believe C-1073 has the opportunity to become the first FDA approved therapy for PMD because of its fast onset of action and expected efficacy and minimal side effects. Our Phase III trials are designed to demonstrate these benefits, including the rationale for first-line therapy.
- . Maximize value of C-1073 by retaining marketing rights. In the United States, we intend to market and sell C-1073 directly to hospitals with in-patient psychiatric units, initially focusing on those that use ECT. Given the concentrated nature of the initial target audience, we believe that we will be able generate significant revenue with a relatively small, highly-focused sales and marketing team.

- . Build a portfolio of GR-II receptor antagonists. We intend to identify and develop additional GR-II antagonists for the treatment of diseases for which therapy is unavailable or substandard and the market opportunity is large. We also intend to pursue in-licensing of additional technology to enhance our GR-II antagonist platform.
- . Acquire or in-license additional products. In addition to our in-house development efforts, we plan to acquire or in-license hospital-based products to more fully utilize our internal marketing and sales organization.

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- . Employ an experienced team with a proven track record in developing and commercializing pharmaceuticals. We expect to continue managing the company with a relatively small group of seasoned executives with an extensive history of success in the development and commercialization of new drugs. We believe our experienced and knowledgeable core management team will help us to transition from a development stage company to a profitable commercial entity. Furthermore, expert consultants and third-party relationships in research, clinical trial management and manufacturing will help management minimize the costs and accelerate the timing of our product development efforts. We believe this strategy will allow us to maximize stockholder value.

#### Sales and Marketing

We intend to develop our own sales and marketing infrastructure in the United States to commercialize C-1073. We currently have no sales, marketing or distribution capabilities. We believe that the initial market for PMD in the United States is highly concentrated and accessible by a small, highly-trained sales team of approximately 25 representatives. We intend to focus initially on patients currently being treated with ECT by marketing to hospitals and psychiatrists that perform ECT. We estimate that there are approximately 900 hospitals with more than 30 in-patient psychiatric beds. Of these, we estimate that approximately 300 offer ECT. We believe that fewer than 1,000 psychiatrists are administering a majority of ECT procedures.

Subsequently, we also intend to expand our sales efforts to address the larger set of PMD patients currently undergoing combination drug therapy. We believe many of these patients can benefit from treatment with C-1073.

We believe that a significant opportunity exists to further expand the market for the treatment of PMD beyond patients currently treated by ECT and combination drug therapy. A large portion of the people who suffer from PMD remain underrecognized and undertreated. We intend to develop medical educational programs to alert the medical community about early diagnosis of PMD and increase awareness regarding C-1073.

We have limited experience in marketing or selling pharmaceutical products and currently have no sales and marketing staff. To achieve commercial success for any approved product, we must either develop a sales and marketing force or enter into arrangements with others to market and sell our products.

#### Manufacturing

As a drug development entity, we intend to utilize our financial resources to accelerate the development of C-1073 and other products rather than diverting resources to establishing manufacturing facilities.

We currently have no experience in, and we do not own facilities for, manufacturing any products. We intend to rely on high-quality contract manufacturers to produce our products. For our ongoing pivotal and planned Phase III clinical trials, we have, in our possession, what we believe to be adequate quantities of C-1073 to complete these clinical trials. We have also entered into a manufacturing agreement with a contract manufacturer to produce the active pharmaceutical ingredient for C-1073. This agreement requires us to invest in start-up costs and obligates us to purchase at least \$1,000,000 of bulk mifepristone per year following the commercial launch of C-1073. The agreement is generally not terminable by either party. We have also entered

into a separate agreement with another contract manufacturer to produce C-1073 tablets for us. This agreement also requires us to invest in start-up costs and is terminable by the contract manufacturer only upon a breach of any of our material obligations. The active pharmaceutical ingredient manufacturer and tablet manufacturer are both single suppliers to us. In the event we are unable, for whatever reason, to obtain mifepristone or C-1073 from our contract

manufacturers, we may not be able to identify alternate manufacturers able to meet our needs on commercially reasonable terms and in a timely manner, or at all.

Before initiating commercial sales of C-1073 or any other future products, our manufacturers must comply with cGMP. If the operations of any current or future supplier or manufacturer were to become unavailable for any reason, the required FDA review and approval of the operations of a new supplier or new manufacturer could cause a delay in the manufacture of C-1073, which could seriously harm our business.

#### Competition

If approved for commercial use, C-1073 for the treatment of PMD will compete with established treatments, including ECT and combination drug therapy. While we are unaware of any other ongoing clinical trials, other companies may be developing new drug products to treat PMD and the other conditions we are exploring. Our present and potential competitors include major pharmaceutical companies, as well as specialized pharmaceutical firms. Most of these companies have considerably greater financial, technical and marketing resources than we do. We expect competition to intensify as technical advances are made.

Many colleges, universities and public and private research organizations are also active in the human health care field. While these entities focus on education, they may develop or acquire proprietary technology that we may require for the development of our products. We may attempt to obtain licenses to this proprietary technology. We cannot assure you, though, that we will be able to obtain these licenses on commercially reasonable terms, or at all.

Our ability to compete successfully will be based on our ability to develop proprietary products, attract and retain scientific personnel, obtain patent or other protection for our products, obtain required regulatory approvals and manufacture and successfully market our products either alone or through outside parties.

#### Intellectual Property

Patents and other proprietary rights are important to our business. It is our policy to seek patent protection for our inventions, and to rely upon trade secrets, know-how, continuing technological innovations and licensing opportunities to develop and maintain our competitive position.

Under two separate agreements with Stanford University, we have obtained exclusive rights to:

- . an issued United States patent which expires in October 2018 and any corresponding foreign patents for the use of GR-II antagonists in the treatment of PMD;
- . an allowed United States patent and any corresponding foreign patents for the use of GR-II antagonists in the treatment of early dementia, including early Alzheimer's disease; and
- . pending United States patent application and any corresponding foreign patents for the use of GR-II antagonists in the modulation of the blood-brain barrier.

We are required to pay royalties on sales of products commercialized under any of the above patents. If Stanford University were to terminate our C-1073 license due to breach of the license on our part, we would have to discontinue development and commercialization of C-1073 for the treatment of PMD.

We also have five United States patent applications, and we are considering, where appropriate, the filing of foreign patent applications, covering the use of certain GR-II antagonists for the treatment of:

- . mild cognitive impairment;

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- . psychosis associated with cocaine addiction;

- . delirium;

- . Down's syndrome;

- . post-traumatic stress disorder; and

- . weight gain following treatment with antipsychotic medication.

However, we cannot assure you that any of our patent applications will result in the issuance of patents, that any issued patent will include claims of the breadth sought in these applications or that competitors will not successfully challenge or circumvent our patents if they are issued.

We do not have any patent rights to the composition of compounds that are necessary to make our potential products. Specifically, we do not have a patent covering the composition of mifepristone or any other GR-II antagonist. Our patent rights cover only the use of GR-II antagonists, including mifepristone, in the treatment of specific diseases.

The patent covering the product mifepristone was scheduled to expire in January 2002. However, the U.S. Patent and Trademark Office has granted an interim one year extension so that the patent is now scheduled to expire in January 2003. Additional interim extensions may be granted. The patent holder has applied for a five year patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, also known as the Hatch-Waxman Act. If the patent term extension application is granted, the patent term could be extended to January 2007 in accordance with the terms of the Hatch-Waxman Act.

Under the Hatch-Waxman Act, a product's regulatory review period forms the basis for determining the duration of the extension an application may receive. A regulatory review period consists of two periods of time: a testing phase and an approval phase. These time periods are initially determined by the FDA. Using this information, the U.S. Patent and Trademark Office then determines the length of the extension under the Hatch-Waxman Act. Only a portion of a regulatory review period may count toward the actual duration of the extension that the U.S. Patent and Trademark Office may award (for example, half the testing phase must be subtracted). In addition, under the Hatch-Waxman Act, any time that the patent holder did not diligently pursue marketing approval from the FDA is not counted toward the actual duration of the extension that may be granted.

The FDA has determined that the applicable regulatory review period for mifepristone is 2,249 days, 593 days of which occurred during the testing phase

of the regulatory review period and 1,656 days of which occurred during the approval phase. Based on these determinations, the U.S. Patent and Trademark Office could extend the mifepristone patent to January 2007.

We, the patent holder and third parties may, however, challenge the FDA's determinations in the following two ways. A challenge to the FDA's determination of the regulatory review period of a drug must be made within 60 days after the FDA publishes its determination in the Federal Register. The FDA's determination with respect to the regulatory review period for mifepristone was published in the Federal Register on January 25, 2002. We are in the process of pursuing a challenge to this determination. In addition, no later than 180 days after the FDA has published its determination in the Federal Register, we may submit a petition to the FDA that challenges its determination by providing evidence that demonstrates that the patent holder did not diligently pursue marketing approval. However, the provisions of the Hatch-Waxman Act are highly complex and involve determinations by both the FDA and the U.S. Patent and Trademark Office. In addition, there is limited authoritative guidance interpreting the act. Accordingly, we may not be successful in challenging a determination to extend the patent.

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Since the term of the product patent for mifepristone may be extended beyond our potential commercial launch of C-1073 for the treatment of PMD, we have attempted to negotiate a license for this patent. To date, these negotiations have not been successful and we may not obtain a license in the future on favorable terms, if at all.

The patent positions of companies in the pharmaceutical industry are highly uncertain, involve complex legal and factual questions and have been and continue to be the subject of much litigation. Our product candidates may give rise to claims that we infringe on the products or proprietary rights of others. If it is determined that our drug candidates infringe on others' patent rights, we may be required to obtain licenses to those rights. If we fail to obtain licenses when necessary, we may experience delays in commercializing our products while attempting to design around other patents, or determine that we are unable to commercialize our products at all. If we do become involved in intellectual property litigation, we are likely to incur considerable costs in defending or prosecuting the litigation. We believe that we do not currently infringe any third party's patents or other proprietary rights, and we are not obligated to pay royalties to any third party other than Stanford University.

#### Government Regulation

Regulation by government authorities in the United States and foreign countries is a significant factor in the development, manufacture and marketing of our products and in our ongoing research and product development activities. All of our products will require regulatory approval by government agencies prior to commercialization. Various federal and state statutes and regulations also govern or influence testing, manufacturing, safety, labeling, storage and record-keeping related to such products. The process of obtaining these approvals and subsequently complying with federal and state statutes and regulations involves significant time and expense.

Preclinical studies are generally conducted in laboratory animals to evaluate the potential safety and the efficacy of a product. Drug developers submit the results of preclinical studies to the FDA as a part of an IND, which must be approved before we can begin clinical trials in humans. Typically, clinical evaluation is a time-consuming and costly three-phase process.

- . Phase I. Clinical trials are conducted with a small number of subjects to determine the early safety profile, maximum tolerated dose

and pharmacokinetics of the product in human volunteers.

- . Phase II. Clinical trials are conducted with groups of patients afflicted with a specific disease to determine preliminary efficacy, optimal dosages and expanded evidence of safety.
- . Phase III. Large-scale, multi-center, comparative trials are conducted with patients afflicted with a target disease to provide enough data to demonstrate with substantial evidence the efficacy and safety required by the FDA.

The FDA closely monitors the progress of each of the three phases of clinical trials that are conducted in the United States and may reevaluate, alter, suspend or terminate the testing based upon the data accumulated to that point and its assessment of the risk/benefit ratio to patients. The FDA may also require that additional studies be conducted, such as studies demonstrating that the drug being tested does not cause cancer.

After Phase III trials are completed, drug developers submit the results of preclinical studies, clinical trials, formulation studies and data supporting manufacturing to the FDA in the form of a new drug application for approval to commence commercial sales. In response, the FDA may grant marketing approval, request additional information or deny the application if it determines that the application does not meet regulatory approval criteria. FDA approvals may not be granted on a timely basis, or at all. Furthermore, the FDA may prevent a drug developer from marketing a product under a label for its

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desired indications, which may impair commercialization of the product. Similar regulatory procedures must also be complied with in countries outside the United States.

If the FDA approves an NDA, the subject drug becomes available for physicians to prescribe in the United States. After approval, the drug developer must submit periodic reports to the FDA, including descriptions of any adverse reactions reported. The FDA may request additional studies, known as Phase IV, to evaluate long-term effects.

In addition to studies requested by the FDA after approval, a drug developer may conduct other trials and studies to explore use of the approved compound for treatment of new indications. The purpose of these trials and studies and related publications is to broaden the application and use of the drug and its acceptance in the medical community.

Failure to comply with regulatory requirements may result in criminal prosecution, civil penalties, recall or seizure of products, total or partial suspension of production or injunction, as well as other actions.

#### Approvals Outside the United States

We have not started the regulatory approval process in any jurisdiction other than the United States and we are unable to estimate when, if ever, we will commence the regulatory approval process in any foreign jurisdiction. We will have to complete an approval process similar to the United States approval process in foreign target markets for our products before we can commercialize our product candidates in those countries. The approval procedure and the time required for approval vary from country to country and can involve additional testing. Foreign approvals may not be granted on a timely basis, or at all. Regulatory approval of prices is required in most countries other than the United States. The prices approved may be too low to generate an acceptable return to us.

#### Fast Track Designation

The FDA sometimes grants "fast track" status under the Food and Drug Administration Modernization Act of 1997. The fast track mechanism was created to facilitate the development and approval of new drugs intended for the treatment of life-threatening conditions characterized by unmet medical needs. The benefits of fast track designation include scheduling of meetings to seek FDA input into development plans, the option of submitting an NDA serially in sections rather than submitting all components simultaneously, the option to request evaluation of studies using surrogate endpoints and the potential for a



priority review. We have been granted fast track status for C-1073 for the treatment of PMD.

FDA Restrictions on Mifepristone

The only FDA-approved use of mifepristone is to terminate pregnancy. The FDA has imposed significant restrictions on administering physicians for use of mifepristone to terminate pregnancy and may impose similar restrictions on C-1073 for the treatment of PMD. We plan to rely on (1) the scope of our use patent, (2) the restrictions imposed by the FDA on the use of mifepristone to terminate pregnancy, (3) the different patient populations, administering physicians and treatment settings between the use of mifepristone to terminate pregnancy and to treat PMD and (4) the likely denial of reimbursement for off-label uses of mifepristone to provide us an exclusive market position for the treatment of PMD for the term of our use patent.

Facilities

We lease approximately 2,700 square feet of office space in Menlo Park, California for our corporate facilities. Our lease expires in December 2003. We believe that our existing facility is adequate for our

current needs through December 2003 and that suitable additional or alternative space will be available at such time on commercially reasonable terms.

Employees

Corcept is managed by a core group of experienced pharmaceutical executives with a track record of bringing new drugs to market. To facilitate advancement of development programs, we also enlist the expertise of associates and advisors with extensive pharmaceutical development experience.

As of December 31, 2001, we have six full-time employees, three part-time employees and seven long-term contract staff. Among our full-time employees are three M.D.s. We consider our employee relations to be good. None of our employees is covered by a collective bargaining agreement.

Legal Proceedings

We are not currently involved in any material legal proceedings.

MANAGEMENT

Executive Officers and Directors

The following table sets forth, as of December 31, 2001, information about our executive officers and directors:

Name	Age	Position
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Joseph K. Belanoff, M.D.....	44	Chief Executive Officer and Director
Robert L. Roe, M.D.....	61	President
Andrew Galligan.....	45	Chief Financial Officer
James N. Wilson/(1) (2) (3)/.....	57	Chairman of the Board

Alan F. Schatzberg, M.D./ (3)/ ..... 57 Director  
 David B. Singer/ (3) (4)/ ..... 39 Director  
 G. Leonard Baker, Jr./ (2)/ ..... 59 Director  
 Sarah A. O'Dowd..... 52 Director and Secretary  
 Steven Kapp/ (1) (4)/ ..... 42 Director  
 Alix Marduel, M.D./ (1) (2)/ ..... 44 Director

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 / (1)/ Member of the audit committee  
 / (2)/ Member of the compensation committee  
 / (3)/ Member of the nominating committee  
 / (4)/ Mr. Singer is married to Mr. Kapp's sister. There are no other family relationships between directors or executive officers.

Joseph K. Belanoff, M.D. is a co-founder and has served as a member of our board of directors and as our Chief Executive Officer since 1999. Dr. Belanoff is currently a faculty member and has held various positions in the Department of Psychiatry and Behavioral Sciences at Stanford University since 1992. From 1997 to 2001, he served as the Director of Psychopharmacology at the outpatient division of the Palo Alto Veterans Affairs Hospital. Dr. Belanoff received his B.A. from Amherst College and his M.D. from Columbia University's College of Physicians & Surgeons.

Robert L. Roe, M.D. joined us as President in October 2001. He has spent more than 25 years in the pharmaceutical and biotechnology industries. From 1999 to 2001, Dr. Roe served as President and Chief Executive Officer of Allerganics, Inc. From 1996 to 1999, he was Executive Vice President, Chief Operating Officer and a director of Cytel Corporation. From 1995 to 1996, he was the Executive Vice President, Chief Operating Officer and a director of Chugai Biopharmaceuticals, Inc. From 1992 to 1995, Dr. Roe served as President of the Development Research Division and Senior Vice President of Syntex Corporation. Dr. Roe received his B.A. from Stanford University and his M.D. from the University of California, San Francisco.

Andrew Galligan joined us as Chief Financial Officer in November 2001. From 1998 to 2001, Mr. Galligan was Vice President of Finance and Chief Financial Officer of Amira Medical. From 1993 to 1998, Mr. Galligan was Vice President of Finance and Chief Financial Officer of Molecular Devices Corporation. From 1992 to 1993, Mr. Galligan was Vice President of Finance and Chief Financial Officer at IPS Health Care, Inc. Mr. Galligan received his Honors Business Studies Degree from Trinity College at Dublin University in Dublin, Ireland, and is a Fellow of the Institute of Chartered Accountants in Ireland.

James N. Wilson has served as a director and as Chairman of our board of directors since 1999. From 1996 to 2001, Mr. Wilson was Chairman of the board of Amira Medical and in 2001 was also Chief Executive Officer. From 1994 to 1995, Mr. Wilson was the Chief Operating Officer of Syntex Corporation. From 1989 to 1990, Mr. Wilson was Chief Executive Officer of Neurex Corporation and from 1982 to 1988, Mr. Wilson was Chief Executive Officer of LifeScan, Inc. Mr. Wilson received his B.A. and his M.B.A. from the University of Arizona.

Alan F. Schatzberg, M.D. is a co-founder and has served as a member of our board of directors since 1998 and as the chairman of our Scientific Advisory Board since 1998. Since 1991, Dr. Schatzberg has been a Professor and the Chairman of the Department of Psychiatry and Behavioral Sciences at Stanford University's School of Medicine and is the Past President of the American College of Neuropsychopharmacology. He received his B.S. from New York University and his M.D. from New York University, School of Medicine.

David B. Singer is a co-founder and has served as a member of our board of directors since 1998. Since September 1998, he has been the Chairman and Chief Executive Officer of GeneSoft, Inc. From 1996 to 1998, Mr. Singer was Senior Vice President and Chief Financial Officer of Heartport, Inc. From 1992 to 1996, he was the President and Chief Executive Office of Affymetrix, Inc. He currently serves on the board of Affymetrix, Inc. Mr. Singer received his B.A.

from Yale University, and his M.B.A. from Stanford University.

G. Leonard Baker, Jr. has served as a member of our board of directors since 1999. Since 1973, Mr. Baker has been a Managing Director or General Partner of Sutter Hill Ventures, a venture capital firm. Mr. Baker currently serves on the board of Praecis Pharmaceuticals Incorporated and Therma-Wave, Inc. and a number of private companies. Mr. Baker received his B.A. from Yale University and his M.B.A. from Stanford University.

Sarah A. O'Dowd has served as a member of our board of directors since 1998. She is a shareholder of a professional corporation that is the general partner of the law firm Heller Ehrman White & McAuliffe LLP, and has practiced corporate and securities law with the firm since 1978. Ms. O'Dowd received her B.A. degree from Immaculata College, her M.A. from Stanford University, and her J.D. from Stanford Law School.

Steven Kapp has served as a member of our board of directors since 2001. Since 1996, he has been a principal at Maverick Capital, a private investment partnership. From 1993 to 1996, he was founder and a General Partner of Longwood Partners, a private investment partnership. He received his B.A. and his M.B.A. from the University of North Carolina.

Alix Marduel, M.D. has served as a member of our board of directors since 2001. Since April 1997, she has been a managing director of Alta Partners, a venture capital firm. From 1990 to 1997, Dr. Marduel was a general partner at Sofinnova, Inc., a venture capital firm. She currently serves as on the board of Dyax Corporation, Modex Therapeutics, S.A. and a number of private companies. Dr. Marduel received her M.D. from the University of Paris.

#### Scientific Advisory Board

In 1998, we convened a scientific advisory board of individuals with expertise in psychiatry, psychopharmacology and neuroendocrinology. The chairman of our scientific advisory board is Dr. Schatzberg, who is also a member of our board of directors.

As of December 31, 2001, the following persons are members of our scientific advisory board:

Member	University Affiliation	Professional Concentration
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Alan F. Schatzberg, M.D.....	Stanford University	Psychiatry
Charles B. Nemeroff, M.D., Ph.D.....	Emory University	Psychiatry
Bruce S. McEwen, Ph.D.....	Rockefeller University	Neuroendocrinology
K. Ranga Rama Krishnan, M.D.....	Duke University	Psychiatry
Edo Ronald de Kloet, M.D.....	Leiden University (the Netherlands)	Neurobiology
Florian Holsboer, M.D., Ph.D.....	Max Planck Institute of Psychiatry (Germany)	Psychiatry

#### Scientific Advisory Board Compensation

We reimburse each member of our scientific advisory board for out-of-pocket expenses incurred in connection with attending board meetings, but do not except as described below, compensate them for their services as scientific advisory board members. In the past, with the exception of Dr. Schatzberg, we have granted options to purchase our common stock to each member of our scientific advisory board. In August 1998, we granted to each of Dr. Nemeroff, Dr. McEwen, Dr. Krishnan, Dr. de Kloet and Dr. Holsboer an option to purchase 72,000 shares of our common stock at an exercise price of \$0.0003 per share.

Pursuant to a consulting agreement with us, Dr. Schatzberg received compensation of \$40,000 as chair of the scientific advisory board in 2000 and \$50,000 for his services as chair in 2001. We can terminate this agreement for any reason upon 30 days notice to Dr. Schatzberg.

#### Board Composition and Committees

##### Board of Directors

We currently have eight directors. In accordance with the terms of our amended and restated certificate of incorporation, the terms of office of the directors are divided into three classes:

- . the class I directors will be \_\_\_\_\_ and \_\_\_\_\_ and their term will expire at the annual meeting of stockholders to be held in 2003;
  
- . the class II directors will be \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ and their term will expire at the annual meeting of stockholders to be held in 2004; and
  
- . the class III directors will be \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ and their term will expire at the annual meeting of stockholders to be held in 2005.

At each annual meeting of stockholders, or special meeting in lieu thereof, after the initial classification of the board of directors, the successors to directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following election or special meeting held in lieu thereof. The authorized number of directors may be changed only by resolution of the board of directors. Any additional directorships resulting from an increase in the number of directors

will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of the board of directors may have the effect of delaying or preventing changes in control or management.

Our audit committee consists of Messrs. Wilson and Kapp and Dr. Marduel. The audit committee determines our accounting policies and practices and financial reporting and internal control structures, makes recommendations to our board of directors regarding the selection of independent auditors to audit our financial statements and confers with the auditors and our officers for purposes of reviewing our internal controls, accounting practices, financial structure and financial reporting.

Our compensation committee consists of Messrs. Wilson and Baker and Dr. Marduel. The compensation committee determines salaries, incentives and other forms of compensation for our executive officers and administers our stock plans and employee benefit plans.

Our nominating committee consists of Dr. Schatzberg and Messrs. Singer and Wilson. The nominating committee reviews the credentials of proposed members of our board of directors, either in connection with the filling of vacancies or the election of directors at the annual meeting of the stockholders, and presents recommendations for the selection of new directors to our board.

#### Compensation Committee Interlocks and Insider Participation

Prior to establishing the compensation committee, the board of directors as a whole made decisions relating to compensation of our executive officers. No member of the board of directors or the compensation committee serves as a member of the board of directors or compensation committee of any other entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

#### Director Compensation

Except as described below, our non-employee directors do not receive any cash compensation for their service as members of the board or for attendance at committee meetings, but they are entitled to reimbursement for all reasonable out-of-pocket expenses incurred in connection with attendance at board and committee meetings. Pursuant to a consulting agreement, Mr. Wilson received compensation of \$40,000 during 2000 for his service on the board and compensation of \$50,000 for his service on the board for 2001. We can terminate this agreement for any reason upon 30 days written notice to Mr. Wilson. In June 1998, Dr. Schatzberg purchased 3,600,000 shares of our common stock at \$0.0003 per share. In May 1999, Mr. Wilson purchased 2,125,126 shares of our common stock at \$0.03 per share. We have the right to repurchase a portion of those shares at cost if Mr. Wilson ceases to serve on our board of directors. This right of repurchase lapses monthly over five years. In December 2001, we granted a stock option to Ms. O'Dowd to purchase 90,000 shares of our common stock at \$0.63 per share. This option has been exercised and we have a right to repurchase the 90,000 shares if Ms. O'Dowd ceases to serve on our board. The right to repurchase these shares lapses as to 20% of the shares after one year and monthly thereafter over the next four years.

#### Indemnification

Our amended and restated certificate of incorporation limits the liability of directors to the maximum extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except liability for:

- . any breach of their duty of loyalty to the corporation or its stockholders;
- . acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

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- . unlawful payments of dividends or unlawful stock repurchases or redemptions; or
- . any transaction from which the director derived an improper personal benefit.

Our bylaws provide that we will indemnify our directors, officers, employees and other agents to the fullest extent permitted by law. We believe that indemnification under our bylaws covers at least negligence and gross negligence on the part of indemnified parties. Our bylaws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in connection with their services to us, regardless of whether our bylaws permit such indemnification.

We plan to enter into separate indemnification agreements with our directors and executive officers, in addition to the indemnification provided for in our bylaws. These agreements, among other things, provide that we will indemnify our directors and executive officers for certain expenses (including attorneys' fees), judgments, fines and settlement amounts incurred by a director or executive officer in any action or proceeding arising out of such person's services as one of our directors or executive officers, or any of our subsidiaries or any other company or enterprise to which the person provides services at our request. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

There is no pending litigation or proceeding involving a director or executive officer of Corcept as to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

Executive Compensation

The following table sets forth information regarding the compensation for the fiscal year ended December 31, 2001 paid by us to our Chief Executive Officer and to our other executive officer who received salary and bonus compensation in 2001 of more than \$100,000. These persons are collectively referred to as the "Named Executive Officers."

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation Awards	All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Securities Underlying Options (#)	
Joseph K. Belanoff, M.D... Chief Executive Officer	2000	200,000	--	--	--
	2001	250,000	--	--	--
Robert L. Roe, M.D..... President	2000	--	--	--	42,000/(1)/
	2001	35,000/(2)/	100,000/(3)/	300,000	16,000/(4)/

/(1)/ Represents \$16,000 paid to Dr. Roe for consulting services and 8,667 shares of Series B preferred stock convertible into 31,208 shares of common stock issued to Dr. Roe in lieu of \$26,000 in consulting fees.

/(2)/ Represents a pro rata payment of salary for fiscal year 2001.

/(3)/ Represents a sign-on bonus, paid upon commencement of employment, and earned over 12 months.

/(4)/ Represents \$10,000 paid to Dr. Roe for consulting services and 2,000 shares of Series B preferred stock convertible into 7,200 shares of common stock issued to Dr. Roe in lieu of \$6,000 in consulting fees for the period of January through March of 2001.

Options Grants in Last Fiscal Year

The following table sets forth information with respect to stock options granted during the fiscal year ended December 31, 2001 to each of the Named

Executive Officers. All options were granted under our 2000 Stock Option Plan at an exercise price equal to the fair market value of our common stock, as determined by our board of directors on the date of grant. Options granted to Dr. Roe are subject to reverse vesting, and the right of repurchase in favor of Corcept lapses as to 1.67% per month for 60 months. The percentage of options granted is based on an aggregate of options to purchase a total of 793,800 shares of common stock granted by us during the fiscal year ended December 31, 2001 to our employees, including the Named Executive Officers.

The potential realizable value amounts in the last two columns of the following chart represents hypothetical gains that could be achieved for the respective options if exercised at the end of the option term, are net of the exercise prices and before taxes associated with the exercise, and we have based them on an assumed initial public offering price of \$15.00 per share. The assumed 5% and 10% annual rates of stock price appreciation from the date of grant to the end of the option terms are provided in accordance with rules of the SEC and do not represent our estimate or projection of the future common stock price. Actual gains, if any, on stock option exercises are dependent on the future performance of the common stock, overall market conditions and the option holder's continued employment through the vesting period. This table does not take into account any actual appreciation in the price of the common stock from the date of grant to the present.

Individual Grants						
Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Year	Exercise Price/Share (\$)	Expiration Date	Potential Realizable Value at assumed Annual Rates of Stock Price Appreciation for Option Term (\$)	
					5%	10%
Joseph R. Belanoff, M.D.....	--	--	--	--	--	--
Robert L. Roe, M.D.....	300,000	38%	\$0.625	10/22/11	\$7,142,525	\$11,484,341

Aggregate Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth certain information regarding exercised stock options during the fiscal year ended December 31, 2001 and unexercised options held as of December 31, 2001 by each of the Named Executive Officers. All options were granted under our 2000 Stock Option Plan.

The value realized and the value of unexercised in-the-money options at December 31, 2001 are based on an assumed initial public offering price of \$15.00 per share, minus the per share exercise price, multiplied by the number of shares underlying the option.

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at Fiscal December 31, 2001 (#)		Value of Unexercised In-the-Money Options at December 31, 2001 (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Joseph R. Belanoff, M.D.....	--	--	--	--	--	--
Robert L. Roe, M.D.....	300,000	\$4,312,500	2,800	9,200	\$41,767	\$137,233

## Employment and Change of Control Arrangements

Our 2000 Stock Option Plan provides that, upon the sale of all or substantially all of our assets or upon our acquisition by another corporation pursuant to a merger or consolidation, each outstanding option will generally become fully vested, or the right of repurchase held by us will lapse, unless the surviving corporation assumes the option or replaces it with a comparable option.

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Our 2001 Stock Option Plan provides that all options granted under the stock option plan will have their vesting accelerated (or, in the case of options subject to immediate exercisability and reverse vesting, our right of repurchase will lapse) by 12 months, upon the occurrence of any of the following events:

- . a sale or other disposition of all or substantially all of our assets;
- . a merger or other transaction in which our stockholders, immediately before the transaction, beneficially own securities representing 50% or less of the combined voting power or value of the company immediately after the transaction;
- . an acquisition by a third party of securities representing at least 50% of the voting power entitled to vote in the election of our directors; or
- . as a result of or in connection with a contested election of involving our directors, the persons who were our directors immediately before the election cease to constitute a majority of our board of directors.

We have entered into a letter agreement with Robert L. Roe, M.D., our President. Pursuant to this letter agreement, Dr. Roe receives a base salary of \$300,000 per year and a one-time hiring bonus equal to \$100,000 paid in lump sum and earned monthly over the first year of Dr. Roe's employment with Corcept. The bonus paid upon commencement of Dr. Roe's employment is earned over 12 months, subject to acceleration for termination other than for cause. In addition, in accordance with this letter agreement, Dr. Roe received an option to purchase 300,000 shares of our common stock with an exercise price of \$0.63 per share and a \$187,250 loan evidenced by a full-recourse promissory note to Corcept to finance the exercise of the option. Shares purchased by Dr. Roe pursuant to the option are subject to our right of repurchase. In the event of an acquisition of more than 50% of the voting control of Corcept, the right of repurchase will lapse as to an additional 20% of the shares subject to the option. If we terminate Dr. Roe's employment for any reason other than for cause, Dr. Roe will receive a lump sum severance payment equal to his annual salary in effect at the time of his termination and the payment of any portion of his hiring bonus not paid prior to his termination will be accelerated.

We have entered into a letter agreement with Andrew Galligan, our Chief Financial Officer. Pursuant to this letter agreement, Mr. Galligan receives a base salary of \$200,000 per year. In addition, Mr. Galligan received an option to purchase 240,000 shares of our common stock with an exercise price of \$0.63 per share and a \$149,800 loan evidenced by a full-recourse promissory note to Corcept to finance the exercise of the option. Shares purchased by Mr. Galligan pursuant to the option are subject to our right of repurchase.

## Benefit Plans

### 2000 Stock Option Plan

Our 2000 Stock Option Plan was adopted by our board of directors and stockholders in October 2000. Our 2000 Stock Option Plan provides for the grant of incentive stock options, which may provide for preferential tax treatment to our employees, and for the grant of nonstatutory stock options to our employees, directors and consultants. As of December 31, 2001, we had reserved



an aggregate of 2,400,000 shares of our common stock for issuance under this plan. As of December 31, 2001, 705,402 of our outstanding shares have been issued pursuant to the exercise of options, options to purchase 160,398 shares of common stock were outstanding, and 1,534,200 shares were available for future grant. The 2000 Stock Option Plan provides that in the event of a change in control, each outstanding option will generally become fully vested, or the right of repurchase held by us will lapse, unless the surviving corporation assumes the option or replaces it with a comparable option. Upon the closing of this offering, no additional stock options may be granted under the 2000 Stock Option Plan.

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#### 2001 Stock Option Plan

In December 2001, our board of directors and stockholders approved the 2001 Stock Option Plan. Our 2001 Stock Option Plan provides for the grant of incentive stock options to our employees, and for the grant of nonstatutory stock options and stock purchase rights to our employees, directors and consultants.

Share Reserve. We have reserved a total of 2,400,000 shares of common stock, subject to adjustment, for issuance under the plan, all of which are available for future grant.

Administration of our 2001 Stock Option Plan. Our board of directors or a committee appointed by the board administers the 2001 Stock Option Plan and determines who is granted options and the terms of options granted, including the exercise price, the number of shares subject to individual option awards and the vesting period of options.

Options. The exercise price for incentive stock options granted under the 2001 Stock Option Plan may not be less than the fair market value of our common stock on the option grant date.

Options generally expire ten years after they are granted, except that they generally expire earlier if the optionee's service terminates earlier. The plan provides that no participant may receive options covering more than 1,200,000 shares in any one-year period.

Our 2001 Stock Option Plan provides that all options granted under the stock option plan will have their vesting accelerated (or, in the case of options subject to immediate exercisability and reverse vesting, our right of repurchase will lapse) by 12 months, upon the occurrence of certain events. For a more detailed description of acceleration provisions in our 2001 Stock Option Plan, see "Management--Employment and Change of Control Arrangements."

In addition to the automatic acceleration of options upon the occurrence of certain events, in the event we merge with another entity in a transaction in which we are not the surviving entity or if, as a result of any other transaction, other securities are substituted for our common stock underlying our options or our common stock may no longer be issued, then, our board of directors must do one or more of the following, contingent upon the completion of the transaction:

- . arrange for the substitution of options to purchase equity securities other than our common stock;
- . accelerate the vesting and termination of outstanding options;
- . cancel options in exchange for cash payments to optionees; or
- . either arrange for our repurchase rights with respect to options to apply to the securities issued in substitution for our common stock or terminate our repurchase rights on options.

The board need not adopt the same rules for each option or each optionee.

Transferability of Options. Except as otherwise determined by the board or the committee administering the plan, a participant may not transfer rights granted under our stock option plan other than by will, the laws of descent and distribution or as otherwise provided under the plan.

Amendment and Termination of our 2001 Stock Option Plan. Our board of directors may amend the plan at any time, subject to any required stockholder approval. The plan will terminate in December 2011 unless terminated earlier by the board of directors.

RELATED PARTY TRANSACTIONS

Preferred Stock Issuances

The following directors and holders of more than five percent of our securities purchased securities in our preferred stock financings in the amounts and as of the dates shown below.

Purchaser	Shares of Convertible Preferred Stock			
	Series A*	Series B*	Series BB*	Series C*
Sutter Hill Ventures and affiliates/(1)/.....	1,660,417	1,183,498	255,787	1,347,998
Alta BioPharma Partners II, LLC and affiliates/(2)/.....	--	--	--	1,358,618
Maverick Fund II, Ltd. and affiliates/(3)/.....	--	--	--	1,698,271
James N. Wilson and affiliates/(4)/.....	486,401	173,996	45,778	--
David B. Singer/(5)/.....	34,866	36,000	15,313	--
Joseph K. Belanoff, M.D./.....	34,869	--	--	--
Heller Ehrman White & McAuliffe LLP and affiliates/(6)/....	--	29,998	--	16,982
Alan F. Schatzberg, M.D./.....	34,869	--	--	--
Price per common share equivalent.....	\$0.30	\$0.83	\$3.36	\$5.89
Dates of purchase.....	May 1999	January 2000	May 2001	June 2001

\* The number of shares and per share purchase price of the convertible preferred stock have been adjusted to reflect the number of shares of common stock issuable upon conversion of such preferred stock and the related conversion price.

- /(1)/ G. Leonard Baker, Jr., one of our directors, is a managing director of Sutter Hill Ventures.
- /(2)/ Alix Marduel, one of our directors, is a managing director of Alta Partners, LLP.
- /(3)/ Steven Kapp, one of our directors, is a principal of Maverick Capital Investment Partnership.
- /(4)/ James N. Wilson, the chairman of our board of directors, is a partner of the James and Pamela Wilson Family Partners, a California limited partnership, and is a trustee for certain of the trusts that hold Corcept securities.
- /(5)/ David B. Singer, Joseph K. Belanoff, M.D. and Alan F. Schatzberg, M.D. are directors of Corcept.
- /(6)/ Sarah A. O'Dowd, one of our directors, is a shareholder of a professional corporation that is the general partner of the law firm of Heller Ehrman White & McAuliffe LLP.

Shares held by all affiliated persons and entities have been aggregated. For additional details on the shares held by each of these purchasers, please refer

to the information in this prospectus under the heading "Principal Stockholders." Each share of preferred stock will convert automatically into common stock upon the closing of this offering. The purchasers of these shares are entitled to certain registration rights. See "Description of Capital Stock--Registration Rights."

#### Business Relationships

We lease office space from Heller Ehrman White & McAuliffe LLP pursuant to a sublease. In connection with this sublease we paid Heller Ehrman \$165,019 in 2001 and expect to pay \$168,276 under this sublease during 2002. Sarah A. O'Dowd, one of our directors, is a shareholder of a professional corporation that is the general partner of the law firm of Heller Ehrman White & McAuliffe LLP, our legal counsel since inception.

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#### Employment and Change of Control Arrangements

We have entered into a letter agreement with each of Robert L. Roe, M.D., our President, and Andrew Galligan, our Chief Financial Officer, relating to some of their employment terms. See "Management--Employment and Change of Control Arrangements."

#### Loans to Officers and Directors

On October 22, 2001, we made a loan in the amount of \$187,250 to Dr. Roe. Dr. Roe exercised an option to purchase 300,000 shares of our common stock with this loan. In connection with this loan, we received a full-recourse promissory note in the amount of the loan, bearing interest at 6.5%. Principal and interest are due no later than October 1, 2011, subject to acceleration upon certain events.

On December 7, 2001, we made a loan in the amount of \$149,800 to Mr. Galligan. Mr. Galligan exercised an option to purchase 240,000 shares of our common stock with this loan. In connection with this loan, we received a full-recourse promissory note in the amount of the loan, bearing interest at 6.5%. Principal and interest are due no later than December 7, 2011, subject to acceleration upon certain events.

On December 4, 2001, we made a loan in the amount of \$56,175 to Ms. O'Dowd. Ms. O'Dowd exercised an option to purchase 90,000 shares of our common stock with this loan. In connection with this loan, we received a full-recourse promissory note in the amount of the loan, bearing interest at 6.5%. Principal and interest are due no later than December 4, 2011, subject to acceleration upon certain events.

We believe that we have executed all of the transactions set forth above on terms no less favorable to us than terms we could have obtained from unaffiliated third parties. It is our intention to ensure that all future transactions, including loans, between us and our officers, directors, principal stockholders and their affiliates, are approved by a majority of the board of directors, including a majority of the independent and disinterested members of the board of directors, and are on terms no less favorable to us than those that we could obtain from unaffiliated third parties.

#### Indemnification Agreements

Our amended and restated certificate of incorporation and bylaws provide that we will indemnify each of our directors and officers to the fullest extent permitted by Delaware Law. Further, we intend to enter into separate indemnification agreements with each of our directors and executive officers. For further information, see "Management--Indemnification."

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PRINCIPAL AND SELLING STOCKHOLDERS

The following table presents the beneficial ownership of our common stock as of December 31, 2001, and as adjusted to reflect the sale of shares of our common stock offered by this prospectus, by:

- . each person, or group of affiliated persons, who is known by us to own beneficially 5% or more of our common stock;
- . each of our directors;
- . each of the individuals listed in the "Summary Compensation Table" above;
- . the selling stockholder; and
- . all directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. All shares of our common stock subject to options currently exercisable or exercisable within 60 days of December 31, 2001 are deemed to be outstanding for the purpose of computing the percentage ownership of the person holding options, but are not deemed to be outstanding for computing the percentage of ownership of any other person.

Unless otherwise indicated by the footnotes below, we believe, based on the information furnished to us, that each stockholder named in the table has sole or shared voting and investment power with respect to all shares beneficially owned, subject to applicable community property laws. Percentage of ownership is based on 19,935,270 shares of common stock outstanding as of December 31, 2001 and 23,935,270 shares outstanding after this offering, assuming no exercise of the underwriters' over-allotment option.

Unless otherwise indicated in the footnotes to the table, the address of each individual listed in the table is:

c/o Corcept Therapeutics Incorporated, 275 Middlefield Road, Suite A, Menlo Park, California 94025.

Name of Beneficial Owner	Number of Shares Beneficially Owned Prior to the Offering		Number of Shares Offered	Number of Shares Beneficially Owned After the Offering	
	Number	Percent		Number	Percent
<b>5% Stockholders</b>					
Sutter Hill Ventures/(1)/.....	4,447,700	22.3%	--	4,447,700	18.6%
Entities affiliated with Maverick Capital Investment Partnership/(2)/.....	1,698,271	8.5%	--	1,698,271	7.1%
Entities affiliated with Alta Partners, LLP/(3)/.....	1,358,618	6.8%	--	1,358,618	5.7%
<b>Directors and Executive Officers</b>					
Joseph K. Belanoff/(4)/.....	3,605,214	18.1%	---	3,605,214	15.1%
Alan Schatzberg/(5)/.....	3,605,215	18.1%	500,000	3,105,215	13.0%
G. Leonard Baker, Jr./ (6)/.....	3,101,873	15.6%	--	3,101,873	13.0%
James N. Wilson/(7)/.....	2,831,300	14.2%	--	2,831,300	11.8%
Steven Kapp/(8)/.....	1,698,271	8.5%	--	1,698,271	7.1%
Alix Marduel/(9)/.....	1,358,618	6.8%	--	1,358,618	5.6%
David B. Singer/(10)/.....	968,179	4.9%	--	968,178	4.1%
Robert L. Roe/(11)/.....	341,808	1.7%	--	341,808	1.4%

Andrew Galligan/(12)/.....	242,546	1.2%	--	242,546	1.0%
Sarah A. O'Dowd/(13)/.....	177,480	*	--	177,480	*
All directors and executive officers as a group (10 persons)/(14)/.....	17,948,504	90.0%	500,000	17,448,504	72.9%

\* Less than 1% of Corcept's outstanding common stock.

/(1)/ Includes 2,601,190 shares held of record by Sutter Hill Entrepreneurs Fund (AI), LP, Sutter Hill Entrepreneurs Fund (QP), LP, Sutter Hill Ventures, a California Limited Partnership over which Mr. Baker, a member of our board of directors and a managing director of the general partner of the partnerships mentioned herein, shares voting and investment power with six other managing directors of the general partner of the partnerships mentioned herein; includes 1,846,510 shares held of record by six other managing directors, one retired managing director and their related family entities; includes shares held of record by Mr. Baker and a related family entity. The address of Sutter Hill Ventures is 755 Page Mill Road, Suite A-200, Palo Alto, California 94304-5600. The natural persons who have voting or investment power over the shares held of record by Sutter Hill Ventures are David L. Anderson, G. Leonard Baker, Jr., William H. Younger, Jr., Tench Coxe, Gregory P. Sands, James C. Gaither and James N. White.

/(2)/ Includes 83,986 shares held of record by Maverick Fund II, Ltd., 481,831 shares held of record by Maverick Fund USA, Ltd., and 1,132,454 shares held of record by Maverick Fund, LDC. The address of Maverick Partners LLP is c/o UBS Paine Webber, 1285 Avenue of the Americas, 11th Floor, New York, New York 10019. The natural persons affiliated with Maverick Capital Investment Partnership who have voting or investment power over these shares are Michelle Perrin and Lee S. Ainslie III.

/(3)/ Includes 1,303,207 shares held of record by Alta BioPharma Partners II, LP and 55,411 shares held of record by Alta Embarcadero BioPharma Partners II, LLC. The address of Alta Partners, LLP is One Embarcadero Center, Suite 4050, San Francisco, California 94111. The natural persons affiliated with Alta Partners LLP who have voting or investment power over these shares are Jean Deleage, Alix Marduel, Farah Champsy and Hilary Strain.

/(4)/ Includes 360,000 shares held as custodian for Edward G. Belanoff and 360,000 shares held as custodian for Julia E. Belanoff under the California Uniform Transfers to Minors Act over which Dr. Belanoff has voting control. Also includes 972,000 shares which we have the right to repurchase within 60 days of December 31, 2001.

/(5)/ Includes 360,000 shares held of record by Lindsey D. Schatzberg and 360,000 shares held of record by Melissa A. Schatzberg, over which Dr. Schatzberg has voting control. Also includes 972,000 shares which we have the right to repurchase within 60 days of December 31, 2001.

/(6)/ Includes 2,601,190 shares held of record by Sutter Hill Entrepreneurs Fund (AI), LP, Sutter Hill Entrepreneurs Fund (QP), LP, Sutter Hill Ventures, a California Limited Partnership over which Mr. Baker, a member of our board of directors and a managing director of the general partner of the partnerships mentioned herein, shares voting and investment power with six other managing directors of the general partner of the partnerships mentioned herein, and includes 500,683 shares held of record by Mr. Baker and a related family entity. Mr. Baker disclaims beneficial ownership of the shares held by the partnerships mentioned herein, except to the extent of his proportionate partnership interest therein. The address of G. Leonard Baker, Jr. is 755 Page Mill Road, Suite A-200, Palo Alto, California 94304-5600.

/(7)/ Includes 727,272 shares held of record by the James and Pamela Wilson Family Partners, 1,905,710 shares held of record by the James N. Wilson and Pamela D. Wilson Trust, 30,290 shares held of record by David Wilson, 7,629 shares held of record by the Norman and Ann Wilson Family Trust, 45,330 shares held of record by David K. Arterburn and Edith A. Watters, as trustees of the Arterburn/Watters Trust and 115,069 shares held of record by Edward M. West and Beth Ann Wilson West, over all of which Mr. Wilson has voting control pursuant to voting agreements. Of these shares, we have the right to repurchase 956,307 within 60 days of December 31, 2001. Mr. Wilson disclaims beneficial ownership of such shares, except to the extent of his financial interests therein.

/(8)/ Includes 83,986 shares held of record by Maverick Fund II, Ltd., 481,831 shares held of record by Maverick Fund USA, Ltd., and 1,132,454 shares held of record by Maverick Fund, LDC. Mr. Kapp is a principal of Maverick Capital Investment Partnership. The address of Steven Kapp is c/o UBS Paine Webber, 1285 Avenue of the Americas, 11th Floor, New York, New York 10019.

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/(9)/ Includes 1,303,207 shares held of record by Alta BioPharma Partners II, LP and 55,411 shares held of record by Alta Embarcadero BioPharma Partners II, LLC. Dr. Marduel and certain principals of Alta Partners LLP are Managing Directors of the funds mentioned herein, and as such, they may be deemed to share voting and investment powers for the shares held by the funds. The principals of Alta Partners LLP disclaim beneficial ownership of all such shares held by the foregoing funds, except to the extent of their pecuniary interests therein. The address of Alix Marduel is One Embarcadero Center, S#4050, San Francisco, California 94111.

/(10)/ Includes 48,000 shares held of record by the Singer-Kapp Family Trust FBO Kapp S. Singer and includes 243,000 shares which we have the right to repurchase within 60 days of December 31, 2001.

/(11)/ Includes 3,400 shares issuable pursuant to options exercisable within 60 days of December 31, 2001 and includes 280,000 shares which we have the right to repurchase within 60 days of December 31, 2001.

/(12)/ We have the right to repurchase 240,000 of these shares within 60 days of December 31, 2001.

/(13)/ Includes 40,500 shares held of record by Heller Ehrman White & McAuliffe LLP and 38,489 shares held of record by HEWM Investors LLC. Ms. O'Dowd disclaims beneficial ownership of such shares, except to the extent of her proportionate interest therein. Also includes 90,000 shares which we have the right to repurchase within 60 days of January 22, 2002.

/(14)/ Total number of shares includes common stock held by entities affiliated with directors and executive officers. See footnotes 1 through 13 above.

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#### DESCRIPTION OF CAPITAL STOCK

Upon the closing of this offering, our authorized capital stock, after giving effect to the conversion of all outstanding preferred stock into common stock and the amendment of our certificate of incorporation, will consist of 140,000,000 shares of common stock, \$0.00001 par value, and 10,000,000 shares of preferred stock, \$0.00001 par value.

Common Stock

As of December 31, 2001, there were 19,935,270 shares of common stock that were held of record by approximately 86 stockholders after giving effect to the conversion of our preferred stock into common stock. There will be 23,935,270 shares of common stock outstanding, assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options, after giving effect to the sale of the shares of common stock offered by this prospectus.

Each holder of common stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders, including the election of directors, and does not have cumulative voting rights. Accordingly, the holders of a majority of the shares of common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they so choose.

Subject to preferences that may be applicable to any then outstanding preferred stock, holders of common stock are entitled to receive ratably those dividends, if any, as may be declared from time to time by the board of directors out of legally available funds. In the event of our liquidation, dissolution or winding up, holders of common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any outstanding shares of preferred stock.

Holders of common stock have no preemptive or conversion rights or other subscription rights, and there are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are, and the shares of common stock offered by us in this offering, when issued and paid for, will be fully paid and nonassessable. The rights, preferences and privileges of the holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock which we may designate in the future.

#### Preferred Stock

Upon the closing of this offering, the board of directors will be authorized, subject to any limitations prescribed by law, without stockholder approval, to issue up to an aggregate of 10,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions granted to or imposed upon the preferred stock, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences. The rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of holders of any preferred stock that may be issued in the future. Issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of delaying, deferring or preventing a change in control of Corcept. We have no present plans to issue any shares of preferred stock.

#### Convertible Promissory Note

In January 2001, we issued a convertible promissory note to the Institute for the Study of Aging, Inc., the principal amount of which is \$462,929 and which accrues interest at 4.5% per annum. The note and accrued interest are convertible at the option of the holder, at the initial public offering price within 60 days following written notice from Corcept regarding the closing of the public offering. If not converted, the note matures in 2008.

#### Registration Rights

After this offering, the holders of 8,517,931 shares of common stock issued upon conversion of our preferred stock are entitled to rights of registration with respect to the registration of these shares under the Securities Act of 1933, as amended. These shares are referred to as registrable securities. The registration rights provide that if we propose to register any of our securities under the Securities Act for our own account, holders of common stock issuable upon conversion of the Series A, Series B, Series BB and Series C preferred stock, are entitled to notice of such registration and are entitled to include their registrable securities in that registration, subject to

various conditions. The underwriters of any such offering have the right to limit the number of shares included in such registration.

Effect of Certain Provisions of our Amended and Restated Certificate of Incorporation and Bylaws and the Delaware Anti-Takeover Statute

Certificate of Incorporation and Bylaws

Some provisions of Delaware law and our amended and restated certificate of incorporation and bylaws contain provisions that could make the following transactions more difficult:

- . acquisition of us by means of a tender offer;
- . acquisition of us by means of a proxy contest or otherwise; or
- . removal of our incumbent officers and directors.

These provisions, summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids and to promote stability in our management. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors.

- . Undesignated Preferred Stock. The ability to authorize undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of Corcept. These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management of our company.
- . Stockholder Meetings. Our charter documents provide that a special meeting of stockholders may be called only by the chairman of the board or by our president, or by a resolution adopted by a majority of our board of directors.
- . Requirements for Advance Notification of Stockholder Nominations and Proposals. Our bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors.
- . Elimination of Stockholder Action by Written Consent. Our amended and restated certificate of incorporation eliminates the right of stockholders to act by written consent without a meeting.
- . Election and Removal of Directors. Our board of directors is divided into three classes. The directors in each class will serve for a three-year term, one class being elected each year by our stockholders. This system of electing and removing directors may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us because it generally makes it more difficult for stockholders to replace a majority of the directors.



- . Amendment of Bylaws. Any amendment of our bylaws by our stockholders requires approval by holders of at least 66 2/3% of our then outstanding common stock.

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#### Delaware Anti-Takeover Statute

We are subject to Section 203 of the Delaware General Corporation Law. This law prohibits a publicly-held Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder unless:

- . prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- . upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned by persons who are directors and also officers and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- . on or subsequent to the date of the transaction, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

Section 203 defines "business combination" to include:

- . any merger or consolidation involving the corporation and the interested stockholder;
- . any sale, transfer, pledge or other disposition of 10% or more of our assets involving the interested stockholder;
- . in general, any transaction that results in the issuance or transfer by us of any of our stock to the interested stockholder; or
- . the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an "interested stockholder" as an entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by the entity or person.

#### Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company.

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#### SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock.

Future sales of substantial amounts of our common stock in the public market could adversely affect prevailing market prices. Furthermore, a large number of our shares of common stock outstanding will not be available for sale shortly after this offering because of contractual and legal restrictions on resale as described below. Sales of substantial amounts of our common stock in the public market after these restrictions lapse, or the perception that such sales may occur, could depress the prevailing market price and limit our ability to raise equity capital in the future.

Upon completion of this offering, we will have outstanding an aggregate of 23,935,270 shares of common stock, based upon the shares outstanding as of December 31, 2001, assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options prior to completion of this offering. Of the total outstanding shares, the 4,500,000 shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except that any shares held by our affiliates, as that term is defined under the Securities Act, may generally only be sold in accordance with Rule 144 of the Securities Act.

#### Sales of Restricted Shares

The remaining 19,435,270 shares of common stock held by existing stockholders were issued and sold by us in reliance on exemptions from the registration requirements of the Securities Act. All of these shares will be subject to "lock-up" agreements under which the holders of 16,330,055 of these shares have agreed not to offer, sell or otherwise dispose of any of the shares of common stock owned by them for a period of 180 days after the completion of this offering and the selling stockholder has agreed not to offer, sell or otherwise dispose of the 3,105,215 shares of common stock beneficially owned by him for one year after the completion of the offering. U.S. Bancorp Piper Jaffray Inc., however, may in its sole discretion, at any time without notice, release all or any portion of the shares subject to lock-up agreements. Upon expiration of the 180-day lock-up agreements, 1,578,991 shares will become eligible for sale pursuant to Rule 144(k), 14,542,868 shares will become eligible for sale under Rule 144 and 705,402 shares will become eligible for sale under Rule 701. Upon expiration of the selling stockholder's lock-up agreement, 3,105,215 additional shares will be eligible for sale under Rule 144. The remaining 2,971 shares will become eligible for sale under Rule 144 in the fourth quarter of 2002. In addition, of the 268,398 shares issuable upon exercise of options to purchase our common stock outstanding as of January 22, 2002, approximately 139,828 shares will be vested and eligible for sale 180 days after the date of this prospectus.

#### Eligibility of Restricted Shares for Sale in the Public Market

16,330,055 of the shares of our common stock that are not being sold in this offering but which were outstanding as of December 31, 2001 will be eligible for sale in the public market 180 days after the effective date under Rules 144, 144(k) and 701, subject in some cases to volume and other limitations. Upon expiration of the selling stockholder's lock-up agreement, 3,105,215 additional shares will be eligible for sale under Rule 144. The remaining 2,971 shares will become eligible for sale under Rule 144 in the fourth quarter of 2002.

#### Stock Options

After the completion of this offering, we intend to file a registration statement on Form S-8 under the Securities Act to register all of the shares of common stock subject to issuance of options outstanding under our 2000 Stock Option Plan and reserved for future issuance under our 2001 Stock Option Plan and an option outstanding that was granted outside of our option plans. Based upon the number of shares subject to outstanding options as of January 22, 2002 and shares that will be reserved for issuance under the 2001 Stock Option Plan upon completion of this offering, the registration statement on Form S-8 would cover approximately 2,668,398 shares. Shares registered under that registration statement will generally be available for sale in the open market immediately after the 180 day lock-up agreements expire.

## Registration Rights

In addition, after this offering, the holders of preferred stock convertible into 8,517,931 shares of common stock will be entitled to rights to cause us to register the sale of such shares under the Securities Act. These shares are referred to as registrable securities. Specifically, commencing 180 days after the effective date of the registration statement of which this prospectus is a part, holders of at least 50% of the registrable securities may require us to prepare and file a registration statement under the Securities Act at our expense covering at least 50% of the registrable securities, or any lesser amount if the shares to be included in such registration will generate anticipated aggregate net proceeds to Corcept of at least \$10,000,000.

Under these demand registration rights, we are required to use our best efforts to cause the shares requested to be included in the registration statement, subject to customary conditions and limitations. We are not obligated to effect more than one of these stockholder-initiated registrations. Once we become eligible to file a registration statement on Form S-3, the holders of at least one-third of the registrable securities may require us to register for a public offering of shares of registrable securities on a registration statement on Form S-3 and may participate in a Form S-3 registration by us, subject to specific conditions and limitations. Registration rights terminate no later than four years after this offering. Registration of these shares under the Securities Act would result in these shares, other than shares purchased by our affiliates, becoming freely tradable without restriction under the Securities Act.

### Rule 144

In general, under Rule 144 as currently in effect, beginning 180 days after the date of this prospectus, a person who has beneficially owned restricted securities for at least one year and is not an affiliate would be entitled to sell in "broker's transactions" or to market makers, within any three-month period, a number of shares that does not exceed the greater of:

- . 1% of the number of shares of common stock then outstanding (which will equal approximately shares immediately after this offering); or
- . the average weekly trading volume in the common stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 are generally subject to the availability of current public information about Corcept.

### Rule 144(k)

Under Rule 144(k), a person who is not deemed to have been our affiliate at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years, is entitled to sell these shares without having to comply with the manner of sale, public information, volume limitation or notice filing provisions of Rule 144. Therefore, unless otherwise restricted, "144(k) shares" may be sold immediately upon the completion of this offering. Affiliates must always sell pursuant to Rule 144, even after the applicable holding periods have been satisfied.

### Rule 701

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who purchase shares from us in connection with a compensatory stock or option plan or other written agreement before the effective date of this offering is entitled to sell his or her shares 90 days after the effective date of this offering, unless otherwise restricted, in reliance on Rule 144, without having to comply with the holding period of Rule 144 and, in the case of non-affiliates, without having to comply with the public information, volume limitation or notice filing provisions of Rule 144.

UNDERWRITING

The underwriters named below, for whom U.S. Bancorp Piper Jaffray Inc., CIBC World Markets Corp. and Thomas Weisel Partners LLC are acting as representatives, have agreed to buy, subject to the terms of a purchase agreement, the number of shares listed opposite their names below. The underwriters are committed to purchase and pay for all of the shares if any are purchased, other than those shares covered by the over-allotment option described below.

Underwriters	Number of Shares
U.S. Bancorp Piper Jaffray Inc.....	
CIBC World Markets Corp.....	
Thomas Weisel Partners LLC.....	
Total.....	4,500,000
	=====

The underwriters have advised us that they propose to offer the shares initially to the public at \$        per share. The underwriters propose to offer the shares to certain dealers at the same price less a concession of not more than \$        per share. The underwriters may allow and the dealers may reallow a concession of not more than \$        per share on sales to certain other brokers and dealers. After this offering, these figures may be changed by the underwriters.

At our request, the underwriters have reserved for sale at the initial public offering price up to        shares of common stock to directors, employees and persons having business relationships with or otherwise related to us. The number of shares of common stock available for sale to the general public will be reduced to the extent that such individuals purchase all or a portion of these reserved shares. Any reserved shares which are not purchased will be offered by the underwriters to the general public on the same basis as the shares of common stock offered hereby.

We and the selling stockholder have granted to the underwriters an option to purchase up to an additional 675,000 shares of common stock from us at the same price to the public, and with the same underwriting discount, as set forth on the cover page of this prospectus. The underwriters may exercise this option any time during the 30-day period after the date of this prospectus, but only to cover over-allotments, if any. To the extent the underwriters exercise the option, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of the additional shares as it was obligated to purchase under the purchase agreement.

The following table shows the underwriting discounts and commissions to be paid to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the over-allotment option.

Per Share		Total	
No Exercise	Full Exercise	No Exercise	Full Exercise

Underwriting discounts and commissions paid by us.....	\$	\$	\$	\$
Underwriting discounts and commissions paid by the selling stockholder.....	\$	\$	\$	\$

We estimate that the total expenses of this offering payable by us, excluding underwriting discounts and commissions, will be approximately \$1,300,000. The selling stockholder will not pay any of the expenses of this offering except for the discounts and commissions indicated in the table above.

We and the selling stockholder have agreed to indemnify the underwriters against certain liabilities, including civil liabilities under the Securities Act, or to contribute to payments that the underwriters may be required to make in respect of those liabilities.

The underwriters have informed us that neither they, nor any other underwriter participating in the distribution of this offering, will make sales of the common stock offered by this prospectus to accounts over which they exercise discretionary authority without the prior specific written approval of the customer.

The offering of our shares of common stock is made for delivery when, and as if accepted by the underwriters and subject to prior sale and to withdrawal, cancellation or modification of the offering without notice. The underwriters reserve the right to reject an order for the purchase of shares in whole or part.

We and each of our directors and executive officers and substantially all of our stockholders have agreed not to directly or indirectly, offer, pledge, sell, or otherwise dispose of any shares of our common stock, options or warrants to acquire shares of our common stock, or securities exchangeable for or convertible into any shares of our common stock, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our common stock, subject to limited exceptions, without the prior written consent of U.S. Bancorp Piper Jaffray Inc. for a period of 180 days after the date of this prospectus. The selling stockholder has agreed not to do any of the above without the prior written consent of U.S. Bancorp Piper Jaffray Inc. for a period of one year after the date of this prospectus.

Prior to this offering, there has been no established trading market for the common stock. The initial public offering price for the shares of common stock offered by this prospectus will be negotiated by us and the underwriters. The factors to be considered in determining the initial public offering price will include:

- . the history of and the prospects for the industry in which we compete;
- . our past and present operations;
- . our historical results of operations;
- . our prospects for future earnings;
- . the recent market prices of securities of generally comparable companies; and
- . the general condition of the securities markets at the time of this offering and other relevant factors.

The initial public offering price of the common stock may not correspond to the price at which the common stock will trade in the public market subsequent to this offering and an active public market for the common stock may never develop and continue after this offering.

To facilitate this offering, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock during and after this offering. Specifically, the underwriters may over-allot or otherwise create a short position in the common stock for their own account by selling more shares of common stock than have been sold to them by us. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in this offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares from the issuer in this offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. "Naked" short sales are sales in excess of this option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if

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the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering.

In addition, the underwriters may stabilize or maintain the price of the common stock by bidding for or purchasing shares of common stock in the open market and may impose penalty bids. If penalty bids are imposed, selling concessions allowed to syndicate members or other broker-dealers participating in this offering are reclaimed if shares of common stock previously distributed in this offering are repurchased, whether in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the common stock at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also effect the price of the common stock to the extent that it discourages resales of the common stock. The magnitude or effect of any stabilization or other transactions is uncertain. These transactions may be effected on The Nasdaq National Market or otherwise and, if commenced, may be discontinued at any time.

Four individuals affiliated with U.S. Bancorp Piper Jaffray Inc., one of the representatives of the underwriters, purchased an aggregate of 18,679 shares of Series C preferred stock at a purchase price of \$5.89 per share in our Series C financing in June 2001.

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#### LEGAL MATTERS

The validity of the common stock being offered by this prospectus will be passed upon for us by Heller Ehrman White & McAuliffe LLP, Menlo Park, California which has acted as our counsel in connection with this offering. As of the date of this prospectus, Heller Ehrman White & McAuliffe LLP owns 40,500 shares of our common stock and partners and associates of Heller Ehrman White & McAuliffe LLP own an additional 142,074 shares of common stock individually and through an investment limited liability company. Sarah A. O'Dowd, a director and the secretary of Corcept, is a shareholder of a professional corporation that is the general partner of Heller Ehrman White & McAuliffe LLP. The underwriters have been represented by Cooley Godward LLP, Palo Alto, California.

#### EXPERTS

Ernst & Young LLP, independent auditors, have audited our financial statements at December 31, 2000 and 2001, and for each of the three years in the period

ended December 31, 2001, and for the period from inception (May 13, 1998) to December 31, 2001, as set forth in their report. We have included our financial statements in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

#### WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 (including exhibits and schedules) under the Securities Act, with respect to the shares of common stock offered by us and the selling stockholder in this offering. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement; some items of which are contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information on Corcept and the common stock offered in this prospectus, reference is made to the registration statement, including the exhibits thereto, and the financial statements and notes filed as a part of the registration statement. With respect to each document filed with the SEC as an exhibit to the registration statement, reference is made to the exhibit for a more complete description of the matter involved. When we complete this offering, we will also be required to file annual, quarterly and special reports, proxy statements and other information with the SEC.

You can read our SEC filings, including the registration statement, over the Internet at the SEC's web site at [www.sec.gov](http://www.sec.gov). You may also read and copy any document we file with the SEC at its public reference facilities at 450 Fifth Street, N.W., Washington, D.C. 20549 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. You may also obtain copies of the document at prescribed rates by writing to the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

#### CORCEPT THERAPEUTICS INCORPORATED (a development stage company)

#### INDEX TO FINANCIAL STATEMENTS

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#### REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
Corcept Therapeutics Incorporated

We have audited the accompanying balance sheets of Corcept Therapeutics Incorporated (a development stage company) as of December 31, 2000 and 2001, and the related statements of operations, stockholders' equity (net capital deficiency), and cash flows for each of the three years in the period ended December 31, 2001, and for the period from inception (May 13, 1998) to December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these

financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Corcept Therapeutics Incorporated (a development stage company) at December 31, 2000 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, and for the period from inception (May 13, 1998) to December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Palo Alto, California

January 22, 2002,

except for the last paragraph of Note 9,

as to which the date is

January , 2002

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The foregoing report is in the form that will be signed upon the completion of the stock split described in Note 9 to the financial statements.

/s/ ERNST & YOUNG

Palo Alto, California

January 25, 2002

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CORCEPT THERAPEUTICS INCORPORATED  
(a development stage company)

BALANCE SHEETS

Unaudited  
Pro Forma  
Stockholders'  
Equity at  
December 31,  
-----  
December 31,



	2000	2001	2001
	-----	-----	-----
			(Note 1)
Assets			
Current assets:			
Cash and cash equivalents.....	\$ 1,000,395	\$22,979,740	
Prepaid expenses.....	14,204	664,069	
	-----	-----	
Total current assets.....	1,014,599	23,643,809	
Property and equipment, net of accumulated depreciation.....	31,251	36,185	
Other assets.....	--	578,752	
	-----	-----	
Total assets.....	\$ 1,045,850	\$24,258,746	
	=====	=====	
Liabilities and stockholders' equity (net capital deficiency)			
Current liabilities:			
Accounts payable.....	\$ 52,951	\$ 861,210	
Accrued clinical expenses.....	172,535	223,800	
Accrued legal expenses.....	66,829	233,000	
Other accrued liabilities.....	49,707	102,096	
Convertible promissory notes.....	900,000	--	
	-----	-----	
Total current liabilities.....	1,242,022	1,420,106	
Convertible note payable.....	--	462,929	
	-----	-----	
Total liabilities.....	1,242,022	1,883,035	
	-----	-----	
Commitments			
Stockholders' equity (net capital deficiency):			
Convertible preferred stock, \$0.00001 par value, issuable in series; 10,000,000 shares authorized at December 31, 2001 (\$0.00001 par value; 10,000,000 shares authorized pro forma); 1,007,760 and 5,095,654 shares issued and outstanding at December 31, 2000 and 2001, respectively (none pro forma); aggregate liquidation preference of \$1,856,379, and \$29,881,463 at December 31, 2000 and 2001, respectively (none pro forma).....	10	51	\$ --
Common stock, \$0.00001 par value; 140,000,000 shares authorized at December 31, 2001 (\$0.00001 par value; 140,000,000 shares authorized pro forma); 10,391,626, and 11,374,227 shares issued and outstanding at December 31, 2000 and 2001, respectively (19,935,270 shares pro forma).....	104	114	199
Additional paid-in capital.....	2,186,422	41,321,742	41,321,708
Notes receivable from stockholders.....	--	(438,165)	(438,165)
Deferred compensation.....	(215,432)	(8,591,917)	(8,591,917)
Deficit accumulated during the development stage.....	(2,167,276)	(9,916,114)	(9,916,114)
	-----	-----	-----
Total stockholders' equity (net capital deficiency).....	(196,172)	22,375,711	\$22,375,711
	-----	-----	=====
Total liabilities and stockholders' equity (net capital deficiency).....	\$ 1,045,850	\$24,258,746	
	=====	=====	

See accompanying notes.

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CORCEPT THERAPEUTICS INCORPORATED  
(a development stage company)

STATEMENTS OF OPERATIONS

	Years ended December 31,			Period from inception (May 13, 1998) to December 31, 2001
	1999	2000	2001	2001
	-----	-----	-----	-----
Operating expenses:				
Research and development*.....	\$ 139,977	\$ 1,319,453	\$ 6,008,986	\$ 7,468,416
General and administrative*.....	173,542	576,683	2,292,159	3,053,432
	-----	-----	-----	-----
Total operating expenses.....	313,519	1,896,136	8,301,145	10,521,848
	-----	-----	-----	-----
Loss from operations.....	(313,519)	(1,896,136)	(8,301,145)	(10,521,848)
Interest and other income, net.....	4,839	53,616	600,420	658,875
Interest expense.....	(1,382)	(3,646)	(48,113)	(53,141)
	-----	-----	-----	-----

Net loss.....	\$ (310,062)	\$ (1,846,166)	\$ (7,748,838)	\$ (9,916,114)
	=====	=====	=====	=====
Basic and diluted net loss per share.....	\$ (0.09)	\$ (0.33)	\$ (1.08)	
	=====	=====	=====	
Shares used in computing basic and diluted net loss per share.....	3,544,001	5,600,456	7,201,079	
	=====	=====	=====	
Pro forma basic and diluted net loss per share.....	\$ (0.04)	\$ (0.15)	\$ (0.52)	
	=====	=====	=====	
Shares used in computing pro forma basic and diluted net loss per share.....	8,672,758	12,085,696	14,994,363	
	=====	=====	=====	
* Includes non-cash stock-based compensation of the following:				
Research and development.....	\$ 7,350	\$ 90,271	\$ 1,168,649	\$ 1,266,270
General and administrative.....	--	--	680,158	680,158
	-----	-----	-----	-----
Total non-cash stock-based compensation.....	\$ 7,350	\$ 90,271	\$ 1,848,807	\$ 1,946,428
	=====	=====	=====	=====

See accompanying notes.

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CORCEPT THERAPEUTICS INCORPORATED  
(a development stage company)

STATEMENT OF STOCKHOLDERS' EQUITY (Net Capital Deficiency)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Deferred Compensation	Deficit Accumulated During the Development Stage
	Shares	Amount	Shares	Amount			
Balance at inception (May 13, 1998).....	--	\$--	--	\$ --	\$ --	\$ --	\$ --
Issuance of common stock to directors for cash in June and July 1998.....	--	--	9,000,000	90	2,410	--	--
Issuance of common stock to a director for cash in May 1999.....	--	--	2,125,126	21	64,913	--	--
Issuance of common stock to Stanford and directors in conjunction with a license agreement in October 1999.....	--	--	36,000	--	1,100	--	--
Issuance of Series A convertible preferred stock to institutional and individual investors at \$1.08 per share for cash and conversion of notes payable, net of issuance costs of \$33,756 in May 1999.....	607,761	6	--	--	622,620	--	--
Common stock issued to attorneys and consultants in exchange for services in May 1999.....	--	--	58,500	1	1,787	--	--
Issuance of common stock upon option exercise.....	--	--	72,000	1	19	--	--
Repurchase of common stock held by director in March 1999.....	--	--	(900,000)	(9)	(241)	--	--
Deferred compensation related to options granted to nonemployees.....	--	--	--	--	64,935	(64,935)	--
Amortization of deferred compensation.....	--	--	--	--	--	7,350	--
Net loss from inception to December 31, 1999.....	--	--	--	--	--	--	(321,110)
	-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 1999.....	607,761	6	10,391,626	104	757,543	(57,585)	(321,110)
Issuance of Series B convertible preferred stock to institutional and individual investors at \$3.00 per share for cash, net of issuance costs of \$19,232 in January 2000.....	399,999	4	--	--	1,180,761	--	--
Deferred compensation related to options granted to an employee and nonemployees.....	--	--	--	--	248,118	(248,118)	--
Amortization of deferred compensation.....	--	--	--	--	--	90,271	--
Net loss.....	--	--	--	--	--	--	(1,846,166)
	-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 2000 (carried forward).....	1,007,760	10	10,391,626	104	2,186,422	(215,432)	(2,167,276)

Total

Stockholders'  
Equity (Net  
Capital  
Deficiency)  
-----

Balance at inception (May 13, 1998).....	\$	--
Issuance of common stock to directors for cash in June and July 1998.....		2,500
Issuance of common stock to a director for cash in May 1999.....		64,934
Issuance of common stock to Stanford and directors in conjunction with a license agreement in October 1999.....		1,100
Issuance of Series A convertible preferred stock to institutional and individual investors at \$1.08 per share for cash and conversion of notes payable, net of issuance costs of \$33,756 in May 1999.....		622,626
Common stock issued to attorneys and consultants in exchange for services in May 1999.....		1,788
Issuance of common stock upon option exercise.....		20
Repurchase of common stock held by director in March 1999.....		(250)
Deferred compensation related to options granted to nonemployees.....		--
Amortization of deferred compensation.....		7,350
Net loss from inception to December 31, 1999.....		(321,110)
		-----
Balance at December 31, 1999.....		378,958
Issuance of Series B convertible preferred stock to institutional and individual investors at \$3.00 per share for cash, net of issuance costs of \$19,232 in January 2000.....		1,180,765
Deferred compensation related to options granted to an employee and nonemployees.....		--
Amortization of deferred compensation.....		90,271
Net loss.....		(1,846,166)
		-----
Balance at December 31, 2000 (carried forward).....		(196,172)

See accompanying notes.

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CORCEPT THERAPEUTICS INCORPORATED  
(a development stage company)

STATEMENT OF STOCKHOLDERS' EQUITY (Net Capital Deficiency)

(Continued)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital
	Shares	Amount	Shares	Amount	
Balance at December 31, 2000 (brought forward).....	1,007,760	\$10	10,391,626	\$104	\$ 2,186,422
Issuance of Series B convertible preferred stock to consultants in exchange for services in January and April 2001.....	11,534	--	--	--	204,709
Issuance of Series BB convertible preferred stock to institutional and individual investors at \$4.033 per share upon conversion of promissory notes in May 2001.....	268,077	3	--	--	1,081,152
Issuance of Series C convertible preferred stock to institutional and individual investors at \$7.066 per share for cash, net of issuance costs of approximately \$95,000 in May and June 2001.....	3,806,957	38	--	--	26,804,929
Issuance of Series C convertible preferred stock to consultants in exchange for services in October 2001.....	1,326	--	--	--	20,049

Issuance of common stock to a consultant for cash below fair value in April 2001.....	--	--	60,000	1	344,999
Issuance of common stock upon option exercises.....	--	--	921,402	9	439,083
Issuance of common stock in conjunction with a license agreement.....	--	--	1,199	--	15,107
Deferred compensation related to options granted to employees and nonemployees.....	--	--	--	--	10,225,292
Amortization of deferred compensation.....	--	--	--	--	--
Net loss.....	--	--	--	--	--
Balance at December 31, 2001.....	5,095,654	\$51	11,374,227	\$114	\$41,321,742

	Notes Receivable From Stockholders	Deferred Compensation	Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Net Capital Deficiency)
Balance at December 31, 2000 (brought forward).....	\$ --	\$ (215,432)	\$ (2,167,276)	\$ (196,172)
Issuance of Series B convertible preferred stock to consultants in exchange for services in January and April 2001.....	--	--	--	204,709
Issuance of Series BB convertible preferred stock to institutional and individual investors at \$4.033 per share upon conversion of promissory notes in May 2001.....	--	--	--	1,081,155
Issuance of Series C convertible preferred stock to institutional and individual investors at \$7.066 per share for cash, net of issuance costs of approximately \$95,000 in May and June 2001.....	--	--	--	26,804,967
Issuance of Series C convertible preferred stock to consultants in exchange for services in October 2001.....	--	--	--	20,049
Issuance of common stock to a consultant for cash below fair value in April 2001.....	--	--	--	345,000
Issuance of common stock upon option exercises.....	(438,165)	--	--	927
Issuance of common stock in conjunction with a license agreement.....	--	--	--	15,107
Deferred compensation related to options granted to employees and nonemployees.....	--	(10,225,292)	--	--
Amortization of deferred compensation.....	--	1,848,807	--	1,848,807
Net loss.....	--	--	(7,748,838)	(7,748,838)
Balance at December 31, 2001.....	\$(438,165)	\$ (8,591,917)	\$ (9,916,114)	\$22,375,711

See accompanying notes.

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CORCEPT THERAPEUTICS INCORPORATED  
(a development stage company)

STATEMENTS OF CASH FLOWS

	Years ended December 31,			Period from inception (May 13, 1998) to December 31, 2001
	1999	2000	2001	
Operating activities				
Net loss.....	\$(310,062)	\$(1,846,166)	\$(7,748,838)	\$(9,916,114)
Adjustments to reconcile net loss to net cash used in operations:				
Depreciation.....	37	1,556	9,153	10,746
Non-cash stock-based compensation.....	7,350	90,271	1,848,807	1,946,428
Expense related to stock issued for services.....	1,788	27,595	9,375	45,696
Expense related to stock issued in conjunction with license agreement.....	1,100	--	13,470	14,570
Interest accrued on convertible promissory notes.....	1,382	3,544	46,763	51,689
Expense related to stock issued below fair value.....	--	--	522,487	522,487
Changes in operating assets and liabilities:				
Prepaid expenses.....	(21)	(14,183)	(649,865)	(664,069)
Other assets.....	--	--	(578,752)	(578,752)
Accounts payable.....	33,838	29,670	789,691	861,210
Accrued liabilities.....	--	239,364	307,327	539,754
Net cash used in operating activities.....	(264,588)	(1,468,349)	(5,430,382)	(7,166,355)
Investing activities				
Purchases of property and equipment.....	(4,464)	(28,380)	(14,087)	(46,931)

Net cash used in investing activities.....	(4,464)	(28,380)	(14,087)	(46,931)
Financing activities				
Proceeds from issuance of convertible note payable.....	--	--	462,929	462,929
Proceeds from convertible promissory notes.....	--	900,000	150,000	1,080,000
Proceeds from issuance of common stock.....	64,954	--	5,927	73,381
Payment to repurchase common stock.....	(250)	--	--	(250)
Proceeds from issuance of convertible preferred stock, net of cash paid for issuance costs.....	591,244	1,180,765	26,804,958	28,576,966
Net cash provided by financing activities.....	655,948	2,080,765	27,423,814	30,193,026
Net increase in cash and cash equivalents.....	386,896	584,036	21,979,345	22,979,740
Cash and cash equivalents at beginning of period.....	29,463	416,359	1,000,395	--
Cash and cash equivalents at end of period.....	\$ 416,359	\$ 1,000,395	\$22,979,740	\$22,979,740
Supplemental disclosure of noncash financing activities				
Conversion of convertible promissory notes and accrued interest to convertible preferred stock.....	\$ 30,000	\$ --	\$ 1,081,155	\$ 1,111,155
Issuance of preferred stock for services.....	\$ --	\$ --	\$ 34,533	\$ --
Supplemental disclosure of cash flow information				
Interest paid.....	\$ --	\$ 102	\$ 1,686	\$ 1,788
Taxes paid.....	\$ --	\$ 1,121	\$ --	\$ 1,121

See accompanying notes.

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CORCEPT THERAPEUTICS INCORPORATED  
(a development stage company)

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Corcept Therapeutics Incorporated (the Company or Corcept) was incorporated in the state of Delaware on May 13, 1998, and its facilities are located in Menlo Park, California. The Company is a pharmaceutical company engaged in the development of drugs for the treatment of severe psychiatric and neurological diseases.

The Company's primary activities since incorporation have been establishing its offices, recruiting personnel, conducting research and development, performing business and financial planning, raising capital, and overseeing clinical trials. Accordingly, the Company is considered to be in the development stage. In connection with these activities from inception (May 13, 1998) to December 31, 1998, the Company incurred total expenses of \$11,048 which, due to immateriality, have not been presented separately.

In the course of its development activities, the Company has sustained operating losses and expects such losses to continue for at least the next several years. The Company plans to continue to finance its operations with a combination of equity and debt issuances. The Company's ability to continue as a going concern is dependent upon successful execution of its financing strategy and, ultimately, upon achieving profitable operations.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates.

Research and Development

Research and development expenses consist of costs incurred for Company-sponsored research and development activities. These costs include direct (including nonrefundable payments to third parties) and research-related overhead expenses as well as the cost of funding clinical trials, and are expensed as incurred. Costs to acquire technologies that are utilized in research and development and that have no alternative future use are expensed when incurred (see Note 2).

#### Income Taxes

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates that will be in effect when the differences are expected to reverse.

#### Credit Risks and Concentrations

The Company's concentration of credit risk consists of cash and cash equivalents. The Company is exposed to credit risk in the event of default by the financial institutions holding the cash and cash equivalents, to the extent of the amount recorded on the balance sheets.

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CORCEPT THERAPEUTICS INCORPORATED  
(a development stage company)

NOTES TO FINANCIAL STATEMENTS--(Continued)

#### Segment Reporting

The Company has adopted Statement of Financial Accounting Standards No. 131, "Disclosure About Segments of an Enterprise and Related Information," which requires companies to report selected information about operating segments, as well as enterprisewide disclosures about products, services, geographical areas, and major customers. Operating segments are determined based on the way management organizes its business for making operating decisions and assessing performance. The Company has only one operating segment, the development of pharmaceutical products for the treatment of psychotic major depression and other severe psychiatric and neurological diseases.

#### Cash Equivalents

The Company considers all highly liquid investments purchased with maturities from the date of purchase of three months or less to be cash equivalents. Cash equivalents consist of money market deposits. Fair value of these deposits approximates cost at December 31, 2000 and 2001.

#### Comprehensive Loss

The Company's total comprehensive net loss was the same as its net loss for the period from inception (May 13, 1998) through December 31, 2001.

#### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Property and equipment are depreciated or amortized using the straight-line method over the estimated useful lives of the assets ranging from three to five years or the applicable lease term, if shorter.

#### Stock-Based Compensation

The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), and has adopted the disclosure-only alternative of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (FAS 123). Options granted to nonemployees are accounted for in accordance with Emerging Issues Task Force Issue No. 96-18, "Accounting for Equity Instruments That are Issued to Other Than Employees for

Acquiring or in Conjunction with Selling, Goods, or Services" (EITF 96-18), and are periodically remeasured as they are earned.

#### Unaudited Pro Forma Information

In December 2001, the Company's board of directors authorized the filing of a registration statement with the Securities and Exchange Commission to register shares of its common stock in connection with the proposed initial public offering. If the initial public offering is consummated under the terms presently anticipated, all of the preferred stock outstanding will automatically be converted into common stock. Unaudited pro forma stockholder's equity at December 31, 2001, as adjusted for the assumed conversion of the preferred stock, is set forth on the balance sheet.

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CORCEPT THERAPEUTICS INCORPORATED  
(a development stage company)

NOTES TO FINANCIAL STATEMENTS--(Continued)

#### Recently Issued Accounting Standards

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133). The Company is required to adopt FAS 133 for the year ending December 31, 2001. FAS 133 establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. The Company currently holds no derivative financial instruments and does not currently engage in hedging activities. The adoption of FAS 133 has not had a material impact on the Company's financial position or results of operations.

In March 2000, the FASB issued Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation--An Interpretation of APB Opinion No. 25" (FIN 44). FIN 44 clarifies the application of APB 25 and, among other issues, clarifies the following: the definition of an employee for the purposes of applying APB 25, the criteria for determining whether a plan qualifies as a noncompensatory plan, the accounting consequences of various modifications to the terms of previously fixed stock options or awards, and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. The adoption of certain of the conclusions of FIN 44 covering events occurring during the period after December 15, 1998 or January 12, 2000 and the adoption of FIN 44 on July 1, 2000 did not have a material effect on the Company's financial position or results of operations.

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (FAS 141), and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (FAS 142).

FAS 141 supercedes Accounting Principles Board Opinion No. 16, "Business Combinations." The most significant changes made by FAS 141 are: (1) requiring that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, (2) establishing specific criteria for the recognition of intangible assets separately from goodwill, and (3) requiring unallocated negative goodwill to be written off immediately as an extraordinary gain (instead of being deferred and amortized).

FAS 142 supercedes Accounting Principles Board Opinion No. 17, "Intangible Assets." FAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to business combinations (i.e., the postacquisition accounting). The provisions of FAS 142 are effective for fiscal years beginning after December 15, 2001; however, certain provisions of this new standard may also apply to any acquisitions concluded subsequent to June 30, 2001. The most significant changes made by FAS 142 are: (1) goodwill and indefinite lived intangible assets will no longer be amortized, (2) goodwill will be tested for

impairment at least annually at the reporting unit level, and (3) intangible assets deemed to have an indefinite life will be tested for impairment at least annually.

The Company is required to adopt FAS 141 and FAS 142 on a prospective basis as of January 1, 2002; however, certain provisions of these new standards may also apply to any acquisitions concluded subsequent to June 30, 2001. The adoption of these standards is not expected to have a material impact on the Company's financial position or results of operations.

#### Reclassification

Certain reclassifications of prior year amounts have been made to conform to current year presentation.

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CORCEPT THERAPEUTICS INCORPORATED  
(a development stage company)

NOTES TO FINANCIAL STATEMENTS--(Continued)

## 2. COLLABORATIVE AND LICENSE AGREEMENTS

### Stanford License Agreements

In October 1998, the Company entered into an agreement with The Board of Trustees of Leland Stanford Junior University (Stanford) in which Stanford granted the Company an exclusive option to acquire an exclusive license for inventions and patents related to "Mifepristone for Psychotic Major Depression" and "Mifepristone and Alzheimer's Disease" (the license option) owned by Stanford. The initial term of the license option expired on April 1, 1999. In exchange for the license option, the Company agreed to pay Stanford a license fee. The Company extended the initial term of the license option to October 1, 1999 by paying Stanford an additional license fee, in accordance with the license option agreement.

In July 1999, the Company exercised its option to acquire an exclusive license to a patent covering the use of glucocorticoid receptors antagonists for the treatment of psychotic major depression and a pending patent application covering the use of glucocorticoid receptors antagonists for the treatment of early dementia, as specified in the license agreement entered into upon exercise of the option. This license agreement expires upon the expiration of the related patents or upon notification by the Company to Stanford. In exchange for the license, the Company agreed to pay Stanford a license fee and immediately issue 36,000 shares of the Company's common stock to Stanford. The Company is further required to pay Stanford a minimum license fee each year as a nonrefundable royalty payment and may be further required to pay additional royalty fees for sales of the related drug. The annual minimum royalty payments are creditable against future royalties related to product sales. The Company is also obligated to pay certain significant milestones upon filing of the first New Drug Application with the United States Food and Drug Administration (FDA) and upon FDA approval of the related drug. The milestone payments are creditable against future royalties. The Company has expensed payments and the value of the common stock issued to Stanford as research and development costs.

In March 2001, the Company entered into another agreement with Stanford in which Stanford granted the Company an exclusive license for inventions and patents related to "Glucocorticoid Blocking Agents for Increasing Blood-Brain Permeability" owned by Stanford. This license agreement expires upon the expiration of the related patents or upon notification by the Company to Stanford. In exchange for the license, the Company agreed to pay Stanford a license fee and immediately issue 1,200 shares of the Company's common stock. The Company is further required to pay Stanford a minimum license fee each year as a nonrefundable royalty payment and may be further required to pay



additional royalty fees for sales of the related drug. The annual minimum royalty payments are creditable against future royalties related to product sales. The Company is also obligated to pay certain significant milestones upon the commencement of Phase III trials associated with the license and upon FDA approval of the related drug. The milestone payments are creditable against future royalties. The Company has expensed payments and the value of the common stock issued to Stanford as research and development costs.

Manufacturing Agreement

In June 2000, the Company entered into a Memorandum of Understanding with a pharmaceutical manufacturer in which the manufacturer agreed to produce C-1073 (Mifepristone) for the Company. In exchange, the Company agreed to share initial research and development costs related to the manufacturing process, which consists of the acquisition of starting materials, equipment and manpower to complete the technology transfer, process development, and scale-up studies. The Company has expensed these amounts as incurred in 2001. Further, the Company has committed to purchase \$1,000,000 of C-1073 per year from the manufacturer following the approval and initiation of commercial sales of C-1073.

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CORCEPT THERAPEUTICS INCORPORATED  
(a development stage company)

NOTES TO FINANCIAL STATEMENTS--(Continued)

Institute for the Study of Aging Note Payable

In January 2001, the Company issued a convertible note payable for \$462,929 to the Institute for the Study of Aging in exchange for cash. The Company has agreed to use the note payable proceeds solely for conducting specified research. The note bears interest at a rate of 4.5% per year and is payable on demand beginning in January 2008, if not earlier converted. The principal and accrued interest is convertible at the election of the holder following the first to occur of the following events: (1) upon an initial public offering, the note converts into common stock at the offering price, (2) upon a merger or acquisition whereby the holders of the Company's stock do not retain majority voting power, the note converts into preferred stock at the price paid per share in the most recent round of preferred stock financing, or (3) upon approval to market by the FDA of mifepristone for treatment of Alzheimer's disease, the note converts into preferred stock at the price paid per share in the most recent round of preferred stock financing. The Company may prepay all or any portion of the note at any time without penalty.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	----- 2000	2001 -----
Computer equipment.....	\$32,844	\$ 46,931
Less accumulated depreciation.....	(1,593)	(10,746)
	-----	-----
	\$31,251	\$ 36,185
	=====	=====

Depreciation expense amounted to \$10,746 and \$9,153 for the period from inception (May 13, 1998) to December 31, 2001 and for the year ended December

31, 2001, respectively. As of December 31, 2001, the Company had not entered into any capital leases.

#### 4. CONVERTIBLE PROMISSORY NOTES

In July 1998, the Company entered into convertible promissory notes with three founders for a total of \$30,000. The notes accrued interest at 5.56% per year and were to mature on June 25, 1999 if not earlier converted into Series A convertible preferred stock. In May 1999, the notes and \$1,382 of accrued interest converted into 29,057 shares of Series A convertible preferred stock at \$1.00 per share.

In December 2000, the Company entered into convertible promissory notes with several investors for a total of \$900,000, including \$50,000 with a founder (who is also an officer). The notes accrued interest at 8% per year and were to mature on December 31, 2001 if not earlier converted into Series BB convertible preferred stock. In January 2001, the Company issued an additional \$150,000 convertible notes payable to a founder (who is also an officer). In May 2001, the Company converted the notes and \$31,211 accrued interest into 268,077 shares of Series BB convertible preferred stock at \$4.033 per share in accordance with the terms of the original convertible notes.

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CORCEPT THERAPEUTICS INCORPORATED  
(a development stage company)

NOTES TO FINANCIAL STATEMENTS--(Continued)

#### 5. COMMITMENTS

The Company leased its facilities during 2000 under a cancelable operating lease arrangement with an affiliate of a member of the Company's Board of Directors. In January 2001, the Company entered into a noncancelable operating lease arrangement with a related party for approximately 2,700 square feet for general corporate purposes in Menlo Park, California. The related cost of this lease is approximately \$14,000 per month. The lease is noncancelable through January 2003. The approximate minimum rental commitment under this lease for the year ending December 31, 2002 is \$168,276.

No rent expense was incurred for the period from inception (May 13, 1998) to December 31, 1999. Rent expense amounted to approximately \$14,980 and \$165,019 for the years ended December 31, 2000 and 2001, respectively.

#### 6. STOCKHOLDERS' EQUITY

##### Convertible Preferred Stock

As of December 31, 2001, the Company was authorized to issue up to 10,000,000 shares of convertible preferred stock, issuable in series, with the rights and preferences of each designated series to be determined by the Company's board of directors. The Company had designated convertible preferred stock that consisted of Series A, B, BB, and C convertible preferred stock, collectively referred to as "preferred stock."

Preferred stock at December 31, 2000 and 2001 was as follows:

	Designated Shares	Shares Issued and Outstanding	Per Share Liquidation Preference	Aggregate Liquidation Preference
Series A convertible preferred stock..	610,000	607,761	\$ 1.08	\$ 656,382
Series B convertible preferred stock..	415,000	399,999	\$ 3.00	1,199,997
Balance at December 31, 2000.....	1,025,000	1,007,760		1,856,379
Series B convertible preferred stock..	--	11,534	\$ 3.00	34,602
Series BB convertible preferred stock..	268,077	268,077	\$4.033	1,081,155
Series C convertible preferred stock..	3,821,115	3,808,283	\$7.066	26,909,327
Balance at December 31, 2001.....	5,114,192	5,095,654		\$29,881,463

Series A, B, BB, and C convertible preferred stockholders are entitled to receive noncumulative dividends at the annual rate of \$0.0648, \$0.18, \$0.24198 and \$0.42396 per share, respectively, when and if declared by the board of directors and payable in preference to any dividends payable to common stockholders. As of December 31, 2001, no dividends had been declared or paid by the Company.

The holders of each share of preferred stock are entitled to one vote for each share of common stock into which such share is convertible.

Each share of preferred stock is convertible into common stock at the option of the holder. Each share of Series A and B convertible preferred stock converts into 3.6 shares of common stock and each share of Series BB and C convertible preferred stock converts into 1.2 shares of common stock. Conversion is automatic upon the earlier of: (1) an underwritten public offering of the Company's common stock with

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CORCEPT THERAPEUTICS INCORPORATED  
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NOTES TO FINANCIAL STATEMENTS--(Continued)

aggregate proceeds in excess of \$35,000,000 and a per share price of not less than \$10.00, or (2) upon the written consent of the holders of a majority of the outstanding shares of preferred stock. The preferred stock conversion rate is subject to adjustment in the event of any stock combination, stock split, stock dividend, recapitalization, or other similar transaction.

Each holder of preferred stock shall be entitled to receive, prior and in preference to any distribution of the assets or surplus funds of the Company to the holders of common stock, the amount of the liquidation preference of each share plus an amount equal to all declared but unpaid dividends on such shares. If, upon the occurrence of a liquidation event, the assets and funds available to be distributed among preferred stockholders is insufficient to permit payment of the full preferential amount, then the assets and funds of the Company will be distributed ratably based on the total preferential amount due to each preferred stockholder. After full payment has been made to the preferred stockholders, the remaining assets of the Company available for distribution will be distributed ratably among the common stockholders.

Common Stock

In June 2000, the board of directors and stockholders approved a 3-for-1 stock split of the Company's common stock. All common share information has been restated to reflect this split.

At December 31, 2000 and 2001, the Company was authorized to issue 36,000,000 and 140,000,000 shares of common stock, respectively. Holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders of the Company.

In June and July 1998, the Company issued 9,000,000 shares of common stock to three founders at \$0.000278 per share. A portion of the outstanding shares of common stock are subject to repurchase at the original issuance price should the stockholders terminate providing services to the Company or in certain other instances, as defined in the individual stock restriction agreements. The repurchase right generally lapses as to one fifth of the total shares after one year, and monthly over the remaining four years. In March 1999, the Company repurchased 900,000 shares of common stock from one founder at the original issuance price, in accordance with the terms of the stock restriction agreement.

In June 1999, the Company issued 2,125,126 shares of common stock to a director for cash proceeds of \$64,934. The Company has the right to repurchase a portion of the common stock shares upon termination of services, at the original exercise price. The Company's right of repurchases lapses with respect to 20% of the total number of shares of common stock on the first anniversary of the date of the original agreement, with the remaining balance vesting ratably at the end of each month over the remaining four years. At December 31, 2000 and 2001, 4,773,169 and 4,120,123 shares of common stock are subject to repurchase, respectively.

In April 2001, the Company issued 60,000 shares of common stock to a director for cash proceeds of \$5,000. The shares were issued below the deemed fair market value at the date of grant and the Company recorded expense for the difference between the fair market value and issue price.

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CORCEPT THERAPEUTICS INCORPORATED  
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NOTES TO FINANCIAL STATEMENTS--(Continued)

Common stock shares reserved for future issuance are as follows:

	December 31,	
	2000	2001
	-----	-----
Conversion of convertible preferred stock.....	3,627,936	8,561,090
Conversion of convertible notes payable.....	268,832	--
Exercise of outstanding options.....	360,000	238,398
Shares available for grant under stock option plans.....	1,128,000	1,534,200
Shares earned under consulting and license agreements.....	33,113	--
	-----	-----
	5,417,881	10,333,688
	=====	=====

Additionally, the Company has an outstanding convertible note payable that

converts at the initial public offering price at the holder's option.

#### Amended and Restated Certificate of Incorporation

In December 2001, the board of directors approved, subject to stockholder approval, the amendment to the certificate of incorporation to increase the authorized common stock to 140,000,000 shares, \$0.00001 per value. The board of directors has the authority to fix the designations, powers, preferences, privileges, and relative participating, optional, or special rights as well as the qualifications, limitations, or restrictions of the preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption, and liquidation preferences, any or all of which may be greater than the rights of common stock.

#### Stock Option Plan

In October 2000, the Company adopted the 2000 Stock Option Plan (the 2000 Plan), which provided for the issuance of option grants for up to 1,200,000 shares of the Company's common stock to eligible participants. Under the 2000 Plan, options to purchase common stock may be granted at no less than 100% of fair value on the date of grant for incentive stock options and 85% of fair value on the date of grant for nonqualified options, as determined by the board of directors. Options become exercisable at such times and under such conditions as determined by the board of directors. The 2000 Plan provides for grants of immediately exercisable options; however, the Company has the right to repurchase any common stock upon termination of employment or services at the original exercise price, where the right of repurchase has not lapsed. Shares repurchased by the Company do not return to the option pool. Options generally vest over a four- or five-year period and have a maximum term of ten years. Incentive stock options generally vest at a rate of 20% at the end of the first year of vesting with the remaining balance vesting ratably over the next four years.

In May 2001, the Company increased the number of shares of common stock authorized for issuance under the 2000 Plan by 1,200,000 shares, to a total of 2,400,000 shares.

#### 2001 Stock Option Plan

In December 2001, the Company's board of directors and stockholders adopted the 2001 Stock Option Plan (the 2001 Plan). The 2001 Plan provides for the issuance of option grants for up to 2,000,000 shares of the Company's common stock to eligible participants and will become effective on the date of

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CORCEPT THERAPEUTICS INCORPORATED  
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NOTES TO FINANCIAL STATEMENTS--(Continued)

the initial public offering. The 2001 Plan is the successor to the Company's 2000 Plan and, upon its effective date, no additional shares will be granted under the 2000 Plan. The 2001 Plan provides for the granting of incentive stock options and nonqualified stock options.

#### Options to Consultants

As of December 31, 2001, the Company had granted options to purchase 432,600 shares of common stock to consultants (360,000 of which were outside of the 2000 Plan), 288,000 of which were exercised, none of which remained subject to repurchase, and 58,450 of which were unvested. These options were granted in exchange for services to be rendered and vest over a period of three to five years. The Company recorded deferred stock compensation related to option grants to non-employees of approximately \$65,000, \$206,000 and \$601,000 for the years ended December 31, 1999, 2000 and 2001, respectively. The Company recognized stock-based compensation expense related to option grants to non-employees of approximately \$7,000, \$82,000 and \$316,000 for the years ended December 31, 1999, 2000 and 2001, respectively. Such amounts are recorded as expenses in the periods these options vest.

The unvested shares held by consultants have been and will be marked-to-market using the Company's estimate of fair value (or the quoted market price if a public market for the Company's equity securities exists) at the end of each accounting period pursuant to EITF 96-18.

#### Stock-Based Compensation

The following table summarizes all stock plan activity:

	Stock Options		
	Shares Available	Shares	Weighted-Average Exercise Price
Shares authorized upon 2000 Plan adoption.....	1,200,000	--	--
Shares granted.....	(72,000)	72,000	\$0.08
Shares exercised.....	--	--	--
Balance at December 31, 2000.....	1,128,000	72,000	\$0.08
Additional shares authorized under 2000 Plan.....	1,200,000	--	--
Shares granted.....	(793,800)	793,800	\$0.62
Shares exercised.....	--	(705,402)	\$0.62
Balance at December 31, 2001.....	1,534,200	160,398	\$0.35
Shares exercisable at end of period..		160,398	\$0.35

As discussed in Note 1, the Company applies APB 25 and related interpretations in accounting for the 2000 Plan. For the years ended December 31, 1999, 2000 and 2001, the Company recorded approximately \$0, \$42,000 and \$9,624,000, respectively, in deferred compensation for employee stock options to purchase common stock granted at exercise prices deemed to be below the fair value of common stock. Compensation expense of approximately \$0, \$8,000 and \$1,533,000 was recognized for employee options using the graded vesting method during the years ended December 31, 1999, 2000 and 2001, respectively. The Company's policy is to use the graded vesting method for recognizing compensation costs for fixed employee awards with pro rata vesting. The Company amortizes the deferred stock-based compensation of employee options on the graded vesting method over the vesting

periods of the applicable stock options, generally five years. The graded vesting method provides for vesting of portions of the overall awards at interim dates and results in greater vesting in earlier years than the straight-line method.

During 2001, the Company hired as employees two individuals who were previously granted options to purchase a total of 24,000 shares of common stock as consultants. The Company remeasured the value of these options on the date of the changes in status in accordance with FIN 44.

Stockholder Notes Receivable

During 2001, the Company received notes from stockholders in the aggregate amount of \$438,165 in conjunction with the exercise of 702,000 shares of common stock options issued under the 2000 Plan. The notes are secured by the related shares of common stock and are full recourse notes, with interest compounded annually at a rate of 6.5% per year. The notes mature ten years from the date of issuance.

As required under FAS 123, the following pro forma net loss and net loss per share presentations reflect the amortization of the fair value of the stock option grants as expense. For purposes of this disclosure, the fair value of the stock options, is amortized to expense over the options' vesting periods. The Company's pro forma information follows:

	Years ended December 31,			Period from inception (May 13, 1998) to December 31,
	1999	2000	2001	2001
	-----			
	(In thousands, except per share amounts)			
As reported net loss.....	\$ (310)	\$ (1,846)	\$ (7,749)	\$ (9,916)
Pro forma net loss.....	\$ (310)	\$ (1,844)	\$ (7,435)	\$ (9,602)
As reported net loss per share--basic and diluted.....	\$ (0.09)	\$ (0.33)	\$ (1.08)	--
Pro forma net loss per share--basic and diluted.....	\$ (0.09)	\$ (0.33)	\$ (1.03)	--

The weighted-average date of grant fair value was \$0.00, \$1.78 and \$6.96 for employee stock options granted for the years ended December 31, 1999, 2000 and 2001, respectively. The fair value of stock options granted during all periods was estimated at the date of the option grant using the minimum value option pricing model with the following assumptions: a risk-free interest rate of 5.5%, an expected life of the options of 10 years and a dividend rate of zero.

The effects on pro forma disclosures of applying FAS 123 are not likely to be representative of the effects on pro forma disclosures in future years as the periods presented include only one year of stock purchase right grants under the 2000 Plan.

NOTES TO FINANCIAL STATEMENTS--(Continued)

7. INCOME TAXES

No income tax provision was recorded due to the operating losses incurred by the Company.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets are as follows:

	December 31,	
	2000	2001
	-----	-----
	(In thousands)	
Deferred tax assets:		
Net operating losses.....	\$ 400	\$ 2,000
	-----	-----
Total deferred tax assets.....	400	2,000
Valuation allowance.....	(400)	(2,000)
	-----	-----
Net deferred tax assets.....	\$ --	--
	=====	=====

Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. The valuation allowance increased by \$50,000, \$350,000 and \$1,600,000 during the years ended 1999, 2000 and 2001, respectively.

As of December 31, 2001, the Company had federal net operating loss carryforwards for federal and state income tax purposes of approximately \$5,000,000 which expire in the years beginning 2007.

Utilization of the Company's net operating loss may be subject to substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such an annual limitation could result in the expiration of the net operating loss before utilization.

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CORCEPT THERAPEUTICS INCORPORATED  
(a development stage company)

NOTES TO FINANCIAL STATEMENTS--(Continued)

8. NET LOSS PER SHARE

The Company follows the provisions of Statement of Financial Accounting Standards No. 128, "Earnings Per Share." Basic and diluted net loss per share is computed by dividing the consolidated net loss by the weighted-average number of common shares outstanding during the period less outstanding shares subject to repurchase. Outstanding shares subject to repurchase are not included in the computation of basic net loss per share until the Company's time-based repurchase rights have lapsed.



	Years ended December 31,		
	1999	2000	2001

(In thousands, except per share amounts)

Net loss applicable to common stockholders (numerator).....	\$ (310)	\$ (1,846)	\$ (7,749)
Shares used in computing historical basic and diluted net loss per share applicable to common stockholders (denominator):			
Weighted-average common shares outstanding.....	8,602	10,392	10,698
Less weighted-average shares subject to repurchase.....	(5,058)	(4,791)	(3,497)
Denominator for basic and diluted net loss per share.....	3,544	5,601	7,201
Weighted-average shares of common stock issued upon conversion of preferred stock (pro forma).....	1,313	3,533	5,705
Acceleration of repurchase rights upon initial public offering (pro forma).....	3,816	2,952	2,088
Denominator for pro forma basic and diluted net loss per share.....	8,673	12,086	14,994
Historical basic and diluted net loss per share applicable to common stockholders.....	\$ (0.09)	\$ (0.33)	\$ (1.08)
Pro forma basic and diluted net loss per share applicable to common stockholders.....	\$ (0.04)	\$ (0.15)	\$ (0.52)

The Company has excluded the impact of all convertible preferred stock, stock options and shares of common stock subject to repurchase from the calculation of historical diluted consolidated net loss per common share because all such securities are antidilutive for all periods presented. The total number of shares excluded from the calculations of historical diluted consolidated net loss per share was 4,826,055, 5,467,094 and 10,502,483 for the years ended December 31, 1999, 2000 and 2001, respectively.

#### 9. SUBSEQUENT EVENTS

In January 2002, the Company granted an option to purchase 36,000 shares of common stock to an advisor. The option vested immediately upon grant and is exercisable for 10 years at \$0.008 per share. The Company will record a charge to operations for its estimate of fair value of the option in 2002.

In January 2002, the Chief Executive Officer, pursuant to the authority granted by the board of directors, approved a 1.2-for-1 forward stock split of the Company's common stock, subject to stockholder approval. All common stock share information has been restated to reflect this split.

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4,500,000 Shares

CORCEPT THERAPEUTICS INCORPORATED

Common Stock

-----  
PROSPECTUS  
-----

Until \_\_\_\_\_, 2002 all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

U.S. Bancorp Piper Jaffray

CIBC World Markets

Thomas Weisel Partners LLC

, 2002

PART II

Information Not Required In Prospectus

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth all expenses to be paid by Corcept, other than the underwriting discounts and commissions payable by Corcept in connection with the sale of the common stock being registered. All amounts shown are estimates except for the registration fee and the NASD filing fee.

	Amount to be Paid -----
Registration fee.....	\$ 21,510
NASD filing fee.....	9,500
Nasdaq National Market.....	95,000
Blue sky qualification fees and expenses.....	5,000
Printing and engraving expenses.....	150,000
Legal fees and expenses.....	600,000
Accounting fees and expenses.....	350,000
Transfer agent and registrar fees.....	20,000
Miscellaneous expenses.....	48,990
	-----
Total.....	\$1,300,000 =====

Item 14. Indemnification of Officers and Directors.

Section 145 of the Delaware General Corporation Law permits indemnification of officers, directors and other corporate agents under certain circumstances and subject to certain limitations. Our Certificate of Incorporation and Bylaws provide that we will indemnify our directors, officers, employees and agents to the full extent permitted by Delaware General Corporation Law, including in circumstances in which indemnification is otherwise discretionary under Delaware law. In addition, we intend to enter into separate indemnification agreements with our directors and executive officers which would require us, among other things, to indemnify them against certain liabilities which may arise by reason of their status or service (other than liabilities arising from willful misconduct of a culpable nature). The indemnification provisions in our Certificate of Incorporation and Bylaws and the indemnification agreement to be entered into between us and our directors and executive officers may be sufficiently broad to permit indemnification of our directors and executive

officers for liabilities (including reimbursement of expenses incurred) arising under the Securities Act. We also intend to maintain director and officer liability insurance, if available on reasonable terms, to insure our directors and officers against the cost of defense, settlement or payment of a judgment under certain circumstances. In addition, the underwriting agreement filed as Exhibit 1.1 to this Registration Statement provides for indemnification by the underwriters of us and our officers and directors for certain liabilities arising under the Securities Act, or otherwise.

Item 15. Recent Sales of Unregistered Securities.

During the past three years, we have sold and issued the following unregistered securities:

We have issued an aggregate of 1,261,800 options to purchase shares of common stock to our directors, employees and consultants and 993,402 shares of common stock have been issued pursuant to the exercise of options. The sales of the above securities were deemed to be exempt from registration pursuant to either Section 4(2) of the Securities Act or Rule 701 promulgated under the Securities Act. The recipients of securities in each of these transactions represented their intention to acquire the securities for investment

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only and not with view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates and instruments issued in such transactions. All recipients had adequate access, through their relationship with us, to information about us.

In May 1999, we issued 607,761 shares of Series A preferred stock, convertible into 2,187,929 shares of common stock, to a total of 22 investors for an aggregate purchase price of \$656,381. The issuance of these securities was exempt from registration under the Securities Act pursuant to Rule 506 under Regulation D. Based on representations made to us by the investors, the investors were all accredited investors within the meaning of Rule 501 of Regulation D under the Securities Act and were able to bear the financial risk of their investment. The investors represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities. We did not make any offer to sell the securities by means of any general solicitation or general advertising within the meaning of Rule 502 of Regulation D of the Securities Act.

In January 2000, we issued 399,999 shares of Series B preferred stock, convertible into 1,439,986 shares of common stock, to a total of 25 investors for an aggregate purchase price of \$1,199,997. The issuance of these securities was exempt from registration under the Securities Act pursuant to Rule 506 under Regulation D. Based on representations made to us by the investors, the investors were all accredited investors within the meaning of Rule 501 of Regulation D under the Securities Act and were able to bear the financial risk of their investment. The investors represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities. We did not make any offer to sell the securities by means of any general solicitation or general advertising within the meaning of Rule 502 of Regulation D of the Securities Act.

In January 2001, we issued a convertible promissory note to the Institute for the Study of Aging, Inc., the principal amount of which was \$462,929. The note and accrued interest are convertible, at the option of the holder, into shares of common stock at the initial public offering price. The sale of this security was deemed to be exempt from registration pursuant to Section 4(2) of the Securities Act.

In May 2001, we issued 268,077 shares of Series BB preferred stock, convertible into 321,684 shares of common stock, to a total of 24 investors for an

aggregate purchase price of \$1,081,158. The issuance of these securities was exempt from registration under the Securities Act pursuant to Rule 506 under Regulation D. Based on representations made to us by the investors, the investors were all accredited investors within the meaning of Rule 501 of Regulation D under the Securities Act and were able to bear the financial risk of their investment. The investors represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities. We did not make any offer to sell the securities by means of any general solicitation or general advertising within the meaning of Rule 502 of Regulation D of the Securities Act.

In May and June 2001, we issued 3,806,957 shares of Series C preferred stock, convertible into 4,568,332 shares of common stock, to a total of 47 investors for an aggregate purchase price of \$26,899,958. The issuance of these securities was exempt from registration under the Securities Act pursuant to Rule 506 under Regulation D. Based on representations made to us by the investors, the investors were all accredited investors within the meaning of Rule 501 of Regulation D under the Securities Act and were able to bear the financial risk of their investment. The investors represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities. We did not make any offer to sell the securities by means of any general solicitation or general advertising within the meaning of Rule 502 of Regulation D of the Securities Act.

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During the past two years we have issued an aggregate of 60,000 shares of our common stock, 11,534 shares of Series B preferred stock, convertible into 41,521 shares of common stock, and 1,326 shares of Series C preferred stock, convertible into 1,591 shares of common stock, for \$5,000, \$34,599 and \$9,369, respectively, to consultants for services rendered to Corcept. The sales of the above securities were deemed to be exempt from registration pursuant to Section 4(2) of the Securities Act. The recipients of securities in each of these transactions represented their intention to acquire the securities for investment only and not with view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates and instruments issued in such transactions. All recipients had adequate access, through their relationship with us, to information about us.

In May 1999, we issued 6,000 shares of common stock to a consultant and 2,125,126 shares of common stock to James N. Wilson, a member of our Board of Directors, for \$550 and \$64,934 respectively. The sales of the above securities were deemed to be exempt from registration pursuant to Section 4(2) of the Securities Act.

There were no underwriters employed in connection with any of the transactions set forth in Item 15.

Item 16. Exhibits and Financial Statement Schedules.

(A) EXHIBITS

Exhibit Number -----	Description of Document -----
1.1*	Form of Underwriting Agreement
3.1	Amended and Restated Certificate of Incorporation
3.2+	Amended and Restated Bylaws

- 4.1 Specimen Common Stock Certificate
- 4.2+ Amended and Restated Information and Registration Rights Agreement by and among Corcept Therapeutics Incorporated and certain holders of preferred stock, dated as of May 8, 2001
- 4.3\* Amendment No. 1 dated as of January , 2002, to the Amended and Restated Information and Registration Rights Agreement by and among Corcept Therapeutics Incorporated and certain holders of preferred stock, dated as of May 8, 2001
- 5.1\* Opinion of Heller Ehrman White & McAuliffe LLP
- 10.1+ 2000 Stock Option Plan
- 10.2+ 2001 Stock Option Plan
- 10.3+ Sublease Agreement by and between Corcept Therapeutics Incorporated and Heller Ehrman White & McAuliffe LLP, dated January 1, 2001
- 10.4+ Employment offer letter to Robert L. Roe, M.D., dated October 18, 2001
- 10.5+ Employment offer letter to Andrew Galligan, dated November 15, 2001
- 10.6+ Promissory Note and Pledge Agreement by and between Corcept Therapeutics Incorporated and Robert L. Roe, M.D., dated as of October 22, 2001
- 10.7+ Promissory Note and Pledge Agreement by and between Corcept Therapeutics Incorporated and Andrew Galligan, dated as of December 7, 2001
- 10.8+ Form of Indemnification Agreement
- 10.9# License Agreement by and between The Board of Trustees of the Leland Stanford Junior University and Corcept Therapeutics Incorporated, dated as of July 1, 1999

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Exhibit Number -----	Description of Document -----
10.10+	Master Clinical Development Agreement by and between Corcept Therapeutics Incorporated and Scirex Corporation, dated as of July 12, 2001
10.11#	Memorandum of Understanding, Supply and Services Agreement, dated as of June 12, 2000
10.12#	Letter Agreement, Mifepristone Process Development and Supply Agreement, dated as of January 31, 2001
10.13+	Consulting, Confidential Information and Inventions Agreement by and between Corcept Therapeutics Incorporated and Alan Schatzberg M.D., dated as of May 31, 1999
10.14+	Consulting, Confidential Information and Inventions Agreement by and between Corcept Therapeutics Incorporated and James N. Wilson, dated as of May 28, 1999
10.15	Promissory Note and Pledge Agreement by and between Corcept Therapeutics Incorporated and Sarah A. O'Dowd, dated December 4, 2001
23.1	Consent of Ernst & Young LLP, independent auditors
23.2*	Consent of Heller Ehrman White & McAuliffe LLP (included in Exhibit 5.1)
24.1	Power of Attorney (included on page II-5)

-----  
+ Previously filed

\* To be filed by amendment

# Confidential treatment requested

(B) FINANCIAL STATEMENT SCHEDULE

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings.

The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification by the Registrant for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions referenced in Item 14 of this Registration Statement or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of Prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective; and

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(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the Offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Menlo Park, California, on the 25th day of January, 2002.

CORCEPT THERAPEUTICS INCORPORATED

/s/ JOSEPH K. BELANOFF, M.D.

By: \_\_\_\_\_  
Joseph K. Belanoff, M.D.,  
Chief Executive Officer

Power Of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each persons whose signature appears below hereby constitutes and appoints Joseph K. Belanoff and Andrew Galligan, and each of them acting individually, as his true and lawful attorneys-in-fact and agents, each with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Registration Statement (including post-effective Rule 462(b) increasing the number of securities for which registration is sought), and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, with full power of each to act alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

Signature -----	Title -----	Date ----
/s/ JOSEPH K. BELANOFF, M.D. ----- Joseph K. Belanoff, M.D.	Chief Executive Officer and Director (Principal Executive Officer)	January 25, 2002
/s/ ANDREW GALLIGAN ----- Andrew Galligan	Chief Financial Officer (Principal Financial and Accounting Officer)	January 25, 2002
JAMES N. WILSON* ----- James N. Wilson	Director and Chairman of the Board of Directors	January 25, 2002
ALAN F. SCHATZBERG* ----- Alan F. Schatzberg	Director	January 25, 2002
G. LEONARD BAKER, JR.* ----- G. Leonard Baker, Jr.	Director	January 25, 2002

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Signature -----	Title -----	Date ----
DAVID B. SINGER* ----- David B. Singer	Director	January 25, 2002
SARAH A. O'DOWD* ----- Sarah A. O'Dowd	Director	January 25, 2002
STEVEN KAPP* ----- Steven Kapp	Director	January 25, 2002

/s/ ALIX MARDUEL

Director January 25, 2002

-----  
Alix Marduel

\*By: /s/ ANDREW GALLIGAN

-----  
Andrew Galligan  
Attorney-in-Fact

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EXHIBIT INDEX

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- 10.15 Promissory Note and Pledge Agreement by and between Corcept Therapeutics Incorporated and Sarah A. O'Dowd, dated December 4, 2001
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- 23.2\* Consent of Heller Ehrman White & McAuliffe LLP (included in Exhibit 5.1)
- 24.1 Power of Attorney (included on page II-5)

-----

+ Previously filed

\* To be filed by amendment

# Confidential treatment requested

AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
CORCEPT THERAPEUTICS INCORPORATED

Corcept Therapeutics Incorporated, a corporation, organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. The original Certificate of Incorporation was filed with the Secretary of State of Delaware on May 13, 1998, and a Certificate of Designations, Preferences and Rights of Series A Preferred Stock was filed on May 26, 1999.

2. An Amended and Restated Certificate of Incorporation was filed with the Secretary of State of Delaware on January 21, 2000.

3. A Certificate of Amendment of Amended and Restated Certificate of Incorporation was filed with the Secretary of State of Delaware on June 29, 2000.

4. A Certificate of Amendment of Amended and Restated Certificate of Incorporation was filed with the Secretary of State of Delaware on January 4, 2001.

5. An Amended and Restated Certificate of Incorporation was filed with the Secretary of State of Delaware on May 7, 2001.

6. A Certificate of Amendment of Amended and Restated Certificate of Incorporation was filed with the Secretary of State of Delaware on \_\_\_\_\_, 2002.

7. The Amended and Restated Certificate of Incorporation in the form attached hereto as Exhibit A has been duly adopted in accordance with the ----- provisions of Sections 242, 245 and 228 of the General Corporation Law of the State of Delaware by the directors and stockholders of the Corporation, and prompt written notice was duly given pursuant to Section 228 to those stockholders who did not approve the Amended and Restated Certificate of Incorporation by written consent.

8. The Amended and Restated Certificate of Incorporation so adopted reads in full as set forth in Exhibit A attached hereto and is hereby incorporated herein by this reference.

IN WITNESS WHEREOF, Corcept Therapeutics Incorporated has caused this Certificate to be signed by the Chief Executive Officer this \_\_\_ day of \_\_\_\_\_, 200\_.

CORCEPT THERAPEUTICS INCORPORATED

By:

-----  
Joseph Belanoff, M.D., Chief Executive Officer

EXHIBIT A  
-----

CERTIFICATE OF INCORPORATION  
OF  
CORCEPT THERAPEUTICS INCORPORATED  
FIRST

The name of the Corporation is Corcept Therapeutics Incorporated.

SECOND

The address of the registered office of the Corporation in the State of Delaware is 615 South DuPont Highway, City of Dover, County of Kent, Delaware 19901. The name of its registered agent at such address is National Corporate Research, Ltd.

THIRD

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the Delaware General Corporation Law.

FOURTH:

A. The total number of shares of all classes of stock which the Corporation shall have authority to issue is One Hundred Fifty Million (150,000,000), consisting of One Hundred Forty Million (140,000,000) shares of Common Stock, par value \$0.00001 per share (the "Common Stock") and Ten Million (10,000,000) shares of Preferred Stock, par value \$0.00001 per share (the "Preferred Stock").

B. The board of directors is authorized, subject to any limitations prescribed by law, to provide for the issuance of shares of Preferred Stock in series, and by filing a certificate pursuant to the applicable law of the State of Delaware (such certificate being hereinafter referred to as a "Preferred Stock Designation"), to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences, and rights of the shares of each such series and any qualifications, limitations or restrictions thereof. The number of authorized shares of Preferred Stock may be

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increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the terms of any Preferred Stock Designation.

C. Each outstanding share of Common Stock shall entitle the holder thereof to one vote on each matter properly submitted to the stockholders of the Corporation for their vote; provided, however, that, except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Certificate of Incorporation (including any Certificate of Designations relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon by law or pursuant to this Certificate of Incorporation (including any Certificate of Designations relating to any series of Preferred Stock).

FIFTH:

The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

A. The business and affairs of the Corporation shall be managed by or under the direction of the board of directors. In addition to the powers and authority

expressly conferred upon them by statute or by this Certificate of Incorporation or the bylaws of the Corporation, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

B. The directors of the Corporation need not be elected by written ballot unless the bylaws so provide.

C. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

D. Special meetings of stockholders of the Corporation may be called only by the Chairman of the Board or the President or by the board of directors acting pursuant to a resolution adopted by a majority of the Whole Board. For purposes of this Certificate of Incorporation, the term "Whole Board" shall mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships.

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SIXTH:

A. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the number of directors shall be fixed from time to time exclusively by the board of directors pursuant to a resolution adopted by a majority of the Whole Board. The directors, other than those who may be elected by the holders of any series of Preferred Stock under specified circumstances, shall be divided into three classes, with the term of office of the first class to expire at the Corporation's first annual meeting of stockholders following the first sale of the Corporation's Common Stock pursuant to a firmly underwritten registered public offering (the "IPO"), the term of office of the second class to expire at the Corporation's second annual meeting of stockholders following the IPO and the term of office of the third class to expire at the Corporation's third annual meeting of stockholders following the IPO, and thereafter for each such term to expire at each third succeeding annual meeting of stockholders after such election and with each director to hold office until his or her successor shall have been duly elected and qualified. At each annual meeting of stockholders, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, with each director to hold office until his or her successor shall have been duly elected and qualified.

B. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the board of directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall, unless otherwise required by law or by resolution of the board of directors, be filled only by a majority vote of the directors then in office, though less than a quorum (and not by stockholders), and directors so chosen shall serve for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been chosen expires or until such director's successor shall have been duly elected and qualified. No decrease in the authorized number of directors shall shorten the term of any incumbent director.

C. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the bylaws of the Corporation.

SEVENTH:

The board of directors is expressly empowered to adopt, amend or repeal bylaws of the Corporation. Any adoption, amendment or repeal of the bylaws of the Corporation by the board of directors shall require the approval of a majority of the Whole Board. The stockholders shall also have power to adopt, amend or repeal the bylaws of the Corporation; provided, however, that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Certificate of Incorporation, the

affirmative vote of the holders of at least Sixty Six and Two Thirds percent (66 2/3%) of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the bylaws of the Corporation.

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EIGHTH:

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

NINTH:

The Corporation reserves the right to amend or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation.

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COMMON STOCK

COMMON STOCK

COR [CORCEPT THERAPEUTICS LOGO]

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

CORCEPT THERAPEUTICS INCORPORATED

CUSIP 218352 10 2

This Certifies that

is the owner of

SEE REVERSE FOR CERTAIN DEFINITIONS

FULLY-PAID AND NON-ASSESSABLE SHARES, OF THE PAR VALUE OF \$.00001 OF THE COMMON STOCK, OF CORCEPT THERAPEUTICS INCORPORATED transferable on the books of the Corporation in person or by duly authorized attorney upon surrender of this Certificate properly endorsed.

This Certificate is not valid unless countersigned by the Transfer Agent and registered by the Registrar.

WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

/s/ Andrew Galligan

CHIEF FINANCIAL OFFICER AND TREASURER

[Corcept Therapeutics Incorporated Corporate Seal]

/s/ James Wilson

CHAIRMAN OF THE BOARD

COUNTERSIGNED AND REGISTERED:  
AMERICAN STOCK TRANSFER & TRUST COMPANY (NEW YORK, N.Y.)

TRANSFER AGENT AND REGISTRAR

BY

AUTHORIZED OFFICER

CORCEPT THERAPEUTICS INCORPORATED

THE CORPORATION WILL FURNISH TO ANY SHAREHOLDER UPON REQUEST AND WITHOUT CHARGE A FULL STATEMENT OF THE DESIGNATIONS, RELATIVE RIGHTS, PREFERENCES AND LIMITATIONS OF THE SHARES OF EACH CLASS OF STOCK AUTHORIZED TO BE ISSUED.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entireties
- JT JEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT- CUSTODIAN



\*CERTAIN INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS

LICENSE AGREEMENT

Effective as of July 1, 1999 ("Effective Date"), THE BOARD OF TRUSTEES OF THE LELAND STANFORD JUNIOR UNIVERSITY, a body having corporate powers under the laws of the State of California ("STANFORD"), and Corcept Therapeutics, Inc., a Delaware corporation having an address at 525 University Avenue, Palo Alto, California 94301 ("LICENSEE"), agree as follows:

1. BACKGROUND

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- 1.1 STANFORD has an assignment of the inventions entitled "Mifepristone for Psychotic Major Depression" and "Mifepristone and Alzheimer's Disease", from the laboratory of Dr. Alan Schatzberg ("Invention[s]"), as described in Stanford Dockets S97-104 and S98-048, and any Licensed Patent(s), as hereinafter defined, which may issue to such Invention(s).
- 1.2 STANFORD has certain technical data and information as hereinafter defined ("Technology") pertaining to the Invention(s).
- 1.3 STANFORD desires to have the Technology and Invention(s) perfected and marketed at the earliest possible time in order that products resulting therefrom may be available for public use and benefit.
- 1.4 LICENSEE desires an Exclusive license under said Invention(s) and Licensed Patent(s) to develop, manufacture, use, sell, offer for sale, and import Licensed Product(s) in the Licensed Field of Use.
- 1.5 The Invention(s) were made in the course of research supported by the National Institutes of Health.

2. DEFINITIONS

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- 2.1 "Affiliate" means any corporation or other entity that is directly or indirectly controlling, controlled by, or under common control with LICENSEE. For the purpose of this definition, "control" means the direct or indirect beneficial ownership of at least forty-nine percent (49%) in the income or stock of such corporation or other entity.
- 2.2 "Exclusive" means that, subject to Article 4, STANFORD shall not grant further licenses or options to license to the Invention(s), the Licensed Patent(s), or the Technology, and  
  
shall not use the Invention(s) or the Technology itself except in accordance with Section 3.3, in the Licensed Field of Use.
- 2.3 "Licensed Field of Use" means human therapeutics.
- 2.4 "Licensed Patent(s)" means any Letters Patent issued upon any U.S. Patent Applications claiming the benefit under 35 U.S.C. 119(e) of STANFORD's U.S. Provisional Patent Application, Serial Number 60/060,973 filed October 6, 1997 or U.S. Provisional Patent Application, Serial Number 60/085,703 filed May 15, 1998, any foreign patents corresponding thereto, and/or any divisions, continuations, continuations-in-part, reexaminations, or reissues thereof.
- 2.5 "Licensed Product(s)" means any product or part thereof in the Licensed Field of Use, the manufacture, use, sale, offer for sale, or importation of which:
  - (a) Is covered by a valid, enforceable claim of an issued, unexpired Licensed Patent(s) directed to the Invention(s). A



claim of an issued, unexpired Licensed Patent(s) shall be presumed to be valid and enforceable unless and until it has been held to be invalid or unenforceable by a final judgment of a court of competent jurisdiction from which no appeal can be or is taken; or

- (b) Is covered by any claim being prosecuted in a foreign pending application (other than in Japan) within the Licensed Patent(s), which application has not been pending for more than seven (7) years, the pendency being measured from the filing date of the first application in that country (including the international filing date of a PCT application designating that country) from which the application claims priority or benefit; or
- (c) Is covered by any claim being prosecuted in a U.S. or Japanese pending application within the Licensed Patent(s), which application has not been pending for more than ten (10) years, the pendency being measured from the filing date of the first application in that country (including the international filing date of a PCT application designating that country, but not including the filing date of any provisional application) from which the application claims priority or benefit.

2.6 "Net Sales" means the gross revenue derived by LICENSEE or an Affiliate from sales of Licensed Product(s), less the following items but only insofar as they actually pertain to the disposition of such Licensed Product(s) by LICENSEE or an Affiliate, are included in such gross revenue, and are separately billed:

- (a) Import, export, excise and sales taxes, and custom duties;
- (b) Costs of insurance, packing, and transportation from the place of manufacture to the customer's premises or point of installation;
- (c) Costs of installation at the place of use; and

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- (d) Credit for returns, allowances, or trades.

2.7 "Technology" means technical data and information, including but not limited to the information contained in the Licensed Patent(s), pertaining to the Invention(s) and provided to LICENSEE, whether or not it is of a confidential nature.

### 3. GRANT -----

3.1 STANFORD hereby grants and LICENSEE hereby accepts a license in the Licensed Field of Use under the Invention(s), the Technology, and the Licensed Patent(s) to make, use, sell, offer for sale, and import Licensed Product(s).

3.2 Said license is Exclusive, including the right to sublicense pursuant to Article 13, for a term commencing as of the Effective Date of this Agreement and ending on the expiration of the last to expire of the issued Licensed Patent(s), on a country-by-country basis, or if no patent within the Licensed Patent(s) issues in a country, shall terminate on the tenth anniversary of the first sale of a Licensed Product(s) in such country.

3.3 STANFORD shall have the right to practice the Invention(s) and use the Technology for its own bona fide research, including sponsored research and collaborations. STANFORD shall have the right to publish any information included in Technology and Licensed Patent(s).

### 4. GOVERNMENT RIGHTS -----

This Agreement is subject to all of the terms and conditions of Title 35 United States Code Sections 200 through 204, including an obligation that Licensed Product(s) sold in the United States be "manufactured substantially in the United States," and LICENSEE agrees to take all reasonable action necessary on its part as licensee to enable STANFORD to satisfy its obligation thereunder, relating to Invention(s). STANFORD agrees to assist LICENSEE in obtaining a waiver of the domestic manufacture requirement if LICENSEE finds that domestic manufacture of Licensed Product(s) is not commercially feasible.

5. DILIGENCE  
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5.1 As an inducement to STANFORD to enter into this Agreement, LICENSEE agrees to use commercially reasonable efforts and diligence to proceed with the development, manufacture, and sale of Licensed Product(s) and to diligently develop markets for the Licensed Product(s), either by itself or through Affiliate(s) or sublicensee(s). Unless LICENSEE shall have filed an IND for a Licensed Product(s) by October 1, 2003, LICENSEE agrees that STANFORD may terminate this Agreement. STANFORD may terminate this

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Agreement if, after final FDA approval of an NDA for a Licensed Product(s), LICENSEE or an Affiliate(s) or sublicensee(s) has not sold Licensed Product(s) for a period of one year.

5.2 Progress Report - On or before September 30 of each year until LICENSEE  
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or an Affiliate or sublicensee markets a Licensed Product(s), LICENSEE shall make a written annual report to STANFORD covering the preceding year ending June 30, regarding the progress of LICENSEE toward commercialization of Licensed Product(s), either by itself or through Affiliate(s) or sublicensee(s). Such report shall include, as a minimum, information sufficient to enable STANFORD to satisfy reporting requirements of the U.S. Government and for STANFORD to ascertain progress by LICENSEE toward meeting the diligence requirements of this Article 5.

6. ROYALTIES  
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6.1 LICENSEE agrees to pay to STANFORD a noncreditable, nonrefundable license issue royalty of \$47,000 and Ten Thousand (10,000) shares of LICENSEE's common stock upon signing this Agreement.

6.2 Beginning one year from the Effective Date of this Agreement and on each anniversary thereafter, LICENSEE also shall pay to STANFORD a yearly royalty of \$50,000. Said yearly royalty payments are nonrefundable, but they are creditable against earned royalties as provided in Section 6.6.

6.3 LICENSEE shall also pay to STANFORD the following milestone payments:

- (a) \*\*\*\* upon the filing with the FDA by LICENSEE, or an Affiliate or sublicensee, of the first New Drug Application for a Licensed Product(s); and
- (b) \*\*\*\* upon the first FDA approval to LICENSEE, or an Affiliate or sublicensee, of a Licensed Product(s).

Said milestone payments are creditable against earned royalties as provided in Section 6.6.

6.4 In addition, LICENSEE shall pay STANFORD earned royalties of \*\*\*\* on Net Sales. If LICENSEE is obligated to pay royalties to a non-Affiliated other entity(ies) based on Net Sales, the earned royalties LICENSEE is obligated to pay to STANFORD on Net Sales shall

be reduced as follows: for the first \*\*\*\* of royalties paid to the other entity(ies), the earned royalty payable to STANFORD shall be reduced by \*\*\*\* of the percentage royalties paid to the other entity(ies); and for the next \*\*\*\* of royalties paid to the other entity(ies), the earned royalty payable to STANFORD shall be further reduced by \*\*\*\* of the percentage royalties in excess of \*\*\*\* paid to the other entity(ies); to a minimum of \*\*\*\* earned royalty payable to STANFORD for royalties paid to the other entity(ies) of

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\*\*\*\* or more. For example, if LICENSEE was paying royalties to non-Affiliated other entities of \*\*\*\*, STANFORD would receive \*\*\*\* earned royalties; and if LICENSEE was paying royalties to non-Affiliated other entities of \*\*\*\*, STANFORD would receive \*\*\*\* earned royalties.

6.5 In addition, LICENSEE shall pay STANFORD, as earned royalties, \*\*\*\* of the net amount received as royalties or license fees (including license issue fees) from non-Affiliated sublicensee(s) for sales of Licensed Product(s). The term "net amount", with respect to any sublicensee, shall mean the amount actually received by LICENSEE from the sublicensee less any payments (such as royalties or license fees) made by LICENSEE to non-Affiliated other entities for sales of Licensed Product(s) by the sublicensee.

6.6 Creditable payments under this Agreement shall be an offset to LICENSEE against up to \*\*\*\* of each payment which LICENSEE would be required to pay pursuant to Sections 6.4 and 6.5 until the entire credit is exhausted.

6.7 If this Agreement is not terminated in accordance with other provisions hereof,

- (a) LICENSEE shall be obligated to pay royalties hereunder for so long as LICENSEE, by its activities in any country would, but for the license granted herein, infringe a valid, enforceable claim of an unexpired Licensed Patent(s) of STANFORD covering said activity in such country. LICENSEE's obligation to pay royalties on Net Sales shall terminate on a country-by-country basis upon the expiration of the last to expire of any issued Licensed Patent(s) in each country. If in any country all the claims of the issued patents within the Licensed Patent(s) that cover Licensed Product(s) are held invalid or unenforceable, then LICENSEE's obligation to pay royalties on Net Sales shall terminate in such country.
- (b) If no patent within the Licensed Patent(s) issues in a country outside the U.S. or Japan on or before the seventh anniversary of the filing date of the first patent application within the Licensed Patent(s) filed in such country (including the international filing date of a PCT application designating such country), LICENSEE's obligation to pay royalties on Net Sales in such country shall terminate on the anniversary date; provided, however, that if a Licensed Patent subsequently issues in that country, LICENSEE's obligation to pay royalties under Section 6.4 shall resume for the term of such Licensed Patent.
- (c) If no patent within the Licensed Patent(s) issues in the U.S. or Japan on or before the tenth anniversary of the filing date of the first patent application within the Licensed Patent(s) filed in that country (including the international filing date of a PCT application designating that country, but not including the filing date of any provisional application), LICENSEE's obligation to pay royalties on Net Sales in the U.S. shall terminate on the anniversary date; provided, however, that if a

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Licensed Patent subsequently issues in the U.S. or Japan, LICENSEE's obligation to pay royalties under Section 6.4 shall resume for the term of such Licensed Patent.

6.8 The royalty on sales in currencies other than U.S. Dollars shall be calculated using the appropriate foreign exchange rate for such currency quoted by the Bank of America (San Francisco) foreign exchange desk, on the close of business on the last banking day of each calendar quarter. Royalty payments to STANFORD shall be in U.S. Dollars. If LICENSEE is blocked by law or regulation in any country from remitting U.S. Dollars from such country, LICENSEE's obligation to make payments based on Net Sales in that country shall be suspended until such blockage is lifted or unless STANFORD shall accept royalty payments in such country in local currency. All non-U.S. taxes related to royalty payments shall be paid by LICENSEE and are not deductible from the payments due STANFORD.

7. ROYALTY REPORTS, PAYMENTS, AND ACCOUNTING  
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7.1 Quarterly Earned Royalty Payment and Report - Beginning with the first  
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sale of a Licensed Product(s), LICENSEE shall make written reports (even if there are no sales) and earned royalty payments to STANFORD within thirty (30) days after the end of each calendar quarter. This report shall be in the form of the report of Appendix A and shall state the number, description, and aggregate Net Sales of Licensed Product(s) during such completed calendar quarter, and resulting calculation pursuant to Paragraph 6.3 of earned royalty payment due STANFORD for such completed calendar quarter. Concurrent with the making of each such report, LICENSEE shall include payment due STANFORD of royalties for the calendar quarter covered by such report. LICENSEE also agrees to make a written report to STANFORD and earned royalty payment within ninety (90) days after the expiration of the license pursuant to Section 3.2, and shall continue to make quarterly written reports and royalty payments until such time as all Licensed Product(s) produced under the Agreement have been sold or destroyed.

7.2 Accounting - LICENSEE agrees to keep and maintain records for a period  
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of three (3) years showing the manufacture, sale, use, and other disposition of products sold or otherwise disposed of under the license herein granted. Such records will include general ledger records showing cash receipts and expenses, and records with include production records, customers, serial numbers, and related information in sufficient detail to enable the royalties payable hereunder by LICENSEE to be determined. LICENSEE further agrees to permit its books and records to be examined by an independent public accountant selected by STANFORD and acceptable to LICENSEE not more often than once per calendar year to the extent necessary to verify reports provided for in Section 7.1. Such examination is to be made at LICENSEE's place of business during ordinary business hours with at least thirty (30) days prior written notice. The accountant shall report to STANFORD only whether there has been a royalty underpayment and, if so, the amount of underpayment. Such examination is to be at the expense of STANFORD, except in the event that the results of the examination reveal and underreporting of

royalties due STANFORD of five percent (5%) or more, then the examination costs shall be paid by LICENSEE.

8. WARRANTIES AND NEGATION OF WARRANTIES  
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8.1 STANFORD represents and warrants that:

(a) It has the power to enter into this Agreement and to grant the

rights granted herein to LICENSEE; and

- (b) It has not granted any license(s), option(s) to license, or other rights to the Invention(s), the Technology, and the Licensed Patent(s) to any other party.

8.2 Nothing in this Agreement is or shall be construed as:

- (a) A warranty or representation by STANFORD as to the validity or scope of any Licensed Patent(s);
- (b) A warranty or representation that anything made, used, sold, or otherwise disposed of under any license granted in this Agreement is or will be free from infringement of patents, copyrights, and other rights of third parties;
- (c) An obligation to bring or prosecute actions or suits against third parties for infringement, except to the extent and in the circumstances described in Article 12;
- (d) Granting by implication, estoppel, or otherwise any licenses or rights under patents or other rights of STANFORD or other persons other than Licensed Patent(s); or
- (e) An obligation to furnish any technology or technological information other than the Technology.

8.3 Except as expressly set forth in this Agreement, STANFORD MAKES NO REPRESENTATIONS AND EXTENDS NO WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED. THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR THAT THE USE OF THE LICENSED PRODUCT(S) WILL NOT INFRINGE ANY PATENT, COPYRIGHT, TRADEMARK, OR OTHER RIGHTS OR ANY OTHER EXPRESS OR IMPLIED WARRANTIES.

8.4 LICENSEE agrees that nothing in this Agreement grants LICENSEE any express or implied license or right under or to U.S. Patent 4,656,134 'Amplification of Eucaryotic Genes' or any patent application corresponding thereto.

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9. INDEMNITY  
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- 9.1 LICENSEE agrees to indemnify, hold harmless, and defend STANFORD, UCSF-Stanford Health Care and Stanford Health Services and their respective trustees, officers, employees, students, and agents against any and all claims for death, illness, personal injury, property damage, and improper business practices arising out of the manufacture, use, sale, or other disposition of Invention(s), Licensed Patent(s), Licensed Product(s), or Technology by LICENSEE or its Affiliate(s) or sublicensee(s), or their customers.
- 9.2 STANFORD shall not be liable for any indirect, special, consequential or other damages whatsoever, whether grounded in tort (including negligence), strict liability, contract or otherwise. STANFORD shall not have any responsibilities or liabilities whatsoever with respect to Licensed Product(s).
- 9.3 LICENSEE shall at all times comply, through insurance or self-insurance, with all statutory workers' compensation and employers' liability requirements covering any and all employees with respect to activities performed under this Agreement.
- 9.4 In addition to the foregoing, LICENSEE shall maintain, from the commencement of the first human clinical trial by LICENSEE and thereafter during the term of this Agreement, Comprehensive General Liability Insurance, including Products Liability Insurance, with reputable and financially secure insurance carrier(s) to cover the activities of LICENSEE and its Affiliate(s) and sublicensee(s). Such insurance shall provide minimum limits of liability of \$5 Million and shall include STANFORD, UCSF-Stanford Health Care, Stanford Health

Services, their trustees, directors, officers, employees, students, and agents as additional insureds. Such insurance shall be written to cover claims incurred, discovered, manifested, or made during the term of this Agreement and should be placed with carriers with ratings of at least A- as rated by A.M. Best. Prior to the commencement of any human clinical trial by LICENSEE, LICENSEE shall furnish a Certificate of Insurance evidencing primary coverage and additional insured requirements and requiring thirty (30) days prior written notice of cancellation or material change to STANFORD. LICENSEE shall advise STANFORD, in writing, that it maintains excess liability coverage (following form) over primary insurance for at least the minimum limits set forth above. All such insurance of LICENSEE shall be primary coverage; insurance of STANFORD, UCSF-Stanford Health Care, Stanford Health Services shall be excess and noncontributory.

10. MARKING

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Prior to the issuance of patents on the Invention(s), LICENSEE agrees to mark Licensed Product(s) (or their containers or labels) made, sold, or otherwise disposed of by it under the license granted in this Agreement with the words "Patent Pending," and following the

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issuance of one or more patents, with the numbers of the Licensed Patent(s), to the extent permitted by law or regulation in any country.

11. STANFORD NAMES AND MARKS

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11.1 LICENSEE agrees not to identify STANFORD in any promotional advertising or other promotional materials to be disseminated to the public or any portion thereof or to use the name of any STANFORD faculty member, employee, or student or any trademark, service mark, trade name, or symbol of STANFORD, Stanford Health Services, or UCSF-Stanford Health Care, or that is associated with any of them, without STANFORD's prior written consent, which consent shall not be unreasonably withheld.

11.2 Notwithstanding Section 11.1, LICENSEE may issue press release(s) containing mention of STANFORD and any STANFORD faculty member or employee associated with the Invention(s), the Technology, or the Licensed Patent(s), subject to STANFORD's prior written consent, which consent shall not be unreasonably withheld. LICENSEE may subsequently issue press releases containing information previously approved for release by STANFORD.

11.3 STANFORD and LICENSEE agree that reports in scientific literature and presentations of research and development work at scientific conferences and investment conferences and any disclosures required by any law or regulation or the rules of any stock exchange are not promotional materials.

12. PATENT PROSECUTION AND INFRINGEMENT

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12.1 After the Effective Date of this Agreement, LICENSEE shall have the primary responsibility for the filing, prosecution, and maintenance of all Licensed Patent(s), including the conduct of all interference, opposition, nullity, and revocation proceedings, using counsel of its choice reasonably acceptable to STANFORD; provided, however, that STANFORD shall have reasonable opportunity to advise and consult with LICENSEE on such matters and may instruct LICENSEE to take such action as STANFORD believes reasonably necessary to protect the Licensed Patent(s). Counsel shall provide both LICENSEE and STANFORD with copies of all material correspondence related to filing, prosecution, and maintenance of the Licensed Patent(s). Invoices for legal services shall be sent directly to LICENSEE with a copy directed to STANFORD. If LICENSEE decides to abandon any patent or patent application within the

Licensed Patent(s), it shall give timely notice to STANFORD, which may continue prosecution or maintenance at its sole expense; and any such abandoned patent or patent application shall cease to be a Licensed Patent(s) as of the date of such notice.

12.2 Payment of all reasonable fees and costs relating to the filing, prosecution, and maintenance of the Licensed Patent(s) after the Effective Date of this Agreement shall be the responsibility of LICENSEE.

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12.3 STANFORD shall promptly inform LICENSEE of any suspected infringement of any Licensed Patent(s) by a third party. LICENSEE shall have the right at its expense to initiate and control any proceeding relating to any infringement by a third party or any Licensed Patent(s), any declaratory action alleging invalidity or noninfringement of any Licensed Patent(s), or any interference, opposition, nullity or revocation proceeding relating to any Licensed Patent(s) ("Protective Action"). In pursuing such Protective Action, LICENSEE shall provide STANFORD with material information related to the Protective Action and shall have the right, but not the obligation, to join STANFORD as a party to the Protective Action at LICENSEE's expense. STANFORD shall have the right to participate in the Protective Action with its own counsel at its own expense. If LICENSEE brings a Protective Action, it may enter into a settlement, consent judgment, or other voluntary final disposition of such Protective Action at its sole option. Any damages recovered by a Protective Action shall be used first to reimburse LICENSEE for the costs (including attorneys' and expert fees) of such Protective Action actually paid by LICENSEE; and the remainder, if any shall be retained by LICENSEE, except that LICENSEE shall pay STANFORD \*\*\*\* of said remainder.

12.4 If LICENSEE decides not to bring a Protective Action after LICENSEE receives notice from STANFORD under Section 12.3, LICENSEE shall inform STANFORD and STANFORD may institute a Protective Action. In such event, STANFORD shall control such Protective Action, including any settlement, consent judgment or other voluntary final disposition thereof at its sole option, shall bear the entire cost of such Protective Action, and shall be entitled to retain the entire amount of any recovery or settlement. STANFORD may, at its expense, join LICENSEE as a party to such Protective Action.

12.5 Should either STANFORD or LICENSEE commence a Protective Action under this Article 12 and thereafter elect to abandon the same, it shall give timely notice to the other party who may, if it so desires, continue prosecution of such Protective Action, provided, however, that the sharing of past and future expenses and any recovery in such Protective Action shall be as agreed upon between STANFORD and LICENSEE.

12.6 In any Protective Action initiated by a party under this Article 12, the other party hereto shall, at the request and expense of the party initiating such Protective Action, cooperate in all respects and make available relevant records, papers, information, samples, and the like.

13. SUBLICENSE(S)  
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13.1 LICENSEE may grant sublicense(s) under the Invention(s), the Technology, and the Licensed Patent(s) to make, have made, use, sell, offer for sale, and import Licensed Product(s).

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13.2 If LICENSEE is unable or unwilling to serve or develop a potential market or market territory, either by itself or through an Affiliate or a sublicensee of LICENSEE's choice, for which there is a willing sublicensee(s), LICENSEE will, at STANFORD's request, negotiate in good

faith a sublicense(s) hereunder.

- 13.3 Any sublicense(s) granted by LICENSEE under this Agreement shall be subject and subordinate to terms and conditions of this Agreement, except:
- (a) Sublicense terms and conditions shall reflect that any sublicensee(s) shall not further sublicense without the written consent of STANFORD, which consent shall not be unreasonably withheld;
  - (b) The earned royalty rate specified in the sublicense(s) may be at higher rates than the rates in this Agreement; and
  - (c) All reports required by sublicensee(s) shall be made to LICENSEE.

Any such sublicense(s) also shall expressly include the provisions of Articles 8 and 9 for the benefit of STANFORD and provide for the transfer of all obligations, including the payment of royalties specified in such sublicense(s), to STANFORD or its designee, in the event that this Agreement is terminated.

- 13.4 LICENSEE agrees to provide STANFORD a copy of that portion of any sublicense granted pursuant to this Article 13 that relates to royalty reporting and the warranty and indemnification provisions of Articles 8 and 9 of this Agreement.
- 13.5 LICENSEE may grant royalty-free sublicensees or cross-licenses provided LICENSEE pays all royalties due STANFORD from sublicensee's Net Sales as if such sales were made by LICENSEE or an Affiliate.

#### 14. TERMINATION -----

- 14.1 LICENSEE may terminate this Agreement by giving STANFORD notice in writing at least thirty (30) days in advance of the effective date of termination selected by LICENSEE.
- 14.2 STANFORD may terminate this Agreement if LICENSEE:
- (a) Is in default in payment of royalty or providing of reports;
  - (b) Is in material breach of any provision hereof; or
  - (c) Provides any materially incorrect report;

and LICENSEE fails to remedy any such default, material breach, or materially incorrect report within thirty (30) days after written notice thereof by STANFORD.

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- 14.3 Surviving any termination or expiration are:
- (a) LICENSEE's obligation to pay royalties accrued or accruable;
  - (b) Any cause of action or claim of LICENSEE or STANFORD, accrued because of any breach or default by the other party; and
  - (c) The provisions of Articles 7, 8, and 9 and any other provisions that by their nature are intended to survive.

#### 15. ASSIGNMENT -----

LICENSEE may assign this Agreement to an Affiliate or to a successor in interest to all or substantially all the business of LICENSEE relating to Licensed Product(s) without STANFORD's consent provided that such Affiliate or successor in interest assumes all obligations under the



License; and LICENSEE shall provide STANFORD notice of any such assignment. Except for the foregoing, neither party may assign this Agreement or any portion thereof without the express written consent of the other, which consent shall not be unreasonably withheld.

16. ARBITRATION  
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- 16.1 Any controversy arising under or related to this Agreement, and any disputed claim by either party against the other under this Agreement excluding any dispute relating to patent validity or infringement arising under this Agreement, shall be settled by arbitration in accordance with the Licensing Agreement Arbitration Rules of the American Arbitration Association.
- 16.2 Upon request by either party, arbitration will be by a third party arbitrator mutually agreed upon in writing by LICENSEE and STANFORD within thirty (30) days of such arbitration request. Judgment upon the award rendered by the arbitrator shall be final and nonappealable and may be entered in any court having jurisdiction thereof. The parties agree that, notwithstanding any provision of applicable law, they will not request and the arbitrator shall have no authority to award punitive or exemplary damages against any party. The costs of the arbitration shall be shared equally by the parties, and each party shall bear the costs of its own attorneys' fees and expert fees.
- 16.3 The parties shall be entitled to discovery in like manner as if the arbitration were a civil suit in the California Superior Court. The arbitrator may limit the scope, time and/or issues involved in discovery.
- 16.4 Any arbitration shall be held in Stanford, California, unless the parties hereto mutually agree in writing to another place.

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17. NOTICES  
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All notices under this Agreement shall be deemed to have been fully given when done in writing and deposited in the United States mail, registered or certified, and addressed as follows:

To STANFORD: Office of Technology Licensing  
Stanford University  
900 Welch Road, Suite 350  
Palo Alto, California 94304-1850

Attention: Director

To LICENSEE: Corcept Therapeutics, Inc.  
525 University Avenue, 11th Floor  
Palo Alto, California 94301-1908

Attention: Mr. David B. Singer

Either party may change its address upon written notice to the other party.

18. CONFIDENTIALITY  
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STANFORD shall maintain the reports and information provided by LICENSEE to STANFORD under Sections 5.2, 7.1, 7.2, and 13.4 in confidence, and not disclose such reports to any third party, except as required by STANFORD's normal reporting requirements, for the purposes of this Agreement, or as required by law or regulation. STANFORD's obligation of confidentiality hereunder shall be fulfilled by using at least the same degree of care with LICENSEE's reports and information as it uses to protect its own confidential information.

19. WAIVER  
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None of the terms of this Agreement can be waived except by the written consent of the party waiving compliance.

20. APPLICABLE LAW  
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This Agreement shall be governed by the law of the State of California applicable to agreements negotiated, executed and performed wholly within California.

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21. SEVERABILITY  
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If any portion of this Agreement shall be held to be invalid or unenforceable under the law or regulation of any jurisdiction, such holding of invalidity or unenforceability shall not affect the remainder of the Agreement, which shall continue in full force and effect.

22. ENTIRE AGREEMENT  
-----

This Agreement constitutes the entire agreement between LICENSEE and STANFORD and supersedes all prior communications, understandings, and agreements with respect to the subject matter of this Agreement. This Agreement may not be amended except by a written agreement signed by both LICENSEE and STANFORD.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate originals by their duly authorized officers or representatives.

THE BOARD OF TRUSTEES OF THE LELAND  
STANFORD JUNIOR UNIVERSITY

Signature: /s/ Katharine Ku

Name: Katharine Ku

Title: Director, Technology Licensing

Date: June 30, 1999

LICENSEE

Signature: /s/ Joseph K. Belanoff

Name: Joseph K. Belanoff

Title: Chief Executive Officer

Date: 6/15/99

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\*CERTAIN INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS

Memorandum of Understanding  
Supply and Services Agreement for \*\*\*\*1073

Summary

-----

\*\*\*\* will provide API development and manufacturing functions for \*\*\*\*1073 API to Corcept. This will include Non-GMP, as well as CGMP products for pre-clinical, clinical and commercial requirements. \*\*\*\*1073 will be studied by Corcept for treating patients with psychiatric and cognitive disorders only. In addition, \*\*\*\* is willing to act as a consultant to introduce Corcept to reputable dosage form manufacturers in \*\*\*\* for formulation development and manufacturing.

Project Plan

-----

1. \*\*\*\* and Corcept will jointly invest in the acquisition of starting materials, equipment and manpower to complete the technology transfer, process development and scale-up studies. The target date to deliver total of \*\*\*\* Non-GMP materials for the planned toxicology study will be August/September, 2000, with smaller quantities (\*\*\*\*) possibly available in July/August.
2. Produce \*\*\*\* of CGMP material by year-end of 2000 for clinical studies.
3. Prepare and submit DMF including all processing and analytical information for product registration.
4. Introduce Corcept CMC representative(s) to \*\*\*\* dosage form manufacturers and assist in selecting and establishing a direct working relationship between Corcept and the selected manufacturer.

Development Out of Pocket Cost

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Starting material/reagents etc.	****	
Equipment & other supplies	****	
**** Manpower ****	****	
-----		
Total	****	(1)

(1) At \*\*\*\* shared costs, Corcept will pay \$150,000

Product Costs

-----

Non-GMP Materials	****	
GMP Materials	****	
****		Reduction to be negotiated.

Quantities

-----

1. Corcept will guarantee minimum purchase of 1 million dollars per year following product launch.
2. \*\*\*\* 1073 volume purchase in calendar year 2001 could be in the range of \*\*\*\*
3. \*\*\*\* 1073 purchase forecast, commencing calendar year 2003, will be between \*\*\*\* annual requirements.

\*\*\*\*, Ltd.

Corcept Inc.

By /s/ \*\*\*\*  
Title President  
Date June 1, 2000

By Joseph Belanoff  
Title CEO  
Date June 8, 2000

\*\*\*\*

By /s/ \*\*\*\*  
Title President  
Date June 12, 2000

\*CERTAIN INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS

January 31, 2001

Mr.\*\*\*\*  
Chief Operating Officer  
\*\*\*\*

Re: Mifepristone Process Development and Supply Arrangement

Dear Mr. \*\*\*\*:

We are very happy that \*\*\*\* will be able to conduct certain process development activities and supply Corcept with tablets for our development program for Mifepristone.

Upon your signature at the end of this letter where indicated, this letter will be the binding agreement ("Agreement") effective as of February 1, 2001 ("Effective Date") between \*\*\*\*, a \*\*\*\* corporation having a principal place of business at \*\*\*\* ("\*\*\*\*\*"), and Corcept Therapeutics, Inc., a Delaware corporation ("Corcept"), having a place of business at 275 Middlefield Road, Menlo Park, CA 94025.

As you know, Corcept is in the process of planning a Phase III clinical trial for use of a tablet formulation of Mifepristone. We feel that \*\*\*\* has the skills and capacity to develop a manufacturing process and provide certain quantities of the Drug Substance formulated into tablets, along with corresponding tablets of placebo.

1. Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

1.1 "Clinical Trial" means Corcept's Phase III clinical trial of the Drug Product.

1.2 "Current Good Manufacturing Practices" and "cGMP" mean the current good manufacturing practices established by FDA applicable to the Drug Product.

1.3 "Current Facility" means \*\*\*\*'s current facilities at \*\*\*\*, and any additions or modifications thereto.

1.4 "Drug Product" means a finished 300 mg dosage form pharmaceutical tablet containing the Drug Substance, for use in Corcept's Clinical Trials.

1.5 "Drug Substance" means the compound Mifepristone, also known as C-1073.

1.6 "FDA" means the United States Food and Drug Administration.

1.7 "Intermediate" means any intermediate or precursor used in the manufacture of the Drug Product.

1.8 "Master Batch Records" means the master production and control records for the Drug Product.

1.9 "NDA" means a New Drug Application, designated #20-87 and dated March 14, 1996.

1.10 "Placebo" means a tablet that is visually indistinguishable from the Drug Product but which contains no Drug Substance or any other active ingredient.

1.11 "Process" means the methods, procedures, and related measures used in preparing the Drug Product and accompanying Placebo for Corcept's use in the

Clinical Trial.

1.12 "Specifications" means the detailed and then current description and analytical parameters for the Drug Product, which will be developed between \*\*\*\* and approved by Corcept under this Agreement.

1.13 "Subcontractors and Agents" means any subcontractors, consultants, employees, or agents of \*\*\*\* that perform services relating to this Agreement.

2. Process Development and Supply of Drug Product and Placebo.

2.1 Process Development. By April 1, 2001, \*\*\*\* shall conduct the preparatory and Process development activities set forth in the first eight items of Project Proposal PDY0101, issued 01/09/01, (the "Proposal"), which is attached as Exhibit A.

2.2 Active Ingredient. Notwithstanding any provision to the contrary in the Proposal, Corcept will provide to \*\*\*\* sufficient Drug Substance to complete the work under this Agreement (accompanied by an applicable Material Safety Data Sheet).

2.3 Supply. Utilizing the Process developed in paragraph 2.1, and in full compliance with the Proposal and this Agreement, by April 19, 2001, \*\*\*\* shall provide to Corcept 16,000 tablets of Drug Product containing 300 mg of Drug Substance and 8,000 tablets of Placebo. Such Drug Product and Placebo shall be suitable for use in the Clinical Trial, manufactured in strict accordance with the Specifications.

2.4 Certificates of Analysis. \*\*\*\* shall deliver the Drug Product and Placebo, manufactured in accordance with cGMP and meeting the Specifications, as evidenced by a Certificate of Analysis preceding each shipment. \*\*\*\* shall supply Corcept with a Certificate of Analysis, in a form acceptable to Corcept, for each batch or lot of the Drug Product and Placebo to be delivered to Corcept certifying that, to the best of \*\*\*\*'s knowledge and belief, such batch or lot of the Drug Product is in compliance with the Specifications, free of known defect, and is not adulterated or misbranded within the meaning of any applicable law. Each Certificate of Analysis must be sent to Corcept and approved, in writing, before the shipment of the related Drug Product. \*\*\*\* shall not subject any Drug Product to any rework, or utilize any reworked material, without Corcept's prior written approval.

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2.5 Inspection and Testing of the Drug Product. Corcept shall visually inspect the Drug Product and Placebo within 30 days after receipt and shall promptly notify \*\*\*\* in writing if it observes that Drug Product or Placebo deviates from the Specifications, or the requirements of this Agreement, or reflects a shortage of count. Corcept shall have the right to reject and return, at the expense of \*\*\*\*, any portion of any shipment of the Drug Product or Placebo that deviates from those requirements without invalidating the remainder of the order and \*\*\*\* shall replace reasonably rejected the Drug Product or Placebo as soon as practicable.

2.6 Changes. \*\*\*\* will notify Corcept of any proposed changes in the Specifications, standards, or procedures for manufacture, packaging, quality control, or quality assurance operations that may affect the Drug Product and such changes shall be agreed upon by both parties and shall be verified in writing prior to the change being introduced.

2.7 Notice of Violation. \*\*\*\* shall notify Corcept of any violations or alleged violations of any requirements of cGMP, or any applicable law or regulation with respect to the Drug Product, promptly upon such party's learning of the violation or alleged violation.

3. Testing.

3.1 Requirements. \*\*\*\* shall conduct all tests of the Drug Product set forth in the Specifications and the Proposal, including, without limitation, any release testing.

4. Other \*\*\*\* Project Obligations.

4.1 Documentation of Performance. \*\*\*\* agrees to prepare and maintain, under safe and secure storage, detailed written records of its performance of any activity under this Agreement in accordance with cGMPs and as directed by Corcept, consistent with industry standards. Such records shall include, without limitation, the analytical data required by the Specifications and this Agreement and all other information regarding the stability of the Drug Product as is reasonably necessary to support Corcept's regulatory filings with respect to the Drug Product. \*\*\*\* will retain any necessary stability and quality control samples. All such records shall be in a suitable format necessary to permit Corcept to prepare appropriate regulatory filings. \*\*\*\* shall provide Corcept with a copy of the records upon request.

4.2 Product Approval Efforts. \*\*\*\* shall use its best efforts to prepare and provide to Corcept, at Corcept's request, the Drug Product chemistry, manufacture, and control ("CMC") information in a mutually agreeable form for assembly of the CMC section of any Corcept IND or NDA for the Drug Product, or corresponding portions of any submission for a license, registration, authorization, or approval required by the FDA to use the Drug Product.

#### 4.3 Investigations and Complaints.

(a) Investigations. \*\*\*\* and its Subcontractors and Agents will cooperate with any unannounced visits, investigations, or inspections by Government entities, including without limitation FDA, and will provide documents, information, and access properly requested. \*\*\*\* will promptly notify Corcept of any regulatory inquiries, investigations, site visits (whether announced or unannounced), correspondence, or communications that relate,

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directly or indirectly, to the Drug Product and will permit reasonable and appropriate input and participation by Corcept.

(b) Complaints. The parties shall promptly notify one another and supply all relevant information needed for the investigation of customer complaints or other concerns with respect to the quality or performance of the Drug Product. The responsibility to reply to the complaint or concern will be with Corcept.

(c) Recalls. The decision to initiate a recall must be authorized in writing by Corcept. \*\*\*\* shall furnish Corcept with any relevant information requested by \*\*\*\* to enable such a decision.

4.4 Analytical Support. \*\*\*\* shall qualify its laboratories and provide analytical research, development, and documentation support in order to establish quality control methods for raw materials, in-process materials, Intermediates, the Drug Product, Placebo, cleaning, potency, impurities in Intermediates, the Drug Product, and Placebo, as required in the Specifications and applicable regulatory requirements of the FDA. Without limiting the provisions of Sections 4.1 and 4.2, \*\*\*\* shall maintain suitable written records to verify compliance with this Section 4.4.

4.5 Compliance with Law; Handling of Drug Substance. \*\*\*\* will perform all actions relating to this Agreement in compliance with all applicable laws, regulations, and policies of governmental entities, including without limitation those of the FDA. Without limitation, while the Drug Product is in its possession or under its control or that of its Subcontractors and Agents, \*\*\*\* shall be responsible for complying with all applicable statutory and regulatory requirements of the FDA regarding its development, handling, storage, labeling, packaging, transportation and distribution of such Drug Product. Without limitation, in carrying out its obligations under this Agreement, \*\*\*\* shall ensure compliance with all applicable environmental and health and safety laws in the United States by itself, its employees, agents, and subcontractors, and \*\*\*\* shall be solely responsible for determining how to carry out these obligations. In addition to the foregoing, at all times when \*\*\*\* has custody or control of any Drug Product or Drug Substance, it will take reasonable actions necessary to avoid spills and other safety concerns to persons, and damage to property, persons, or the environment resulting from the Drug Product, the Drug Substance, or any Intermediates or raw materials used in the development thereof.

4.6 Archives. At the completion of the Agreement by \*\*\*\*, all raw data including paper data will, at the direction of Corcept, be (i) retained in the archive of \*\*\*\* for a period of five (5) years or (ii) returned to Corcept at Corcept's expense, or (iii) destroyed. Provided, however, that, in any event, \*\*\*\* shall retain all raw data and records in full compliance with applicable requirements of the FDA.

4.7 Subcontracting. \*\*\*\* shall have the right to employ and utilize Subcontractors and Agents as are reasonably required by \*\*\*\* to discharge its obligations under this Agreement. \*\*\*\* shall ensure that all relevant obligations hereunder are appropriately communicated to and enforceable as to such individuals and entities. In any event, \*\*\*\* shall remain responsible for

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their own and for their Subcontractors and Agents compliance with all requirements of this Agreement.

#### 5. Intellectual Property Rights.

5.1 Corcept Rights. Corcept shall be the owner of any process developments, improvements, know-how, modifications, refinements, or inventions (whether patentable or not) that are developed, conceived, or reduced to practice by \*\*\*\* under this Agreement ("Improvements"). \*\*\*\* shall cooperate fully with Corcept in patenting and protecting such Improvements.

#### 6. Payment Terms.

6.1 Payment. \*\*\*\* agrees that it will perform each phase and item at the applicable prices set forth in this Agreement, and Corcept agrees to pay \*\*\*\* within thirty (30) days of receipt of an acceptable invoice, in compliance with this Agreement.

6.2 Amounts. Notwithstanding anything to the contrary in the Proposal, Corcept shall pay \*\*\*\* a total of \$140,045 payable as follows:

(a) 50% upon initiation of performance under the Agreement;

(b) 50% upon satisfactory completion of all activities under the Agreement.

#### 7. Representations and Warranties.

7.1 Corcept's Representations and Warranties. Corcept warrants, represents and covenants to \*\*\*\* as follows:

(a) Corcept has the full right and authority to enter into this Agreement, and that it has no impediment that would inhibit its ability to perform fully its obligations under this Agreement.

(b) The Drug Product, if labeled and formulated in accordance with this Agreement and the Specifications under conditions meeting applicable cGMP requirements, may be lawfully distributed for the Clinical Trial contemplated by this Agreement.

7.2 \*\*\*\*'s Representations and Warranties. \*\*\*\* warrants, represents and covenants to Corcept as follows:

(a) \*\*\*\* has the full right and authority to enter into this Agreement, and that it has no impediment that would inhibit its ability to perform fully its obligations under this Agreement.

(b) \*\*\*\* represents that as of the Effective Date, its directors and officers are not aware of (a) any Patent Rights, trade secrets and other intellectual property to be used in connection with and material to its performance under this Agreement that are not owned or licensed by it (with the right to grant licenses or sublicenses of the same) for the uses



contemplated by this Agreement, except to the extent that such use is based upon patents, trademarks and other intellectual property furnished by the other Party; (b) any notice of infringement or misappropriation of any alleged rights asserted by any Third Party in relation to any Patent Rights or Technology, or the subjects of such Patent Rights or Technology, to be used by it in connection with and material to its performance under this Agreement; (c) any default by it with respect to any license agreement related to its Patent Rights or Technology to be used by it in connection with and material to its performance under this Agreement; and (d) any patent, trade secret or other right of any Third Party which could materially and adversely affect its ability to carry out its responsibilities under this Agreement or the other Party's ability to exercise or exploit any right granted to it under this Agreement.

(c) \*\*\*\*'s facilities and those of its Subcontractors and Agents used in production or packaging of the Drug Product are and at all times relevant to this Agreement will be in material compliance with the applicable requirements of the FDA, and there are and have been no pending citations or adverse conditions noted in any inspection of these facilities which would cause the Drug Product or Placebo to be misbranded or adulterated within the meaning of the law, regulation, or policy of the FDA. \*\*\*\* and its Subcontractors and Agents will perform all actions relating to this Agreement in compliance with all applicable laws, regulations, and FDA policies. This provision will apply throughout the term of this Agreement.

(d) The Drug Product and Placebo will meet and be produced from packaging components and raw material ingredients that meet all of the requirements of the Specifications and this Agreement, are suitable for the uses intended, and are purchased from appropriate sources.

(e) The Drug Product and Placebo will be manufactured, formulated, and packaged in accordance with the Specifications and this Agreement.

(f) Appropriate quality control of the Drug Product and the materials used in their preparation and packaging will be conducted to ensure that the same comply with the Specifications, this Agreement, and all applicable laws, regulations, and requirements of the FDA.

(g) \*\*\*\* will maintain and retain samples and manufacturing records for each batch or lot of Drug Product produced for Corcept for the period required by the FDA, but in any event, for a period of five (5) years from the date of manufacture.

(h) The execution and performance of this Agreement do not and will not breach or cause a default under any agreement, mortgage, pledge or other instrument to which \*\*\*\* is a party.

## 8. Indemnification and Insurance.

8.1 Indemnification by \*\*\*\*. Except as provided in Section 8.2 below, \*\*\*\* shall indemnify, defend, protect and hold harmless Corcept and its affiliates and their respective officers, directors, employees, agents, and customers ("Corcept Indemnified Parties"), from and against any and all claims, demands, actions, suits, causes of action, damages and expenses ("Claims") (including, without limitation, the cost of investigation, settlement, litigation and

attorneys' fees incurred in connection therewith and including those relating to any recall) that are hereafter made, sustained or brought against the Corcept Indemnified Parties and that are caused or contributed to by any \*\*\*\* Indemnified Party's: (a) failure to manufacture and/or package the Drug Product or Placebo in accordance with its Specifications, Master Batch Records, cGMPs, or this Agreement; or (b) failure to maintain and/or operate any Drug Product manufacturing facility utilized under this Agreement in accordance with any applicable law, regulation or FDA requirement or policy; (c) any material breach of any of \*\*\*\*'s representations, warranties, covenants or other provisions of this Agreement; or (d) any negligent or reckless conduct, or

willful malfeasance of any \*\*\*\* Indemnified Parties, or any other person on a \*\*\*\* Indemnified Party's property or under its control, exclusive of Corcept's employees.

8.2 Indemnification by Corcept. Corcept shall indemnify, defend, protect and hold harmless \*\*\*\* and its affiliates and their respective officers, directors, employees, Subcontractors and Agents ("\*\*\*\* Indemnified Parties") harmless from and against any and all Claims (including, without limitation, the cost of investigation, settlement, litigation and attorney's fees in connection therewith), that are caused by the Study Drug and not covered by insurance under paragraph 8.4, other than those Claims for which \*\*\*\* is expressly made liable under Section 8.1.

8.3 Indemnification Conditions. As a condition to obtaining the indemnifications set forth in 8.1 and 8.2, a party seeking indemnification must notify the other party promptly of any Claims for which indemnification under this Agreement might be sought and must cooperate in the investigation and defense of that Claim.

Corcept shall have the right but not the obligation to retain sole control over the investigation, defense, and settlement of all Claims arising, directly or indirectly, out of this Agreement, the Program, or the Drug Product (except Claims between the parties). If Corcept exercises such right, all cost and expenses incurred shall be fully borne by Corcept.

In the event a Claim is asserted against \*\*\*\*, it shall have the right but not the obligation to select and obtain representation by separate legal counsel. If \*\*\*\* exercises such right, all costs and expenses incurred for such separate counsel shall be fully borne by \*\*\*\* (notwithstanding paragraph 8.2); provided that, without Corcept's prior written consent, \*\*\*\* shall make no admission to, or any settlement or agreement with, any person or party who is in any manner related to the Claims for which indemnification may be sought.

8.4 Insurance. \*\*\*\* warrants that it maintains a policy or program of insurance or self-insurance at levels it believes are reasonably sufficient to support the indemnification obligations assumed in this Agreement. Upon request by Corcept, \*\*\*\* shall provide evidence of its insurance and will provide to Corcept thirty days prior written notice of any cancellation of its coverage.

(a) Term; Termination. Either party may terminate this Agreement at any time if the other party fails to perform any material obligation, covenant, term, representation, or warranty under this Agreement, provided that the other party shall not have remedied its failure within 14 days after receipt of written notice of such failure.

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8.5 Termination by \*\*\*\*. \*\*\*\* may terminate this Agreement at any time if Corcept fails to perform any material obligation, covenant, term, condition, representation, warranty, or limitation herein, provided Corcept shall not have remedied its failure within 14 days after receipt of written notice from \*\*\*\* of such failure.

8.6 Effect of Termination or Expiration. Any rights or obligations which by their nature are intended to survive termination or expiration of this Agreement shall survive such termination or expiration, including, but not limited to, the provisions of Articles 3, 4, 7, and 8.

9. Facility Location and Good Faith Negotiations re Future Supplies.

9.1 Facility Location. All Drug Product under this Agreement shall be manufactured at \*\*\*\*'s Current Facility.

9.2 Good Faith Negotiations. Upon satisfactory completion of this Agreement, as well as the Clinical Trial, Corcept may require additional Drug Product for use in later registration and commercial sales. Corcept and \*\*\*\* agree to negotiate in good faith regarding \*\*\*\* providing that Drug Product, to be produced at the Current Facility. Such further Drug Production may only occur at a location other than the Current Facility with the written approval of Corcept, which approval may be withheld at Corcept's sole discretion, with or without cause. The good faith negotiations shall include the potential of Corcept's agreeing to fund the construction of a dedicated production facility

for \*\*\*\* to use in Drug Production for Corcept, not to exceed a total cost of \*\*\*\* for manufacturing batch size no more than \*\*\*\* per batch.

10. Miscellaneous.

10.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to conflicts of laws provisions.

10.2 Assignment. Except as otherwise provided herein, neither this Agreement nor any interest hereunder will be assignable in whole or in part by a party without the prior written consent of the other party, which consent shall be unreasonably withheld nor delayed.

10.3 Notices. All notices required or permitted to be given under this Agreement shall be in writing and shall be mailed by registered or certified mail or couriered by an overnight courier, addressed to the signatory to whom such notice is required or permitted to be given or transmitted by facsimile to the number indicated below. All notices shall be deemed to have been given in the case of mailing on the fifth (5th) day following the date of mailing, as postmarked at the point of mailing, or in the case of delivery by courier on the date of delivery, and in the case of facsimile transmission on the first day following the date of transmission.

All notices to Corcept shall be addressed as follows:

Corcept Therapeutics, Inc.  
275 Middlefield Road  
Menlo Park, CA 94025  
USA  
Facsimile: 650-234-4298  
Attention: Dr. Joseph Belanoff

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With a copy to:

Heller Ehrman White McAuliffe  
275 Middlefield Road  
Menlo Park, CA 94025  
Facsimile: 650-324-0638  
Attention: Sarah O'Dowd, Esq.

All notices to \*\*\*\* shall be addressed as follows:

\*\*\*\*  
Facsimile: \*\*\*\*  
Attention: \*\*\*\*

10.4 Amendment. No amendment, modification or waiver of any terms or conditions hereof shall be effective unless made in writing and signed by a duly authorized officer of each party.

10.5 Disclaimer of Agency. Neither party is, or will be deemed to be, the legal representative or agent of the other, nor shall either party have the right or authority to assume, create, or incur any third party liability or obligation of any kind, express or implied, against or in the name of or on behalf of another except as expressly set forth in this Agreement.

10.6 Force majeure. In the event \*\*\*\* or Corcept shall be delayed or hindered in or prevented from the performance of any act required hereunder by reasons of strike, lockouts, labor troubles, inability to procure materials, failure of power or restrictive government or judicial orders, or decrees, riots, insurrection, war, Acts of God, inclement weather or any other reason or cause beyond \*\*\*\*'s or Corcept's control, performance of such act shall be excused for the period of the delay.

10.7 Non-Waiver. The failure of a party in any one or more instances to insist upon strict performance of any of the terms and conditions of this Agreement shall not constitute a waiver or relinquishment, to any extent, of the right to assert or rely upon any such terms or conditions on any future occasion.

10.8 Severability. If a court of competent jurisdiction declares any provision of this Agreement invalid or unenforceable, or if any government or

other agency having jurisdiction over either \*\*\*\* or Corcept deems any provision to be contrary to any laws, then that provision shall be severed and the remainder of the Agreement shall continue in full force and effect. To the extent possible, the parties shall revise such invalidated provision in a manner that will render such provision valid without impairing the parties' original intent.

10.9 Entire Agreement. This Agreement (including all exhibits hereto) embodies the entire, final and complete agreement and understanding between the parties and replaces and supersedes all prior discussions and agreements between them with respect to its subject matter.

10.10 Headings. The headings contained in this Agreement are inserted for reference only and shall not be deemed a part of the text hereof.

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10.11 Counterparts. This Agreement may be executed in multiple counterparts (which may be delivered by facsimile), each of which shall be an original and all of which shall constitute together the same document.

We apologize for the necessary formality of this letter agreement. We look forward to working with you as described above

Sincerely,

/s/ Joseph K. Belanoff  
Joseph K. Belanoff, M.D.  
Corcept Therapeutics, Inc.

ACCEPTED AND AGREED:

\*\*\*\*

By: /s/ \*\*\*\*

Title: Chief Operating Officer

Printed Name: \*\*\*\*

Date Signed: Feb. 1, 2001

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CORCEPT THERAPEUTICS INCORPORATED

PROMISSORY NOTE AND PLEDGE AGREEMENT

This Note contains an acceleration clause

-----

Date: December 4, 2001

Menlo Park, California

Principal Amount: \$56,175.00  
-----

Borrower: Sarah A. O'Dowd  
-----

Borrower's Spouse:  
-----

Borrower's Residence:  
-----  
-----

1. Promise to pay.

For value received, Borrower (jointly and severally with Borrower's Spouse, if applicable) promises to pay to Corcept Therapeutics Incorporated, a Delaware corporation (the "Company"), or the holder hereof, at the offices of the Company at 275 Middlefield Road, Suite A, Menlo Park, California 94025, or at such other place as the Company or such holder may designate in writing, the Principal Amount shown above, together with unpaid and accrued interest, pursuant to the terms and provisions of this Promissory Note and Pledge Agreement made and entered into as of the Date shown above (the "Promissory Note").

2. Interest.

Interest shall accrue during the term of this Promissory Note at the rate of 6.50% per annum, compounded monthly and payable in arrears.

3. Term and Payment.

The outstanding principal together with all accrued interest shall be due and payable in full upon the earlier of (i) December 4, 2011, (ii) the date of termination of Borrower's status as an employee, director or consultant of the Company, or (iii) the date on which the Shares described in paragraph 5 are sold.

4. Prepayment; acceleration.

4.1 Prepayment of principal, or any portion thereof, together with all unpaid and accrued interest thereon, may be made at any time without penalty. Payments shall be applied first to accrued interest and then to principal.

4.2 If Borrower desires to sell some but not all of the Shares described in paragraph 5, below, then as a condition to the Company's consent to such sale Borrower shall pay to Company an amount of principal in the same proportion to the Principal Amount as the shares sold are to the total Shares, plus all interest accrued to the date of the sale.

4.3 Notwithstanding any provision set forth above, the entire unpaid principal sum of this Promissory Note, together with all unpaid and accrued interest thereon, shall become immediately due and payable upon the occurrence of the following:

(a) termination of Borrower's status as and employee, director or consultant of the Company;

(b) the commission of any act of bankruptcy by Borrower, the execution by Borrower of a general assignment for the benefit of creditors, the filing by or against Borrower of any petition in bankruptcy or any petition for relief under the provisions of the Federal Bankruptcy Act or any other state or federal law for the relief of debtors and the continuation of such petition without dismissal for a period of twenty (20) days or more, the appointment of a receiver or trustee to take possession of any property or assets of Borrower, or the attachment of or execution against any property or assets of Borrower; or

(c) any default of Borrower's obligations under this Promissory Note, including the failure to pay when due the amounts payable hereunder.

5. Pledge and Escrow of Shares.

As security for Borrower's obligations under the Promissory Note, Borrower hereby pledges to the Company and delivers in escrow to the Secretary of the Company (the "Escrow Holder"), in a form transferable for delivery, 75,000 shares of Common Stock of the Company (the "Shares"), and such additional property received or distributed in respect of the Shares (the Shares and such additional property are collectively referred to as the "Pledged Collateral"). The certificate representing the Shares shall be accompanied by a duly executed Assignment Separate From Certificate in the from attached hereto as Exhibit A.

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6. Additional Security.

As additional security for the obligations of Borrower (and Borrower's Spouse, if applicable) to repay the Principal Amount and accrued interest, Borrower shall deliver to Company a deed of trust, in form reasonably acceptable to the Company, to real property owned by Borrower having an assessed value in excess of the Principal Amount (the

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"Additional Security"). Borrower shall assist Company in every reasonable way to record and perfect the security interest transferred.

7. Rights in Pledged Shares.

So long as there shall exist no condition, event or act which, with notice and lapse of time, would constitute a breach, default or an event of default of or under, the Promissory Note, Borrower shall be entitled to exercise the voting power with respect to the Shares.

8. Termination of Pledge and Escrow.

Upon payment in full of the Promissory Note, the Borrower shall be entitled to the return of the Pledged Collateral and cancellation of the deed of trust on the Additional Security.

9. Successor and Assigns.

This Promissory Note shall be binding upon and inure to the benefit of the Company and its successors and assigns.

10. Attorneys' Fees.

In the event of any action to enforce payment of this Promissory Note, in addition to all other relief, the prevailing party in such action shall be entitled to its reasonable attorneys' fees and expenses.

11. Governing Law.

This Promissory Note shall be construed in accordance with the laws of the State of California as applied to agreements among California residents entered into and to be performed entirely within California.

12. Amendment.

This Promissory Note shall be amended only with the written consent of both the Company and Borrower.

13. Waivers.

Borrower hereby waives presentment, protest, demand, notice of dishonor, and all other notices, and all defenses and pleas on the grounds of any extension or extensions of the time of payments or the due dates of this Promissory Note, in whole or in part, before or after maturity, with or without notice. No renewal or extension of this Promissory Note, no release or surrender of any collateral given as security for this Promissory Note, and no delay in enforcement of this Promissory Note or in exercising any right or power hereunder, shall affect the liability of Borrower.

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14. Signatures.

The Borrower (and Borrower's Spouse, if applicable) have executed this Promissory Note as of the date first above written, intending to be legally bound.

/s/ Sarah A. O'Dowd  
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Sarah A. O'Dowd ("Borrower")

/s/ Christopher P. Saari  
-----  
Borrower's Spouse

ACCEPTED AND ACKNOWLEDGED:

Corcept Therapeutics Incorporated

By: /s/ Robert L. Roe  
-----  
Printed name: Robert L. Roe  
-----  
Title: President  
-----  
Date: 12/4/01  
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EXHIBIT A

to

Promissory Note and Pledge Agreement

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED, Sarah A. O'Dowd hereby sells, assigns and transfers  
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75,000 shares of Common Stock of Corcept Therapeutics Incorporated (the  
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"Company"), standing in the name of Sarah A. O'Dowd on the books of said  
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corporation represented by Certificate No. \_\_\_\_\_, and does hereby irrevocably  
constitute and appoint the Corporate Secretary of the Company to transfer the  
said stock on the books of the within named Company with full power of  
substitution in the premises to the following:

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Dated: \_\_\_\_\_

/s/ Sarah A. O'Dowd

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Sarah A. O'Dowd



CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated January 22, 2002 (except for the last paragraph of Note 9, as to which the date is January , 2002), in Amendment No. 1 to the Registration Statement (Form S-1) and related Prospectus of Corcept Therapeutics Incorporated for the registration of 5,175,000 shares of its common stock.

/s/ ERNST & YOUNG LLP

Palo Alto, California

January 25, 2002