CHRONOLOGY

January 11, 1991	RBL advised Mr. Hubbard and Mr. Spencer that it would cease performing blood testing services under its April 2, 1990 contract with Sandoz within 90 days, subject to patient safety concerns. (Tab 1)
January 11, 1991	RBL sent a letter to Sandoz terminating the contract to provide testing services to Sandoz effective no later than 90 days hence. (Tab 2)
January 15, 1991	RBL informed Caremark by telephone that it had terminated the contract with Sandoz and talked of coordination of an orderly plan for transition.
January 15, 1991	RBL confirmed by telephone with Sandoz that they had received the termination letter. RBL urged a meeting to discuss an orderly transition.
January 22, 1991	RBL telephoned Sandoz to determine if a plan for transition had been finalized in accord with the RBL termination notice. Sandoz told RBL that they were still working on the plan.
January 25, 1991	RBL telephoned Sandoz and asked how transition plans were proceeding. Sandoz told RBL that plans for a new distribution system would be completed by end of February.
February 4, 1991	Telephone conversation in which Sandoz advised RBL to expect a letter from its General Counsel, responding to the termination notice. RBL reiterated that it intended to withdraw from the contract as stated in its 1/11/91 termination letter.

February 4, 1991	Sandoz's General Counsel responded to the January 11 RBL letter, asserting that RBL would be in breach of contract if it stopped testing and stating that more than 90 days would be needed to establish a phase-out of service -- "up to nine months" was said to be needed. (Tab 3)
February 7, 1991	Telephone call between Sandoz and RBL personnel, further advising RBL personnel of the February 4 letter, describing Sandoz's plans to unbundle and noting the letter's request for an extension of the 90 day transition period. RBL told Sandoz that any extension beyond April 11, 1991 would have to be cleared via RBL lawyers.
February 8, 1991	RBL telecopied reply to February 4 letter and demanded an immediate meeting. (Tab 4)
February 8, 1991	Sandoz responded to RBL's telecopy agreeing to a meeting, but suggesting other dates. (Tab 5) RBL's response is attached at Tab 6.
February 14, 1991	Meeting with Sandoz at its offices in East Hanover, New Jersey. RBL pressed for details as to why patient safety concerns would not permit termination within 90 days. Sandoz presented an outline of its new distribution system and asked for an 180-day extension to the contract termination. Sandoz asserted that (i) RBL did not have the right to terminate the contract because there had been no breach by Sandoz and (ii) requiring Sandoz to shift to new labs immediately would slow down its plans for unbundling, which it asserted were well underway. Sandoz said that health risks were created when RBL sold its western facilities to MetPath.

	Sandoz implied it might simply ship samples to RBL until the transition to a new distribution system is complete, leaving it up to RBL to test the blood or to reject specimens and thereby risk patient safety.
February 22, 1991	Telephone conversations between RBL and Sandoz personnel. RBL pressed for specifics as to how patient safety would be compromised if the transition took place within 90 days. Sandoz made the following points: (i) Sandoz had completed the formulation of an unbundling plan (which Sandoz says is acceptable to FTC), (ii) notice to Clozaril customers of the new plan was to be delivered on February 28, 1991, (iii) pharmacists and hospitals would be asked to register for the new plan in March, (iv) Sandoz did not want to enter into new contracts for blood testing during short interim period and (v) transition from the CPMS program would not be completed within the 90-day period.
February 28, 1991	Public announcement of new Sandoz distribution system which unbundles blood testing services.
March 5, 1991	Sandoz letter, again asserting a need for more time for reasons of patient safety, but now indicating that transition to unbundled blood testing system can be accomplished by the end of May. Sandoz noted that requiring it to find another lab would delay unbundling. (Tab 7)

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(303) 863-1000

MICHAEL N. SOHN
DIRECT LINE: 202: 872-6014

January 11, 1991

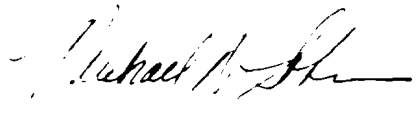
James P. Spencer, Esq.
Special Assistant Attorney General
Antitrust Division
200 Ford Building
117 University Avenue
St. Paul, Minnesota 55155

Dear Mr. Spencer:

My client, Roche Biomedical Laboratories, Inc. ("RBL"), has authorized me to advise you that it intends to cease performing blood testing services under its April 2, 1990 Agreement for Laboratory Testing Services ("the Agreement") with Sandoz Pharmaceuticals Corporation ("Sandoz"), subject to ensuring that appropriate steps are taken during a transitional period to protect Clozaril patients.

RBL has today confirmed to Sandoz that it is free immediately to deal with other testing laboratories, notwithstanding article 10(a) of the Agreement. Because patient safety is of utmost importance to RBL, it is essential that patient monitoring continue uninterrupted, notwithstanding RBL's decision to terminate the Agreement. To provide a reasonable time for Sandoz to make new arrangements, RBL intends that complete termination of testing services under the Agreement shall be effective 90 days from the date hereof or at the end of such longer period as you may agree to with Sandoz as to the unbundling of the CPMS system. If, contrary to our expectation, patient safety requires that RBL provide such testing services to Sandoz beyond the 90 day period, we will so advise you.

Very truly yours,



Michael N. Sohn
Counsel for Roche Biomedical Laboratories, Inc.

cc: Robert Hubbard, Esquire

Roche Biomedical Laboratories

ROCHE a subsidiary of Hoffmann-La Roche Inc.

Roche Biomedical Laboratories, Inc.
231 Maple Avenue
Burlington North Carolina 27215 5448

Bradford T. Smith
Division Counsel
919 584 5171

Certified Mail, Return Receipt Requested
(Copy Via Facsimile)

January 11, 1991

Sandoz Pharmaceuticals Corporation
59 Route 10
East Hanover, New Jersey 07936

Attention of Mr. Gary Harmon

Re: Notice of Termination of Agreement for Laboratory Testing Services

Dear Mr. Harmon:

As you know, in response to public discussions of the CPMS system for Clozaril patients, Sandoz has made repeated public statements that it intends to change its distribution of Clozaril in ways that are inconsistent with the Agreement between our two companies. RBL has no desire to interfere with the announced changes. To this end, we are giving this written notice of termination of the Agreement for Laboratory Testing Services between Sandoz Pharmaceuticals Corporation ("Sandoz") and Roche Biomedical Laboratories, Inc. ("RBL") pursuant to Article 12 of that document. Our giving notice makes clear that Sandoz is free, notwithstanding Article 10(a) of the Agreement, to deal with other testing laboratories.

Grounds for termination of the Agreement, in addition to Sandoz's public repudiation of the Agreement, include breach of Article 8. h. in that Sandoz has failed to "insure that all aspects of the CPMS program comply with applicable... federal...laws", including in particular Sandoz's failure to insure that the payment provisions of the Agreement are in compliance with laws and regulations relating to Medicaid reimbursement for clinical laboratory testing and related services. Such failure entitles RBL to terminate immediately for cause under Article 12.2 of the Agreement.

RBL is further entitled to terminate under Article 12.4 if it "reasonably determines that any provision" of the contract "may violate any statute, law, or regulation...". The legality of Sandoz's CPMS system under federal and state antitrust laws has been called into question by a congressional committee, by an ongoing FTC investigation and by numerous state law enforcement officials. As to the date of this letter, the attorneys general of twenty-three states have sued Sandoz in federal court in New York, alleging among other things that the CPMS is unlawful and asking that the Court "void Sandoz's laboratory contract dated April 2, 1990." (Prayer for Relief E at p. 22 of the suit brought by the State of New York). Although we do not believe RBL has committed any antitrust violations, these developments provide ample basis for a determination that the contract "may" be unlawful.

While we are terminating the Agreement, RBL is concerned that patient health be protected. RBL stands ready to work with Sandoz to provide laboratory testing services during a transition period as necessary to protect the health of patients. We believe that this transition can be accomplished within 90 days or sooner. Please contact Mr. Philip Hamwi, Senior Vice President-Clinical Trials, as soon as possible to discuss arrangements to protect patient welfare during the transition period.

Very truly yours,

Bradford T. Smith
Division Counsel

BTS:rlw

cc: Sandoz Pharmaceuticals Corporation
Patent and Trademark Department

Herbert Brennan, Esq.

letters/sandoz

SANDOZ PHARMACEUTICALS CORPORATION
59 ROUTE 10, EAST HANOVER, NEW JERSEY 07936-1080

SANDOZ

HERBERT J. BRENNAN
VICE PRESIDENT, LEGAL AFFAIRS
SECRETARY AND GENERAL COUNSEL

TEL. 201 503 7603
FAX 201 503 6477

February 4, 1991

Bradford T. Smith, Esq.
Law Department
Roche Biomedical Laboratories, Inc.
231 Maple Avenue
Burlington, North Carolina 27215-5848

Re: Agreement for Laboratory Testing Services, dated April 2, 1990 ("The Agreement")

Dear Mr. Smith:

This is in reply to your letter of January 11 to Gary Harmon. Mr. Harmon is no longer with Sandoz, and the letter was forwarded to my office.

While Sandoz will attempt to arrive at an amicable early termination of the Agreement if an adequate transition period can be arranged, Roche certainly has no grounds whatsoever to terminate "for cause" under Article 12.

First, only an absolute and unequivocal renunciation of a contract will suffice to support an allegation of anticipatory breach or repudiation, your first argument for termination. Nothing Sandoz has said, publicly or privately, concerning modifications to the current distribution program for Clozaril® even remotely approaches such a "renunciation."

Second, Sandoz has done nothing that would constitute a breach of Article 8.h. of the Agreement, your next argument for termination (under Article 12.2). In fact, it is ironic that Roche should lay at Sandoz' doorstep any complaints about Medicaid reimbursement or HCFA regulations, since it was Sandoz that vigorously and repeatedly urged Roche to provide HCFA with the necessary documentation to facilitate an early resolution of any questions as to billing procedures, and went to considerable lengths (Denis Grady in particular) to provide effective advocacy of Roche's interests before HCFA. Clearly,

it was Roche that continued to delay such resolution. Nevertheless, even assuming arguendo that the payment provisions of the Agreement did fail to comply in some way with HCFA regulations as to laboratory services, Article 8.h. specifically disclaims any Sandoz responsibility for assuring compliance with such laws or regulations.

Further, the mere pendency of litigation, or even litigation, itself, concerning CPMS, or a request by certain states' attorneys general that the Agreement in question be "voided," certainly does not constitute justification to deem the contract unlawful pursuant to Article 12.4, your final argument for termination "for cause." Nothing has changed since April 2, 1990 with respect to the Agreement itself or the laws and regulations applicable to its performance that would now give rise to a charge of impossibility by operation of law. The possibility that some outside parties might later question the entire CPMS program, with its related contracts, was always anticipated ab initio by all parties at the time the contracts were signed and, for that very reason, a written opinion was obtained from outside counsel as to the legality of the program. No material change in circumstances has occurred since then, nor has any unforeseen event taken place, that would make performance impossible. The fact that Roche agreed with the attorneys general to abrogate its obligations to Sandoz in order to avoid litigation certainly cannot even approach legal justification for termination of the Agreement.

While Roche has no grounds to terminate the Agreement for cause, we will to work with you to effect an early termination, so long as patient safety is protected by means of an appropriate period of transition. The ninety (90) day period you propose is not sufficient to assure that patient safety will not be compromised. Changes in laboratory services are not easily made, and, in fact, service interruptions have already occurred under the present contract when Roche sold its West Coast operations and had to make other arrangements. We cannot agree to subject Clozaril patients to that risk and so will need up to nine months to effect the orderly transition of all current CPMS patients to other laboratory service providers.

We look forward to the attaining of our hopefully mutual goal to begin making the necessary arrangements, without prejudice to our expressed legal position.

Very truly yours,

Herbert J. Brennan

HJB:vpo

cc: I. Lerner
President & CEO
Hoffmann LaRoche

J. F. Rejeange
President & CEO
Sandoz Pharmaceuticals Corp.

H. F. Boardman, Esq.
Vice President, Secretary
and General Counsel
Hoffmann LaRoche

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a subsidiary of Hoffmann-La Roche Inc.

Roche Biomedical Laboratories, Inc
231 Maple Avenue
Burlington North Carolina 27215 5848

Bradford T. Smith
Division Counsel
(919) 584 5171

VIA TELECOPY

February 8, 1991

Herbert J. Brennan, Esquire
Vice President, Legal Affairs,
Secretary and General Counsel
Sandoz Pharmaceuticals Corporation
59 Route 10
East Hanover, New Jersey 07936-1080

Re: Agreement for Laboratory Testing Services dated April 2, 1990 ("the Agreement")

Dear Mr. Brennan:

We disagree with the legal points set out in your letter of February 4 (which we received yesterday) and with the factual assertion that it will take up to nine months to phase out RBL's services to Sandoz. We believe that, given good faith efforts by all parties, new blood testing procedures can be put into place within 90 days without endangering patient health or quality of treatment. That is the period contemplated by our contract under paragraph 12.4. Indeed, less than 90 days was needed when RBL sold its western operations and responsibility for Clozaril blood testing in that section of the country was transferred to others. We see no greater obstacles in effecting a transition here.

We want to work with you to effect such an orderly transition, protecting patient interests. An immediate meeting is in order. Mr. Boardman and I stand ready to meet with you at your offices on Monday afternoon or Tuesday morning, February 11 and 12. Please advise immediately which time is better for you.

Very truly yours,

Bradford T. Smith
Division Counsel

BTS:rlw

cc: H.F. Boardman
Vice President and [illegible] Counsel

SANDOZ PHARMACEUTICALS CORPORATION
59 ROUTE 10, EAST HANOVER, NEW JERSEY 07936-1080

SANDOZ

HERBERT J. BRENNAN
VICE PRESIDENT, LEGAL AFFAIRS
SECRETARY AND GENERAL COUNSEL

TEL 201 503 7603
FAX 201 503 6477

February 8, 1991 **VIA FACSIMILE**

Bradford T. Smith, Esq.
Law Department
Roche Biomedical Laboratories, Inc.
231 Maple Avenue
Burlington, North Carolina 27215-5848

Re: Agreement for Laboratory Testing Services, dated April 2, 1990 ("The Agreement")

Dear Mr. Smith:

Thank you for your letter of February 8 which arrived via fax today. While I agree that an immediate meeting is in order, the participants should be from the scientific disciplines of both companies. I certainly do not feel competent to provide meaningful input in scientific and medical matters. In that regard, Mr. Philip Spurr, who is not available this afternoon, will contact Mr. Philip Hamwi at Roche as soon as possible to arrange a meeting.

In any event, I would be pleased to meet with Mr. Boardman and you after the scientific people make their recommendations.

Yours very truly,

Herbert J. Brennan

HJB:vpo

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231 Maple Avenue
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Bradford T. Smith
Division Counsel
(919) 584-5171

VIA TELECOPY

February 8, 1991

Herbert J. Brennan, Esquire
Vice President, Legal Affairs,
Secretary and General Counsel
Sandoz Pharmaceuticals Corporation
59 Route 10
East Hanover, New Jersey 07936-1080

Re: Agreement for Laboratory Testing Services dated April 2, 1990 ("the Agreement")

Dear Mr. Brennan:

Thank you for your response to my letter faxed to you earlier today and your agreement to set up an immediate meeting. Although we agree that appropriate business and other personnel should be involved in the meeting, we feel that one meeting with both the lawyers and the other representatives from Sandoz and Roche would be more likely to expedite the transition of testing services.

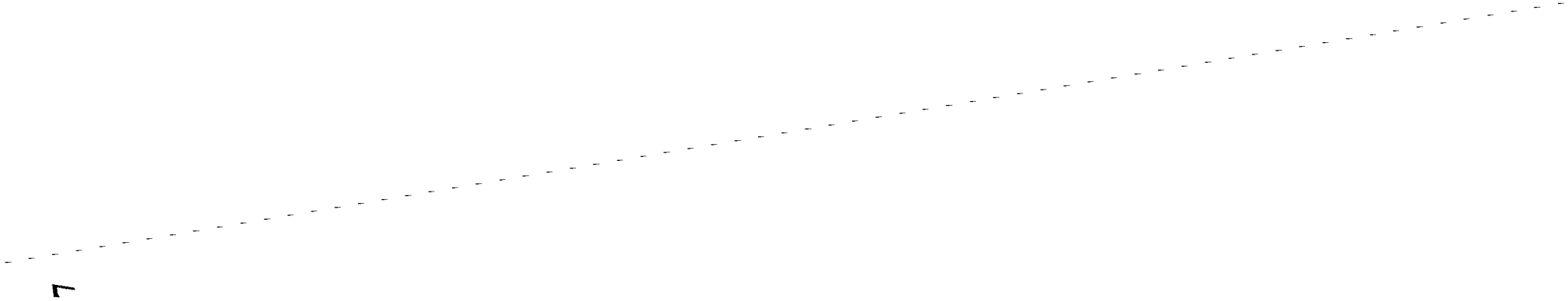
We look forward to hearing from Mr. Spurr on Monday morning and we hope that he will be able to schedule the one meeting referred to above as soon as possible.

Very truly yours,

Bradford T. Smith
Division Counsel

BTS:rlw

cc: H.F. Boardman
Vice President and General Counsel



SANDOZ PHARMACEUTICALS CORPORATION

SANDOZ PHARMACEUTICALS

Route 10
East Hanover, New Jersey 07936
201-503-7500

3/5/91

Phil Hamwi
Senior Vice President, Operations
Roche Bio-Medical Laboratories
340 Kingsland Street
Nutley, NJ 07110-1199

Dear Phil:

As you are well aware, Sandoz is in the process of revising the way in which CLOZARIL is dispensed, to increase patient access. A description of system requirements has gone out to current CLOZARIL prescribers already, and it is anticipated that the transition of patients from CPMS will begin in late March. By the end of May, this transition process should be completed, and all current patients will no longer be on CPMS. It is our desire to make this transition process as smooth as possible for both patients and health care providers.

Towards this end, the 90 day termination of the Roche CPMS contract requested from the date of the January 11th letter would be very disruptive. An end-date of April 11th, which a 90-day pull-out would necessitate, would leave us with an immediate need to find alternative laboratory providers. This would surely slow the transition process out of CPMS and potentially cause patient and provider concern about maintaining a safe CLOZARIL delivery system

By April 11th, the transition will be underway, and Sandoz' desire to change its way of doing business will be obvious to those who have been opposed to CPMS. It is hoped that all concerned will realize that the best solution would be to aid in a smooth transition of all current patients. Thus, Sandoz feels it is in the best interests of all concerned to continue the Roche CPMS contract until all CLOZARIL patients have been converted to new systems.

Sincerely,

Bennett Hirsch

Bennett Hirsch

cc:
M. Davidson
G. Honigfeld
B. Rosengren
P. Spurr
G. Dell (Roche)
B. Smith (Roche)