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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-36080

Ophthotech Corporation
(Exact name of registrant as specified in its charter)

Delaware	**20-8185347**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
One Penn Plaza, 19th Floor **New York, NY**	**10119**
(Address of principal executive offices)	(Zip Code)

(212) 845-8200
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of July 31, 2015 there were 34,741,767 shares of Common Stock, $0.001 par value per share, outstanding.

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PART II—OTHER INFORMATION

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward-looking statements. The words “anticipate,” “believe,” “goals,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “predict,” “project,” “target,” “potential,” “will,” “would,” “could,” “should,” “continue” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

The forward-looking statements in this Quarterly Report on Form 10-Q include, among other things, statements about:

- the timing, costs, conduct and outcome of our Phase 3 clinical trials of Fovista® (pegpleranib) and other clinical trials of Fovista, in each case administered in combination with anti-VEGF therapy for the treatment of wet age-related macular degeneration, or AMD, including statements regarding the timing of completion of enrollment in the studies, the timing and the availability of, and the costs to obtain, initial top-line results from, and the completion of such trials and the timing of regulatory filings;
- the timing, costs, conduct and outcome of our planned trials for Zimura® for the treatment of patients with geographic atrophy, a form of dry AMD and, in combination with anti-VEGF therapy, for the treatment of certain forms of wet AMD, including statements regarding the timing of the initiation of, and the costs to obtain and timing of receipt of initial results from, and the completion of related clinical trials;
- the timing, costs, conduct and outcome of our planned pre-clinical work for an ophthalmic formulation of tivozanib, including statements regarding the timing of the initiation of, and the costs to obtain and timing of receipt of results from, such work;
- the timing of and our ability to obtain marketing approval of Fovista, Zimura and other product candidates we may develop, and the ability of Fovista, Zimura and other product candidates we may develop to meet existing or future regulatory standards;
- our ability to maintain a productive collaborative relationship with Novartis Pharma AG, including our ability to achieve remaining potential milestone payments under our agreement;
- the potential advantages of Fovista and Zimura;
- the rate and degree of potential market acceptance and clinical utility of Fovista and Zimura;
- our estimates regarding the potential market opportunity for Fovista and Zimura;
- the potential receipt of revenues from future sales of Fovista and Zimura;
- our sales, marketing and distribution capabilities and strategy;
- our ability to establish and maintain arrangements for manufacture of Fovista, Zimura and other product candidates we may develop;
- our ability to in-license or acquire complementary products, product candidates or technologies;
- our intellectual property position;
- our expectations related to our use of available cash;
- our estimates regarding expenses, future revenues, capital requirements and needs for additional financing;
- the impact of existing and new governmental laws and regulations; and
- our competitive position.

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We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and our stockholders should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in this Quarterly Report on Form 10-Q, particularly in the “Risk Factors” section, that could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

You should read this Quarterly Report on Form 10-Q and the documents that we have filed as exhibits to this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. The forward-looking statements contained in this Quarterly Report on Form 10-Q are made as of the date of this Quarterly Report on Form 10-Q, and we do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

OPHTHOTECH CORPORATION
Unaudited Balance Sheets
(in thousands, except share and per share data)

	June 30, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	$ 36,720	$ 39,814
Due from Novartis Pharma, AG	247	960
Available for sale securities	412,320	423,746
Prepaid expenses and other current assets	10,885	8,812
Deferred tax assets	106	50
Total current assets	460,278	473,382
Property and equipment, net	1,809	1,555
Deferred tax assets, non-current	8,443	4,467
Security deposits	467	282
Other assets	52	100
Total assets	$ 471,049	$ 479,786
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued expenses	$ 6,150	$ 8,707
Accrued research and development expenses	9,775	7,918
Deferred revenue	6,755	3,206
Total current liabilities	22,680	19,831
Deferred revenue, long-term	209,593	206,418
Royalty purchase liability	125,000	125,000
Total liabilities	357,273	351,249
Stockholders' equity		
Preferred stock - $0.001 par value, 5,000,000 shares authorized, no shares issued or outstanding	$ —	$ —
Common stock - $0.001 par value, 200,000,000 shares authorized, 34,675,404 and 33,994,520 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	35	34
Additional paid-in capital	444,034	428,390
Accumulated deficit	(330,317)	(299,822)
Accumulated other comprehensive income (loss)	24	(65)
Total stockholders' equity	113,776	128,537
Total liabilities and stockholders' equity	$ 471,049	$ 479,786

The accompanying unaudited notes are an integral part of these financial statements.

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OPHTHOTECH CORPORATION
Unaudited Statements of Operations
(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Collaboration revenue	$ 1,597	$ —	$ 43,275	$ —
Costs and expenses:				
Research and development	32,059	34,707	56,616	49,084
General and administrative	11,959	7,570	21,543	13,919
Total costs and expenses	44,018	42,277	78,159	63,003
Loss from operations	(42,421)	(42,277)	(34,884)	(63,003)
Interest income	218	72	291	116
Loss before income tax provision	(42,203)	(42,205)	(34,593)	(62,887)
Income tax (benefit) provision	(5,072)	30,785	(4,098)	30,785
Net loss	$ (37,131)	$ (72,990)	$ (30,495)	$ (93,672)
Net loss per common share:				

Basic and diluted	$ (1.08)	$ (2.19)	$ (0.89)	$ (2.85)
Weighted average common shares outstanding:				
Basic and diluted	34,353	33,373	34,254	32,830

The accompanying unaudited notes are an integral part of these financial statements.

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OPHTHOTECH CORPORATION
Unaudited Statements of Comprehensive Loss
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net loss	$ (37,131)	$ (72,990)	$ (30,495)	$ (93,672)
Other comprehensive income:				
Unrealized gain on available for sale securities, net of taxes	41	7	89	25
Other comprehensive income	41	7	89	25
Comprehensive loss	$ (37,090)	$ (72,983)	$ (30,406)	$ (93,647)

The accompanying unaudited notes are an integral part of these financial statements.

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OPHTHOTECH CORPORATION
Unaudited Statements of Cash Flows
(in thousands)

	Six months ended June 30,	
	2015	2014
Operating Activities		
Net loss	$ (30,495)	$ (93,672)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities		
Depreciation	459	43
Amortization of premium and discounts on investment securities	2,068	802
Deferred income taxes	(4,098)	1,226
Share-based compensation	11,433	5,912
Excess tax benefits from share-based compensation	—	(1,244)
Changes in operating assets and liabilities:		
Due from Novartis Pharma, AG	713	—
Prepaid expense and other current assets	(2,073)	2,717
Accrued interest receivable	431	78
Security deposits	(185)	—
Other assets	48	—
Accrued research and development expenses	1,857	(702)
Accounts payable and accrued expenses	(2,557)	229
Income tax payable	—	29,559
Deferred revenue	6,724	200,000
Net cash (used in) provided by operating activities	(15,675)	144,948
Investing Activities		
Purchase of marketable securities	(221,918)	(244,824)
Maturities of marketable securities	231,000	40,000
Purchase of property and equipment	(719)	(842)
Proceeds from sale of assets	6	—
Net cash provided by (used in) investing activities	8,369	(205,666)
Financing Activities		
Proceeds from stock option/warrant exercises	4,212	300
Proceeds from follow-on public offering, net	—	55,409
Excess tax benefits from share-based compensation	—	1,244
Proceeds from royalty purchase agreement	—	41,667
Net cash provided by financing activities	4,212	98,620
Net change in cash and cash equivalents	(3,094)	37,902
Cash and cash equivalents		
Beginning of period	39,814	210,596
End of period	$ 36,720	$ 248,498
Supplemental disclosures of non-cash information related to investing activities		
Change in unrealized gains in available for sale securities, net of tax	$ 89	$ 25

The accompanying unaudited notes are an integral part of these financial statements.

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OPHTHOTECH CORPORATION
Notes to Unaudited Financial Statements
(tabular dollars and shares in thousands, except per share data)

1. Business

Description of Business and Organization

Ophthotech Corporation (the "Company" or "Ophthotech") was incorporated on January 5, 2007, in Delaware. The Company is a biopharmaceutical company specializing in the development of novel therapeutics to treat diseases of the back of the eye, with a focus on developing therapeutics for age-related macular degeneration, or AMD. The Company's most advanced product candidate is Fovista® (pegpleranib), which is in Phase 3 clinical development for use in combination with anti-VEGF therapy that represent the current standard of care for the treatment of wet AMD. The Company has completed one Phase 1 and one Phase 2b clinical trial of Fovista administered in combination with the anti-VEGF drug Lucentis (ranibizumab). The Company is also developing its product candidate Zimura® for the treatment of patients with geographic atrophy, a form of dry AMD, and, in combination with anti-VEGF therapy for the treatment of polypoidal choroidal vasculopathy, a specific type of wet AMD, in patients who do not respond adequately to treatment with anti-VEGF monotherapy or for whom anti-VEGF monotherapy fails.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited financial information as of June 30, 2015 and for the three and six months ended June 30, 2015 and 2014 has been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such rules and regulations. The December 31, 2014 balance sheet was derived from the Company's audited financial statements. These interim financial statements should be read in conjunction with the notes to the financial statements contained in the Company's Annual Report on Form 10-K ("Annual Report") for 2014, as filed with the SEC on March 2, 2015, and as amended on Form 10-K/A and filed with the SEC on July 28, 2015.

In the opinion of management, the unaudited financial information as of June 30, 2015 and for the three and six months ended June 30, 2015 and 2014, reflects all adjustments, which are normal recurring adjustments, necessary to present a fair statement of financial position, results of operations and cash flows. The results of operations for the three and six months ended June 30, 2015 and 2014 are not necessarily indicative of the operating results for the full fiscal year or any future period.

Use of Estimates

The preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and judgments that affect the amounts reported in the financial statements and accompanying notes. The Company bases its estimates and judgments on historical experience and on various other assumptions that it believes are reasonable under the circumstances. The amounts of assets and liabilities reported in the Company's Balance Sheets and the amount of expenses reported for each of the periods presented are affected by estimates and assumptions, which are used for, but not limited to, accounting for share-based compensation, accounting for research and development costs and accounting for income taxes. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of 90 days or less when purchased to be cash equivalents. The carrying amounts reported in the Balance Sheets for cash and cash equivalents are valued at cost, which approximates their fair value.

Available for Sale Securities

The Company considers securities with original maturities of greater than 90 days to be available for sale securities. Available for sale securities are recorded at fair value and unrealized gains and losses are recorded within accumulated other comprehensive income (loss). The estimated fair value of the available for sale securities is determined based on quoted market prices or rates for similar instruments. In addition, the cost of debt securities in this category is adjusted for amortization of premium and accretion of discount to maturity. The Company evaluates securities with unrealized losses to determine whether such losses, if any, are other than temporary.

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Revenue Recognition

Collaboration Revenue

Prior to 2014, the Company had not generated any revenue. In May 2014, the Company received an upfront payment of $200.0 million in connection with its licensing and commercialization agreement with Novartis Pharma, AG (the "Novartis Agreement"), which has not been recorded as revenue due to certain contingencies associated with the payment. In each of September 2014 and March 2015, the Company achieved a $50.0 million enrollment-based milestone, or $100.0 million in the aggregate, under the Novartis Agreement. The Company recognized revenue of approximately $43.3 million during the six months ended June 30, 2015, which primarily related to the $50.0 million milestone it achieved in March 2015. The balance of the milestone payment was recorded as deferred revenue. During the three months ended June 30, 2015, the Company recognized revenue of approximately $1.6 million. The Company

uses the relative selling price method to allocate arrangement consideration to the Company's performance obligations under the Novartis Agreement. Below is a summary of the components of the Company's collaboration revenue for the three and six months ended June 30, 2015 and 2014:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
License revenue	$ —	$ —	$ 38,083	$ —
Research and development activity revenue	1,594	—	5,179	—
Joint operating committee revenue	3	—	13	—
Total collaboration revenue	$ 1,597	$ —	$ 43,275	$ —

The Company did not recognize any revenue related to its obligation to supply active pharmaceutical ingredient, or API, for Fovista to Novartis during the three and six months ended June 30, 2015.

In the future, the Company may generate additional revenues from a combination of product sales and license fees, milestone payments, research and development activity-related payments, payments for manufactured material and royalties in connection with the Novartis Agreement. The terms of this agreement and other potential collaboration or commercialization agreements the Company may enter into generally contain multiple elements, or deliverables, which may include (i) licenses, or options to obtain licenses, to certain of the Company's technology and products, (ii) research and development activities to be performed on behalf of the collaborative partner, and (iii) in certain cases, services in connection with the manufacturing of pre-clinical, clinical or commercial material. Payments to the Company under these arrangements typically include one or more of the following: non-refundable, upfront license fees; option exercise fees; funding of research and/or development efforts; milestone payments; payments for manufactured material; and royalties on future product sales.

When evaluating multiple element arrangements, the Company considers whether the deliverables under the arrangement represent separate units of accounting. This evaluation requires subjective determinations and requires management to make judgments about the individual deliverables and whether such deliverables are separable from the other aspects of the contractual relationship. In determining the units of accounting, management evaluates certain criteria, including whether the deliverables have standalone value, based on the relevant facts and circumstances for each arrangement. The consideration received is allocated among the separate units of accounting using the relative selling price method, and the applicable revenue recognition criteria are applied to each of the separate units.

The Company determines the estimated selling price for deliverables within each agreement using vendor-specific objective evidence ("VSOE") of selling price, if available, third-party evidence ("TPE") of selling price if VSOE is not available, or best estimate of selling price ("BESP") if neither VSOE nor TPE is available. Determining the best estimate of selling price for a deliverable requires significant judgment. The Company uses BESP to estimate the selling price for licenses to the Company's proprietary technology, since the Company often does not have VSOE or TPE of selling price for these deliverables. In those circumstances where the Company utilizes BESP to determine the estimated selling price of a license to the Company's proprietary technology, the Company considers market conditions as well as entity-specific factors, including those factors contemplated in negotiating the agreements as well as internally developed models that include assumptions related to the market opportunity, estimated development costs, probability of success and the time needed to commercialize a product candidate that is subject to the license. In validating the Company's BESP, the Company evaluates whether changes in the key assumptions used to determine the BESP will have a significant effect on the allocation of arrangement consideration among multiple deliverables.

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When management believes the license to its intellectual property and products has stand-alone value, the Company generally recognizes revenue attributed to the license upon delivery. When management believes such a license does not have stand-alone value from the other deliverables to be provided in the arrangement, the Company generally recognizes revenue attributed to the license on a straight-line basis over the Company's contractual or estimated performance period, which is typically the term of the Company's research and development obligations. If management cannot reasonably estimate when the Company's performance obligation ends, then revenue is deferred until management can reasonably estimate when the performance obligation ends. The periods over which revenue should be recognized are subject to estimates by management and may change over the course of the research and development agreement. Such a change could have a material impact on the amount of revenue the Company records in future periods.

At the inception of arrangements that include milestone payments, the Company evaluates whether each milestone is substantive and at risk to both parties on the basis of the contingent nature of the milestone. This evaluation includes an assessment of whether (a) the consideration is commensurate with either (1) the entity's performance to achieve the milestone, or (2) the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the entity's performance to achieve the milestone, (b) the consideration relates solely to past performance, and (c) the consideration is reasonable relative to all of the deliverables and payment terms within the arrangement. The Company evaluates factors such as the scientific, regulatory, commercial and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required to achieve the respective milestone and whether the milestone consideration is reasonable relative to all deliverables and payment terms in the arrangement in making this assessment.

The Company aggregates its milestones into three categories: (i) clinical and development milestones, (ii) regulatory milestones, and (iii) commercial milestones. Clinical and development milestones are typically achieved when a product candidate advances into a defined phase of clinical research or completes such phase or when a contractually specified clinical trial enrollment target is attained. Regulatory milestones are typically achieved upon acceptance of the submission of an application for marketing approval for a product candidate or upon approval to market the product candidate by the U.S. Food and Drug Administration (the "FDA") or other regulatory authorities. For example, a milestone payment may be due to the Company upon the FDA's acceptance of a New Drug Application ("NDA"). Commercial milestones are typically achieved when an approved pharmaceutical product reaches certain defined levels of net sales by the licensee, such as when a product first achieves global sales or annual sales of a specified amount.

Revenues from clinical and development and regulatory milestone payments, if the milestones are deemed substantive and the milestone payments are nonrefundable, are recognized upon successful accomplishment of the milestones. With regard to the Novartis Agreement, the Company has concluded that the clinical and development milestones and certain regulatory milestones are not substantive and that the regulatory approval milestones are substantive. Milestone payments received that are not considered substantive are included in the allocable arrangement consideration and are recognized as revenue in proportion to the relative-selling price allocation established at the inception of the arrangement. Revenues from commercial milestone payments are accounted for as royalties and are recorded as revenue upon achievement of the milestone, assuming all other revenue recognition criteria are met.

Concentration of Credit Risk

The Company's financial instruments that are exposed to concentration of credit risk consist primarily of cash and cash equivalents and available for sale securities. The Company maintains its cash in bank accounts, which generally exceed federally insured limits. The Company maintains its cash equivalents in U.S. Treasury securities with maturities of 90 days or less and in money market funds that invest primarily in U.S. Treasury securities.

The Company's available for sale securities are also invested in U.S. Treasury securities. The Company has not recognized any losses from credit risks on such accounts during any of the periods presented. The Company believes it is not exposed to significant credit risk on its cash, cash equivalents and available for sale securities.

Foreign Currency Translation

The Company considers the U.S. dollar to be its functional currency. Expenses are translated at the exchange rate on the date the expense is incurred. The effect of exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars is included in the Statements of Operations. Foreign exchange transaction gains and losses are included in the results of operations and are not material in the Company's financial statements.

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Financial Instruments

The carrying amounts of the Company's financial instruments, which include cash and cash equivalents, available for sale securities, accounts payable and accrued expenses approximate their respective fair value due to their short maturities.

Property and Equipment

Property and equipment, which consists mainly of manufacturing and clinical equipment, furniture and fixtures, computers and other equipment, and leasehold improvements, are carried at cost less accumulated depreciation. Depreciation is computed over the estimated useful lives of the respective assets, generally three to ten years, using the straight-line method rather than a method based on when the payments are made.

Research and Development

Research and development expenses primarily consist of costs associated with the manufacturing, development and clinical testing of Fovista, an anti-platelet derived growth factor ("PDGF") aptamer that the Company is developing for use in combination with anti-VEGF therapy for treatment of wet AMD, and Zimura, an inhibitor of complement factor C5 that the Company is developing for the treatment of patients with geographic atrophy, a form of dry AMD, and, in combination with anti-VEGF therapy, for the treatment of polypoidal choroidal vasculopathy, a specific type of wet AMD, in patients who do not respond adequately to treatment with anti-VEGF monotherapy or for whom anti-VEGF monotherapy fails. Research and development expenses consist of:

- external research and development expenses incurred under arrangements with third parties, such as contract research organizations ("CROs") and other vendors and contract manufacturing organizations for the production of drug substance and drug product; and

- employee-related expenses, including salaries, benefits, travel and share-based compensation expense.

Research and development costs also include costs of acquired product licenses and related technology rights where there is no alternative future use, costs of prototypes used in research and development, consultant fees and amounts paid to collaborative partners.

All research and development costs are charged to operations as incurred in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic, or ASC, 730, *Research and Development*. The Company accounts for non-refundable advance payments for goods and services that will be used in future research and development activities as expenses when the service has been performed or when the goods have been received, rather than when the payment is made.

The Company anticipates that it will continue to incur significant research and development expenses in connection with conducting its pivotal Phase 3 clinical program for Fovista and if such trials are successful, seeking marketing approval for Fovista. In addition, the Company expects that it will incur significant expenses related to the completion of process development and manufacturing scale-up activities for Fovista. The Company also expects its research and development expenses to increase as it further evaluates the potential benefit of Fovista in wet AMD, when administered in combination with anti-VEGF therapy, and in other ophthalmic diseases and conditions with unmet medical need. In addition, the Company also anticipates that its research and development expenses will increase as a result of its plan to initiate a Phase 2/3 clinical trial to evaluate the safety and efficacy of Zimura in patients with geographic atrophy in the fourth quarter of 2015. The Company expects these expenses to increase as patient enrollment increases in these trials.

Income Taxes

The Company utilizes the liability method of accounting for deferred income taxes, as set forth in ASC 740-10, *Income Taxes—Overall.* Under this method, deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. The Company incurred U.S. federal net operating losses in each year from its inception in 2007 through 2013 and as such, all prior tax years since 2007 remain subject to potential tax examination as the utilization of net operating losses from prior years opens the relevant year to potential audit.

Share-Based Compensation

The Company follows the provisions of ASC 718, *Compensation—Stock Compensation*, which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and non-employee directors, including employee stock options and restricted stock units ("RSUs"). Share-based compensation expense is based on the grant date fair value estimated in accordance with the provisions of ASC 718 and is generally recognized as an expense over the requisite service period, net of forfeitures.

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Stock Options

The Company estimates the fair value of stock options granted to employees and non-employee directors on the date of grant using the Black-Scholes option-pricing model. Due to the lack of trading history, the Company's computation of stock-price volatility is based on the volatility rates of comparable publicly held companies over a period equal to the expected term of the options granted by the Company. The Company's computation of expected term is determined using the "simplified" method, which is the midpoint between the vesting date and the end of the contractual term. The Company believes that it does not have sufficient reliable exercise data in order to justify the use of a method other than the "simplified" method of estimating the expected exercise term of employee stock option grants. The Company utilizes a dividend yield of zero based on the fact that the Company has never paid cash dividends to stockholders and has no current intentions to pay cash dividends. The risk-free interest rate is based on the zero-coupon U.S. Treasury yield at the date of grant for a term equivalent to the expected term of the option.

For stock options granted as consideration for services rendered by consultants, the Company recognizes expense in accordance with the requirements of ASC 505-50, *Equity Based Payments to Non-Employees*. Consultant option grants that do not vest immediately upon grant are recorded as an expense over the vesting period of the underlying stock options. At the end of each financial reporting period prior to vesting, the value of these options, as calculated using the Black-Scholes option-pricing model, will be re-measured using the fair value of the Company's common stock and the non-cash expense recognized during the period will be adjusted accordingly. Since the fair value of options granted to consultants is subject to change in the future, the amount of the future expense will include fair value re-measurements until the stock options are fully vested.

Restricted Stock Units

The Company estimates the fair value of restricted stock units granted to employees using the closing market price of the Company's common stock on the date of grant.

Share-based compensation expense includes expenses related to stock options and restricted stock units granted to employees, non-employee directors and consultants, and has been reported in the Company's Statements of Operations as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Research and development	$ 4,304	$ 1,945	$ 7,419	$ 3,607
General and administrative	2,075	1,238	4,014	2,305
Total	$ 6,379	$ 3,183	$ 11,433	$ 5,912

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2014-09, *"Revenue from Contracts with Customers (Topic 606),"* ("ASU 2014-09"). ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. ASU 2014-09 is effective for public entities for annual reporting periods beginning after December 15, 2016 and interim periods within those periods. Early adoption is not permitted. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. The Company is currently assessing the impact that adopting this new accounting guidance will have on its financial statements and footnote disclosures.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which defines management's responsibility to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures if there is substantial doubt about its ability to continue as a going concern. The pronouncement is effective for annual reporting periods ending after December 15, 2016 with early adoption permitted. The adoption of this guidance is not expected to have a significant impact on our consolidated financial statements.

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3. Capitalization

On September 30, 2013, the Company closed its initial public offering of 8,740,000 shares of common stock at a price of $22.00 per share of common stock. The net proceeds to the Company were $175.6 million, after deducting underwriters' discounts and commissions and other offering expenses. In connection with the closing of the IPO, all of the Company's shares of redeemable convertible preferred stock outstanding at the time of the offering were automatically converted into 21,038,477 shares of common stock.

On February 18, 2014, the Company closed a follow-on public offering of 2,628,571 shares of common stock at a public offering price of $31.50 per share of common stock. The Company sold 1,900,000 shares and 728,571 shares were sold by selling stockholders, including 342,857 shares sold by the selling stockholders upon the full exercise by the underwriters of their option to purchase additional shares in the follow-on public offering. The net proceeds to the Company were $55.4 million, after deducting underwriters' discounts and commissions and other offering expenses. The Company did not receive any proceeds from the sale of shares by the selling stockholders in the follow-on public offering.

4. Net Loss Per Common Share

Basic and diluted net loss per common share is determined by dividing net loss by the weighted average common shares outstanding during the period. For the periods where there is a net loss, stock options, restricted stock units and warrants have been excluded from the calculation of diluted loss per common share because their effect would be anti-dilutive. Therefore, the weighted average shares used to calculate both basic and diluted loss per share would be the same. The following table sets forth the computation of basic and diluted net loss per common share for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Basic and diluted net loss per common share calculation:				
Net loss	$ (37,131)	$ (72,990)	$ (30,495)	$ (93,672)
Weighted average common shares outstanding	34,353	33,373	34,254	32,830
Net loss per share of common stock - basic and diluted	$ (1.08)	$ (2.19)	$ (0.89)	$ (2.85)

The following potentially dilutive securities have been excluded from the computations of diluted weighted average common shares outstanding for the periods presented, as they would be anti-dilutive:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Options outstanding	3,462	3,851	3,462	3,851
Warrants	—	27	—	27
Restricted stock units	268	25	268	25
Total	3,730	3,903	3,730	3,903

5. Cash, Cash Equivalents and Available for Sale Securities

The Company considers all highly liquid investments purchased with original maturities of 90 days or less at the date of purchase to be cash equivalents. Cash and cash equivalents included cash of $2.8 million and $4.7 million as of June 30, 2015 and December 31, 2014, respectively. Cash and cash equivalents as of June 30, 2015 and December 31, 2014 also included investments of $33.9 million and $35.1 million, respectively, in U.S. Treasury securities with original maturities of 90 days or less and investments in money market funds that invest in U.S. Treasury Securities.

The Company held available for sale securities with a fair value totaling $412.3 million and $423.7 million as of June 30, 2015 and December 31, 2014, respectively. These available for sale securities consisted of U.S. Treasury securities and had maturities of greater than 90 days and less than one year. The Company evaluates securities with unrealized losses, if any, to determine whether such losses are other than temporary. The Company has determined that there were no other than temporary declines in fair values of its investments as of June 30, 2015. The Company classifies these securities as available for sale, however, the Company does not currently intend to sell its investments and the Company believes it is more likely than not that the Company will recover the carrying value of these investments.

Available for sale securities, including carrying value and estimated fair values, are summarized as follows:

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	As of June 30, 2015			
	Cost	Fair Value	Carrying Value	Unrealized Gain
U.S. Treasury securities - maturities < 1 year	$ 412,278	$ 412,320	$ 412,320	$ 42
Total	$ 412,278	$ 412,320	$ 412,320	$ 42

	As of December 31, 2014			
	Cost	Fair Value	Carrying Value	Unrealized Loss
U.S. Treasury securities - maturities < 1 year	$ 423,859	$ 423,746	$ 423,746	$ (113)
Total	$ 423,859	$ 423,746	$ 423,746	$ (113)

The Company's available for sale securities are reported at fair value on the Company's balance sheet. Unrealized gains and losses are reported within accumulated other comprehensive loss in the statements of comprehensive loss. The changes in accumulated other comprehensive loss associated with the unrealized gain on available for sale securities during the three and six months ended June 30, 2015 and June 30, 2014 were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Beginning balance	$ (17)	$ 18	$ (65)	$ —
Current period changes in fair value, net of tax	41	7	89	25
Ending balance	$ 24	$ 25	$ 24	$ 25

6. Licensing and Commercialization Agreement with Novartis Pharma AG

In May 2014, the Company entered into a licensing and commercialization agreement with Novartis Pharma AG. Under the Novartis Agreement, the Company granted Novartis exclusive rights under specified patent rights, know-how and trademarks controlled by the Company to manufacture, from bulk active pharmaceutical ingredient, or API, supplied by the Company, standalone Fovista products and products combining Fovista with an anti-VEGF product to which Novartis has rights in a co-formulated product, for the treatment, prevention, cure or control of any human disease, disorder or condition of the eye, and to develop and commercialize those licensed products in all countries outside of the United States (the "Novartis Territory"). The Company has agreed to use commercially reasonable efforts to complete its ongoing pivotal Phase 3 clinical program for Fovista and Novartis has agreed to use commercially reasonable efforts to develop a standalone Fovista product and a co-formulated product containing Fovista and an anti-VEGF product to which Novartis has

rights, as well as a pre-filled syringe presentation of such products and to use commercially reasonable efforts, subject to obtaining marketing approval, to commercialize licensed products in the Novartis Territory in accordance with agreed development and marketing plans. Novartis has also granted the Company options, subject to specified limitations, and to the extent such rights are controlled by Novartis, to obtain exclusive rights from Novartis to develop and commercialize in the United States the co-formulated and pre-filled syringe products developed by Novartis. The Company and Novartis have each granted the other options, subject to specified limitations, to obtain access to study data from certain clinical trials of licensed products that the Company or Novartis may conduct, including for use by the other in regulatory filings in its territory. The Company has agreed to exclusively supply Novartis, and Novartis has agreed to exclusively purchase from the Company, its clinical and commercial requirements for the bulk API for Fovista for use in licensed products in the Novartis Territory. The Company has agreed not to commercialize any product comprising Fovista or any other anti-PDGF product in the ophthalmic field in the Novartis Territory.

Novartis paid the Company a $200.0 million upfront fee upon execution of the Novartis Agreement. Novartis is also obligated to pay the Company up to an aggregate of $130.0 million if the Company achieves specified patient enrollment-based milestones for its Phase 3 clinical program for Fovista, of which, $50.0 million was achieved in September 2014 and received by the Company in October 2014 and $50.0 million was achieved in March 2015 and received in April 2015, and up to an aggregate of an additional $300.0 million upon achievement of specified regulatory approval milestones, including reimbursement approval, in certain countries in the Novartis Territory. In addition, Novartis has agreed to pay the Company up to an aggregate of an additional $400.0 million if Novartis achieves specified sales milestones in the Novartis Territory. Novartis also is obligated to pay the Company royalties with respect to standalone Fovista products and combination Fovista products that Novartis successfully commercializes. The

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Company will receive royalties at a mid-thirties percentage of net sales of standalone Fovista products and a royalty of approximately equal value for sales of combination Fovista products. Such royalties are subject to customary deductions, credits, and reductions for lack of patent coverage or market exclusivity. Novartis's obligation to pay such royalties will continue on a licensed product-by-licensed product and country-by-country basis until Novartis's last actual commercial sale of such licensed product in such country. The Company will continue to be responsible for royalties it owes to third parties on sales of Fovista products.

Novartis has agreed to pay the Company's manufacturing costs plus a specified percentage margin for supplies of the bulk API for Fovista that the Company supplies to Novartis. If the Company or Novartis exercises each of their respective rights to obtain access to study data from clinical trials conducted by the other party, the party exercising the option will be obligated to pay the other party's associated past development costs and share with such other party any future associated development costs. If the Company exercises its option to obtain Novartis-controlled rights to develop, manufacture and commercialize any co-formulated Fovista product in the United States, the Company will be obligated to pay a specified percentage of Novartis's associated past development costs and share with Novartis any future associated development costs. The Company and Novartis will also need to negotiate and agree on financial and other terms that would apply to such rights. If the Company exercises its option to obtain Novartis-controlled rights to develop and commercialize a pre-filled syringe product in the United States, the Company will be obligated to either enter into a supply agreement with Novartis under which the Company will pay Novartis its manufacturing cost plus a specified percentage margin for supplies of Fovista products in pre-filled syringes that Novartis supplies to the Company, or obtain supplies of products in pre-filled syringes from a third party manufacturer and pay Novartis a low single-digit percentage of the Company's net sales of such products.

The Company has retained control over the design and execution of its pivotal Phase 3 clinical program for Fovista and remains responsible for funding the costs of that program, subject to Novartis's responsibility to provide Lucentis, an anti-VEGF agent to which Novartis has rights in the Novartis Territory, for use in the Phase 3 trials already initiated and in other Phase 2 and Phase 3 clinical trials in the Novartis Territory following the effective date of the Novartis Agreement. Novartis will have control over, and will be responsible for the costs of, all other clinical trials that may be required to obtain marketing approvals in the Novartis Territory for licensed products under the agreement. Novartis is also responsible for costs associated with co-formulation development, pre-filled syringe development and other development costs in the Novartis Territory, excluding regulatory filing fees in the European Union for the standalone Fovista product, for which the Company will be responsible.

The Novartis Agreement, unless earlier terminated by the Company or Novartis, will expire upon the expiration of Novartis's obligation to pay the Company royalties on net sales of licensed products. The Company and Novartis each may terminate the Novartis Agreement if the other party materially breaches the agreement and does not cure such breach within a specified cure period, if the other party experiences any specified insolvency event, if the other party challenges or assists a third party in challenging the validity or enforceability of certain patent rights controlled by the terminating party, or if the parties are prevented in any manner that materially adversely affects the progression of the development or commercialization of licensed products for a specified period as a result of specified governmental actions. Novartis may terminate the Novartis Agreement at any time without cause, or within a specified period after a change in control of the Company, as defined in the Novartis Agreement, or for specified safety reasons, effective at the end of a specified period following Novartis's written notice to the Company of Novartis's election to terminate the agreement. The Company may also terminate the agreement if Novartis determines to seek marketing approval of an alternative anti-PDGF product in the Novartis Territory as more fully described below. If the Company elects to terminate the Novartis Agreement because specified governmental actions prevent the parties from materially progressing the development or commercialization of licensed products as described above, the Company will be required to pay a substantial termination fee, with the specific amount of such fee determined based on the effective date of the termination. Following any termination, all rights to Fovista that the Company granted to Novartis, including, without limitation, the right to commercialize standalone Fovista products in the Novartis Territory, will revert to the Company, Novartis will perform specified activities in connection with transitioning to the Company the rights and responsibilities for the continued development, manufacture and commercialization of the standalone Fovista product for countries in the Novartis Territory, and the parties will cooperate on an orderly wind down of development and commercialization activities for other licensed products in the Novartis Territory.

Novartis has agreed to specified limitations on its ability to in-license, acquire or commercialize any anti-PDGF product that does not contain Fovista (an "Alternative Anti-PDGF Product") in the Novartis Territory and, to the extent Novartis develops, in-licenses or acquires such a product, to make such product available to the Company in the United States under specified option conditions. If the Company exercises its option, the Company will be obligated to make certain payments to Novartis, including specified milestone and royalty payments. The amounts of such payments will vary based on the product's stage of clinical development at the time the Company exercise its option, whether the product is a standalone or combination product and whether Novartis exercises an option to co-promote such product in the United States. If Novartis determines to seek marketing approval of an Alternative Anti-PDGF Product in the Novartis Territory, the Company will, subject to specified limitations, have the option to terminate the Novartis Agreement, convert Novartis's exclusive licenses into non-exclusive licenses, or elect to receive a royalty on sales of such product by Novartis. If the Company elects to terminate the Novartis Agreement, Novartis will, subject to specified

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limitations, be required to pay to the Company, certain payments based on achievement, with respect to such product, of the milestones that would have otherwise applied to licensed products under the Novartis Agreement.

Activities under the Novartis Agreement were evaluated under ASC 605-25, *Revenue Recognition—Multiple Element Arrangements* ("ASC 605-25") (as amended by ASU 2009-13, *Revenue Recognition* ("ASU 2009-13")) to determine if they represented a multiple element revenue arrangement. The Novartis Agreement includes the following deliverables: (1) an exclusive license to commercialize Fovista outside the United States (the "License Deliverable"); (2) the performance obligation to conduct research and development activities related to the Phase 3 Fovista clinical trials and certain Phase 2 trials for Fovista (the "R&D Activity Deliverable"); (3) the performance obligation to supply API to Novartis for development and manufacturing purposes (the "Manufacturing Deliverable") and (4) the Company's obligation to participate on the joint operating committee established under the terms of the Novartis Agreement and related subcommittees (the "Joint Operating Committee Deliverable"). Novartis has the right, subject to the certain approval rights of the Company, to sublicense the exclusive royalty-bearing license to commercialize Fovista in the Novartis Territory. The Company's obligation to provide access to clinical and regulatory information as part of the License Deliverable includes the obligation to provide access to all clinical data, regulatory filings, safety data and manufacturing data to Novartis which is necessary for commercialization of Fovista in the Novartis Territory. The R&D Activity Deliverable includes the right and responsibility for the Company to conduct the Phase 3 Fovista clinical program and other studies of Fovista in the Novartis Territory which are necessary or desirable for regulatory approval or commercialization of Fovista. The Manufacturing Deliverable includes the obligation for the Company to supply API to Novartis for development and manufacturing purposes, for which Novartis has agreed to pay the Company's manufacturing costs, plus a specified margin. The Joint Operating Committee Deliverable includes the obligation to participate in the Joint Operating Committee and related subcommittees at least through the first anniversary of regulatory approval in the European Union. All of these deliverables were deemed to have stand-alone value and to meet the criteria to be accounted for as separate units of accounting under ASC 605-25. Factors considered in this determination included, among other things, the subject of the licenses and the research and development and commercial capabilities of Novartis. Accordingly, each unit will be accounted for separately.

Options are considered substantive if, at the inception of the arrangement, the Company is at risk as to whether the collaboration partner will choose to exercise the option. Factors that the Company considers in evaluating whether an option is substantive include the overall objective of the arrangement, the benefit the collaborator might obtain from the arrangement without exercising the option, the cost to exercise the option and the likelihood that the option will be exercised. For arrangements under which an option is considered substantive, assuming the option is not priced at a significant and incremental discount, the Company does not consider the item underlying the option to be a deliverable at the inception of the arrangement and the associated option fees are not included in allocable arrangement consideration. Conversely, for arrangements under which an option is not considered substantive or if an option is priced at a significant and incremental discount, the Company would consider the item underlying the option to be a deliverable at the inception of the arrangement and a corresponding amount would be included in allocable arrangement consideration. All of the options included in the Novartis Agreement have been determined to be substantive, and none of the options are priced at a significant and incremental discount.

The Novartis Agreement provides that, if the Company elects to terminate the Novartis Agreement because specified governmental actions prevent the parties from materially progressing the development or commercialization of licensed products as described above, the Company will be required to pay a substantial termination fee, with the specific amount of such fee determined based on the effective date of the termination. The Company has concluded that this termination provision constitutes a contingent event that was unknown at the inception of the agreement. As such, the Company has recorded the $200.0 million upfront payment in deferred revenue, long-term until such time that the contingency related to this termination provision is resolved. The Company believes the enrollment milestones and certain of the regulatory milestones that may be achieved under the Novartis Agreement do not meet the recognition criteria within the definition of a milestone included in ASU 2010-17, *Revenue Recognition—Milestone Method*, and therefore, payments received for the achievement of the enrollment milestones in excess of the termination fee will be included in the allocable arrangement consideration and allocated to the deliverables based upon BESP using the relative selling price method.

The Company believes the remaining regulatory approval milestones that may be achieved under the Novartis Agreement are consistent with the definition of a milestone included in ASU 2010-17, *Revenue Recognition—Milestone Method*, and, accordingly, the Company will recognize payments related to the achievement of such milestones, if any, when the applicable milestone is achieved. Factors considered in this determination included scientific and regulatory risks that must be overcome to achieve each milestone, the level of effort and investment required to achieve each milestone, and the monetary value attributed to each milestone.

In each of September 2014 and March 2015, the Company achieved a $50.0 million enrollment-based milestone, or $100.0 million in aggregate, under the Novartis Agreement. The Company recognized revenue of approximately $43.3 million during the six months ended June 30, 2015, which primarily related to the $50.0 million milestone it achieved in March 2015. The balance of the milestone payment was recorded as deferred revenue. The Company uses the relative selling price method to allocate arrangement consideration to the Company's performance obligations under the Novartis Agreement. Using the relative selling price method, the

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Company allocated revenue of $38.1 million to the license it delivered to Novartis under the Novartis Agreement, $5.2 million to research and development activities that the Company performed under the Novartis Agreement during the six months ended June 30, 2015, and a de minimis amount of revenue associated with its joint operating committee participation obligation during the same period. During the three months ended June 30, 2015, the Company recognized revenue of approximately $1.6 million, which was allocated primarily to research and development activities that the Company performed under the Novartis Agreement.

7. Financing Agreement with Novo A/S

In May 2013, the Company entered into a Purchase and Sale Agreement with Novo A/S, which is referred to as the Novo Agreement, pursuant to which the Company had the ability to obtain financing in three tranches in an amount of up to $125.0 million in return for the sale to Novo A/S of aggregate royalties of worldwide sales of (a) Fovista, (b) Fovista-Related Products, and (c) Other Products (each as defined in the Novo Agreement), calculated as low to mid-single digit percentages of net sales, with the royalty percentage determined by the amount of funding provided by Novo A/S.

The Novo Agreement provided for up to three separate purchases for a purchase price of $41.7 million each, at a first, second and third closing, for an aggregate purchase price of $125.0 million. In each purchase, Novo A/S would acquire rights to a low single digit percentage of net sales. In each of May 2013, January 2014 and November 2014, the Company received cash payments of $41.7 million, or $125.0 million in the aggregate, and Novo A/S received, in the aggregate, a right to receive royalties on net sales of Fovista at a mid-single digit percentage.

The royalty payment period covered by the Novo Agreement begins on commercial launch and ends, on a product-by-product and country-by-country basis, on the latest to occur of (i) the 12th anniversary of the commercial launch, (ii) the expiration of certain patent rights and (iii) the expiration of the regulatory exclusivity for each product in each country.

Under the terms of the Novo Agreement, the Company is not required to reimburse or otherwise compensate Novo A/S through any means other than the agreed royalty entitlement. In addition, the Company does not, under the terms of the Novo Agreement, have the right or obligation to prepay Novo A/S in connection with a change of control of the Company or otherwise.

The $125.0 million in aggregate proceeds from the three financing tranches under the Novo Agreement represents the full funding available under the Novo Agreement, and has been recorded as a liability on the Company's Balance Sheet as of June 30, 2015, in accordance with ASC 730, *Research and Development*. Because there is a significant related party relationship between the Company and Novo A/S, the Company is treating its obligation to make royalty payments under the Novo Agreement as an implicit obligation to repay the funds advanced by Novo A/S. As the Company makes royalty payments in accordance with the Novo Agreement, it will reduce the liability balance. At the time that such royalty payments become probable and estimable, and if such amounts exceed the liability balance, the Company will impute interest accordingly on a prospective basis based on such estimates, which would result in a corresponding increase in the liability balance.

The Novo Agreement requires the establishment of a Joint Oversight Committee in the event that Novo A/S does not continue to have a representative on the Company's board of directors. The Joint Oversight Committee would have responsibilities that include "discussion and review" of all matters related to Fovista research, development, regulatory approval and commercialization, but there is no provision either implicit or explicit that gives the Joint Oversight Committee or its members decision-making authority.

8. Income Taxes

The Company utilizes the liability method of accounting for deferred income taxes. Under this method, deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. A valuation allowance is established against deferred tax assets when, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company's policy is to record interest and penalties on uncertain tax positions as income tax expense. As of June 30, 2015 and December 31, 2014, the Company does not believe any material uncertain tax positions were present. Accordingly, interest and penalties have not been accrued due to an uncertain tax position.

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of taxable income during the periods in which the temporary differences representing net future deductible amounts become deductible, and is impacted by the Company's ability to carryback losses to 2014, the only year in which the Company had taxable income. The Company is currently projecting tax losses in 2015. As such, the Company has recorded a benefit from income taxes during the three and six months ended June 30, 2015. The Company currently expects to realize its net deferred tax assets recorded as of June 30, 2015 due to the Company's ability to carryback its projected federal tax losses to 2014. Because of the

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Company's history of losses and lack of other positive evidence to support taxable income after the 2014 tax year, the Company has recorded a valuation allowance against those remaining deferred tax assets that are not expected to be realized.

Deferred tax assets relating to employee share-based compensation deductions were reduced to reflect exercises of non-qualified stock option grants and vesting of restricted stock. Although certain of these deductions will be reported on the corporate tax returns and increase net operating losses, these related tax benefits are not recognized for financial reporting purposes.

9. Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The fair value standard also establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

- Level 1—inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market. The Company's Level 1 assets consist of investments in U.S. Treasury money market funds and U.S. Treasury securities.

- Level 2—inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.

- Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability.

The following table presents, for each of the fair value hierarchy levels required under ASC 820, the Company's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2015:

	Fair Value Measurement Using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets			
Investments in U.S. Treasury money market funds*	$ 33,904	$ —	$ —
Investments in U.S. Treasury securities maturities < 1 year	$ 412,320	$ —	$ —

The following table presents, for each of the fair value hierarchy levels required under ASC 820, the Company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2014:

	Fair Value Measurement Using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets			
Investments in U.S. Treasury money market funds*	$ 35,111	$ —	$ —
Investments in U.S. Treasury securities maturities < 1 year	$ 423,746	$ —	$ —

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* Investments in U.S. Treasury money market funds and U.S. Treasury securities with maturities less than 90 days are reflected in cash and cash equivalents in the accompanying Balance Sheets.

10. Stock Option and Compensation Plans

The Company adopted its 2007 Stock Incentive Plan (the "2007 Plan") for employees, directors and consultants for the purpose of advancing the interests of the Company stockholders by enhancing its ability to attract, retain and motivate persons who are expected to make important contributions to the Company. The 2007 Plan provided for the granting of stock option awards, restricted stock awards, and other stock-based and cash-based awards. Following the effectiveness of the 2013 Stock Incentive Plan described below in connection with the closing of the Company's initial public offering, the Company is no longer granting additional awards under the 2007 Plan.

In August 2013, the Company's board of directors adopted and the Company's stockholders approved the 2013 stock incentive plan (the "2013 Plan"), which became effective immediately prior to the closing of the Company's initial public offering. The 2013 Plan provides for the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, and other stock-based awards. Upon effectiveness of the 2013 Plan, the number of shares of the Company's common stock that were reserved for issuance under the 2013 Plan was the sum of (1) such number of shares (up to approximately 3,359,641 shares) as is equal to the sum of 739,317 shares (the number of shares of the common stock then available for issuance under the 2007 Plan), and such number of shares of the Company's common stock that are subject to outstanding awards under the 2007 Plan that expire, terminate or are otherwise surrendered, canceled, forfeited or repurchased by the Company at their original issuance price pursuant to a contractual repurchase right plus (2) an annual increase, to be added the first business day of each fiscal year, beginning with the fiscal year ending December 31, 2014 and continuing until, and including, the fiscal year ending December 31, 2023, equal to the lowest of 2,542,372 shares of the Company's common stock, 4% of the number of shares of the Company's common stock outstanding on the first day of the fiscal year and an amount determined by its board of directors. The Company's employees, officers, directors, consultants and advisors are eligible to receive awards under the 2013 Plan. However, incentive stock options may only be granted to employees of the Company.

In connection with the evergreen provisions of the 2013 Plan, the number of shares available for issuance under the 2013 Plan was increased by approximately 1,257,000 shares, effective as of January 1, 2014 and an additional 1,360,000 shares effective as of January 1, 2015. As of June 30, 2015, the Company had approximately 1,160,000 shares available for grant under the 2013 Plan.

Cash proceeds from, and the aggregate intrinsic value of, stock options exercised during the three and six months ended June 30, 2015 and 2014, respectively, were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Cash Proceeds from options exercised	$ 2,452	$ 289	$ 4,212	$ 300
Aggregate intrinsic value of options exercised	$ 18,573	$ 2,730	$ 28,941	$ 3,099

A summary of the stock options outstanding and exercisable as of June 30, 2015 is as follows:

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	As of June 30, 2015				
	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Total Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.12-$10.03	704	7.1	$ 7.32	346	$ 5.33

$10.04-$20.00	464	6.2	$	13.39	131	$ 13.45
$20.01-$30.00	171	8.4	$	25.62	61	$ 25.47
$30.01-$40.00	1,568	8.7	$	33.62	425	$ 32.34
$40.01-$53.95	555	9.5	$	45.76	1	$ 43.90
	3,462				964	
Aggregate Intrinsic Value	$ 86,469				$ 31,260	

In connection with stock option awards granted to employees, the Company recognized share-based compensation expense of approximately $4.1 million and $2.8 million for the three months ended June 30, 2015 and 2014, respectively, net of expected forfeitures. In connection with stock option awards granted to employees, the Company recognized share-based compensation expense of approximately $8.0 million and $5.3 million for the six months ended June 30, 2015 and 2014, respectively, net of expected forfeitures. As of June 30, 2015, there was approximately $42.7 million of unrecognized compensation costs, net of estimated forfeitures, related to stock option awards to employees, which are expected to be recognized over a remaining weighted average period of 2.8 years.

In connection with stock options awards granted to consultants, the Company recognized approximately $0.9 million and $0.3 million in share-based compensation expense during the three months ended June 30, 2015 and 2014, respectively, net of expected forfeitures. In connection with stock options awards granted to consultants, the Company recognized approximately $1.6 million and $0.5 million in share-based compensation expense during the six months ended June 30, 2015 and 2014, respectively, net of expected forfeitures. As of June 30, 2015, there was approximately $5.0 million of unrecognized compensation costs, net of estimated forfeitures, related to stock option award granted to consultants which are expected to be recognized over a remaining weighted average period of 2.0 years.

As of June 30, 2015, the Company had approximately 268,000 restricted stock units outstanding. In connection with restricted stock units granted to employees, the Company recognized share-based compensation expense of approximately $1.4 million and $0.1 million during the three months ended June 30, 2015 and 2014, net of expected forfeitures. In connection with restricted stock units granted to employees, the Company recognized share-based compensation expense of approximately $1.8 million and $0.1 million during the six months ended June 30, 2015 and 2014, net of expected forfeitures. As of June 30, 2015, there was approximately $9.7 million of unrecognized compensation costs, net of estimated forfeitures, related to restricted stock units granted to employees to be recognized over a remaining weighted average period of 2.7 years.

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11. Property and Equipment

Property and equipment as of June 30, 2015 and December 31, 2014 were as follows:

	Useful Life (Years)	June 30, 2015	December 31, 2014
Manufacturing and clinical equipment	7-10	$ 617	$ 617
Computer and other office equipment	5	706	292
Furniture and fixtures	7	522	591
Leasehold improvements	3-5	376	357
Construction-in-progress		248	—
		2,469	1,857
Accumulated depreciation		(660)	(302)
Property and equipment, net		$ 1,809	$ 1,555

For the three and six months ended June 30, 2015, depreciation expense was $403 thousand and $459 thousand, respectively, and includes amounts incurred related to the relocation of our office facilities in Princeton, New Jersey. For the three and six months ended June 30, 2014, depreciation expense was $31 thousand and $43 thousand, respectively.

12. Restatement of Previously Issued Financial Statements

On July 28, 2015, the Company restated its unaudited financial statements for the quarters ended June 30, 2014, September 30, 2014 and December 31, 2014, its audited financial statements for the year ended December 31, 2014 and its unaudited financial statements for the quarter ended March 31, 2015, to correct the Company's accounting for certain valuation allowances related to deferred tax assets.

In the second quarter of 2014, the Company recorded an income tax benefit by reducing a portion of its valuation allowance against its gross deferred tax assets. In determining the amount of the valuation allowance release, the Company considered anticipated 2015 tax losses which would generate a refund of a portion of federal income taxes paid in 2014. The Company has since determined that, as a matter of accounting principle, the net deferred tax asset recorded on its balance sheets was overstated and the income tax provision on its statements of operations was understated as of and for the periods ending June 30, 2014, September 30, 2014, December 31, 2014 and March 31, 2015. The Company's cash position and operating expenses were not affected by the restatement. The restatement had no effect on amounts reported in periods prior to the quarter ended June 30, 2014.

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

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the notes to those financial statements appearing elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2014 included in our Annual Report on Form 10-K/A filed with the Securities and Exchange Commission on July 28, 2015. This discussion contains forward-looking statements that involve significant risks and uncertainties. As a result of many factors, such as those set forth in Part II, Item 1A. (Risk Factors) of this Quarterly Report on Form 10-Q, our actual results may differ materially from those anticipated in these forward-looking statements.

Overview

We are a biopharmaceutical company specializing in the development of novel therapeutics to treat diseases of the back of the eye, with a focus on developing therapeutics for age-related macular degeneration, or AMD. Our most advanced product candidate is Fovista® (pegpleranib), which is in Phase 3 clinical development for use in combination with anti-VEGF therapy that represents the current standard of care for the treatment of wet AMD. We have completed one Phase 1 and one Phase 2b clinical trial of Fovista administered in combination with the anti-VEGF drug Lucentis. We are also developing our product candidate Zimura® for the treatment of patients with geographic atrophy, a form of dry AMD, and in combination with anti-VEGF therapy for the treatment of polypoidal choroidal vasculopathy, a specific type of wet AMD, in patients who do not respond adequately to treatment with anti-VEGF monotherapy or for whom anti-VEGF monotherapy fails. We have recently begun work to investigate the possibility of an ophthalmic formulation for tivozanib, an anti-VEGF compound for which we have an option for a license.

Our pivotal Phase 3 clinical program for Fovista consists of three separate Phase 3 clinical trials to evaluate the safety and efficacy of Fovista administered in combination with anti-VEGF therapy for the treatment of wet AMD compared to anti-VEGF

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monotherapy. Two of these trials are evaluating Fovista in combination with Lucentis and the other is evaluating Fovista in combination with Eylea (aflibercept) or Avastin (bevacizumab). In May 2015, we announced that we completed patient recruitment in one of the two trials evaluating Fovista in combination with Lucentis. We are continuing to actively enroll patients in the other two trials. We expect that patient recruitment in the second trial evaluating Fovista in combination with Lucentis will be completed in the fourth quarter of 2015. Our timing projections for completion of enrollment assume no additional impact related to the summer season or competing trials. The third trial in the Phase 3 clinical program, which is evaluating Fovista administered in combination with either Eylea or Avastin, is recruiting patients as expected, and we anticipate the duration of recruitment for this clinical trial to be substantially similar to that of the two clinical trials investigating Fovista administered in combination with Lucentis. We plan to enroll a total of approximately 1,866 patients at more than 225 centers internationally across the three trials. Based on our estimates regarding patient enrollment, we expect initial, top-line data from our two Phase 3 clinical trials of Fovista in combination with Lucentis to be available by the end of 2016, approximately one year after the enrollment of the last patient in the second Phase 3 clinical trial of Fovista in combination with Lucentis, plus the time needed for database closure and analysis of top-line data. This timeline could be subject to an adjustment to a slightly later time point if the recruitment rate for the second trial evaluating Fovista in combination with Lucentis is on the lower end of our projected enrollment scenarios. In addition to being identical with respect to the trial design in the first year of the clinical trials, both of the Phase 3 clinical trials of Fovista in combination with Lucentis are investigating the superiority of Fovista in combination with Lucentis compared to Lucentis monotherapy. Accordingly, the database from both trials of Fovista in combination with Lucentis will be locked and analyzed together which will allow for the analysis of multiple relevant endpoints in accordance with the statistical analysis plan.

Our development strategy for Fovista is to be agnostic with respect to the choice of the anti-VEGF therapy administered in combination with Fovista. In our third Phase 3 clinical trial, we are investigating Fovista in combination with either Eylea or Avastin compared to administration of either Eylea or Avastin alone in the control arm. Our Phase 2b trial utilized Lucentis as the only anti-VEGF therapy because Eylea was not yet approved and Avastin's non-inferiority status compared to Lucentis was not yet established at the time the Phase 2b clinical trial commenced. Therefore, in order to gain more experience with Fovista when combined with Eylea or Avastin prior to starting a pivotal Phase 3 clinical trial, the Phase 3 clinical trial of Fovista in combination with Eylea or Avastin started later (May 2014) than the Phase 3 clinical trials of Fovista in combination with Lucentis (August 2013). This time period of approximately nine months allowed us to complete the assessment of initial preclinical and clinical studies and ensure compatibility of Eylea or Avastin when administered in combination with Fovista.

Our key objective and plan is to make Fovista commercially available to physicians for their patients with wet AMD as quickly as possible, subject to obtaining favorable data from the Phase 3 clinical program. We are continuing to explore various regulatory filing options. We anticipate that we will initially submit a New Drug Application, or NDA, to the U.S. Food and Drug Administration, or FDA, for Fovista in combination with Lucentis based upon data from the two Phase 3 clinical trials of Fovista in combination with Lucentis and subsequently submit an amendment to the NDA with data from the Phase 3 clinical trial of Fovista in combination with Eylea or Avastin, subject to obtaining favorable data from these trials. Alternatively, we may choose to file a supplemental NDA for Fovista in combination with Eylea or Avastin following FDA review of the NDA for Fovista in combination with Lucentis.

We also initiated, in the third quarter of 2014, a Phase 2a open-label trial designed to investigate the potential effect of the administration of Fovista in combination with anti-VEGF therapy in reducing the formation of subretinal fibrosis in wet AMD patients. We have completed patient enrollment in this trial. In the fourth quarter of 2014, we initiated a Phase 2a clinical trial, which is evaluating the potential benefit of Fovista in wet AMD, when administered in combination with anti-VEGF therapy, in the reduction of treatment burden. We are also planning additional clinical trials to assess the potential therapeutic benefit of Fovista in other ophthalmic conditions.

In May 2014, we entered into a licensing and commercialization agreement with Novartis Pharma AG, which we refer to as the Novartis Agreement. Under the Novartis Agreement, we granted Novartis exclusive rights under specified patent rights, know-how and trademarks controlled by us to manufacture, from bulk active pharmaceutical ingredient, or API, supplied by us, standalone Fovista products and products combining Fovista with an anti-VEGF product to which Novartis has rights in a co-formulated product, for the treatment, prevention, cure or control of any human disease, disorder or condition of the eye, and to develop and commercialize those licensed products in all countries outside of the United States, which we refer to as the Novartis Territory. We have agreed to use commercially reasonable efforts to complete our ongoing pivotal Phase 3 clinical program for Fovista and Novartis has agreed to use commercially reasonable efforts to develop a standalone Fovista product and a co-formulated product containing Fovista and an anti-VEGF to which Novartis has rights, as well as a pre-filled syringe presentation of such products and to use commercially reasonable efforts, subject to obtaining marketing approval, to commercialize licensed products in the Novartis Territory in accordance with agreed development and marketing plans.

Novartis paid us a $200.0 million upfront fee upon execution of the Novartis Agreement. Novartis is also obligated to pay us up to an aggregate of $130.0 million if we achieve specified patient enrollment-based milestones for our Phase 3 clinical program for

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Fovista, $50.0 million of which we achieved in September 2014 and received in October 2014 and $50.0 million of which we achieved in March 2015 and received in April 2015, and up to an aggregate of an additional $300.0 million upon achievement of specified marketing approval milestones in certain

countries in the Novartis Territory. In addition, Novartis has agreed to pay us up to an aggregate of an additional $400.0 million if Novartis achieves specified sales milestones in the Novartis Territory. Novartis also is obligated to pay us royalties with respect to standalone Fovista products and combination Fovista products that Novartis successfully commercializes. We will receive royalties at a mid-thirties percentage of net sales of standalone Fovista products and a royalty of approximately equal value for sales of combination Fovista products. Such royalties are subject to customary deductions, credits, and reductions for lack of patent coverage or market exclusivity. Novartis's obligation to pay such royalties will continue on a licensed product-by-licensed product and country-by-country basis until Novartis's last actual sale of such licensed product in such country. We will continue to be responsible for royalties we owe to third parties on sales of Fovista products.

We have retained control over the design and execution of our pivotal Phase 3 clinical program for Fovista and remain responsible for funding the costs of that program, subject to Novartis's responsibility to provide Lucentis, an anti-VEGF agent to which Novartis has rights in the Novartis Territory, for use in the Phase 3 trials already initiated and in other Phase 2 and Phase 3 clinical trials in the Novartis Territory following the effective date of the Novartis Agreement. Novartis will have control over, and will be responsible for the costs of, all other clinical trials that may be required to obtain marketing approvals in the Novartis Territory for licensed products under the agreement. Novartis is also responsible for costs associated with co-formulation development, pre-filled syringe development and other development costs in the Novartis Territory, but excluding regulatory filing fees in the European Union for the standalone Fovista product, for which we will be responsible.

We plan to initiate a Phase 2/3 clinical trial to evaluate the safety and efficacy of Zimura monotherapy in patients with geographic atrophy in the fourth quarter of 2015. We also initiated in late 2014 a very small, open-label Phase 2 trial investigating Zimura administered in combination with anti-VEGF therapy for the treatment of polypoidal choroidal vasculopathy, or PCV, a specific type of wet AMD, in patients who do not respond adequately to treatment with anti-VEGF monotherapy or for whom anti-VEGF monotherapy has failed.

We were incorporated and commenced active operations in 2007. Our operations to date have been primarily limited to organizing and staffing our company, acquiring rights to product candidates, business planning, raising capital and developing Fovista and Zimura. We acquired our rights to Fovista from (OSI) Eyetech, Inc., or Eyetech, in July 2007. The acquisition included an assignment of license rights and obligations under an agreement with Archemix Corp. We have licensed rights to our product candidate Zimura from Archemix Corp. Since inception, we have incurred significant operating losses. As of June 30, 2015, we had an accumulated deficit of $330.3 million. Our net loss was $30.5 million for the six months ended June 30, 2015, and $116.8 million for the year ended December 31, 2014, and we expect to continue to incur significant operating losses in 2015 and in the future. We have not generated any revenues from product sales and have financed our operations primarily through private placements of our preferred stock, venture debt borrowings, funding under our royalty purchase and sale agreement with Novo A/S, which we refer to as the Novo Agreement, our initial public offering of common stock, which we closed in September 2013, our follow-on public offering of common stock, which we closed in February 2014, and funds we received under the Novartis Agreement. We received net proceeds from our initial public offering of $175.6 million, after deducting underwriting discounts and commissions and other offering expenses payable by us. We received net proceeds from the follow-on public offering of $55.4 million, after deducting underwriting discounts and commissions and other offering expenses payable by us. We have received $125.0 million of funding under the Novo Agreement, which constitutes the full amount of funding under that agreement. We also received an upfront payment of $200.0 million from Novartis upon the execution of the Novartis Agreement and enrollment-based milestone payments of $50.0 million in October 2014 and $50.0 million in April 2015.

We expect our expenses to continue to increase substantially, particularly as we continue the development of Fovista in our Phase 3 clinical program and other additional clinical trials evaluating Fovista for the treatment of wet AMD. We initiated our pivotal Phase 3 clinical program for Fovista in August 2013. We plan to enroll a total of approximately 1,866 patients for this program. In addition, we also expect our expenses to increase as we further evaluate the potential benefit of Fovista in wet AMD, when administered in combination with anti-VEGF therapy, and in other ophthalmic diseases and conditions with unmet need and pursue the development of Zimura for the treatment of geographic atrophy, a form of dry AMD, and, in combination with anti-VEGF therapy for the treatment of polypoidal choroidal vasculopathy, a specific type of wet AMD, in patients who do not respond adequately to treatment with anti-VEGF monotherapy or for whom anti-VEGF monotherapy fails. We expect these expenses to increase as patient enrollment increases in these clinical trials and as we manufacture validation production batches of API and drug product for Fovista. In addition, our expenses will increase prior to obtaining marketing approval for Fovista as we expand our infrastructure to support commercial operations and, if we obtain marketing approval for Fovista, Zimura or any other product candidate that we may develop, we expect our commercialization expenses related to product sales, marketing, distribution and manufacturing to increase significantly. We are also exploring the possibility of an ophthalmic formulation for tivozanib, an anti-VEGF compound for which we have an option to obtain a license. We are party to agreements, specifically an asset acquisition agreement with OSI (Eyetech), Inc., which agreement is now held by OSI Pharmaceuticals, LLC, a subsidiary of Astellas US, LLC, and license agreements with Archemix

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Corp. and Nektar Therapeutics, that impose significant milestone payment obligations on us in connection with our achievement of specific clinical, regulatory and commercial milestones with respect to Fovista and Zimura. Furthermore, we are incurring and expect to continue to incur additional costs associated with operating as a public company, hiring additional personnel and expanding our facilities. These costs include significant legal, accounting, and investor and public relations expenses, as well as increased insurance premiums. See "—Liquidity and Capital Resources — Funding Requirements" for a discussion of factors affecting our future capital requirements.

Our ability to become and remain profitable depends on our ability to generate revenue in excess of our expenses. We do not expect to generate and maintain significant product revenue unless, and until, we obtain marketing approval for, and commercialize, Fovista, Zimura or other product candidates that we may develop. We may be unsuccessful in our efforts to develop and commercialize these product candidates. Even if we succeed in developing and commercializing one or more of our product candidates, we may never achieve sufficient sales revenue to achieve or maintain profitability. Our capital requirements will also depend on many other factors, including whether we pursue the acquisition or in-licensing and subsequent development of additional product candidates or technologies. We may need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we could be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts.

Financial Operations Overview

Revenue

Prior to 2014, we had not generated any revenue. In May 2014, we received an upfront payment of $200.0 million in connection with our entry into the Novartis Agreement, which has not been recorded as revenue due to certain contingencies associated with the payment. In each of September 2014 and

March 2015, we earned a $50.0 million enrollment-based milestone, or $100.0 million in aggregate, under the Novartis Agreement. We recognized revenue of approximately $43.3 million during the six months ended June 30, 2015, which primarily related to the $50.0 million milestone we achieved in March 2015. The balance of the milestone payment was recorded as deferred revenue. During the three months ended June 30, 2015, we recognized revenue of approximately $1.6 million, all of which related to the Novartis Agreement. We use the relative selling price method to allocate arrangement consideration to our performance obligations under the Novartis Agreement. Below is a summary of the components of our collaboration revenue for the three and six months ended June 30, 2015 and 2014:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
License revenue	$ —	$ —	$ 38,083	$ —
Research and development activity revenue	1,594	—	5,179	—
Joint operating committee revenue	3	—	13	—
Total collaboration revenue	$ 1,597	$ —	$ 43,275	$ —

We did not recognize any revenue related to our obligation to supply active pharmaceutical ingredient, or API, for Fovista to Novartis during the three and six months ended June 30, 2015.

In the future, we may generate additional revenue from a combination of product sales and license fees, milestone payments and research and development activity-related payments, payments for manufactured material and royalties in connection with the Novartis Agreement. We expect that any revenue we generate will fluctuate from quarter to quarter as a result of the timing and amount of certain milestone and other payments, if any, that we may receive from Novartis and the amount and timing of payments that we receive upon the sale of our products, to the extent any are successfully commercialized. We do not expect to generate revenue from product sales until 2017 at the earliest. If we fail to complete the development of Fovista, Zimura or other product candidates we may develop, in a timely manner or obtain regulatory approval for them, our ability to generate future revenue and our results of operations and financial position, would be materially adversely affected.

Research and Development Expenses

Research and development expenses primarily consist of costs associated with the development and clinical testing of Fovista and Zimura. Our research and development expenses consist of:

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- external research and development expenses incurred under arrangements with third parties, such as contract research organizations, or CROs and other vendors and contract manufacturing organizations for the production of drug substance and drug product; and

- employee-related expenses, including salaries, benefits, travel and share-based compensation expense.

Research and development costs also include costs of acquired product licenses and related technology rights where there is no alternative future use, costs of prototypes used in research and development, consultant fees and amounts paid to collaborative partners.

All research and development costs are charged to operations as incurred in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic, or ASC, 730, *Research and Development*. We account for non-refundable advance payments for goods and services that will be used in future research and development activities as expenses when the service has been performed or when the goods have been received, rather than when the payment is made.

To date, the large majority of our research and development work has been related to Fovista and Zimura. We anticipate that our research and development expenses will increase substantially in connection with our ongoing activities, particularly as we continue the development of and seek marketing approval for Fovista, Zimura and, possibly, other product candidates.

We do not currently utilize a formal time allocation system to capture expenses on a project-by-project basis because we record expenses by functional department. Accordingly, we do not allocate expenses to individual projects or product candidates, although we do allocate some portion of our research and development expenses by functional area and by compound, as shown below.

The following table summarizes our research and development expenses for the three and six months ended June 30, 2015 and 2014:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Fovista	$ 21,808	$ 29,970	$ 37,747	$ 40,678
Zimura	1,654	755	3,157	999
Personnel related	3,432	2,013	6,912	3,758
Share-based compensation	4,304	1,945	7,419	3,607
Other	861	24	1,381	42
	$ 32,059	$ 34,707	$ 56,616	$ 49,084

We expect to spend significant additional funds on our Phase 3 clinical program for Fovista, including costs related to process development and manufacturing scale-up activities for Fovista, our other planned clinical programs, including additional clinical trials to further evaluate the potential benefit of Fovista in wet AMD, when administered in combination with anti-VEGF therapy, and in other ophthalmic diseases and conditions with unmet medical need, a planned clinical trial evaluating Zimura for the treatment of geographic atrophy and a very small clinical trial recently begun evaluating Zimura in combination with anti-VEGF therapy for the treatment of polypoidal choroidal vasculopathy, a specific type of wet AMD, in patients who do not respond adequately to treatment with anti-VEGF monotherapy or for whom anti-VEGF monotherapy fails, and for general corporate purposes and working capital.

Costs related to our clinical programs could exceed our expectations if we experience delays in our clinical trials, including because of the timing of our patient enrollment, the availability and costs of drug supply for our clinical trials or for other reasons. Our costs will also increase if we increase investigator fees for our clinical trials, if we further expand the scope of our clinical trials and programs, including, for example, by increasing the number of clinical trial sites, or changing the geographic mix of sites at which patients are enrolled, if we increase other corporate or licensing activities or staffing, or if we experience issues with process development and scale-up of manufacturing activities.

Our current Phase 3 clinical program for Fovista is expected to continue through at least 2017, and substantial expenditures to complete the Phase 3 clinical program will be required after the receipt of initial, top-line data, expected to be available by the end of 2016 for the two clinical trials investigating Fovista in combination with Lucentis, and to fund our other development programs. This timeline could be subject to an adjustment to a slightly later time point if the recruitment rate for the second trial evaluating Fovista in combination with Lucentis is on the lower end of our projected enrollment scenarios. Moreover, we are at the early stages of formulating our clinical development plan for Zimura. We expect the clinical development of Zimura will continue for at least the next several years. At this time, we cannot reasonably estimate the remaining costs necessary to complete the clinical development of either Fovista or Zimura, complete process development and manufacturing scale-up activities associated with Fovista and Zimura and

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seek marketing approval for Fovista or Zimura, or the nature, timing or costs of the efforts necessary to complete the development of any other product candidate we may develop.

The successful development of our product candidates is highly uncertain. See “Risk Factors.” This is due to the numerous risks and uncertainties associated with developing drugs, including the uncertainty of:

- the scope, rate of progress and expense of our research and development activities;
- the potential benefits of our product candidates over other therapies;
- clinical trial results;
- the terms and timing of regulatory approvals;
- our and our commercialization partner’s ability to market, commercialize and achieve market acceptance for any of our product candidates; and
- our ability to successfully file, prosecute, defend and enforce patent claims and other intellectual property rights, together with associated expenses.

A change in the outcome of any of these variables with respect to the development of Fovista, Zimura or any other product candidate we may develop could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if regulatory authorities were to require us to conduct clinical trials beyond those which we currently anticipate will be required for the completion of clinical development of Fovista or any other product candidate or if we experience significant delays in enrollment in any clinical trials, we could be required to expend significant additional financial resources and time on the completion of the clinical development.

See the “Liquidity and Capital Resources” section on page 31 of this Quarterly Report on Form 10-Q for more information regarding our current and future financial resources.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related costs for personnel, including share-based compensation expense, in our executive, legal, finance and business development functions. Other general and administrative expenses include facility costs and professional fees for legal, patent, consulting and accounting services.

We anticipate that our general and administrative expenses will increase in future periods to support increases in our research and development, manufacturing, and commercialization activities and as a result of increased personnel, including management personnel to support our clinical, manufacturing and commercialization activities, expanded infrastructure, increased legal, compliance, accounting and investor and public relations expenses associated with being a public company and increased insurance premiums, among other factors.

Interest Income

Our cash, cash equivalents and marketable securities are invested primarily in U.S. Treasury money market funds and U.S. Treasury securities, which generate a nominal amount of interest income.

Critical Accounting Policies and Significant Judgments and Estimates

Our management’s discussion and analysis of our financial condition and results of operations is based on our financial statements, which we have prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses and the disclosure of contingent assets and liabilities in our financial statements. On an ongoing basis, we evaluate our estimates and judgments, including those related to accrued expenses and share-based compensation described in greater detail below. We base our estimates on our limited historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are described in more detail in the notes to our financial statements appearing elsewhere in this Quarterly Report on Form 10-Q. Of those policies, we believe that the following accounting policies are the most critical to aid our stockholders in fully understanding and evaluating our financial condition and results of operations.

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Accrued Research and Development Expenses

As part of the process of preparing our financial statements, we are required to estimate our accrued expenses. This process involves reviewing quotations and contracts, identifying services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of the actual cost. The majority of our service providers invoice us monthly in arrears for services performed or when contractual milestones are met. We make estimates of our accrued expenses as of each balance sheet date in our financial statements based on facts and circumstances known to us at that time. We periodically confirm the accuracy of our estimates with the service providers and make adjustments if necessary. The significant estimates in our accrued research and development expenses are related to expenses incurred with respect to CROs, contract manufacturing organizations and other vendors in connection with research and development activities for which we have not yet been invoiced.

We base our expenses related to CROs and contract manufacturing organizations on our estimates of the services received and efforts expended pursuant to quotes and contracts with such vendors that conduct research and development and manufacturing activities on our behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. There may be instances in which payments made to our vendors will exceed the level of services provided and result in a prepayment of the applicable research and development or manufacturing expense. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from our estimate, we adjust the accrual or prepaid expense accordingly. Although we do not expect our estimates to be materially different from amounts actually incurred, our understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and could result in us reporting amounts that are too high or too low in any particular period. There have been no material changes in estimates for the periods presented.

Revenue Recognition

Collaboration Revenue

Prior to 2014, we had not generated any revenue. In May 2014, we received an upfront payment of $200.0 million in connection with our entry into the Novartis Agreement, which has not been recorded as revenue due to certain contingencies associated with the payment. In each of September 2014 and March 2015, we achieved a $50.0 million enrollment-based milestone under the Novartis Agreement, or $100.0 million in the aggregate. We recognized collaboration revenue of approximately $43.3 million during the six months ended June 30, 2015, which primarily related to the $50.0 million milestone we achieved in March 2015. The balance of the milestone payment was recorded as deferred revenue. During the three months ended June 30, 2015, we recognized collaboration revenue of approximately $1.6 million. We use the relative selling price method to allocate arrangement consideration to our performance obligations under the Novartis Agreement. Below is a summary of the components of our collaboration revenue for the three and six months ended June 30 2015 and 2014:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
License revenue	$ —	$ —	$ 38,083	$ —
Research and development activity revenue	1,594	—	5,179	—
Joint operating committee revenue	3	—	13	—
Total collaboration revenue	$ 1,597	$ —	$ 43,275	$ —

We did not recognize any revenue related to our obligation to supply API for Fovista to Novartis during the three and six months ended June 30, 2015.

In the future, we may generate additional revenues from a combination of product sales and license fees, milestone payments, research and development activity-related payments, payments for manufactured material and royalties in connection with the Novartis Agreement. The terms of this agreement and other potential collaboration or commercialization agreements we may enter into generally contain multiple elements, or deliverables, which may include (i) licenses, or options to obtain licenses, to our technology, (ii) research and development activities to be performed on behalf of the collaborative partner and (iii) in certain cases, services in connection with the manufacturing of pre-clinical, clinical or commercial material. Payments to us under these arrangements typically include one or more of the following: non-refundable, upfront license fees; option exercise fees; funding of research and/or development efforts; milestone payments; payments for manufactured material; and royalties on future product sales.

When evaluating multiple element arrangements, we consider whether the deliverables under the arrangement represent separate units of accounting. This evaluation requires subjective determinations and requires management to make judgments about

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the individual deliverables and whether such deliverables are separable from the other aspects of the contractual relationship. In determining the units of accounting, management evaluates certain criteria, including whether the deliverables have standalone value, based on the consideration of the relevant facts and circumstances for each arrangement. The consideration received is allocated among the separate units of accounting using the relative selling price method, and the applicable revenue recognition criteria are applied to each of the separate units.

We determine the estimated selling price for deliverables within each agreement using vendor-specific objective evidence (“VSOE”) of selling price, if available, third-party evidence (“TPE”) of selling price if VSOE is not available, or best estimate of selling price (“BESP”) if neither VSOE nor TPE is available. Determining the best estimate of selling price for a deliverable requires significant judgment. We use BESP to estimate the selling price for licenses

to our proprietary technology, since we often do not have VSOE or TPE of selling price for these deliverables. In those circumstances where we utilize BESP to determine the estimated selling price of a license to our proprietary technology, we consider market conditions as well as entity-specific factors, including those factors contemplated in negotiating the agreements as well as internally developed models that include assumptions related to the market opportunity, estimated development costs, probability of success and the time needed to commercialize a product candidate pursuant to the license. In validating our BESP, we evaluate whether changes in the key assumptions used to determine the BESP will have a significant effect on the allocation of arrangement consideration among multiple deliverables.

When management believes the license to our intellectual property and products has stand-alone value, we generally recognize revenue attributed to the license upon delivery. When management believes such a license does not have stand-alone value from the other deliverables to be provided in the arrangement, we generally recognize revenue attributed to the license on a straight-line basis over our contractual or estimated performance period, which is typically the term of our research and development obligations. If management cannot reasonably estimate when our performance obligation ends, then revenue is deferred until management can reasonably estimate when the performance obligation ends. The periods over which revenue should be recognized are subject to estimates by management and may change over the course of the research and development agreement. Such a change could have a material impact on the amount of revenue we record in future periods.

At the inception of arrangements that include milestone payments, we evaluate whether each milestone is substantive and at risk to both parties on the basis of the contingent nature of the milestone. This evaluation includes an assessment of whether (a) the consideration is commensurate with either (1) the entity's performance to achieve the milestone, or (2) the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the entity's performance to achieve the milestone, (b) the consideration relates solely to past performance, and (c) the consideration is reasonable relative to all of the deliverables and payment terms within the arrangement. We evaluate factors such as the scientific, regulatory, commercial and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required to achieve the respective milestone and whether the milestone consideration is reasonable relative to all deliverables and payment terms in the arrangement in making this assessment.

We aggregate our milestones into three categories: (i) clinical and development milestones, (ii) regulatory milestones, and (iii) commercial milestones. Clinical and development milestones are typically achieved when a product candidate advances into a defined phase of clinical research or completes such phase or when a contractually specified clinical trial enrollment target is attained. Regulatory milestones are typically achieved upon acceptance of the submission of an application for marketing approval of a product candidate or upon approval to market the product candidate by the FDA or other regulatory authorities. For example, a milestone payment may be due to us upon the FDA's acceptance of an NDA. Commercial milestones are typically achieved when an approved pharmaceutical product reaches certain defined levels of net sales by the licensee, such as when a product first achieves global sales or annual sales of a specified amount.

Revenues from clinical and development and regulatory milestone payments, if the milestones are deemed substantive and the milestone payments are nonrefundable, are recognized upon successful accomplishment of the milestones. With regards to the Novartis Agreement, we have concluded that the clinical and development milestones and certain regulatory milestones are not substantive and that the regulatory approval milestones are substantive. Milestones payments received that are not considered substantive are included in the allocable arrangement consideration and are recognized as revenue in proportion to the relative-selling price allocation established at the inception of the arrangement. Revenues from commercial milestone payments are accounted for as royalties and are recorded as revenue upon achievement of the milestone, assuming all other revenue recognition criteria are met.

Royalty Purchase Liability

The proceeds from the financing we received under the Novo Agreement have been recorded as a liability on our balance sheet in accordance with ASC 730, *Research and Development*. Because there is a significant related party relationship between us and Novo A/S, we are treating our obligation to make royalty payments under the Novo Agreement as an implicit obligation to repay the funds advanced by Novo A/S, and thus have recorded the proceeds as a liability on our balance sheet. As we make royalty

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payments to Novo A/S in accordance with the Novo Agreement, we will reduce the liability balance. At the time that such royalty payments become probable and estimable, and if such amounts exceed the liability balance, we will impute interest accordingly on a prospective basis based on such estimates, which would result in a corresponding increase in the liability balance.

Share-Based Compensation

We account for all share-based compensation payments issued to employees, directors, and consultants by estimating the fair value of each equity award. Accordingly, share-based compensation expense is measured based on the estimated fair value of the awards on the date of grant, net of forfeitures. We recognize compensation expense for the portion of the award that is ultimately expected to vest over the period during which the recipient renders the required services to us using the straight-line single option method. In accordance with authoritative guidance, we re-measure the fair value of consultant share-based awards as the awards vest, and recognize the resulting value, if any, as expense during the period the related services are rendered.

We apply the fair value recognition provisions of ASC 718, *Compensation—Stock Compensation*. Determining the amount of share-based compensation to be recorded requires us to develop estimates of the fair value of stock options as of their grant date. We recognize share-based compensation expense ratably over the requisite service period, which in most cases is the vesting period of the award. Calculating the fair value of share-based awards requires that we make highly subjective assumptions.

We use the Black-Scholes option pricing model to value our stock option awards. Use of this valuation methodology requires that we make assumptions as to the volatility of our common stock, the expected term of our stock options, and the risk free interest rate for a period that approximates the expected term of our stock options and the expected dividend yield of our common stock. As a recent public company, we do not have sufficient history to estimate the volatility of our common stock price or the expected life of the options. We calculate expected volatility based on reported data for similar publicly traded companies for which historical information is available and will continue to do so until the historical volatility of our common stock is sufficient to measure expected volatility for future option grants.

We use the simplified method as prescribed by the Securities and Exchange Commission Staff Accounting Bulletin No. 107, *Share-Based Payment*, to calculate the expected term of stock option grants to employees as we do not have sufficient historical exercise data to provide a reasonable basis upon

which to estimate the expected term of stock options granted to employees. The risk-free interest rate used for each grant is based on the U.S. Treasury yield curve in effect at the time of grant for instruments with a similar expected life. We utilize a dividend yield of zero based on the fact that we have never paid cash dividends and have no current intention to pay cash dividends. The weighted-average assumptions used to estimate grant date fair value of stock options using the Black-Scholes option pricing model were as follows for the three and six months ended June 30, 2015 and 2014:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Expected common stock price volatility	71%	77%	72%	84%
Risk-free interest rate	1.49%-1.75%	1.61%-2.48%	1.35%-2.31%	1.61%-2.48%
Expected term of options (years)	6.1	6.5	6.19	6.2
Expected annual dividend per share	$ —	$ —	$ —	$ —

We estimate the fair value of restricted stock units granted to employees using the closing market price of the Company's common stock on the date of grant.

We are also required to estimate forfeitures at the time of grant, and revise those estimates in subsequent periods if actual forfeitures differ from our estimates. We use historical data to estimate pre-vesting forfeitures and record share-based compensation expense only for those awards that are expected to vest. To the extent that actual forfeitures differ from our estimates, the difference is recorded as a cumulative adjustment in the period the estimates were revised.

Share-based compensation expense for equity grants to employees, non-employee directors and consultants was $6.4 million for the three months ended June 30, 2015 and $3.2 million for the three months ended June 30, 2014. Share-based compensation expense for equity grants to employees, non-employee directors and consultants was $11.4 million for the six months ended June 30, 2015 and $5.9 million for the six months ended June 30, 2014. As of June 30, 2015, we had $57.4 million of total unrecognized share-based compensation expense, which we expect to recognize over a weighted-average remaining vesting period of approximately 2.7 years. We expect our share-based compensation for our equity awards to employees, non-employee directors and consultants to increase as a result of recognizing our existing unrecognized share-based compensation for awards that will vest and as we issue additional equity awards to attract and retain our employees.

For the three and six months ended June 30, 2015 and 2014, we allocated share-based compensation as follows:

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	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Research and development	$ 4,304	$ 1,945	$ 7,419	$ 3,607
General and administrative	2,075	1,238	4,014	2,305
Total	$ 6,379	$ 3,183	$ 11,433	$ 5,912

Income Taxes

In 2014, we received $83.3 million from Novo A/S under the Novo Agreement, which was reported as revenue for income tax purposes. Also in 2014, we received $200.0 million from Novartis upon execution of the Novartis Agreement, a portion of which was reported as revenue for income tax purposes. In addition, we received a milestone payment of $50.0 million in 2014 from Novartis which was reported as revenue for income tax purposes. As a result of these payments, and after taking into account the utilization of our federal net operating loss carry-forwards and utilization of our research and development tax credits, we reported taxable income for the 2014 tax year. We made income tax payments of $40.2 million during the year ended December 31, 2014. The valuation allowance on certain of our deferred tax assets has been released, where appropriate. We are projecting tax losses for 2015 and as such, we recorded a benefit from income taxes of approximately $5.1 million and $4.1 million during the three and six months ended June 30, 2015, respectively. See Note 8 to our financial statements in Part I-Item 1 of this Quarterly Report on form 10-Q for further information regarding our expectations with respect to our income tax provision.

Results of Operations

Comparison of Three Month Periods Ended June 30, 2015 and 2014

	Three months ended June 30,		Increase (Decrease)
	2015	2014	
	(in thousands)		
Statement of Operations Data:			
Collaboration revenue	$ 1,597	$ —	$ 1,597
Operating Expenses:			
Research and development	32,059	34,707	(2,648)
General and administrative	11,959	7,570	4,389
Total operating expenses	44,018	42,277	1,741
Loss from operations	(42,421)	(42,277)	144
Interest income	218	72	146
Loss before income tax (benefit) provision	(42,203)	(42,205)	(2)
Income tax (benefit) provision	(5,072)	30,785	35,857
Net loss	$ (37,131)	$ (72,990)	$ (35,859)

Collaboration Revenue

Collaboration revenue for the three months ended June 30, 2015 was approximately $1.6 million. This revenue was recognized using the relative selling price method and related to the research and development activities we performed under the Novartis Agreement during the three months ended June 30, 2015 and a de minimis amount of revenue associated with our joint operating committee participation obligation during the same period.

We did not recognize any revenue for the three months ended June 30, 2014.

Research and Development Expenses

Our research and development expenses were $32.1 million for the three months ended June 30, 2015, a decrease of $2.6 million compared to $34.7 million for the three months ended June 30, 2014. Research and development expenses during the three months ended June 30, 2014 included a milestone payment of $19.8 million that we paid in June 2014 in connection with our entry into the Novartis Agreement. Excluding this milestone payment, research and development expense increased approximately $17.1 million for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014. The increase was primarily due to costs associated with our Fovista Phase 3 clinical program, including clinical trial costs and the costs to manufacture Fovista for the trials, as well as increased manufacturing costs related to our Zimura program.

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General and Administrative Expenses

Our general and administrative expenses were $12.0 million for the three months ended June 30, 2015, an increase of $4.4 million compared to $7.6 million for the three months ended June 30, 2014. The increase was primarily due to an increase in costs to support the expansion of our operations, including our public company infrastructure, and the hiring of additional management and corporate staffing, including the early stages of a commercial organization. Also contributing to the increase were higher share-based compensation, and professional services and consulting fees.

Interest Income

Interest income for the three months ended June 30, 2015 was $0.2 million compared to interest income of $0.1 million for the three months ended June 30, 2014. Interest income earned during the three months ended June 30, 2015 was a result of an increase in our cash, cash equivalents and marketable securities average balances during the three months ended June 30, 2015 as compared to the three months ended June 30, 2014.

Income tax (benefit) provision

During the three months ended June 30, 2015, we recorded a benefit from income taxes of approximately $5.1 million, which related to our projected tax losses for tax year 2015. During the three months ended June 30, 2014, we recorded a provision for income taxes of approximately $30.8 million, which primarily related to taxable income that resulted from payments we received under the Novartis Agreement and the Novo Agreement in 2014.

Comparison of Six Month Periods Ended June 30, 2015 and 2014

	Six months ended June 30,		Increase (Decrease)
	2015	2014	
	(in thousands)		
Statement of Operations Data:			
Collaboration revenue	$ 43,275	$ —	$ 43,275
Operating Expenses:			
Research and development	56,616	49,084	7,532
General and administrative	21,543	13,919	7,624
Total operating expenses	78,159	63,003	15,156
Loss from operations	(34,884)	(63,003)	(28,119)
Interest income	291	116	175
Loss before income tax (benefit) provision	(34,593)	(62,887)	(28,294)
Income tax (benefit) provision	(4,098)	30,785	34,883
Net loss	$ (30,495)	$ (93,672)	$ (63,177)

Collaboration Revenue

Collaboration revenue for the six months ended June 30, 2015 was approximately $43.3 million. Using the relative selling price method, we allocated $38.1 million to the license delivered to Novartis under the Novartis Agreement, $5.2 million to research and development activities we performed under the Novartis Agreement during the six months ended June 30, 2015 and a de minimis amount of revenue associated with our joint operating committee participation obligation during the same period.

We did not recognize any revenue for the six months ended June 30, 2014.

Research and Development Expenses

Our research and development expenses were $56.6 million for the six months ended June 30, 2015, an increase of $7.5 million compared to $49.1 million for the six months ended June 30, 2014. Research and development expenses during the six months ended June 30, 2014 included a milestone payment of $19.8 million that we paid in June 2014 in connection with our entry into the Novartis Agreement. Excluding this milestone payment, research and development expense increased approximately $27.3 million for the six months ended June 30, 2015 as compared to the six months ended June 30, 2014. The increase was primarily due to costs associated with our Fovista Phase 3 clinical program, including clinical trial costs and the costs to manufacture Fovista for the trials, as well as increased manufacturing costs related to our Zimura program. Other contributing factors include increased personnel costs

associated with additional management and research and development staffing, including share-based compensation expense. We initiated our pivotal Phase 3 clinical program for Fovista in August 2013.

General and Administrative Expenses

Our general and administrative expenses were $21.5 million for the six months ended June 30, 2015, an increase of $7.6 million compared to $13.9 million for the six months ended June 30, 2014. The increase was primarily due to an increase in costs to support the expansion of our operations, including our public company infrastructure, and the hiring of additional management and corporate staffing, including the early stages of a commercial organization. Also contributing to the increase were higher share-based compensation, and professional services and consulting fees.

Interest Income

Interest income for the six months ended June 30, 2015 was $0.3 million compared to interest income of $0.1 million for the six months ended June 30, 2014. Interest income earned during the six months ended June 30, 2015 was a result of an increase in our cash, cash equivalents and marketable securities average balances during the six months ended June 30, 2015 as compared to the six months ended June 30, 2014.

Income tax (benefit) provision

During the six months ended June 30, 2015, we recorded a benefit from income taxes of approximately $4.1 million, which related to our projected tax losses for tax year 2015. During the six months ended June 30, 2014, we recorded a provision for income taxes of approximately $30.8 million, which primarily related to taxable income that resulted from payments we received under the Novartis Agreement and the Novo Agreement in 2014.

Liquidity and Capital Resources

Sources of Liquidity

Since inception, we have financed our operations primarily through private placements of our preferred stock, venture debt borrowings, funding we received under the Novo Agreement, our initial public offering of common stock, which we closed on September 30, 2013, our follow-on public offering of common stock, which we closed in February 2014, and funds we received under the Novartis Agreement. In September 2013, we issued and sold an aggregate of 8,740,000 shares of common stock in our initial public offering at a public offering price of $22.00 per share. We received net proceeds from the initial public offering of $175.6 million. In February 2014, we issued and sold 1,900,000 shares of common stock and selling shareholders sold 728,571 shares of common stock in a follow-on public offering at a public offering price of $31.50 per share. We received net proceeds of $55.4 million from the follow-on offering. The Novo Agreement, which is described in more detail below, provided for financing of up to $125.0 million in the aggregate in return for the sale to Novo A/S of royalty interests in worldwide sales of Fovista. We received an aggregate of $125.0 million from this financing in separate tranches in May 2013, January 2014 and November 2014, which constitutes the full amount of funding under the Novo Agreement. In May 2013, we issued and sold an aggregate of 6,666,667 shares of our series C preferred stock at a price per share of $2.50, for an aggregate purchase price of $16.7 million. In August 2013, we issued and sold an aggregate of 13,333,333 additional shares of our series C preferred stock to the same purchasers at a price per share of $2.50, for an aggregate purchase price of $33.3 million.

In May 2014, we received an upfront payment of $200.0 million upon execution of the Novartis Agreement in connection with a grant of a license for the rights to commercialize Fovista outside the United States. Novartis is also obligated to pay us up to an aggregate of $130.0 million if we achieve specified patient enrollment-based milestones for our ongoing pivotal Phase 3 clinical program for Fovista, of which, $50.0 million was received in October 2014 and $50.0 million was received in April 2015. In connection with the receipt of the upfront payment from Novartis, we made a milestone payment in June 2014 of approximately $19.8 million under one of our agreements.

Cash Flows

As of June 30, 2015, we had cash, cash equivalents and marketable securities totaling $449.0 million and no debt. We primarily invest our cash, cash equivalents and marketable securities in U.S. Treasury securities and money market funds that invest in U.S. Treasury securities.

The following table shows a summary of our cash flows for the six months ended June 30, 2015 and 2014:

	Six months ended June 30,	
	2015	2014
	(in thousands)	
Net cash (used in) provided by:		
Operating Activities	$ (15,675)	$ 144,948
Investing Activities	8,369	(205,666)
Financing Activities	4,212	98,620
Net change in cash and cash equivalents	$ (3,094)	$ 37,902

Cash Flows from Operating Activities

Net cash used in operating activities of $15.7 million for the six months ended June 30, 2015 relates primarily to our net loss adjusted for non-cash charges and changes in the components of working capital. The increase in net cash used in the six months ended June 30, 2015 compared to the net cash provided by operating activities during the six months ended June 30, 2014 relates primarily to the $200.0 million upfront payment we received in connection with our entry into the Novartis Agreement, offset by a milestone payment of approximately $19.8 million that we paid during the six months ended June 30,

2014 in connection with our entry into this Agreement. The increase in net cash used also related to increased expenditures in our efforts to advance Fovista in Phase 3 clinical trials, including increased spending on Phase 3 clinical trial costs and manufacturing activity for Fovista.

In August 2013, we initiated our pivotal Phase 3 clinical program for Fovista which consists of three separate clinical trials. We expect cash used in operating activities to continue to increase substantially compared to prior periods and for the foreseeable future, particularly as our patient enrollment increases in our Phase 3 clinical program, as we manufacture validation production batches of API and drug product for Fovista, and as we continue the development of and seek marketing approval for Fovista, Zimura and, possibly, other product candidates.

Cash Flows from Investing Activities

Net cash provided by investing activities for the six months ended June 30, 2015 was $8.4 million and relates primarily to the maturities of marketable securities totaling $231.0 million offset by marketable security purchases of $221.9 million and capital expenditures associated with the expansion of our office facilities in New York, New York and the relocation to a new office facility in Princeton, New Jersey. Net cash used in investing activities for the six months ended June 30, 2014 relates primarily to the purchase of marketable securities totaling $244.8 million.

Cash Flows from Financing Activities

Net cash provided by financing activities was $4.2 million for the six months ended June 30, 2015 and $98.6 million for the six months ended June 30, 2014. Net cash provided by financing activities for the six months ended June 30, 2015 consisted of $4.2 million in proceeds from stock option exercises. Net cash provided by financing activities for the six months ended June 30, 2014 consisted primarily of proceeds of $55.4 million from our follow-on public offering in February 2014, and proceeds of $41.7 million from our royalty agreement with Novo A/S in January 2014.

Funding Requirements

Our product candidates, Fovista and Zimura, are in clinical development. We expect our expenses to continue to increase, particularly as we continue the development of Fovista in our Phase 3 clinical program and other additional clinical trials for the treatment of wet AMD. We initiated our pivotal Phase 3 clinical program for Fovista in August 2013. We plan to enroll a total of approximately 1,866 patients for this program. In addition, we also expect our expenses to increase as we further evaluate the potential benefit of Fovista in wet AMD, when administered in combination with anti-VEGF therapy, and in other ophthalmic diseases and conditions with unmet medical need and pursue the development of Zimura for the treatment of geographic atrophy, a form of dry AMD, and, in combination with anti-VEGF therapy for the treatment of polypoidal choroidal vasculopathy, a specific type of wet AMD, in patients who do not respond adequately to treatment with anti-VEGF monotherapy or for whom anti-VEGF monotherapy fails. We expect our expenses to increase as patient enrollment increases in these clinical trials. In addition, our expenses will increase prior to obtaining marketing approval for Fovista as we manufacture validation production batches of API and drug product for Fovista and expand our infrastructure to support commercial operations. If we obtain marketing approval for Fovista, we expect our commercialization expenses in the United States related to product sales, marketing, distribution and manufacturing to increase significantly. Outside the United States, our commercialization partner Novartis is responsible for these commercialization expenses.

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If we obtain marketing approval for Zimura or any other product candidate that we develop, we also expect to incur significant commercialization expenses related to product sales, marketing, distribution and manufacturing.

Furthermore, we are incurring and expect to continue to incur additional costs associated with operating as a public company, hiring additional personnel and expanding our facilities. These costs include significant legal, compliance, accounting and investor and public relations expenses as well as increased insurance premiums. Moreover, additional rules and regulations applicable to public companies have increased our legal and financial compliance costs and have made, and will continue to make, some activities more time-consuming and costly.

We are party to agreements, specifically an asset acquisition agreement with OSI (Eyetech), Inc., which agreement is now held by OSI Pharmaceuticals, LLC, a subsidiary of Astellas US, LLC, and license agreements with Archemix Corp., or Archemix, and Nektar Therapeutics, or Nektar, that impose significant milestone payment obligations on us in connection with our achievement of specific clinical, regulatory and commercial milestones with respect to Fovista. For example, in connection with our entry into the Novartis Agreement, we made a milestone payment of $19.8 million to Nektar Therapeutics in June 2014.

Our expenses also will further increase if and as we:

- undertake additional clinical development of Fovista, if it is approved, in support of our efforts to broaden the label for Fovista;
- conduct additional clinical trials of Zimura that may be required by regulatory authorities, including a second Phase 3 clinical trial, for us to seek marketing approval for Zimura for the treatment of geographic atrophy and/or wet AMD;
- in-license or acquire the rights to other complementary products, product candidates or technologies, including drug delivery technology, for the treatment of ophthalmic diseases;
- seek marketing approval for any product candidates that successfully complete clinical trials;
- hire additional clinical, manufacturing, quality control and scientific personnel;
- expand our outsourced manufacturing activities and establish sales, marketing and distribution capabilities, if we receive, or expect to receive, marketing approval for any product candidates;
- maintain, expand and protect our intellectual property portfolio;

- add operational, financial and management information systems and personnel, including personnel to support our product development and planned future commercialization efforts; and

- continue to develop tivozanib for the treatment of ophthalmic diseases.

As of June 30, 2015, we had cash, cash equivalents, and marketable securities of $449.0 million. We also had $357.3 million in total liabilities, including liabilities of $341.3 million relating to the Novo Agreement and deferred revenue associated with the Novartis Agreement.

We believe that our cash, cash equivalents and marketable securities, together with the potential remaining enrollment-based milestone payment under the Novartis Agreement, will be sufficient to fund our operations and capital expenditure requirements as currently planned, including the expansion of our infrastructure to support commercial operations, through the end of 2017. Our capital requirements will also depend on other factors, including the success of our development and commercialization of our product candidates and whether we pursue the acquisition or in-licensing and subsequent development of additional product candidates or technologies. We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. Our costs will increase if we experience delays in enrollment or with the availability of drug supply for our clinical trials and may increase for other reasons. Our costs will also increase if we increase our investigator fees for our clinical trials, if we further expand the scope of our clinical trials and programs, including, for example, by increasing the number of clinical trial sites or changing the geographic mix of sites at which patients are enrolled, if we decide to increase other corporate or licensing activities or staffing or if we experience issues with the process development and scale up of manufacturing activities.

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Our current Phase 3 clinical program for Fovista is expected to continue through at least 2017, and we expect to incur substantial expenditures to complete the Phase 3 clinical program after the receipt of initial, top-line data, which we expect to be available by the end of 2016 for the two Phase 3 clinical trials investigating Fovista administered in combination with Lucentis. This timeline could be subject to an adjustment to a a slightly later time point if the recruitment rate for the second trial evaluating Fovista in combination with Lucentis is on the lower end of our projected enrollment scenarios. Moreover, we are at the early stages of formulating our clinical development plan for Zimura, which we expect will continue for at least the next several years. At this time, we cannot reasonably estimate the remaining costs necessary to complete the clinical development of either Fovista or Zimura, complete process development and manufacturing scale up activities associated with Fovista and Zimura and potentially seek marketing approval for Fovista and Zimura, or the nature, timing or costs of the efforts necessary to complete the development of Zimura and any other product candidate we may develop.

Our future capital requirements, therefore, will depend on many factors, including:

- the scope, progress, costs and results of our Phase 3 clinical program for Fovista;

- the progress, costs and results of our planned clinical trials to further evaluate the potential benefit of Fovista in wet AMD when administered in combination with anti-VEGF therapy, and in other ophthalmic diseases and conditions with unmet need;

- the scope, progress, results and costs of our planned Phase 2/3 clinical trial evaluating Zimura for the treatment of geographic atrophy and additional clinical trials (including a second Phase 3 trial) required by regulatory authorities for us to seek marketing approval in this indication and our very small ongoing Phase 2 clinical trial evaluating Zimura in combination with anti-VEGF therapy for the treatment of polypoidal choroidal vasculopathy, a specific type of wet AMD in patients who do not respond adequately to treatment with anti-VEGF monotherapy or for whom anti-VEGF monotherapy fails;

- the costs and timing of process development and manufacturing scale-up activities associated with Fovista and Zimura;

- the costs, timing and outcome of regulatory review of Fovista and Zimura;

- the timing, scope and cost of commercialization activities for Fovista or Zimura if we receive, or expect to receive, marketing approval for either product candidate, including the costs and timing of expanding our internal commercial operations, expanding our outsourced manufacturing activities and establishing product sales, marketing and distribution capabilities;

- subject to receipt of marketing approval, net revenue received from commercial sales of Fovista or Zimura, after milestone payments and royalty payments that we will be obligated to make;

- the scope, progress and results of our preclinical studies and clinical development plans for tivozanib;

- the scope, progress, results and costs of clinical trials for any other product candidates that we may develop;

- our ability to establish collaborations on favorable terms, if at all;

- the extent to which we in-license or acquire rights to complimentary products, product candidates or technologies; and

- the costs of preparing, filing and prosecuting patent applications, maintaining and protecting our intellectual property rights and defending intellectual property-related claims.

Until such time, if ever, as we can generate substantial product revenues, we may need to finance our operations through a combination of equity offerings, debt financings, collaborations, strategic alliances and marketing, distribution or licensing arrangements. Our remaining potential enrollment milestone payment under the Novartis Agreement is subject to enrollment of a specified number of patients in our Phase 3 clinical trials of Fovista. To the extent that we raise additional capital through the sale of equity or convertible debt securities, our existing stockholders' ownership interests will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect their rights as a common stockholder. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Our pledge of assets, including intellectual property rights, as collateral to

secure our obligations under the Novo Agreement may limit our ability to obtain debt financing. If we raise additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties,

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we may have to relinquish valuable rights to our technologies, future revenue streams or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Licensing and Commercialization Agreement with Novartis Pharma AG

In May 2014, we entered into a licensing and commercialization agreement with Novartis Pharma AG, which we refer to as the Novartis Agreement. Under the agreement with Novartis, we granted Novartis exclusive rights under specified patent rights, know-how and trademarks controlled by us to manufacture, from bulk API supplied by us, standalone Fovista products and products combining Fovista with an anti-VEGF product to which Novartis has rights in a co-formulated product, for the treatment, prevention, cure or control of any human disease, disorder or condition of the eye, and to develop and commercialize those licensed products in all countries outside of the United States, which we refer to as the Novartis Territory. We have agreed to use commercially reasonable efforts to complete our ongoing pivotal Phase 3 clinical program for Fovista and Novartis has agreed to use commercially reasonable efforts to develop a standalone Fovista product and a co-formulated product containing Fovista and an anti-VEGF product to which Novartis has rights, as well as a pre-filled syringe presentation of such products and to use commercially reasonable efforts, subject to obtaining marketing approval, to commercialize licensed products in the Novartis Territory in accordance with agreed development and marketing plans. Novartis has also granted us options, subject to specified limitations, and to the extent such rights are controlled by Novartis, to obtain exclusive rights from Novartis to develop and commercialize in the United States the co-formulated and pre-filled syringe products developed by Novartis. We and Novartis have each granted the other options, subject to specified limitations, to obtain access to study data from certain clinical trials of licensed products that we or Novartis may conduct, including for use by the other in regulatory filings in its territory. We have agreed to exclusively supply Novartis, and Novartis has agreed to exclusively purchase from us, its clinical and commercial requirements for the bulk API for Fovista for use in-licensed products in the Novartis Territory. We have agreed not to commercialize any product comprising Fovista or any other anti-PDGF product in the ophthalmic field in the Novartis Territory.

Novartis paid us $200.0 million upon execution of the Novartis Agreement. Novartis is also obligated to pay us up to an aggregate of $130.0 million if we achieve specified patient enrollment-based milestones for our ongoing pivotal Phase 3 clinical program for Fovista, of which, $50.0 million was received in October 2014 and $50.0 million was received in April 2015, and up to an aggregate of an additional $300.0 million upon achievement of specified approval milestones, including reimbursement approval in certain countries in the Novartis Territory. In addition, Novartis has agreed to pay us up to an aggregate of an additional $400.0 million if Novartis achieves specified sales milestones in the Novartis Territory. Novartis also is obligated to pay us royalties with respect to standalone Fovista products and combination Fovista products that Novartis successfully commercializes. We will receive royalties at a mid-thirties percentage of net sales of standalone Fovista products and a royalty of approximately equal value for sales of combination Fovista products. Such royalties are subject to customary deductions, credits, and reductions for lack of patent coverage or market exclusivity. Novartis's obligation to pay such royalties will continue on a licensed product-by-licensed product and country-by-country basis until Novartis's last actual commercial sale of such licensed product in such country. We will continue to be responsible for royalties we owe to third parties on sales of Fovista products.

Novartis has agreed to pay our manufacturing costs plus a specified percentage margin for supplies of the bulk API for Fovista that we supply to Novartis. If we or Novartis exercise our respective rights to obtain access to study data from clinical trials conducted by the other party, the party exercising the option will be obligated to pay the other party's associated past development costs and share with such other party any future associated development costs. If we exercise our option to obtain Novartis-controlled rights to develop, manufacture and commercialize any co-formulated Fovista product in the United States, we will be obligated to pay a specified percentage of Novartis's associated past development costs and share with Novartis any future associated development costs. Novartis and we will also need to negotiate and agree on financial and other terms that would apply to such rights. If we exercise our option to obtain Novartis-controlled rights to develop and commercialize a pre-filled syringe product in the United States, we will be obligated to either enter into a supply agreement with Novartis under which we will pay Novartis its manufacturing cost plus a specified percentage margin for supplies of Fovista products in pre-filled syringes that Novartis supplies to us, or obtain supplies of products in pre-filled syringes from a third party manufacturer and pay Novartis a low single-digit percentage of our net sales of such products.

We have retained control over the design and execution of our pivotal Phase 3 clinical program for Fovista and remain responsible for funding the costs of that program, subject to Novartis's responsibility to provide Lucentis, an anti-VEGF agent to which Novartis has rights in the Novartis Territory, for use in our ongoing Phase 3 clinical trials and ongoing Phase 2 trials and future Phase 2 and Phase 3 trials in the Novartis Territory following the effective date of the Novartis agreement. Novartis will have control over, and will be responsible for the costs of, all other clinical trials that may be required to obtain marketing approvals in the Novartis Territory for licensed products under the agreement. Novartis is also responsible for costs associated with co-formulation development, pre-filled syringe development and other development costs in the Novartis Territory, but excluding regulatory filing fees in the European Union for the standalone Fovista product, for which we will be responsible.

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The Novartis Agreement, unless earlier terminated by Novartis or us, will expire upon the expiration of Novartis's obligation to pay us royalties on net sales of licensed products. Novartis and we each may terminate the agreement if the other party materially breaches the agreement and does not cure such breach within a specified cure period, if the other party experiences any specified insolvency event, if the other party challenges or assists a third party in challenging the validity or enforceability of certain patent rights controlled by the terminating party, or if the parties are prevented in any manner that materially adversely affects the progression of the development or commercialization of licensed products for a specified period as a result of specified governmental actions. Novartis may terminate the agreement at any time without cause, or within a specified period after a change in control of us, as defined in the agreement, or for specified safety reasons, effective at the end of a specified period following Novartis's written notice to us of Novartis's election to terminate the agreement. We may also terminate the agreement if Novartis determines to seek marketing approval of an alternative anti-PDGF product in the Novartis Territory as more fully described below. If we elect to terminate the agreement because specified governmental actions prevent the parties from materially progressing the development or commercialization of licensed products as described above, we will be required to pay a substantial termination

fee, with the specific amount of such fee determined based on the effective date of the termination. Following any termination, all rights to Fovista that we granted to Novartis, including, without limitation, the right to commercialize standalone Fovista products in the Novartis Territory, will revert to us, Novartis will perform specified activities in connection with transitioning to us the rights and responsibilities for the continued development, manufacture and commercialization of the standalone Fovista product for countries in the Novartis Territory, and the parties will cooperate on an orderly wind down of development and commercialization activities for other licensed products in the Novartis Territory.

Novartis has agreed to specified limitations on its ability to in-license, acquire or commercialize any anti-PDGF product that does not contain Fovista, which we refer to as an Alternative Anti-PDGF Product in the Novartis Territory and, to the extent Novartis develops, in-licenses or acquires such a product, to make such product available to us in the United States under specified option conditions. If we exercise our option, we will be obligated to make certain payments to Novartis, including specified milestone and royalty payments. The amounts of such payments will vary based on the product's stage of clinical development at the time we exercise our option, whether the product is a standalone or combination product and whether Novartis exercises an option to co-promote such product in the United States. If Novartis determines to seek marketing approval of an Alternative Anti-PDGF Product in the Novartis Territory, we will, subject to specified limitations, have the option to terminate the agreement, convert Novartis's exclusive licenses into non-exclusive licenses, or elect to receive a royalty on sales of such product by Novartis. If we elect to terminate the agreement, Novartis will, subject to specified limitations, be required to pay to us, certain payments based on achievement, with respect to such product, of the milestones that would have otherwise applied to licensed products under the agreement.

The agreement contains standstill provisions pursuant to which Novartis agrees to certain restrictions relating to our voting securities until marketing approval for a standalone Fovista product is granted in either the United States or the European Union. The agreement contains indemnification and dispute resolution provisions that are customary for agreements of its kind.

Clinical Manufacturing and Supply Agreement with Agilent Technologies, Inc.

On May 2, 2014, we entered into a Clinical Manufacturing and Supply Agreement with Agilent Technologies, Inc. pursuant to which Agilent has agreed to manufacture and supply to us, and we have agreed to purchase from Agilent, a specified percentage of our clinical requirements in specified jurisdictions of the API for Fovista. The agreement has an initial five-year term, which is subject to automatic renewal absent termination by either party in accordance with the terms of the agreement. The agreement provides for pricing structured on a tiered basis with the price reduced as the volume ordered increases. We may terminate the agreement or any statement of work thereunder upon 12 months prior written notice to Agilent and Agilent may terminate the agreement if we do not, over a specified period, purchase and take delivery from Agilent of a specified minimum quantity of API for Fovista. Each party also has the right to terminate the agreement for other customary reasons such as material breach and bankruptcy. The agreement contains provisions relating to compliance by Agilent with current Good Manufacturing Practices, cooperation by Agilent in connection with marketing applications for Fovista, indemnification, confidentiality, dispute resolution and other customary matters for an agreement of this kind.

Financing Agreement with Novo A/S

In May 2013, we entered into the Novo Agreement, pursuant to which we had the ability to obtain financing in three tranches in an amount of up to $125.0 million in return for the sale to Novo A/S of aggregate royalties of a mid-single-digit percentage on worldwide sales of Fovista, with the royalty percentage determined by the amount of funding provided by Novo A/S. The three tranches of financing, in which Novo A/S purchased three low single-digit royalty interests and paid us $125.0 million in the aggregate, closed in May 2013, January 2014 and November 2014.

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The royalty payment period begins on the commercial launch of Fovista and ends, on a country-by-country basis, on the latest to occur of the twelfth anniversary of the commercial launch of Fovista, the expiration of certain patent rights covering Fovista, and the expiration of regulatory exclusivity for Fovista, in each applicable country. Royalty payments will be payable quarterly in arrears during the royalty period. Our obligations under the Novo Agreement may also apply to certain other anti-platelet derived growth factor, or anti-PDGF, products we may develop.

We used a portion of the proceeds that we initially received under the Novo Agreement to repay in full an aggregate of $14.4 million of outstanding principal, interest and fees under our venture debt facility and are using the remaining proceeds primarily to support clinical development and regulatory activities for Fovista and for general corporate expenses.

The Novo Agreement requires the establishment by Novo A/S and us of a joint oversight committee in relation to the development of Fovista in the event that Novo A/S does not continue to have a representative on our board of directors. The Novo Agreement also contains customary representations and warranties, as well as certain covenants relating to the operation of our business, including covenants requiring us to use commercially reasonable efforts to continue our development of Fovista, to file, prosecute and maintain certain patent rights and, in our reasonable judgment, to pursue claims of infringement of our intellectual property rights. The Novo Agreement also places certain restrictions on our business, including restrictions on our ability to grant security interests in our intellectual property to third parties, to sell, transfer or out-license intellectual property, or to grant others rights to receive royalties on sales of Fovista and certain other products. We reimbursed Novo A/S for specified legal and other expenses and are required to provide Novo A/S with certain continuing information rights. We have agreed to indemnify Novo A/S and its representatives with respect to certain matters, including with respect to any third-party infringement or product liability claims relating to our products. Our obligations under the Novo agreement are secured by a lien on certain of our intellectual property and other rights related to Fovista and other anti-PDGF products we may develop.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations as of June 30, 2015:

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(in thousands)		
Operating Leases (1)	$ 10,360	$ 2,068	$ 5,652	$ 2,640	$ —
Purchase Obligations (2)	16,791	16,791	—	—	—
Total (3)	$ 27,151	$ 18,859	$ 5,652	$ 2,640	$ —

(1) Operating lease obligations reflect our obligation to make payments in connection with leases for our office space.

(2) Purchase obligations represent our commitments under certain of our supply agreements.

(3) This table does not include (a) any milestone payments which may become payable to third parties under license agreements as the timing and likelihood of such payments are not known with certainty, (b) any royalty payments to third parties as the amounts, timing and likelihood of such payments are not known, (c) contracts that are entered into in the ordinary course of business which are not material in the aggregate in any period presented above (d) our royalty purchase liability of $125.0 million as of June 30, 2015, due to the fact that the royalty payment period, if any, is not known.

Under various agreements, we may be required to pay royalties and make milestone payments. These agreements include the following:

- Under our acquisition agreement with OSI (Eyetech), Inc., which agreement is now held by OSI Pharmaceuticals, LLC., or OSI Pharmaceuticals, a subsidiary of Astellas US, LLC, for rights to particular anti-PDGF aptamers, including Fovista, we are obligated to pay to OSI Pharmaceuticals future one-time payments of $12.0 million in the aggregate upon marketing approval in the United States and the European Union of a covered anti-PDGF product. We also are obligated to pay to OSI Pharmaceuticals a royalty at a low single-digit percentage of net sales of any covered anti-PDGF product we successfully commercialize.

- Under a license agreement with Archemix Corp., or Archemix, with respect to pharmaceutical products comprised of or derived from any anti-PDGF aptamer, we are obligated to make future payments to Archemix of up to an aggregate of $14.0 million if we achieve specified clinical and regulatory milestones with respect to Fovista, up to an aggregate of $3.0 million if we achieve specified commercial milestones with respect to Fovista and, for each other anti-PDGF aptamer product that we may develop under the agreement, up to an aggregate of approximately $18.8 million if we

achieve specified clinical and regulatory milestones and up to an aggregate of $3.0 million if we achieve specified commercial milestones. No royalties are payable to Archemix under this license agreement.

- Under a license agreement with Archemix with respect to pharmaceutical products comprised of or derived from anti-C5 aptamers, for each anti-C5 aptamer product that we may develop under the agreement, including Zimura, we are obligated to make future payments to Archemix of up to an aggregate of $57.5 million if we achieve specified development, clinical and regulatory milestones and, as to all anti-C5 products under the agreement collectively, up to an aggregate of $22.5 million if we achieve specified commercial milestones. We are also obligated to pay Archemix a double-digit percentage of specified non-royalty payments we may receive from any sublicensee of our rights under this license agreement. No royalties are payable to Archemix under this license agreement.

- Under a license, manufacturing and supply agreement with Nektar Therapeutics, or Nektar, for specified pegylation reagents used to manufacture Fovista, we are obligated to make future payments to Nektar of up to an aggregate of $6.5 million if we achieve specified clinical and regulatory milestones, and an additional payment of $3.0 million if we achieve a specified commercial milestone with respect to Fovista. We are obligated to pay Nektar tiered royalties at low to mid-single-digit percentages of net sales of any licensed product we successfully commercialize, with the royalty percentage determined by our level of licensed product sales, the extent of patent coverage for the licensed product and whether we have granted a third party commercialization rights to the licensed product. In June 2014, we paid Nektar $19.8 million in connection with our entry into the Novartis Agreement.

- Under the Novo Agreement, with respect to Fovista, we will be obligated to pay Novo A/S a mid-single-digit percentage royalty based on worldwide sales of Fovista. See “Note 7—Financing Agreement with Novo A/S” included in our financial statements above for further information about the Novo Agreement.

- Under the clinical supply agreement with Agilent Technologies, Inc., Agilent has agreed to manufacture and supply to us, and we have agreed to purchase from Agilent, a specified percentage of our clinical requirements in specified jurisdictions of the API for our product candidate Fovista. Our agreement with Agilent has an initial five-year term, which is subject to automatic renewal absent termination by either party in accordance with the terms of the Agreement. The Agreement provides for pricing structured on a tiered basis with the price reduced as the volume ordered increases. We may terminate the agreement or any statement of work thereunder upon 12 months prior written notice to Agilent.

We also have employment agreements with certain employees that which require the funding of a specific level of payments, if certain events, such as a termination of employment in connection with a change in control or termination of employment by the employee for good reason or by us without cause, occur. For a description of these obligations, see our definitive proxy statement on Schedule 14A for our 2015 annual meeting of stockholders, as filed with the SEC on April 30, 2015.

In addition, in the course of normal business operations, we have agreements with contract service providers to assist in the performance of our research and development and manufacturing activities. Expenditures to CROs represent a significant cost in clinical development. We can elect to discontinue the work under these agreements at any time. We could also enter into additional collaborative research, contract research, manufacturing, and supplier agreements in the future, which may require upfront payments and even long- term commitments of cash.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under Securities and Exchange Commission rules.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk related to changes in interest rates. We had cash, cash equivalents and marketable securities of $449.0 million as of June 30, 2015, consisting of cash, money market funds that invest in U.S. Treasury securities, and direct investment in U.S. Treasury securities. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because a significant portion of our investments are in short-term securities. Our available for sale securities are subject to interest rate risk and will fall in value if market interest rates increase. Due to the low risk profile of our investments, an immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our portfolio.

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We contract with CROs and contract manufacturers globally. We may be subject to fluctuations in foreign currency rates in connection with certain of these agreements. Transactions denominated in currencies other than the U.S. dollar are recorded based on exchange rates at the time such transactions arise. As of June 30, 2015, substantially all of our total liabilities were denominated in the U.S. dollar.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2015. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Because of a material weakness in our internal control over financial reporting as of December 31, 2014, identified in July 2015, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of June 30, 2015.

Changes in Internal Control over Financial Reporting

As discussed in Item 9A in our Annual Report on Form 10-K/A for the year ended December 31, 2014, filed with the Securities and Exchange Commission on July 28, 2015, in July 2015, our management identified a material weakness in our internal control over financial reporting as of December 31, 2014, which material weakness was unchanged as of March 31, 2015 as reported in our Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2015, filed with the Securities and Exchange Commission on July 28, 2015, and remains unchanged as of June 30, 2015. No change in our internal control over financial reporting (as defined in Rules 13a-15(d) and 15d-15(d) under the Exchange Act) occurred during the three months ended June 30, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are not currently subject to any material legal proceedings.

Item 1A. Risk Factors.

The following risk factors and other information included in this Quarterly Report on Form 10-Q should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we presently deem less significant may also impair our business operations. Please see page 1 of this Quarterly Report on Form 10-Q for a discussion of some of the forward-looking statements that are qualified by these risk factors. If any of the following risks occur, our business, financial condition, results of operations and future growth prospects could be materially and adversely affected.

Risks Related to Our Financial Position and Need for Additional Capital

Our short operating history may make it difficult for our stockholders to evaluate the success of our business to date and to assess our future viability.

We were incorporated and commenced active operations in 2007. Our operations to date have been limited to organizing and staffing our company, acquiring rights to product candidates, business planning, raising capital and developing Fovista, Zimura and other product candidates. We have not yet demonstrated our ability to successfully complete a large-scale, pivotal clinical trial, obtain marketing approval, manufacture at commercial scale, or arrange for a third party to do so on our behalf, or conduct sales, marketing and distribution activities necessary for successful product commercialization. Consequently, any predictions about our future success or viability may not be as accurate as they could be if we had a longer operating history.

In addition, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. We will need to transition from a company with a product development focus to a company capable of supporting commercial activities. We may not be successful in such a transition.

We have incurred significant operating losses since our inception. We expect to incur losses for at least the next several years and may never achieve or maintain profitability.

Since inception, we have experienced significant cash outflows in funding our operations. As of June 30, 2015, we had an accumulated deficit of $330.3 million. Our net loss was $30.5 million for the six months ended June 30, 2015, and $116.8 million for the year ended December 31, 2014 and we expect to continue to incur significant operating losses in 2015 and in the future. To date, we have not generated any revenues from product sales and have financed our operations primarily through private placements of our preferred stock, venture debt borrowings, funds received under our royalty purchase and sale agreement with Novo A/S, which we refer to as the Novo Agreement, our initial public offering, which we closed in September 2013, our follow-on public offering, which we closed in February 2014 and funds we received under the Novartis Agreement, which we entered into in May 2014.

We have devoted substantially all of our financial resources and efforts to research and development. We expect to continue to incur significant expenses and increasing operating losses over the next several years. Our net losses may fluctuate significantly from quarter to quarter and year to year.

Our product candidates, Fovista and Zimura, are in clinical development. We expect our expenses to continue to increase, particularly as we continue the development of Fovista in our Phase 3 clinical program and other additional clinical trials evaluating Fovista for the treatment of wet AMD. We initiated our pivotal Phase 3 clinical program for Fovista in August 2013. We plan to enroll a total of approximately 1,866 patients for this program. In addition, we also expect our expenses to increase as we further evaluate the potential benefit of Fovista in wet AMD, when administered in combination with anti-VEGF therapy, and in other ophthalmic diseases and conditions with unmet need and pursue the development of Zimura for the treatment of geographic atrophy, a form of dry AMD, and, in combination with anti-VEGF therapy, for the treatment of polypoidal choroidal vasculopathy, a specific type of wet AMD, in patients who do not respond adequately to treatment with anti-VEGF monotherapy or for whom anti-VEGF monotherapy fails. We expect these expenses to increase as patient enrollment increases in these clinical trials and as we manufacture validation production batches of API and drug product for Fovista. In addition, our expenses will increase prior to obtaining marketing approval for Fovista as we expand our infrastructure to support commercial operations and if we obtain marketing approval for Fovista, Zimura or any other product candidate that we develop, we expect our commercialization expenses related to product sales, marketing, distribution

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and manufacturing to increase significantly. We are party to agreements, specifically an asset acquisition agreement with OSI (Eyetech), Inc., which agreement is now held by OSI Pharmaceuticals, LLC, a subsidiary of Astellas US, LLC, and license agreements with Archemix Corp. and Nektar Therapeutics, that impose significant milestone payment obligations on us in connection with our achievement of specific clinical, regulatory and commercial milestones with respect to Fovista and Zimura. We are also exploring the possibility of an ophthalmic formulation for tivozanib, an anti-VEGF compound for which we have an option to obtain a license. Furthermore, we expect to incur additional costs associated with being a public company, including legal, compliance, accounting and investor and public relations expenses, as well as increased insurance premiums.

Our expenses also will increase if and as we:

- undertake additional clinical development of Fovista, if it is approved, in support of our efforts to broaden the label for Fovista;
- conduct additional clinical trials of Zimura that will be required for us to seek marketing approval of Zimura for the treatment of geographic atrophy (including a second Phase 3) trial and/or wet AMD;
- undertake pre-clinical and clinical development of tivozanib;
- in-license or acquire the rights to other complementary products, product candidates or technologies, including drug delivery technology, for the treatment of ophthalmic diseases and pursue pre-clinical and clinical development of such product candidates or technologies;
- seek marketing approval for any product candidates that successfully complete clinical trials;
- hire additional clinical, quality control and scientific personnel;
- expand our outsourced manufacturing activities and establish sales, marketing and distribution capabilities, if we receive, or expect to receive, marketing approval for any of our product candidates;
- maintain, expand and protect our intellectual property portfolio; and
- add operational, financial and management information systems and personnel, including personnel to support our clinical, manufacturing and planned future commercialization efforts.

If we are required by the U.S. Food and Drug Administration, or FDA, the European Medicines Agency, or EMA, or regulatory authorities in other jurisdictions to perform clinical or nonclinical trials or other studies in addition to those we currently expect to conduct, or if there are any delays in completing the clinical trials of Fovista or Zimura, or the development of any of other product candidates that we may develop, our expenses could increase. Our costs will also increase if we increase our investigator fees for our clinical trials, if we further expand the scope of our clinical trials and programs, including, for example, by increasing the number of clinical trial sites or changing the geographic mix of sites at which patients are enrolled, or if we decide to increase other corporate or licensing activities or staffing, or if we experience issues with the process development and scale up of manufacturing activities.

Our ability to become and remain profitable depends on our ability to generate revenue in excess of our expenses. We do not expect to generate and maintain significant revenue from product sales unless, and until, we obtain marketing approval for, and commercialize, Fovista, Zimura or other product candidates that we may develop. We may be unsuccessful in our efforts to develop and commercialize these product candidates. Even if we succeed in developing and commercializing one or more of our product candidates, we may never achieve sufficient sales revenue to achieve or maintain profitability. Our capital requirements will depend on many other factors, including whether we pursue the acquisition or in-licensing and subsequent development of additional product candidates or technologies.

Our ability to commercialize our product candidates, in particular Fovista, will require us to be successful in a range of challenging activities, including:

- obtaining favorable results from our Phase 3 clinical program for Fovista;
- obtaining favorable results, especially with respect to safety, in our other planned clinical trials involving Fovista;
- subject to obtaining favorable results from our Phase 3 clinical program, applying for and obtaining marketing approval for Fovista;

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- establishing sales, marketing and distribution capabilities to effectively market and sell Fovista in the United States with our own specialty sales force targeting retinal specialists;
- successfully maintaining our arrangement with Novartis to commercialize Fovista in markets outside the United States;
- obtaining adequate coverage and reimbursement for our product candidates, if approved, from governmental and third-party payors;
- securing, protecting and enforcing our rights to our intellectual property portfolio related to Fovista;
- ensuring the manufacture of commercial quantities of Fovista; and
- complying with all applicable regulatory requirements, including FDA Good Manufacturing Practices, or GMP, standards and rules and regulations governing promotional and other marketing activities.

We may never succeed in these activities and, even if we do, may never generate revenues from product sales that are significant enough to achieve profitability. In addition, our profitability will depend, in part, on our commercialization partners' ability, including, with respect to Fovista, Novartis's ability, to effectively market and sell product candidates that we develop, if approved outside the United States, and to obtain adequate coverage and reimbursement of such product candidates from governmental and third-party payors. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would decrease the value of our company and could impair our ability to raise capital, expand our business, maintain our research and development efforts, diversify our product offerings or continue our operations. A decline in the value of our company would also cause our stockholders to lose all or part of their investment.

We have broad discretion in the use of our available cash and other sources of funding and we may not use them effectively.

Our management has broad discretion in the use of our available cash and other sources of funding and could spend those resources in ways that do not improve our results of operations or enhance the value of our common stock. The failure by our management to apply these funds effectively could result in financial losses that could have a material adverse effect on our business, cause the price of our common stock to decline and delay the development of our product candidates. Pending their use, we may invest our available cash in a manner that does not produce adequate income, if any, or that loses value.

We may need additional funding. If we are unable to raise capital when needed, we could be forced to delay, reduce or eliminate our product development programs or commercialization efforts.

We expect our expenses to increase substantially, particularly as we continue the development of Fovista in our Phase 3 clinical program and other additional clinical trials evaluating Fovista for the treatment of wet AMD. We initiated our Phase 3 clinical program for Fovista in August 2013. We plan to enroll a total of approximately 1,866 patients for this program. In addition, we also expect our expenses to increase as we further evaluate the potential benefit of Fovista in wet AMD, when administered in combination with anti-VEGF therapy, and in other ophthalmic diseases and conditions with unmet need and pursue the development of Zimura for the treatment of geographic atrophy, a form of dry AMD, and, in combination with anti-VEGF therapy, for the treatment of polypoidal choroidal vasculopathy, a specific type of wet AMD, in patients who do not respond adequately to treatment with anti-VEGF monotherapy or for whom anti-VEGF monotherapy fails. In addition, our expenses will increase prior to obtaining marketing approval for Fovista as we manufacture validation production batches of API and drug product for Fovista and as we expand our infrastructure to support commercial operations. Moreover, if we obtain marketing approval for Fovista, Zimura or any other product candidate that we develop, we expect our commercialization expenses in the United States with regard to Fovista and worldwide with regard to other product candidates, related to product sales, marketing, distribution and manufacturing to increase significantly. Our expenses will increase if we suffer any delays in our Phase 3 clinical program for Fovista, including delays in receipt of regulatory clearance to begin our Phase 3 clinical trials in jurisdictions where clearance is required but not yet obtained, or delays in enrollment of patients. Furthermore, we expect to incur additional costs associated with being a public company, hiring additional personnel and expanding our facilities. Accordingly, we may need to obtain additional funding in connection with our continuing operations prior to attaining profitability. If we are unable to raise capital when needed or on attractive terms, we could be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts.

As of June 30, 2015, we had cash, cash equivalents, and marketable securities of $449.0 million. We also had $357.3 million in total liabilities, including liabilities of $341.3 million relating to the Novo Agreement and deferred revenue associated with the Novartis Agreement.

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We believe that our cash, cash equivalents and marketable securities, together with the potential remaining $30.0 million enrollment-based milestone payment under Novartis Agreement, will be sufficient to fund our operations and capital expenditure requirements, as currently planned and including the expansion of our infrastructure to support commercial operations, through the end of 2017. Our capital requirements will also depend on other factors, including the success of our development and commercialization of our product candidates and whether we pursue the acquisition or in-licensing and subsequent development of additional product candidates.

We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. Costs related to our clinical programs could exceed our expectations if we experience delays in our clinical trials, including because of the timing of our patient enrollment, the availability of drug supply for our clinical trials or for other reasons. Our costs will also increase if we increase investigator fees for our clinical trials, if we further expand the scope of our clinical trials and programs, including, for example, by changing the geographic mix of sites at which patients are enrolled, if we decide to increase other corporate or licensing activities or staffing or if we experience issues with the process development and scale up of manufacturing activities.

Our current Phase 3 clinical program for Fovista is expected to continue through at least 2017, and substantial expenditures to complete the Phase 3 clinical program will be required after the receipt of initial, top-line data, which we expect to be available by the end of 2016 for the two Phase 3 clinical trials investigating Fovista administered in combination with Lucentis. This timeline could be subject to an adjustment to a slightly later time point if the recruitment rate for the second trial evaluating Fovista in combination with Lucentis is on the lower end of our projected enrollment scenarios. Moreover, we are at the early stages of formulating our clinical development plan for Zimura. We expect the clinical development of Zimura will continue for at least the next several years. At this time, we cannot reasonably estimate the remaining costs necessary to complete the clinical development of either Fovista or Zimura, complete process development and manufacturing scale-up activities associated with Fovista and Zimura and potentially seek marketing approval for Fovista or Zimura, or the nature, timing or costs of the efforts necessary to complete the development of any other product candidate we may develop.

Our future capital requirements, therefore, will depend on many factors, including:

- the scope, progress, costs and results of our Phase 3 clinical program for Fovista;
- the scope, progress, costs and results of our planned additional clinical trials to further evaluate the potential benefit of Fovista in wet AMD, when administered in combination with anti-VEGF therapy, and in other ophthalmic diseases and conditions with unmet need;
- the scope, progress, results and costs of our planned Phase 2/3 clinical trial evaluating Zimura for the treatment of geographic atrophy and additional clinical trials (including an additional Phase 3 trial) required by regulatory authorities for us to seek marketing approval in this indication and our very small Phase 2 clinical trial evaluating Zimura in combination with anti-VEGF therapy for the treatment of polypoidal choroidal vasculopathy, a specific type of wet AMD, in patients who do not respond adequately to treatment with anti-VEGF monotherapy or for whom anti-VEGF monotherapy fails;
- the costs and timing of process development and manufacturing scale-up activities associated with Fovista and Zimura;
- the costs, timing and outcome of regulatory review of Fovista and Zimura;
- the costs of commercialization activities for Fovista or Zimura if we receive, or expect to receive, marketing approval for either product candidate, including the costs and timing of expanding our outsourced manufacturing activities and establishing product sales, marketing and distribution capabilities;
- subject to receipt of marketing approval, revenue received from commercial sales of Fovista or Zimura, after milestone and royalty payments we are required to make;
- the scope, progress, results and costs of our clinical trials for any other product candidates that we may acquire or in-license and subsequently develop;
- our ability to establish additional collaborations on favorable terms, if at all;
- the scope, progress and results of our pre-clinical and clinical plans for tivozanib;

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- the extent to which we in-license or acquire rights to complementary products, product candidates or technologies; and
- the costs of preparing, filing and prosecuting patent applications, maintaining and protecting our intellectual property rights and defending against intellectual property-related claims.

Our commercial revenues, if any, will be derived from sales of Fovista, Zimura or any other products that we successfully develop, none of which we expect to be commercially available for several years, if at all. In addition, if approved, Fovista or Zimura or any product that we acquire or in-license may not achieve commercial success. If that is the case, we may need to obtain substantial additional financing to achieve our business objectives. Adequate additional financing may not be available to us on acceptable terms, or at all. In addition, we may seek additional capital due to favorable market conditions or strategic considerations, even if we believe that we have sufficient funds for our current or future operating plans.

If we fail to enroll patients in our Phase 3 clinical trials of Fovista as planned or fail to comply with our obligations in the Novartis Agreement, we could lose access to funds that are important to our business, which may force us to delay or terminate the development of Fovista. In addition, a default under the Novo Agreement would permit Novo A/S to foreclose on the Fovista intellectual property.

In May 2014, we entered into the Novartis Agreement. Among other payments, Novartis is obligated under the agreement to pay us up to an aggregate of $130.0 million if we achieve specified patient enrollment-based milestones for our ongoing pivotal Phase 3 clinical program for Fovista, of which $50.0 million was received in October 2014 and $50.0 million was received in April 2015. We are subject to diligence and other obligations under the Novartis Agreement. If we fail to enroll the specified numbers of patients in our Phase 3 clinical trials of Fovista or fail to satisfy our other obligations, we may fail to trigger the remaining enrollment-based milestone payment. This could limit our ability to continue the development programs for our product candidates. If we are unable to raise capital when needed or on attractive terms, we could be forced to delay or terminate our research and development programs, including those for Fovista, or any future commercialization efforts.

We are also subject to diligence and other obligations under the Novo Agreement. Our obligations under the Novo Agreement are secured by collateral, which includes certain intellectual property rights, including all of our intellectual property rights relating to Fovista and regulatory approvals, if any, of Fovista. If we fail to satisfy our diligence obligations or breach any other of our obligations under the Novo Agreement and fail to cure the breach within any applicable grace period, Novo A/S could declare an event of default. In such event, Novo A/S could seek to foreclose on the collateral securing our obligations. If Novo A/S successfully does so, we would lose our rights to develop and commercialize Fovista.

Our obligations under the Novo Agreement and the pledge of our intellectual property rights in and regulatory approvals, if any, of Fovista as collateral under such agreement may limit our ability to obtain debt financing.

Raising additional capital may cause dilution to our stockholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our capital needs through a combination of our current cash, cash equivalents, and marketable securities balances, potential milestone payments under collaborations, strategic alliances and marketing, distribution or licensing arrangements, and equity offerings and debt financings. The remaining potential milestone payments under the Novartis Agreement are subject to our achievement of specified clinical, regulatory and commercial events related to Fovista. We do not have any other committed external source of funds besides the Novartis Agreement. To the extent that we raise additional capital through the sale of equity or convertible debt securities, our stockholders' ownership interests will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our existing stockholders' rights as holders of our common stock. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Our pledge of assets, including intellectual property rights, as collateral to secure our obligations under the Novo Agreement may limit our ability to obtain debt financing.

If we raise additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, products or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market products or product candidates that we would otherwise prefer to develop and market ourselves.

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Risks Related to Product Development and Commercialization

We depend heavily on the success of our lead product candidate, Fovista, which we are developing to be administered in combination with anti-VEGF therapy for the treatment of patients with wet AMD. In addition, we also depend on the success of Zimura, which we are developing for the treatment of geographic atrophy, a form of dry AMD and for the treatment of polypoidal choroidal vasculopathy, a specific form of wet AMD. If we are unable to complete the clinical development of either of these product candidates, if we are unable to obtain marketing approvals for either of these product candidates, or if either of these product candidates is approved and we or our commercialization partner for Fovista outside the United States, Novartis, fail to successfully commercialize the product candidate or experience significant delays in doing so, our business will be materially harmed.

We have invested and will continue to invest a significant portion of our efforts and financial resources in the development of Fovista to be administered in combination with anti-VEGF therapy for the treatment of patients with wet AMD. There remains a significant risk that we will fail to successfully develop Fovista. The results of our Phase 2b clinical trial may not be predictive of the results of our Phase 3 clinical program due, in part, to the fact that we have no clinical data on Fovista combination therapy in any clinical trial longer than 24 weeks, that we have modified the methodology used to determine a patient's eligibility under certain of the inclusion and exclusion criteria for our Phase 3 clinical trials as compared to our Phase 2b clinical trial, that we have very limited clinical data on the effects of Fovista when administered in combination with Avastin or Eylea and that we are conducting our Phase 3 clinical trials at many clinical centers that were not included in our Phase 2b clinical trial.

We do not expect to have initial, top-line data from our Phase 3 clinical program for Fovista until the end of 2016, when we expect to have initial top-line data from the two Phase 3 clinical trials investigating Fovista administered in combination with Lucentis. The timing of the availability of such top-line data and the completion of our Phase 3 clinical program is dependent, in part, on our ability to locate and enroll a sufficient number of eligible patients in our Phase 3 clinical program on a timely basis, and could be subject to an adjustment to a slightly later time point as compared to our estimated timeline if the recruitment rate for the second trial evaluating Fovista in combination with Lucentis is on the lower end of our projected enrollment scenarios. The timing of the availability of initial, top-line data from our Phase 3 clinical trial evaluating the safety and efficacy of Fovista administered in combination with each of Avastin or Eylea may be subject to particular variability. Avastin is not approved for intravitreal use in treating wet AMD, and regulatory authorities in certain countries may not allow, or physicians and patients may choose not to participate in, a clinical trial in which Avastin is administered in combination with Fovista for the treatment of wet AMD. Even if we ultimately obtain statistically significant, positive results from our Phase 3 clinical program, it is possible that such data may not be clinically relevant.

The Phase 3 clinical trial evaluating Fovista administered in combination with each of Eylea or Avastin commenced nine months later than the two Phase 3 clinical trials evaluating Fovista administered in combination with Lucentis. If we are not able to obtain data from our Phase 3 clinical trial evaluating Fovista administered in combination with each of Eylea or Avastin when data from our other two Phase 3 clinical trials evaluating Fovista administered in combination with Lucentis are available, we may nonetheless decide to proceed with submitting applications for marketing approval for Fovista administered only in combination with Lucentis, or we may choose to delay our application for marketing approval until data from all three Phase 3 clinical trials are available. We currently anticipate that we will initially submit a New Drug Application, or NDA, to the FDA for Fovista in combination with Lucentis based upon data from the two Phase 3 clinical trials of Fovista in combination with Lucentis and subsequently submit an amendment to the NDA with data from the Phase 3 clinical trial of Fovista in combination with Eylea or Avastin, assuming positive data from these trials. Alternatively, we may choose to file a supplemental NDA for Fovista in combination with Eylea or Avastin following FDA review of the NDA for Fovista in combination with Lucentis. If we determine to delay seeking approval of Fovista in combination with Eylea or Avastin pending regulatory action on our applications for Fovista in combination with Lucentis, the FDA or other regulatory authorities could defer taking action on our applications while data remain outstanding from our third Phase 3 clinical trial. Furthermore, although we may wish to amend our applications for marketing approval once we have data available from our third Phase 3 clinical trial, the FDA may not accept such an amendment. Moreover, if we subsequently amend our applications for marketing approval when data from our third Phase 3 clinical trial become available, we may experience further delays in our application process. The manner and timing in which we seek marketing

approval may differ in the United States and in the European Union. Additionally, we expect that our Phase 3 clinical trials and our other ongoing clinical trials evaluating the potential benefit of Fovista in wet AMD, when administered in combination with anti-VEGF therapy, will continue in accordance with their protocols after we submit applications for marketing approval, and the conclusions of those trials may yield data that are inconsistent with the initial data used to support our applications. We are also supplying Fovista for third-party sponsored clinical trials. In addition, Novartis may commence additional preclinical and clinical trials for Fovista including those which it deems necessary for regulatory and/or reimbursement approvals outside of the United States. Adverse safety events or negative or inconclusive efficacy results in any of these trials may impact the progress of our Phase 3 clinical program, including our ability to receive marketing approval, and, if such data are received following a potential approval, our future sales of Fovista. As a

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result of these and other factors, we cannot accurately predict when or if Fovista will prove effective or safe in humans or will receive marketing approval.

In addition, we have invested substantial financial resources in the development of Zimura for the treatment of patients with both dry and wet AMD. There remains a significant risk that we will fail to successfully develop Zimura. We have very limited data from our completed Phase 2a clinical trial evaluating the safety and effectiveness of Zimura for the treatment of dry AMD and our completed Phase 2a clinical trial evaluating the safety and effectiveness of Zimura administered in combination with Lucentis for the treatment of wet AMD. These trials enrolled 47 patients and 60 patients, respectively, and neither trial included a control arm.

The timing of the completion of and the availability of initial results from these planned clinical trials is difficult to predict and is dependent, in part, on our ability to complete manufacturing scale-up activities and to locate and enroll a sufficient number of eligible patients in our planned trials on a timely basis.

Although our current development plan for Zimura calls for us to initiate a Phase 2/3 clinical trial evaluating the safety and efficacy of Zimura in treating patients with geographic atrophy, we may not initiate or complete this clinical trial for Zimura or any other clinical trial for Fovista, Zimura or any other product candidates that we may develop in accordance with our plans. Although our plans for the proposed Zimura clinical trials reflect our current expectations regarding the endpoints, duration and number of patients to be included in these trials, we have not had formal meetings with regulatory authorities regarding our trial designs. Our plans may change significantly based on feedback we may receive from such regulatory authorities.

Our ability to generate revenues from product sales, which we do not expect will occur before 2017, if ever, will depend heavily on our obtaining marketing approval for and commercializing our product candidates, and in particular, Fovista and Zimura. The success of these product candidates will depend on several factors, including the following:

- obtaining favorable results from clinical trials;
- making arrangements with third-party manufacturers and receiving regulatory approval of our manufacturing processes and our third-party manufacturers' facilities from applicable regulatory authorities;
- for Fovista, receipt of marketing approvals from applicable regulatory authorities for the use of Fovista in combination with anti-VEGF therapy for the treatment of wet AMD, and in particular, which anti-VEGF drugs are included in any such approval given that Avastin, one of the current standard of care anti-VEGF drugs, is not approved for intravitreal use;
- for Zimura, receipt of marketing approvals from applicable regulatory authorities for the use of Zimura for the treatment of geographic atrophy or the use of Zimura;
- the scope of the label that may be approved by applicable regulatory authorities, including the specific indication for which the product may be approved;
- launching commercial sales of the product candidate, if and when approved, whether alone or in collaboration with others, including Novartis for Fovista;
- acceptance of the product candidate, if and when approved, by patients, the medical community and third-party payors;
- for Fovista, continued, widespread use of anti-VEGF therapies in the treatment of wet AMD in combination with which Fovista will be used;
- effectively competing with other therapies, including the existing standard of care, and other forms of drug delivery;
- maintaining a continued acceptable safety profile of the product candidate following approval;
- obtaining and maintaining patent and trade secret protection and regulatory exclusivity; and
- protecting and enforcing our rights in our intellectual property portfolio.

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Successful development of Fovista for the further treatment of wet AMD, the treatment of additional ophthalmic conditions, if any, or for use in other patient populations and our ability, if it is approved, to broaden the label for Fovista will depend on similar factors.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays or an inability to successfully commercialize Fovista, Zimura or any other product candidates that we may develop, which would materially harm our business.

If clinical trials of Fovista, Zimura or any other product candidate that we may develop fail to demonstrate safety and efficacy to the satisfaction of the FDA, the EMA or other regulatory authorities or do not otherwise produce positive or supportive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of Fovista, Zimura or any other product candidate.

Before obtaining approval from regulatory authorities for the sale of any product candidate, we must conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. Clinical testing is expensive, difficult to design and implement, can take many years to complete and is uncertain as to outcome. A failure of one or more clinical trials can occur at any stage of testing. The outcome of preclinical testing and early clinical trials may not be predictive of the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval of their products.

Our Phase 2b clinical trial evaluated a combination of Fovista and Lucentis. In this trial, patients treated with a combination of 0.3 mg of Fovista and Lucentis did not achieve statistically significant superiority compared to Lucentis monotherapy based on the pre-specified primary endpoint of mean change in visual acuity from baseline at the 24 week time point. Although a combination of 1.5 mg of Fovista and Lucentis demonstrated statistically significant superiority in this trial compared to Lucentis monotherapy based on the pre-specified primary endpoint of mean change in visual acuity from baseline at the 24 week time point, we may nonetheless fail to achieve success in our Phase 3 clinical trials involving a combination of 1.5 mg of Fovista and Lucentis for a variety of potential reasons.

- The primary endpoint of mean change in visual acuity in our Phase 2b clinical trial was measured 24 weeks after the first dose of Fovista. The primary endpoint of mean change in visual acuity in our Phase 3 clinical program will be measured 12 months after the first dose of Fovista. We have no clinical data on Fovista combination therapy in any clinical trial longer than 24 weeks. We have modified the methodology used to determine a patient's eligibility under certain of the inclusion and exclusion criteria for our Phase 3 clinical trials as compared to our Phase 2b clinical trial. If the positive results we observed at 24 weeks in our Phase 2b clinical trial are not observed at 12 months, we likely will not receive marketing approval for Fovista.

- Retrospective subgroup analyses that we performed on the results of our Phase 2b clinical trial may not be predictive of the results of our Phase 3 clinical program. While we believe that our retrospective analyses further support the results from our primary endpoint and our proposed mechanisms of action, retrospective analyses performed after unmasking trial results can result in the introduction of bias and are given less weight by regulatory authorities than pre-specified analyses. In particular, our proposed mechanism of action as it relates to the inhibition of subretinal fibrosis, although scientifically rational and while supported by retrospective subgroup analysis, may not be supported by our future clinical trials. Our belief regarding Fovista's potential, when administered in combination with an anti-VEGF drug, to inhibit subretinal fibrosis and retinal scarring, may change based on our subsequent clinical trials or other factors.

- We are conducting our Phase 3 clinical trials at many clinical centers that were not included in our Phase 2b clinical trial. The introduction of new centers, and the resulting involvement of new treating physicians, can introduce additional variability into the conduct of the trials in accordance with their protocols and may result in greater variability of patient outcomes, which could adversely affect our ability to detect statistically significant differences between patients treated with 1.5 mg of Fovista administered in combination with an anti-VEGF drug and anti-VEGF drug monotherapy.

Furthermore, our Phase 3 clinical program involves two Phase 3 clinical trials testing a combination of 1.5 mg of Fovista and Lucentis for the treatment of wet AMD and one trial testing a combination of 1.5 mg of Fovista with each of Eylea or Avastin for the treatment of wet AMD. We have very limited clinical data on the effects of Fovista when administered in combination with intraocular injections of either Eylea or Avastin for the treatment of patients with wet AMD. Avastin is not approved for such use.

Fovista administered in combination with Lucentis was generally well tolerated in our Phase 1 and Phase 2b clinical trials. However, the results of these clinical trials may not be predictive of the results of our Phase 3 clinical program for Fovista. We have

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clinical data for Fovista administered in combination with Lucentis from only these two studies with a limited follow-up of a maximum of 24 weeks. As compared to our Phase 2b clinical trial, our three Phase 3 trials are longer in duration (24 months) with a 12-month timepoint for the primary endpoint, have a greater number of patients (approximately 1,866), have a greater number of sites (more than 225), which encompass a much larger geographical recruitment area, and result in chronic exposure to a higher rate of intraocular pressure due to an increased injection volume. Consequently, there is potential for an increase in cumulative side effects resulting from two separate intraocular injections and increased intraocular pressure in the Fovista combination therapy patients as compared to the patients receiving monotherapy anti-VEGF treatment and there is a much longer duration of therapy and greater geographic diversity of patients in our Phase 3 trials. This increase in the number of intraocular injections and treatment burden, increased variability of patient care due to the larger number of clinical trial sites and the broader genetic profile of the enrolled patients from a larger geographic region may result in increased susceptibility to side effects of Fovista and/or resulting from treatment procedure. Therefore there is the potential for an unfavorable safety and tolerability profile in the Fovista combination therapy arm of the study as compared to our Phase 2b study and monotherapy anti-VEGF studies which may be reflected in an increase in adverse events and/or serious adverse event rates (either ocular, systemic or both) in patients receiving Fovista combination therapy. For example, there may be, among others, an increase in the rates of intraocular infections, or endophthalmitis, intraocular pressure, glaucoma, retinal tears, cataracts, retinal detachment, intraocular inflammation, retinal and/or choroidal circulation compromise, cardiovascular disease such as myocardial infarctions, stroke, blood clots or emboli, or hospitalizations in the Fovista combination therapy patients.

In general, the FDA and similar regulatory authorities outside the United States require two adequate and well controlled clinical trials demonstrating safety and effectiveness for marketing approval. If a combination of 1.5 mg of Fovista and Lucentis fails to achieve superiority over Lucentis monotherapy with statistical significance on the primary endpoint of mean change in visual acuity from baseline at 12 months in both of our Phase 3 clinical trials evaluating the safety and efficacy of this combination, we likely will not receive marketing approval for Fovista even if the combination of 1.5 mg of Fovista with Eylea or Avastin achieves superiority over Eylea or Avastin monotherapy with statistical significance on the primary endpoint in one of our Phase 3 clinical trials. There are a variety of other possible outcomes of our Phase 3 clinical trials. As described below, positive outcomes in one or more of our Phase 3 clinical trials may not be sufficient for the FDA or similar regulatory authorities outside the United States to grant marketing approval for Fovista.

- If a combination of 1.5 mg of Fovista and Lucentis achieves superiority over Lucentis monotherapy with statistical significance on the primary endpoint in only one of our Phase 3 clinical trials and the combination of 1.5 mg of Fovista with Eylea or Avastin does not achieve superiority over Eylea or Avastin monotherapy with statistical significance on the primary endpoint in our other Phase 3 clinical trials, we likely will not receive marketing approval for Fovista.

- If a combination of 1.5 mg of Fovista and Lucentis achieves superiority over Lucentis monotherapy with statistical significance on the primary endpoint in only one of our Phase 3 clinical trials and the combination of 1.5 mg of Fovista with Eylea or Avastin achieves superiority over Eylea or Avastin monotherapy with statistical significance on the primary endpoint in our other Phase 3 clinical trial, the FDA or similar regulatory authorities outside the United States may nonetheless not grant marketing approval for Fovista.

- Even if a combination of 1.5 mg of Fovista and an anti-VEGF drug achieves superiority over an anti-VEGF drug monotherapy with statistical significance on the primary endpoint in two or all three of our Phase 3 clinical trials, the FDA or similar regulatory authorities outside the United States may nonetheless not grant marketing approval for Fovista if such regulatory authorities do not believe that the benefits offered by Fovista administered in combination with an anti-VEGF drug are clinically meaningful or that such benefits outweigh the observed or potential risks.

In the United States, Eylea and Avastin are widely used for the treatment of wet AMD. If a combination of 1.5 mg of Fovista with Eylea or Avastin does not achieve superiority over Avastin or Eylea monotherapy with statistical significance on the primary endpoint of mean change in visual acuity from baseline at 12 months in our Phase 3 clinical program, our ability to successfully commercialize Fovista in combination with any anti-VEGF drug could be harmed materially. In addition, any failure of Fovista administered in combination with Eylea or Avastin to achieve superiority over Eylea or Avastin monotherapy with statistical significance on the primary endpoint could cause the FDA or similar regulatory authorities outside the United States to require additional clinical trials or other research before granting marketing approval of Fovista for use in combination with any anti-VEGF drug, including Lucentis, for the treatment of patients with wet AMD. In addition, Avastin is not approved for use in treating wet AMD, either in the United States or outside of the United States, and regulatory authorities may not permit the product label for Fovista to include the use of Fovista in combination with Avastin if we were otherwise able to obtain marketing approval for Fovista for use in combination with other anti-VEGF drugs.

The protocols for our Phase 3 clinical trials and other supporting information are subject to review by the FDA and regulatory authorities outside the United States. The FDA is not obligated to comment on our protocols within any specified time

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period or at all or to affirmatively clear or approve our Phase 3 clinical program. We submitted the protocols to the FDA for our two Phase 3 clinical trials investigating Fovista administered in combination with Lucentis in August 2013 and for our Phase 3 clinical trial investigating Fovista administered in combination with Avastin and Eylea in April 2014, and have initiated the three trials in our Phase 3 clinical program in the United States without waiting for any such comments. The FDA or other regulatory authorities may request additional information, require us to conduct additional nonclinical trials or require us to modify our proposed Phase 3 clinical program, including its endpoints, patient enrollment criteria or selection of anti-VEGF drugs, to receive clearance to initiate such program or to continue such program once initiated.

Outside the United States, we have made regulatory submissions in selected countries to initiate Phase 3 clinical trials of Fovista. We have obtained all of the necessary country approvals to proceed with the two trials evaluating Fovista administered in combination with Lucentis in those countries and substantially all of the necessary country approvals for the trial of Fovista administered in combination with Eylea or Avastin. In the European Union, as further described below, in addition to filing in selected countries with national competent authorities responsible for approving clinical trial applications, we have had interactions regarding our planned application for marketing approval with the EMA's CHMP, which is the committee responsible for preparing opinions on questions concerning medicines for human use. The national competent authorities in those countries from which we have not yet received approval may follow the advice described below of the CHMP that we consider toxicity studies with Fovista administered in combination with Avastin or Eylea prior to initiating our corresponding Phase 3 clinical trial in those countries. In addition, any modifications to our Phase 3 clinical program for Fovista may result in our incurring increased expense or in a delay in the enrollment or completion of such program.

In the fourth quarter of 2013, the CHMP provided scientific advice on our proposed Phase 3 clinical program for Fovista and our plan to seek regulatory approval for Fovista in the European Union. As part of that scientific advice, the CHMP advised us that we should justify our proposal to initiate, at the Phase 3 clinical trial stage, certain previously untested combinations of Fovista with Avastin or Eylea, and, as described above, that we should consider conducting toxicity studies with Fovista administered in combination with Avastin or Eylea prior to initiating our corresponding Phase 3 clinical trial. It is possible that the national competent authorities in those countries from which we have not yet received approval for our Phase 3 clinical trial evaluating Fovista administered in combination with Avastin or Eylea may follow the advice of the CHMP that we consider toxicity studies with Fovista administered in combination with Avastin or Eylea prior to initiating our corresponding Phase 3 clinical trial in those countries. In addition, the CHMP informed us that the final label for Fovista, if it receives marketing approval, may be required to specify the licensed anti-VEGF drugs that were studied in combination with Fovista, given that Avastin is not approved for intravitreal use, rather than a label specifying Fovista for use in combination with any anti-VEGF drug.

We are continuing, internally and with our consultants, to refine our clinical and regulatory strategies for our planned Phase 2/3 clinical program evaluating Zimura for the treatment of geographic atrophy. We have not had formal meetings with regulatory authorities regarding our trial design. Our plans may change significantly based on feedback we may receive from such regulatory authorities. We will need to conduct an additional Phase 3 study, and we may be required by regulatory authorities to conduct other additional clinical trials of Zimura, prior to seeking marketing approval in this indication.

If we are required to conduct additional clinical trials or other testing of Fovista, Zimura or any other product candidate that we may develop beyond those that we contemplate, if we are unable to successfully complete clinical trials of our product candidates or other testing, if the results of these trials or tests are not positive or are only modestly positive or if there are safety concerns, we may:

- be delayed in obtaining marketing approval for our product candidates;

- not obtain marketing approval at all;

- obtain approval for indications or patient populations that are not as broad as intended or desired;

- obtain approval with labeling that includes significant use or distribution restrictions or safety warnings, including boxed warnings;
- be subject to additional post-marketing testing requirements; or
- have the product removed from the market after obtaining marketing approval.

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If we experience delays or difficulties in the enrollment of patients in clinical trials, our receipt of necessary regulatory approvals could be delayed or prevented.

We may not be able to initiate new or continue ongoing clinical trials for Fovista, Zimura or any other product candidate that we develop if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials as required by the FDA or similar regulatory authorities outside the United States. In addition, some of our competitors have ongoing clinical trials for product candidates that treat the same indications as Fovista and Zimura, and patients who would otherwise be eligible for our clinical trials may instead enroll in clinical trials of our competitors' product candidates.

Patient enrollment is affected by other factors, including:

- severity of the disease under investigation;
- the ability of current technology to adequately define the disease state;
- eligibility criteria for the study in question;
- perceived risks and benefits of the product candidate under study;
- efforts to facilitate timely enrollment in clinical trials;
- patient referral practices of physicians;
- the ability to monitor patients adequately during and after treatment; and
- proximity and availability of clinical trial sites for prospective patients.

The Novartis Agreement contains provisions for milestone payments by Novartis upon our achievement of certain levels of patient enrollment in our ongoing Phase 3 clinical program for Fovista. We will not be entitled to receive the remaining enrollment-based milestone payment unless and until we enroll the specified number of patients. In addition, our inability to locate and enroll a sufficient number of patients for our clinical trials would result in significant delays in our clinical trials, could require us to abandon one or more clinical trials altogether and could delay or prevent our receipt of necessary regulatory approvals. Enrollment delays in our clinical trials also may result in increased development costs for our product candidates, which would cause the value of our company to decline and limit our ability to obtain additional financing.

If we experience any of a number of possible unforeseen events in connection with our clinical trials, potential marketing approval or commercialization of our product candidates could be delayed or prevented.

We may experience numerous unforeseen events during, or as a result of, clinical trials that could delay or prevent our ability to receive marketing approval or commercialize our product candidates, including:

- clinical trials of our product candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon product development programs;
- the number of patients required for clinical trials of our product candidates may be larger than we anticipate, enrollment in these clinical trials may be slower than we anticipate or participants may drop out of these clinical trials at a higher rate than we anticipate;
- our third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;
- regulators or institutional review boards may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- we may experience delays in reaching, or fail to reach, agreement on acceptable clinical trial contracts or clinical trial protocols with prospective trial sites;
- we may decide, or regulators or institutional review boards may require us, to suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements or a finding that the participants are being exposed to unacceptable health risks;

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- the cost of clinical trials of our product candidates may be greater than we anticipate; and

- the supply or quality of our product candidates or other materials necessary to conduct clinical trials of our product candidates, such as the anti-VEGF drugs we need to use in combination with Fovista, may become insufficient or inadequate.

Our product development costs will also increase if we experience delays in testing or marketing approvals. We do not know whether clinical trials will begin as planned, will need to be restructured or will be completed on schedule, or at all. Significant clinical trial delays also could shorten any periods during which we may have the exclusive right to commercialize our product candidates or allow our competitors to bring products to market before we do and impair our ability to successfully commercialize our product candidates and may harm our business and results of operations.

If serious adverse or unacceptable side effects are identified during the development of Fovista, Zimura or any other product candidate that we may develop, we may need to abandon or limit our development of Fovista, Zimura or any other product candidate.

If Fovista, Zimura or any other product candidates we may develop are associated with serious adverse events or undesirable side effects in clinical trials or have characteristics that are unexpected, we may need to abandon their development or limit development to certain uses or subpopulations in which the undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective. Many compounds that initially showed promise in clinical or earlier stage testing have later been found to cause side effects that prevented further development of the compound.

Fovista administered in combination with Lucentis was generally well tolerated in our Phase 1 clinical trial and our Phase 2b clinical trials. However, we have clinical data for Fovista administered in combination with Lucentis from only two clinical trials with a limited follow-up of a maximum of 24 weeks. As compared to our Phase 2b clinical trial, our three Phase 3 trials are longer in duration (24 months) with a 12 month timepoint for the primary efficacy endpoint, have a greater number of patients (approximately 1,866), have a greater number of sites (more than 225), which encompass a much larger geographical recruitment area, and result in chronic exposure to a higher rate of intraocular pressure due to an increased injection volume. Consequently, there is potential for an increase in cumulative side effects resulting from two separate intraocular injections and increased intraocular pressure in the Fovista combination therapy patients as compared to the patients receiving monotherapy anti-VEGF treatment and there also is a much longer duration of therapy and greater geographic diversity of patients in our Phase 3 trials. This increase in the number of intraocular injections and treatment burden, increased variability of patient care due to the larger number of clinical trial sites and the broader genetic profile of the enrolled patients from a larger geographic region may result in increased susceptibility to side effects of Fovista and/or resulting from treatment procedure. Therefore there is the potential for an unfavorable safety and tolerability profile in the Fovista combination therapy arm of the study as compared to our Phase 2b trial and monotherapy anti-VEGF trials which may be reflected in an increase in adverse events and/or serious adverse event rates (either ocular, systemic or both) in patients receiving Fovista combination therapy. For example, there may be, among others, an increase in the rates of intraocular infections, or endophthalmitis, intraocular pressure, glaucoma, retinal tears, cataracts, retinal detachment, intraocular inflammation, retinal and/or choroidal circulation compromise, cardiovascular disease such as myocardial infarctions, stroke, blood clots or emboli, or hospitalizations in patients in the Fovista combination therapy arm of each trial.

In addition, we have very limited clinical and safety data with respect to the effects of Fovista administered in combination with intraocular injections of either Avastin or Eylea. The safety results of our trials are dependent, in part, on the safety and tolerability of the anti-VEGF drug(s) administered in combination with Fovista. Avastin is not approved for the treatment of wet AMD, and according to third-some party clinical trials, may be associated with a greater risk of serious adverse events or undesirable side effects as compared to Lucentis.

We have very limited data regarding the safety, tolerability and efficacy of Zimura for the treatment of geographic atrophy, a form of dry AMD. We have no pre-clinical or clinical data on the effects of Zimura when administered in combination with an anti-VEGF drug for the treatment of wet AMD. Our clinical trials for Zimura may involve multiple intraocular injections over an extended period of time and, as such, may involve risks regarding multiple and chronic intraocular injections.

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Even if Fovista, Zimura or any other product candidate that we may develop receives marketing approval, such product candidate may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success and the market opportunity for any of our products and product candidates may be smaller than we estimate.

If any of our product candidates receive marketing approval, they may nonetheless fail to gain sufficient market acceptance by physicians, patients, third-party payors and others in the medical community. For example, current treatments for wet AMD, including Lucentis, Eylea and low cost, off-label use of Avastin, are well established in the medical community, and doctors may continue to rely upon these treatments without Fovista. If Fovista does not achieve an adequate level of acceptance, we may not generate significant product revenues and we may not become profitable. The degree of market acceptance of Fovista, Zimura or any other product candidate that we may develop, if approved for commercial sale, will depend on a number of factors, including:

- efficacy and potential advantages compared to alternative treatments, including the existing standard of care;
- any restrictions on the use of our products in combination with other medications, such as a Fovista label requiring a waiting period after the intravitreal injection of the anti-VEGF drug and prior to the intravitreal injection of Fovista;
- any restrictions on the use of our products to a subgroup of patients, such as by excluding from the Fovista label patients with pure occult subtype wet AMD;
- restrictions in the label on the use of Fovista with a particular anti-VEGF drug;
- any changes in the dosing regimen of, or the means of administering or delivering, an anti-VEGF drug with which Fovista will be used;
- our and our commercialization partners' ability to offer our products at competitive prices, particularly in light of the additional cost of Fovista together with an anti-VEGF drug;
- availability of third-party coverage and adequate reimbursement, particularly by Medicare given our target market for persons over age 55;

- increasing reimbursement pressures on retinal specialists due to the formation of accountable care organizations and the shift away from traditional fee-for-service reimbursement models to reimbursement based on quality of care and patient outcomes;

- willingness of the target patient population to try new therapies and of physicians to prescribe these therapies, particularly in light of the existing available standard of care;

- prevalence and severity of any side effects;

- whether competing products or other alternatives are more convenient or easier to administer, including whether co-formulated alternatives, alternatives that can be co-administered in a single syringe or alternatives that offer a less invasive method of administration than intravitreal injection come to market; and

- the strength of our marketing and distribution support and that of Novartis, our partner for commercialization outside of the United States.

In addition, the potential market opportunity for Fovista is difficult to estimate precisely. If Fovista receives marketing approval for the treatment of wet AMD, it will be approved solely for use in combination with an anti-VEGF drug. The market opportunity for Fovista will be dependent upon the continued use of anti-VEGF drugs in the treatment of wet AMD and the market share of such anti-VEGF drugs for which Fovista is approved as a combination therapy. In addition, because physicians, patients and third-party payors may be sensitive to the addition of the cost of Fovista to the cost of treatment with anti-VEGF drugs, we may experience downward pressure on the price we can charge for Fovista.

Our Phase 3 clinical program enrolls patients based on a specific definition of the presence of neovascularization with certain characteristics, including the presence of subretinal hyper-reflective material, or SHRM, using the commonly employed modality of spectral domain optical coherence tomography, or SD-OCT. We are not aware of any third-party clinical trials that have used this criteria to assess patient inclusion and as such do not know the proportion of total cases of subfoveal neovascularization that are represented using this specific definition of SD-OCT inclusion criteria. However, a recent third-party retrospective analysis based on a treatment naïve wet AMD population with relatively broad entry criteria in a National Eye Institute sponsored study showed that approximately 77% of patients in that study demonstrated the presence of SHRM. We cannot easily assess the impact on the potential market opportunity should Fovista receive marketing approval and the approved label exclude patients based on this criteria.

Our Phase 3 clinical program provides for a 30-minute delay in the injection of Fovista after the anti-VEGF drug to minimize the risk in our clinical trials of an unacceptable increase in intraocular pressure as a result of the amount of the two agents injected. If Fovista receives marketing approval for the treatment of wet AMD and the approved label requires such a waiting period, the potential market opportunity for Fovista may be limited to the extent that physicians and patients find such a waiting period unacceptable.

The current standard of care for wet AMD is monotherapy administration of anti-VEGF drugs, principally Avastin, Lucentis and Eylea, which are well established therapies and are widely accepted by physicians, patients and third-party payors. When used for the treatment of wet AMD, Avastin is inexpensive. Physicians, patients and third-party payors may not accept the addition of Fovista to their current treatment regimens for a variety of potential reasons, including:

- if they do not wish to incur the additional cost of Fovista;

- if they perceive an additional injection to administer Fovista as undesirable and we and Novartis are unsuccessful in developing and marketing a co-formulated product;

- if they perceive the addition of Fovista to be of limited benefit to patients; or

- if they wish to treat with anti-VEGF drugs as monotherapy first and add Fovista only if and when resistance to continued anti-VEGF therapy limits further enhancement of visual outcome with anti-VEGF monotherapy.

Our estimates of the potential market opportunity for each of Fovista and Zimura include several key assumptions based on our industry knowledge, industry publications, market response to marketed AMD drugs, third-party research reports and other surveys. While we believe that our internal assumptions are reasonable, no independent source has verified such assumptions. If any of these assumptions proves to be inaccurate, then the actual market for Fovista or Zimura could be smaller than our estimates of our potential market opportunity. If the actual market for Fovista or Zimura is smaller than we expect, our product revenue may be limited and it may be more difficult for us to achieve or maintain profitability.

We face substantial competition, which may result in others discovering, developing or commercializing products before or more successfully than we do.

The development and commercialization of new drug products is highly competitive. We face competition with respect to Fovista and Zimura from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. There are a number of pharmaceutical and biotechnology companies that currently market and sell products or are pursuing the development of product candidates for the treatment of wet AMD or other disease indications for which we may develop Fovista. Although there are currently no therapies approved by the FDA or the EMA for the treatment of dry AMD, there are also a number of pharmaceutical and biotechnology companies that are currently pursuing the development of products for this indication. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization. Some of these competitive products and therapies are based on scientific approaches that are the same as or similar to our approach, and others are based on entirely different approaches. We also will face similar competition with respect to any other products or product candidates that we may seek to develop or commercialize in the future for the treatment of wet AMD, dry AMD or other diseases.

There are also a number of products in preclinical research and clinical development by third parties to treat wet AMD, including product candidates that inhibit the function of PDGF, the molecule whose function Fovista also inhibits, product candidates that inhibit the function of both VEGF and PDGF that could obviate the separate use of an anti-PDGF agent, such as Fovista, and anti-VEGF and/or anti-PDGF gene therapy products that may substantially reduce the number and frequency of intravitreal injections when treating wet AMD. These companies include pharmaceutical companies, biotechnology

companies, and specialty pharmaceutical and generic drug companies of various sizes, such as Regeneron Pharmaceuticals, Inc., which is working in collaboration with Bayer HealthCare and has announced that it initiated a Phase 2 clinical trial of its combination anti- VEGF/anti-PDGF clinical candidate in the second quarter of 2015, Allergan, Inc., Ohr Pharmaceutical, Inc., Xcovery Vision LLC, Santen, Neurotech Pharmaceuticals, Inc., Avalanche Biotechnologies, Inc., Somalogic, Inc. and others. Furthermore, we are aware of at least one company, Tyrogenex Inc., that is developing an orally-administered dual inhibitor of VEGF and PDGF, for which it recently announced the initiation of a Phase 2 trial. Several companies are pursuing the manipulation of stem cells to provide a novel approach to treating retinal diseases, including wet AMD.

In addition, other companies are undertaking efforts to develop technologies to allow for a less frequent dosing schedule for anti-VEGF therapies that are currently in use. If such technologies are successfully developed and approved for use, we may need to conduct additional clinical trials of Fovista using a less frequent dosing schedule than the dosing schedule we are currently using in our ongoing Phase 3 clinical program. Any such trials may not be successful.

Moreover, there are a number of products in preclinical research and clinical development by other companies to treat dry AMD, including product candidates that are designed to suppress inflammation, such as complement system inhibitors and

coricosteroids, visual cycle modulators, antioxidants and neuroprotectants, cell and gene therapies and vascular enhancers. These companies include pharmaceutical companies, biotechnology companies, and specialty pharmaceutical and generic drug companies of various sizes. In particular, with respect to complement system inhibition, these companies include Genentech, Novartis's Alcon division, Alexion Pharmaceuticals, Inc. and MophoSys. Moreover, we are aware that the following companies are pursuing the clinical development of ophthalmic product candidates with other mechanisms of action for the treatment of dry AMD: Alimera Sciences, Acucela, Colby Pharmaceuticals, Allergan, Pfizer, GlaxoSmithKline and Macuclear.

Our commercial opportunity could be reduced or eliminated if one or more of our competitors develop and commercialize products that are more effective, safer, have fewer or less severe side effects, are more convenient to use or are less expensive than Fovista, Zimura or other products or product candidates that we may develop. The commercial opportunity for Fovista also could be reduced or eliminated if our competitors develop and commercialize products that reduce or eliminate the use of anti- VEGF drugs for the treatment of patients with wet AMD. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the relevant market.

In addition, our ability to compete may be affected in many cases by insurers or other third-party payors, particularly Medicare, seeking to encourage the use of less expensive or more convenient products. We expect that if Fovista is approved, the cost of treatment of wet AMD with a combination of Fovista with an anti-VEGF drug will be significantly higher than the cost of treatment of wet AMD with Lucentis, Eylea or particularly Avastin monotherapy. Insurers and other third-party payors may encourage the use of anti-VEGF drugs as monotherapy and discourage the use of Fovista in combination with these drugs. This could limit sales of Fovista.

Many of our competitors have significantly greater financial and human resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Smaller and other early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient enrollment for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our clinical development programs.

We have no experience manufacturing Fovista or Zimura at commercial scale. As a result, delays in regulatory approval of Fovista or Zimura may occur. Also, manufacturing issues may arise that could cause delays or increase costs.

We have no experience manufacturing the chemically synthesized aptamers comprising the API for Fovista or Zimura at commercial scale. We currently rely upon a single third-party manufacturer, Agilent Technologies, to supply us with API, also referred to as drug substance, for both Fovista and Zimura and a different, single third-party manufacturer to provide fill-finish services for both Fovista and Zimura. Other than our agreement with Agilent Technologies with respect to our clinical supply of Fovista API, all of our manufacturing arrangements are on a purchase order basis. In order to obtain regulatory approval for Fovista or Zimura, these third-party manufacturers will be required to consistently produce the API used in Fovista or Zimura in commercial quantities and of specified quality or execute fill-finish services on a repeated basis and document their ability to do so. This is referred to as process validation. If the third-party manufacturers are unable to satisfy this requirement, our business will be materially and adversely affected.

Our third-party manufacturer of API for Fovista and Zimura has made only a limited number of lots of Fovista and Zimura to date and has not made any commercial lots. The manufacturing processes for Fovista and Zimura have never been tested at commercial scale, and the process validation requirement has not yet been satisfied for either product candidate. These manufacturing processes and the facilities of our third-party manufacturers, including our third-party API manufacturer and our third-party manufacturer providing fill-finish services, will be subject to inspection and approval by the FDA before we can commence the commercial manufacture and sale of Fovista or Zimura, and thereafter on an ongoing basis. Our third-party manufacturer for API has never been inspected by the FDA and has not been through the FDA approval process for a commercial product. Our third-party manufacturer providing fill-finish services is subject to FDA inspection from time to time. Failure by our third-party manufacturers to pass such inspections and otherwise satisfactorily complete the FDA approval regimen with respect to our product candidates may result in regulatory actions such as the issuance of FDA Form 483 notices of observations, warning letters or injunctions or the loss of operating licenses. Additionally, on October 22, 2014, the FDA issued its final guidance on the circumstances that constitute delaying, denying, limiting or refusing a drug inspection pursuant to Section 707 of the Food and Drug Administration Safety and Innovation Act of 2012. If any of our third-party manufacturers are found to have delayed, denied, limited or refused a drug inspection, our API or drug product could be deemed adulterated. Based on the severity of the regulatory action, our clinical or commercial supply of API or our fill-finish services could be interrupted or limited, which could have a material adverse effect on our business.

The standards of the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use, which establishes basic guidelines and standards for drug development in the United States, the European Union, Japan and other countries, do not apply to oligonucleotides, including aptamers. As a result, there is no established

generally accepted manufacturing or quality standard for the production of Fovista or Zimura. Even though the FDA has reviewed the quality standards for Fovista to be used in our Phase 3 clinical program, the FDA has the ability to modify these standards at any time and foreign regulatory agencies may impose differing quality standards and quality control on the manufacture of Fovista. The lack of uniform manufacturing and quality standards among regulatory agencies may delay regulatory approval of Fovista or Zimura.

Also, as we or any manufacturer we engage scales up manufacturing of any approved product, we may encounter unexpected issues relating to the manufacturing process or the quality, purity and stability of the product, and we may be required to refine or alter our manufacturing processes to address these issues. Resolving these issues could result in significant delays and may result in significantly increased costs. If we experience significant delays or other obstacles in producing any approved product for commercial scale, our ability to market and sell any approved products may be adversely affected and our business could suffer.

If we are unable to establish sales, marketing and distribution capabilities or enter into sales, marketing and distribution agreements with third parties, we may not be successful in commercializing Fovista, Zimura or any other product candidate that we develop if and when Fovista, Zimura or any other product candidate is approved.

We do not have a sales, marketing or distribution infrastructure and have no track record in the sale, marketing or distribution of pharmaceutical products. To achieve commercial success for any approved product, we must either develop a sales, marketing and distribution organization or outsource those functions to third parties. If Fovista receives marketing approval, we plan to commercialize it in the United States with our own specialty sales force targeting retinal specialists. Pursuant to the Novartis Agreement, we have granted to Novartis the exclusive right to commercialize Fovista outside of the United States in consideration for royalties on any such sales.

There are risks involved with establishing our own sales, marketing and distribution capabilities and entering into arrangements with third parties to perform these services. For example, recruiting and training a sales force is expensive and time consuming and could delay any product launch. If the commercial launch of a product candidate for which we recruit a sales force and establish marketing and distribution capabilities is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialization expenses. This may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

Factors that may inhibit our efforts to commercialize our products on our own include:

- our inability to recruit and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to adequate numbers of physicians who may prescribe our products;
- the lack of complementary products to be offered by our sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

If we enter into arrangements with third parties to perform sales, marketing and distribution services, our product revenues and our profitability, if any, are likely to be lower than if we were to market, sell and distribute ourselves any products that we develop. In addition, we may not be successful in entering into arrangements with third parties to sell, market and distribute our product candidates or may be unable to do so on terms that are favorable to us. We likely will have little control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market our products effectively. If we do not establish sales, marketing and distribution capabilities successfully, either on our own or in collaboration with third parties, we will not be successful in commercializing our product candidates.

If we do not maintain a productive collaborative relationship with Novartis, to whom we have granted exclusive commercialization rights for Fovista outside of the United States, or if Novartis is unable to meets its contractual obligations, we may be forced to focus our efforts internally to commercialize Fovista outside of the United States without the assistance of a commercialization partner or seek another commercialization partner, either of which would result in us incurring greater expenses and could cause a delay in market penetration while we expand our commercial operations or seek an alternative commercialization partner. Such costs may exceed the increased revenues we would receive from direct Fovista sales outside of the United States, at least in the near term. We would also be forced to declare a breach of the Novartis Agreement and seek a termination of the agreement which could result in an extended and uncertain dispute with Novartis, including arbitration or litigation, any of which will be costly.

Even if we are able to commercialize Fovista, Zimura or any other product candidate that we may develop, the product may become subject to unfavorable pricing regulations, third-party reimbursement practices or healthcare reform initiatives, which would harm our business.

The regulations that govern marketing approvals, pricing and reimbursement for new drug products vary widely from country to country. Current and future legislation may significantly change the approval requirements in ways that could involve additional costs and cause delays in obtaining approvals. Some countries require approval of the sale price of a drug before it can be marketed. In many countries, the pricing review period begins after marketing or product licensing approval is granted. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain marketing approval for a product in a particular country, but then be subject to price regulations that delay our or our commercialization partners' commercial launch of the product, possibly for lengthy time periods, and negatively impact the revenues we are able to generate from the sale of the product in that country. Adverse pricing limitations may hinder our ability to recoup our investment in one or more product candidates, even if our product candidates obtain marketing approval.

Our ability and the ability of our commercialization partners, including Novartis, to commercialize Fovista, Zimura or any other product candidate successfully also will depend in part on the extent to which reimbursement for these products and related treatments will be available from government health administration authorities, private health insurers and other organizations. Government authorities and third-party payors, such as private health insurers and

health maintenance organizations, decide which medications they will pay for and establish reimbursement levels. A major trend in the U.S. healthcare industry and elsewhere is cost containment. Government authorities and third-party payors, particularly Medicare, have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. Increasingly, third-party payors are requiring that drug companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. We cannot be sure that coverage and reimbursement will be available for Fovista, Zimura or any other product that we commercialize or our commercialization partners commercialize on our behalf, and, even if these are available, the level of reimbursement may not be satisfactory.

Reimbursement may affect the demand for, or the price of, any product candidate for which we obtain marketing approval. Obtaining and maintaining adequate reimbursement for our products may be particularly difficult because of the higher prices often associated with drugs administered under the supervision of a physician and because, in the case of Fovista, our drug will be administered in combination with other drugs that may carry high prices. In addition, physicians, patients and third-party payors may be sensitive to the addition of the cost of Fovista to the cost of treatment with anti-VEGF drugs. We or our commercialization partners may be required to conduct expensive pharmacoeconomic studies to justify coverage and reimbursement or the level of reimbursement relative to other therapies, including in the case of Fovista, relative to monotherapy with anti-VEGF drugs. If coverage and adequate reimbursement are not available or reimbursement is available only to limited levels, we may not be able to successfully commercialize Fovista, Zimura or any other product candidate for which we obtain marketing approval.

There may be significant delays in obtaining reimbursement for newly approved drugs, and coverage may be more limited than the purposes for which the drug is approved by the FDA or similar regulatory authorities outside the United States. Moreover, eligibility for reimbursement does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Interim reimbursement levels for new drugs, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Reimbursement rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on reimbursement levels already set for lower cost drugs, and may be incorporated into existing payments for other services. Net prices for drugs may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the United States. Third-party payors often rely upon Medicare coverage policy and payment limitations in setting their own reimbursement policies. Our and our commercialization partners' inability to promptly obtain coverage and profitable payment rates from both government-funded and private payors for any approved products that we develop could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize products and our overall financial condition.

Our strategy of obtaining rights to complementary products, product candidates or technologies for the treatment of a range of ophthalmic diseases through in-licenses and acquisitions may not be successful.

We plan to expand our product pipeline through opportunistically in-licensing or acquiring the rights to complementary products, product candidates or technologies for the treatment of ophthalmic diseases. Because we expect generally that we will not engage directly in early stage research and drug discovery, the future growth of our business will depend significantly on our ability to in-license or acquire the rights to approved products, additional product candidates or technologies. However, we may be unable to in-license or acquire the rights to any such products, product candidates or technologies from third parties. The in-licensing and acquisition of pharmaceutical products is an area characterized by intense competition, and a number of more established companies

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are also pursuing strategies to in-license or acquire products, product candidates or technologies that we may consider attractive. These established companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialization capabilities.

In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to in-license or acquire the rights to the relevant complementary product, product candidate or technology on terms that would allow us to make an appropriate return on our investment. Furthermore, we may be unable to identify suitable products, product candidates or technologies within our area of focus. If we are unable to successfully obtain rights to suitable products, product candidates or technologies, our business, financial condition and prospects for growth could suffer.

Product liability lawsuits against us or our commercialization partners could divert our resources, cause us to incur substantial liabilities and limit commercialization of any products that we may develop or in-license.

We face an inherent risk of product liability exposure related to the testing of Fovista, Zimura and any other product candidate that we develop in human clinical trials and we and our commercialization partners will face an even greater risk if we commercially sell any products that we develop or in-license. Because our Phase 3 clinical program for Fovista involves the administration of Fovista in combination with anti-VEGF therapy, including off-label use by intravitreal injection of Avastin provided by us, we also face an inherent risk of product liability exposure related to the testing of such anti-VEGF drugs. If we become subject to or otherwise cannot successfully defend ourselves against claims that our product candidates, anti-VEGF drugs administered in combination with our product candidates or our products caused injuries, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for any product candidates or products that we may develop or in-license;
- injury to our reputation and significant negative media attention;
- withdrawal of clinical trial participants;
- significant costs to defend the related litigation;
- substantial monetary awards to trial participants or patients;
- loss of revenue;
- reduced time and attention of our management to pursue our business strategy; and

- the inability to commercialize any products that we may develop or in-license.

We currently hold $10.0 million in product liability insurance coverage in the aggregate, with a per incident limit of $10.0 million, which may not be adequate to cover all liabilities that we may incur. We will need to increase our insurance coverage when and if we begin commercializing Fovista, Zimura or any other product candidate that receives marketing approval. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise. In addition, if Novartis or one of our other future commercialization or collaboration partners were to become subject to product liability claims or were unable to successfully defend themselves against such claims, any such commercialization or collaboration partners could be more likely to terminate such relationship with us and therefore substantially limit the commercial potential of our products.

Risks Related to Our Dependence on Third Parties

We may enter into collaborations with third parties for the development or commercialization of our product candidates. If those collaborations are not successful, we may not be able to capitalize on the market potential of these product candidates.

If either of Fovista or Zimura receives marketing approval, we plan to commercialize such product candidate in the United States with our own specialty sales force targeting retinal specialists. In May 2014, we entered into the Novartis Agreement pursuant to which we granted Novartis the exclusive right to commercialize Fovista outside of the United States. We expect to utilize a variety of types of collaboration, distribution and other marketing arrangements with third parties to commercialize Zimura in markets outside the United States. We also may seek third-party collaborators for development and commercialization of other product candidates we may develop. Our likely collaborators for any sales, marketing, distribution, development, licensing or broader collaboration

arrangements include large and mid-size pharmaceutical companies, regional and national pharmaceutical companies and biotechnology companies. If we do enter into any additional arrangements with third parties in the future, we will likely have limited control over the amount and timing of resources that our collaborators dedicate to the development or commercialization of our product candidates. Our ability to generate revenues from these arrangements and our arrangement with Novartis for Fovista will depend on our collaborators' and Novartis's abilities and efforts to successfully perform the functions assigned to them in these arrangements. Collaborations involving our product candidates, including our collaboration with Novartis, could pose numerous risks to us, including the following:

- collaborators have significant discretion in determining the efforts and resources that they will apply to these collaborations and may not perform their obligations as expected;
- collaborators may deemphasize or not pursue development and commercialization of our product candidates or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in the collaborators' strategic focus, changes in product candidate priorities or available funding or changes in priorities as a result of a merger, acquisition or other corporate restructuring;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our products or product candidates if the collaborators believe that competitive products are more likely to be successfully developed or can be commercialized under terms that are more economically attractive than ours;
- we could grant exclusive rights to our collaborators, which would prevent us from collaborating with others;
- disagreements or disputes with collaborators, including disagreements or disputes over proprietary rights, contract interpretation or the preferred course of development, might cause delays or termination of the research, development or commercialization of products or product candidates, might lead to additional responsibilities for us with respect to product candidates or might result in litigation or arbitration, any of which would divert management attention and resources, be time-consuming and be expensive;
- collaborators with marketing and distribution rights to one or more products may not commit sufficient resources to the marketing and distribution of such product or products;
- collaborators may not properly maintain or defend our intellectual property rights, may infringe the intellectual property rights of third parties, may misappropriate our trade secrets or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to litigation and potential liability; and
- collaborations may be terminated for the convenience of the collaborator, our breach of the terms of the collaboration or other reasons and, if terminated, we may need to raise additional capital to pursue further development or commercialization of the applicable product candidates.

If a collaborator of ours, including Novartis, were to be involved in a business combination or other transaction, the foregoing risks would be heightened, and the business combination or transaction may divert attention or resources or create competing priorities. The collaborator may delay or terminate our product development or commercialization program. If one of our collaborators, including Novartis, terminates its agreement with us, we could find it more difficult to attract new collaborators and the perception of our company in the business and financial communities could be adversely affected.

Collaboration agreements may not lead to development or commercialization of product candidates in the most efficient manner or at all.

We will depend heavily on our commercialization arrangement with Novartis for Fovista outside of the United States. If Novartis terminates our agreement or is unable to meet its contractual obligations, it could negatively impact our revenues and harm our business until appropriate measures have been taken.

In May 2014, we entered into the Novartis Agreement pursuant to which we granted exclusive rights to Novartis to commercialize Fovista outside of the United States. The agreement continues until the date on which we are no longer entitled to

receive a royalty on Fovista or any co-formulated product containing Fovista developed under the agreement. The agreement is subject to early termination in the event of certain customary defaults, such as material breach of the agreement and bankruptcy. In addition, the agreement is subject to early termination by either us or Novartis if the other party challenges or assists a third party in challenging the validity or enforceability of certain patent rights controlled by the terminating party, or if the parties are prevented in any manner that materially adversely affects the progression of the development or commercialization of licensed products for a specified period as a result of specified governmental actions. Novartis may also terminate the agreement at any time without cause, or within a specified period after a change in control of us, as defined in the agreement, or for specified safety reasons, effective at the end of a specified period following Novartis's written notice to us of Novartis's election to terminate the agreement. We may also terminate the agreement if Novartis determines to seek marketing approval of an alternative anti-PDGF product outside the United States. If we do not maintain a productive collaborative relationship with Novartis or if Novartis is unable to meet its contractual obligations or if there is an early termination of the agreement as described above, we will be forced to either establish a commercial infrastructure outside of the United States so that we could undertake the commercialization efforts which had been theretofore undertaken by Novartis or we will need to seek an alternative partner. The establishment of a commercial infrastructure and assumption by us of commercialization activities outside of the United States would require substantial resources, financial and otherwise, and could result in us incurring greater expenses than the increase in revenues from our direct sales of Fovista. It could also cause a delay in market penetration while we expand our commercial operations. Seeking and obtaining an alternative commercial partner outside the United States could also adversely impact sales of Fovista and market penetration outside of the United States.

If we are not able to establish collaborations, we may have to alter our development and commercialization plans.

The development and potential commercialization of Zimura and other product candidates that we may develop will require substantial additional cash to fund expenses. For some of our product candidates, we may decide to collaborate with pharmaceutical and biotechnology companies for the development and potential commercialization of those product candidates.

We face significant competition in seeking appropriate collaborators. Whether we reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. Those factors may include the design or results of clinical trials, the likelihood of approval by the FDA or similar regulatory authorities outside the United States, the potential market for the subject product candidate, the costs and complexities of manufacturing and delivering such product candidate to patients, the potential of competing products, the existence of uncertainty with respect to our ownership of technology, which can exist if there is a challenge to such ownership without regard to the merits of the challenge, and industry and market conditions generally. The collaborator may also consider alternative product candidates or technologies for similar indications that may be available to collaborate on and whether such collaboration could be more attractive than the one with us for our product candidate. We may also be restricted under future license agreements from entering into agreements on certain terms with potential collaborators. Collaborations are complex and time-consuming to negotiate and document. In addition, there have been a significant number of recent business combinations among large pharmaceutical companies that have resulted in a reduced number of potential future collaborators.

If we are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a product candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to fund and undertake development or commercialization activities on our own, we may need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to enter into collaborations and do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop our product candidates or bring them to market and generate product revenue.

We rely upon third parties in conducting our clinical trials, and those third parties may not perform satisfactorily, including failing to meet deadlines for the completion of such trials.

We have relied on third-party clinical research organizations, or CROs, in conducting our completed clinical trials of Fovista and Zimura. We expect to continue to rely upon third parties, such as CROs, clinical data management organizations, medical institutions (including reading centers) and clinical investigators, in conducting our clinical trials for Fovista and Zimura, including the clinical trials in our Phase 3 clinical program for Fovista, and expect to rely upon these third parties to conduct clinical trials of any other product candidate that we may develop. We or these third parties may terminate their engagements with us at any time for a variety of reasons, including a failure to perform by the third parties. If we need to enter into alternative arrangements, our product development activities could potentially be delayed and could potentially be very costly.

Our reliance on these third parties for clinical development activities reduces our control over these activities but does not relieve us of our responsibilities. For example, we remain responsible for ensuring that each of our clinical trials is conducted in

accordance with the general investigational plan and protocols for the trial. Moreover, the FDA requires us to comply with standards, commonly referred to as Good Clinical Practices, or GCPs, for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected. We also are required to register ongoing clinical trials and post the results of completed clinical trials on a government-sponsored database within specified timeframes. Failure to do so can result in fines, adverse publicity and civil and criminal sanctions.

If these third parties do not successfully carry out their contractual duties, meet expected deadlines or conduct our clinical trials in accordance with regulatory requirements or our stated protocols, we will not be able to obtain, or may be delayed in obtaining, marketing approvals for our product candidates

and will not be able to, or may be delayed in our efforts to, successfully commercialize our product candidates. Furthermore, these third parties may also have relationships with other entities, some of which may be our competitors.

We also rely upon other third parties to store and distribute drug supplies for our clinical trials. Any performance failure on the part of our distributors could delay clinical development or marketing approval of our product candidates or commercialization of our products, producing additional losses and depriving us of potential product revenue.

We contract with third parties for the manufacture of both Fovista and Zimura for clinical trials and expect to continue to do so in connection with the commercialization of Fovista and for clinical trials and commercialization of any other product candidates that we develop or may develop. This reliance on third parties increases the risk that we will not have sufficient quantities of our product candidates or products or such quantities at an acceptable cost, which could delay, prevent or impair our development or commercialization efforts.

We do not currently own or operate manufacturing facilities for the production of clinical or commercial quantities of Fovista or Zimura and have limited personnel with manufacturing experience. We currently rely upon and expect to continue to rely upon third-party contract manufacturers to manufacture clinical and commercial supplies of Fovista and Zimura, preclinical and clinical supplies of other product candidates we may develop and commercial supplies of products if and when approved for marketing by applicable regulatory authorities. Our current and anticipated future dependence upon others for the manufacture of Fovista, Zimura and any other product candidate or product that we develop may adversely affect our future profit margins and our ability to commercialize any products that receive marketing approval on a timely and competitive basis. In addition, any performance failure on the part of our existing or future manufacturers could delay clinical development or marketing approval. Under the Novartis Agreement, we are responsible for supplying to Novartis drug substance for Fovista for clinical and commercial supply.

We currently rely exclusively upon a single third-party manufacturer to provide clinical supplies of both Fovista drug substance and Zimura drug substance. We also engage a single third-party manufacturer to provide fill-finish services for clinical supplies of both Fovista and Zimura. Other than our agreement with Agilent Technologies with respect to our clinical supply of Fovista drug substance, we obtain these supplies and services from each of these manufacturers on a purchase order basis. We do not currently have any contractual commitments for commercial supply of bulk drug substance for either Fovista or Zimura or for fill-finish services. We also do not currently have arrangements in place for redundant supply or a second source for bulk drug substance for Fovista or Zimura or for fill-finish services. The prices at which we are able to obtain supplies of drug substance for Fovista or Zimura and fill-finish services may vary substantially over time and adversely affect our financial results. Furthermore, we currently rely upon sole-source suppliers of certain raw materials and other specialized components of production used in the manufacture and fill-finish of each of Fovista and Zimura.

We currently rely exclusively upon Nektar to supply us with a proprietary polyethylene glycol, or PEG, reagent for Fovista under a manufacturing and supply agreement. PEG reagent is a chemical we use to modify the chemically synthesized aptamer in Fovista. The PEG reagent made by Nektar is proprietary to Nektar.

We obtain a different proprietary PEG reagent used to modify the chemically synthesized aptamer in Zimura from a different supplier on a purchase order basis. We do not currently have any contractual commitments for supply of the PEG reagent we use for Zimura.

If our third-party manufacturers for Fovista drug substance, Zimura drug substance or the PEG reagent we use for Zimura fail to fulfill our purchase orders, if Nektar breaches its obligations to us under our supply agreement, or if any of these manufacturers should become unavailable to us for any reason, including as a result of financial difficulties or insolvency, we believe that there are a limited number of potential replacement manufacturers, and we likely would incur added costs and delays in identifying or qualifying such replacements. We could also incur additional costs and delays in identifying or qualifying a replacement manufacturer for fill-finish services for Fovista or Zimura if our existing third-party fill-finish provider should become unavailable for any reason. We may be unable to establish any agreements with such replacement manufacturers or fill-finish providers or to do so on acceptable terms.

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Under the supply agreement with Nektar, we must purchase our entire requirements for PEG reagent for Fovista exclusively from Nektar at agreed prices based on volume. In the event Nektar breaches its supply obligations as specified in the agreement, Nektar has agreed to enable a third-party manufacturer, if one is available, to supply us with PEG reagent until Nektar demonstrates that Nektar has the ability to supply all of our requirements for PEG reagent. The agreement of Nektar to enable a third-party manufacturer may be difficult to enforce in the context of a breach by Nektar of its supply obligations. We may not be able to reach an agreement with any third-party manufacturer to take on the supply of PEG reagent under such circumstances because, to our knowledge, no third party currently manufactures the PEG reagent we currently use in making the Fovista drug substance for use in any other FDA approved drug. Furthermore, the third party's right to supply us with PEG reagent would be subject to termination at any time once Nektar demonstrates that Nektar has the ability to supply all of our requirements for PEG reagent, which may limit the interest of potential third-party manufacturers in undertaking such an engagement. In addition, the process of transferring any necessary technology or process to a third-party manufacturer would entail significant delay in or disruption to the supply of PEG reagent and, as a result, a significant delay in or disruption to the manufacture of Fovista. Furthermore, the FDA or other regulatory authorities might require additional studies to demonstrate equivalence between the Fovista drug substance made using the Nektar PEG reagent and the Fovista drug substance made using any replacement PEG reagent we propose to use or between the Nektar PEG reagent itself and any replacement PEG reagent we propose to use to make Fovista. We ultimately may be unable to demonstrate such equivalence.

Reliance on third-party manufacturers entails additional risks, including:

- Fovista, Zimura and any other product that we may develop may compete with other product candidates and products for access to a limited number of suitable manufacturing facilities that operate under current good manufacturing practices, or cGMP, regulations;
- reliance on the third party for regulatory compliance and quality assurance;
- the possible breach of the manufacturing agreement by the third party;
- the possible breach of our supply obligations to Novartis;
- the possible misappropriation of our proprietary information, including our trade secrets and know-how; and

- the possible termination or nonrenewal of the agreement by the third party at a time that is costly or inconvenient for us.

Third-party manufacturers may not be able to comply with cGMP regulations or similar regulatory requirements outside the United States. Our failure, or the failure of our third-party manufacturers, to comply with applicable regulations could result in sanctions being imposed on us, including clinical holds, fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product candidates or products, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect supplies of our products and harm our business and results of operations.

We depend on licenses and sublicenses for development and commercialization rights to our products, product candidates and technologies. Termination of these rights or the failure by us or our licensees, including our commercialization or collaboration partners to comply with obligations under these or other agreements under which we obtain such rights or have obtained funding could materially harm our business and prevent us from developing or commercializing our products and product candidates.

We are party to various agreements, including an acquisition agreement with OSI Pharmaceuticals and license agreements with Archemix and Nektar that we depend on for rights to Fovista, Zimura and other product candidates and technology. These agreements impose, and we may enter into additional licensing arrangements or other agreements with third parties that may impose, diligence, development and commercialization timelines, milestone payment, royalty, insurance and other obligations on us. Under our acquisition agreement with OSI Pharmaceuticals and our licensing agreement with Nektar, we are obligated to pay royalties on net product sales of Fovista or other product candidates or related technologies to the extent they are covered by the agreement. Under our license agreements with Archemix and Nektar, we would not be able to avoid our payment obligations even if we believed a licensed patent right was invalid or unenforceable because the license agreements provide that our licenses to all licensed patent rights would terminate if we challenge the validity or enforceability of any licensed patent right.

We also have diligence and development obligations under our acquisition agreement with OSI Pharmaceuticals and our license agreements with Archemix and Nektar. Generally, these diligence obligations require us to use commercially reasonable efforts to develop, seek regulatory approval for and commercialize our products in the United States, the European Union and, in some cases, certain other specified countries. Although the Novartis Agreement provides that Novartis will be responsible for performing certain of these obligations with respect to specified countries, we still remain liable under our agreements with OSI Pharmaceuticals,

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Archemix and Nektar. If we fail to comply with our obligations under current or future acquisition, license and funding agreements, or otherwise breach an acquisition, license or funding agreement as a result of our own actions or inaction or the actions or inactions of our commercialization or collaboration partners, our counterparties may have the right to terminate these agreements, in which event we might not have the rights or the financial resources to develop, manufacture or market any product that is covered by these agreements. Such a failure to comply or breach by us under any of these agreements could also lead to a breach by us of the Novartis Agreement. Our counterparties also may have the right to convert an exclusive license to non-exclusive in the territory in which we fail to satisfy our diligence obligations, which could materially adversely affect the value of the product candidate being developed under any such agreement. Termination of these agreements or reduction or elimination of our rights under these agreements may result in our having to negotiate new or restated agreements with less favorable terms, seek alternative sources of financing or cause us to lose our rights under these agreements, including our rights to Fovista, Zimura and other important intellectual property or technology. Any of the foregoing could prevent us from commercializing Fovista, Zimura or other product candidates we may develop, which could have a material adverse effect on our operating results and overall financial condition.

In addition to the generally applicable diligence obligations set forth above, we have specific obligations with respect to the licensing agreements described below:

- Under the terms of the agreement with OSI Pharmaceuticals under which we acquired certain rights to develop and commercialize Fovista, if we or our commercialization or collaborative partners fail to meet certain obligations, OSI Pharmaceuticals may terminate the agreement as to such countries with respect to which such failure has occurred, and upon such termination we will be obligated to grant, assign and transfer to OSI Pharmaceuticals specified rights and licenses related to our anti-PDGF aptamer technology and other related assets, and if we are manufacturing such anti-PDGF products at the time of such termination, may be obligated to provide transitional supply to OSI Pharmaceuticals of covered anti-PDGF products, for such countries.

- Under the terms of the amended license, manufacturing and supply agreement with Nektar, pursuant to which we obtained, among other licenses, an exclusive, worldwide license to make, develop, use, import, offer for sale and sell certain products that incorporate a specified PEG reagent linked with the active ingredient in Fovista, if we fail to use commercially reasonable efforts to achieve the first commercial sale of Fovista in the United States by June 30, 2018, we and Nektar may agree in good faith to extend such date in specified circumstances. If such date is not extended, Nektar may either terminate our license or convert our license for such country to a non- exclusive license. In addition, if we fail to use commercially reasonable efforts to develop Fovista and file and seek approval of new drug applications on a schedule permitting us to make first commercial sales of Fovista in specified countries by June 30, 2019, do not make such first commercial sales of Fovista by such date, or thereafter fail to use commercially reasonable efforts to continue to commercialize and market Fovista in such countries, we will be in material breach of the agreement and Nektar will have the right to terminate the agreement.

In addition to the above risks, certain of our intellectual property rights are sublicenses under intellectual property owned by third parties, in some cases through multiple tiers. The actions of our licensors may therefore affect our rights to use our sublicensed intellectual property, even if we are in compliance with all of the obligations under our license agreements. For example, the licenses from Archemix include sublicenses to us of rights to specified technology, which we refer to as the SELEX technology, licensed by University License Equity Holdings, Inc. to Gilead Sciences, Inc., or Gilead, and sublicensed by Gilead to Archemix, as well as other technology owned by Gilead and licensed to Archemix. In addition, the licenses we have obtained from Nektar include sublicenses of certain rights. Should our licensors or any of their upstream licensors fail to comply with their obligations under the agreements pursuant to which they obtain the rights that are sublicensed to us, or should such agreements be terminated or amended, our ability to develop and commercialize Fovista, Zimura and other product candidates may be materially harmed and could also lead to a breach by us of the Novartis Agreement. While the applicable agreements may contain contractual provisions that would in many instances protect our rights as a sublicensee in these circumstances, these provisions may not be enforceable and may not protect our rights in all instances. Further, we do not have the right to control the prosecution, maintenance and enforcement of all of our licensed and sublicensed intellectual property, and even when we do have such rights, we may require the

cooperation of our licensors and their upstream licensors, which may not be forthcoming. Our business could be materially adversely affected if we are unable to prosecute, maintain and enforce our licensed and sublicensed intellectual property effectively.

Risks Related to Our Intellectual Property

The patent prosecution process is expensive and time-consuming, is highly uncertain and involves complex legal and factual questions. Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents.

Our success depends in large part on our ability to obtain and maintain patent protection in the United States and other countries with respect to our proprietary technology and products. We seek to protect our proprietary position by filing in the United

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States and in certain foreign jurisdictions patent applications related to our novel technologies and product candidates that are important to our business.

The patent prosecution process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. In addition, we may not pursue or obtain patent protection in all major markets. Moreover, in some circumstances, we do not have the right to control the preparation, filing or prosecution of patent applications, or to maintain the patents, covering technology that we license from third parties or covering technology that our collaboration or commercialization partners may develop, the eventual commercialization of which could potentially entitle us to royalty payments. In some circumstances, our licensors have the right to enforce the licensed patents without our involvement or consent, or to decide not to enforce or to allow us to enforce the licensed patents. Therefore, these patents and applications may not be prosecuted and enforced in a manner consistent with the best interests of our business. If any such licensors fail to maintain such patents, or lose rights to those patents, the rights that we have licensed may be reduced or eliminated and our ability to develop and commercialize any of our products that are the subject of such licensed rights could be adversely affected.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. In addition, the laws of foreign jurisdictions may not protect our rights to the same extent as the laws of the United States. For example, European patent law restricts the patentability of methods of treatment of the human body more than United States law does. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot be certain that we or our licensors were the first to make the inventions claimed in our owned or licensed patents or pending patent applications, or that we or our licensors were the first to file for patent protection of such inventions. Moreover, the U.S. Patent and Trademark Office, or USPTO, might require that the term of a patent issuing from a pending patent application be disclaimed and limited to the term of another patent that is commonly owned or names a common inventor. As a result, the issuance, scope, validity, term, enforceability and commercial value of our patent rights are highly uncertain.

Our and our collaboration and commercialization partners' pending and future patent applications may not result in patents being issued which protect our technology or products, in whole or in part, or which effectively prevent others from commercializing competitive technologies and products. In particular, during prosecution of any patent application, the issuance of any patents based on the application may depend upon our or their ability to generate additional preclinical or clinical data that support the patentability of our proposed claims. We or our collaboration and commercialization partners may not be able to generate sufficient additional data on a timely basis, or at all. Moreover, changes in either the patent laws or interpretation of the patent laws in the United States or other countries may diminish the value of our or our collaboration and commercialization partners' patents or narrow the scope of our or their patent protection.

Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents. On September 16, 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes a number of significant changes to U.S. patent law. These include provisions that affect the way patent applications are prosecuted, redefine prior art, may affect patent litigation and switch the U.S. patent system from a "first-to-invent" system to a "first-to-file" system. Under a first-to-file system, assuming the other requirements for patentability are met, the first inventor to file a patent application generally will be entitled to the patent on an invention regardless of whether another inventor had made the invention earlier. The USPTO recently developed new regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act, and in particular, the first-to-file provisions, only became effective on March 16, 2013. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business and financial condition.

Moreover, we may be subject to a third-party preissuance submission of prior art to the USPTO, or become involved in opposition, derivation, reexamination, *inter partes* review, post-grant review, interference proceedings or other patent office proceedings or litigation, in the United States or elsewhere, challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our patent rights; allow third parties to commercialize our technology or products and compete directly with us, without payment to us; or result in our inability to manufacture or commercialize products without infringing third-party patent rights. In addition, if the breadth or strength of protection provided by our patents and patent applications is threatened, it could dissuade companies from collaborating with us to license, develop or commercialize current or future product candidates.

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If we are unable to obtain and maintain patent protection for our technology and products during the period of their commercialization, or if the scope of the patent protection is not sufficiently broad, our competitors could develop and commercialize technology and products similar or identical to ours, and our ability to successfully commercialize our technology and products may be adversely affected.

The last to expire of the U.S. patent rights covering the composition of matter of Fovista is expected to expire in 2017. Such expiration date is prior to the date by which we expect Fovista to be commercialized in the United States if we obtain marketing approval. We own an issued U.S. patent covering methods of treating wet AMD with Fovista in combination with Avastin or Lucentis, which is expected to expire in 2024. The Drug Price Competition and Patent Term Restoration Act of 1984, or the Hatch-Waxman Act, permits a patent restoration term of up to five years as partial compensation for patent term effectively lost during product development and the FDA regulatory review process occurring after the issuance of a patent. We may be able to obtain a patent term extension for one of these U.S. patents, and we expect such extension to be for approximately three years. The European patent rights covering the composition of matter of Fovista are expected to expire in 2018. Such expiration date is shortly after the date by which we expect Fovista to be commercialized in Europe, and may even be prior to such date. We own a granted European patent covering a combination of Fovista and Lucentis or Avastin for use in a method for treating wet AMD. This European patent is expected to expire in 2024. Similar to the patent term restoration available in the United States, the regulatory framework in the European Union and certain other foreign jurisdictions provides the opportunity to extend the term of a patent that covers an approved drug in certain circumstances. Notwithstanding the availability of patent term extension or restoration provisions, we may not be granted patent term extensions because of, for example, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents or otherwise failing to satisfy applicable requirements. Moreover, the applicable time period or the scope of patent protection afforded could be less than we request. If we are unable to obtain patent term extension or restoration or the term or scope of any such extension is less than we request, any period during which we have the right to exclusively market our product will be shorter than we would otherwise expect, and our competitors may obtain approval of competing products following our patent expiration, and our revenue could be reduced, possibly materially.

In addition to the patents described above, we also have filed in the United States patent applications covering a method of treating wet AMD in patients with Fovista in combination with Eylea and in Europe and Japan patent applications covering a combination of Fovista and Eylea for use in a method for treating wet AMD. These patent applications are in the early stages of prosecution and may not result in patents being issued which protect the use of Fovista in combination with Eylea for treating wet AMD or effectively prevent others from commercializing competitive technologies and products. If a patent is granted following prosecution of any such application, the latest projected patent expiry would be in 2030.

Method-of-treatment patents are more difficult to enforce than composition-of-matter patents because of the risk of off-label sale or use of a drug for the patented method. The FDA does not prohibit physicians from prescribing an approved product for uses that are not described in the product's labeling. Although use of a product directed by off-label prescriptions may infringe our method-of-treatment patents, the practice is common across medical specialties, particularly in the United States, and such infringement is difficult to detect, prevent or prosecute. Off-label sales of other products having the same API as Fovista, Zimura or any other product candidates we may develop would limit our ability to generate revenue from the sale of Fovista, Zimura or such other product candidates, if approved for commercial sale. In addition, European patent law generally makes the issuance and enforcement of patents that cover methods of treatment of the human body difficult. Further, once the composition-of-matter patents relating to Fovista, Zimura or any other product candidate in a particular jurisdiction, if any, expire, competitors will be able to make, offer and sell products containing the same API as Fovista, Zimura or such other product candidate in that jurisdiction so long as these competitors do not infringe any other of our patents covering Fovista's or Zimura's composition of matter or method of use or manufacture, do not violate the terms of any marketing or data exclusivity that may be granted to us by regulatory authorities and obtain any necessary marketing approvals from applicable regulatory authorities. In such circumstances, we also may not be able to detect, prevent or prosecute off-label use of such competitors' products containing the same API as Fovista or Zimura in combination with any anti-VEGF drug, even if such use infringes any of our method-of-treatment patents.

The Hatch-Waxman Act also permits the manufacture, use, offer for sale, sale or importation of a patented invention other than a new animal drug or veterinary biological product, if the manufacture, use, offer for sale, sale or importation is solely for uses that are reasonably related to development of information that could be submitted to the FDA. For this reason, our competitors might be able under certain circumstances to perform activities within the scope of the U.S. patents that we own or under which we are licensed without infringing such patents. This might enable our competitors to develop during the lifetime of these patents drugs that compete with Fovista or Zimura, if approved.

The U.S. patent rights covering Zimura as a composition of matter are expected to expire in 2025. Such expiration date may be prior to the date by which we would be able to commercialize Zimura in the United States if we seek and obtain marketing approval. The U.S. patent rights covering methods of treating certain complement protein mediated disorders with Zimura are expected to expire in 2026. As a result, if we obtain marketing approval for Zimura, we may not be able to exclude competitors from

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commercializing products similar or identical to ours if such competitors do not use or promote our claimed methods of treatment or do use or promote our methods of treatment after our patents expire. Depending on potential delays in the regulatory review process for Zimura, we may be able to obtain a patent term extension for one of these patents in the United States, but we can provide no assurances that such an extension will be obtained.

Our issued patents may not be sufficient to provide us with a competitive advantage. For example, competitors may be able to circumvent our owned or licensed patents by developing similar or alternative technologies or products in a non-infringing manner. Even if our owned or licensed patent applications issue as patents, they may not issue with a scope broad enough to provide us with any meaningful protection, prevent competitors from competing with us or otherwise provide us with any competitive advantage. We could also fail to take the required actions and pay the necessary governmental fees to maintain our patents.

The issuance of a patent is not conclusive as to its inventorship, ownership, scope, term, validity or enforceability, and our owned and licensed patents may be challenged in the courts or patent offices in the United States and abroad. For example, if we receive marketing approval for our product candidates, other pharmaceutical companies may seek approval of generic versions of our products with the FDA or regulatory authorities in other jurisdictions. We may then be required to initiate proceedings against such companies in an attempt to prevent them from launching such generic versions. The risk of being involved in such proceedings is likely to increase if our products are commercially successful. In any such proceedings, the inventorship, ownership, scope, term, validity and enforceability of our patents may be challenged. These and other challenges may result in loss of exclusivity or freedom to operate or in patent claims being narrowed, invalidated or held unenforceable, in whole or in part, which could limit our ability to prevent others from using or commercializing similar or identical technology and products or from launching generic versions of our products, or could limit the duration of the patent protection of our technology and products. The launch of a generic version of one of our products in particular would be likely to result in an immediate and substantial reduction in the demand for our product, which could have a material adverse effect on our business. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after

such candidates are commercialized. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

We may become involved in lawsuits to protect or enforce our patents or other intellectual property, which could be expensive, time consuming and unsuccessful.

Competitors may infringe or otherwise violate our patents, trademarks, copyrights or other intellectual property. To counter infringement or other violations, we may be required to file claims, which can be expensive and time consuming. Any such claims could provoke these parties to assert counterclaims against us, including claims alleging that we infringe their patents or other intellectual property rights. In addition, in a patent infringement proceeding, a court may decide that one or more of the patents we assert is invalid or unenforceable, in whole or in part, construe the patent's claims narrowly or refuse to prevent the other party from using the technology at issue on the grounds that our patents do not cover the technology. Similarly, if we assert trademark infringement claims, a court may determine that the marks we have asserted are invalid or unenforceable or that the party against whom we have asserted trademark infringement has superior rights to the marks in question. In such a case, we could ultimately be forced to cease use of such marks. In any intellectual property litigation, even if we are successful, any award of monetary damages or other remedy we receive may not be commercially valuable. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

Third parties may initiate legal proceedings alleging that we are infringing or otherwise violating their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on the success of our business.

Our commercial success depends upon our ability and the ability of our collaboration and commercialization partners to develop, manufacture, market and sell our product candidates and products and use our proprietary technologies without infringing or otherwise violating the intellectual property and other proprietary rights of third parties. There is considerable intellectual property litigation in the biotechnology and pharmaceutical industries. We or our collaboration and commercialization partners may become party to, or threatened with, future adversarial proceedings or litigation regarding intellectual property rights with respect to our products and technology, including interference, derivation, re-examination, post-grant review, opposition, cancellation or similar proceedings before the USPTO or its foreign counterparts. The risks of being involved in such litigation and proceedings may also increase as our or their product candidates near commercialization and as we gain the greater visibility associated with being a public company. Third parties may assert infringement claims against us or our collaboration or commercialization partners based on existing or future intellectual property rights. We or they may not be aware of all such intellectual property rights potentially relating to our product candidates and their manufacture and uses. Thus, we do not know with certainty that Fovista, Zimura or any other product candidate, or our intended commercialization thereof, does not and will not infringe or otherwise violate any third party's intellectual property.

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If we are or one of our collaboration or commercialization partners is found to infringe or otherwise violate a third party's intellectual property rights, we or they could be required to obtain a license from such third party to continue developing and marketing our or their products and technology or to continue using a trademark. However, we or our collaboration and commercialization partners may not be able to obtain any required license on commercially reasonable terms or at all. Even if we or they were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us or our collaboration and commercialization partners and could require us or them to make substantial licensing and royalty payments. We or our collaboration and commercialization partners could be forced, including by court order, to cease commercializing the infringing technology or product. In addition, we could be found liable for monetary damages, including treble damages and attorneys' fees, if we are found to have willfully infringed a patent or other intellectual property right. A finding of infringement could prevent us or our collaboration and commercialization partners from commercializing our or their product candidates or force us or them to cease some of our business operations, which could materially harm our business. Claims that we or our collaboration and commercialization partners have misappropriated the confidential information or trade secrets of third parties could expose us or them to similar liabilities and have a similar negative impact on our business.

We may be subject to claims by third parties asserting that we or our employees have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property.

Many of our employees and contractors were previously employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees and contractors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees or contractors have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's or contractor's former employer. Litigation may be necessary to defend against these claims.

In addition, while it is our policy to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact conceives or develops intellectual property that we regard as our own. Moreover, because we acquired rights to Fovista from Eyetech, Archemix and Nektar and rights to Zimura from Archemix, we must rely upon these parties' practices, and those of their predecessors, with regard to the assignment of intellectual property therein. Our and their assignment agreements may not be self-executing or may be breached, and we may be forced to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of what we regard as our intellectual property.

If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel.

Intellectual property litigation could cause us to spend substantial resources and could distract our personnel from their normal responsibilities.

Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses and could distract our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to conduct such litigation or proceedings adequately. Some of our competitors may be able to sustain the costs of such litigation or proceedings more

effectively than we can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

Obtaining and maintaining our patent protection depends on compliance with various procedural, documentary, fee payment and other requirements imposed by governmental patent offices, and our patent protection could be reduced or eliminated for non-compliance with these requirements

Periodic maintenance fees on any issued patent are due to be paid to the USPTO and patent offices in foreign countries in several stages over the lifetime of the patent. The USPTO and patent offices in foreign countries require compliance with a number of procedural, documentary, fee payment and other requirements during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of a patent or patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include, but are not limited to, failure to respond to official actions within prescribed time limits, non-payment of fees and

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failure to properly legalize and submit formal documents. In such an event, our competitors might be able to enter the market, which would have a material adverse effect on our business.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.

In addition to seeking patents for some of our technology and products, we also rely upon trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, corporate collaborators, outside scientific collaborators, contract manufacturers, consultants, advisors and other third parties. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants. We cannot guarantee that we have executed such agreements with each party that may have or have had access to our trade secrets. Moreover, because we acquired certain rights to Fovista from Eyetech, Archemix and Nektar, we must rely upon these parties' practices, and those of their predecessors, with regard to the protection of Fovista-related trade secrets before we acquired them. Any party with whom we or they have executed a non-disclosure and confidentiality agreement may breach that agreement and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Our proprietary information may also be obtained by third parties by other means, such as breaches of our physical or computer security systems.

Detecting the disclosure or misappropriation of a trade secret and enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts inside and outside the United States are less willing or unwilling to protect trade secrets. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent them, or those to whom they communicate it, from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor, our competitive position would be harmed.

Risks Related to Regulatory Approval and Other Legal Compliance Matters

If we are not able to obtain, or if there are delays in obtaining, required regulatory approvals, we will not be able to commercialize Fovista, Zimura or any other product candidate that we may develop, and our ability to generate revenue will be materially impaired.

Our product candidates, including Fovista and Zimura, and the activities associated with their development and commercialization, including their design, testing, manufacture, safety, efficacy, recordkeeping, labeling, storage, approval, advertising, promotion, sale and distribution, are subject to comprehensive regulation by the FDA and other regulatory agencies in the United States and by comparable authorities in other countries.

Failure to obtain marketing approval for a product candidate will prevent us from commercializing the product candidate. We have not received approval to market Fovista, Zimura or any other product candidate from regulatory authorities in any jurisdiction. We have only limited experience in filing and supporting the applications necessary to gain marketing approvals and expect to rely upon third-party CROs and Novartis to assist us in this process. Securing marketing approval requires the submission of extensive preclinical and clinical data and supporting information to regulatory authorities for each therapeutic indication to establish the product candidate's safety and efficacy. Securing marketing approval also requires the submission of information about the product manufacturing process to, and inspection of manufacturing facilities by, the regulatory authorities. The FDA or other regulatory authorities may determine that Fovista, Zimura or any other product candidate that we may develop is not effective, is only moderately effective or has undesirable or unintended side effects, toxicities or other characteristics that preclude our obtaining marketing approval or prevent or limit commercial use. The FDA or other regulatory authority may limit the approval of Fovista to use with only specified anti-VEGF drugs rather than with all anti-VEGF drugs. Such limitation could limit sales of Fovista.

The process of obtaining marketing approvals, both in the United States and abroad, is expensive, may take many years, if approval is obtained at all, and can vary substantially based upon a variety of factors, including the type, complexity and novelty of the product candidates involved. Changes in marketing approval policies during the development period, changes in or the enactment of additional statutes or regulations, or changes in regulatory review for each submitted product application, may cause delays in the approval or rejection of an application. Regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that our data are insufficient for approval and require additional preclinical, clinical or other studies. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent marketing approval of a product candidate. Any marketing approval we ultimately obtain may be limited or subject to restrictions or post-approval commitments that render the approved product not commercially viable.

Marketing approval of novel product candidates such as Fovista and Zimura manufactured using novel manufacturing processes can be more expensive and take longer than for other, more well-known or extensively studied pharmaceutical or

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biopharmaceutical products, due to regulatory agencies' lack of experience with them. We believe that the FDA has only granted marketing approval for one aptamer product to date. This lack of experience may lengthen the regulatory review process, require us to conduct additional studies or clinical trials, increase our development costs, lead to changes in regulatory positions and interpretations, delay or prevent approval and commercialization of these product candidates or lead to significant post-approval limitations or restrictions.

If we experience delays in obtaining approval or if we fail to obtain approval of Fovista, Zimura or any other product candidate that we develop, the commercial prospects for such product candidate may be harmed and our ability to generate revenues will be materially impaired.

A fast track designation or grant of priority review status by the FDA may not actually lead to a faster development or regulatory review or approval process.

In the United States, our lead product candidate, Fovista, received fast track designation and may be eligible for priority review status. If a drug is intended for the treatment of a serious or life-threatening disease or condition and the drug demonstrates the potential to address unmet medical needs for this disease or condition, the drug sponsor may apply for FDA fast track designation. If a drug offers major advances in treatment, the drug sponsor may apply for FDA priority review status. The FDA has broad discretion whether or not to grant fast track designation or priority review status, so even if we believe a particular product candidate is eligible for such designation or status the FDA could decide not to grant it. Even though Fovista has received fast track designation for the treatment of wet AMD and may be eligible for priority review status, we may not experience a faster development process, review or approval compared to conventional FDA procedures. The FDA may withdraw fast track designation if it believes that the designation is no longer supported by data from our clinical development program.

A breakthrough therapy designation by the FDA for our product candidates may not lead to a faster development or regulatory review or approval process, and it does not increase the likelihood that our product candidates will receive marketing approval

We may seek a breakthrough therapy designation for some of our product candidates. A breakthrough therapy is defined as a drug that is intended, alone or in combination with one or more other drugs, to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. For drugs that have been designated as breakthrough therapies, interactions and communications between the FDA and the sponsor of the trial can help to identify the most efficient path for clinical development while minimizing the number of patients placed in ineffective control regimens. Drugs designated as breakthrough therapies by the FDA are also eligible for accelerated approval.

Designation as a breakthrough therapy is within the discretion of the FDA. Accordingly, even if we believe one of our product candidates meets the criteria for designation as a breakthrough therapy, the FDA may disagree and instead determine not to make such designation. In any event, the receipt of a breakthrough therapy designation for a product candidate may not result in a faster development process, review or approval compared to drugs considered for approval under conventional FDA procedures and does not assure ultimate approval by the FDA. In addition, even if one or more of our product candidates qualify as breakthrough therapies, the FDA may later decide that the products no longer meet the conditions for qualification of decide that the time period for FDA review or approval will not be shortened.

Failure to obtain marketing approval in international jurisdictions would prevent our product candidates from being marketed abroad.

In order to market and sell Fovista, Zimura and any other product candidate that we may develop in the European Union and many other jurisdictions, we or our third-party commercialization partners, including Novartis, must obtain separate marketing approvals and comply with numerous and varying regulatory requirements. The approval procedure varies among countries and can involve additional testing. The time required to obtain approval may differ substantially from that required to obtain FDA approval. The regulatory approval process outside the United States generally includes all of the risks associated with obtaining FDA approval. In addition, in many countries outside the United States, it is required that the product be approved for reimbursement before the product can be approved for sale in that country. We or our third-party commercialization partners, including Novartis, may not obtain approvals from regulatory authorities outside the United States on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one regulatory authority outside the United States does not ensure approval by regulatory authorities in other countries or jurisdictions or by the FDA. We and our third party commercialization partners may not be able to file for marketing approvals and may not receive necessary approvals to commercialize our products in any market.

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Any product candidate, including Fovista and Zimura, for which we obtain marketing approval could be subject to post-marketing restrictions or withdrawal from the market and we or our third-party commercialization partners may be subject to penalties if we or our third-party commercialization partners fail to comply with regulatory requirements or if we or our third-party commercialization partners experience unanticipated problems with our products, when and if any of them are approved.

Any product candidate, including Fovista and Zimura, for which we or our commercialization partners obtain marketing approval, along with the manufacturing processes, post-approval clinical data, labeling, advertising and promotional activities for such product, will be subject to continual requirements of and review by the FDA and other regulatory authorities. These requirements include submissions of safety and other post-marketing information and reports, registration and listing requirements, cGMP requirements relating to manufacturing, quality control, quality assurance, complaints and corresponding maintenance of records and documents, requirements regarding the distribution of samples to physicians and recordkeeping. Even if marketing approval of a product candidate is granted, the approval may be subject to limitations on the indicated uses for which the product may be marketed or may be subject to significant conditions of approval.

The FDA may also impose requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the product, including the adoption and implementation of risk evaluation and mitigation strategies. The FDA closely regulates the post-approval marketing and promotion of drugs to ensure drugs are marketed only for the approved indications and in accordance with the provisions of the approved labeling and regulatory requirements. The FDA imposes stringent restrictions on manufacturers' communications regarding off-label use and if we do not restrict the marketing of our products only to their approved indications, we may be subject to enforcement action for off-label marketing. Violations of the Federal Food, Drug, and Cosmetic Act relating to the promotion of prescription drugs may lead to investigations alleging violations of federal and state healthcare fraud and abuse laws, as well as state consumer protection laws.

In addition, later discovery of previously unknown adverse events or other problems with our products, manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may yield various results, including:

- restrictions on such products, manufacturers or manufacturing processes;
- restrictions and warnings in the labeling and marketing of a product;
- restrictions on product distribution or use;
- requirements to conduct post-marketing clinical trials;
- warning or untitled letters;
- withdrawal of the products from the market;
- refusal to approve pending applications or supplements to approved applications that we submit;
- recall of products;
- fines, restitution or disgorgement of profits or revenue;
- suspension or withdrawal of marketing approvals;
- refusal to permit the import or export of our products;
- product seizure; or
- injunctions or the imposition of civil or criminal penalties.

Non-compliance with European Union requirements regarding safety monitoring or pharmacovigilance can also result in significant financial penalties. Similarly, failure to comply with the European Union's requirements regarding the protection of personal information can lead to significant penalties and sanctions.

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Our and our commercialization partners' relationships with customers and third-party payors will be subject to applicable anti-kickback, fraud and abuse and other healthcare laws and regulations, which could expose us and our commercialization partners to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

Healthcare providers, physicians and third-party payors play a primary role in the recommendation and prescription of any product candidates, including Fovista, for which we obtain marketing approval. Our future arrangements with third-party payors and customers may expose us and our commercialization partners to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we and our commercialization partners market, sell and distribute any products for which we or they obtain marketing approval. Restrictions under applicable federal and state healthcare laws and regulations include the following:

- the federal Anti-Kickback Statute prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made under a federal healthcare program such as Medicare and Medicaid;
- the federal False Claims Act imposes criminal and civil penalties, including civil whistleblower or *qui tam* actions, against individuals or entities for knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, imposes criminal and civil liability for executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act and its implementing regulations, also imposes obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;
- the federal false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of or payment for healthcare benefits, items or services;
- the federal transparency requirements under the Patient Protection and Affordable Care Act, as amended by the Heath Care and Education Affordability Reconciliation Act, and analogous state laws require manufacturers of drugs, devices, biologics and medical supplies to report information related to payments and other transfers of value to physicians and teaching hospitals and physician ownership and investment interests; and
- analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws, may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers.

Some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government in addition to requiring drug manufacturers to report information related to payments to physicians and other healthcare providers or marketing expenditures. State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our or our commercialization partners' operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us or them, we or they may be subject to significant civil, criminal and administrative penalties, damages, fines, imprisonment, exclusion of products from government funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our or their operations. If any of the physicians or other providers or entities with whom we expect to do business are found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

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Recently enacted and future legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our product candidates and affect the prices we may obtain.

In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of Fovista, Zimura or any other product candidate that we may develop, restrict or regulate post-approval activities and affect our and our commercialization partners' ability to generate revenue from, sell profitably or commercialize any product candidates, including Fovista and Zimura, for which we or they obtain marketing approval or products that we may develop or in-license. We expect that current laws, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we or our commercialization partners receive for any approved product.

In the United States, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or MMA, changed the way Medicare covers and pays for pharmaceutical products and could decrease the coverage and price that we receive for any approved products. While the MMA applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own reimbursement rates. Therefore, any reduction in reimbursement that results from the MMA may result in a similar reduction in payments from private payors.

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, or collectively ACA. Among the provisions of ACA of importance to our potential products are the following:

- an annual, nondeductible fee on any entity that manufactures or imports specified branded prescription drugs and biologic agents;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program;
- expansion of healthcare fraud and abuse laws, including the False Claims Act and the Anti-Kickback Statute, new government investigative powers, and enhanced penalties for noncompliance;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices;
- extension of manufacturers' Medicaid rebate liability;
- expansion of eligibility criteria for Medicaid programs;
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program;
- new requirements to report financial arrangements with physicians and teaching hospitals;
- a new requirement to annually report drug samples that manufacturers and distributors provide to physicians; and
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research.

In addition, other legislative changes have been proposed and adopted since ACA was enacted. These changes included aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, which went into effect on April 1, 2013, and will remain in effect through 2024. In January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, reduced Medicare payments to several providers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws may result in additional reductions in Medicare and other healthcare funding. Additionally, current legal challenges to the ACA could adversely affect coverage and/or reimbursement.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products. We cannot be sure whether additional legislative changes will be enacted, or whether the FDA regulations, guidance or interpretations will be changed, or what the impact of such changes on the marketing approvals of our product candidates, if any, or in-licensed products, if any, may be.

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Governments outside the United States tend to impose strict price controls, which may adversely affect our revenues, if any.

The pricing of prescription pharmaceuticals is also subject to governmental control outside of the United States. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we or our commercialization partners may be required to conduct a clinical trial that compares the cost-effectiveness of our product candidate to other available therapies. If reimbursement of our products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business could be harmed, possibly materially.

If we or our third-party manufacturers fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could harm our business.

We and our third-party manufacturers are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. From time to time and in the future, our operations may involve the use of hazardous and flammable materials, including chemicals and biological materials, and produce hazardous waste products. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties for failure to comply with such laws and regulations.

Although we maintain workers' compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us.

In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Our failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

Further, with respect to the operations of our third-party contract manufacturers, it is possible that if they fail to operate in compliance with applicable environmental, health and safety laws and regulations or properly dispose of wastes associated with our products, we could be held liable for any resulting damages, suffer reputational harm or experience a disruption in the manufacture and supply of our product candidates or products.

Risks Related to Employee Matters and Managing Growth and Our Operations

Our future success depends on our ability to retain our chief executive officer and other key executives and to attract, retain and motivate qualified personnel.

We are highly dependent on David R. Guyer, M.D., our Chief Executive Officer, Samir Patel, M.D., our President, and Michael G. Atieh, our Chief Financial and Business Officer, as well as the other principal members of our management, scientific and clinical teams. Although we have entered into employment agreements with our executive officers, each of them may terminate their employment with us at any time. We do not maintain "key person" insurance for any of our executives or other employees.

Recruiting and retaining qualified scientific, clinical, manufacturing and sales and marketing personnel will also be critical to our success. The loss of the services of our executive officers or other key employees could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy. Furthermore, replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain marketing approval of and commercialize products. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel on acceptable terms, if at all, given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain high quality personnel, our ability to pursue our growth strategy will be limited.

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We are rapidly expanding our development, regulatory and sales, marketing and distribution capabilities, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

We are currently experiencing significant and rapid growth in the number of our employees and the scope of our operations, particularly in the areas of clinical development and manufacturing development. During the 12-month period ending June 30, 2015, we hired approximately half of our 96 employees. We also expect to continue to hire additional employees and expand the scope of our operations in the area of clinical development and, as we approach potential marketing approval for any of our product candidates, in the area of sales, marketing and distribution. To manage our growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources and the inherent challenges associated with managing such rapid growth, we may not be able to manage effectively the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

We have identified a material weakness in our internal control over financial reporting.

As discussed in a Current Report on Form 8-K filed with the Securities and Exchange Commission on July 28, 2015, we determined in July 2015 that we overstated the net deferred tax asset recorded on our balance sheets and understated the income tax provision on our statements of operations as of and for the periods ending June 30, 2014, September 30, 2014, December 31, 2014 and March 31, 2015. As discussed in Item 9A, "Controls and Procedures," of our

Annual Report on Form 10-K/A, also filed on July 28, 2015, management believes that this situation revealed a material weakness in internal controls related to technical accounting expertise over the accounting for deferred tax assets and income tax accounting in general. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The deficiency in the application of our controls relating to technical accounting expertise over the accounting for deferred tax assets and income tax accounting in general resulted in the audit committee of our board of directors concluding that the relevant financial statements should not be relied upon, and our subsequent restatement of the relevant financial statements.

We have discussed the identified control deficiency in our financial reporting and the remediation of such deficiency with the audit committee of our board of directors and will continue to do so as necessary. While we have begun to take steps to remediate this deficiency in controls, we cannot be certain that the remedial measures that we have taken will ensure that we maintain adequate controls over our financial reporting in the future and, accordingly, additional material weaknesses could occur or be identified. Any additional deficiencies could materially and adversely affect our ability to provide timely and accurate financial information, and the current and future deficiencies may impact investors' confidence in our internal controls and our company, which could cause our stock price to decline.

Risks Related to Information Technology

We rely significantly upon information technology and any failure, inadequacy, interruption or security lapse of that technology, including any cyber security incidents, could harm our ability to operate our business effectively.

In the ordinary course of our business, we maintain sensitive data on our networks, including our intellectual property and proprietary or confidential business information relating to our business and that of our clinical trial participants and business partners. The secure maintenance of this information is critical to our business and reputation. Despite the implementation of security measures, our internal computer systems and those of third parties with which we contract are vulnerable to damage from cyber-attacks, computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. In particular, we believe that companies have been increasingly subject to a wide variety of security incidents, cyber-attacks and other attempts to gain unauthorized access. These threats can come from a variety of sources, ranging in sophistication from an individual hacker to a state-sponsored attack. Cyber threats may be generic, or they may be custom-crafted against our information systems. In the recent past, cyber-attacks have become more prevalent and much harder to detect and defend against. Our network and storage applications may be subject to unauthorized access by hackers or breached due to operator error, malfeasance or other system disruptions. It is often difficult to anticipate or immediately detect such incidents and the damage caused by such incidents. System failures, data breaches and any unauthorized access or disclosure of our information or intellectual property could compromise our intellectual property and expose sensitive business information. System failures or accidents or security breaches could cause interruptions in our operations, and could result in a material disruption of our clinical and commercialization activities and business operations, in addition to possibly requiring substantial expenditures of resources to remedy. A data security breach could also lead to public exposure of personal information of our clinical trial patients and others. Cyber-attacks could cause us to incur significant remediation costs, result in product development delays, disrupt key business operations and divert attention of management and key information technology resources. The loss of clinical trial data could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate public disclosure of confidential or proprietary information, we could incur liability and our product research, development and commercialization efforts could be delayed.

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Risks Related to Our Common Stock

Our executive officers, directors and principal stockholders maintain the ability to significantly influence all matters submitted to stockholders for approval.

As of June 30, 2015, our executive officers, directors and a small group of stockholders, in the aggregate, beneficially owned shares representing a significant percentage of our capital stock. As a result, if these stockholders were to choose to act together, they would be able to significantly influence all matters submitted to our stockholders for approval, as well as our management and affairs. For example, these persons, if they choose to act together, could significantly influence the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of our company on terms that other stockholders may desire.

If a significant portion of our total outstanding shares are sold into the market, the market price of our common stock could drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. As of June 30, 2015, we had outstanding 34,675,404 shares of common stock. Of these shares, approximately 6,718,000 shares are restricted securities under Rule 144 under the Securities Act. Any of our remaining shares that are not restricted securities under Rule 144 under the Securities Act, including, for example, shares sold in our initial public offering or our follow-on public offering, may be resold in the public market without restriction unless purchased by our affiliates. Moreover, holders of an aggregate of approximately 5,982,000 shares of our common stock, have rights, subject to specified conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. We have filed registration statements on Form S-8 registering all shares of common stock that we may issue under our equity compensation plans prior to awards becoming exercisable. As of June 30, 2015, we had outstanding stock options to purchase an aggregate of approximately 3,462,000 shares of our common stock, of which options to purchase approximately 964,000 shares were vested, as well as approximately 268,000 unvested restricted stock units. Once registered on Form S-8, shares underlying these equity awards can be freely sold in the public market upon issuance, subject to volume, notice and manner of sale limitations applicable to affiliates.

Provisions in our corporate charter documents and under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our certificate of incorporation and our by-laws may discourage, delay or prevent a merger, acquisition or other change in control of our company that stockholders may consider favorable, including transactions in which our stockholders might otherwise receive a premium for their shares.

These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions:

- provide for a classified board of directors such that only one of three classes of directors is elected each year;
- allow the authorized number of our directors to be changed only by resolution of our board of directors;
- limit the manner in which stockholders can remove directors from the board of directors;
- provide for advance notice requirements for stockholder proposals that can be acted on at stockholder meetings and nominations to our board of directors;
- require that stockholder actions must be effected at a duly called stockholder meeting and prohibit actions by our stockholders by written consent;
- limit who may call stockholder meetings;
- authorize our board of directors to issue preferred stock without stockholder approval, which could be used to institute a "poison pill" that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board of directors; and

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- require the approval of the holders of at least 75% of the votes that all our stockholders would be entitled to cast to amend or repeal certain provisions of our certificate of incorporation or by-laws.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

The price of our common stock may be volatile and fluctuate substantially, which could result in substantial losses for stockholders.

Our stock price may be volatile. The stock market in general and the market for smaller pharmaceutical and biotechnology companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, our stockholders may not be able to sell their shares of common stock at or above the price at which they purchased their shares. The market price for our common stock may be influenced by many factors, including:

- the success of products or technologies that compete with our product candidates;
- results of clinical trials of Fovista, Zimura and any other product candidate that we may develop and the timing of the receipt of such results;
- results of clinical trials of product candidates of our competitors;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key personnel;
- the level of expenses related to any of our product candidates or clinical development programs;
- the results of our efforts to in-license or acquire the rights to other products, product candidates and technologies for the treatment of ophthalmic diseases, the costs of commercializing any such products and the costs of development of any such product candidates or technologies;
- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in the structure of healthcare payment systems;
- market conditions in the pharmaceutical and biotechnology sectors;
- general economic, industry and market conditions; and
- the other factors described in this "Risk Factors" section.

In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted against that company. We also may face securities class-action litigation if we cannot obtain regulatory approvals for or if we otherwise fail to commercialize Fovista. Such litigation, if instituted against us, could cause us to incur substantial costs to defend such claims and divert management's attention and resources, which could seriously harm our business.

We incur increased costs as a result of operating as a public company, and our management is now required to devote substantial time to new compliance initiatives and corporate governance practices.

As a public company, we incur and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the

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listing requirements of The NASDAQ Global Select Market and other applicable securities rules and regulations impose various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased our legal and financial compliance costs and will make some activities more time-consuming and costly.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, we are required to furnish with our periodic Exchange Act reports a report by our management on our internal control over financial reporting. We are also required to include with our annual report an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404, we must document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources and engage outside consultants to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. These efforts will need to increase following management's conclusion that our accounting for net deferred tax assets in 2014 and early 2015 revealed a material weakness in internal control over financial reporting related to technical accounting expertise over the accounting for deferred tax assets and income tax accounting in general. Despite our ongoing efforts, there is a risk that our internal control over financial reporting may, in the future, be found to be ineffective under Section 404. Our identification of one or more material weaknesses could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

Because we do not anticipate paying any cash dividends on our common stock in the foreseeable future, capital appreciation, if any, will be our stockholders' sole source of gain.

We have never declared or paid cash dividends on our common stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be our stockholders' sole source of gain for the foreseeable future.

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

Recent Sales of Unregistered Securities

We did not sell any unregistered equity securities during the period covered by this Quarterly Report on Form 10-Q.

Purchase of Equity Securities

We did not purchase any of our registered equity securities during the period covered by this Quarterly Report on Form 10-Q.

Use of Proceeds from Registered Securities

On September 30, 2013, we closed our initial public offering of 8,740,000 shares of our common stock, including 1,140,000 shares of our common stock pursuant to the exercise by the underwriters of an over-allotment option, at a public offering price of $22.00 per share for an aggregate offering price of approximately $192.3 million. The offer and sale of all of the shares in our initial public offering were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-190643), which was declared effective by the SEC on September 24, 2013.

We received aggregate net proceeds from our initial public offering of $175.6 million, after deducting underwriting discounts and commissions and other offering expenses payable by us.

As of June 30, 2015, we have used approximately $35.8 million of the net proceeds from initial public offering as follows:

- approximately $24.7 million to fund certain costs of our Phase 3 clinical program for Fovista administered in combination with anti-VEGF therapy for the treatment of wet AMD, which costs consists of external research and development expenses and clinical development related employee expenses; and

- approximately $11.1 million for working capital and other general corporate purposes.

We have not used any of the net proceeds from our initial public offering to make payments, directly or indirectly, to any director or officer of ours, or any of their associates, to any person owning 10% or more of our common stock or to any affiliate of

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ours. We have invested the remaining net proceeds from initial public offering in a variety of capital preservation investments, including short-term, investment grade, interest bearing instruments and U.S. government securities. There has been no material change in our planned use of the net proceeds from our initial public offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act.

Item 5. Other Information.

None.

Item 6. Exhibits.

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index, which Exhibit Index is incorporated herein by reference.

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SIGNATURES

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

OPHTHOTECH CORPORATION

Date: August 10, 2015

By: /s/ Michael G. Atieh
Michael G. Atieh
Executive Vice President and Chief Financial and Business Officer
(Principal Financial and Accounting Officer)

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EXHIBIT INDEX

Exhibit Number	Description of Exhibit
10.1	Amendment No. 1 to 2013 Stock Incentive Plan, adopted June 4, 2015
10.2	Sublease Agreement, dated April 7, 2015, by and between Otsuka America Pharmaceutical, Inc. and the Registrant
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Database*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*

* Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Balance Sheet at June 30, 2015 and December 31, 2014 (unaudited), (ii) Statement of Operations (unaudited) for the three and six month periods ended June 30, 2015 and 2014, (iii) Statement of Cash Flows (unaudited) for the six month period ended June 30, 2015 and 2014 and (iv) Notes to Financial Statements (unaudited).

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act, is deemed not filed for purposes of Section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

Exhibit 10.1

AMENDMENT NO. 1 TO

2013 STOCK INCENTIVE PLAN

OF OPHTHOTECH CORPORATION

The 2013 Stock Incentive Plan (the "Plan") of Ophthotech Corporation (the "Company") is hereby amended as follows (all capitalized terms used and not defined herein shall have the respective meanings ascribed to such terms in the Plan):

1. Section 9(c)(4) of the Plan be and hereby is deleted in its entirety and the following is inserted in lieu thereof:

> (4) Effect on Restricted Stock Units with Time-Based Vesting. Notwithstanding the provisions of Section 9(b), except to the extent specifically provided to the contrary in the instrument evidencing any Restricted Stock Unit or any other agreement between a Participant and the Company, each Restricted Stock Unit that vests solely based on the passage of time shall immediately become free from all conditions or restrictions if, on or prior to the first anniversary of the date of the consummation of the Change in Control Event, the Participant's employment with the Company or the acquiring or succeeding corporation is terminated for Good Reason by the Participant or is terminated without Cause by the Company or the acquiring or succeeding corporation.

2. Section 9(c) of the Plan be and hereby is further amended to include a new sub-paragraph (5) as follows:

> (5) Effect on Other Awards. The Board may specify in an Award at the time of the grant the effect of a Change in Control Event on any SAR, any Restricted Stock Unit that includes vesting criteria other than solely the passage of time and any Other Stock-Based Award.

3. Except as aforesaid, the Plan shall remain in full force and effect.

* * *

Approved by the Board of Directors
on June 4, 2015.

IN WITNESS WHEREOF, the Company has caused this Amendment to the Amended and Restated 2007 Stock Incentive Plan to be signed by its Chief Executive Officer this 4th day of June, 2015.

OPHTHOTECH CORPORATION

By: /s/ David R. Guyer

Exhibit 10.2

SUBLEASE AGREEMENT

This Sublease Agreement (this "Sublease") is dated as of April 8, 2015, by and between **Otsuka America Pharmaceutical, Inc.,** a Delaware corporation, as sublandlord ("Sublandlord"), and **Ophthotech Corporation,** a Delaware corporation, as subtenant ("Subtenant").

SUMMARY OF BASIC SUBLEASE PROVISIONS

All capitalized terms used herein shall have the meanings ascribed to them in the Prime Lease (hereinafter defined) unless otherwise defined herein.

NAME OF SUBLANDLORD:	Otsuka America Pharmaceutical, Inc.
STATE OF FORMATION:	Delaware
SUBLANDLORD'S ADDRESS FOR NOTICES:	Raymond Tripp Senior Manager, Administrative Services Otsuka America Pharmaceutical, Inc. 2440 Research Boulevard Rockville, MD 20850 With copies to: Steven J. Weisel, Esq. Vice President and General Counsel Otsuka America Pharmaceutical, Inc. 2440 Research Boulevard Rockville, MD 20850 and LeeAnn Baker, Esq. LeClairRyan One International Place 11th Floor Boston, MA 02110
PAYMENT OF RENT ADDRESS:	Raymond Tripp Senior Manager, Administrative Services Otsuka America Pharmaceutical, Inc. 2440 Research Boulevard Rockville, MD 20850
NAME OF SUBTENANT:	Ophthotech Corporation
STATE OF FORMATION:	Delaware
SUBTENANT'S ADDRESS:	Prior to the Commencement Date: Ophthotech Corporation One Penn Plaza 35th Floor New York, NY 1019 From and after the Commencement Date: Ophthotech Corporation One Penn Plaza, 35th Floor New York, New York 10119 With copies to: Wilmer Cutler Pickering Hale and Dorr LLP 60 State Street Boston, Massachusetts 02109 Attn: Paul Jakubowski, Esq.
PRIME LANDLORD:	RM Square, LLC
PRIME LEASE:	Agreement of Lease, dated July 22, 2009 (the "Original Lease"), between Prime Landlord, as landlord, and Sublandlord, as Tenant, as amended by the First Amendment to Lease, dated August 5, 2010 (the "First Amendment") and the Second Amendment, dated December 8, 2014 (the "Second Amendment")

BUILDING: One University Square, Princeton, NJ

PREMISES: Approximately 35,206 rentable square feet located on the 2nd floor in Suite 220.

COMMENCEMENT DATE: The later to occur of complete execution of this Sublease and delivery to Subtenant of the Sublease Consent (as defined below), which the parties estimate to be April 1, 2015.

EXPIRATION DATE: March 15, 2021.

TERM: The period commencing on the Commencement Date and ending on the Expiration Date.

PERMITTED USES: Executive and administrative offices and for no other purpose, and in conformity with the provisions of Section 4(A) of the Prime Lease.

BASE RENT: Commencing on the Commencement Date and continuing through and including the Expiration Date the following amounts:

Dates	Rentable Square Feet for Purposes of Rent Calculation	Base Rent per Square Foot of Rentable Area	Annual Base Rent	Monthly Base Rent
Lease Year 1	35,206	$ 31.50	$ 1,108,989.00	$ 92,415.75*^
Lease Year 2	35,206	$ 32.00	$ 1,126,592.00	$ 93,882.67*^
Lease Year 3	35,206	$ 32.50	$ 1,144,195.00	$ 95,349.58^
Lease Year 4	35,206	$ 33.00	$ 1,161,798.00	$ 96,816.50
Lease Year 5	35,206	$ 33.50	$ 1,179,401.00	$ 98,283.42
Start of Lease Year 6 through the Expiration Date	35,206	$ 34.00	$ 1,197,004.00	$ 99,750.33

* Subject to partial rent abatement as provided in Section 1.C below.
^ Subject to rental offset as provided in Section 1.D below.

LEASE YEAR: A period of twelve (12) calendar months, with the first (1st) Lease Year commencing on the Commencement Date

BASE YEAR TAXES: The Taxes actually due and payable with respect to the 2015 calendar year.

BASE OPERATING COSTS: The Operating Costs incurred by Prime Landlord for the calendar year ending December 31, 2015 (whether or not retroactively determined but, in all events, determined in accordance with the Prime Lease.)

ESCALATION YEAR Any calendar year after the 2015 calendar year which shall include any part of the Term.

ADDITIONAL RENT: All rent, charges, sums, costs and expenses due from Subtenant hereunder, in addition to Base Rent.

SECURITY DEPOSIT AMOUNT: $184,831.50

RENEWAL TERM: None

BROKERS: Triad Properties, LLC and CBRE, Inc.

All capitalized terms used and not otherwise defined in this Sublease shall have the meanings ascribed to them in the Prime Lease.

Exhibit A - Prime Lease

Exhibit B — Furniture

Exhibit C - Reserved Parking Spaces

W I T N E S S E T H:

WHEREAS, Sublandlord is the tenant of the Premises in the Building, and Subtenant is desirous of subletting the Premises as described in the Prime Lease from Sublandlord upon the terms and conditions hereinafter set forth:

NOW, THEREFORE, in consideration of the rental payments to be made hereunder by Subtenant to Sublandlord and the mutual terms, covenants, conditions, provisions and agreements hereinafter set forth, Sublandlord does hereby sublet to Subtenant and Subtenant does hereby take and hire from

Sublandlord, the Premises.

This Sublease shall be expressly subject and subordinate to all of the terms, covenants, conditions, provisions and agreements contained in the Prime Lease. Subtenant acknowledges that a true copy of the Prime Lease, with certain of the Excluded Provisions (as defined below) deleted or redacted, has been delivered to, and reviewed by, Subtenant and is annexed hereto and made a part hereof as Exhibit A. Sublandlord represents and warrants to Subtenant that any such deleted or redacted provisions relate only to the termination of the Prime Lease as it relates to premises other than the Premises.

1. Base Rent; Partial Rent Abatement; Sublandlord's Concession; Expiration Date

A. Subtenant shall pay to Sublandlord, at the Payment of Rent Address, during the Term, commencing on the Commencement Date, without notice or demand, and without any set-off, counterclaim, abatement or deduction whatsoever (except as expressly set forth or as incorporated herein), Base Rent in equal monthly installments, on the first day of each and every calendar month during the Term, in lawful money of the United States of America, by ACH transfer or check made payable to Sublandlord, except the first full monthly installment of Base Rent shall be paid within two (2) business days after Subtenant's receipt of Prime Landlord's Sublease Consent and in any event prior to the date on which Subtenant may enter the Premises.

The Base Rent for any month of the term of this Sublease which does not begin or end on the first or last day of a calendar month shall be prorated on a daily basis in accordance with the Base Rent due for the calendar month. If the installment for the first full month's Base Rent is paid by Subtenant at the time required in this Section regardless of whether the term shall have commenced on the first day of a calendar month, any adjustment to which Subtenant is entitled on account of the immediately preceding sentence shall be made to the monthly installment of Base Rent due on the first day of the calendar month next following the month in which the Commencement Date occurs. All Base Rent, Additional Rent and other sums and charges due to Sublandlord under this Sublease shall be paid by Subtenant at the office of Sublandlord set forth above, or at such other place as Sublandlord may designate in writing to Subtenant, without any notice, setoff or deduction except as expressly provided for or as incorporated herein. Subtenant's obligation to make such payments (that accrue during the Term) shall survive the Expiration Date or sooner termination of this Sublease (if this Sublease is terminated due to Subtenant's default). Once the Commencement Date is determined, Sublandlord and Subtenant shall execute an agreement stating the Commencement Date, Commencement Date and Expiration Date, but the failure to do so will not affect the determination of such dates.

B. In the event of non-payment of Base Rent or Additional Rent, Sublandlord shall have all the rights and remedies provided for in case of non-payment of Base Rent (or its equivalent term) in the Prime Lease. If Subtenant shall fail to duly and timely pay any installment of Base Rent or Additional Rent, Subtenant shall also pay to Sublandlord any late charge(s) and interest charge(s) specified in the Prime Lease for non-payment of rent thereunder, or, if no such charges are specified in the Prime Lease, Subtenant shall pay to Sublandlord a late charge of 5% of such overdue amount and interest shall accrue on said overdue amount at the rate of 12% per annum from the date such payment was due until same is paid, such interest and/or late charge to be payable as Additional Rent hereunder. The payment of such late and/or interest charge shall be in addition to all other rights and remedies available to Sublandlord as provided for in the Prime Lease, at law or in equity in the case of non-payment of Base Rent or Additional Rent in the Prime Lease, at law or in equity.

C. Notwithstanding the schedule of Base Rent set forth in the Basic Terms, during (i) Lease Year 1, the Base Rent applicable to 10,206 of rentable square feet of the Premises shall be abated in accordance with the provisions of this Section (which Base Rent abatement during Lease Year 1 would be $321,489.00), and (ii) Lease Year 2, the Base Rent applicable to 5,206 of rentable square feet of the Premises shall be abated in accordance with this Section of the Sublease (which Base Rent abatement during Lease Year 2 would be $166,592.00 (collectively for both Lease Year 1 and Lease Year 2, the "Abated Base Rent")). In no event shall Subtenant have any right or claim to the Abated Base Rent if it is in default under this Sublease until such default is cured. Further, if Subtenant defaults under the terms of this Sublease and such default is not cured within the applicable cure period, Subtenant shall be obligated to cure such default, and in addition thereto, (a) if the entire amount of the Abated Base Rent has not been expended, Subtenant shall immediately be deemed to have forfeited the remaining Abated Base Rent up to an amount equal to the cost to cure such default (the "Forfeited Abated Base Rent Amount"), and (b) if the entire amount of the Abated Base Rent has been expended or if the Forfeited Abated Base Rent Amount exceeds the amount of the remaining Abated Base Rent, then Subtenant shall be obligated to immediately return to Sublandlord a portion of the Abated Base Rent in an amount equal to Forfeited Abated Base Rent Amount. Further, due to Subtenant's default, this Sublease is

terminated or Sublandlord repossesses the Premises or if Subtenant's default, beyond any applicable cure period, is of the nature described in Section 30(A)(iii) of the Prime Lease, then Subtenant shall be deemed to have immediately forfeited the entirety of the Abated Base Rent and Subtenant shall immediately pay to Sublandlord the entire expended amount of the Abated Base Rent. The foregoing provision is in addition to, and not in lieu of, the provisions of Section 1.D below and Sublandlord's other rights and remedies. If Subtenant is in compliance with all the terms and conditions of this Sublease at the end of the term of this Sublease, Subtenant's obligation to pay the Abated Base Rent shall automatically terminate upon the expiration of the Term of this Sublease and Subtenant shall thereafter be released from such obligation. For the avoidance of doubt, the forgoing rent abatement shall apply only to Base Rent, and any Additional Rent, including but not limited to Operating Costs, Taxes and any utility or electricity charges, shall not be reduced, abated or offset.

D. Sublandlord shall provide to Subtenant the amount of One Million One Hundred Thousand and 00/100 Dollars ($1,100,000.00) (the "Sublandlord's Concession"), which such Sublandlord's Concession shall be used to abate the Base Rent set forth in the Basic Terms by $30,555.56 each month during Lease Years 1, 2 and 3, for a total of thirty-six (36) months, subject to the provisions of this Section. In no event shall Subtenant have any right or claim to the Sublandlord's Concession if it is in default under this Sublease until such default is cured. Further, if Subtenant defaults under the terms of this Sublease and such default is not cured within the applicable cure period, Subtenant shall be obligated to cure such default, and in addition thereto, (a) if the entire amount of the Sublandlord's Concession has not been expended, Subtenant shall immediately be deemed to have forfeited the remaining Sublandlord's Concession up to an amount equal to the cost to cure such default (the "Forfeited Sublandlord's Concession Amount"), and (b) if the entire amount of the Sublandlord's Concession has been expended or if the Forfeited Sublandlord's Concession Amount exceeds the amount of the remaining Sublandlord's Concession, then Subtenant shall be obligated to immediately return to Sublandlord a portion of the Sublandlord's Concession in an amount equal to Forfeited Sublandlord's Concession Amount. Further, due to Subtenant's default, this Sublease is terminated or Sublandlord repossesses the Premises or if Subtenant's default, beyond any applicable cure period, is of the nature described in Section 30(A)(iii) of the Prime Lease, then Subtenant shall be deemed to have immediately forfeited the entirety of the Sublandlord's Concession and Subtenant shall immediately pay to Sublandlord the entire expended amount of the Sublandlord's Concession. The foregoing provision is in addition to, and not in lieu of, the provisions of Section 1.C above and Sublandlord's other rights

and remedies. If Subtenant is in compliance with all the terms and conditions of this Sublease at the end of the term of this Sublease, Subtenant's obligation to pay the Sublandlord's Concession shall automatically terminate upon the expiration of the Term of this Sublease and Subtenant shall thereafter be released from such obligation. For the avoidance of doubt, the forgoing rent abatement shall apply only to Base Rent, and any Additional Rent, including but not limited to Operating Costs, Taxes and any utility or electricity charges, shall not be reduced, abated or offset.

E. In the event Sublandlord incurs any actual out-of-pocket costs or expenses which are directly attributable to services or utilities furnished to Subtenant or the Premises or repairs made in the Premises, such costs and expenses shall be deemed Additional Rent under this Sublease, and Subtenant shall pay Sublandlord or the applicable provider, as the case may be, the full amount of such costs and expenses within five days after receipt of the applicable invoices.

2. Operating Costs; Taxes; Additional Rent; Electricity.

A. In addition to Base Rent, Subtenant shall pay to Sublandlord, as Additional Rent, (i) increases in Taxes levied against the Real Property as follows: if the Taxes actually due and payable with respect to the Real Property in any Escalation Year shall be increased above the Base Year Taxes, then Subtenant shall pay to Sublandlord, as additional rent for such Escalation Year, a sum equal to Tenant's Proportionate Share of said increase, and (ii) increase in Operating Costs as follows: if the Operating Costs actually incurred by Prime Landlord in any Escalation Year shall exceed the Base Operating Costs, then Subtenant shall pay to Sublandlord, as additional rent for said Escalation Year, a sum equal to Tenant's Proportionate Share of the difference between said Operating Costs and the Base Operating Costs. Subtenant shall pay to Sublandlord estimated monthly installments of Additional Rent in advance, together with payments of Base Rent hereunder. The terms "Taxes," "Operating Costs," "Real Property," and Tenant's Proportionate Share" shall have the meanings given to them in the Prime Lease.

B. The Additional Rent payable hereunder by Subtenant, excluding Operating Costs, Taxes and Energy Rent, shall be paid to Sublandlord in the manner and five (5) days before each such date as Sublandlord shall be required to pay for such Additional Rent pursuant to the Prime Lease. A copy of any bill or statement from Prime Landlord in respect of which Subtenant shall, pursuant to the terms of this paragraph, be required to pay such Additional Rent, shall be delivered to Subtenant by Sublandlord after receipt thereof by Sublandlord from Prime Landlord setting forth the amount of Additional Rent payable by Subtenant hereunder. Subtenant shall pay Operating Costs, Taxes and Energy Rent concurrently with payment of the Base Rent.

C. Subtenant shall pay to Sublandlord all Energy Rent as provided in the Prime Lease.

D. Sublandlord shall not be liable in any way to Subtenant for any failure or defect in the supply or character of electric current furnished to the Premises. Subtenant covenants and agrees that, at all times, neither its connected nor its demand load will violate the Prime Lease. Notwithstanding the foregoing, Sublandlord agrees to use reasonable efforts to seek in a timely manner any and all rent abatements to the extent Sublandlord may be so entitled under the Prime Lease after receipt of written notice from Subtenant detailing the basis for such abatement claim and any other information which Sublandlord reasonably needs to make such abatement claim.

3. Termination Option.

Subtenant shall have the one-time option to terminate this Sublease (the "Termination Option") effective as of February 14, 2018 (the "Termination Date") subject to and in accordance with the provisions of this Section. To exercise such early termination right, Subtenant must, as conditions precedent to such early termination: (a) deliver written notice thereof to Sublandlord on or before April 28, 2017 (the "Termination Option Notice"), and (b) pay to Sublandlord the Termination Fee simultaneously with the Termination Option Notice as consideration for such early Termination Option. The "Termination Fee" shall be an amount equal to the unamortized portion of the Sublandlord's Concession, Abated Base Rent and any brokerage commission paid in connection with this Sublease, which amounts shall be calculated by amortizing the same at eight percent (8%) per annum commencing on the Commencement Date and ending on the Expiration Date. If Subtenant fails to timely deliver to Sublandlord the Termination Option Notice or the

Termination Fee, then the Termination Option shall automatically terminate and be of no further force or effect. If Subtenant timely delivers to Sublandlord the Termination Option Notice and the Termination Fee, then Subtenant shall surrender the Premises to Sublandlord on or before the Termination Date in accordance with all of the terms and conditions of this Sublease. If Subtenant does not so surrender the Premises in accordance with all of the terms and conditions of this Sublease on or before the Termination Date, then Subtenant shall be deemed to be in holdover under this Sublease. If Subtenant timely delivers to Sublandlord the Termination Option Notice and the Termination Fee, then this Sublease shall terminate on the Termination Date and shall thereafter be of no further force or effect, except for those provisions that, by their express terms, survive the expiration or earlier termination thereof. Notwithstanding anything in this Section to the contrary, Subtenant shall not be permitted to exercise the Termination Option during any period of time during which Subtenant is (i) in default of any non-monetary obligation under this Sublease beyond all applicable notice and cure periods, or (ii) in default of any monetary obligation under this Sublease. Any attempted exercise of the Termination Option during a period of time in which Subtenant is (i) in default of any non-monetary obligation under this Sublease beyond all applicable notice and cure periods, or (ii) in default of any monetary obligation under this Sublease shall be void and of no force or effect.

4. Compliance with the Prime Lease and Laws.

A. Subtenant covenants and agrees to observe and perform all of the terms, covenants, conditions, provisions and agreements to be performed by Sublandlord, as tenant pursuant to the Prime Lease and the Prime Lease, except for any Excluded Provisions or to the extent inconsistent with the explicit terms of this Sublease, and further covenants and agrees not to do or suffer or permit anything to be done which would result in a default under or cause the Prime Lease to be terminated. Notwithstanding the foregoing, all grace periods specified in the Prime Lease shall, for purposes of determining compliance by Subtenant with the provisions hereof, be each reduced by the lesser of five (5) days or one-half (1/2) of such grace period.

B. Subtenant shall use the Premises only for the Permitted Uses. Subtenant shall use and occupy the Premises in a manner consistent with the terms of the Prime Lease, and in compliance with all governmental laws, rules and regulations ("Laws") applicable to the Premises. Other than with respect to a certificate of occupancy for the Premises, Subtenant, at its expense, shall procure and at all times maintain and comply with the terms and conditions of

all licenses and permits required for the lawful conduct of Subtenant's business in the Premises. Subtenant specifically waives the right to conduct any research and development at the Premises. Sublandlord hereby represents to Subtenant that to Sublandlord's actual knowledge, without inquiry, the Premises do not violate the ADA (as defined in the Prime Lease).

C. Provided Subtenant is not in default beyond any applicable notice and cure periods under this Sublease, Sublandlord shall not voluntarily consent to any termination or amendment of the Prime Lease which would have an adverse effect on Subtenant's use and occupancy of the Premises, other than in a de minimis amount or manner, without the prior written consent of Subtenant which consent may be withheld in Subtenant's sole discretion, subject to the terms and conditions of the Prime Lease and any requirements of law. Further, Sublandlord hereby agrees that, so long as Subtenant makes timely payment to Sublandlord of all Base Rent and other charges payable by Subtenant hereunder, Sublandlord shall make timely payment of all Base Rent and

other charges due to Prime Landlord as landlord under the Prime Lease. Sublandlord covenants that it shall neither do, permit to do or to be done, anything that would cause the Prime Lease to be terminated (except in the case of casualty or condemnation pursuant to Sublandlord's termination rights under the Prime Lease), forfeited, or that could, with notice from Prime Landlord or the passage of time or both, cause an Event of Default under the Prime Lease.

5. Non-Liability, Indemnity.

Subtenant, subject to the terms and limitations herein, shall and hereby does indemnify, defend and hold Sublandlord harmless from and against any and all actions, claims, demands, damages, liabilities and expenses (including, without limitation, reasonable attorneys' fees and court costs) asserted against, imposed upon or incurred by Sublandlord by reason of (a) any violation caused, suffered or permitted by Subtenant, its agents, contractors, servants, Subtenants, licensees, employees or invitees, of any of the terms, covenants, conditions, provisions or agreements of the Prime Lease (to the extent incorporated herein), (b) any damage or injury to persons or property occurring upon or in connection with the use or occupancy of the Premises during the Term not caused by Sublandlord or Prime Landlord, (c) the use or maintenance of the Premises or any business therein or any work or thing whatsoever done by or for Subtenant, or any condition in the Premises during the Term (or any time prior to the Commencement Date that Subtenant may have been given access to the Premises), (d) any negligent or otherwise wrongful act or omission of Subtenant or any of its agents, contractors, servants, Subtenants, licensees, employees or invitees, (e) any failure of Subtenant to perform or comply with all of the provisions of this Sublease hereof that are applicable to Subtenant, and (f) any obligation Sublandlord may have to indemnify Prime Landlord under the Prime Lease, to the extent related to the Premises. Neither Sublandlord nor any agent, contractor, servant, licensee, employee or invitee of Sublandlord shall be liable to Subtenant for any death or injury or damage to Subtenant or any other person or for any damage to or loss (by theft or otherwise) of any property of Subtenant or any other person, except to the extent caused by the willful acts or gross negligence of Sublandlord. In case any action or proceeding be brought against Sublandlord or any agent, contractor, servant, licensee, employee or invitee of Sublandlord by reason of any of the foregoing, Subtenant, upon notice from Sublandlord, shall defend such action or proceeding by counsel chosen by Subtenant, who shall be reasonably satisfactory to Sublandlord. Subtenant or its counsel shall keep Sublandlord fully apprised of the status of such defense and shall not settle same without the written consent of Sublandlord.

6. Performance by Prime Landlord.

Sublandlord does not assume any obligation to perform the terms, covenants, conditions, provisions and agreements contained in the Prime Lease on the part of Prime Landlord to be performed, including, without limitation, the provision of utilities or services to the Premises. The representations of Prime Landlord are not the representations of Sublandlord. In the event Prime Landlord shall fail to perform any of the terms, covenants, conditions, provisions and agreements contained in the Prime Lease on its part to be performed, Sublandlord shall be under no obligation or liability whatsoever to Subtenant. Sublandlord shall cooperate with Subtenant, at no cost to Sublandlord, in seeking to obtain the performance of Prime Landlord under the Prime Lease. Subtenant shall not be allowed any abatement or diminution of Base Rent or Additional Rent under this Sublease because of Prime Landlord's failure to perform any of its obligations under the Prime

Lease. Notwithstanding the foregoing, in the event that Sublandlord receives an abatement or diminution of Base Rent from Prime Landlord, Subtenant shall be entitled to an equivalent abatement or diminution of Base Rent (after deducting therefrom Sublandlord's out-of-pocket costs and expenses incurred in obtaining such abatement or diminution of Base Rent). Sublandlord agrees to use reasonable efforts to seek in a timely manner any and all rent abatements to the extent Sublandlord may be so entitled under the Prime Lease after receipt of written notice from Subtenant detailing the basis for such abatement claim and any other information which Sublandlord reasonably needs to make such abatement claim.

7. Maintenance Obligations.

Subtenant shall assume the responsibility for and pay for all maintenance, repairs and replacements during the Term to the extent Sublandlord is obligated to perform the same to the Premises in the Prime Lease. Further, Subtenant shall maintain the furniture in the same condition as it is in as of the Commencement Date, reasonable wear and tear excepted. Notwithstanding anything contained in this Sublease to the contrary, Sublandlord shall have no obligation during the Term to provide any services of any nature whatsoever to Subtenant or to, in or for the benefit of the Premises or to expend any money for the preservation, maintenance or repair of the Premises, or to observe or perform any obligations of Sublandlord under this Sublease in any case where such services, expenditures or obligations are required under the Prime Lease to be provided, performed or observed by Prime Landlord for the benefit of Sublandlord with respect to the Premises, and Subtenant agrees to look solely to Prime Landlord for the furnishing of any such services, expenditure of any such sums, or observance or performance of any such obligations to which, or the benefit of which, Subtenant may be entitled under this Sublease. Notwithstanding the forgoing, Sublandlord shall use reasonable efforts, upon written notice from Subtenant, to request that Prime Landlord provide the services and perform its obligations under the Prime Lease. Sublandlord shall upon the request of Subtenant from time to time, use reasonable efforts to cause Prime Landlord to furnish such services, expend such sums, and observe and perform such obligations; provided, however, that Subtenant is not in default of this Sublease and has made and continues to make timely payment to Sublandlord of all rent and other charges payable under this Sublease. Subtenant shall have no claim against Sublandlord for any default by Prime Landlord under the Prime Lease. No default by Prime Landlord under the Prime Lease shall excuse Subtenant from the performance of any of its obligations to be performed under this Sublease or to any reduction in or abatement of any of the rent provided for in this Sublease, unless and only to the extent that Sublandlord shall be excused from the performance of a corresponding obligations as the "tenant" under the Prime Lease. Sublandlord shall use reasonable efforts (which shall specifically exclude any litigation) to obtain any rent abatement or reduction in rent that Tenant is entitled to under the Lease.

8. Alterations.

Subtenant shall not make any changes, alterations, additions or improvements to the Premises without first obtaining the written consent of Sublandlord and Prime Landlord. Subtenant shall pay all costs and expenses relating to any changes, alterations, additions or improvements and shall cause same to be completed in accordance with law and the terms, covenants, conditions, provisions and agreements of the Prime Lease. Subtenant hereby agrees to indemnify, defend and hold Sublandlord harmless from any and all loss, cost, and expense

(including, without limitation, reasonable attorneys' fees) incurred by Sublandlord as a result of Subtenant's failure to comply with the aforesaid terms, covenants, conditions, provisions or agreements.

9. Early Access; Initial Condition of Premises.

Sublandlord shall permit Subtenant to enter upon the Premises no more than two (2) weeks prior to the Commencement Date for the purpose of installing furniture, fixtures and equipment; provided that Subtenant shall furnish to Sublandlord evidence satisfactory to Sublandlord in advance that insurance coverages required of Subtenant under this Sublease are in effect, and such entry shall be subject to all the terms and conditions of this Sublease other than the payment of Rent.

Subtenant represents that it has inspected the Premises and agrees to take the same vacant, broom clean, and otherwise in its present "AS-IS" condition, and Subtenant acknowledges that no representations with respect to the condition thereof have been made by Sublandlord or anyone on Sublandlord's behalf. Subtenant's occupancy of any part of the Premises shall be conclusive evidence, as against Subtenant, that Subtenant has accepted possession of the Premises in its then current condition. Any work required by Subtenant to prepare the Premises for its occupancy shall be made and paid for by Subtenant and shall be subject to all of the terms, covenants, conditions, provisions and agreements set forth in the Prime Lease.

10. Assignment and Subletting.

Subtenant shall not assign this Sublease or sublet the Premises or otherwise transfer, mortgage or encumber this Sublease, the Premises or any part thereof or permit the use thereof without first (i) complying with the provisions of the Prime Lease, (ii) obtaining Prime Landlord's consent to the extent Prime Landlord's, and (iii) obtaining Sublandlord's consent thereto, which consent shall not be unreasonably withheld, conditioned or delayed. Subtenant shall not be released or discharged from any liability under this Sublease by reason of any assignment or sublease by Subtenant, including, but not limited to, any assignment or sublease under Section 21(C) of the Prime Lease which has been incorporated into this Sublease as provided in Section 19.A below. Further, Sublandlord shall not be required to consent to any such assignment or further subletting if Subtenant is then in default under this Sublease beyond all applicable notice and cure periods or if such further subletting or assignment would cause Sublandlord to be in default under the Prime Lease. No such consent shall relieve Subtenant from the obligation to seek consent to a further subletting or assignment. Copies of all materials required by the Prime Lease shall be delivered simultaneously to Sublandlord, together with Subtenant's request for consent. If Prime Landlord and Sublandlord shall give their consent to any assignment of this Sublease or any further sublease, Subtenant shall, in consideration therefor, pay to Sublandlord, as Additional Rent, fifty percent (50%) of any sums or other economic consideration, which (i) are paid to Subtenant as a result of any permitted assignment or subletting whether or not referred to as a rentals under the assignment or sublease (after deducting therefrom the reasonable costs and expenses incurred by Subtenant in connection with the assignment or subletting in question, including, without limitation, brokerage commissions, alterations made by Subtenant for purposes of preparing the Premises [or applicable portions thereof] for the assignee/subtenant, advertising expenses, reasonable, out-of-pocket attorney's fees and expenses in preparing and/or negotiating

the assignment or sublease, free rent or other abatements or concessions given to the assignee/subtenant, allowances or other concessions paid by Subtenant and lease "takeover" costs paid by Subtenant to a third party landlord of other space leased by the assignee/subtenant to induce it to enter into the assignment or sublease); and (ii) exceed in total the sums which Subtenant is obligation to pay Sublandlord under this Sublease (prorated to reflect obligations allocable to that portion of the Premises subject to such assignment or sublease), it being the express intention of the parties that Sublandlord and Subtenant shall share equally in any profit by reason of such sublease or assignment.

The sums payable under the forgoing paragraph shall be paid to Sublandlord as and when received by Subtenant. Notwithstanding anything to the contrary contained herein, in determining the amount payable to Sublandlord under this Section there shall be deducted from the rent or consideration paid by the subtenant or assignee, as the case may be, the actual and reasonable costs incurred by Subtenant for marketing expenses, brokerage commissions (at rates no higher than standard rates), reasonable attorneys' and architects' fees, and any amounts paid by Subtenant to contractors or others in preparing the space for occupancy by the subtenant or assignee or provided by Subtenant as a work allowance therefor, which costs Subtenant shall be permitted to recoup before making any payments owed to Sublandlord under this Section 10.

If this Sublease is assigned, or if the Premises or any portion thereof be underlet or occupied by anybody other than Subtenant, Sublandlord may, after default by Subtenant beyond all applicable notice and cure periods, collect rent from the assignee, undertenant or occupant, and apply the net amount collected to the rent herein reserved, but no such assignment, underletting, occupancy or collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, undertenant or occupant as tenant, or a release of Subtenant from the further performance by Subtenant of the covenants on the part of Subtenant herein contained.

11. Insurance.

During the Term, Subtenant, at its sole cost and expense, shall provide and maintain commercial liability insurance, property damage insurance, and any other insurance required to be carried by Sublandlord under the Prime Lease, all in conformity with the provisions of the Prime Lease which shall include, without limitation, coverage of replacement value of any and all existing leasehold improvements, regardless of whether such improvements were or are installed by Prime Landlord, Sublandlord or Subtenant. Subtenant shall cause Sublandlord and Prime Landlord to be included as additional insureds in said policy or policies which shall contain provisions, if and to the extent available, that it or they will not be cancellable except upon at least thirty (30) days'

prior notice to all insureds, and that the act or omission of one insured will not invalidate the policy as to the other insureds. Subtenant shall furnish to Sublandlord a certificate of insurance confirming that all such insurance is in effect at or before the Commencement Date and, on request, at reasonable intervals thereafter.

Nothing contained in this Sublease shall relieve Subtenant from liability that may exist as a result of damage from fire or other casualty, but each party shall look first to any insurance in its favor before making any claim against the other party for recovery for loss or damage resulting from fire or other casualty. To the extent that such insurance is in force and collectible and to the extent permitted by law, Sublandlord and Subtenant each hereby releases and waives all right of

recovery against the other or anyone claiming through or under the other by way of subrogation or otherwise. The foregoing release and waiver shall be in the force only if the insurance policies of Sublandlord and Subtenant shall provide that such release or waiver does not invalidate the insurance. Each party agrees to use reasonable efforts to include in its applicable insurance policies such a provision. If the inclusion of said provision would involve an additional expense, either party, at its expense, may require such provision to be inserted in the other's policy.

Subtenant hereby releases Prime Landlord or anyone claiming through or under Prime Landlord by way of subrogation or otherwise to the extent that Sublandlord released Prime Landlord or Prime Landlord was relieved of liability or responsibility pursuant to the provisions of the Prime Lease, and Subtenant will cause its insurance carriers to include any clauses or endorsements in favor of Prime Landlord which Sublandlord is required to provide pursuant to the provisions of the Prime Lease.

12. Default.

In the event Subtenant defaults in the performance of any of the terms, covenants, conditions, provisions and agreements of this Sublease or of the Prime Lease (to the extent incorporated herein), Sublandlord shall be entitled to exercise any and all of the rights and remedies to which it is entitled by law and also any and all of the rights and remedies specifically provided to or for the benefit of Prime Landlord, as the "Landlord" in the Prime Lease, which rights and remedies are hereby incorporated herein and made a part hereof with the same force and effect as if herein specifically set forth in full, and that wherever in the Prime Lease rights and remedies are given to Prime Landlord, the same shall be deemed to apply to Sublandlord. In the event Sublandlord defaults in the performance of any of the terms, covenants, conditions, provisions and agreements of this Sublease, Subtenant shall be entitled to exercise any and all of the rights and remedies to which it is entitled by law.

13. Sublease Consent.

This Sublease shall become effective only if the written consent (the "Sublease Consent") hereto of Prime Landlord is obtained, which Sublease Consent shall be in a form reasonably acceptable to both Sublandlord and Subtenant. Upon execution and delivery of this Sublease by Sublandlord and Subtenant, Sublandlord shall promptly request the Sublease Consent from Prime Landlord. Subtenant agrees to provide such information in connection with such request as Prime Landlord shall reasonably request. If Sublandlord does not obtain Prime Landlord's Sublease Consent on or before April 30, 2015, Subtenant may terminate this Sublease by written notice to Sublandlord. In the event of such termination, neither party shall have any further liability or obligation hereunder, except for those liabilities and obligations that expressly survive a termination of this Sublease. Sublandlord shall use reasonable efforts to request that Prime Landlord agree to provide to Subtenant Building standard tenant identification signage and a listing on the building directory in the Building lobby, if any.

14. Attornment.

To induce Prime Landlord to consent to this Sublease, Subtenant agrees that if Prime Landlord shall recover or come into possession of the Premises before the expiration of the Prime

Lease, Prime Landlord shall have the right to take over this Sublease and to have it become a direct lease with Prime Landlord on the terms set forth in the Sublease Consent in which case Prime Landlord shall succeed to all the rights of Sublandlord hereunder. This Sublease shall be subject to the condition that, notwithstanding anything to the contrary in this Sublease, from and after the termination of the Prime Lease, Subtenant shall waive any right to terminate this Sublease and, at Prime Landlord's election, Subtenant shall be bound to Prime Landlord for the balance of the term hereof and shall attorn to and recognize Prime Landlord, as its sublandlord, under all of the then executory terms of this Sublease, except that Prime Landlord shall not (i) be liable for any previous act, omission, or negligence of Sublandlord, (ii) be subject to any counterclaim, defense or offset not expressly provided for or incorporated into this Sublease, which theretofore accrued to Subtenant, (iii) be bound by any modification or amendment of this Sublease or by any prepayment of more than one month's Base Rent and Additional Rent which shall be payable as provided in this Sublease, unless such modification or prepayment shall have been approved in writing by Prime Landlord or (iv) be obligated to perform any repairs or other work in the Premises beyond Prime Landlord's obligations under the Prime Lease. Subtenant shall execute and deliver to Prime Landlord any instruments Prime Landlord may reasonably request to evidence and confirm such attornment. Subtenant shall be deemed to have given a waiver of subrogation of the type provided for in the Prime Lease.

15. Notices.

A. Any notice to be given under this Sublease shall be in writing and shall be sent by registered or certified mail, return receipt requested, or by nationally-recognized overnight courier making receipted deliveries, or delivered by hand (provided a signed receipt is obtained), to address(es) herein stated above in Basic Sublease Provisions. Each party shall have the right upon ten (10) days' prior written notice, to change, by notice in writing, the address to which such party's notice is to be sent. Any notice to be given by Sublandlord or Subtenant may be given by its attorneys. Notices shall be deemed given upon receipt or first refusal thereof.

16. Quiet Enjoyment.

Sublandlord covenants that Subtenant, on paying the Base Rent and Additional Rent and performing all the terms, covenants, conditions, provisions and agreements hereunder, shall and may peacefully and quietly have, hold and enjoy the Premises for the term aforesaid, free from any interference or hindrance by Sublandlord, but subject to the exceptions, reservations and conditions hereof.

17. Surrender.

A. On or prior to the expiration or termination of this Sublease, whether by expiration, forfeiture, lapse of time or otherwise, or upon the termination of Subtenant's right of possession, Subtenant shall (i) remove (and restore any damage resulting from such removal) any and all of Subtenant's movable personal property, any Subtenant signage and, subject to Section 31 below, the Furniture (as defined below), and (ii) deliver to Sublandlord the Premises in the condition and repair the Premises were in as of the Commencement Date, reasonable wear and tear excepted, including, but not limited to, removing and restoring any alterations or improvements which Subtenant undertook at the Premises. If Subtenant shall fail to timely perform such restoration,

removal and repair obligations, Subtenant shall be deemed to be in holdover in the Premises without Sublandlord's or Prime Landlord's consent until such restoration, removal and repair is complete. If Subtenant shall fail to remove any of Subtenant's personal property, including but not limited to the Furniture (to the extent required under Section 31 below), from the Premises, such property shall be deemed abandoned (and Subtenant will be deemed to have relinquished all right, title and interest in such property), and Sublandlord is authorized, without liability to Subtenant for loss or damage thereto, at the sole risk of Subtenant, to (a) remove and store such property at Subtenant's risk and expense; (b) retain such property, in which case all right, title and interest therein shall accrue to Sublandlord; (c) sell such property and retain the proceeds from such sale; or (d) otherwise dispose or destroy such property. Except as provided in this Section 17A, Subtenant shall have no obligation or liability with respect to Sublandlord's restoration obligations under the Prime Lease.

B. Sublandlord and Subtenant recognize that Sublandlord's damages resulting from Subtenant's failure to timely surrender possession of the Premises may be substantial, may exceed the amount of the Base Rent payable hereunder, and will be impossible to accurately measure. Accordingly, if possession of the Premises is not surrendered to Sublandlord on the expiration or earlier termination of this Sublease, in addition to any other rights or remedies Sublandlord may have hereunder or at law, Subtenant shall pay to Sublandlord for each month (or any portion thereof) during which Subtenant holds over in the Premises after the Expiration Date or earlier termination of this Sublease, a sum equal to (i) one hundred fifty percent (150%) of the Rent payable by Sublandlord, as tenant, under the Prime Lease, for the last full calendar month prior to the Expiration Date, for the first three (3) months of such holdover period, and (ii) two hundred percent (200%) of the Rent payable by Sublandlord, as tenant, under the Prime Lease, for the last full calendar month prior to the Expiration Date, for the fourth and each subsequent month of such holdover period. In addition, Subtenant shall otherwise observe, fulfill and perform all of Sublandlord's obligations under the Prime Lease, including but not limited to, those pertaining to additional rent under the Prime Lease. Subtenant shall indemnify and hold harmless Sublandlord from and against all damages incurred by Sublandlord on account of Subtenant's holding over. No holding over by Subtenant, nor the payment to Sublandlord of the amounts specified above, shall operate to extend the Term hereof. Nothing herein contained shall be deemed to permit Subtenant to retain possession of the Premises after the Expiration Date or sooner termination of this Sublease, and no acceptance by Sublandlord of payments from Subtenant after the Expiration Date or sooner termination of this Sublease shall be deemed to be other than on account of the amount to be paid by Subtenant in accordance with the provisions of this Paragraph.

18. Brokers.

Subtenant represents and warrants to Sublandlord and Sublandlord represents and warrants to Subtenant that the Brokers are the only brokers with whom each party dealt in relation to this transaction and that neither party has had any dealings, either direct or indirect, with any other real estate agent or broker in connection with this transaction. The breaching party agrees to indemnify, defend and hold the non-breaching party harmless from any loss, liability and expense incurred by the non-breaching party as a result of any claim made against the breaching party, which is based upon a breach of said representation by the breaching party, which indemnification obligation hereunder shall survive the Expiration Date or sooner termination of this Sublease. Sublandlord hereby agrees to pay the Brokers a commission pursuant to a separate agreement.

19. Prime Lease; Excluded Provisions.

A. The provisions of the Prime Lease are specifically incorporated herein by reference, except such terms, covenants, conditions, provisions and agreements as are specifically inconsistent with the terms hereof or are set forth in this Sublease (the "Excluded Provisions") and except that all references therein to "Landlord" shall mean Sublandlord, all references therein to "Tenant" shall mean Subtenant, all references to "this Lease" shall mean this Sublease. Notwithstanding the forgoing,

(i) references to "Landlord" shall be deemed to be solely Prime Landlord and not Sublandlord in Sections 6, 7, 8, 9, 10, 11(A) (i),11(D) (provided that payments shall be made to Sublandlord), 11(F), 12(A)(i), 14, 16(A), 22(B)-(D) and 23(A)-(B), the first sentence of Section 26(A) and Sections 38(A) and 54 of the Original Lease, Section 2.11 of the First Amendment; and

(ii) references to "Landlord" shall be deemed to be both Prime Landlord and Sublandlord in Sections 13, 15, 16(B), 16(C), 20, 21(A), 21(B), 22(A), 23(C), 24, 26(D), 27, 29(A), Schedule B, Schedule C and Schedule D of the Original Lease.

B. The following provisions of the Prime Lease are deemed to be Excluded Provisions: (i) Sections 1 and 2, the rent table and the last paragraph in Section 3, Sections 5, 11(B), 11(C) (except for the last three (3) sentences of Section 11(C) which are incorporated into this Sublease), 12(A)(ii), 12(B), 12(D), 12(H) and 23(E), the last sentence of Section 26(A), Sections 26(B), 26(C), 26(E), 36, 45, 38(B), 49, 52, 53, 57, Exhibit 2, Exhibit 3, Exhibit 4 and Exhibit 6 of the Original Lease, Sections 2.2.4, 2.2.5, 2.3-2.7, 2.9, 2.10, 2.12, 2.14 and 3.1 and Articles II and IV of the First Amendment (except as necessary to define the Premises) and Articles II, IV and V and Section 3.6, and 3.7 of the Second Amendment.

C. If any provisions of this Sublease shall conflict with any provision of the Prime Lease, then, as between Sublandlord and Subtenant the provisions of this Sublease shall control, provided, however, that if such construction of terms would cause Sublandlord to be in default under the terms of the Prime Lease, then such inconsistency shall be resolved in favor of the Prime Lease.

20. Successors and Assigns.

This Sublease shall be binding upon and, except as prohibited by this Sublease or the Prime Lease, inure to the benefit of the parties hereto and their respective successors and assigns.

21. No Modifications.

This Sublease may not be modified except by written agreement signed by Sublandlord and Subtenant.

22. Security Deposit.

Subtenant has deposited with Sublandlord, the Security Amount for the faithful performance and observance by Subtenant of the terms, covenants, conditions, provisions and

agreements of this Sublease. The Security Amount shall not be required to be deposited in an interest bearing account. It is agreed that in the event Subtenant defaults in respect of any of the terms, covenants, conditions, provisions and agreements of this Sublease, including, but not limited to, the payment of Base Rent and Additional Rent, beyond any and all applicable notice and grace period(s), Sublandlord may use, apply or retain the whole or any part of the Security Amount to the extent required for the payment of any Base Rent and Additional Rent or any other sum as to which Subtenant is in default or for any sum which Sublandlord may expend or may be required to expend by reason of Subtenant's default in respect of any of the terms, covenants, conditions, provisions and agreements of this Sublease beyond any applicable notice and grace period(s), including but not limited to, any damages or deficiency in the reletting of the Premises, whether such damages or deficiency accrued before or after summary proceedings or other re-entry by Sublandlord. If Sublandlord so applies or retains any part of the Security Amount, Subtenant shall, upon demand, promptly deposit with Sublandlord the amount so applied or retained so that Sublandlord shall have the full Security Amount on hand at all times during the term of this Sublease. If there is no default by Subtenant at the Expiration Date or earlier termination of this Sublease, then Security Amount, or so much of the Security Amount which has not been expended as permitted in accordance with the terms of this Sublease, shall be returned to Subtenant within thirty (30) days after the expiration or earlier termination of this Sublease and after delivery of entire possession of the Premises to Sublandlord in the condition required to be delivered hereunder. In the event of an assignment by Sublandlord of its interest under the Prime Lease, Sublandlord shall have the right to transfer the Security Amount and Subtenant agrees to look to the new Sublandlord solely for the return of said Security Amount and it is agreed that the provisions hereof shall apply to every transfer or assignment made of the Security Amount to a new Sublandlord. Subtenant further covenants that it shall not assign or encumber or attempt to assign or encumber the monies deposited herein as security and that neither Sublandlord nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance. If Subtenant deposits the Security Amount with Sublandlord prior to receipt of the Sublease Consent, Sublandlord shall return the Security Amount to Subtenant immediately in the event Prime Landlord does not consent to this Sublease; this obligation shall survive the termination of this Sublease.

23. Inability to Perform, Delays.

If Subtenant shall be delayed in obtaining possession of the Premises because of delays in obtaining the Sublease Consent or in construction or for any other reason beyond the reasonable control of Sublandlord, Sublandlord shall not be subject to any liability, the effectiveness of this Sublease shall not be affected (except as expressly set forth in this Sublease) and the term hereof shall not be extended, but the Base Rent shall be abated (provided Subtenant is not responsible for the delay in obtaining the Sublease Consent or possession and provided that the delay is not due to delays in obtaining consent to, or in construction of, work required or permitted to be performed by Subtenant) until possession shall have been made available to Subtenant.

24. Notice of Accidents.

Subtenant shall give Sublandlord and Prime Landlord notice of any fire, casualty or accident in or about the Premises promptly after Subtenant becomes aware of such event.

25. Destruction by Fire or Other Casualty; Condemnation.

A. If the Premises or the Building shall be partially or totally damaged or destroyed by fire or other casualty, Subtenant shall have no right to terminate this Sublease and this Sublease shall not be terminated by reason of such casualty unless the Prime Lease is terminated by Sublandlord or Prime Landlord pursuant to the provisions of the Prime Lease.

B. If the Premises are partially or totally damaged by fire or other casualty as a consequence of which Sublandlord shall receive an abatement of rent or Additional Rent relating to the Premises, then in such event, there shall be a corresponding abatement of the Base Rent payable hereunder.

C. If the Prime Lease is terminated pursuant to the provisions thereof as the result of a taking of all or any portion of the Building by condemnation (or deed in lieu thereof), this Sublease shall likewise terminate. In such event, Subtenant shall have no claim to any portion of the award with respect to any such taking, except to file a claim for the value of its fixtures or for moving expenses; provided, however, that Sublandlord's award is not thereby reduced or otherwise adversely affected.

26. Bankruptcy.

In the event Subtenant becomes the subject of proceedings involving bankruptcy, insolvency or reorganization of Subtenant, or if Subtenant makes an assignment for the benefit of creditors, or petitions for, or enters into an arrangement with creditors, Sublandlord shall have the same rights as to Subtenant as are afforded Prime Landlord under the Prime Lease under similar circumstances involving Sublandlord.

27. No Waiver, etc.

No agreement to accept a payment of rent shall be deemed a waiver by Sublandlord of any provision of this Sublease unless expressed in writing and signed by Sublandlord. The failure of Sublandlord or Subtenant to enforce any terms, covenants, conditions, provisions or agreements of this Sublease shall not prevent the later enforcement thereof or a subsequent act which would have constituted a violation from having all the force and effect of an original violation. The receipt by Sublandlord or payment by Subtenant of Base Rent or other rent or charges with knowledge of the breach of any covenant of this Sublease shall not be deemed a waiver of such breach. The parties hereto, to the fullest extent permitted by law, waive trial by jury in any action or proceeding relating hereto and consent to the jurisdiction of the applicable court system of the jurisdiction in which the Premises is situated. Subtenant hereby waives any right to interpose any counterclaim in any action brought by Sublandlord in connection herewith. The foregoing shall not be deemed a waiver by Subtenant of the right to interpose any counterclaim to the extent that the failure to interpose same would prohibit Subtenant from bringing the claim, which is the basis thereof, in a separate action.

28. Limitations on Subtenant's Remedies.

With respect to any provision of this Sublease which specifically requires that Sublandlord shall not unreasonably withhold or unreasonably delay its consent or approval, Subtenant in no

event shall be entitled to make, nor shall Subtenant make, any claim, and Subtenant hereby waives any claim, for any sum of money whatsoever as damages, costs, expenses, attorneys' fees or disbursements, whether affirmatively or by way of setoff, counterclaim or defense, based upon any claim or assertion by Subtenant that Sublandlord has unreasonably withheld or unreasonably delayed such consent or approval. Subtenant's sole remedy for claimed unreasonable withholding or unreasonable delaying by Sublandlord of its consent or approval shall be an action or proceeding brought and prosecuted solely at Subtenant's own cost and expense to enforce such provision, for specific performance, injunction or declaratory judgment.

29. Rules and Regulations.

Subtenant agrees to comply with all rules and regulations that Prime Landlord has made or may hereafter from time to time promulgate for the Building. Sublandlord shall not be liable in any way for damage caused by the non-observance by any of the other tenants of such similar covenants in their leases or of such rules and regulations.

30. Entire Agreement. Miscellaneous.

A. This Sublease shall be governed by and construed in accordance with the laws of the state in which the Premises are situated, without regard to the conflicts of law principles thereof.

B. The paragraph headings in this Sublease are inserted only as a matter of convenience for reference and are not to be given any effect in construing this Sublease.

C. If any of the provisions of this Sublease or the application thereof to any person or circumstance shall be, to any extent, held to be invalid or unenforceable, the remainder of this Sublease shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

D. All of the terms and provisions of this Sublease shall be binding upon and, except as prohibited by Section 10 hereof, inure to the benefit of the parties hereto and their respective permitted successors and assigns.

E. All prior negotiations and agreements relating to this Sublease and the Premises are merged into this Sublease. This Sublease may not be amended, modified or terminated, in whole or in part, nor may any of the provisions be waived, except by a written instrument executed by the party against whom enforcement of such amendment, modification, termination or waiver is sought and unless the same is permitted under the provisions of the Prime Lease.

F. Each of Sublandlord and Subtenant represents and warrants to the other that each person executing this Sublease is a duly authorized representative of Sublandlord or Subtenant, as the case may be, and has full authority to execute and deliver this Sublease.

G. This Sublease shall have no binding force and effect and shall not confer any rights or impose any obligations upon either party unless and until both parties have executed it and Sublandlord shall have obtained Prime Landlord's Sublease Consent pursuant to the provisions hereof and delivered to Subtenant an executed copy of the Sublease Consent. Under no

circumstances shall the submission of this Sublease in draft form by or to either party be deemed to constitute an offer for the subleasing of the Premises.

H. This Sublease may be executed in several counterparts each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

I. Except as expressly set forth herein, this Sublease and all the obligations of Subtenant to pay Base Rent and Additional Rent and perform all of its other covenants and agreements hereunder shall in no way be affected, impaired, delayed or excused because Sublandlord or Prime Landlord are unable to fulfill any of their respective obligations hereunder, either explicit or implicit, if Sublandlord or Prime Landlord is prevented or delayed from so doing by reason of strikes or labor trouble or by accident, adjustment of insurance or by any cause whatsoever reasonably beyond Sublandlord's or Prime Landlord's control.

J. Each and every right and remedy of Sublandlord under this Sublease shall be cumulative and in addition to every other right and remedy herein contained or now or hereafter existing at law or in equity, by statute or otherwise.

K. At any time and from time to time Subtenant shall, within ten (10) business days after written request by Sublandlord, execute, acknowledge and deliver to Sublandlord a written statement certifying (i) that this Sublease has not been modified and is in full force and effect or, if modified, that this Sublease is in full force and effect as modified, and specifying such modification(s), (ii) the dates to which the Base Rent and Additional Rent and other charges have been paid, (iii) that, to the best of Subtenant's knowledge, no defaults exist under this Sublease or, if any do exist, the nature of such default(s) and (iv) as to such other matters as Sublandlord may reasonably request.

L. In no event shall Sublandlord be liable for, and Subtenant hereby waives any claim for, any indirect, consequential or punitive damages arising under or in connection with this Sublease. Subtenant shall be liable for all indirect, consequential and punitive damages arising under or in connection with this Sublease due to Subtenant's acts, omissions or negligence. In addition thereto, Subtenant hereby indemnifies and holds Sublandlord harmless from any claim for indirect, consequential or punitive damages under the Prime Lease due to Subtenant's use and occupancy of the Premises, Subtenant's acts, omissions or negligence, Subtenant's fulfillment of any of Sublandlord's obligations under the Prime Lease (to the extent included or incorporated into this Sublease) or any alterations which Subtenant makes to the Premises.

M. Sublandlord covenants to Subtenant as of the date hereof that as of the date hereof: (i) the Prime Lease and is unmodified and in full force and effect, (ii) Sublandlord has not received a default notice which has not been cured or a notice to quit for nonpayment of rent, or any notice of delinquency under the Prime Lease, (iii) to Sublandlord's actual knowledge without inquiry, there is no default by Prime Landlord or any occurrence that, with the passage of time, would mature into a default by Prime Landlord under the Prime Lease, (iv) Sublandlord's monetary obligations under the Prime Lease have been paid to the date hereof and (v) subject to obtaining the Sublease Consent, Sublandlord has complied with all provisions of the Prime Lease in entering into this Sublease and the existence of this Sublease will not, in and of itself, cause a default under the Prime Lease.

31. Furniture.

The furniture listed on Exhibit B attached hereto (the "Furniture") and made a part hereof shall remain in the Premises and shall be available for use by Subtenant during the Term. Sublandlord makes no representation, express or implied, in respect of the condition of the Furniture. Subtenant hereby accepts the Furniture in its "as is" "where is" condition. Subtenant shall maintain the Furniture in the same good order, condition, and repair, as Sublandlord is delivering the Furniture to Subtenant, reasonable wear and tear excepted. If Subtenant does not exercise the Termination Option, Sublandlord shall convey the Furniture to Subtenant for a nominal consideration by means of a bill of sale and Subtenant shall be responsible for removing the Furniture from the Premises on or before the Expiration Date; provided, however, if Subtenant exercises its Termination Option as provided in Section 3 above, Sublandlord shall retain ownership of the Furniture and Subtenant shall have no obligation to remove the Furniture from the Premises at the end of the Term. Subtenant shall have the right, at Subtenant's sole cost and expense, to move any of the Furniture from the Premises, store the Furniture offsite or move within the Premises any of the Furniture which is built-in or otherwise attached to the Premises; provided, however, that if Subtenant takes any of the foregoing actions, Subtenant shall (i) shall repair any damage it has caused and (ii) be deemed to be the owner of the moved (if moved from the Premises), stored or detached or disassembled Furniture and shall be obligated to remove the same at or prior to the end of the Term.

32. Signage.

Subtenant shall have the right, subject to Prime Landlord's consent, to install Building standard tenant identification signage and a listing on the building directory in the Building lobby, if any, all at no cost to Sublandlord and with no liability to Sublandlord if Prime Landlord refuses, or fails to consent or to perform any such installation or provide any such signage. Sublandlord shall use reasonable efforts to request Prime Landlord's consent to such signage. Further, Sublandlord agrees to use reasonable efforts to request Prime Landlord's agreement to permit Subtenant to install signage at the monument signage at the Building; provided, however, that Subtenant acknowledges that Sublandlord's signage rights under the Prime Lease are personal to Sublandlord, and Prime Landlord is not obligated to permit such signage.

33. Parking.

Subject to the applicable provisions of the Prime Lease and subject to the Rules and Regulations, Subtenant shall have the right to use the Building Parking Area and Tenant's twenty-six (26) reserved spaces, provided, however that any references to Exhibit 4 in the Prime Lease are hereby deleted and replaced with references to "Exhibit C" attached to this Sublease (the "Reserved Parking Spaces"). Subtenant shall be responsible for all costs and expenses associated with any signs or markings identifying the Reserved Parking Spaces as those of Subtenant's. Such Reserved Parking Spaces are in addition to Subtenant's rights to the unreserved parking spaces as set forth in the Prime Lease.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement of Sublease as of the day and year first above written.

SUBLANDLORD:

Otsuka America Pharmaceutical, Inc.

By: /s/ Steven J. Weisel
Name: Steven J. Weisel
Title: V.P. & General Counsel

SUBTENANT:

Ophthotech Corporation

By: /s/ Michael G. Atieh
Name: Michael G. Atieh
Title: Chief Financial Officer

20-8185347
Federal Identification Number

EXHIBIT A

Prime Lease

(Attached hereto)

AGREEMENT OF LEASE

BETWEEN

RM SQUARE, LLC

AND

OTSUKA AMERICA PHARMACEUTICAL, INC.

TABLE OF CONTENTS

AGREEMENT OF LEASE, made as of this 22nd day of July, 2009 (the "Effective Date"), between RM SQUARE, LLC, a Delaware limited liability company, having an address c/o RXR Realty LLC, at 625 RXR Plaza, Uniondale, New York 11556 (hereinafter referred to as "Landlord"), and OTSUKA AMERICA PHARMACEUTICAL, INC., a Delaware corporation, having its principal place of business at 100 Overlook Center, Princeton, New Jersey 08540 (hereinafter referred to as "Tenant").

WITNESSETH: Landlord and Tenant hereby covenant and agree as follows:

SPACE

1. Landlord hereby leases to Tenant and Tenant hereby hires from Landlord the space substantially as shown on the Rental Plan annexed hereto as Exhibit "1" ("Demised Premises" or "Premises") on the fifth (5th) floor of the building located at One University Square, Princeton, New Jersey (hereinafter referred to as the "Building"), and the parties hereby stipulate and agree that such space is the entire fifth (5th) floor of the Building and is deemed to contain 67,531 rentable square feet in a Building that is deemed to contain 313,046 rentable square feet, which constitutes 21.57 percent of the area of the Building ("Tenant's Proportionate Share"). Landlord is the fee owner of the Building.

TERM

2. (A) The term ("Term" or "term") of this lease shall commence upon the execution of this lease. Subject to the provisions of this Article 2, Tenant's right to occupy the Demised Premises and Tenant's obligation to pay Rent (as defined in Article 3 hereof) and all items of additional rent shall commence on February 1, 2010 (the "Rent Commencement Date"). The Term of this lease shall expire on January 31, 2021 (the "Expiration Date").

(B) Notwithstanding the foregoing, if on February 1, 2010, the Landlord's Initial Construction (as defined in Article 5 hereof) has not been "substantially completed" (defined below), then the Rent Commencement Date shall be postponed until the date on which the Landlord's Initial Construction is "substantially completed" and the Term of this lease shall be extended so that the Expiration Date shall occur on the day preceding the eleventh (11th) anniversary of (a) the Rent Commencement Date (but only if the Rent Commencement Date occurred on the first day of a calendar month), or (b) the first day of the first full calendar month following the Rent Commencement Date (if the Rent Commencement Date did not occur on the first day of a calendar month). Subject to any tenant delay (as hereinafter defined) , Landlord shall use commercially reasonable efforts to substantially complete Landlord's Initial Construction no later than February 1, 2010. In no event shall the Rent Commencement Date occur prior to December 1, 2009, unless Tenant agrees otherwise. The term "substantially completed", as used herein, is defined to mean when (x) the only work items of Landlord's Initial Construction that remain to be completed are "punchlist items" (i.e., minor or insubstantial details of mechanical adjustment or decoration) which do not

materially interfere with the conduct of business by Tenant in the Demised Premises, (y) the Cafeteria (as hereinafter defined) is open for business (as more fully set forth in Article 54 below), and (z) the applicable municipality has issued either a temporary or permanent certificate of occupancy for the Demised Premises. In the event the applicable municipality issues a temporary certificate of occupancy for the Demised Premises,

Landlord shall thereafter diligently pursue issuance of a permanent certificate of occupancy and shall deliver same to Tenant as soon as reasonably possible after the Rent Commencement Date.

(C) Notwithstanding the foregoing, if Landlord shall be delayed in such "substantial completion" as a result of (i) Tenant's failure to furnish plans and specifications or to make finish selections for Landlord's Initial Construction by the dates set forth for same on the estimated construction schedule annexed hereto as Exhibit "3"; (ii) Tenant's request for materials, finishes or installations other than Landlord's standard as identified on a description of Landlord's Building-standard materials, finishes and installations delivered to Tenant prior to the date hereof; (iii) Tenant's changes in any approved plans, specifications or drawings; (iv) the performance or completion of any work, labor or services by a party employed by Tenant; (v) Tenant's interference with the performance of the Landlord's Initial Construction; (vi) Tenant's failure to approve, or approve as noted, final construction documents within the time periods set forth on the estimated construction schedule annexed hereto as Exhibit "3"; or (vii) Tenant's failure to deliver the security deposit, letter of credit or guaranty required hereunder (if any) simultaneously with the delivery by Tenant of an executed counterpart of this lease (all such delays being hereinafter referred to as "tenant delay"); then the Rent Commencement Date shall be accelerated by the number of days of such tenant delay (provided, however, that Landlord shall not be obligated to deliver the Demised Premises to Tenant and Tenant shall not have the right to occupy the Demised Premises until Landlord's Initial Construction is "substantially completed"). Moreover, in the event of an accumulation of tenant delays in excess of one hundred eighty (180) days in the aggregate, the Rent Commencement Date shall automatically be deemed to be the estimated date of substantial completion as set forth on the estimated construction schedule annexed hereto as Exhibit "3", subject to any extensions of such deemed Rent Commencement Date as a result of any delays caused by Landlord or its agents, contractors or employees in the substantial completion of Landlord's Initial Construction. Landlord shall notify Tenant, in writing, within a reasonable period after Landlord has actual knowledge of the circumstances giving rise to a tenant delay; provided, however, that any delay by Landlord in so notifying Tenant shall not excuse the tenant delay. Tenant acknowledges and agrees that, for purposes of the foregoing sentence only, notice of any actual or anticipated tenant delay shall be effective if forwarded to Tenant or its representatives via electronic mail by Landlord or its construction affiliate. Following the delivery by Landlord of any such written notice, Tenant shall have five (5) days within which to cure or avoid the tenant delay, as applicable. In the event such tenant delay has not been cured or avoided within such five (5) day period, tenant delay shall begin to accumulate hereunder. Landlord shall provide Tenant with an estimated completion schedule at least thirty (30) days prior to the date upon which Landlord's Initial Construction is scheduled to be substantially completed and, prior to the substantial completion of Landlord's Initial Construction, Landlord shall advise Tenant in writing as to the date of substantial completion of the Landlord's Initial Construction. Except as otherwise specifically provided herein. Tenant waives any right to rescind this lease under applicable law then in force and further waives the right to recover any damages which may result from Landlord's failure to deliver possession of the Demised Premises on the Rent Commencement Date set forth in the first paragraph of this Article.

(D) A "Lease Year" shall be comprised of a period of twelve (12) consecutive months. The first Lease Year shall commence on the Rent Commencement Date but, notwithstanding the first sentence of this paragraph, if the Rent Commencement Date is not the first day of a month, then the first Lease Year shall also include the additional period from the Rent

Commencement Date to the end of the then current month. Each succeeding Lease Year shall end on the anniversary date of the last day of the preceding Lease Year. For example, if the Rent Commencement Date was February 1, 2010, then the first Lease Year would begin on February 1, 2010, and end on January 31, 2011, and each succeeding Lease Year would begin on February 1st and end on January 31st. If, however, the Rent Commencement Date was February 2, 2010, then the first Lease Year would begin on February 2, 2010 and end on February 28, 2011, the second Lease Year would commence on March 1, 2011 and end on February 29, 2012, and each succeeding Lease Year would begin on March 1st and end on February 28th or 29th, as applicable.

(E) Landlord shall provide Tenant's qualified representatives with access to the Demised Premises for a period of approximately six (6) weeks prior to substantial completion of the Landlord's Initial Construction, solely for the purpose of installing Tenant's furniture, telecommunication, computer and other data wiring and equipment therein. In exercising such privilege of early access, Tenant shall ensure that its representatives (i) provide Landlord with appropriate evidence of all liability insurance coverage reasonably required by Landlord (naming Landlord and Tenant as additional insureds as their interests may appear); (ii) observe and comply with the Rules and Regulations, instructions and guidelines imposed by Landlord and/or Landlord's contractors with respect thereto provided such Rules and Regulations comply with the provisions of Article 20 hereof; and (iii) do not create any interference with, or disturbance of, other work being performed in the Demised Premises or the Building or the operation of the Building.

(F) Notwithstanding anything to the contrary contained herein, if the Landlord's Initial Construction has not been substantially completed by the date that is fifteen (15) months following the date of this lease (the "Termination Deadline"), and provided that such delay is not attributable to force majeure or tenant delays, then Tenant shall have five (5) business days in which to deliver to Landlord a thirty (30) day written notice ("Tenant's Termination Notice") of Tenant's intention to terminate this lease. If the Landlord's Initial Construction has not been substantially completed as of the thirtieth (30th) day following the timely and effective delivery of Tenant's Termination Notice, then this lease shall be immediately terminated and neither Landlord nor Tenant shall have any further obligation or liability to the other hereunder. Tenant acknowledges that time is of the essence with respect to Tenant's delivery of Tenant's Termination Notice and, if Tenant shall fail to deliver Tenant's Termination Notice by the end of the fifth (5th) business day following the Termination Deadline, then Tenant's termination right hereunder shall lapse and become of no force or effect whatsoever.

(G) Notwithstanding anything to the contrary contained herein, if (i) Landlord's Initial Construction has not been substantially completed by the date that is fifteen (15) months following the date of this lease, and (ii) Tenant does not deliver the Tenant's Termination Notice, as permitted pursuant to Article 2(F), above, and provided that such delay is not attributable to force majeure or tenant delays, then Tenant may deliver to Landlord written notice (the "Self Help Notice") of its intent to exercise its Self Help Remedy (as defined below). If the Landlord's Initial Construction has not been substantially completed by the thirtieth (30th) day following effective delivery of the Self Help Notice, then Landlord shall cease performance of the Landlord's Initial Construction, and Tenant may proceed to undertake the Self Help Remedy. The "Self Help Remedy" shall be the empowerment of Tenant to engage its own licensed, insured and reputable contractors and subcontractors for the purpose of completing the Landlord's Initial Construction,

under the direction of Tenant. However, Tenant acknowledges and agrees that, with respect to any aspect (s) of the Landlord's Initial Construction that would affect, touch or concern the Building systems, Tenant shall only engage a contractor(s) or subcontractor(s) approved by Landlord for the performance of the subject work, which approval shall not be unreasonably withheld, delayed or conditioned. If Tenant exercises the Self Help Remedy, then upon Tenant having achieved substantial completion, Landlord shall pay to Tenant the entire positive difference (if any) between the aggregate amount of reasonable out-of-pocket expenses actually incurred by Tenant directly in connection with the Landlord's Initial Construction and the aggregate amount of such expenses that would have been incurred by Tenant but for the exercise of the Self Help Remedy by Tenant. Also if Tenant exercises the Self Help Remedy, the Rent Commencement Date shall be deemed to be the sooner to occur of (i) the date on which Tenant achieves substantial completion, or (ii) the date that is one (1) month following the date upon which the remainder of Landlord's Initial Construction should reasonably be substantially completed (as determined by a general contractor selected by Tenant and reasonably approved by Landlord)

RENT

3. The annual minimum rental ("Rent" or "rent") is as follows:

During the first Lease Year, the Rent shall be $2,329,819.56, payable in equal monthly installments of $194,151.63 (based on $34.50 per rentable square foot).

During the second Lease Year, the Rent shall be $2,363,585.04, payable in equal monthly installments of $196,965.42 (based on $35.00 per rentable square foot).

During the third Lease Year, the Rent shall be $2,397,350.52, payable in equal monthly installments of $199,779.21 (based on $35.50 per rentable square foot).

During the fourth Lease Year, the Rent shall be $2,431,116.00, payable in equal monthly installments of $202,593.00 (based on $36.00 per rentable square foot).

During the fifth Lease Year, the Rent shall be $2,464,881.48, payable in equal monthly installments of $205,406.79 (based on $36.50 per rentable square foot).

During the sixth Lease Year, the Rent shall be $2,498,646.96, payable in equal monthly installments of $208,220.58 (based on $37.00 per rentable square foot).

During the seventh Lease Year, the Rent shall be $2,532,412.56, payable in equal monthly installments of $211,034.38 (based on $37.50 per rentable square foot).

During the eighth Lease Year, the Rent shall be $2,566,178.04, payable in equal monthly installments of $213,848.17 (based on $38.00 per rentable square foot).

During the ninth Lease Year, the Rent shall be $2,599,943.52, payable in equal monthly installments of $216,661.96 (based on $38.50 per rentable square foot).

During the tenth Lease Year, the Rent shall be $2,633,709.00, payable in equal monthly installments of $219,475.75 (based on $39.00 per rentable square foot).

During the eleventh Lease Year, the Rent shall be $2,667,474.48, payable in equal monthly installments of $222,289.54 (based on $39.50 per rentable square foot).

Tenant agrees to pay the Rent to Landlord, without notice or demand, in lawful money of the United States which shall be legal tender in payment of the debts and dues, public and private, at the time of payment, in advance on the first day of each calendar month during the Term at the address for payment designated by Landlord from time to time; it being acknowledged and agreed that the inclusion of an address for payment on an invoice (if any) submitted by Landlord shall qualify as such designation. If no such address for payment is designated by Landlord, then payment shall be made to the address set forth in the introductory paragraph of this lease.

Except as otherwise specifically provided herein, Tenant shall pay the Rent as above and as hereinafter provided, without any set off or deduction whatsoever. Should the Rent Commencement Date be a date other than the first day of a calendar month, Tenant shall pay a pro rata portion of the Rent on a per diem basis, based upon the first full calendar month of the first Lease Year, from such date to and including the last day of that current calendar month. The Rent payable for such partial month shall be in addition to the Rent payable for the first Lease Year pursuant to the Rent schedule set forth above and shall be payable by Tenant on the Rent Commencement Date.

Landlord shall provide to Tenant the amount of One Million and 00/100 ($1,000,000.00) Dollars (the "Landlord's Concession"), which Landlord Concession may be used by Tenant for those purposes relating directly to this lease that Tenant deems appropriate, in its sole discretion, including the following: improvements to the Demised Premises, upgraded finishes, materials and fixtures to be installed with the Demised Premises, wiring and cabling within the Demised Premises (pursuant to the terms of this lease), or Rent payable by Tenant pursuant to this lease. The Landlord's Concession shall promptly be paid by Landlord directly to the applicable third party vendor, in installments, as needed, following installation within the Demised Premises and delivery by Tenant or such third party vendor of a written request for such payment(s), along with documentation reasonably satisfactory to Landlord evidencing the purpose for which such payment is requested (e.g., receipts, invoices, etc.). If, as of the Rent Commencement Date, any portion of the Landlord's Concession has not yet been paid by Landlord to Tenant and/or its third party vendors, such outstanding portion shall be applied by Landlord against the next due installment(s) of Rent hereunder.

USE

4. (A) Tenant shall use and occupy the Demised Premises only for executive and administrative offices, and for no other purpose. Without limiting the generality of the foregoing, in no event shall Tenant be permitted to use the Demised Premises for any of the prohibited uses listed in Article 21(G) of this lease.

(B) Tenant shall not use or occupy, suffer or permit the Premises, or any part thereof, to be used in any manner which would in any way, in the reasonable judgment of Landlord, (l) violate any laws or regulations of public authorities; (ii) make void or voidable any insurance policy then in force with respect to the Building; (iii) impair the appearance, character or reputation of the Building; (iv) discharge objectionable fumes, vapors or odors into the Building,

air-conditioning systems or Building flues or vents in such a manner as to offend other occupants. The provisions of this Section shall not be deemed to be limited in any way to or by the provisions of any other Section or any Rule or Regulation.

(C) Tenant will not at any time use or occupy the Demised Premises in violation of the certificate of occupancy (temporary or permanent) issued for the Building or portion thereof of which the Demised Premises form a part.

LANDLORD ALTERATION

5. (A) Landlord, at Tenant's expense (except as otherwise set forth herein), will perform or cause Landlord's construction affiliate to perform certain work and make certain installations in and to the Demised Premises in order to prepare same for occupancy by Tenant; such work and installations to be performed in accordance with final construction drawings to be developed by or on behalf of Tenant, subject to Landlord's approval, which approval shall not be unreasonably withheld, conditioned or delayed (such work and installations sometimes herein referred to as the "Landlord's Initial Construction"). As of the date of this lease, Landlord's good faith, estimated construction schedule for the performance of Landlord's Initial Construction is attached hereto as Exhibit "3", it being understood that such construction schedule is subject to, among other things, the timely performance by Tenant of all of its obligations set forth thereon. Landlord acknowledges and agrees that Tenant shall not be required to use Landlord's architect in connection with the preparation of initial space plans, finish selection plans and the final construction drawings. However, in the event Tenant elects to use Landlord's architect to provide such services, Tenant shall pay for the cost of such services, not to exceed $101,296.50 (i.e., $1.50 multiplied by the rentable square footage of the Demised Premises [67,531]). In the event that there is a conflict or inconsistency between the provisions of this lease (including the Exhibits and Schedules annexed hereto) and the work set forth on the final construction documents to be prepared for the Landlord's Initial Construction and approved by Landlord and Tenant after the date hereof, such final construction documents shall be controlling. Landlord shall correct any latent defects in Landlord's Initial Construction provided such defects are disclosed to Landlord, in writing, during the first Lease Year, and same are not caused by any work performed by or on behalf of Tenant.

(B) Notwithstanding anything to the contrary contained herein, Landlord shall bear up to a maximum of $2,414,233.25 (i.e., $35.75 multiplied by the rentable square footage of the Demised Premises [67,531]) (the "LIC Allowance") of the Total LIC Charge (as hereinafter defined). Tenant shall pay to Landlord or Landlord's designee, as additional rent hereunder, the entire amount (the "Overage") by which the Total LIC Charge exceeds the maximum amount of the LIC Allowance set forth above; such Overage to be paid in accordance with the provisions set forth in Article 5(F) below. If, however, the Total LIC Charge is less than the maximum amount of the LIC Allowance set forth above, then Landlord shall bear the entire Total LIC Charge, and any such outstanding portion of the LIC Allowance shall be applied by Landlord against the next due installment(s) of Rent hereunder. Furthermore, if, for whatever reason, Landlord fails to fund any portion of the LIC Allowance which is otherwise due and payable to the contractors performing Landlord's Initial Construction, Tenant shall pay the corresponding portion of the Total LIC Charge to such contractors (and Tenant may rely on bills rendered for such work) and such portion of the LIC Allowance not paid by Landlord to the contractors and so advanced by Tenant shall be

credited against the next due installment (s) of Rent hereunder. The LIC Allowance shall be payable solely on account of labor directly related to, and materials delivered to the Demised Premises in connection with, the initial installations affixed to the Demised Premises as part of the Landlord's Initial Construction, including, without limitation, walls, door frames, hardware, electrical systems, floor coverings, light fixtures, electrical outlets, fire protection sprinklers and alarms, ceiling tile and grid, wall finishes, HVAC equipment, plumbing and plumbing fixtures and all fees and charges incurred to obtain governmental and quasi-governmental permits, authorizations and approvals in connection therewith. Tenant hereby acknowledges that in no event shall any portion of the LIC Allowance be paid or applied against any "soft costs". The term "soft costs", as used herein, shall generally include, without limitation, the fees and charges of any architects, engineers and other consultants engaged by Tenant in connection with the subject work; the costs and charges incurred in connection with the installation of Tenant's data and telecommunication wiring and cabling in and about the Demised Premises (or any portion thereof); and the costs and expenses incurred by Tenant in connection with the acquisition and installation of Tenant's furniture, fixtures and equipment in the Demised Premises (or any portion thereof).

(C) Landlord's, designated contractor will serve as general contractor for performance of all aspects of the Landlord's Initial Construction. Upon completion of the final construction documents, but prior to the commencement of the Landlord's Initial Construction, Landlord's designated contractor shall engage in a commercial construction bidding process, whereby Landlord's designated contractor solicits construction bids from three or more qualified subcontractors in each construction discipline (i.e., trade) to be engaged by Landlord's designated contractor for the performance of the Landlord's Initial Construction, except that Landlord's designated contractor shall only be obligated to solicit bids from its single subcontractor of choice in each of the fire and life safety trades. After receipt, review and leveling of all subcontractor bids, Landlord's designated contractor shall select the lowest qualified bid from among the subcontractors bidding in each such construction discipline. Landlord shall keep Tenant fully apprised during the course of such bidding process. Following selection by Landlord's designated contractor of all necessary subcontractors to perform the Landlord's Initial Construction, Landlord shall cause Landlord's designated contractor to advise Tenant of the total charge for the Landlord's Initial Construction (which shall be subject to increase in cost solely attributable to tenant delay or change orders or extra work orders authorized by Tenant) and shall provide Tenant with a trade cost breakdown therefor. Within ten (10) days after Landlord's designated contractor advises Tenant of the charge, Tenant shall notify Landlord's designated contractor as to whether Tenant (i) approves same, (ii) desires to make modifications to the scope of the work shown on the final construction documents (such modifications to be subject to the prior review and approval of Landlord), and/or (iii) will require Landlord's designated contractor to obtain additional

estimates or re-bid all or any portion of the Landlord's Initial Construction. If, as a result of Tenant's election of either option (ii) or (iii), above, the substantial completion of Landlord's Initial Construction is delayed for more than fourteen (14) days beyond the estimated date of substantial completion set forth on the estimated construction schedule annexed hereto as Exhibit "3" (subject to any extensions of such estimated date of substantial completion as a result of any delays caused by Landlord or its agents, contractors or employees) , then each day of such delay (including the fourteen (14) day period) shall constitute a tenant delay under Article 2 of this lease. In the event Tenant elects options (ii) or (iii), above, Landlord agrees to perform its obligations thereunder with reasonable promptness.

(D) Notwithstanding anything to the contrary contained herein, Landlord shall bear up to a maximum of $675,310.00 (i.e., $10.00 multiplied by the rentable square footage of the Demised Premises [67,531]) (the "Ceiling Allowance") of the Total LIC Charge for that portion of Landlord's Initial Construction consisting of the installation of all mechanical equipment and pipes above the ceiling grid (collectively, the "Ceiling Work") Tenant shall pay to Landlord or Landlord's designee, as additional rent hereunder, the amount by which the Total LIC Charge for the Ceiling Work exceed the maximum amount of the Ceiling Allowance set forth above as follows; (i) fifty (50%) percent of such overage, as reasonably estimated by Landlord, shall be due and payable prior to the commencement of the Ceiling Work, (ii) twenty-five (25%) percent of such overage, as reasonably estimated by Landlord, shall be due and payable upon substantial completion of one-half of the Ceiling Work, and (iii) the remaining portion of any overage, as finally determined, shall be due and payable upon substantial completion of the Ceiling Work. If, however, the Total LIC Charge for the Ceiling Work is less than the maximum amount of the Ceiling Allowance set forth above, then Landlord shall bear all such charges, but Tenant shall not be entitled to the payment or credit of all or any portion of the difference between the two said amounts. Furthermore, if, for whatever reason, Landlord fails to fund the required portion of the Ceiling Allowance, Tenant shall pay for the corresponding portion of the Ceiling Work to the contractors performing the Ceiling Work and such portion of the Ceiling Allowance not paid by Landlord shall be credited against the next due installment(s) of Rent hereunder. In no event shall Tenant be entitled to a Rent credit in connection with any portion of the Ceiling Allowance not applied or otherwise spent toward the Ceiling Work

(E) Notwithstanding anything to the contrary contained herein, Landlord shall bear up to a maximum of $388,000.00 (the "Upgrades Allowance") of the Total LIC Charge for any materials and finishes in connection with Landlord's Initial Construction above "Building standard" materials and finishes. In the event the Upgrades Allowance is not fully spent in connection with Landlord's Initial Construction, then Tenant may, at its option, (i) apply any such remaining portion to additional Alterations to be performed by Landlord at the Demised Premises throughout the initial Term of this lease, or (ii) require that such remaining portion be applied by Landlord against the next due installment(s) of Rent hereunder. In no event shall Tenant be entitled to receive any portion of the Upgrades Allowance that has not been applied by Tenant as of the Expiration Date.

(F) As used throughout this Article, the "Total LIC Charge" means the sum of the following components: (i) the total subcontractor work charges for the Landlord's Initial Construction, plus (ii) an amount equal to ten (10%) percent of the preceding amount. Promptly following completion of the procedure set forth in Article 5(C) above, Landlord shall cause Landlord's designated contractor to give Tenant notice of the amount of the Overage. Prior to commencement of Landlord's Initial Construction, Tenant shall pay to Landlord's designated contractor, within ten (10) days following demand therefor, an amount equal to fifty (50%)_ percent of the anticipated Overage and, following completion by Landlord of one-half of the Landlord's Initial Construction, Tenant shall pay to Landlord's designated contractor, within ten (10) days following demand therefore, an amount equal to twenty-five (25%) percent of the anticipated Overage, as determined by Landlord's designated contractor (each, a "Partial Overage Prepayment"); each such Partial Overage Prepayment to be applied in partial payment of the Overage, as finally determined. Following substantial completion of the Landlord's Initial Construction, Tenant shall pay to Landlord's designated contractor, within ten (10) days following

demand therefor, the entire amount by which the actual Overage (including only those amounts outstanding on change orders or extra work orders authorized by Tenant or resulting from Tenant Delay, if any) exceeds the sum of the Partial Overage Prepayments previously made by Tenant.

(G) Notwithstanding anything to the contrary contained in this Article 5, Landlord's Initial Construction shall not include the purchase, transport or installation of Tenant's furniture, office equipment or communication and data lines, equipment and accessories, which shall be installed by Tenant, at Tenant's sole cost and expense (subject to Tenant's right to apply the Allowances (hereinafter defined) to same, if and to the extent provided herein), in accordance with plans and specifications developed by Tenant and approved by Landlord (to the extent required by this lease).

(H) The parties acknowledge and agree that Landlord has agreed to provide Tenant with the Landlord's Concession, the LIC Allowance, the Ceiling Allowance and the Upgrades Allowance (collectively, the "Allowances"), in an aggregate amount of up to $4,477,543.25, as more particularly set forth in this lease. In order to provide Tenant with assurances of the availability of the funds required for Landlord to pay the Allowances, Landlord shall provide Tenant with the following documentation:

(i) a letter of credit (the "25% Letter of Credit"), naming Tenant as the beneficiary, in the amount of $1,119,385.81 (i.e., securing payment of 25% of the maximum amount of the Allowances). Landlord shall deliver the original Letter of Credit to Tenant within ten (10) business days following the Effective Date. In the event that Landlord fails or is otherwise unable to deliver Landlord's Letter of Credit to Tenant within such ten (10) business day period, Landlord shall, within three (3) business days following the expiration of such ten (10) business day period, deposit the sum of $1,119,385.81 in escrow with a mutually acceptable bank (the "25% Escrow", which together with the 25% Letter of Credit being herein referred to as the "25% Security"). Landlord may, as the performance of Landlord's Initial Construction progresses, reduce the 25% Security (either by reducing the amount of the 25% Letter of Credit, or by having a portion of the 25% Escrow released, as applicable) as needed in order to pay such charges for Landlord's Initial Construction ("Landlord's Open Charges") then due and payable by Landlord or theretofore paid by Landlord. Simultaneously with Landlord's request for a reduction in the 25% Security, Landlord shall submit a statement ("Landlord's Reduction Statement") to Tenant setting forth the cost of those aspects of the Landlord's Initial Construction which have been completed through the date of such statement (such statement to be prepared in accordance with standard progress payment application forms issued by the American Institute of Architects [i.e., forms G-702 and G-703]). In addition, Landlord's Reduction Statement shall be accompanied by a certificate from an authorized officer of Landlord certifying that: (i) the amount of such reduction is on account of Landlord's Open Charges (but on account of which no portion of the Allowances has previously been paid or applied). The 25% Letter of Credit shall contain a provision providing that, upon the issuing bank's receipt of a Landlord's Reduction Statement and the accompanying certification, the amount of the 25% Letter of Credit shall be automatically reduced by the amount set forth in the subject Landlord's Reduction Statement. With respect to the 25% Escrow, if applicable, the amount set forth in Landlord's Reduction Statement shall be released from escrow upon the escrowee's receipt of the subject Landlord's

Reduction Statement and the accompanying certification. In the event Landlord is unable or unwilling, for whatever reason, to deposit and escrow the 25% Escrow by the expiration of such three (3) business day period, Tenant may elect

to terminate this lease by delivering written notice to Landlord of such termination no later than two (2) business days after the expiration of such three (3) business day period, at which time this Lease shall terminate and be of no further force or effect (other than those provisions which specifically survive the expiration or sooner termination of this lease) and Landlord shall promptly return Tenant's Letter of Credit (as hereinafter defined) to Tenant and reimburse Tenant for any reasonable, documented, out-of-pocket architectural and construction costs incurred by Tenant in connection with this lease within thirty (30) days after Tenant's submission of such documentation; and

(ii) written confirmation from Landlord's lender (the "Lender's Assurance Letter") that at least $3,358,157.44 (i.e., 75% of the maximum amount of the Allowances) shall be earmarked for use by Landlord in connection with its performance of Landlord's Initial Construction (to be disbursed as the performance of Landlord's Initial Construction progresses in accordance with the provisions of the loan documents). Landlord shall deliver the Lender's Assurance Letter to Tenant within forty-five (45) days after the Effective Date. In the event Landlord fails or is otherwise unable to provide the Lender's Assurance Letter within the forty-five (45) day period set forth above, Landlord shall, within five (5) business days following the expiration of such forty-five (45) business day period, either (a) deposit the sum of $3,358,157.44 in escrow with a mutually acceptable bank (the "75% Escrow") for use in connection with the performance of Landlord's Initial Construction or (b) deliver a letter of credit (the "75% Letter of Credit", which together with the 75% Escrow is herein referred to as the "75% Security"), naming Tenant as the beneficiary, in the amount of $3,358,157.44. Landlord may, as the performance of Landlord's Initial Construction progresses, reduce the 75% Security (either by reducing the amount of the 75% Letter of Credit, or by having a portion of the 75% Escrow reduced, as applicable) as needed in order to pay Landlord's Open Charges. Simultaneously with Landlord's request for a reduction in the 75% Security, Landlord shall submit a Landlord's Reduction Statement with the accompanying certification described in Article 5(H)(i) above. The 75% Letter of Credit shall contain a provision providing that, upon the issuing bank's receipt of a Landlord's Reduction Statement and the accompanying certification, the amount of the 75% Letter of Credit shall be automatically reduced by the amount set forth in the subject Landlord's Reduction Statement. With respect to the 75% Escrow, if applicable, the amount set forth in Landlord's Reduction Statement shall be released from escrow upon the escrowee's receipt of the subject Landlord's Reduction Statement and the accompanying certification. In no event shall Landlord receive a reduction in both the 25% Security and the 75% Security for the same item of Landlord's Open Charges. In the event Landlord is unable or unwilling, for whatever reason, to deliver the 75% Letter of Credit or to deposit and escrow the 75% Escrow by the expiration of such five (5) business day period, Tenant may elect to terminate this lease by delivering written notice to Landlord of such termination no later than two (2) business days after the expiration of such five (5) business day period, at which time this Lease shall terminate and be of no further force or effect (other than those provisions which specifically survive the expiration or sooner termination of this lease) and Landlord shall promptly return Tenant's Letter of Credit (as hereinafter defined) to Tenant and reimburse Tenant for any reasonable, documented, out-of-pocket architectural and construction costs incurred by Tenant in connection with this lease within thirty (30) days after Tenant's submission of such documentation.

SERVICES

6. Landlord, during the hours of 8:00 A.M. to 6:00 P.M. on weekdays, and 8:00 A.M. to 1:00 P.M. on Saturdays (collectively, "Working Hours"), excluding legal holidays, shall furnish the Demised Premises with heat and air-conditioning in the respective seasons, and provide the Demised Premises with electricity for lighting and usual office equipment and other services as set forth in Schedule C annexed hereto. Notwithstanding the foregoing, Tenant shall have access to the Demised Premises and electricity will be available twenty-four (24) hours per day, seven (7) days per week. If Tenant shall require any heating or air-conditioning services other than during Working Hours, Landlord shall furnish same provided Tenant gives Landlord prior notice of its requirements as set forth in Schedule C attached hereto and made a part hereof, and Tenant shall pay to Landlord its charges for furnishing such services within twenty (20) days after Landlord's request therefor.

LANDLORD'S REPAIRS

7. Landlord, at its expense, will make or cause its construction affiliate to make all the repairs to and provide the cleaning (as set forth in Schedule B) for the Demised Premises and for all public areas and facilities of the Building, except such repairs and maintenance as may be necessitated by the negligence, improper care or use of such premises and facilities by Tenant, its agents, employees, licensees or invitees, which will be made by Landlord or its construction affiliate at Tenant's expense.

WATER SUPPLY

8. Landlord, at its expense, shall furnish hot and cold or tempered water for pantry and lavatory purposes only.

PARKING FIELD

9. Tenant shall have the right to use two hundred fifty (250) parking spaces for the parking of automobiles of Tenant, its employees and invitees, in the parking area designated for tenants of the Building (hereinafter sometimes referred to as "Building Parking Area"), subject to the Rules and Regulations now or hereafter adopted by Landlord. Notwithstanding anything to the contrary contained herein, forty (40) of Tenant's parking spaces, as set forth above, shall be marked "reserved" for the exclusive use by Tenant and its employees and shall be located in the area set forth on the parking plan annexed hereto as Exhibit "4", provided, however that Landlord reserves the right, in Landlord's reasonable discretion, to relocate any of the reserved parking spaces at any time and from time to time during the term hereof in connection with a reconfiguration of the Building Parking Area in which substantially all similarly situated reserved parking spaces are also relocated. In no event shall the reserved parking spaces, as relocated, be substantially further from a Building entrance than the originally reserved parking spaces set forth on Exhibit "4". Tenant shall not use nor permit any of its officers, agents or employees to use any parking spaces in excess of Tenant's allotted number of spaces therein. Tenant's parking shall be limited to vehicles no larger than standard sized automobiles or light pickup vehicles. Tenant shall not cause large trucks or other large vehicles to be parked within the Building Parking Area, except that temporary parking of larger delivery vehicles may be permitted in the area designated therefor

by Landlord. Vehicles shall be parked only in striped parking spaces and not in driveways, access roads, loading areas or other locations not specifically designated for parking. Landlord shall have the right to assign parking spaces for the exclusive use of Tenant and/or other tenants of the Real Property (as hereinafter defined) and/or Landlord and their employees and invitees, and Tenant and its employees and invitees shall not park their vehicles in parking spaces allocated to others by Landlord. Landlord shall not be required to keep parking spaces clear of unauthorized vehicles or to otherwise supervise the use of the Building Parking Area. Landlord shall not be responsible for any damage to or theft of any vehicles in the Building Parking Area. Landlord may issue parking permits, install a gate system or impose any other system as Landlord deems necessary for the use of the Building Parking Area and, in such case, Landlord shall provide to Tenant, at no additional cost, parking permits or access cards for such parking system sufficient to accommodate the parking allocated to Tenant hereunder. Landlord reserves the right from time to time to: (i) change or reduce the Building Parking Area, roads and driveways, provided Landlord does not reduce the number of parking spaces allocated to Tenant under this lease; and (ii) make any alterations or repairs that it deems necessary to the Building Parking Area, roads or driveways, and to temporarily modify the parking rights granted to Tenant in connection with such alterations or repairs without any abatement or reduction of rent by reason thereof. Landlord shall use commercially reasonable efforts to minimize the impact on Tenant of any such temporary modification of parking rights. Landlord may require Tenant to furnish it with the automobile license numbers assigned to vehicles of Tenant and its employees and to notify Landlord of any changes thereof upon Landlord's request. Landlord may limit parking in the front yard of the Real Property to visitors.

DIRECTORY

10. Landlord will furnish on the building directories no more than three (3) listings requested by Tenant. The initial listings will be made at Landlord's expense and any subsequent changes by Tenant shall be made by Landlord at Tenant's expense. Landlord's acceptance of any name for listing on the directory will not be deemed, nor will it substitute for, Landlord's consent, as required by this lease, to any sublease, assignment or other occupancy of the Premises. If, at any time, Landlord shall install an electronic directory within the Building, Tenant shall be entitled to a total of fifteen (15) listings on such electronic directory.

TAXES AND OTHER CHARGES

11. (A) As used in and for the purposes of this Article 11, the following definitions shall apply:

(i) "Taxes" shall be the real estate taxes, assessments, special or otherwise, sewer rents, rates and charges, and any other governmental charges, general, specific, ordinary or extraordinary, presently existing or created hereafter, foreseen or unforeseen, and any personal property taxes imposed upon the fixtures, machinery, equipment, apparatus, systems and appurtenances in, upon or used in connection with the Real Property for the operation thereof, which on the basis of any calendar year or fiscal year may be assessed, levied, confirmed, imposed upon, or become due and payable out of, or become a lien against the Real Property. Taxes shall be adjusted, as necessary, for Base Year Taxes and all Escalation Years, to reflect a full assessment of the Real Property based on a fully occupied and completed Building and Real Property. If at

any time during the Term the method of taxation prevailing at the date hereof shall be altered so that there shall be levied, assessed or imposed in lieu of, or as a substitute for, the whole or any part of the taxes, levies, impositions or charges now levied, assessed or imposed on all or any part of the Real Property (a) a tax, assessment, levy, imposition or charge based upon the rents received by Landlord, whether or not wholly or partially as a capital levy or otherwise (provided that all such rents are based, for purposes of this Article, on the per rentable square foot rental rate then utilized in connection with this lease), or (b) a tax, assessment, levy, imposition or charge measured by or based in whole or in part upon all or any part of the Real Property and imposed on Landlord, or (c) a license fee measured by the rent payable by Tenant to Landlord, or (d) any other tax, levy, imposition, charge or license fee however described or imposed with respect to the Real Property; then all such taxes, levies, impositions, charges or license fees or any part thereof, so measured or based, shall be deemed to be Taxes. In the event that, during the Term, any public improvements or betterments are made which would impose a special assessment against the Real Property which is permitted to be paid in installments, Landlord shall pay such assessments in as many installments as is lawful and only the installments due during any calendar year shall be included in Taxes for that calendar year. Tenant shall only be responsible for Tenant's Proportionate Share of installment payments payable by Landlord during the Term (as required by the preceding sentence), together with any interest charges as a result of having elected to make such payments in installments. Except as otherwise set forth above, the term "Taxes" shall not include federal, state or local income taxes; capital levy, franchise, gift, transfer, succession, excise, capital stock, estate or inheritance taxes; penalties; interest for late payments and/or any expense included within any other charge payable by Tenant under this lease. In the event a tax is levied in substitution for a tax which is excluded from Taxes, such new tax shall similarly be excluded from Taxes,

(ii) "Base Year Taxes" shall be the Taxes actually due and payable with respect to the 2010 calendar year.

(iii) "Escalation Year" shall mean any calendar year after the 2010 calendar year which shall include any part of the Term.

(iv) "Real Property" shall be the land upon which the Building stands and any part or parts thereof utilized for parking, landscaped areas or otherwise used in connection with the Building, and the Building and other improvements appurtenant thereto, which Real Property is sometimes referred to as Block 6, Lot 92.01. The Real Property does not contain any other buildings.

(B) Tenant shall pay Landlord increases in Taxes levied against the Real Property as follows: If the Taxes actually due and payable with respect to the Real Property in any Escalation Year shall be increased above the Base Year Taxes, then Tenant shall pay to Landlord, as additional rent for such Escalation Year, a sum equal to Tenant's Proportionate Share of said increase ("Tenant's Tax Payment" or "Tax Payment").

(C) Landlord shall render to Tenant a statement containing a computation of Tenant's Tax Payment ("Landlord's Statement") with respect to each Escalation Year. Within thirty (30) days after the rendition of the first Landlord's Statement, Tenant shall pay to Landlord the amount of Tenant's Tax Payment (which shall not exceed 1/12 of the annual Tenant's Tax

Payment multiplied by the number of months elapsed during such Escalation Year). On the first day of each month following the rendition of each Landlord's Statement, Tenant shall pay to Landlord, on account of Tenant's next Tax Payment, a sum equal to one-twelfth (1/12th) of Tenant's last Tax Payment due hereunder, which sum shall be subject to adjustment for subsequent increases in Taxes. Upon Landlord receiving notice of a subsequent increase in Taxes, Landlord shall have the right to increase the monthly installments of Tenant's Tax Payment then due from Tenant by an amount sufficient to compensate Landlord for any previous deficiencies in installments and thereafter the monthly installments shall be increased on a pro rata basis so that installments due from Tenant shall be such as to be sufficient to fully pay Tenant's Proportionate Share of the respective Taxes at least one month prior to the due date of such Taxes. With respect to all tax periods for which there is a Tenant Tax Payment, Landlord shall, promptly following receipt of the actual tax bill, deliver to Tenant a Landlord's Statement indicating the total Taxes for the Real Property during such Escalation Year, the actual Tenant's Tax Payment for the subject period and the aggregate amount previously paid by Tenant on account of such Tenant's Tax Payment. If the actual Tenant's Tax Payment exceeds the aggregate amount previously paid by Tenant on account of such Tenant's Tax Payment, then Tenant shall pay to Landlord the entire difference within thirty (30) days following receipt of the Landlord's Statement. If the aggregate amount previously paid by Tenant on account of the subject Tenant's Tax Payment exceeds the actual Tenant's Tax Payment for the subject tax period, then Landlord shall credit the entire difference to Tenant and apply same against the next installment(s) of Tenant's Tax Payment becoming due hereunder.

(D) If during the Term Taxes are required to be paid as a tax escrow payment to Landlord's mortgagee, then, at Landlord's option, the installments of Tenant's Tax Payment shall be correspondingly accelerated so that Tenant's Tax Payment or any installment thereof shall be due and payable by Tenant to Landlord at least thirty (30) days prior to the date such payment is due to such mortgagee.

(E) Landlord's failure to render a Landlord's Statement with respect to any Escalation Year shall not prejudice Landlord's right to render a Landlord's Statement with respect to any Escalation Year for a period of three (3) years following the expiration of the subject Escalation Year. The obligations of Landlord and Tenant under the provisions of this Article with respect to any additional rent for any Escalation Year shall survive for a period of three (3) years following the expiration of the subject Escalation Year.

(F) Tenant shall not, without Landlord's prior written consent, institute or maintain any action, proceeding or application in any court or body or with any governmental authority for the purpose of changing the Taxes. If Landlord obtains a (i) reduction or an abatement in the assessment of the Real Property and/or a (ii) reduction or an abatement in Base Year Taxes, then Base Year Taxes, as utilized for purposes of calculating Tenant's Proportionate Share of Taxes due pursuant to this lease shall be in an amount equal to the tax rates which were in effect during the base years set forth above times the assessed valuation of the Real Property as so reduced. If during the Term of this lease, Taxes are reduced for any tax year and a tax certiorari proceeding or any other proceeding, judicial or otherwise, is pending for the base years (or any of the base years) then for purposes of calculating Base Year Taxes, Landlord may utilize such reduced assessed valuation in calculating Tenant's Proportionate Share of Taxes. In such an event, Landlord shall determine Base Year Taxes to be equal to the tax rates in effect for the base years

times the reduced assessed valuation for such interim year. After the assessed valuations for the base years are finally determined, Landlord shall issue a statement reconciling all tax years affected by such final determination and Tenant shall remit such additional funds as may be payable with respect to Tenant's Proportionate Share of Taxes, or Landlord shall refund to Tenant any excess payments made by Tenant with respect to Tenant's Proportionate Share. However, if Landlord obtains a reduction in tax assessments which results in a reduction in Taxes for any tax year as a result of proceedings respecting applications filed or made on or after the date of execution of this lease, then for purposes of calculating Tenant's Proportionate Share of Taxes due pursuant to this lease for such tax year the Taxes imposed shall be reduced accordingly and, if Landlord shall actually receive any tax refund in respect to the Taxes for any tax year for which Tenant has paid Tenant's Proportionate Share of the Taxes as herein provided, then Landlord shall reimburse Tenant for Tenant's Proportionate Share thereof, after first deducting therefrom the share of Landlord's cost and expense in procuring such refund proportionately attributed to the reimbursement due to Tenant.

(G) If the Term expires on a day other than the last day of an Escalation Year, then Tenant's liability pursuant to this Article 11 for such Escalation Year shall be apportioned on a per diem basis, based upon a 365-day year.

OPERATING COST INCREASES

12. (A) For purposes of this lease, the terms "Operating Costs" and "Base Operating Costs" shall be defined as follows:

(i) The term "Operating Costs" shall mean and include the aggregate of all those expenses, adjusted for full Building occupancy, to the extent incurred in respect to the operation and maintenance (whether structural or non-structural, and whether capital or non-capital in nature) of the Real Property (as such term is defined in Article 11(A)(iv)) in accordance with accepted principles of sound management and accounting practices as applied to the operation and maintenance of non-institutional first class office properties, including any and all of the following: salaries, wages, hospitalization, medical, surgical and general welfare benefits (including group life insurance), pension payments, payroll taxes and workmen's compensation of and respecting employees of Landlord engaged in the operation and maintenance of the Real Property (including, among others, that of the Real Property or Building manager and such manager's administrative staff); all insurance carried by Landlord applicable to the Real Property (including, without limitation, primary and excess liability, vehicle insurance, fire and extended coverage, vandalism and all broad form coverage, riot, strike and war risk insurance, flood insurance, boiler insurance, plate glass insurance, rent insurance and sign insurance); management fees (to the extent same do not exceed similar fees charged for management at comparable buildings in the general vicinity of the Building); maintenance fees; maintenance and repairs of grounds (including, without limitation, all landscaping, statuary, exhibits, displays, walks, parking and other vehicle ways and areas and common areas), underground conduits, pipes, line equipment and systems; repaving, resurfacing and painting (including line painting); removal of snow, ice, trash, garbage and other refuse; steam, fuel (including oil and/or gas used to heat the Building), utility taxes and water and sewer rental; cleaning, cleaning supplies, uniforms and dry cleaning and window cleaning; legal expenses (other than those for preparation of this and other leases) and accounting fees; taxes (including, without limitation, sales and use taxes); service

contracts, fees charged by energy providers and/or consultants, security systems and security personnel, and traffic systems and traffic personnel; telephone and stationery; alterations and improvements made by reason of governmental requirements adopted after the Rent Commencement Date; reserves, provided

that any such reserves not spent during the Escalation Year in which same were collected shall be credited toward Tenant's next Cost Payment (or refunded to Tenant if no additional Cost Payments are due); and all other expenses paid in connection with the operation of the Real Property.

Notwithstanding anything to the contrary contained herein, Operating Costs shall not include (1) salaries and benefits for employees above the grade of property manager and "asset manager" (i.e., an accounting level position in connection with the Real Property and not a fund manager or other executive position); (2) the cost of leasehold improvements, decorating or otherwise improving premises intended to be demised to tenants at the Real Property; (3) costs incurred in connection with the enforcement of any leases affecting the Real Property; (4) any subsidy provided by Landlord to the operator of the Cafeteria or in connection with any other Building amenity to the extent such subsidy(ies) are payable by Tenant directly pursuant to another provision of this lease; (5) ground rent, financing costs or debt service costs for the Real Property; (6) costs and expenses which are attributable to repairs or replacements to the extent covered (or required by this lease to be covered) by insurance or warranties, or otherwise paid for directly by a third party (except if said payment is required by way of an operating expense or similar provision in any other tenant's lease); (7) any repairs or replacements necessitated by Landlord's negligence or willful misconduct or the costs and expenses of repairing or replacing any portion of the Building or the Real Property, the original construction of which was defective; (8) Taxes; (9) brokerage expenses, marketing expenses, rent concessions, construction allowances or other inducements to spur tenant occupancy rates; (10) the cost of any services provided for a particular tenant or occupant of the Real Property to the extent such services are not offered to tenants at the Real Property generally; (11) interest, late charges or penalties incurred as a result of Landlord's failure to pay bills in a timely manner, unless such failure is due to Tenant's failure to comply with the terms of this lease; (12) all costs and expenses attributable to any Hazardous Materials (as hereinafter defined) or any testing, investigation, management, maintenance, remediation or removal thereof (it being understood and agreed however, that Operating Costs may include all costs incurred in connection with testing and reporting performed in the ordinary course of business to the extent not otherwise prohibited by this lease); (13) costs incurred in connection with the initial construction of the Building or any portion of the Real Property; (14) any sums paid or owed by Landlord to any tenant in the Building; (15) costs incurred in connection with lawsuits or other legal actions (including, without limitation, arbitrations and mediations) instituted or defended by Landlord; (16) costs of acquiring, leasing, insuring or displaying sculptures, paintings and other objects of art located at the Real Property; (17) the cost of services or items provided by Landlord's affiliates to the extent that such costs exceed reasonable and customary charges for similar services or items in the market area; (18) costs related to the maintenance of Landlord's existence and the operation of Landlord's business, as distinguished from the costs of Building operations, including, but not limited to, costs of selling or syndicating any of Landlord's interest in the Real Property and costs of disputes between Landlord and its employees and/or Building management; (19) any expenses which are included within any other charge payable under this lease; (20) management or administrative fees (except for the management fees expressly stated in Article 12(A)(i) above); (21) reserves, except as otherwise set forth above; and/or (22) expenditures that would properly be categorized as capital expenditures

under generally accepted accounting principles applied to commercial office properties (except for Savings Capital Costs and Safety Capital Costs).

If Landlord shall purchase any item of capital equipment or make any capital expenditure intended to result in savings or reductions in Operating Costs (such capital costs and expenditures hereinafter called "Savings Capital Costs"), then the cost for same shall be included in Operating Costs, to the extent hereinafter set forth. The annual amortized portion of Savings Capital Costs shall be included in Operating Costs in the year in which the costs are incurred and in any subsequent years, on a straight-line basis, amortized over the useful life of such items. If any such Savings Capital Cost shall result from the lease by Landlord of capital equipment designed to result in savings or reductions in any Operating Costs, then the rentals and other acquisition and financing costs paid pursuant to such leasing shall be included in Operating Costs for the year in which they were incurred.

If Landlord shall purchase any item of capital equipment or make any other capital expenditure in order to comply with legal requirements or insurance requirements that are adopted after the Rent Commencement Date or in order to benefit or increase the safety and security of the Building, Property, or its tenants and/or invitees (such capital costs and expenditures hereinafter called "Safety Capital Costs"), then the annual amortized portion of the costs for same shall be included in Operating Costs for the year in which the costs are incurred and subsequent years, on a straight-line basis, amortized over the useful life of such items. If any such Safety Capital Cost shall result from the leasing by Landlord of capital equipment to comply with legal requirements or insurance requirements or to increase safety and security then, in such event, the rentals and other acquisition and financing costs paid pursuant to such leasing shall be included in Operating Costs for the year in which they were incurred.

If any of the goods or services to be provided by Landlord are provided to buildings and properties other than the Building and the Real Property, then Landlord shall make an equitable allocation of the cost of such goods and services among all of the buildings and properties benefiting from such goods and services so that only the portion allocable to the Building and the Real Property shall be included in Operating Costs.

(ii) The term "Base Operating Costs" shall mean the Operating Costs incurred by Landlord for the calendar year ending December 31, 2010 (whether or not retroactively determined).

(B) Tenant shall pay to Landlord increases in Operating Costs as follows: If the Operating Costs actually incurred by Landlord in any Escalation Year (as such term is defined in Article 11(A)(iii)) shall exceed the Base Operating Costs, then Tenant shall pay to Landlord, as additional rent for said Escalation Year, a sum equal to Tenant's Proportionate Share of the difference between said Operating Costs and the Base Operating Costs ("Tenant's Cost Payment" or "Cost Payment").

(C) Landlord shall render to Tenant a statement containing a computation of Tenant's Cost Payment ("Landlord's Cost Statement") with respect to each Escalation Year occurring in whole or part during the Term of this lease. Within thirty (30) days after rendition of Landlord's Cost Statement relating to the first Escalation Year, Tenant shall pay to Landlord, as

additional rent, the full amount of Tenant's Cost Payment shown thereon (which shall not exceed 1/12 of the annual Tenant's Cost Payment multiplied by the number of months elapsed during such Escalation Year). In addition, on the first day of each month following the rendition of each Landlord's Cost Statement, Tenant shall pay to Landlord, on account of Tenant's next Cost Payment, a sum equal to one-twelfth (1/12th) of Tenant's last Cost Payment due hereunder, which sum shall be subject to adjustment for subsequent increases in Operating Costs.

(D) All year-end Landlord's Cost Statements shall include the following information with respect to the Escalation Year to which they apply: (i) the total Operating Costs incurred by Landlord during the Escalation Year in question; (ii) Tenant's Cost Payment for such Escalation Year; (iii) all amounts paid by Tenant during such Escalation Year on account of the subject Cost Payment; and (iv) the amount of the positive difference, if any, between Cost Payment for such Escalation Year and the amounts paid by Tenant during such Escalation Year on account of the subject Cost Payment. Within thirty (30) days after the rendition of such Landlord's Cost Statement, Tenant shall pay to Landlord, as additional rent, the amount of the difference referred to in (iv) above, if any. In the event the subject Cost Payment is less than the amounts paid by Tenant during such Escalation Year on account of the subject Cost Payment, then Landlord shall credit the entire difference to Tenant and apply same against the next installment(s) of Tenant's Cost Payment becoming due hereunder or refund such amount to Tenant, if same is payable after the expiration or sooner termination of this lease (provided this lease has not been terminated as a result of Tenant's default hereunder). In addition, together with such payment, Tenant shall pay to Landlord, for each month that has transpired since the commencement of the current Escalation Year and the rendition of the subject Landlord's Cost Statement, the difference between one-twelfth (1/12th) of the Cost Payment shown on such statements and the monthly payments toward Tenant's Cost Payment made by Tenant for the prior months of such current Escalation Year. In addition, on the first day of each month following the rendition of the subject Landlord's Cost Statement, Tenant shall pay to landlord, on account of the next Tenant's Cost Payment, one-twelfth (1/12th) of the Cost Payment shown on the subject Landlord's Cost Statement.

(E) If Landlord shall incur or bill for a retroactive increase in Operating Costs, Tenant shall pay Landlord the total amount of the additional rent resulting from such retroactive increase on the first day of the month following demand therefor by Landlord, but in no event on less than twenty (20) days prior notice, subject to the limitation in Article 12(G), below.

(F) Every notice given by Landlord pursuant to this Article, including, without limitation, Landlord's Cost Statement, shall be conclusive and binding upon Tenant unless within six (6) months after the receipt of such notice, Tenant shall notify Landlord that it disputes the correctness of the notice, specifying the particular respects in which the notice is claimed to be incorrect. Pending the determination of such dispute by agreement or otherwise, Tenant shall pay additional rent or accept credit in accordance with Landlord's notice and such payment or acceptance shall be without prejudice to Tenant's position. If the dispute shall be determined in Tenant's favor, Landlord shall forthwith pay Tenant the amount of Tenant's overpayment of rents resulting from compliance with Landlord's Cost Statement.

(G) Landlord's failure to render a Landlord's Cost Statement with respect to any Escalation Year shall not prejudice Landlord's right to render a Landlord's Cost Statement

with respect to any Escalation Year for a period of three (3) years following the expiration of the subject Escalation Year. The obligations of Tenant under the provisions of this Article with respect to any additional rent for any Escalation Year shall survive for a period of three (3) years following the expiration of the subject Escalation Year.

(H) Landlord shall keep reasonably detailed records of Operating Costs for all periods covered by any Landlord's Cost Statement. Tenant shall have the right to audit Landlord's books and records with regard to Base Operating Costs and the Operating Costs for any Escalation Year, provided such audit is performed in accordance with each of the following requirements: (i) Tenant shall have made timely payment of such Tenant's Cost Payment; (ii) Tenant has delivered written objection to Landlord as to the amount of the Base Operating Costs and/or subject Tenant's Cost Payment (and of Tenant's intent to exercise its audit right hereunder) within six (6) months of Tenant having received the Base Operating Costs breakdown and/or the subject Landlord's Cost Statement; (iii) such audit shall be performed by Tenant or a reputable firm of certified public accountants engaged by Tenant on a fee-paid basis (as opposed to a contingency fee basis); (iv) the accounting firm engaged by Tenant must execute and deliver to Landlord an undertaking, whereby such accounting firm (a) covenants not to disclose to any person or entity (other than Tenant) any information received by or made available to such accounting firm in connection with the audit and (b) agrees not to solicit other tenants of the Building for the purpose of performing an audit on their behalf; (v) such audit is performed during regular business hours, upon prior appointment with Landlord and at Landlord's record-keeping office; (vi) while Tenant's auditor shall be permitted to review the applicable books and records at Landlord's record-keeping office in New Jersey or the metropolitan New York area (unless otherwise agreed to by Tenant), no copies may be made, nor may any such books or records be removed from such record-keeping office; and (vii) such audit is completed within thirty (30) days following the commencement of such audit. Upon presentment by Tenant of written documentation (in form and substance reasonably acceptable to Landlord) of an overcharge by Landlord, Landlord shall promptly make all proper adjustments in the form of a credit or reimbursement to Tenant, at Landlord's option (provided, however, that any such overcharge shall be refunded to Tenant in the event the Term has expired).

(I) If the Term expires on a day other than the last day of an Escalation Year, then Tenant's liability pursuant to this Article 12 shall be apportioned on a per diem basis, based upon a 365-day year.

TENANT'S REPAIRS

13. Tenant shall take good care of the Demised Premises, subject to the provisions of Article 7 hereof or elsewhere in this lease, and Landlord or its construction affiliate, at the expense of Tenant, shall make as and when needed as a result of misuse or neglect by Tenant or Tenant's servants, employees, agents or licensees, all repairs in and about the Demised Premises necessary to preserve them in good order and condition. Landlord shall use commercially reasonable efforts to minimize interference with Tenant's business as a result of the performance of any such repairs. Except as provided in Article 26 hereof or elsewhere in this lease, there shall be no allowance to Tenant for a diminution of rental value and no liability on the part of Landlord by reason of inconvenience, annoyance or injury to business arising from Landlord, Tenant or others making any repairs, alterations, additions or improvements in or to any portion of the Building or of Demised Premises, or in or to the fixtures, appurtenances or equipment thereof, and no liability

upon Landlord for failure of Landlord or others to make any repairs, alterations, additions or improvements in or to any portion of the Building or of the Demised Premises, or in or to the fixtures, appurtenances or equipment thereof.

FIXTURES & INSTALLATIONS

14. All appurtenances, fixtures, improvements, additions and other property attached to or built into the Demised Premises, whether by Landlord or Tenant or others, and whether at Landlord's expense, or Tenant's expense, or the joint expense of Landlord and Tenant, shall be and remain the property of Landlord as of the Expiration Date or sooner termination of this lease. All trade fixtures, furniture, furnishings and other articles of movable personal property owned by Tenant and located within the Premises (collectively, "Tenant's Property") may be removed from the Premises by Tenant at any time during the Term. In the event Landlord will require that any portion of Landlord's Initial Construction be removed at the expiration or sooner termination of the Term, Landlord shall advise Tenant of such requirement at the time Landlord approves Tenant's final construction documents. Landlord shall, at the time Landlord gives its consent to Tenant for any Alteration (as defined below) for which Landlord's consent is requested (as set forth in Article 15), notify Tenant, in writing, as to which Alterations shall be removed by Tenant at the termination or expiration of this lease. Any repair made necessary as a result of such removal shall itself be deemed an Alteration (as defined in Article 15 below) within the purview of this lease. All the outside walls of the Demised Premises including corridor walls, any balconies, terraces or roofs adjacent to the Demised Premises, and any space in the Demised Premises used for shafts, stacks, pipes, conduits, ducts, utility closets, or other building facilities, and the use thereof, as well as access thereto in and through the Demised Premises for the purpose of operation, maintenance and repair, are expressly reserved to Landlord, and Landlord does not convey any rights to Tenant therein. Notwithstanding the foregoing, Tenant shall enjoy full right of access to the Demised Premises through the public entrances, public corridors and public areas within the Building. Landlord's access to the Demised Premises for purposes of operation, maintenance and repair shall be governed by the provisions of Article 22 hereof.

ALTERATIONS

15. (A) Tenant shall make no alterations, decorations, installations, additions or improvements (hereinafter collectively referred to as "Alterations") in or to the Demised Premises without the prior consent of Landlord (except as otherwise expressly set forth in this lease). Tenant may make written request to Landlord that certain Alterations be made to the Demised Premises, but all such Alterations shall be performed, if at all, (i) in the reasonable discretion of Landlord (except that Landlord may withhold its consent, in its sole and absolute discretion, in evaluating any proposed Alteration that would be visible from the exterior of the Premises), (ii) by Landlord or its designee, with respect to any Alterations affecting the Building's structural or mechanical, electrical or plumbing components, or, at Tenant's option and subject to the requirements of Article 15(B) below with respect to all other Alterations, by a reputable, bondable contractor selected by Tenant, and (iii) at the sole cost and expense of Tenant (subject to the Upgrades Allowance set forth in Article 5(E) above and the Landlord's Concession set forth in Article 3 above). With respect to any Alteration to be performed in, on or to the Demised Premises by Landlord (which term as used in this Article 15(A) shall be deemed to include Landlord and/or Landlord's construction affiliate or designated contractor), Tenant shall pay Landlord for all

reasonable, commercially competitive costs and charges for such Alteration (including, without limitation, the cost of any drawings, plans, layouts and/or specifications prepared by Landlord or its consultants with respect to such Alteration). Notwithstanding anything to the contrary contained herein, upon written notice to, but without the prior written consent of, Landlord, Tenant may make Alterations to the Premises which (x) are purely decorative in nature (i.e., painting, wall coverings, floor coverings), (y) that exclusively involve the installation of telecommunications wiring and cabling, or (z) that are purely non-structural, do not affect any Building mechanical, electrical, plumbing, fire or life-safety systems, do not require building permits and do not cost more than $50,000.00, in the aggregate, subject to the provisions of Article 15(B), below. Notwithstanding the foregoing, the $50,000.00 cap set forth in the preceding sentence shall be increased by $10,000.00 every five (5) years.

(B) In the event that Tenant elects to perform specific Alterations in lieu of Landlord or Landlord's contractor, as specified above (the "Permitted Alterations") , the following provisions of this Article 15(B) shall apply:

(i) All Permitted Alterations done by Tenant shall at all times comply with (a) laws, rules, orders and regulations of governmental authorities having jurisdiction thereof, and (b) rules and regulations of the Landlord attached as Schedule D.

(ii) With respect to all Permitted Alterations, architectural and engineering plans and specifications prepared by and at the expense of Tenant shall be submitted to Landlord for its prior written approval in accordance with the following requirements:

(a) Tenant shall, at its expense, furnish Landlord with complete architectural, mechanical and electrical construction documents for work to be performed by Tenant (the "Tenant's Plans"). All of the Tenant's Plans shall: (x) be compatible with the Landlord's building systems and specifications, (y) comply with all applicable laws and the rules, regulations, requirements and orders of any and all governmental agencies, departments or bureaus having jurisdiction, and (z) be fully detailed, including locations and complete dimensions;

(b) Tenant's Plans shall be subject to approval by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed;

(c) Tenant shall, at Tenant's expense, (x) cause Tenant's Plans to be filed with the governmental agencies having jurisdiction thereover, (y) obtain when necessary all governmental permits, licenses and authorizations required for the work to be done in connection therewith, and (z) obtain all necessary certificates of occupancy, both temporary and permanent. Landlord shall execute such documents as may be reasonably required in connection with the foregoing and Landlord shall otherwise cooperate with Tenant in connection with obtaining the foregoing, but without any expense to Landlord. Tenant shall make no material amendments or additions to Tenant's Plans without the prior written consent of Landlord in each instance, which consent shall not be unreasonably withheld, conditioned or delayed;

(d) No work shall commence in the Premises until (y) Tenant or its contractor (i) has procured a paid builder's risk insurance policy on an "all risk" basis and on a

completed value form, including a Permission to Complete and Occupy endorsement, for full replacement value covering the interest of Landlord and Tenant (and their respective contractors and subcontractors), any mortgagee and any lessor under any ground lease of which Landlord notifies Tenant from time to time, in all such work by Tenant to be incorporated in the Building and all materials and equipment in or about the Premises in connection therewith, such insurance policy naming Landlord and any other parties whose names have been provided by Landlord to Tenant from time to time as additional insureds and

(ii) has delivered to Landlord a certificate of insurance evidencing such policy, and (z) Tenant or its contractor has procured a workmen's compensation insurance policy covering the activities of all persons working at the Premises in connection with such Permitted Alterations naming Landlord as an additional insured and has delivered to Landlord a certificate of insurance evidencing such policy;

(e) Tenant may use any licensed architect or engineer to prepare its plans and to file for permits, provided, however, that such architect or engineer shall, at all times, be required to maintain commercially reasonable professional liability insurance coverage. However, all such plans shall be subject to review, proposed revision and approval by Landlord or its architect, which proposed revision and approval shall not be unreasonably withheld or delayed;

(f) Tenant, at its expense, shall perform all work in connection with all Permitted Alterations, in accordance with Tenant's Plans using reputable, experienced contractors and subcontractors, and such work shall be subject to Landlord's supervisory fee charge in the amount of eight (8%) percent of the total cost thereof to be paid to Landlord or Landlord's construction affiliate, as designated by Landlord; provided, however, that in connection with any Alterations permitted without Landlord's consent pursuant to Article 15(A)(x) - (z), above, such supervisory fee charge shall be in the amount of five (5%) percent. In receiving such fee, Landlord assumes no responsibility for the quality or manner (including, without limitation, the means, methods and/or techniques) in which such work has been performed; and

(g) Tenant agrees that it will not, either directly or indirectly, use any contractors and/or labor and/or materials if the use of such contractors and/or labor and/or materials would or will create any difficulty with other contractors and/or labor engaged by Tenant or Landlord or others in the construction, maintenance or operation of the Building or any part thereof. Landlord agrees to impose a similar "labor harmony" requirement on all tenants of the Building from and after the date of this lease.

(iii) Tenant's Permitted Alterations shall be subject to the following additional conditions: (a) the Permitted Alterations will not result in a violation of, or require a change in, any Certificate of Occupancy applicable to the Premises or the Building; (b) the outside appearance, character or use of the Building shall not be affected; (c) no part of the Building outside of the Premises shall be physically affected; (d) in the event the proper functioning of any mechanical and electrical system of the Building shall be affected by any portion of Tenant's Permitted Alterations, same shall be performed by Landlord or its designee at costs which are reasonable and commercially competitive.

(iv) Tenant shall defend, indemnify and save harmless Landlord against any and all mechanics' and other liens filed in connection with its Permitted Alterations, repairs or

installations, including the liens of any conditional sales of, or chattel mortgages upon, any materials, fixtures or articles so installed in and constituting part of the Premises and against any loss, cost, liability, claim, damage and expense, including reasonable counsel fees, penalties and fines incurred in connection with any such lien, conditional sale or chattel mortgage or any action or proceeding brought thereon. Tenant agrees to obtain and deliver to Landlord, written and unconditional waivers of mechanics' liens for all work, labor and services performed and materials furnished, the cost of which exceeds $5,000.00, signed by all contractors, subcontractors, materialmen and laborers involved in such work.

(v) Tenant, at its expense, shall procure the satisfaction or discharge of or otherwise bond over all such liens within thirty (30) days after notice to Tenant of the filing of such lien against the Premises or the Building. If Tenant shall fail to cause such lien to be discharged within the aforesaid period, then, in addition to any other right or remedy, Landlord may, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by procuring the discharge of such lien by deposit or by bonding proceedings, and in any such event Landlord shall be entitled, if Landlord so elects, to compel the prosecution of an action for the foreclosure of such lien by the lienor and to pay the amount of the judgment in favor of the lienor with interest, costs and allowances. If Tenant elects to discharge any such lien through bonding, Tenant must ensure that the subject lien is discharged from the Real Property, the Building, the Demised Premises and this lease (as applicable) and transferred to the bond. Any amount so paid by Landlord, and all costs and expenses incurred by Landlord in connection therewith, together with interest thereon at the interest rate set forth in Article 33 hereof, from the respective dates of Landlord's making of the payments or incurring of the cost and expense, shall be billed promptly by Landlord and shall constitute additional rent and shall be paid within twenty (20) days of demand.

(vi) Nothing in this lease contained shall be construed in any way as constituting the consent or request of Landlord, expressed or implied, to any contractor, subcontractor, laborer or materialman for the performance of any labor or the furnishing of any material for any improvement, alteration or repair of the Premises, nor as giving any right or authority to contract for the rendering of any services or the furnishing of any materials that would give rise to the filing of any mechanics' liens against the Premises.

(C) Tenant shall not be permitted to make, or to engage a contractor or artist to make, any Alterations, decorations, installations, additions or other improvements ("Visual Alteration") which may be considered a work of visual art of any kind, and/or which might fall within the protections of the Visual Artists Rights Act of 1990 ("VARA") unless:

(i) Tenant obtains, from each artist and/or contractor who will be involved in said Visual Alteration, valid written waivers of such artist's and/or contractor's rights under VARA in form and content reasonably acceptable to Landlord; and

(ii) Landlord consents to such Visual Alteration in writing.

In the event that a claim is brought under VARA with respect to any Visual Alteration performed in or about the Building by or at the request of Tenant or Tenant's agents or employees, Tenant shall indemnify and hold harmless Landlord against and from any and all such claims. If any

action or proceeding shall be brought against Landlord by reason of such claim under VARA, Tenant agrees that Tenant, at its expense, will resist and defend such action or proceeding and will employ counsel satisfactory to Landlord therefor. Tenant shall also pay any and all damages sustained by Landlord as a result of such claim, including, without limitation, attorney's fees and the cost to Landlord of complying with VARA protections (which shall include damages sustained as a result of Landlord's inability to remove Visual Alterations from the Premises). Failure of Tenant to strictly comply with the

provisions of this Article 15(C) shall be deemed a default under this lease, and Landlord shall be entitled to pursue all appropriate remedies provided herein, as well as at law or in equity. The provisions of this Article 15(C) shall survive the expiration or sooner termination of this lease.

REQUIREMENTS OF LAW

16. (A) Landlord shall comply with all applicable laws, codes, ordinances, rules and regulations, including, without limitation, any requirements of OSHA, fire and life safety regulations, energy conservation regulations and the ADA, relating to the base-Building (i.e., structural and Building system components) and all common areas of the Real Property. Tenant, at Tenant's sole cost and expense, shall comply with all statutes, laws, ordinances, orders, regulations and notices of Federal, State, County and Municipal authorities, and with all directions, pursuant to law, of all public officers, which shall impose any duty upon Landlord or Tenant with respect to the Demised Premises or the use or occupation thereof, except that Tenant shall not be required to make any alterations in order so to comply unless such alterations shall be necessitated or occasioned, in whole or in part (in which event Tenant shall be responsible for its pro rata share of the cost of such alteration), by (i) the negligence or willful misconduct of Tenant or any person claiming through or under Tenant or any of their servants, employees, contractors, agents, visitors or licensees, (ii) the particular manner of use or occupancy of the Demised Premises by Tenant, or any such person, as compared to general use of the Demised Premises for office purposes, or (iii) any Alterations made in or to the Demised Premises by or on behalf of Tenant.

(B) Tenant shall keep or cause the Premises to be kept free of Hazardous Materials (hereinafter defined). Without limiting the foregoing, Tenant shall not cause or permit the Premises to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials, except in compliance with all applicable Federal, State and Local laws or regulations, nor shall Tenant cause or permit, as a result of any intentional or unintentional act or omission on the part of Tenant or any person or entity claiming through or under Tenant or any of their employees, contractors, agents, visitors or licensees (collectively, "Related Parties"), a release of Hazardous Materials onto the Premises or onto any other property. Tenant shall comply with and ensure compliance by all Related Parties with all applicable Federal, State and Local laws, ordinances, rules and regulations regarding Hazardous Materials, whenever triggered by Tenant or Related Parties, and shall obtain and comply with, and ensure that all Related Parties obtain and comply with, any and all approvals, registrations or permits required thereunder. With respect to Hazardous Materials for which Tenant is responsible hereunder, Tenant shall (i) conduct and complete all investigations, studies, samplings, and testing, and all remedial removal and other actions necessary to clean up and remove Hazardous Materials, on, from, or affecting the Premises to the extent same were introduced thereon by Tenant or Related Parties (a) in accordance with all applicable Federal, State and Local laws,

ordinances, rules, regulations, policies, orders and directives, and (b) to the reasonable satisfaction of Landlord, and (ii) defend, indemnify, and hold harmless Landlord, its employees, agents, officers, and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to, (a) the presence, disposal, release, or threatened release of such Hazardous Materials which are on, from, or affecting the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise to the extent same were introduced thereon by Tenant or Related Parties; (b) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials; (c) any lawsuit brought or threatened, settlement reached, or government order relating to such Hazardous Materials; and/or (d) any violation of laws, orders, regulations, requirements, or demands of government authorities, or any policies or requirements of Landlord which are based upon or in any way related to such Hazardous Materials, including, without limitation, attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses. In the event this lease is terminated, or Tenant is dispossessed, Tenant shall deliver the Premises to Landlord free of any and all Hazardous Materials introduced thereon by Tenant or Related Parties. For purposes of this paragraph, "Hazardous Materials" includes, without limitation, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801 et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 9601, et seq.), and in the regulations adopted and publications promulgated pursuant thereto, or any other Federal, State or Local environmental law, ordinance, rule, or regulation. Notwithstanding anything to the contrary contained in this Article 16(B), Tenant may maintain and use in the Premises certain commercially reasonable amounts of cleaning and/or office fluids and materials that are Hazardous Materials, provided that (i) such materials are used and stored in compliance with all applicable laws, and (ii) the indemnification obligations of Tenant set forth in this Article 16(B) shall apply with full force and effect thereto. Tenant's obligations under this Article 16 (B) shall survive the expiration or earlier termination of the term of this lease.

(C) In the event that a legal violation involving Hazardous Materials now exists or arises in the future which Tenant is not responsible for under this lease and which materially and adversely affects Tenant's use of the Demised Premises, Landlord hereby covenants to address such legal violation in the manner required by applicable law. Notwithstanding the foregoing, if the subject legal violation has been caused by the act or omission of a third party, then Landlord may seek to cause such third party to address such legal violation. In the event of a legal violation involving Hazardous Materials that was caused by the actions of Landlord or Landlord's employees, Landlord shall defend, indemnify and hold harmless Tenant, its employees, agents, officers and directors from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs or expenses arising therefrom.

(D) Tenant represents that, as of the date of this lease, and Tenant covenants that throughout the term of this lease: (i) Tenant is not, and shall not be, an Embargoed Person (hereafter defined); (ii) none of the funds or other assets of Tenant are or shall constitute property of, or are or shall be beneficially owned, directly or indirectly, by any Embargoed Person; (iii) no Embargoed Person shall have any interest of any nature whatsoever in Tenant, with the result that

the investment in Tenant (whether directly or indirectly) is or would be blocked or prohibited by law or that this lease and performance of the obligations hereunder are or would be blocked or in violation of law; and (iv) none of the funds of Tenant are, or shall be derived from, any activity with the result that the investment in Tenant (whether directly or indirectly) is or would be blocked or in violation of law or that this lease and performance of the obligations hereunder are or would be in violation of law. "Embargoed Person" means a person, entity or government (x) identified on the Specially Designated Nationals and Blocked Persons List maintained by the United States Treasury Department Office of Foreign Assets Control and/or any similar list maintained pursuant to any authorizing statute, executive order or regulation, (y) subject to trade restrictions under United States law, including, without limitation, the International Emergency Economic Powers Act, 50 U.S.C. § 1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., and any Executive Orders or regulations promulgated under any such laws, with the result that the investment in Tenant (whether directly or indirectly), is or would be

prohibited by law or this lease is or would be in violation of law, and/or (z) subject to blocking, sanction or reporting under the USA Patriot Act, as amended; Executive Order 13224, as amended; Title 31, Parts 595, 596 and 597 of the U.S. Code of Federal Regulations, as they exist from time to time; and any other law or Executive Order or regulation through which the U.S. Department of the Treasury has or may come to have sanction authority. If any representation made by Tenant pursuant to this Article 16(D) shall become untrue, Tenant shall within twenty (20) days give written notice thereof to Landlord, which notice shall set forth in reasonable detail the reason(s) why such representation has become untrue and shall be accompanied by any relevant notices from, or correspondence with, the applicable governmental agency or agencies.

END OF TERM

17. (A) Upon the expiration or other termination of the Term of this lease, Tenant shall, at its own expense, quit and surrender to Landlord the Demised Premises, broom clean, in good order and condition, ordinary wear, tear and damage by fire or other casualty excepted, and Tenant shall remove all of its property and shall pay the cost to repair all damage to the Demised Premises or the Building occasioned by such removal. Any property not removed from the Premises shall be deemed abandoned by Tenant and may be retained by Landlord, as its property, or disposed of in any manner deemed appropriate by the Landlord. Any expense incurred by Landlord in removing or disposing of such property shall be reimbursed to Landlord by Tenant on demand. Tenant's obligations under this Article 17 shall survive the Expiration Date or sooner termination of this lease.

(B) In the event of any holding over by Tenant after the expiration or termination of this lease without the consent of Landlord, in addition to recovery by Landlord of any damages which Landlord may have incurred or other remedies Landlord may have by law, Tenant shall pay to Landlord, in consideration of Tenant's use and occupancy of the Demised Premises for each month of the holdover period, an amount equal to (i) one hundred fifty (150%) percent of the Rent payable by Tenant for the last full calendar month prior to the Expiration Date, for the first three months of such holdover period, and (ii) two hundred (200%) percent of the Rent payable by Tenant for the last full calendar month prior to the Expiration Date, for the fourth and each subsequent month of such holdover period. In addition, Tenant shall otherwise observe, fulfill and perform all of its obligations under this lease, including but not limited to, those

pertaining to additional rent, in accordance with its terms. No holding over by Tenant after the Term shall operate to extend the Term.

The holdover, with respect to all or any part of the Premises, of a person deriving an interest in the Premises from or through Tenant, including, but not limited to, an assignee or subtenant, shall be deemed a holdover by Tenant.

Notwithstanding anything in this Article contained to the contrary, the acceptance of any payments made by Tenant pursuant to this Paragraph 17(B), shall not preclude Landlord from commencing and prosecuting a holdover or eviction action or proceeding or any action or proceeding in the nature thereof.

(C) [INTENTIONALLY OMITTED].

QUIET ENJOYMENT

18. Landlord covenants and agrees with Tenant that upon Tenant paying the Rent and additional rent and observing and performing all the terms, covenants and conditions on Tenant's part to be observed and performed within any applicable notice and grace periods provided herein for the cure thereof, Tenant may peaceably and quietly enjoy the Demised Premises and the common areas of the Building during the Term of this lease without hindrance or molestation by Landlord or anyone claiming by or through Landlord, subject, nevertheless, to the terms, covenants and conditions of this lease including, but not limited to, Article 23.

SIGNS

19. Tenant shall not place any signs or lettering of any nature on or in any window or on the exterior of the Building or elsewhere within the Demised Premises such as will be visible from the street. Nor may Tenant place any sign or lettering in the public corridors or on the doors, except where Tenant has obtained the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed) to the placing, style and content of such sign or lettering and all sources constructing or furnishing such sign or lettering. For so long as Tenant continues to lease and occupy at least 67,000 rentable square feet of space within the Building, in no event shall any tenant leasing less space within the Building be entitled to signage at the Building unless Tenant is first offered comparable signage that is higher than such tenant's signage, if any. The aforementioned signage rights are personal to Otsuka America Pharmaceutical, Inc. and any assignee permitted pursuant to Article 21(C) of this lease, and are non-transferable by operation of law or otherwise.

RULES AND REGULATIONS

20. Tenant and Tenant's agents, employees, visitors, and licensees shall faithfully observe and comply with, and shall not permit violation of, the Rules and Regulations set forth on Schedule D annexed hereto and made part hereof, and with such further reasonable Rules and Regulations as Landlord at any time may make and communicate in writing to Tenant which, in Landlord's judgment, shall be necessary for the reputation, safety, care and appearance of the Building and the land allocated to it or the preservation of good order therein, or the operation or maintenance of the Building, and such land, its equipment, or the more useful occupancy or the

comfort of the tenants or others in the Building. Landlord shall not be liable to Tenant for the violation of any of said Rules and Regulations, or the breach of any covenant or condition, in any lease by any other tenant in the Building, Landlord hereby covenants and agrees that it shall not enforce any such Rule or Regulation in a manner designed to discriminate against Tenant. In no event shall the imposition of any new Rules and Regulations increase Tenant's monetary obligations, materially increase Tenant's non-monetary obligations or materially and adversely affect any of Tenant's rights hereunder. In the event of any inconsistency between the terms and conditions of this lease and the terms and conditions of any Rules or Regulations, the terms and conditions of this lease shall govern.

RIGHT TO SUBLET OR ASSIGN

21. (A) Tenant shall not assign this lease nor sublet the Demised Premises or any part thereof, by operation of law or otherwise, including, without limitation, an assignment or subletting as defined in Article 21(D) below, without the prior written consent of Landlord in each instance, which consent shall not be unreasonably withheld, delayed or conditioned (except as otherwise set forth herein). Tenant may assign this lease or sublet all or a portion of the Demised Premises with Landlord's prior written consent, which consent shall not be unreasonably withheld, delayed or conditioned (except as otherwise set forth herein), provided:

(i) That such assignment or sublease is for a use which is in compliance with this lease, the then existing zoning regulations and the Certificate of Occupancy for the Building;

(ii) That, at the time of such assignment or subletting, there is no default under the terms of this lease on Tenant's part beyond applicable notice and grace periods provided herein for the cure thereof;

(iii) That, in the event of an assignment, the assignee shall assume in writing the performance of all of the terms and obligations of this lease;

(iv) That a duplicate original of said assignment or sublease shall be delivered to Landlord at the address herein set forth within ten (10) days from the execution of said assignment or sublease and within one-hundred twenty (120) days of the date that Landlord consents to such assignment or sublease;

(v) Such assignment or subletting shall not, however, release the assigning or subletting person or entity or any guarantor of this lease, or any of their respective successors, from their liability for the full and faithful performance of all of the terms and conditions of this lease; provided, however that Tenant shall not be liable for any increased obligations under this lease incurred as a result of an agreement between Landlord and any assignee to extend the term of this lease or to expand the size of the Demised Premises leased hereunder (except by way of an option specifically contained herein);

(vi) If this lease is assigned, whether or not in violation of the provisions of this lease, Landlord may collect rent from the assignee. If the Demised Premises or any part thereof is sublet or is used or occupied by anybody other than Tenant, whether or not in violation of this lease, Landlord may, after default by Tenant, and expiration of Tenant's time to cure such

default, collect rent from the subtenant or occupant. In either event, Landlord may apply the net amount collected to the rents herein reserved, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of any of the provisions of this Article, or the acceptance of the assignee, subtenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of Tenant's obligations under this lease. The consent by Landlord to assignment, mortgaging, subletting or use or occupancy by others shall not in any way be considered to relieve Tenant from obtaining the express written consent of Landlord to any other or further assignment, mortgaging or subletting or use or occupancy by others not expressly permitted by this Article. References in this lease to use or occupancy by others, that is anyone other than Tenant, shall not be construed as limited to subtenants and those claiming under or through sub-tenants but as including also licensees and others claiming under or through Tenant, immediately or remotely;

(vii) [INTENTIONALLY OMITTED].

(B) (i) Notwithstanding anything contained in this Article 21 to the contrary, no assignment of this lease (other than an assignment of the nature addressed in Article 21(C) of this lease) or subletting of the entire Demised Premises shall be made by Tenant in any event until Tenant has offered (a "Total Recapture Offer") to terminate this lease and surrender and vacate the entire Demised Premises as of an Effective Recapture Date. An "Effective Recapture Date" shall be a date selected by Tenant, provided that such date must be the last day of a calendar month during the Term and must be a date no later than the date that was scheduled as the effective date of such proposed assignment or the commencement date of such proposed sublease.

(ii) Also notwithstanding anything to the contrary contained in this Article 21 (other than a subletting of the nature addressed in Article 21(C) of this lease), no subletting of any portion of the Demised Premises (such portion being hereinafter referred to as the "Recapture Space") shall be made by Tenant in any event until Tenant has offered (a "Partial Recapture Offer") to terminate this lease (as it relates to the Recapture Space only) and surrender and vacate the entire Recapture Space as of an Effective Recapture Date. If Landlord accepts a Partial Recapture Offer, Landlord and Tenant shall enter into an amendment of this lease, whereby (a) the Demised Premises is redefined so as to exclude therefrom the subject Recapture Space, (b) Landlord, at Tenant's expense, will perform all construction work necessary and appropriate to separately demise the Recapture Space from the balance of the Demised Premises in accordance with all legal requirements, and (c) all other provisions of this lease that are contingent upon the size of the Demised Premises (e.g., Tenant's Proportionate Share; Rent; number of parking spaces allotted to Tenant) are proportionately reduced (on the basis of the reduced rentable square footage of the Demised Premises). It is agreed that the recapture right set forth in this Article 21(B)(ii) shall not apply in connection with a Minor Sublease (as hereinafter defined). The term "Minor Sublease", as used herein, shall mean (1) any proposed sublease which, when considered together with all other subleases that will be in effect on the commencement of such proposed sublease will result in less than twenty-five (25%) percent of the Demised Premises being occupied by subtenants, (2) any proposed sublease for a term of five (5) years or less, and (3) a sublease the term of which will expire at least eighteen (18) months prior to the expiration of the term of this lease.

(iii) Simultaneously with any such offer to terminate this lease (whether in whole or in part), Tenant shall advise the Landlord, in writing, of all of the "material business

terms" of the proposed sublease or assignment; it being acknowledged and agreed that such offer by Tenant to terminate this lease shall be made prior to Tenant marketing the Premises (or any portion thereof) for any such sublease or assignment. For purposes of this Article 21(B)(iii) only, the term "material business terms" shall mean: (a) whether Tenant is proposing to assign this Lease or sublet all or a portion of the Premises; (b) the proposed area of the Premises to be sublet, if applicable; (c) the proposed term of the assignment or subletting; and (d) a proposed range of rental rates.

(C) Tenant may, without the consent of Landlord, assign this lease or sublet all or any portion of the Demised Premises to an affiliated entity (i.e., an entity having 20% or more of its equitable ownership interest held by the person(s) or entity(ies) that hold 20% or more of Tenant's equitable ownership interest), a parent or subsidiary entity of Tenant, or to a person or entity to which it sells or assigns all or substantially all of its assets or equitable ownership interest or with which it may be consolidated or merged, provided such purchasing, consolidated, merged, affiliated, parent or subsidiary person or entity shall (i) in the event of an assignment, in writing, assume and agree to perform all of the obligations of Tenant under this lease (ii) in the event of a sublease, in writing, acknowledge and agree that the sublease is subject and subordinate to this lease, that the sublease shall automatically terminate upon any termination of this lease and that the subtenant shall be bound by all restrictions and limitations set forth in this lease with respect to the use and enjoyment of the Demised Premises, and (iii) in either event, deliver to Landlord a fully-executed original of such assignment and assumption or sublease, as applicable, within ten (10) days following the full execution and delivery thereof; and provided further that Tenant shall not be released or discharged from any liability under this lease by reason of any such assignment or subletting. Notwithstanding the foregoing and only in the event of an assignment in accordance with the terms and conditions of this Article 21(C) whereby Tenant is no longer a validly existing entity as a result of such assignment, Tenant shall be released from any liability under this lease from and after such assignment.

(D) For purposes of this Article 21, (1) the transfer of the outstanding capital stock of Tenant, or the stock of any entity controlling Tenant, through the "over-the-counter market" or through any U.S. or foreign recognized stock exchange, (2) a private placement or other raising of funds to be invested in Tenant for future expansion or additional working capital; (3) gifts, bequeaths, inheritance or otherwise between and among Tenant's shareholders (or partners, as the case may be) and their families; or (4) any other transfer of stock, partnership interests or other equity interests of Tenant so long as the then-current or comparable management team remains in place, shall not be deemed an assignment or sublet under this lease; however, subject to the provisions of Article 21(C), above, (i) the transfer (by any other means) of a majority of the issued and outstanding stock of any corporate tenant, or the transfer of a majority of the total equitable ownership interest in any tenant of another business form, however accomplished, whether in a single transaction or in a series of related or unrelated transactions, shall be deemed an assignment of this lease; (ii) any person or legal representative of Tenant, to whom Tenant's interest under this lease passes by operation of law or otherwise, shall be bound by the provisions of this Article 21; and (iii) a material modification or amendment of a sublease shall be deemed a sublease.

(E) Tenant shall not mortgage, pledge, hypothecate or otherwise encumber its interest under this lease.

(F) Without affecting any of its other obligations under this lease, except with respect to any permitted assignment or subletting under Article 21(C) hereof, Tenant will pay Landlord as additional rent fifty (50%) percent of any sums or other economic consideration, which (i) are paid to Tenant as a result of any permitted assignment or subletting whether or not referred to as rentals under the assignment or sublease (after deducting therefrom the reasonable costs and expenses incurred by Tenant in connection with the assignment or subletting in question, including, without limitation, brokerage commissions, alterations made by Tenant for purposes of preparing the Demised Premises [or applicable portions thereof] for the assignee/subtenant, advertising expenses, reasonable, out-of-pocket attorney's fees and expenses in preparing and/or negotiating the assignment or sublease, free rent or other abatements or concessions given to the assignee/subtenant, allowances or other concessions paid by Tenant and lease "takeover" costs paid by Tenant to a third party landlord of other space leased by the assignee/subtenant to induce it to enter into the assignment or sublease); and (ii) exceed in total the sums which Tenant is obligated to pay Landlord under this lease (prorated to reflect obligations allocable to that portion of the Demised Premises subject to such assignment or sublease), it being the express intention of the parties that Landlord and Tenant shall share equally in any profit by reason of such sublease or assignment. Tenant will not amend the assignment or sublease in such a way as to reduce or delay payment of amounts which are provided in the assignment or sublease approved by Landlord and are to be shared with Landlord pursuant to this Article 21(F).

(G) Landlord agrees that it shall not unreasonably withhold, delay or condition (except as otherwise set forth herein) its consent to a subletting or assignment in accordance with the terms of this Article 21. In determining reasonableness, there shall be taken into account the character and reputation of the proposed subtenant or assignee, the specific nature of the proposed subtenant's or assignee's business and whether same is in keeping with other tenancies in the Building; the financial standing of the proposed subtenant or assignee; and the impact of all of the foregoing upon the Building and the other tenants of Landlord therein. Landlord shall not be deemed to have unreasonably withheld its consent if it refuses to consent to a subletting or assignment to an existing tenant in the Building when Landlord has "Comparable Space (as hereinafter defined) or to a proposed subtenant or assignee with whom Landlord is negotiating, or has negotiated in the preceding six (6) months, a lease or if, at the time of Tenant's request, Tenant is in default, beyond applicable grace and notice periods, of any of the terms, covenants and conditions of this Lease to be performed by Tenant. Landlord shall respond to Tenant's request for consent within thirty (30) days after Tenant's delivery of all of the information and documentation required pursuant to this Article 21. In the event Landlord denies consent to any proposed assignment, sublease or other transfer, Landlord shall simultaneously provide Tenant with a reasonably detailed explanation for such denial. The term "Comparable Space" as used herein, shall mean and refer to space in the Building which (i) is neither more than forty (40%) percent larger nor more than ten (10%) percent smaller than the space that Tenant proposes to sublet or assign, (ii) is or can be made available for lease within six (6) months of the proposed occupancy date of the proposed assignment or subletting, and (iii) has been vacant and available for less than two (2) years. At least thirty (30) days prior to any proposed subletting or assignment, Tenant shall submit to Landlord a written notice of the proposed subletting or assignment, which notice shall contain or be accompanied by the following information:

(a) the name and address of the proposed subtenant or assignee;

(b) the nature and character of the business of the proposed subtenant or assignee and its proposed use of the premises to be demised;

(c) the most recent two (2) years of balance sheets and profit and loss statements of the proposed subtenant or assignee or other financial information reasonably satisfactory to Landlord; and

(d) a detailed summary of the terms of the proposed assignment or sublease, provided that Landlord's consent shall remain conditioned upon and subject to Tenant's delivery and Landlord's review and approval of a fully executed original of said assignment of lease or sublease.

Without limiting the right of Landlord to withhold its consent to any proposed assignment of this lease or subletting of all or any portion of the Demised Premises, Tenant specifically acknowledges and agrees that it and anyone holding through Tenant shall not sublet or assign all or any portion of the Demised Premises to any subtenant or assignee who will use the Demised Premises or a portion thereof for any of the following designated uses nor for any other use which is substantially similar to any one of the following designated uses:

(i) federal, state or local governmental division, department or agency which generates heavy public traffic, including, without limitation, court, social security offices, labor department office, drug enforcement agency, motor vehicle agency, postal service, military recruitment office;

(ii) union or labor organization;

(iii) office for the practice of medicine, dentistry or the rendering of other health related services;

(iv) chemical or pharmaceutical company; provided, however, that the subletting or assignment to such a company which will use the premises only for executive, general and sales offices and waive the right to conduct any research and development shall not be prohibited;

(v) insurance claims office, including, but not limited to, unemployment insurance or worker's compensation insurance, where such claims are primarily made in person (whether through drive-up or walk-in services) as opposed to being made telephonically; or

(vi) securities brokerage firm engaged in the operation of a so-called "boiler room" facility or otherwise primarily engaged in the solicitation for purchase of small capitalized securities or other highly speculative securities (including, without limitation, options and so-called "penny stocks").

LANDLORD'S ACCESS TO PREMISES

22. (A) Landlord or Landlord's agents shall have the right to enter and/or pass through the Demised Premises at all reasonable times on reasonable notice, except in an

emergency, to examine the same, and to show them to ground lessors, mortgagees or prospective purchasers, ground lessors or mortgagees, and to make such repairs to the Demised Premises or such repairs, improvements or additions to the remainder of the Building as Landlord may deem necessary or desirable, and Landlord shall be allowed to take all material into and upon and/or through said Demised Premises that may be required therefor. During the twelve (12) months prior to the expiration of the Term of this lease, or any renewal term, Landlord may exhibit the Demised Premises to prospective tenants or purchasers at all reasonable hours and without materially interfering with Tenant's business. If Tenant shall not be personally present to open and permit an entry into said premises at any time, when for any reason an entry therein shall be necessary or permissible, Landlord or Landlord's agents may enter the same by a master key, or forcibly in the event of an emergency, without rendering Landlord or such agent liable therefor (if during such entry Landlord or Landlord's agents shall afford reasonable care to Tenant's property).

(B) Landlord shall also have the right, at any time, to change the arrangement and/or location of entrances or passageways, doors and doorways, and corridors, elevators, stairs, toilets, or other public parts of the Building; provided, however, that Landlord shall make no change in the arrangement and/or location of entrances or passageways or other public parts of the Building which will adversely affect in any material manner Tenant's use and enjoyment of the Demised Premises. It is expressly understood and agreed that the foregoing shall not permit Landlord to change the arrangement and/or location of entrances or passageways, doors and doorways, or corridors, elevators, stairs or restrooms within the Demised Premises. Landlord shall also have the right, at any time, to name the Building, including, but not limited to, the use of appropriate signs and/or lettering on any or all entrances to the Building, and to change the name, number or designation by which the Building is commonly known; provided, however, that, so long as Tenant continues to (i) lease at least 67,000 rentable square feet of space within the Building, and (ii) occupy at least fifty-one (51%) percent of such space, in no event shall Landlord name the Building after another pharmaceutical company. The foregoing prohibition shall only apply if and to the extent Otsuka America Pharmaceutical, Inc. or any assignee permitted pursuant to Article 21(C) of this lease remains "Tenant" under this lease.

(C) Unless specifically set forth herein to the contrary, neither this lease nor any use by Tenant shall give Tenant any right or easement to the use of any door or passage or concourse connecting with any other building or to any public conveniences (e.g., sidewalks, passageways, walkways, exterior common areas, etc.), and the use of such doors and passages and concourse and of such conveniences may be regulated and/or discontinued at any time and from time to time by Landlord without notice to Tenant. In no event shall Landlord eliminate Tenant's access to the Premises or the Building Parking Area through its exercise of the rights set forth in this Article 22(C).

(D) In connection with the exercise of the rights contained in this Article, Landlord agrees to use commercially reasonable efforts to minimize interference with Tenant's use and enjoyment of the Premises; provided, however that the exercise by Landlord or its agents of any such rights shall not constitute an actual or constructive eviction, in whole or in part, or entitle Tenant to any abatement or diminution of rent, or relieve Tenant from any of its obligations under this lease, or impose any liability upon Landlord, or its agents, or upon any lessor under any

ground or underlying lease, by reason of inconvenience or annoyance to Tenant, or injury to or interruption of Tenant's business, or otherwise.

SUBORDINATION

23. (A) Subject to the provisions of Article 23(E) below, this lease and all rights of Tenant hereunder are, and shall be, subject and subordinate in all respects to the operation of all ground leases and/or underlying leases, and to the lien of all first mortgages and building loan agreements which may now or hereafter be placed on or affect such leases and/or the Real Property of which the Demised Premises form a part, or any part or parts of such Real Property, and/or Landlord's interest or estate therein, and to each advance made and/or hereafter to be made under any such mortgages, and to all renewals, modifications, consolidations, replacements and extensions thereof and all substitutions therefor. The provisions of this Article 23(A) shall be self-

operative and no further instrument of subordination shall be required other than as provided in Article 23(E) below. In confirmation of such subordination, Tenant shall execute and deliver promptly (but on not less than ten (10) business days written request) any certificate that Landlord and/or any mortgagee and/or the lessor under any ground or underlying lease and/or their respective successors in interest may reasonably request.

(B) Without limitation of any of the provisions of this lease, in the event that any mortgagee or its assigns shall succeed to the interest of Landlord or of any successor-Landlord and/or shall have become lessee under a new ground or underlying lease, then, at the option of such mortgagee (subject to the requirements of Article 23(E), below), this lease shall nevertheless continue in full force and effect and Tenant shall and does hereby agree to attorn to such mortgagee or its assigns and to recognize such mortgagee or its respective assigns as its Landlord.

(C) Tenant shall, at any time and from time to time, within ten (10) business days after Landlord's request therefor, execute and deliver to Landlord a statement in writing (i) certifying that this lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modification); (ii) certifying the dates to which the Rent, additional rent and other charges have been paid; (iii) certifying whether any installments of Rent, additional rent or other charges under this lease have been paid more than thirty (30) days in advance; (iv) stating whether or not Landlord is in default in performance of any covenant, agreement, term, provision or condition contained in this lease, and if so, specifying each such default; (v) confirming the Rent Commencement Date and the scheduled Expiration Date under this lease; (vi) setting forth the amount of the Security Deposit then being held by Landlord, if any; (vii) certifying the amount of the then-current monthly Rent payments under this lease; (viii) certifying the terms of any remaining options of Tenant under this lease, including, to the extent applicable, any renewal, expansion (which, for purposes of this clause, shall be deemed to include any right of first refusal, right of offer and similar right to lease additional space), relocation, partial surrender, cancellation, purchase and similar options, if any; (ix) certifying that this lease has not been assigned by Tenant (or if any assignment has occurred, setting forth the date of such assignment and the identity of the parties thereto); (x) certifying that Tenant then occupies the entire Demised Premises and that no portion thereof has been sublet to any person or entity (or if any subletting has occurred, setting forth the date and material terms of such sublease and the identity of the parties thereto); and (xi) containing such other information as to the status of this lease as Landlord shall reasonably request. Tenant hereby acknowledges that

the statement delivered pursuant hereto may be relied upon by any prospective purchaser or lessee of the Real Property or any interest or estate therein, any mortgagee or prospective mortgagee thereof, or any prospective assignee of any mortgage thereof. If, in connection with obtaining financing for the Real Property and/or the Building, a banking, insurance or other recognized institutional lender shall request reasonable modifications in this lease as a condition to such financing, Tenant will not unreasonably withhold, delay or defer its consent thereto, provided that such modifications do not increase the obligations of Tenant hereunder, diminish the rights of Tenant hereunder or in any manner adversely affect the leasehold interest hereby created. If, in connection with such financing, such institutional lender shall require financial information on the Tenant in such form as Tenant is required to provide under Article 50 of this lease, Tenant shall promptly comply with such request. Landlord shall, following written request therefor by Tenant (which may be made not more frequently than once per year), execute, acknowledge and deliver to Tenant a statement in writing certifying (to the extent known by Landlord to be accurate) that this lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modification) and the dates to which the Rent, additional rent and other charges have been paid in advance, if any, and stating whether or not to the knowledge of the signer of such certificate Tenant is in default in performance of any covenant, agreement, term, provision or condition contained in this lease, and if so, specifying each such default of which the signer may have knowledge.

(D) Tenant covenants and agrees that if by reason of a default under any underlying lease (including an underlying lease through which Landlord derives its leasehold estate in the premises), such underlying lease and the leasehold estate of the Landlord in the premises demised hereby is terminated, providing notice has been given to Tenant and any permitted leasehold mortgagee, Tenant will attorn to the then holder of the reversionary interest in the premises demised by this lease or to anyone who shall succeed to the interest of Landlord or to the lessee of a new underlying lease entered into pursuant to the provisions of such underlying lease, and will recognize such holder and/or such lessee as Tenant's landlord under this lease. Tenant agrees to execute and deliver, at any time and from time to time, upon the request of Landlord or of the lessor under any such underlying lease, any instrument which may be reasonably necessary or appropriate to evidence such attornment. Tenant further waives the provision of any statute or rule of law now or hereafter in effect which may give or purport to give Tenant any right of election to terminate this lease or to surrender possession of the premises hereby in the event any proceeding is brought by the lessor under any underlying lease to become the successor landlord..

(E) Simultaneously with the full execution and delivery of this lease, Landlord delivered for the benefit of Tenant from Landlord's existing mortgagee of the Real Property (i.e., UBS) a subordination, non-disturbance and attornment agreement ("SNDA"), on the form annexed hereto as Exhibit "5". As a condition to the effectiveness of the subordination set forth in this Article 23, throughout the term of this lease, Landlord shall obtain for the benefit of Tenant from any future mortgagee of the Real Property an SNDA in a form reasonably acceptable to Tenant (it being acknowledged and agreed that an SNDA substantially in the form annexed hereto as Exhibit "5" shall be deemed to be reasonably acceptable to Tenant). Tenant may, at its own risk, negotiate directly with such mortgagee for reasonable modifications to such SNDA; provided, however that the subordination set forth in Article 23(A) shall be effective as of the delivery to Tenant of such SNDA, regardless of whether or not Tenant agrees to its terms and/or

executes same. Tenant shall be solely responsible for the payment of any charges imposed by Landlord's mortgagee in connection with the issuance of any such SNDA.

PROPERTY LOSS, DAMAGE REIMBURSEMENT

24. Landlord or its agents shall not be liable for any damages to property of Tenant or of others entrusted to employees of the Building. Except to the extent arising out of the negligence or willful misconduct of Landlord or its agents (or as otherwise provided in Article 26(D) of this lease), neither Landlord nor its agents shall be liable for: the loss of or damage to any property of Tenant by theft or otherwise; any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, electrical disturbance, water, rain or snow or leaks from any part of the Building or from the pipes, appliances or plumbing works or from the roof, street or subsurface or from any other place or by dampness or by any other cause of whatsoever nature; any such damage caused by other tenants or persons in the Building or caused by operations in construction of any private, public or quasi-public work; any latent defect in the Demised Premises or in the Building (except to the extent Landlord is otherwise obligated to correct such defect pursuant to the terms and conditions of this lease, including, without limitation, Paragraph 2 of Schedule C). If at any time any windows of the Demised Premises are

temporarily closed or darkened incident to or for the purpose of repairs, replacements, maintenance and/or cleaning in, on, to or about the Building or any part or parts thereof, Landlord shall not be liable for any damage Tenant may sustain thereby and Tenant shall not be entitled to any compensation therefor nor abatement of rent nor shall the same release Tenant from its obligations hereunder nor constitute an eviction. Tenant shall, subject to the provisions of Article 56 below, reimburse and compensate Landlord as additional rent for all out-of-pocket expenditures (including, without limitation, reasonable attorneys' fees) made by, or damages or fines sustained or incurred by, Landlord due to non-performance or non-compliance with or breach or failure to observe any term, covenant or condition of this lease upon Tenant's part to be kept, observed, performed or complied with following the expiration of any applicable notice and cure periods. Tenant shall give prompt notice to Landlord in case of fire or accidents in the Demised Premises or of defects therein or in any fixtures or equipment.

INDEMNITY

25. (A) Each party shall indemnify, defend, protect and hold the other party harmless from and against any and all claims, suits, judgments, losses, costs, obligations, damages, expenses, interests and liabilities, including, without limitation, reasonable attorneys' fees, for any injury or damage to any person or property whatsoever arising out of or in connection with the negligent act or omission of that party or its employees, agents or contractors or, subject to the provisions of Article 56 below, the breach or non-performance by that party of any term, covenant or condition of this lease. Nothing contained in this lease shall obligate the indemnifying party to indemnify the other party against the other party's negligence or willful acts or that of its employees, agents or independent contractors. In addition to Tenant's indemnity obligations with respect to Landlord, as set forth in this Article, Tenant shall also be required to indemnify Landlord's Others in Interest (as hereinafter defined) in the instances set forth herein. As used throughout this lease, the term "Landlord's Others In Interest" shall mean the owner of the Real Property (if other than Landlord), Landlord's managing agent, Landlord's asset manager and the holder of any mortgage on the Building or Real Property. The provisions of this Article 25 shall

survive the expiration or termination of this lease and shall terminate upon the expiration of any applicable statute of limitations.

(B) The agreements to indemnify, defend and hold harmless contained in this Article 25 hereof are not intended to and shall not relieve any insurance carrier of its obligations under policies required to be carried by Landlord or Tenant, respectively, pursuant to this lease to the extent that such policies cover the results of such acts or omissions.

DESTRUCTION - FIRE OR OTHER CASUALTY

26. (A) Except as otherwise provided herein, if the Premises or any part thereof shall be damaged by fire or other casualty , Landlord shall proceed with reasonable diligence to repair or cause to be repaired such damage to the condition in which the Premises existed immediately preceding such fire or other casualty (excluding the repair or replacement of Tenant's Property or any Alterations). Tenant shall give Landlord prompt notice of any damage to the Premises by fire or other casualty. The Rent shall be abated to the extent that the Premises shall have been rendered untenantable, such abatement to be from the date of such damage or destruction to the date the Premises shall be substantially repaired or rebuilt so that Tenant can resume its normal business operations therein, in proportion which the area of the part of the Premises so rendered untenantable bears to the total area of the Premises.

(B) If the Premises shall be damaged or rendered untenantable by fire or other casualty, and neither Tenant nor Landlord has terminated this lease pursuant to Subsections (C) or (D) and Landlord has not completed the making of the required repairs and restored and rebuilt the Premises and/or access thereto within twelve (12) months from the date of such damage or destruction, and such additional time after such date (but in no event to exceed three (3) months) as shall equal the aggregate period Landlord may have been delayed in doing so by unavoidable delays or adjustment of insurance, Tenant may serve notice on Landlord of its intention to terminate this lease, and, if within thirty (30) days thereafter Landlord shall not have completed the making of the required repairs and restored and rebuilt the Premises, this lease shall terminate on the expiration of such thirty (30) day period as if such termination date were the Expiration Date, and the Rent and additional rent shall be apportioned as of such date and any prepaid portion of Rent and additional rent for any period after such date shall be refunded by Landlord to Tenant.

(C) If the Premises shall be totally damaged or rendered wholly untenantable by fire or other casualty or if the Building shall be so damaged by fire or other casualty that substantial alteration or reconstruction of the Building shall, in Landlord's opinion, be required (whether or not the Premises shall have been damaged by such fire or other casualty), then in any of such events Landlord may, at its option, terminate this lease and the Term and estate hereby granted, by giving Tenant thirty (30) days notice of such termination within ninety (90) days after the date of such damage. In the event that such notice of termination shall be given, this lease and the Term and estate hereby granted, shall terminate as of the date provided in such notice of termination (whether or not the Term shall have commenced) with the same effect as if that were the Expiration Date, and the Rent and additional rent shall be apportioned as of such date or sooner termination and any prepaid portion of Rent and additional rent for any period after such date shall be refunded by Landlord to Tenant. Landlord hereby agrees that it shall not terminate this lease

pursuant to this Article 26(C) solely for the purpose of vacating the space so that any portion of the Demised Premises may be leased to a new tenant.

(D) Landlord shall not be liable for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting in any way from such damage by fire or other casualty or the repair thereof. Landlord will not carry insurance of any kind on Tenant's property, and Landlord shall not be obligated to repair any damage thereto or replace the same.

(E) If the Demised Premises shall be damaged or rendered untenantable by fire or other casualty, and Landlord has not exercised its option to terminate this lease (as set forth in Article 26(C) above), then Landlord shall, as soon as reasonably practicable following the occurrence of the subject fire or other casualty, deliver to Tenant written notice of Landlord's estimated time for restoration of the Premises. If the estimated date of substantial completion of such restoration work is more than twelve (12) months following the date of occurrence of the subject fire or other casualty, then Tenant shall have the right to terminate this lease by written notice delivered to Landlord within twenty (20) days following receipt of such written notice by Landlord. In the case of proper exercise of the termination right afforded to Tenant under this Article 26(E), this lease shall terminate as of the date of delivery of such written notice by Tenant, and neither party shall have any further obligation or liability to the other hereunder (except for obligations or liabilities previously accrued which remain unsatisfied).

(F) Tenant waives the protection of any law which grants a tenant the right to terminate a lease in the event of the substantial destruction of a leased property, and agrees that the provisions of this Article shall govern in the event of any substantial destruction of the Premises.

INSURANCE

27. (A) Tenant shall not do anything, or suffer or permit anything to be done, in or about the Demised Premises which shall (i) invalidate or be in conflict with the provisions of any fire or other insurance policies covering the Building or any property located therein, or (ii) result in a refusal by fire insurance companies of good standing to insure the Building or any such property in amounts reasonably satisfactory to Landlord, or (iii) subject Landlord to any liability or responsibility for injury to any person or property by reason of any activity being conducted in the Demised Premises or (iv) cause any increase in the fire insurance rates applicable to the Building or equipment or other property located therein at the beginning of the Term or at any time thereafter. Tenant, at Tenant's expense, shall comply with all rules, orders, regulations or requirements of the State Rating Bureau (I.S.O.), any applicable local board of fire underwriters, and any other body exercising a similar function, except that Tenant shall not be required to make any alterations in order so to comply unless such alterations shall be necessitated or occasioned, in whole or in part (in which event Tenant shall be responsible for its pro rata share of the cost of such alteration), by (i) the negligence or willful misconduct of Tenant or any person claiming through or under Tenant or any of their servants, employees, contractors, agents, visitors or licensees, (ii) the particular manner of use or occupancy of the Demised Premises by Tenant, or any such person, as compared to general use of the Demised Premises for office purposes, or (iii) any Alterations made in or to the Demised Premises by or on behalf of Tenant.

(B) If, by reason of any act or omission on the part of Tenant, the rate of fire insurance with extended coverage on the Building or equipment or other property of Landlord or any other tenant or occupant of the Building shall be higher than it otherwise would be, Tenant shall reimburse Landlord and all such other tenants or occupants, on demand, for the part of the premiums for fire insurance and extended coverage paid by Landlord and such other tenants or occupants because of such act or omission on the part of Tenant.

(C) In the event that any dispute should arise between Landlord and Tenant concerning insurance rates, a schedule or make up of insurance rates for the Building or the Premises, as the case may be, issued by the ISO Insurance Rating Organization, Inc. or other similar body making rates for fire insurance and extended coverage for the Premises concerned, shall be conclusive evidence of the facts therein stated and of the several items and charges in the fire insurance rates with extended coverage then applicable to such Demised Premises.

(D) Tenant shall, at its own cost and expense, obtain and maintain in full force and effect during the Term of this lease:

(i) Commercial General Liability insurance on an occurrence basis against claims for Bodily Injury, including death arising therefrom, Personal Injury, Property Damage occurring in or about the Premises or the Real Property under which Tenant is named as the insured and Landlord and Landlord's Others In Interest whose names shall have been furnished by Landlord to Tenant from time to time are included as additional insureds, by policy endorsement if necessary. Tenant's Commercial General Liability shall be primary, in all respects, without contribution from any other insurance carried by or for the benefit of Landlord and Landlord's Others In Interest. Such Commercial General Liability insurance shall include Contractual Liability to insure Tenant's indemnification obligations set forth in this lease (other than with respect to the environmental indemnity set forth in Article 16(B) hereof). The minimum limits of liability shall be a combined single limit with respect to each occurrence in an amount of not less than $10,000,000.00; said limit may be obtained by use of follow-form excess or Umbrella liability policies; provided, however, that Landlord may require Tenant to increase such insurance, from time to time (but in no event more frequently than once every two years), so as to equal the amount of insurance which in Landlord's reasonable judgment is then being customarily required by landlords for similar office space in the vicinity of the Demised Premises so long as Landlord also requires such an increase of all similarly situated tenants (to the extent Landlord has the right to do so in such tenants' leases).

(ii) Property Insurance insuring Tenant's property and all additions, alterations, improvements or betterments to the Premises for the full replacement cost thereof. Property Insurance shall be written to provide Special Form "all risk" perils insuring Tenant's property. Property insurance shall be written with a deductible of no greater than $50,000 each loss (with such increases as are commercially reasonable throughout the Term). Tenant shall insure Business Income/Extra Expense in an amount sufficient to provide for at least twelve (12) months of loss of income and estimated extra expenses.

(iii) Worker's Compensation insurance covering all of Tenant's employees and any other insurance required by law.

(iv) If Tenant undertakes any Alteration, then any and all contractors and subcontractors engaged by Tenant shall be required to provide certificates of insurance, as required pursuant to Article 15(B)(ii)(d). No contractor or subcontractor of Tenant is permitted to begin work on or at the Premises until an insurance certificate complying with the requirements of Article 15(B)(ii)(d), indicating inclusion of required additional insureds, shall have been delivered to Landlord.

(E) All insurance to be carried by Tenant (i) shall be obtained from companies licensed as Admitted insurers in the state where the Demised Premises is located and rated "A-, IX", or better, in the current edition of Best's Key Rating Guide, and (ii) may be maintained under blanket policies of insurance provided the coverage afforded will not be reduced from that required hereunder by the use of a blanket policy. Tenant shall provide evidence of required insurance to Landlord in the form of Certificate(s) of Insurance. Tenant is responsible to provide to Landlord evidence of renewals of required insurance thirty (30) days prior to expiration of each such policy. All required insurance policies shall provide for thirty (30) days advance notice of cancellation or non-renewal (ten (10) days notice for non-payment of premium) to Landlord.

(F) Landlord and Tenant hereby mutually waive any rights of recovery or subrogation against each other (including their employees, officers, directors, agents or representatives) for loss or damage to the Building, tenant improvements and betterments, fixtures, equipment and any other personal property to the extent covered by the property insurance required above or as otherwise required by this lease to be covered. If the property insurance purchased by either party as required herein does not expressly allow the insured to waive rights of subrogation prior to a loss, such party shall cause the property policy to be endorsed with a waiver of subrogation as required above. If either party maintains a deductible, such party shall be deemed insured for the amount of such deductible.

(G) All insurance coverage shall be provided in compliance with the requirements herein and shall contain no non-standard, special, and/or unusual exclusions or restrictive endorsements without the prior written consent of Landlord.

(H) Throughout the term, Landlord shall maintain commercial general liability insurance, covering the common areas of the Real Property, and shall maintain so-called "All Risks" property insurance coverage on the Building; both such coverages to be commercially reasonable in coverage scope and amount.

EMINENT DOMAIN

28. (A) In the event that the whole of the Demised Premises shall be lawfully condemned or taken in any manner for any public or quasi-public use, this lease and the Term and estate hereby granted shall forthwith cease and terminate as of the date of vesting of title. In the event that only a part of the Demised Premises shall be so condemned or taken, then effective as of the date of vesting of title, the Rent hereunder shall be abated in an amount thereof apportioned according to the area of the Demised Premises so condemned or taken. In the event that only a part of the Building shall be so condemned or taken, then (i) Landlord (whether or not the Demised Premises be affected) may, at its option, terminate this lease and the Term and estate hereby granted as of the date of such vesting of title by notifying Tenant in writing of such termination

within sixty (60) days following the date on which Landlord shall have received notice of vesting of title, and (ii) if such condemnation or taking shall be of a substantial part of the Demised Premises or completely eliminate reasonable access thereto or materially decreases the number of Tenant's parking spaces, Tenant shall have the right, by delivery of notice in writing to Landlord within sixty (60) days following the date on which Tenant shall have received notice of vesting of title, to terminate this lease and the Term and estate hereby granted as of the date of vesting of title, or (iii) if neither Landlord nor Tenant elects to terminate this lease, as aforesaid, this lease shall be and remain unaffected by such condemnation or taking, except that the Rent shall be reduced to the extent, if any, hereinabove provided in this Article 28. For purposes of this Article 28, the phrase "substantial part" shall be deemed to mean more than fifteen (15%) percent of the Demised Premises. In the event that only a part of the Demised Premises shall be so condemned or taken and this lease and the Term and estate hereby granted are not terminated as hereinbefore provided, Landlord will, at its expense, restore the remaining portion of the Demised Premises as nearly as practicable to the same condition as it was in prior to such condemnation or taking and during the course of such restoration, the Rent shall be abated to the extent the Demised Premises shall have been rendered untenantable. Landlord hereby agrees that it shall not terminate this lease pursuant to this Article 28(A) solely for the purpose of vacating the space so that any portion of the Demised Premises may be leased to a new tenant.

(B) In the event of a termination in any of the cases hereinabove provided, this lease and the Term and estate granted shall expire as of the date of such termination with the same effect as if that were the date hereinbefore set for the expiration of the Term of this lease, and the Rent hereunder shall be apportioned as of such date.

(C) In the event of any condemnation or taking hereinabove mentioned of all or part of the Building, Landlord shall be entitled to receive the entire award in the condemnation proceeding, including any award made for the value of the estate vested by this lease in Tenant, and Tenant hereby expressly assigns to Landlord any and all right, title and interest of Tenant now or hereafter arising in or to any such award or any part thereof, and Tenant shall be entitled to receive no part of such award, except that the Tenant may file a claim for any taking of nonmovable fixtures owned by Tenant, for moving expenses incurred by Tenant and for the value of any leasehold improvements within the Demised Premises to the extent paid for by Tenant (provided, however, that in no event shall any such claim by Tenant reduce the amount of Landlord's award). It is expressly understood and agreed that the provisions of this Article 28 shall not be applicable to any condemnation or taking for governmental occupancy for a limited period.

NONLIABILITY OF LANDLORD

29. (A) If Landlord or a successor in interest is an individual (which term as used herein includes aggregates of individuals, such as joint ventures, general or limited partnerships or associations), such individual shall be under no personal liability with respect to any of the provisions of this lease, and if such individual hereto is in breach or default with respect to its obligations under this lease, Tenant shall look solely to the equity of such individual in the Real Property (including the rents, sale and insurance proceeds and condemnation awards therefrom) for the satisfaction of Tenant's remedies and in no event shall Tenant attempt to secure any

personal judgment against any such individual or any partner, employee or agent of Landlord by reason of such default by Landlord.

(B) The word "Landlord" as used herein means only the owner of the landlord's interest for the time being in the land and Building (or the owners of a lease of the Building or of the land and Building) of which the Premises form a part, and in the event of any sale of the Building and land of which the Demised Premises form a part, Landlord shall be and hereby is entirely freed and relieved of all covenants and obligations of Landlord hereunder thereafter accruing and, it shall be deemed and construed without further agreement between the parties or between the parties and the purchaser of the Premises, that such purchaser has assumed and agreed to carry out any and all covenants and obligations of Landlord thereafter accruing hereunder.

DEFAULT

30. (A) Upon the occurrence, at any time during the Term, of any one or more of the following events (referred to as "Events of Default"):

(i) If Tenant shall default in the payment when due of any installment of Rent or in the payment when due of any additional rent, and such default shall continue for a period of ten (10) days after (a) written notice by Landlord to Tenant of such non-payment, provided Landlord shall only be obligated to give Tenant written notice twice during any Lease Year, or (b) the date when such payment is due in the event Landlord has already given Tenant written notice twice during such Lease Year; or

(ii) If Tenant shall default in the observance or performance of any term, covenant or condition of this lease on Tenant's part to be observed or performed (other than the covenants for the payment of Rent and additional rent) and Tenant shall fail to remedy such default within thirty

(30) days after notice by Landlord to Tenant of such default, or if such default is of such a nature that it cannot be completely remedied within said period of thirty (30) days and Tenant shall not commence within said period of thirty (30) days, or shall not thereafter diligently prosecute to completion, all steps necessary to remedy such default; or

(iii) If Tenant shall file a voluntary petition in bankruptcy or insolvency, or shall be adjudicated a bankrupt or become insolvent, or shall file any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy code or any other present or future applicable federal, state or other statute or law, or shall make a general assignment for the benefit of creditors or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of Tenant or of all or any part of Tenant's property; or

(iv) If, within sixty (60) days after the commencement of any proceeding against Tenant, whether by the filing of a petition or otherwise, seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy code or any other present or future applicable federal, state or other statute or law, such proceedings shall not have been dismissed, or if, within sixty (60) days after the appointment of any trustee, receiver or liquidator of Tenant, or of all or any part of Tenant's property, such appointment shall not have been vacated or otherwise

discharged, or if any execution or attachment shall be issued against Tenant or any of Tenant's property pursuant to which the Demised Premises shall be taken or occupied or attempted to be taken or occupied; or

(v) [INTENTIONALLY OMITTED]; or

(vi) [INTENTIONALLY OMITTED]; or

(vii) If Tenant's interest in this lease shall devolve upon or pass to any person, whether by operation of law or otherwise and same continues after five (5) days notice, except as expressly permitted under Article 21;

then, upon the occurrence, at anytime prior to or during the Term, of any one or more of such Events of Default, Landlord, at any time thereafter, at Landlord's option, may give to Tenant a five (5) days' notice of termination of this lease and, in the event such notice is given, this lease and the Term shall come to an end and expire (whether or not said term shall have commenced) upon the expiration of said five (5) days with the same effect as if the date of expiration of said five (5) days were the Expiration Date, but Tenant shall remain liable for damages as provided in Article 32.

(B) If, at any time (i) Tenant shall be comprised of two (2) or more persons, or (ii) Tenant's obligations under this lease shall have been guaranteed by any person, or (iii) Tenant's interest in this lease shall have been assigned, the word "Tenant", as used in subsection (iii) and (iv) of Section 30(A), shall be deemed to mean any one or more of the persons primarily or secondarily liable for Tenant's obligations under this lease. Any monies received by Landlord from or on behalf of Tenant during the pendency of any proceeding of the types referred to in said subsections (iii) and (iv) shall be deemed paid as compensation for the use and occupation of the Demised Premises and the acceptance of such compensation by Landlord shall not be deemed an acceptance of Rent or a waiver on the part of Landlord of any rights under Section 30(A).

TERMINATION ON DEFAULT

31. (A) If an Event of Default shall occur, then:

(i) Landlord and its agents and servants may upon five (5) days notice after such Event of Default or immediately after the date upon which this lease and the Term shall expire and come to an end, re-enter the Demised Premises or any part thereof, without additional notice, either by summary proceedings or by any other applicable action or proceeding (without being liable to indictment, prosecution or damages therefor), and may repossess the Demised Premises and dispossess Tenant and any other persons from the Demised Premises and remove any and all of their property and effects from the Demised Premises; and

(ii) Landlord, at Landlord's option, may relet the whole or any part or parts of the Demised Premises from time to time, either in the name of Landlord or otherwise, to such tenant or tenants, for such term or terms ending before, on or after the Expiration Date, at such rental or rentals and upon such other conditions, which may include concessions and free rent periods, as Landlord, in its sole discretion, may determine. Except as set forth below, Landlord shall have no obligation to relet the Demised Premises or any part thereof and shall in no event be

liable for failure to relet the Demised Premises or any part thereof, or, in the event of any such reletting, for failure to collect any rent due upon any such reletting, and no such failure shall operate to relieve Tenant of any liability under this lease or otherwise to affect any such liability; Landlord, at Landlord's option, may make such repairs, replacements, alterations, additions, improvements, decorations and other physical changes in and to the Demised Premises as Landlord, in its sole discretion, considers advisable or necessary in connection with any such reletting or proposed reletting, without relieving Tenant of any liability under this lease or otherwise affecting any such liability. To the extent Landlord incurs any expenses in connection with reletting the Demised Premises, such as preparing same for a new tenant and brokerage commissions in connection with any releasing (collectively, "Reletting Costs"), all such costs shall be amortized over the term or terms of the new lease or leases, and only the portion of such Reletting Costs applicable to that portion of the term or terms of the new lease or leases which "overlaps" with the period of time otherwise constituting the remainder of the Term shall be chargeable to Tenant as damages hereunder. For example, if two (2) years remain on the Term when Landlord terminates this lease in connection with an Event of Default, and Landlord relets the Premises for a term of ten (10) years, then Tenant shall only be responsible for 2/10ths of the Reletting Costs; and

(iii) Landlord shall, following the regaining of possession under this Article 31, take commercially reasonable efforts to mitigate its damages in the manner set forth in this Article 31(A)(iii). Landlord shall use commercially reasonable efforts to relet the whole or any part of the Demised Premises from time to time, either in the name of the Landlord or otherwise, for such terms and conditions as Landlord, in its sole discretion, may determine. Landlord may satisfy its obligation to use commercially reasonable efforts to relet the whole or any part or parts of the Demised Premises simply

by listing the Demised Premises (or portions thereof) as available for lease with a single commercial real estate broker who is actively involved in the Mercer County commercial real estate market or with a single multiple listing service that covers the Mercer County commercial real estate market. Landlord shall have no obligation to relet the Demised Premises or any part thereof in preference to other space available for let by Landlord or any of its affiliates in the market area at that time and, instead, shall be entitled to give leasing and marketing priority to such other spaces available to let by Landlord or any of its affiliates. In no event shall Landlord be liable for failure to relet the Premises or any part thereof so long as Landlord uses commercially reasonable efforts to do so.

(B) Tenant, on its own behalf and on behalf of all persons claiming through or under Tenant, including all creditors, does hereby waive any and all rights which Tenant and all such persons might otherwise have under any present or future law to redeem the Demised Premises, or to re-enter or repossess the Demised Premises, or to restore the operation of this lease, after (i) Tenant shall have been dispossessed by a judgment or by warrant of any court or judge, or (ii) any re-entry by Landlord, or (iii) any expiration or termination of this lease and the Term, whether such dispossess, re-entry, expiration or termination shall be by operation of law or pursuant to the provisions of this lease. In the event of a breach or threatened breach by Tenant or any persons claiming through or under Tenant, of any term, covenant or condition of this lease on Tenant's part to be observed or performed, Landlord shall have the right to enjoin such breach and the right to invoke any other remedy allowed by law or in equity as if re-entry, summary proceeding and other special remedies were not provided in this lease for such breach. In the event of a breach or threatened breach by Landlord or any persons claiming through or under Landlord,

of any term, covenant or condition of this lease on Landlord's part to be observed or performed, Tenant shall have the right to enjoin such breach and the right to invoke any other remedy allowed in equity or at law (as otherwise limited by the provisions of this lease). The rights to invoke the remedies hereinbefore set forth are cumulative and shall not preclude Landlord or Tenant from invoking any other remedy allowed at law or in equity.

DAMAGES

32. (A) If this lease and the Term shall expire and come to an end as provided in Article 30 or by or under any summary proceeding or any other action or proceeding, or if Landlord shall re-enter the Demised Premises as provided in Article 31 or by or under any summary proceedings or any other action or proceeding provided in Article 31, then, in any of said events:

(i) Tenant shall pay to Landlord all Rent, additional rent and other charges payable under this lease by Tenant to Landlord to the date upon which this lease and the Term shall have expired and come to an end or to the date of re-entry upon the Demised Premises by Landlord, as the case may be; and

(ii) Tenant shall also be liable for and shall pay to Landlord, as damages, any deficiency (referred to as "Deficiency") between the Rent and additional rent reserved in this lease for the period which otherwise would have constituted the unexpired portion of the Term and the net amount, if any, of rents collected under any releting effected pursuant to the provisions of Section 31(A) for any part of such period (first deducting from the rents collected under any such releting all of Landlord's reasonable, out-of-pocket expenses in connection with the termination of this lease or Landlord's re-entry upon the Demised Premises as permitted hereunder and with such releting (as provided in Article 31(A)(ii) above) including, but not limited to, all repossession costs, brokerage commissions, legal expenses, attorneys' fees, alteration costs and other expenses of preparing the Demised Premises for such releting). Any such Deficiency shall be paid in monthly installments by Tenant on the days specified in this lease for payment of installments of Rent. Landlord shall be entitled to recover from Tenant each monthly Deficiency as the same shall arise, and no suit to collect the amount of the Deficiency for any month shall prejudice Landlord's rights to collect the Deficiency for any subsequent month by a similar proceeding; and

(iii) At any time after this lease shall be terminated by Landlord, as provided hereunder, whether or not Landlord shall have collected any monthly Deficiencies as aforesaid, Landlord shall be entitled to recover from Tenant, and Tenant shall pay to Landlord, on demand, as and for liquidated and agreed final damages, a sum equal to the amount by which the Rent and additional rent reserved in this lease for the period which otherwise would have constituted the unexpired portion of the Term exceeds the then fair and reasonable rental value of the Demised Premises for the same period, both discounted to present worth at the then current prime rate of interest, as reported by The Wall Street Journal . If, before presentation of proof of such liquidated damages to any court, commission, or tribunal, the Demised Premises, or any part thereof, shall have been relet by Landlord for the period which otherwise would have constituted the unexpired portion of the Term, or any part thereof, the amount of Rent reserved upon such

releting shall be deemed, prima facie, to be the fair and reasonable rental value for the part or the whole of the Demised Premises so relet during the term of the releting.

(B) If the Demised Premises, or any part thereof, shall be relet together with other space in the Building, the rents collected or reserved under any such releting and the expenses of any such releting shall be equitably apportioned for the purposes of this Article 32. Tenant shall in no event be entitled to any rents collected or payable under any releting, whether or not such rents shall exceed the rent reserved in this lease; provided, however, that such excess shall be held by Landlord and applied against future damages incurred by Landlord. Solely for the purposes of this Article, the term "Rent" as used in Section 32(A) shall mean the rent in effect immediately prior to the date upon which this lease and the Term shall terminate and come to an end, plus any additional rent payable pursuant to the provisions of Article 11 and Article 12 for the Escalation Year (as defined in Article 11) immediately preceding such event. Nothing contained in Articles 30 and 31 of this lease shall be deemed to limit or preclude the recovery by Landlord from Tenant of the maximum amount allowed to be obtained as damages by any statute or rule of law, or of any sums or damages to which Landlord may be entitled in addition to the damages set forth in Section 32(A).

SUMS DUE LANDLORD

33. If Tenant shall default in the performance of any covenants on Tenant's part to be performed under this lease beyond applicable notice and grace periods provided herein for the cure thereof, Landlord may immediately, or at anytime thereafter, without additional notice, and without thereby waiving such default, perform the same for the account of Tenant and at the expense of Tenant. If, as permitted hereunder, Landlord at any time is compelled to pay or elects to pay any sum of money, or do any act which will require the payment of any sum of money by reason of the failure of Tenant to comply with any provision hereof, or, if Landlord is compelled to or elects to incur any expense, including reasonable attorneys' fees, instituting, prosecuting and/or

defending any action or proceeding instituted by reason of any default of Tenant hereunder, the sum or sums so paid by Landlord, with all interest (as permitted hereunder), costs and damages, shall be deemed to be additional rent hereunder and shall be due from Tenant to Landlord on the first day of the month following the date Tenant receives Landlord's invoice therefor or, at Landlord's option, on the first day of any subsequent month (but in no event on less than thirty (30) days notice). Any sum of money (other than the annual minimum rent due under this lease) accruing from Tenant to Landlord pursuant to any provisions of this lease, including, but not limited to, the provisions of Article 6 hereof, whether prior to or after the Rent Commencement Date, may, at Landlord's option, be deemed additional rent, and Landlord shall have the same remedies for Tenant's failure to pay any item of additional rent when due as for Tenant's failure to pay any installment of Rent when due. Tenant's obligations under this Article shall survive the expiration or sooner termination of the Term. In any case in which the Rent, additional rent or other charge is not paid within ten (10) days of the day when same is due, Tenant shall pay interest on such amount from the due date of such amount until the payment date of such amount at a rate equal to three hundred basis points over the then current prime rate of interest, as reported by The Wall Street Journal, provided, however, the rate charged shall in no event be higher than the highest rate permitted by law. In addition to the accrual and requirement for payment of interest on the subject delinquent amount, Tenant shall pay to Landlord, as additional rent, a one-time (with respect to the subject delinquency) late payment charge in an amount equal to two (2%) percent of

the amount of the unpaid installment of Rent, additional rent or other charge as of the due date therefor. Notwithstanding the foregoing, the aforementioned late charge shall not apply in the first two instances of non-payment of Rent or additional rent in each Lease Year, unless and until after Landlord provides Tenant with written notice thereof and ten (10) days thereafter in which to cure the same. The foregoing late payment charge is intended to compensate Landlord for its additional administrative costs resulting from Tenant's failure to pay in a timely manner and has been agreed upon by Landlord and Tenant as a reasonable estimate of the additional administrative costs that will be incurred by Landlord as a result of Tenant's failure as the actual cost in each instance is extremely difficult, if not impossible, to determine. This late payment charge will constitute liquidated damages and will be paid to Landlord together with such unpaid amounts and the interest having accrued thereon. Neither the payment of interest nor the aforesaid late payment charge will constitute a waiver by Landlord of any default by Tenant under this lease. In addition, Tenant shall reimburse Landlord for any and all reasonable, out-of-pocket attorney fees incurred by Landlord in connection with the preparation, review, negotiation and/or consummation of any amendment, modification, license, sublease (for which Landlord's consent is required), assignment (for which Landlord's consent is required), consent, agreement or other understanding made at the request of, or as an accommodation to, Tenant with respect to this lease.

NO WAIVER

34. No act or thing done by Landlord or Landlord's agents during the term hereby demised shall be deemed an acceptance of a surrender of said Demised Premises, and no agreement to accept such surrender shall be valid unless in writing signed by Landlord. No employee of Landlord or of Landlord's agents shall have any power to accept the keys of the Demised Premises prior to the termination of this lease. The delivery of keys to any employee of Landlord or of Landlord's agents shall not operate as a termination of this lease or a surrender of the Demised Premises. In the event Tenant shall at any time desire to have Landlord underlet the Demised Premises for Tenant's account, Landlord or Landlord's agents are authorized to receive said keys for such purposes without releasing Tenant from any of the obligations under this lease, and Tenant hereby relieves Landlord and its agents of any liability for loss of or damage to any of Tenant's effects in connection with such underletting. Except with respect to damages related to Hazardous Materials for which Landlord or Tenant is responsible hereunder or damages set forth in Article 17(B) hereof, neither party shall be liable to the other for any lost profits, incidental, special, exemplary, punitive, indirect or other consequential damages. The failure of either party to seek redress for violation of, or to insist upon the strict performance of, any covenants or conditions of this lease, or any of the Rules and Regulations annexed hereto and made a part hereof or hereafter adopted by Landlord, shall not prevent a subsequent act, which would have originally constituted a violation, from having all the force and effect of an original violation. The receipt by Landlord of rent with knowledge of the breach of any covenant of this lease shall not be deemed a waiver of such breach. The failure of Landlord to enforce any of the Rules and Regulations annexed hereto and made a part hereof, or hereafter adopted, against Tenant and/or any other tenant in the Building shall not be deemed a waiver of any such Rules and Regulations provided Landlord complies with its obligations under Article 20 of this lease. No provision of this lease shall be deemed to have been waived by either party, unless such waiver be in writing signed by such party. No payment by Tenant or receipt by Landlord of a lesser amount than the monthly Rent herein stipulated shall be deemed to be other than on account of the earliest stipulated Rent nor shall any endorsement or statement on any check or any letter accompanying any check or

payment of Rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Rent or pursue any other remedy in this lease provided.

WAIVER OF TRIAL BY JURY

35. To the extent such waiver is permitted by law, Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by Landlord or Tenant against the other on any matter whatsoever arising out of or in any way connected with this lease, the relationship of landlord and tenant, the use or occupancy of the Demised Premises by Tenant or any person claiming through or under Tenant, any claim of injury or damage, and any emergency or other statutory remedy. The provisions of the foregoing sentence shall survive the expiration or any sooner termination of the Term. If Landlord commences any summary proceeding for nonpayment, Tenant agrees not to interpose any counterclaim of whatever nature or description in any such proceeding or to consolidate such proceeding with any other proceeding; except that Tenant shall not be prohibited from instituting any compulsory counterclaim or from instituting a counterclaim for a Landlord default under this lease where such default constitutes the basis for Tenant's good faith defense (if any) to Landlord's nonpayment claim.

Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being rightfully evicted or dispossessed for any cause, or in the event of Landlord's obtaining possession of the Demised Premises, by reason of the violation by Tenant of any of the covenants and conditions of this lease or otherwise.

NOTICES

36. (A) Except as otherwise expressly provided in this lease, any bills, statements, notices, demands, requests or other communications (other than bills, statements or notices given in the regular course of business) given or required to be given under this lease shall be effective only if rendered or given in writing, personally delivered or sent by registered or certified mail (return receipt requested) or by reputable overnight courier, addressed (A) to

Tenant at c/o Otsuka America Pharmaceutical, Inc., 2440 Research Blvd., Rockville, MD 20850, Attn: VP-Finance, together with a copies delivered to (x) Tenant at 100 Overlook Center, Princeton, New Jersey 08540, Attn: Corporate Management, if delivered prior to the Rent Commencement Date, (y) Tenant at the Premises, Attn: VP-Corporate Services, if delivered following the Rent Commencement Date, and (z) Sills Cummis & Gross P.C., 650 College Road East, Princeton, New Jersey 08540, Attention: Kevin J. Moore, Esq., or (ii) at any place where Tenant or any agent or employee of Tenant may be found if mailed subsequent to Tenant's vacating, deserting, abandoning or surrendering the Demised Premises, or (B) to Landlord c/o RXR Realty LLC at 625 RXR Plaza, Uniondale, New York 11556, Attention: Legal Department, together with a copy delivered to Landlord c/o RXR Realty LLC at 51 J.F.K. Parkway, Short Hills, New Jersey 07078, Attn: Corporate Senior Vice President/Managing Director, or (C) addressed to such other address as either Landlord or Tenant may designate as its new address for such purpose by notice given to the other in accordance with the provisions of this Article. Any such bills, statements, notices, demands, requests or other communications shall be deemed to have been rendered or given on the earlier to occur of receipt or rejection.

(B) Tenant hereby designates the following address(es) as its billing address for the delivery of all bills and invoices issued by Landlord in connection with this lease:

If delivered by mail (regular, registered or certified):

OAPI
Attn: Accounts Payable
PO Box 10839
Rockville, MD 20849

If delivered by overnight delivery:

OAPI
Attn: Accounts Payable
2440 Research Blvd.
Rockville, MD 20850

All tenant delay notices shall be sent to:

2440 Research Boulevard
Rockville, MD 20850
Attn: Raymond Tripp
E-mail: Raymond.tripp@otsuka.com

With a copy to:

2440 Research Boulevard
Rockville, MD 20850
Attn: Steven Weisel, Esq.
E-mail: steven.weisel@otsuka.com

Upon thirty (30) days prior written notice to Landlord, Tenant may, from time to time, re-designate its billing address hereunder.

INABILITY TO PERFORM

37. If, by reason of strikes or other labor disputes, fire or other casualty (or reasonable delays in adjustment of insurance), accidents, orders or regulations of any Federal, State, County or Municipal authority, or any other cause beyond either party's reasonable control, whether or not such other cause shall be similar in nature to those hereinbefore enumerated, such party is unable to furnish or is delayed in furnishing any utility or service required to be furnished under the provisions of this lease or any collateral instrument or is unable to perform or make or is delayed in performing or making any installations, decorations, repairs, alterations, additions or improvements, whether or not required to be performed or made under this lease, or under any collateral instrument, or is unable to fulfill or is delayed in fulfilling any of such party's other obligations under this lease, or any collateral instrument, no such inability or delay shall constitute an Event of Default or an actual or constructive eviction, in whole or in part, or entitle Tenant to any abatement or diminution of rent, or relieve Landlord or Tenant from any of its obligations

under this lease, or impose any liability upon Landlord or its agents, by reason of inconvenience or annoyance to Tenant, or injury to or interruption of Tenant's business, or otherwise. Nothing contained in this Article 37 shall extend the time for the payment by Tenant of Rent and/or additional rent, and/or permit Tenant or Landlord to fail or omit to make payment and performance of its monetary obligations as and when otherwise required under this lease.

INTERRUPTION OF SERVICE

38. (A) Landlord reserves the right to stop the services of the air conditioning, elevator, escalator, plumbing, electrical or other mechanical systems or facilities in the Building when necessary by reason of accident or emergency, or for repairs, alterations or replacements, which, in the judgment of Landlord are desirable or necessary, until such repairs, alterations or replacements shall have been completed. Landlord shall use commercially reasonable efforts to minimize any interference with the normal operation of the Demised Premises as a result of the foregoing activities. Except as otherwise specifically provided in this lease, the exercise of such rights by Landlord shall not constitute an actual or constructive eviction, in whole or in part, or entitle Tenant to any abatement or diminution of rent, or relieve Tenant from any of its obligations under this lease, or impose any liability upon Landlord or its agents by reason of inconvenience or annoyance to Tenant, or injury to or interruption of Tenant's business or otherwise.

(B) Notwithstanding anything to the contrary contained in this lease, in the event of an Abatement Event (hereinafter defined), Tenant may be entitled to an abatement of Rent and additional rent, subject to the following provisions and conditions of this Article 38(B). An "Abatement Event" shall be deemed to have occurred where an independent arbitrator has determined (in accordance with the procedures set forth below) that due solely to Landlord's failure to provide any Essential Services (as hereinafter defined) that it is required to provide under this lease, the Demised Premises, or a Substantial Portion (as hereinafter defined) thereof, has been rendered Untenantable (hereinafter defined), and such Untenantability has continued for a period of five (5) consecutive business days after receipt of notice of such Untenantability. For purposes of this Article 38(B) only, the term "Substantial Portion" shall mean ten (10%) percent or more of the Demised Premises, but in no event less than 10,000 rentable square feet of the Demised Premises. If the arbitrator determines that there has occurred an Abatement Event, then, on a pro-rata basis, rent (including all fixed and additional rent) shall be abated on a day for day basis, commencing on the sixth (6th) business day after Landlord's receipt of notice of such Untenantability and continuing until the date on which Landlord notifies Tenant that the Demised Premises (or the applicable Substantial Portion thereof) has ceased to be Untenantable. The term "Untenantable", as used herein, shall be deemed to mean where both: (i) the Demised Premises, or a Substantial Portion thereof, has been placed in a condition where a reasonable tenant could not reasonably be expected to continue to use and occupy the Demised Premises, or such Substantial Portion thereof, and (ii) Tenant has actually and completely vacated and ceased to use the Demised Premises, or such Substantial Portion thereof. If Tenant has a good faith claim that it is entitled to an abatement as a result of the occurrence of an Abatement Event, then Tenant may institute an arbitration proceeding for the purpose of validating and affirming such entitlement. The arbitration shall be commenced and held in Mercer County (or the AAA office located nearest the Building) and shall be conducted before a single, independent arbitrator mutually acceptable to both Landlord and Tenant pursuant to the then prevailing expedited arbitration rules of the AAA. The arbitrator must be an individual with at least ten (10) years experience in the Mercer County,

New Jersey commercial real estate market and, in particular, the subject matter of the arbitration. The sole issue before the arbitrator shall be whether there has occurred an Abatement Event under the provisions of this Article 38(B). The decision of the arbitrator shall be final and binding upon Landlord and Tenant, and judgment may be entered thereon in accordance with applicable law in any court having jurisdiction thereof. Except for the determination of Tenant's entitlement to an abatement (if appropriate), the arbitrator shall not be empowered to award damages of any nature. The term "Essential Services", as used herein, shall be deemed to include electrical, elevator, heating, ventilating, air conditioning and water, sewer and plumbing services to the Demised Premises and shall also be deemed to include reasonable access to and from the Demised Premises. The provisions of this Article 38(B) shall be inapplicable to any Untenantability which (x) is attributable to the actions or omissions of Tenant or its employees, agents or contractors, (y) results from any fire or other casualty falling within the purview of Article 26 of this lease, or (z) is result of any failure to provide essential services which is beyond Landlord's reasonable control.

CONDITIONS OF LANDLORD'S LIABILITY

39. If Landlord shall be unable to give possession of the Demised Premises on any date specified for the commencement of the term by reason of the fact that the Premises have not been sufficiently completed to make the Premises ready for occupancy, or for any other reason, Landlord shall not be subject to any liability for the failure to give possession on said date, nor shall such failure in any way affect the validity of this lease or the obligations of Tenant hereunder, except as otherwise expressly provided herein.

TENANT'S TAKING POSSESSION

40. (A) Tenant, by entering into occupancy of the Premises, shall be deemed to have agreed that Landlord, up to the time of such occupancy, has performed all of its obligations hereunder and that the Premises were in satisfactory condition as of the date of such occupancy, (i) unless within ten (10) business days after such date Landlord and Tenant shall jointly prepare a written statement specifying the respects in which the same were not in such condition, and (ii) subject to Landlord's obligation to repair latent defects as provided in Article 5(A). Such items shall be deemed to be "Punchlist Items" which Landlord shall remedy, at Landlord's expense, within thirty (30) days after preparation of the final statement.

(B) If Tenant shall use or occupy all or any part of the Demised Premises for the conduct of business prior to the date on which Landlord's Initial Construction is substantially completed, such use or occupancy shall be deemed to be under all of the terms, covenants and conditions of this lease, including the covenant to pay rent for the period from the commencement of said use or occupancy to the date on which Landlord's Initial Construction is substantially completed.

ENTIRE AGREEMENT

41. Except for the confirmation of the dates referred to in Article 2 hereof, this lease (including the Schedules and Exhibits annexed hereto) contains the entire agreement between the parties and all prior negotiations and agreements are merged herein. Tenant hereby acknowledges that neither Landlord nor Landlord's agent or representative has made any representations or

statements, or promises, upon which Tenant has relied, regarding any matter or thing relating to the Building, the land allocated to it (including the parking area) or the Demised Premises, or any other matter whatsoever, except as is expressly set forth in this lease, including, but without limiting the generality of the foregoing, any statement, representation or promise as to the fitness of the Demised Premises for any particular use, the services to be rendered to the Demised Premises, or the prospective amount of any item of additional rent. No oral or written statement, representation or promise whatsoever with respect to the foregoing or any other matter made by Landlord, its agents or any broker, whether contained in an affidavit, information circular, or otherwise, shall be binding upon the Landlord unless expressly set forth in this lease. No rights, easements or licenses are or shall be acquired by Tenant by implication or otherwise unless expressly set forth in this lease. This lease may not be changed, modified or discharged, in whole or in part, orally, and no executory agreement shall be effective to change, modify or discharge, in whole or in part, this lease or any obligations under this lease, unless such agreement is set forth in a written instrument executed by the party against whom enforcement of the change, modification or discharge is sought. All references in this lease to the consent or approval of Landlord shall be deemed to mean the written consent of Landlord, or the written approval of Landlord, as the case may be, and no consent or approval of Landlord shall be effective for any purpose unless such consent or approval is set forth in a written instrument executed by Landlord. Landlord and Tenant understand, agree and acknowledge that this lease has been freely negotiated by both parties and that, in the event of any controversy, dispute, or contest over the meaning, interpretation, validity, or enforceability of this lease or any of its terms and conditions, there shall be no inference, presumption or conclusion drawn whatsoever against either party by virtue of that party having drafted this lease or any portion hereof.

DEFINITIONS

42. The words “re-enter”, “re-entry”, and “re-entered” as used in this lease are not restricted to their technical legal meanings. The term “business days” as used in this lease shall exclude Saturdays (except such portion thereof as is covered by specific hours in Article 6 hereof), Sundays and all legal holidays. The terms “person” and “persons” as used in this lease shall be deemed to include natural persons, firms, corporations, partnerships, associations and any other private or public entities, whether any of the foregoing are acting on their behalf or in a representative capacity. The various terms which are defined in other Articles of this lease or are defined in Schedules or Exhibits annexed hereto, shall have the meanings specified in such other Articles, Exhibits and Schedules for all purposes of this lease and all agreements supplemental thereto, unless the context clearly indicates the contrary. Whenever Tenant shall claim under this lease that Landlord has unreasonably withheld or delayed its consent to some request of Tenant for which Landlord is specifically obligated to be reasonable under this lease, Tenant shall have no claim for damages by reason of such alleged withholding or delay, and Tenant’s sole remedy thereof shall be a right to obtain specific performance or injunction but in no event with recovery of damages. However, if Tenant has a good faith claim that Landlord has unreasonably withheld its consent under this lease, then Tenant may institute an expedited arbitration proceeding seeking an affirmative determination as to reasonableness of the withholding of such consent. The arbitration shall be commenced and held in Mercer County (or the AAA office located nearest the Building) and shall be conducted before a single, independent arbitrator pursuant to the then prevailing rules of the AAA. The arbitrator must be an individual with at least ten (10) years experience in the Mercer County commercial real estate market and, in particular, the subject

matter of the arbitration. The sole issue before the arbitrator shall be whether Landlord acted reasonably in withholding its consent. The decision of the arbitrator shall be final and binding upon Landlord and Tenant, and judgment may be entered thereon in accordance with applicable law in any court having jurisdiction thereof. When acting hereunder, the arbitrator shall apply the pertinent provisions of this lease without departure therefrom in any respect. The arbitrator shall not have the power to change any of the provisions of this lease. If the arbitrator determines that Landlord acted unreasonably, then the arbitrator may declare that Landlord’s consent be deemed to have been granted; but in no event shall the arbitrator be empowered to award damages of any nature.

Tenant shall not record this lease (nor a memorandum thereof). In the event that Tenant violates this prohibition against recording, Landlord, at its option, may terminate this lease or may declare Tenant in default under this lease and pursue any or all of Landlord’s remedies provided in this lease.

PARTNERSHIP TENANT

43. If Tenant is a general partnership (or is comprised of two (2)or more persons, individually or as co-partners of a general partnership) or if Tenant’s interest in this lease shall be assigned to a general partnership (or to two (2) or more persons, individually or as co-partners of a general partnership) pursuant to Article 21 (any such general partnership and such persons are referred to in this Section as “Partnership Tenant”), the following provisions of this Section shall apply to such Partnership Tenant: (a) the liability of each of the parties comprising Partnership Tenant shall be joint and several, and (b) each of the parties comprising Partnership Tenant hereby consents in advance to, and agrees to be bound by, any modifications of this lease which may hereafter be made, and by any notices, demands, requests or other communications which may hereafter be given, by Partnership Tenant or by any of the parties comprising Partnership Tenant, and (c) any bills, statements, notices, demands, requests and other communications given or rendered to Partnership Tenant or to any of the parties comprising Partnership Tenant shall be deemed given or rendered to Partnership Tenant and to all such parties and shall be binding upon Partnership Tenant and all such parties, and (d) if Partnership Tenant shall admit new partners, all of such new partners shall, by their admission to Partnership Tenant, be deemed to have assumed performance of, and agreed to be bound by, all of the terms, covenants and conditions of this lease on Tenant’s part to be observed and performed, and (e) Partnership Tenant shall give prompt notice to Landlord of the admission of any such new partners.

SUCCESSORS, ASSIGNS, ETC.

44. The terms, covenants, conditions and agreements contained in this lease shall bind and inure to the benefit of Landlord and Tenant and their respective heirs, distributees, executors, administrators, successors, and, except as otherwise provided in this lease, their respective assigns.

BROKER

45. Landlord and Tenant each represents to the other party that this lease was brought about by Triad Properties LLC and FirstService Williams, as brokers (collectively, the “Brokers”), and all negotiations with respect to this lease were conducted exclusively with said Brokers. Each

party (the “Indemnifying Party”) agrees that if any claim is made for commissions by any other broker through or on account of any acts of the Indemnifying Party, the Indemnifying Party will indemnify, defend and hold the other party and Landlord’s Others in Interest free and harmless from any and all liabilities and expenses in connection therewith, including reasonable attorney fees and disbursements. Landlord agrees to pay any fees or commissions due and payable to the Brokers in connection with this lease pursuant to the terms and conditions of a separate written agreement between Landlord and the Brokers and, in the event Landlord fails to comply with the terms and conditions of such separate agreement, Landlord will indemnify, defend and hold Tenant harmless from and against any claim by Brokers in connection with such breach by Landlord. With respect to the foregoing, in the event Tenant elects to use any broker (the “New Broker”) other than or together with the Brokers in connection with the extension of this lease (whether by way of a renewal option or a separate extension agreement), Tenant shall be responsible for (and indemnify Landlord and Landlord’s Others In Interest against) the commission claimed by the New Broker and any liabilities and expenses, including reasonable attorney fees, incurred with respect thereto.

CAPTIONS

46. The captions in this lease are included only as a matter of convenience and for reference, and in no way define, limit or describe the scope of this lease nor the intent of any provisions thereof.

NOTICE OF ACCIDENTS

47. Tenant shall give notice to Landlord, promptly after Tenant learns thereof, of (i) any accident in or about the Premises, (ii) all fires and other casualties within the Premises, (iii) all damages to or defects in the Premises, including the fixtures, equipment and appurtenances thereof for the repair of which Landlord might be responsible, and (iv) all damage to or defects in any parts or appurtenances of the Building's sanitary, electrical, heating, ventilating, air-conditioning, elevator and other systems located in or passing through the Premises or any part thereof.

TENANT'S AUTHORITY TO ENTER LEASE

48. In the event that the Tenant hereunder is a corporation, partnership, limited liability company, limited partnership, limited liability partnership, professional corporation or other entity (collectively referred to as the "Entity"), Tenant represents that (i) the Entity has obtained all required approvals and/or authorizations to enter into this lease, and (ii) the officer or officers executing this lease have the requisite authority to do so.

LETTER OF CREDIT/SECURITY DEPOSIT

49. (A) Simultaneously with the execution of this lease by Tenant, Tenant shall deliver to Landlord either a cash security deposit (the "Security Deposit") or an unconditional, irrevocable, stand-by letter of credit (the "Letter of Credit") in the amount of $4,100,000.00 Dollars, to serve as security for the full and faithful performance and observance by Tenant of all of the terms, conditions, covenants and agreements of this lease. If Tenant delivers to Landlord the Security Deposit, then such amount shall be held and applied in accordance with the provisions of Article 49(G), below. If Tenant delivers to Landlord the Letter of Credit, then same must conform

to the requirements of Article 49(B), below substantially in the form annexed hereto as Exhibit "2", and the rights and obligations of the parties with respect to the Letter of Credit shall be governed by the provisions of Articles 49(C), (D), (E) and (F), below. Provided that no Event of Default exists, Tenant shall have the right to reduce the amount of the Security Deposit or the Letter of Credit (as applicable) to One Million Two Hundred Thousand and 00/100ths ($1,200,000.00) Dollars as of the end of the first Lease Year.

(B) If Tenant elects to deliver to Landlord the Letter of Credit, then such Letter of Credit must conform to each of the following requirements:

(i) such Letter of Credit may only be issued by and drawable upon a commercial bank, trust company, national banking association or savings and loan association that maintains an office in the New York City metropolitan area at which the Letter of Credit may be drawn upon (the "Issuing Bank"). The Issuing Bank must have outstanding unsecured, uninsured or unguaranteed indebtedness, or must have issued a Letter of Credit or other credit facility that constitutes the primary security for any outstanding indebtedness (which is otherwise uninsured and unguaranteed), that is then rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, "Aa" or better by Moody's Investors Service and "AA" or better by Standard & Poor's Ratings Service (and is not on credit-watch with negative implications), and must then have combined capital, surplus and undivided profits of not less than $500,000,000;

(ii) such Letter of Credit shall indicate the address of the Issuing Bank in the New York City metropolitan area where it can be drawn upon;

(iii) such Letter of Credit shall name Landlord as beneficiary under the Letter of Credit with its address c/o RXR Realty LLC, 625 RXR Plaza, Uniondale, New York 11556, Attention: Corporate Controller;

(iv) such Letter of Credit must be payable to Landlord or an authorized representative of Landlord upon presentation of only the Letter of Credit and a sight draft, and shall not contain as a condition to a draw the requirement of Landlord's certification or other statement as to the existence of Tenant's default;

(v) such Letter of Credit must contain affirmative statements providing that (a) partial draws are permitted, and (b) the beneficiary may, from time to time, transfer or assign the Letter of Credit without the consent of Tenant or the Issuing Bank, and (c) upon transfer or assignment of the Letter of Credit by the beneficiary, neither the beneficiary nor its transferee/assignee shall be responsible for payment of any fees or charges imposed by the issuer in connection with such assignment. Moreover, Tenant hereby acknowledges and agrees that, in the event any such fees or charges are imposed by the issuer in relation to a transfer or assignment of the Letter of Credit and/or in relation to any addition, modification or deletion to the existing Letter of Credit, Tenant shall promptly pay such fees and/or charges and, in the event Tenant fails to pay same, the beneficiary or its transferee/assignee may apply a portion of the draw in satisfaction of such fees and/or charges;

(vi) such Letter of Credit shall be subject to the International Standby Practices 1998, International Chamber of Commerce Publication No. 590;

(vii) such Letter of Credit shall be deemed to be automatically renewed, without amendment, for consecutive one year periods through a date that is not earlier than sixty (60) days after the Expiration Date of this lease, or any renewal or extension thereof, unless written notice of nonrenewal of the Letter of Credit has been given by the Issuing Bank to Landlord (sent to Landlord via certified mail, return receipt requested, to the attention of the Corporate Controller at the address set forth in clause (iii), above). Upon the Issuing Bank's giving of such notice, if any, Tenant must replace said Letter of Credit with a new Letter of Credit, satisfying the requirements of this Article, at least thirty (30) days prior to the termination of the existing Letter of Credit. Failure by Tenant to replace the existing Letter of Credit as required herein shall constitute a default under this Lease and there shall be no notice or opportunity to cure said default. Thereupon, Landlord shall be permitted to draw upon the original Letter of Credit up to the full amount thereof;

(viii) the Letter of Credit must expressly state that all fees and expenses are for the account of Tenant, that neither Landlord nor any successor beneficiary shall have any obligation to pay any such fees or expenses, and that the failure of Tenant to pay any such fees or expenses shall not affect the rights of the beneficiary thereunder; and

(ix) the original Letter of Credit to be delivered by Tenant upon execution of this lease shall be in the amount set forth in the first sentence of Article 49(A), above, and shall not reference or set forth the schedule of reduced amounts set forth at the end of said Article 49(A). Rather, if and when Tenant becomes entitled to reduce the amount of the Letter of Credit then being held by Landlord pursuant to this lease, Landlord shall, upon written request by Tenant following the expiration of the subject Lease Year, cooperate in good faith with Tenant and the Issuing Bank for the exchange of (x) the original Letter of Credit then being held by Landlord pursuant to this lease, for (y) the appropriate amendment to, or replacement of, such Letter of Credit..

Tenant acknowledges and agrees that Landlord shall have no responsibility or liability on account of any error by the Issuing Bank.

(C) In the event Tenant defaults in payment of Rent, Additional Rent, or other sums due from Tenant to Landlord under this lease, or in performance or observance of any other term, covenant, condition or agreement of this lease, in either case after the expiration of applicable notice periods provided herein for the cure thereof, Landlord may notify the Issuing Bank and thereupon draw upon the Letter of Credit, in whole or in part, at Landlord's election, and use, apply or retain the whole or any part of such monies to the extent required for the payment of any sums as to which Tenant is in default (including, without limitation, any damages or deficiency accrued before or after summary proceedings or other re-entry by Landlord) or for coverage or reimbursement of any sums which Landlord may expend or may be required to expend by reason of such default by Tenant. In the event Landlord so uses, applies or retains all or any portion of such monies represented by the Letter of Credit, Tenant shall forthwith restore the amount so used, applied or retained, upon delivery of written notice by Landlord detailing such use, application or retention, through delivery of a new or amended Letter of Credit which

conforms to the requirements of Article 49(B), above. In the event Landlord shall not apply all of the proceeds of such Letter of Credit to cover Tenant's default as permitted hereunder, Landlord shall hold the unapplied portion of such proceeds as a security deposit under this lease pursuant to Article 49(G) below.

(D) In the event of a sale or lease of all or a portion of the Real Property, Landlord shall have the right to transfer its rights under the Letter of Credit to the vendee or lessee and Landlord shall thereupon be released by Tenant from all liability thereafter accruing in connection with such Letter of Credit; Tenant agrees that, upon the transferee's assumption of liability with respect to the Letter of Credit, Tenant shall look solely to the new landlord with respect to the return of, or any dispute arising in connection with, such Letter of Credit; and the provisions hereof shall apply to every transfer or assignment made of such rights to a new landlord. Tenant shall not assign or encumber or attempt to assign or encumber the Letter of Credit (or any security deposit). Any such assignment, encumbrance, attempted assignment or attempted encumbrance by Tenant shall be deemed void and of no force or effect, nor shall same be binding upon Landlord or its successors or assigns.

(E) The acceptance of the Letter of Credit or the exercise of any remedies under this Article 49 by Landlord shall not be a limitation on Landlord's damages, remedies or other rights under this Lease, or construed as a payment of liquidated damages or an advance payment of Rent or any additional rent.

(F) Tenant shall cooperate, at its expense, with Landlord to promptly execute and deliver to Landlord any and all modifications, amendments, and replacements of the Letter of Credit, as Landlord may reasonably request to carry out the intent, terms and conditions of this Article.

(G) If Tenant delivers to Landlord the Security Deposit, same shall be held by Landlord in a segregated, interest-bearing account as security for the faithful performance and observance by Tenant of the terms, provisions and conditions of this lease. At Tenant's written request, no more than once per calendar year, Landlord shall pay to Tenant the amount of any interest earned on the Security Deposit (less a 1% administrative fee payable to Landlord). Tenant hereby agrees that, in the event Tenant defaults in respect of any of the terms, provisions and conditions of this lease beyond applicable notice and grace periods provided herein for the cure thereof, including, without limitation, the payment of Rent and/or additional rent, Landlord may use, apply or retain the whole or any part of the Security Deposit, including all interest earned thereon (if any), to the extent required for the payment of any Rent and additional rent or any other sum of which Tenant is in default or for any sum which Landlord may expend or may be required to expend by reason of Tenant's default in respect of any of the terms, covenants and conditions of this lease, including, without limitation, any damages or deficiency in the re-letting of the Demised Premises, whether such damages or deficiency accrued before or after summary proceedings or other re-entry by Landlord. If any portion of the Security Deposit is used, Tenant shall, within five (5) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount. In the event that Tenant shall fully and faithfully comply with all of the terms, provisions, covenants and conditions of this lease, the Security Deposit (or portion remaining after the application thereof by Landlord as permitted herein), together with any interest earned thereon (less a one (1%) percent administrative fee

payable to Landlord) shall be returned to Tenant within sixty (60) days after the Expiration Date or earlier termination of this lease and after delivery by Tenant of entire possession of the Demised Premises to Landlord in accordance with the terms of this lease. In the event of a sale or lease of all or a portion of the Real Property, Landlord shall have the right to transfer the Security Deposit to the vendee or lessee and upon the transferee's assumption of liability in connection therewith, Landlord shall thereupon be released by Tenant from all liability for the return of such Security Deposit; and Tenant agrees to look solely to the new owner or lessee for the return of, and in connection with any dispute concerning, said Security Deposit. Tenant hereby agrees that the provisions of this Article 49(G) shall apply to every transfer or assignment made of the Security Deposit by Landlord to any new owner or lessee. Tenant further covenants that it will not assign or encumber or attempt to assign or encumber the Security Deposit and that neither Landlord nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance.

FINANCIAL CONDITION

50. Within fifteen (15) days after Landlord's request (but in no event more than once in any calendar year), Tenant shall deliver to Landlord such financial statements as are prepared by Tenant in the ordinary course of business. Any such statement may be given by Landlord to any existing mortgagee or prospective encumbrancer of the Real Property. Tenant represents to Landlord that each such financial statement will be a true and accurate statement as of the date of such statement. Landlord shall keep all information provided hereunder strictly confidential and shall not disclose same except to its employees, mortgagees, prospective mortgagees, prospective purchasers, advisors, attorneys, accountants or consultants. Landlord shall further require

that any such employees, mortgagees, prospective mortgagees, prospective purchasers, advisors, attorneys, accountants or consultants keep Tenant's disclosed financial information strictly confidential.

[INTENTIONALLY OMITTED]

51. [INTENTIONALLY OMITTED].

EXTENSION OPTIONS

52. (A) Subject to the provisions of Article 52(C), below, Landlord hereby grants to Tenant options to extend the initial Term for two (2) additional terms of five (5) years each (each, an "Extension Term").

(B) These options shall be exercised only by written notice (the "Extension Notice") delivered by Tenant to Landlord at least twelve (12) months before the expiration of the initial Term or the first Extension Term, as applicable. Time shall be of the essence with respect to delivery of each Extension Notice and in the event of the failure of Tenant to deliver the applicable Extension Notice within the specified time, these options shall lapse, and Tenant shall have no further right to extend the Term.

(C) These options shall be exercisable by Tenant and this lease shall commence for each Extension Term only upon satisfaction of the following conditions:

(i) At the time Landlord receives each Extension Notice and at the commencement of each Extension Term related thereto, no Event of Default then exists and is continuing (provided, however, that in the event Landlord has not pursued any of its remedies with respect to such Event of Default within six (6) months of the occurrence of such Event of Default, then Tenant shall still be permitted to exercise this Extension Option [but in no event shall Landlord be deemed to have waived the existence of such Event of Default]).

(ii) At the time Landlord receives each Extension Notice and at the commencement of each Extension Term, the Tenant named in this lease shall not have assigned this lease or sublet more than twenty-five (25%) percent of the Premises (except as permitted pursuant to Article 21(C) of this lease).

(D) Each Extension Term shall be on all of the same terms and conditions set forth in this lease applicable to the initial Term, including provisions for additional rent payments, except as follows:

(i) The Rent for each Extension Term shall be the greater of the following:

(a) The Rent determined as follows: Within thirty (30) days after Landlord's receipt of the Extension Notice (but in no event sooner than eleven (11) months prior to the expiration of the Term), Landlord shall advise Tenant of Landlord's good faith determination of the Rent for which it offers to lease the Premises during the Extension Term (as required by the terms and conditions of this Article, e.g., 95% of the fair market rental value, etc.). Within ten (10) days after receipt of Landlord's notice, Tenant shall either advise Landlord that it accepts the Rent established by Landlord for the applicable Extension Term, or advise Landlord that it desires that the Rent for the applicable Extension Term be ninety-five (95%) percent of the fair market rental value of the Premises to be established by arbitration in accordance with the following procedures. If Tenant fails to advise Landlord within said ten (10) day period, Tenant shall be deemed to have accepted the Rent established by Landlord for the applicable Extension Term. Within thirty (30) days after receipt of Tenant's request for arbitration (and provided that Landlord and Tenant are unable to agree, in good faith, on the fair market rental value of the Premises for the applicable Extension Term during such thirty (30) days), Landlord and Tenant shall each select a real estate appraiser each of whom shall conduct a real estate appraisal and shall promptly furnish a report to indicate their opinion of the fair market rental of the Premises. Landlord and Tenant shall each separately pay their respective designated appraisers. If, after a review of the appraisal reports prepared and submitted in accordance with the aforementioned sentence, Landlord and Tenant have not agreed, after good faith efforts, meetings and negotiation, on the fair market rental value of the Premises based upon the appraisal reports submitted above by the first day of the fourth (4th) month prior to the commencement of the applicable Extension Term, then the matter shall immediately be submitted to arbitration before the American Arbitration Association ("AAA"), and shall be determined by a single arbitrator in accordance with the provisions of this lease and the then applicable rules of the AAA within Mercer County, or of the closest office of the AAA. The expenses, fees and charges in connection with the arbitration process set forth above shall be borne equally between Landlord and Tenant. The arbitrator's determination of the fair market rental value of the Premises shall be based upon the rental (including base years for additional rent) for similar space of comparable size in first class office

buildings located within a radius of twenty (20) miles of the Building for a term equal to the applicable Extension Term as of the date the applicable Extension Term is to commence. The arbitrator shall then, on an expedited basis, choose one of the determinations of the two appraisers originally selected by the parties which determination the arbitrator decides most closely reflects the fair market rental value of the Premises (taking into consideration the factors set forth herein). The decision of the arbitrator as to the Rent shall be conclusive and binding upon both parties; or

(b) The Rent for the last Lease Year of the preceding Term, together with any other adjustments to Rent provided in this lease.

(ii) If the determination of the Rent has not been made by the date the applicable Extension Term commences, pending such determination, Tenant shall pay Landlord the Rent that Tenant is required to pay during the last year of the preceding Term, subject to retroactive adjustment.

(iii) "Base Year Taxes" and "Base Operating Costs" shall be those incurred for the calendar year after the calendar year in which the applicable Extension Term commences.

(iv) All provisions for the payment of additional rent (including but not limited to Energy Rent) shall continue to apply without limitation.

(v) Tenant shall have no option to further extend the Term beyond the two (2) Extension Terms herein provided.

(vi) This option is personal to Otsuka America Pharmaceutical, Inc. and any assignee permitted pursuant to Article 21(C) of this lease, is non transferable by operation of law or otherwise.

RIGHT OF FIRST OFFER

53. (A) Before offering for lease to a third party all or any portion of the fourth (4th) floor of the Building(each, an "Offer Space"), during the term of this Lease, and so long as Tenant is not in default under this lease beyond applicable notice and grace periods provided herein for the cure thereof, Landlord shall notify Tenant ("Landlord's Notice") of the fair market rental value and fair market rental increases, including without limitation, annual rental increases and increases in connection with Taxes and Operating Costs (collectively, "Market Rent") upon which it would be willing to lease the entire Offer Space; provided that Landlord shall not be liable to Tenant for any costs, expenses, damages or liabilities which are or may be incurred by Tenant for Landlord's unintentional failure to so notify Tenant, unless Tenant has expressed to Landlord, in writing, during the preceding twelve (12) months, a general intention to expand its Premises at the Building. Notwithstanding the foregoing, Tenant acknowledges and agrees that the entire fourth (4th) floor is currently vacant however, Tenant has chosen not to lease any portion of such floor as of the date hereof. Accordingly, Landlord shall not deliver a Landlord's Notice with respect to the initial leasing of any portion of the Offer Space unless and until Landlord is prepared to submit to a third party a bona fide proposal or letter of intent to lease such portion of the Offer Space. Landlord shall not be required to deliver a Landlord's Notice with respect to a proposal for the initial leasing of any portion of the Offer Space more frequently than once every four (4) months.

(B) Tenant shall be required to notify Landlord, in writing ("Tenant's Notice"), within ten (10) days after receipt of Landlord's Notice, of its intention to exercise Tenant's right to lease the entire Offer Space and whether Tenant accepts Landlord's determination of Market Rent or if Tenant desires that Market Rent be established by arbitration in accordance with the arbitration procedures set forth in Article 52(D)(i)(a) (which Tenant's Notice shall be effective only if sent by Tenant to Landlord in accordance with the terms of this lease). In the event Tenant desires that Market Rent be established by arbitration, a final determination of Market Rent must be made no later than sixty (60) days from delivery of Landlord's Notice or Landlord's determination shall be deemed binding. Within twenty (20) days after the final determination of Market Rent, Landlord and Tenant shall execute a lease modification agreement (the "Offer Agreement") for the applicable Offer Space. Such Offer Agreement shall provide that the applicable Offer Space be leased upon all the same terms as this lease, except (i) for the Market Rent terms, (ii) for other matters dependent upon the size of the Offer Space, such as Tenant's Proportionate Share, (iii) that Tenant is accepting the Offer Space in its "as is" condition and Landlord shall not be required to perform any work in or to the Offer Space in order to prepare such space for Tenant's occupancy, except that Landlord shall provide Tenant with a tenant improvement allowance in an amount equal to the tenant improvement allowance generally offered by similarly situated landlords of similarly situated premises at the time of Landlord's receipt of Tenant's Notice; (iv) the term of the Offer Space shall be co-terminous with the term of the Premises (unless there is less than five (5) years remaining on the term for the Premises, in which case the term thereof shall be extended so that the term for both the Premises and the Offer Space shall expire on the day preceding the fifth (5th) anniversary of the commencement date for the Offer Space (or the last day of the month in which such commencement date occurs, if not on the first day of a month); (v) the base year for purposes of determining Base Year Taxes and Base Operating Costs with respect to the applicable Offer Space shall be the full calendar year after the calendar year in which the commencement date for such Offer Space occurs; and (vi) for such other terms and conditions as may be mutually agreed to by Landlord and Tenant.

(C) If Tenant does not deliver Tenant's Notice within the ten (10) day period set forth above for delivery of same, then this Right of First Offer will forever lapse and be of no further force and effect with respect to the applicable Offer Space and Landlord shall have the right to lease the applicable Offer Space to a third party on the same or any other terms and conditions whether or not such terms and conditions are more or less favorable than those offered to Tenant; provided that if, following the initial leasing of the Offer Space, Landlord desires to make the Offer Space available to any third party at materially more favorable terms than were contained in the original Landlord's Notice, Landlord shall first be required to present Tenant with a revised Landlord's Notice containing such more favorable terms (and the foregoing procedures shall apply thereto). Terms offered to a third party shall be deemed to be "materially more favorable" than those terms contained in the original Landlord's Notice where the net effective rent to Landlord under the terms contained in the original Landlord's Notice is more than ten (10%) percent greater than the net effective rent to Landlord under the terms offered to such third party, giving due consideration to, among other things, tenant improvement allowances, rental concessions and the lease term offered to such third party (as compared to the term provided for pursuant to this Right of First Offer).In no event shall Landlord be required to re-offer the Offer Space to Tenant on such materially more favorable terms unless and until the initial leasing of such Offer Space has occurred, the term of such initial lease has expired or is sooner terminated and the tenant under

such lease has surrendered and vacated its premises. Time shall be of the essence with respect to all of Tenant's obligations under this Article.

(D) In the event Tenant exercises its option as above provided, the security deposit referred to in Article 49 of this lease may, in Landlord's reasonable discretion, be proportionately increased. All provisions for the payment of additional rent (including but not limited to Energy Rent) shall apply without limitation to the Offer Space.

(E) This Right of First Offer is personal to Otsuka America Pharmaceutical, Inc. and any assignee permitted pursuant to Article 21(C) of this lease, is non-transferable by operation of law or otherwise, and is subject to (i) existing rights, if any, granted to other tenants at the Building as of the date of this lease, and (ii) any extension or renewal of a lease with an existing tenant then leasing the subject Offer Space (whether pursuant to an extension option in that tenant's lease, a negotiated renewal or otherwise).

CAFETERIA

54. The parties acknowledge the existence of cafeteria services (the "Cafeteria") in the Building. Landlord covenants that the Cafeteria shall be opened for business no later than the date Tenant occupies the Demised Premises for the conduct of its business therein. For so much of the Term as the

Cafeteria remains operating at the Building, Tenant shall be permitted to invite its principals and employees to use same for the purchase and consumption of food and beverages offered for sale at the Cafeteria. Tenant shall pay or reimburse Landlord, on a monthly basis, for Tenant's Proportionate Share of any subsidy provided by Landlord to the Cafeteria operator in connection with the operation of the Cafeteria (which subsidy shall not exceed $2,500.00 per annum). The use of the Cafeteria shall be subject to the reasonable Rules and Regulations of Landlord and/or the operator of the Cafeteria now or hereafter imposed in accordance with Article 20 hereof. In the event Tenant notifies Landlord, in writing, of any complaints with regard to the operation of the Cafeteria, Landlord shall, in good faith, take commercially reasonable steps to remedy such complaints. Notwithstanding anything to the contrary contained in this Article, if the Cafeteria opens for business and subsequently closes, either temporarily or permanently, there shall be no abatement or diminution of Rent and Tenant shall in no event be relieved from any of its obligations under this lease.

MISCELLANEOUS

55. (A) Except as otherwise specifically provided in this lease, each party agrees that its respective covenants and obligations under this lease shall be independent of the other party's covenants and obligations under this lease, and that each such covenant and obligation is independent of any other covenant or obligation. Except as otherwise specifically provided in this lease, either party's breach, default or non-performance of any of its covenants or obligations under this lease shall not excuse the other party from its covenants and obligations under this lease.

(B) Landlord hereby waives any right of distraint it may have, whether statutory or at common law, whether such lien may presently exist or may be created in the future, against Tenant's Property, trade fixtures, equipment and other personalty located at the Demised Premises.

PREVAILING PARTY

56. With respect to any dispute between Landlord and Tenant involving this lease which is resolved through legal or arbitration proceedings, the non-prevailing party, shall bear all reasonable fees, costs and expenses of the subject legal or arbitration proceeding, including, without limitation, the reasonable attorney's fees and costs of the prevailing party.

SATELLITE DISH AGREEMENT

57. If, at any time during the Term, Tenant desires to erect upon the roof of the Building a satellite dish or communications antenna, then Landlord and Tenant shall enter into a Satellite Dish Agreement in the form annexed as Exhibit "6" to this lease. Any default, beyond the applicable notice and cure period, on the part of Tenant under the Satellite Dish Agreement shall constitute an Event of Default under this lease.

REASONABLE CONSENT

58. Subject to the provisions of Article 21 hereof, and except with respect to or in connection with any proposed Alteration or following an Event of Default by Tenant, any time the consent of Landlord or Tenant is required, such consent shall not be unreasonably withheld or delayed.

IN WITNESS WHEREOF, Landlord and Tenant have respectively signed and sealed this lease as of the day and year first above written.

RM SQUARE, LLC

By: /s/ Todd Rechler
Name: Todd Rechler
Title: Authorized Signatory

OTSUKA AMERICA PHARMACEUTICAL, INC.

By: /s/ Mark F. Altmeyer
Name: Mark F. Altmeyer
Title: President and CEO

STATE OF NEW JERSEY)

) ss.
COUNTY OF MERCER)

On the 20th day of July, 2009, before me, the undersigned, a Notary Public in and for said State, personally appeared Mark Altmeyer, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Deisha N. Moore
Notary Public

Deisha N. Moore
Notary Public
State of New Jersey

My Commission Expires
June 27, 2013

SCHEDULE A

[INTENTIONALLY OMITTED]

SCHEDULE B

LANDLORD'S CLEANING SERVICES AND MAINTENANCE OF PREMISES

(to be performed on all business days except those which are union holidays for the employees performing cleaning services and maintenance in the Building and grounds or those days on which the Building is closed)

I. CLEANING SERVICES - PUBLIC SPACES (For purposes of this Section I, the elevator lobby and the restrooms within the Demised Premises shall be deemed to be "Public Spaces"):

A. Floor of entrance lobby and public corridors will be vacuumed or swept and washed nightly and waxed as necessary.

B. Entranceway glass and metal work will be washed and rubbed down daily.

C. Wall surfaces and elevator cabs will be kept in polished condition.

D. Lighting fixtures will be cleaned and polished annually.

E. Elevators and restrooms will be washed and disinfected once a day. The floors will be mopped as many times as required.

All brightwork and mirrors will be kept in polished condition. Dispensers will be continuously checked and receptacles continuously emptied.

F. All exterior windows of the building will be cleaned semiannually.

II. CLEANING SERVICES - TENANT SPACES:

A. Floors will be swept and spot cleaned nightly. Carpets will be swept daily with carpet sweeper and vacuumed weekly.

B. Office equipment, telephones, etc. will be dusted nightly.

C. Normal office waste in receptacles will be emptied nightly.

D. Interior surface of windows and sills will be washed and blinds dusted semiannually.

III. EXTERIOR SERVICES:

A. Parking fields will be regularly swept, cleared of snow in excess of two inches, cleared of ice and generally maintained so as to be well drained, properly surfaced and striped.

B. All landscaping, gardening, exterior lighting and irrigation systems will have regular care and servicing.

C. Sidewalks will be regularly swept, cleared of snow in excess of two inches, cleared of ice and generally maintained so as to be well drained and properly surfaced.

IV. EQUIPMENT SERVICE:

A. All base-Building (i.e., non-supplemental) air-conditioning and heating equipment and elevators will be regularly serviced and maintained.

B. Plumbing and electrical facilities, doors, hinges and locks will be repaired as necessary.

C. All appurtenances, such as rails, stairs, etc. will be maintained in a safe condition.

D. Light bulbs and ballasts located within the Demised Premises will be replaced as needed at Tenant's expense.

V. EXTRA CLEANING SERVICES

Tenant shall pay to Landlord, on demand, Landlord's charges for (a) extra cleaning work in the Premises required because of (i) misuse or neglect on the part of Tenant or its employees or visitors, (ii) use of portions of the Premises for preparation, serving or consumption of food or beverages, or other special purposes requiring greater or more difficult cleaning work than office areas (except that the emptying of trash receptacles and the cleaning of normal amounts of food debris within the pantry area of the Premises shall not be deemed to be "extra cleaning work"); (iii) unusual quantity of interior glass surfaces; (iv) non-building standard materials or finishes installed by Tenant or at its request (to the extent the nature of such materials or finishes require cleaning services above and beyond the cleaning services provided for Building-standard materials and finishes); (v) increases in frequency or scope in any item set forth in Schedule "B" as shall have been requested by Tenant; (vi) use of the Premises for any special purpose requiring extra cleaning services; and (b) removal from the Premises or Building of (i) so much of any refuse and rubbish of Tenant as shall exceed that normally accumulated in the routine of ordinary business office activity and (ii) all of the refuse and rubbish of any eating facility requiring special handling (wet garbage). Notwithstanding anything to the contrary set forth in this lease, at Landlord's request, Tenant shall pay directly to the Landlord's cleaning contractor all monies owed in connection with the aforesaid extra cleaning services or refuse removal, which costs and charges shall be at commercially competitive rates in the Princeton submarket.

SCHEDULE C

LANDLORD'S SERVICES

1. ELECTRICITY

A. **Average Kilowatt Hour Cost of Electric**. For the purpose of this lease, the average kilowatt hour cost of electric during the first Lease Year and each Lease Year thereafter shall be determined by dividing Landlord's total cost of electricity charged by the utility company (including rate, fuel adjustments, demand charges, applicable taxes and any other charges the utility company may impose, but not to exceed what Tenant would pay as a direct customer of the applicable utility company) by the total kilowatt hours of electric consumed, the result of which shall be the average kilowatt hour cost for such Lease Year. Since the current kilowatt-hour cost of electric will not be available for any calendar year until after such calendar year, Landlord shall estimate such kilowatt-hour cost for the year and estimate the charges, subject to adjustment as provided in Paragraph E of this Schedule C.

B. **Tenant Electric and Common Area Energy.** (i) "Tenant Electric" is all electric consumed by Tenant in connection with Tenant's occupancy of the Premises including, but not limited to, electric for lighting, office machinery, equipment, all heating, ventilating and air conditioning units and equipment which exclusively service the Premises; and all other appliances, machinery, equipment and systems Tenant uses in connection with the occupancy of the Premises.

(ii) "Common Area Energy" is electricity, gas and any other form of energy used for the operation of the Building's central heating, ventilating and air conditioner equipment, heaters, fans, pumps, elevators, lighting and electric outlets located in public areas (corridors, lobbies, toilets, etc.), mechanical rooms, site lighting and all other electricity, gas, and any other form of energy used in connection with the operation of the Real Property except "Tenant Electric" and energy consumed in connection with other space intended for occupancy by individual tenants, regardless of whether such space is occupied.

C. **Tenant Electric Usage.** Landlord, as part of Landlord's Initial Construction, shall install an electric submeter(s) to determine Tenant Electric usage and Tenant shall pay Landlord as additional rent for Tenant Electric based upon the average kilowatt-hour cost of electric as determined in Section 1(A) of this Schedule C.

D. **Common Area Energy Usage.** Tenant shall pay Landlord, as additional rent, Tenant's Proportionate Share of the Common Area Energy based upon the average kilowatt-hour cost of electric. Tenant's Proportionate Share of the Common Area Energy shall be capped at $0.78 per rentable square foot per annum during each of the first two (2) Lease Years.

E. **Payment.** The additional rent payable for Tenant Electric and Common Area Energy provided in this Schedule is hereinafter referred to as "Energy Rent". Tenant shall pay its Energy Rent in monthly installments on the first day of each month on an estimated basis as reasonably determined by Landlord. Landlord may adjust such estimate at any time and from time to time based upon Landlord's experience and reasonable anticipation of the costs of electricity used and to be used in connection with the Real Property. After the end of each calendar year during the Term, Landlord shall deliver to Tenant a statement (the "Electric Usage Statement")

setting forth the amount of Energy Rent payable by Tenant for such calendar year, the amount paid by Tenant as Energy Rent on account thereof, and the amount due to or from Tenant. If Tenant has paid less than the actual amount due, Tenant shall pay the difference to Landlord within twenty (20) days after Landlord's request therefore. Any amount paid by Tenant which exceeds the amount due shall be credited to the next succeeding payments due as Energy Rent hereunder, unless the Term has then expired in which event such excess amount shall be promptly refunded to Tenant. Landlord shall make available to Tenant at Landlord's office for Tenant's inspection records in reasonable detail of Landlord's applicable electric cost information for a period of six (6) months following delivery of the Electric Usage Statement to Tenant. If Tenant does not dispute such Electric Usage Statement within six (6) months following delivery thereof, it shall be deemed to be conclusive and binding upon Landlord and Tenant.

F. **General Conditions.** Tenant shall not maintain or install in the Premises any fixture or equipment requiring electric power in excess of 1800 volt -amperes without Landlord's prior written consent. Tenant's total connected load shall not exceed four (4) volt-amperes per rentable square foot. Tenant shall not maintain or install in the Premises any fixture, equipment or systems which will overload the feeders, risers or require additional wiring without Landlord's consent. The Landlord shall have no responsibility for failure to supply the electricity when prevented from doing so by strikes, repairs, necessary alterations or necessary improvements or by reason of the failure of the public utility to furnish electric current, or for any cause beyond the Landlord's reasonable control, or by order or regulation of any federal, state, county or municipal authority. Except as otherwise specifically set forth in this lease, Landlord's obligation to furnish electricity shall not be deemed breached nor shall there be any abatement in rent or any liability on the part of the Landlord to the Tenant for failure to furnish electricity for the reasons herein set forth. Except as set forth in the plans and specifications approved by

Landlord, in no event shall Landlord be obligated to increase the existing electrical capacity of any portion of the Building's system, nor to provide any additional wiring or capacity to meet the Tenant's additional requirements.

G. If, for reasons beyond Landlord's reasonable control, the electric submeters shall fail to operate properly and the amount of electric used is not accurately reflected thereon, then, Landlord's electrical engineer shall determine the amount of electric used for the applicable period by survey, his determination shall be deemed binding and conclusive upon Landlord and Tenant (subject to the remainder of this Section), and Tenant shall pay Landlord as additional rent for the cost of electric in accordance with such survey. Tenant shall have the right to review Landlord's electrical engineer's survey and advise Landlord, in writing, whether it disputes such survey ("Tenant's Dispute Notice"), provided Tenant delivers Tenant's Dispute Notice to Landlord within ninety (90) days of delivery of a copy of Landlord's electrical engineer's survey to Tenant, together with a copy of an electrical engineer's survey prepared by an electrical engineer hired by Tenant which varies from the survey provided by Landlord's electrical engineer. Landlord and Tenant shall, for a period of ten (10) days following the delivery of Tenant's Dispute Notice to Landlord, negotiate, in good faith, the resolution of such a dispute. If Landlord and Tenant are unable to resolve their dispute within said ten (10) day period, Landlord and Tenant shall select an independent electrical engineer to determine Tenant's electrical usage. The determination of Tenant's electrical usage by such independent engineer shall be final and binding on both parties. Landlord and Tenant shall each pay fifty (50%) percent of the fees of the independent engineer. Until the final determination of Tenant's electrical usage is made by the independent engineer,

Tenant shall pay the cost of electric based upon Landlord's electrical engineer's survey, subject to retroactive adjustment.

2. MAINTENANCE AND REPAIRS BY LANDLORD. Landlord shall make necessary repairs to the roof, foundation and exterior walls of the Building and any load-bearing interior walls of the Premises, the parking areas, access roads and driveways, and all components of the electrical, mechanical, plumbing, heating and air conditioning systems and facilities located on Real Property which do not exclusively serve the Demised Premises, provided, however, if any such repair is necessitated by the act or omission of Tenant or any of its employees or invitees, such repair shall be at the expense of the Tenant. Any heating and air conditioning equipment used in connection with the Premises which is not used in common with other tenants in the Building (e.g., computer rooms, telephone equipment rooms, meeting rooms, etc.) shall be operated, maintained, repaired and replaced by Tenant at Tenant's expense.

3. SNOW REMOVAL. Landlord shall arrange for removal of accumulations of snow and ice from the drives, parking areas and walkways of the Real Property. If requested by Landlord, to facilitate snow removal work, Tenant and its employees and invitees shall park vehicles only in areas designated by Landlord. Landlord shall also require that all similarly situated tenants park their vehicles in such designated areas.

4. HVAC SYSTEMS.

A. **HVAC System.** Landlord shall provide in the Building a heating, ventilation and air conditioning system to furnish heating, ventilation and air conditioning to the Premises for purposes of office use only. No heating, ventilation or air conditioning shall be provided in loading dock or loading areas.

B. **Design Standard.** The heating, ventilation and air conditioning system furnished by Landlord shall be capable of furnishing (i) air conditioning to maintain 76NF. dry bulb and 55 relative humidity with outside conditions of 91NF. dry bulb and 76NF. wet bulb, based upon an occupancy of each area or room of not more than one person per 150 rentable square feet, and a combined lighting and standard electrical load not to exceed 4 watts per rentable square foot; (ii) ventilation introduced at a minimum rate of 0.133 C.F.M. per square foot; and (iii) heating to maintain 72NF. dry bulb when the outside temperature is 14NF. dry bulb and the prevailing wind velocity does not exceed 17 miles per hour. Landlord shall provide HVAC service during Working Hours without any additional charge therefor. Accordingly, Landlord acknowledges and agrees that the submeter(s) which measure Tenant's Electric Usage will not measure any electricity that is used in order to provide such HVAC services (excluding any supplemental HVAC services) to the Demised Premises.

C. **Cooperation by Tenant.** Tenant, at no additional cost, shall at all times cooperate fully with Landlord and abide by all the Building regulations and requirements which Landlord may prescribe for the proper functioning and protection of its ventilating, heating and air conditioning system and shall keep operable peripheral windows (if any) closed to keep direct sunlight from entering the Premises.

D. **Overtime Use.** In the event Tenant shall require heating, ventilation or air conditioning outside of Working Hours, Tenant shall pay to Landlord a charge for energy used to run the central heating, ventilation and air conditioning system after Working Hours. Landlord currently estimates that the charge for such overtime usage by Tenant is $35.00 per hour per zone but such charge is subject to adjustment based on Landlord's costs for providing such overtime usage. Tenant shall notify Landlord of its requirement (which notice may be delivered telephonically) for overtime usage by 3:00 p.m. on any business day (for overtime usage required that evening) or by 3:00 p.m. on the preceding business day (for overtime usage required on a weekend or holiday).

SCHEDULE D

RULES AND REGULATIONS

1. The sidewalks, entrances, driveways, passages, courts, elevators, vestibules, stairways, corridors or halls shall not be obstructed or encumbered by any tenant or used for any purpose other than for ingress to and egress from the Demised Premises and for delivery of merchandise and equipment in a prompt and efficient manner using elevators and passageways designated for such delivery by Landlord. There shall not be used in any space, or in the public hall of the building, either by any tenant or by jobbers or others in the delivery or receipt of merchandise, any hand trucks, except those equipped with rubber tires and side guards.

2. The water and wash closets and plumbing fixtures shall not be used for any purposes other than those for which they were designed or constructed and no sweepings, rubbish, rags, acids or other substances shall be deposited therein, and the expense of any breakage, stoppage, or damage resulting from the violation of this rule shall be borne by the Tenant who, or whose clerks, agents, employees or visitors, shall have caused it.

3. No tenant shall sweep or throw or permit to be swept or thrown from the Premises any dirt or other substances into any of the corridors or halls, elevators, or out of the doors or windows or stairways of the Building, and the Tenant shall not use, keep or permit to be used or kept any burner or oven, food or noxious gas or substance in the Demised Premises, or permit or suffer the Demised Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business therein, nor shall any animals (other than those animals assisting handicapped persons) or birds be kept in or about the Building. Notwithstanding anything to the contrary contained herein, Tenant shall be permitted to keep and use vending machines, coffee machines, microwave ovens and/or refrigerators within the Demised Premises; provided, however, that Tenant shall indemnify and save harmless Landlord, its employees, agents, officers, and directors from and against any claims, fines, liabilities, settlements, damages, costs or expenses arising out of, or in any way related to, Tenant's use of such vending machines, coffee machines, microwave ovens and/or refrigerators. Tenant shall provide and maintain, at its expense, the hand-held fire extinguishers that are required to be maintained in Premises by the governmental agency having jurisdiction over this matter. Smoking or carrying lighted cigars or cigarettes in the Building is prohibited.

4. No awnings or other projections shall be attached to the outside walls of the Building without the prior written consent of the Landlord.

5. No sign, advertisement, notice or other lettering and/or window treatment shall be exhibited, inscribed, painted or affixed by any Tenant on any part of the outside of the Demised Premises or the Building or on the inside of the Demised Premises if the same is visible from the outside of the Demised Premises without the prior written consent of the Landlord. In the event of the violation of the foregoing by any Tenant, Landlord may remove same without any liability, and may charge the expense incurred by such removal to the tenant violating this rule. Interior signs on doors shall be inscribed, painted or affixed for each tenant by Landlord at the reasonable expense of such tenant, and shall be of a size, color and style acceptable to both Landlord and the tenant.

6. No Tenant shall mark, paint, drill into, or in any way deface any part of the Demised Premises or the Building of which they form a part. No boring, cutting or stringing of wires shall be permitted, except with the prior written consent of Landlord, and as Landlord may direct. No tenant shall lay linoleum or other similar floor covering so that the same shall come in direct contact with the floor of the Demised Premises and, if linoleum or other similar covering is desired to be used, an interlining of builder's deadening felt shall be first affixed to the floor, by a paste or other water soluble material, the use of cement or other similar adhesive material being expressly prohibited.

7. No additional locks or bolts of any kind shall be placed upon any of the doors or windows by any tenant, nor shall any changes be made in existing locks or in the mechanisms thereof, except with the full approval of Landlord, which approval shall not be unreasonably withheld or delayed. In the event any tenant changes, modifies or replaces any existing locks, or installs any additional locks or bolts, such tenant shall ensure that Landlord's master key operates all such new or modified locks and bolts or such tenant shall provide Landlord with a key(s) to such new or modified locks and bolts, so that Landlord shall have unassisted access to the Demised Premises at any time. Each Tenant must, upon the termination of his tenancy, restore to Landlord all keys of stores, offices and toilet rooms, either furnished to, or otherwise procured by, such Tenant, and in the event of the loss of any keys, so furnished, such Tenant shall pay to Landlord the cost thereof.

8. Freight, furniture, business equipment, merchandise and bulky matter of any description shall be delivered to and removed from the Premises only through the service entrances and corridors, and only during hours and in a manner reasonably approved by Landlord. Landlord reserves the right to inspect all freight to be brought into the Building and to exclude from the Building all freight which violated any of these Rules and Regulations or the lease of which these Rules and Regulations are a part.

9. Canvassing, soliciting and peddling in the building is prohibited and each Tenant shall cooperate to prevent the same.

10. Landlord shall have the right to prohibit any advertising by any Tenant which, in Landlord's reasonable opinion, tends to impair the reputation of the Building or its desirability as an office building, and upon written notice from Landlord, Tenant shall refrain from or discontinue such advertising.

11. Except as otherwise provided in Article 16(B) of the lease, Tenant shall not bring or permit to be brought or kept in or on the Premises, any inflammable, combustible, hazardous or explosive fluid, material, chemical or substance, or cause or permit any odors of cooking or other processes, or any unusual or other objectionable odors, to permeate in or emanate from the Premises.

12. Tenant agrees to keep all entry doors closed at all times and to abide by all rules and regulations issued by the Landlord with respect thereto.

13. Tenant shall not place a load upon any floor of the Demised Premises exceeding the floor load per square foot area which it was designed to carry and which is allowed by law.

Landlord reserves the right to prescribe the weight and position of all safes, office machines, other machines and mechanical equipment. Such installations shall be placed in locations in the Demised Premises and in such manner sufficient to absorb and prevent vibration, noise and annoyance.

EXHIBIT "1"

RENTAL PLAN

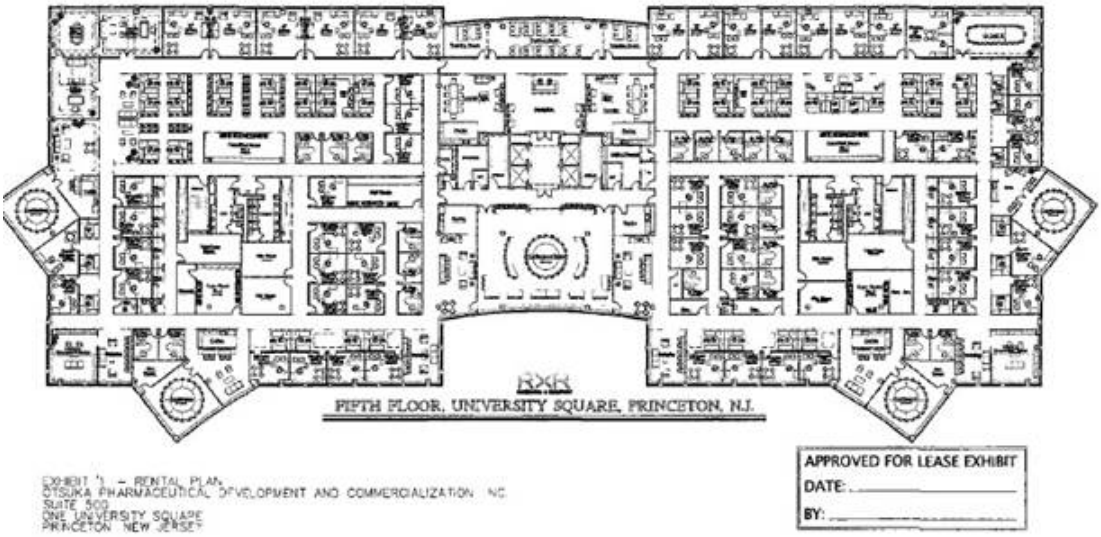


EXHIBIT "2"

FORM LETTER OF CREDIT

[LETTERHEAD OF ISSUER OF LETTER OF CREDIT]

, 200

RM SQUARE, LLC
c/o RXR Realty LLC
625 RXR Plaza
Uniondale, New York 11556
Attention: Corporate Controller

REF: IRREVOCABLE LETTER OF CREDIT NO.

GENTLEMEN:

WE HEREBY OPEN OUR UNCONDITIONAL IRREVOCABLE CLEAN LETTER OF CREDIT NO. IN YOUR FAVOR AVAILABLE BY YOUR DRAFT(S) AT SIGHT FOR AN AMOUNT NOT TO EXCEED IN THE AGGREGATE $ EFFECTIVE IMMEDIATELY.

ALL DRAFTS SO DRAWN MUST BE MARKED "DRAWN UNDER IRREVOCABLE LETTER OF CREDIT **[ISSUING BANK]** , NO. , DATED , 200 ."

THIS LETTER OF CREDIT IS ISSUED, PRESENTABLE AND PAYABLE AT OUR OFFICE LOCATED AT , ATTENTION: , OR SUCH OTHER OFFICE IN NEW YORK CITY, N.Y. OR NORTHERN NEW JERSEY, AS WE MAY DESIGNATE BY WRITTEN NOTICE TO YOU, AND EXPIRES WITH OUR CLOSE OF BUSINESS ON . IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT SHALL BE AUTOMATICALLY EXTENDED FOR ADDITIONAL TWELVE MONTH PERIODS THROUGH **[60 DAYS AFTER LEASE EXPIRATION],** UNLESS WE INFORM YOU IN WRITING BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED OR REPUTABLE OVERNIGHT COURIER (I.E., FEDEX) DISPATCHED BY US AT LEAST 60 DAYS PRIOR TO THE THEN EXPIRATION DATE THAT THIS LETTER OF CREDIT SHALL NOT BE EXTENDED. IN THE EVENT THIS LETTER OF CREDIT IS NOT EXTENDED FOR AN ADDITIONAL PERIOD AS PROVIDED ABOVE, YOU MAY DRAW HEREUNDER. SUCH DRAWING IS TO BE MADE BY MEANS OF A DRAFT ON US AT SIGHT WHICH MUST BE PRESENTED TO US BEFORE THE THEN EXPIRATION DATE OF THIS LETTER OF CREDIT. THIS LETTER OF CREDIT CANNOT BE MODIFIED OR REVOKED WITHOUT YOUR CONSENT. THIS LETTER OF CREDIT IS PAYABLE IN MULTIPLE DRAFTS AND SHALL BE TRANSFERABLE BY YOU WITHOUT ADDITIONAL CHARGE. WE SHALL NOT RECOGNIZE ANY TRANSFER OF THIS LETTER OF CREDIT UNTIL AN EXECUTED TRANSFER REQUEST, IN A FORM SUBSTANTIALLY SIMILAR TO THE FORM ANNEXED HERETO, BEARING CERTIFICATION BY YOU THAT THE SIGNATURE IS VALID, IS FILED WITH US,

ACCOMPANIED BY THE ORIGINAL OF THIS CREDIT FOR ENDORSEMENT THEREON BY USE OF SUCH TRANSFER.

WE HEREBY DO UNDERTAKE TO PROMPTLY HONOR YOUR SIGHT DRAFT OR DRAFTS DRAWN ON US, INDICATING OUR LETTER OF CREDIT NO. FOR THE AMOUNT AVAILABLE TO BE DRAWN ON THIS LETTER OF CREDIT UPON PRESENTATION OF YOUR SIGN DRAFT IN THE FORM OF *SCHEDULE A* ATTACHED HERETO DRAWN ON US AT OUR OFFICES SPECIFIED ABOVE DURING OUR USUAL BUSINESS HOURS ON OR BEFORE THE EXPIRATION DATE HEREOF.

EXCEPT AS EXPRESSLY STATED HEREIN, THIS UNDERTAKING IS NOT SUBJECT TO ANY AGREEMENTS, REQUIREMENTS OR QUALIFICATION. OUR OBLIGATION UNDER THIS LETTER OF CREDIT IS OUR INDIVIDUAL OBLIGATION AND IS IN NO WAY CONTINGENT UPON REIMBURSEMENT WITH RESPECT THERETO OR UPON OUR ABILITY TO PERFECT ANY LIEN, SECURITY INTEREST OR ANY OTHER REIMBURSEMENT.

IN THE EVENT THE APPLICANT BECOMES A DEBTOR IN A CASE UNDER TITLE 11 OF THE UNITED STATES CODE (THE "BANKRUPTCY CODE"), OR IN ANY OTHER INSOLVENCY OR SIMILAR PROCEEDING, OUR OBLIGATIONS TO THE BENEFICIARY HEREUNDER SHALL NOT BE REDUCED, LIMITED, IMPAIRED, DISCHARGED, DEFERRED, SUSPENDED, STAYED, TERMINATED OR OTHERWISE AFFECTED BY REASON THEREOF OR BY REASON OF ANY PROVISIONS OF THE BANKRUPTCY CODE (INCLUDING BUT NOT LIMITED TO, SECTIONS 362 AND 502(B) OF THE BANKRUPTCY CODE), OR THE PROVISIONS OF ANY OTHER INSOLVENCY OR SIMILAR LAW.

THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES 1998, INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590, AND SHALL BE DEEMED TO BE A CONTRACT MADE UNDER, AND AS TO MATTERS NOT GOVERNED BY THE INTERNATIONAL STANDBY PRACTICES, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YOUR AND APPLICABLE U.S. LAW.

[ISSUER OF LETTER OF CREDIT]

_____

SCHEDULE A TO LETTER OF CREDIT

FOR VALUE RECEIVED

PAY AT SIGHT BY WIRE TRANSFER IN IMMEDIATELY AVAILABLE FUNDS TO THE SUM OF U.S. DRAWN UNDER IRREVOCABLE LETTER OF CREDIT NO. DATED , 200 ISSUED BY

TO: [**ISSUER OF LETTER OF CREDIT]**

NEW YORK, NEW YORK

EXHIBIT "3"

ESTIMATED CONSTRUCTION SCHEDULE

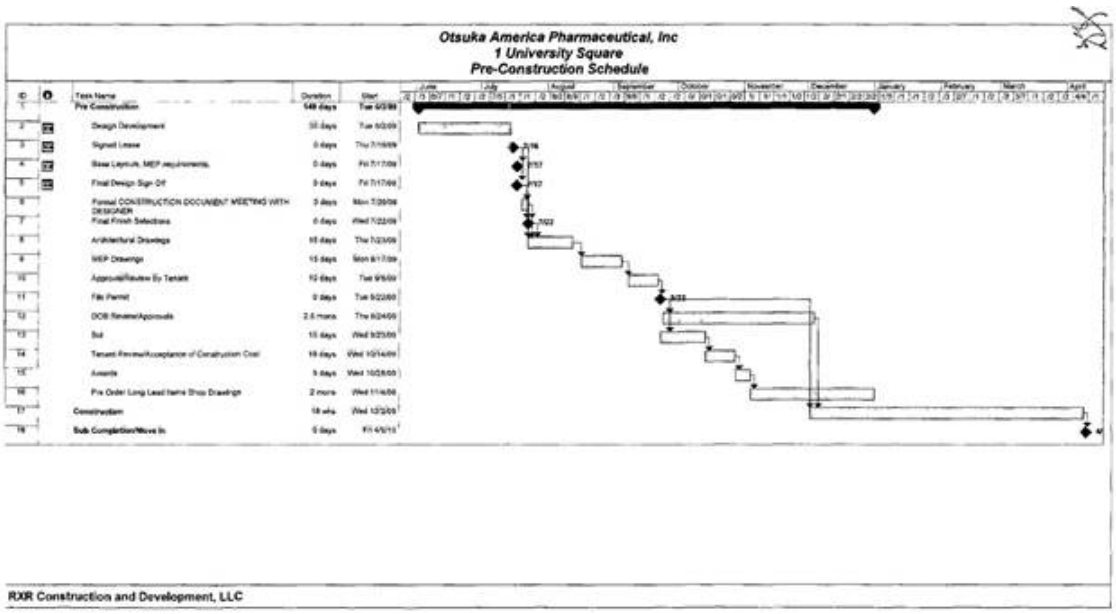
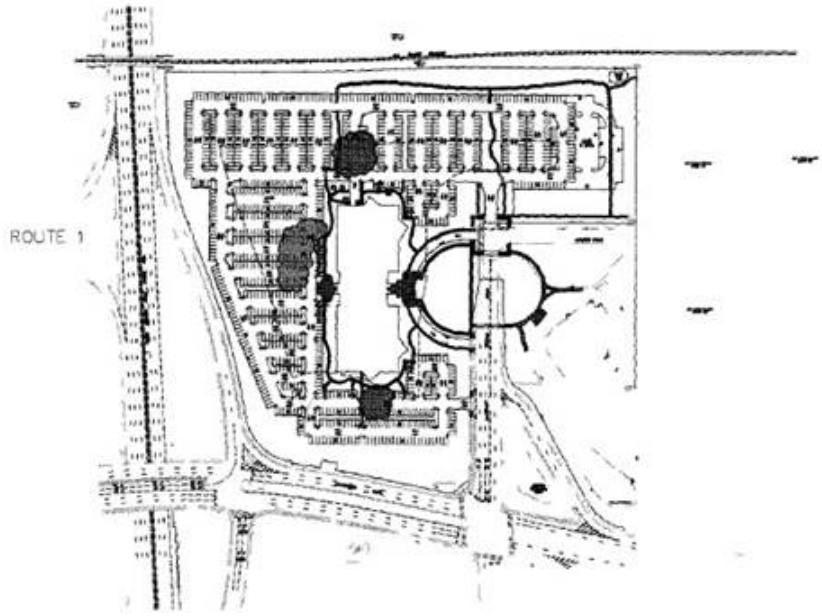


EXHIBIT "4"

PARKING PLAN



RXR

FIFTH FLOOR, UNIVERSITY SQUARE, PRINCETON, N.J.

NOTE: BUBBLED AREAS SHOW THE LOCATION FOR THE DISBURSEMENT OF 40 RESERVED PARKING SPOTS FOR OTSUKA PHARMACEUTICAL EMPLOYEES ONLY. EXACT SPOTS TO BE SELECTED BY THE PROPERTY MANAGER

EXHIBIT '2' – PARKING PLAN
OTSUKA PHARMACEUTICAL DEVELOPMENT AND COMMERCIALIZATION, INC
ONE UNIVERSITY SQUARE
PRINCETON, NEW JERSEY

APPROVED FOR LEASE EXHIBIT
DATE:_____
BY:_____

EXHIBIT "5"

UBS SNDA

RECORDING REQUESTED BY AND
AFTER RECORDING, RETURN TO:

Capmark Finance Inc.
116 Welsh Road
Horsham, PA 19044-8015
Attn: Executive Vice President — Servicing Administration

SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE

SUBORDINATION, NON-DISTURBANCE
AND ATTORNMENT AGREEMENT

This Subordination, Non-Disturbance and Attornment Agreement ("**Agreement**"), is made as of this day of July, 2009 among Wells Fargo Bank, N A , not individually, but solely as Trustee for the Registered Certificate Holders of UBS Commercial Mortgage Securities Trust 2007-FL1, Commercial Mortgage Pass-Through Certificates, Series 2007-FLl under that certain Pooling and Servicing Agreement dated as of December 28, 2007 ("**Lender**"), by and through Capmark Finance Inc., a California corporation, its Master Servicer under the Pooling and Servicing Agreement, RM Square, LLC, a Delaware limited liability company ("**Landlord**"), and Otsuka America Pharmaceutical, Inc., a Delaware corporation ("**Tenant**").

Background

A. Lender is the owner and holder of a deed of trust or mortgage or other similar security instrument (either, the "Security Instrument"), covering, among other things, the real property commonly known and described as One University Square, Princeton, New Jersey, and further described on Exhibit "A" attached hereto and made a part hereof for all purposes, and the building and improvements thereon (collectively, the "**Property**")

B. Tenant is the lessee under that certain lease agreement between Landlord and Tenant dated July , 2009 ("**Lease**"), demising a portion of the Property described more particularly in the Lease ("**Leased Space**")

C. Landlord, Tenant and Lender desire to enter into the following agreements with respect to the priority of the Lease and Security Instrument.

NOW, THEREFORE, in consideration of the mutual promises of this Agreement, and intending to be legally bound hereby, the parties hereto agree as follows

1 Subordination. Tenant agrees that the Lease, and all estates, options and rights created under the Lease, hereby are subordinated and made subject to the lien of the Security Instrument, as if the Security Instrument had been executed and recorded prior to the Lease

2 Nondisturbance. Lender agrees that (i) no foreclosure (whether judicial or nonjudicial), deed-in-lien of foreclosure, or other sale of the Property in connection with enforcement of the Security Instrument or otherwise in satisfaction of the underlying loan shall operate to terminate the Lease or Tenant's rights thereunder, including but not limited to its right to possess and use the leased space provided, however, that (a) the term of the Lease has commenced, (b) Tenant, or any subtenant permitted under the Lease, is in possession of the premises demised pursuant to the Lease unless Tenant has not yet taken possession of the Leased Space, and (c) the Lease is in full force and effect and no uncured default exists under the Lease beyond the expiration of any applicable notice and cure period, and (ii) Tenant shall not be named or joined in any foreclosure action or other proceeding to enforce the Security Agreement unless such joinder is required by law

3 Attornment. Tenant agrees to attorn to and recognize as its landlord under the Lease each party acquiring legal title to the Property by foreclosure (whether judicial or nonjudicial) of the Security Instrument, deed-in-lien of foreclosure, or other sale in connection with enforcement of the Security Instrument or otherwise m satisfaction of the underlying loan ("**Successor Owner**") Provided that the conditions set forth in Section 2 above are met at the time Successor Owner becomes owner of the Property, Successor Owner shall perform all obligations of the landlord under the Lease arising from and after the date title to the Property is transferred to Successor Owner In no event, however, will any Successor Owner be (a) liable for any default, act or omission of any prior landlord under the Lease, (except that Successor Owner shall not be relieved from the obligation to cure any defaults which are non-monetary and continuing in nature, and such that Successor Owner's failure to cure would constitute a continuing default under the Lease), (b) subject to any offset or defense which Tenant may have against any prior landlord under the Lease (unless and to the extent related to defaults which are non-monetary and continuing in nature, such that Successor Owner's failure to cure would constitute a continuing default), (c) bound by any payment of rent or additional rent made by Tenant to Landlord more than 30 days in advance, except to the extent such amounts were actually received by Lender, (d) bound by any modification or supplement to the Lease, or waiver of Lease terms, made without Lender's written consent thereto which consent shall not be unreasonably withheld, conditioned or delayed; (e) liable for the return of any security deposit or other prepaid charge paid by Tenant under the Lease, except to the extent such amounts were actually received by Lender, (f) liable or bound by any right of first refusal or option to purchase all or any portion of the Property; or (g) liable for construction or completion of any improvements to the Property or as required under the Lease for Tenant's use and occupancy (whenever arising), provided however, this clause (g) shall in no way modify, limit or impair any obligation of Successor Owner to comply with the casualty and condemnation restoration provisions included in the Lease. Although the foregoing provisions of this Agreement are self-operative, Tenant agrees to execute and deliver to Lender or any Successor Owner such further instruments reasonably acceptable to Tenant as Lender or a Successor Owner may from time to time request in order to confirm this Agreement. If any liability of Successor Owner does arise pursuant to this Agreement, such liability shall be limited to Successor Owner's interest m the Property (including the rents, issues and profits therefrom).

4. Rent Payments; Notice to Tenant Regarding Rent Payments Tenant agrees not to pay rent more than one (1) month in advance unless otherwise specified in the Lease After notice is given to Tenant by Lender that Landlord is in default under the Security Instrument and that the rentals under the Lease should be paid to Lender pursuant to the assignment of leases and rents granted by Landlord to Lender in connection therewith, Tenant shall thereafter pay to Lender all rent and all other amounts due or to become due to Landlord under the Lease, and Landlord hereby expressly authorizes Tenant to make such payments to Lender upon reliance on Lender's written notice (without any inquiry into the factual basis for such notice or any prior notice to or consent from Landlord) and hereby releases Tenant from all liability to Landlord in connection with Tenant's compliance with Lender's written instructions, Landlord hereby agreeing that such payments shall satisfy Tenant's rent obligations under the Lease

5. Lender Opportunity to Cure Landlord Defaults Tenant agrees that, until the Security Instrument is released by Lender, it will not exercise any remedies under the Lease following a Landlord default without having first given to Lender (a) written notice of the alleged Landlord default and (b) the opportunity to cure such default within the time periods provided in the Lease for cure by Landlord, measured from the time notice is given to Lender, which notice may be given to Lender simultaneously with the notice given to Landlord, and in such case Landlord's and Lender's notice and cure periods shall run concurrently. Tenant acknowledges that Lender is not obligated to cure any Landlord default, but if Lender elects to do so, Tenant agrees to accept cure by Lender as that of Landlord under the Lease and will not exercise any right or remedy under the Lease with respect to such Landlord default. Performance rendered by Lender on Landlord's behalf is without prejudice to Lender's rights against Landlord under the Security Instrument or any other documents executed by Landlord in favor of Lender in connection with the Loan.

6. Miscellaneous

(a) Notices. All notices under this Agreement will be effective only if made in writing and addressed to the address for a party provided below such party's signature. A new notice address may be established from time to time by written notice given in accordance with this Section All notices will be deemed received only upon actual receipt or refusal Notices shall be personally delivered, or sent by registered or certified mail (return receipt requested) or reputable overnight courier service which obtains a signed receipt upon delivery

(b) Entire Agreement; Modification. This Agreement is the entire agreement between the parties relating to the subordination and nondisturbance of the Lease, and supersedes and replaces all prior discussions, representations and agreements (oral and written) with respect to the subordination and nondisturbance of the Lease. This Agreement controls any conflict between the terms of this Agreement and the Lease. This Agreement may not be modified, supplemented or terminated, nor any provision hereof waived, unless by written agreement of Lender and Tenant, and then only to the extent expressly set forth in such writing,

(c) Binding Effect. This Agreement binds and inures to the benefit of each party hereto and their respective heirs, executors, legal representatives, successors and assigns, whether by voluntary action of the parties or by operation of law If the Security instrument is a

deed of trust, this Agreement is entered into by the trustee of the Security Instrument solely in its capacity as trustee and not individually

(d) Unenforceability. Any provision of this Agreement which is determined by a government body or court of competent jurisdiction to be invalid, unenforceable or illegal shall be ineffective only to the extent of such holding and shall not affect the validity, enforceability or legality of any other provision, nor shall such determination apply in any circumstance or to any party not controlled by such determination.

(e) Construction of Certain Terms Defined terms used in this Agreement may be used interchangeably in singular or plural form, and pronouns cover all genders Unless otherwise provided herein, all days from performance shall be calendar days, and a "**business day**" is any day other than Saturday, Sunday and days on which Lender is closed for legal holidays, by government order or weather emergency

(f) Governing Law. This Agreement shall be governed by the laws of the State in which the Property is located (without giving effect to its rules governing conflicts of laws)

(g) **WAIVER OF JURY TRIAL. LENDER AND TENANT, AS AN INDUCEMENT FOR THE OTHER PARTY TO ENTER INTO THIS AGREEMENT, EACH HEREBY WAIVE ITS RIGHT, TO THE FULL EXTENT PERMITTED BY LAW, AND AGREES NOT TO ELECT, A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS AGREEMENT.**

(h) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together constitute a fully executed agreement even though all signatures do not appear on the same document. The failure of any party hereto to execute this Agreement, or any counterpart hereof, shall not relieve the other signatories from their respective obligations hereunder

(i) Effectiveness. Notwithstanding anything contained herein, this Agreement shall not be binding on the parties hereto until such time as each party has received a fully executed, original or PDF counterpart hereof

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, this Agreement is executed this day of July, 2009

LENDER:

Wells Fargo Bank, N A , not individually, but solely as Trustee for the Registered Certificate Holders of UBS Commercial Mortgage Securities Trust 2007-FL1, Commercial Mortgage Pass-Through Certificates, Series 2007-FL1

By: Capmark Finance Inc.,
its Master Servicer

By: _____
Name:
Title

TENANT:

Otsuka America Pharmaceutical, Inc.
By: _____
Name
Title

Lender Notice Address:

Wells Fargo Bank, N.A., not individually, but solely as Trustee for the Registered Certificate Holders of UBS Commercial Mortgage Securities Trust 2007-FL1, Commercial Mortgage Pass-Through Certificates, Series 2007-FL1
c/o Capmark Finance Inc
200 Witmer Road
Horsham, PA 19044
Attn: Executive Vice President — Servicing Administration

LANDLORD:

RM Square, LLC

By _____
Name
Title:

Landlord Notice Address:

RM Square, LLC

_____

_____

_____
Attn:

Tenant Notice Address:

Otsuka America Pharmaceutical, Inc.
2440 Research Blvd.
Rockville, MD 20850
Attn: VP-Finance

With a copy to

Otsuka America Pharmaceutical, Inc.
100 Overlook Center
Princeton, NJ 08540
Attn: Corporate Management
(before the Rent Commencement Date of the Lease)

and

Otsuka America Pharmaceutical
One University Square
Princeton, NJ 08540
Attn. VP-Corporate Services
(after the Rent Commencement Date of the Lease)

Notary Acknowledgement for Lender

Commonwealth of Pennsylvania :
:ss
County of Montgomery :

On this, the day of , 200 , before me, the undersigned Notary Public, personally appeared known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and who acknowledged to me that he/she is an officer of Capmark Finance Inc. in the capacity stated and that he/she executed the within instrument in such capacity for the purposes therein contained

IN WITNESS WHEREOF, I have hereunto set my hand and official seal

Notary Public

{seal}

Notary Acknowledgement for Tenant

State of
ss
County of .

On this, the day of , 200 , before me, the undersigned Notary Public, personally appeared known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and who acknowledged to me that he/she is an officer of the Tenant in the capacity stated and that he/she executed the within instrument in such capacity for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal

Notary Public

{seal}

Notary Acknowledgement for Landlord.

State of
ss
County of .

On this, the day of , 200 , before me, the undersigned Notary Public, personally appeared known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and who acknowledged to me that he/she is an officer of the Landlord in the capacity stated and that he/she executed the within instrument in such capacity for the purposes therein contained

IN WITNESS WHEREOF, I have hereunto set my hand and official seal

Notary Public

{seal}

Exhibit "A"

(Legal Description of the Property)

DESCRIPTION OF UNIVERSITY SQUARE PROPERTY

TRACT TWO

LOT 90.01 IN BLOCK 6

Description of Lot 90.01 in Block S-6 as shown on the current Tax Map of West Windsor Township, Mercer County, New Jersey.

Beginning at a point being located the following two (2) courses from the intersection of the southeasterly right of way line of New Jersey State Highway Route 1 (variable width) with the southwesterly right of way line of the New Jersey Transit Railroad (formerly United New Jersey Railroad and Canal Company, being 26 feet from the baseline of the relocated railroad track), and from said intersection running:

A. Southeasterly along the southwesterly right of way line of the New Jersey Transit Railroad, 1183.61 feet to a point; thence

B South 45 degrees 21 minutes 25 seconds West along the common line between Lots 92.01 and 91 in Block S-6, 380.69 feet to the true point and place of beginning and running;

1. North 44 degrees 38 minutes 35 seconds West along the common line between Lots 90.01 and 92.01 in Block S-6, 388.00 feet to a point; thence

2. South 45 degrees 21 minutes 25 seconds West along same, 146.89 feet to a point in the northeasterly terminus of University Square Drive; thence

3. South 44 degrees 40 minutes 28 seconds East along same, 58 00 feet to a point in the southeasterly right of way line of University Square Drive; thence

4. South 45 degrees 19 minutes 32 seconds West along same, 64.50 feet to a point; thence

5. South 42 degrees 27 minutes 47 seconds West, 100.37 feet to a point in the southeasterly right of way line of University Square Drive (being 35 feet from baseline); thence

6. South 45 degrees 19 minutes 32 seconds West along same, 50.24 feet to a point; thence

7. South 44 degrees 40 minutes 28 seconds East, 5.00 feet to a point of curvature in the easterly right of way line of Ramp L (being 15 feet from baseline); thence

8. Southerly along same, along a curve to the left having a radius of 60.00 feet, an arc length of 62.36 feet to a point of reverse curvature; thence

9. Southerly along same, along a curve to the right having a radius of 115.00 feet, an arc length of 60.98 feet to a point of tangency; thence

10. South 16 degrees 09 minutes 19 seconds West along same, 263.94 feet to a point of curvature; thence

11. Southerly along same, along a curve to the left having a radius of 135.00 feet, an arc length of 117.00 feet to a point of tangency; thence

12. South 56 degrees 22 minutes 45 seconds West, 5.00 feet to a point in said northeasterly right of way line of Alexander Road; thence

13. South 33 degrees 52 minutes 21 seconds East along same, 135.80 feet to a point; thence

14. North 45 degrees 21 minutes 25 seconds East along the common line between Tax Map Lots 90.01 and 71 in Block S-6, 374 76 feet to a point; thence

15. North 44 degrees 44 minutes 55 seconds West along the common line between Tax Map Lots 90.01 and 91 in Block S-6, 106.38 feet to a point; thence

16. North 45 degrees 21 minutes 25 seconds East along same, 400.59 feet to true point and place of beginning.

FOR INFORMATION PURPOSES ONLY:

In compliance with Chapter 157, Laws of 1977, premises herein is Lot 90.01 in Block 6 on the Tax Map of Township of West Windsor, County of Mercer, State of New Jersey.

TRACT THREE

LOT 92.01 BLOCK 6

Description of Lot 92.01 in Block S-6 as shown on the current Tax Map of West Windsor Township, Mercer County, New Jersey.

Beginning at the point of intersection of the southeasterly right of way line of New Jersey State Highway Route 1 (variable width) with the southwesterly right of way line of the New Jersey Transit Railroad (formerly United New Jersey Railroad and Canal Company, being 26 feet from the baseline of the relocated railroad track) and from said beginning point running:

1. South 42 degrees 47 minutes 25 seconds West along said southeasterly right of way line of New Jersey State Highway Route 1, 214.94 feet to a point; thence

2. Southwesterly along the southeasterly right of way line of Ramp A (being 15 feet from baseline) connecting said southeasterly right of way line of New Jersey State Highway Route 1 with the northeasterly right of way line of Alexander Road (variable width), along a curve to the left having a radius of 985.00 feet, an arc length of 155.96 feet to a point of tangency; thence

3. South 23 degrees 48 minutes 28 seconds West along same, 162.68 feet to a point of curvature; thence

4. Southwesterly along same, along a curve to the right having a radius of 1515 00 feet, an arc length of 335.23 feet to a point of reverse curvature; thence

5. Southerly along same, along a curve to the left having a radius of 135 00 feet, an arc length of 175.55 feet to a point of tangency; thence

6. South 52 degrees 01 minutes 21 seconds West 5.00 feet to a point in said northeasterly right of way line of Alexander Road (variable width); thence

7. South 37 degrees 18 minutes 55 seconds East along same, 50.46 feet to a point; thence

8. North 36 degrees 23 minutes 18 seconds West along same, 20.37 feet to a point; thence

9. North 54 degrees 14 minutes 28 seconds East along same, 18.50 feet to a point; thence

10. South 35 degrees 45 minutes 55 seconds East along same, 38.00 feet to a point; thence

11. South 54 degrees 13 minutes 54 seconds West along same, 18.50 feet to a point; thence

12. South 34 degrees 53 minutes 24 seconds East along same, 43.55 feet to a point, thence

13. South 34 degrees 02 minutes 58 seconds East along same, 50.63 feet to a point; thence

14. South 33 degrees 24 minutes 33 seconds East along same 100.49 feet to a point; thence

15. South 33 degrees 07 minutes 13 seconds East along same, 98.90 feet to a point; thence

16. South 84 degrees 00 minutes 51 seconds East, 61.87 feet to a point in the northwesterly right of way line of University Square Drive; thence

17. North 45 degrees 19 minutes 32 seconds East along same, 375.75 feet to a point, thence

18. North 55 degrees 07 minutes 31 seconds East, 111.63 feet to a point in the northeasterly terminus of University Square Drive; thence

19. North 45 degrees 21 minutes 25 seconds East along the common line between Lots 92.01 and 90.01 in Block S-6.146.89 feet to a point; thence

20. South 44 degrees 38 minutes 35 seconds East along same, 388.00 feet to a point; thence

21. North 45 degrees 21 minutes 25 seconds East along the common line between Lots 92.01 and 91 in Block S-6, 380.69 feet to a point in the southwesterly right of way line of the New Jersey Transit Railroad (66 feet wide); thence

22. North 44 degrees 44 minutes 55 seconds West along same, 467 14 feet to a point in the southwesterly right of way line of the New Jersey Transit Railroad (being 26 feet from the baseline of the relocated railroad track); thence

23. North 47 degrees 12 minutes 15 seconds West along same, 124.65 feet to a point of spiral curvature; thence

24. Northwesterly along same, along a spiral curve to the right having a radius of 7639.50 feet, a chord bearing North 47 degrees 04 minutes 45 seconds West distant 100.17 feet, an arc length of 100.17 feet to a point of circular curvature; thence

25. Northwesterly along same, along a curve to the right having a radius of 7665 49 feet, an arc length of 234.23 feet to a point of spiral curvature; thence

26. Northwesterly along same, along a spiral curve to the right, having a radius of 7639.50 feet, a chord bearing North 44 degrees 49 minutes 43 seconds West distant 100 17 feet, an arc length of 100.17 feet to a point of tangency; thence

27. North 44 degrees 42 minutes 13 seconds West along same, 142.87 feet to the point and place of beginning.

FOR INFORMATIONAL PURPOSES ONLY:

In compliance with Chapter 157, Laws of 1977, premises herein is Lot 92.01 in Block 6 on the Tax Map of the Township of West Windsor, County of Mercer, State of New Jersey

AS TO TRACTS I, II, AND III:

Together with the benefits, rights and easements granted in Restated Declaration of Covenants, Conditions and Restrictions of University Square, as set forth in Deed Book 2357, page 442, as amended by First Amendment to Restated Declaration of Covenants, Conditions and Restrictions of University Square in Deed Book 2543, page 528.

EXHIBIT "6"

SATELLITE DISH AGREEMENT

This SATELLITE DISH AGREEMENT (this "Agreement"), made as of , 20 , between RM SQUARE, LLC ("Landlord"), a Delaware limited liability company, having an address c/o RexCorp Realty LLC at 625 Rexcorp Plaza, Uniondale, New York 11556, and OTSUKA AMERICA PHARMACEUTICAL, INC. ("Tenant"), a Delaware corporation, having its principal business address at 100 Overlook Center, Princeton, New Jersey 08540.

W I T N E S S E T H:

WHEREAS, Tenant is the tenant of certain premises in a building located at One University Square, Princeton, New Jersey (the "Building"), pursuant to an Agreement of Lease, dated on or about the date hereof, between Landlord and Tenant (collectively, the "Lease"), and to which this Agreement

is annexed; and

WHEREAS, Tenant desires to install a satellite dish on the roof of the Building, and

WHEREAS, Landlord is willing to permit Tenant to install such satellite dish upon the terms and conditions hereinafter provided,

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which being hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Subject to the conditions and restrictions set forth in this Agreement, upon request by Tenant made in accordance herewith during the term of the Lease, Tenant may, at its own cost and expense, install, operate and maintain one (1) satellite dish (a "Satellite Dish") and related communication and support equipment (together with the Satellite Dish, hereinafter collectively referred to as the "Satellite Dish Installations") on the roof of the Building in a location to be designated by Landlord.

2. The manner of installation, operation, repair and removal of the Satellite Dish Installations shall be subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld, conditioned or delayed. Tenant shall submit to Landlord plans and specifications for the installation (and for any modification or, to the extent required by the applicable municipality, removal) of the Satellite Dish Installations, which shall include, without limitation, the proposed size, weight, type, style, location and method of attachment of and for the Satellite Dish Installations. Such plans and specifications shall be subject to the prior review and approval of Landlord. Without limiting the generality of the foregoing, Landlord may withhold its approval to the installation and operation of the Satellite Dish Installations if such installation and/or operation of the Satellite Dish Installations would or could reasonably be expected to damage the Building, jeopardize the structural integrity of the Building, jeopardize health safety or life safety, interfere with any service provided by Landlord or to any tenant of the Building, or reduce the rentable area of the Building. Following Landlord's approval (if any) of the plans and specifications, and prior to the installation of the Satellite Dish Installations, Tenant shall, at

Tenant's sole cost and expense, obtain all necessary governmental and quasi-governmental permits, licenses and authorizations for the installation of such Satellite Dish Installations. Upon Tenant obtaining said permits, licenses and authorizations, Tenant shall deliver to Landlord (i) copies of all said permits, licenses and authorizations, and (ii) a certificate of insurance evidencing that the applicable insurance coverage required of Tenant by the Lease has been extended to cover the Satellite Dish Installations and evidencing that Tenant has obtained any other insurance reasonably required by Landlord for the installation and operation of the Satellite Dish Installations.

3. The size, type and manner of installation, operation, maintenance, repair and removal of the Satellite Dish Installations must comply with all applicable legal requirements and all reasonable requirements of Landlord. In no event, however, shall the Satellite Dish have a size exceeding twenty-four (24) inches in diameter without Landlord's prior written consent, which may be granted or withheld in Landlord's reasonable discretion. In no event shall the Satellite Dish Installations exceed the height of the parapet wall of the roof or otherwise be visible from the exterior of the Building. In the event the Satellite Dish Installations require roof penetration, Tenant agrees to either use existing roof penetrations on the roof or use Landlord's existing roofing contractor to perform such penetrations (provided such contractor's charges are reasonable and competitive in the Princeton area). Tenant shall, at its own cost and expense, maintain and repair the Satellite Dish Installations and keep same in good condition for as long as same is installed and remains.

4. The parties agree that Tenant's use of the rooftop of the Building is a non-exclusive use and Landlord may permit the use of any other portion of the roof to any other person, firm or corporation for any use including the installation of other antennas, generators and/or communications systems. Tenant shall take reasonable steps to prevent its use of the rooftop from impairing such other person's, firm's or corporation's data transmission and reception via their respective communication and support equipment, if any. Landlord agrees to include substantially similar restrictions in all other satellite dish agreements affecting the Building.

5. Tenant shall pay for all electrical service required for Tenant's use of the Satellite Dish Installations as and when billed by Landlord (in an amount equal to Landlord's actual cost for such electrical service). If requested by Landlord, the Satellite Dish Installations shall be connected to an electrical submeter at Tenant's expense.

6. Tenant shall not be entitled to any abatement or reduction in the rental required under the Lease if for any reason Tenant is unable to use the Satellite Dish Installations.

7. Tenant acknowledges and agrees that the installation, operation, maintenance, repair and removal of the Satellite Dish Installations will be at its sole risk, subject to the terms of Article 25 of the Lease. Moreover, Tenant hereby covenants and agrees to indemnify and defend Landlord from and against any and all claims, actions, damages, liabilities, losses, costs and expenses (including reasonable attorneys' fees and disbursements) arising out of or in connection with the installation, existence, operation, maintenance, repair or removal of the Satellite Dish Installations (including, without limitation, loss of life, personal injury, damage to property or business and increased insurance premiums).

8. Landlord, at its sole option, may require Tenant, at any time prior to the expiration of the Lease, to terminate the operation of the Satellite Dish Installations and to remove the Satellite Dish Installations at Tenant's sole expense if it is or has damaged the Building, jeopardized health safety, life safety or the structural integrity of the Building, interfered with any service provided by Landlord or to any tenant of the Building or reduced the amount of leasable space in the Building. In addition, Tenant shall immediately remove and/or cease operation of the Satellite Dish Installations if so required by any governmental or quasi-governmental authority. Notwithstanding the foregoing, if the condition or factor underlying Landlord's demand for the termination and removal of the Satellite Dish Installations is of a nature that can be remedied by Tenant, then Tenant shall have a period of thirty (30) days following written notice by Landlord in which to remedy the condition or factor and void the demand for termination and removal of the Satellite Dish Installations (provided, however, that in the event if the condition or factor is of such a nature that it cannot be completely remedied within said period of thirty (30) days, then Tenant shall be required to commence within said period of thirty (30) days and thereafter diligently prosecute to completion, all steps necessary to remedy such condition or factor. Landlord, at its sole option and expense, may, at any time during the Term of the Lease, relocate Tenant's Satellite Dish Installations to a location mutually agreed upon by Landlord and Tenant in the event same interferes with the business of any other tenant of the Building.

Moreover, Landlord may require Tenant upon thirty (30) days notice to relocate the Satellite Dish Installations and related equipment at Landlord's sole cost and expense in the event that, in Landlord's sole judgment, the space upon which the Satellite Dish Installations and related equipment is located is needed by Landlord for its use in connection with the provision of a Building-wide service and to remove the same in the event that no other space is available on the roof for the installation thereof.

9. At the expiration or sooner termination of the Lease (or sooner, in the instances addressed in Section 8, above), Tenant shall be required to remove the Satellite Dish Installations from the Building, at its own cost. Tenant shall repair all damage attributable to the installation, existence, operation, maintenance, repair or removal of the Satellite Dish Installations and shall leave the portion of the Building where the Satellite Dish Installations was located (and all other portions of the Building affected by such removal) in good order and repair, reasonable wear and tear and damage due to casualty excepted. If the Tenant does not promptly remove the Satellite Dish Installations when so required and such failure continues after ten (10) days notice, Tenant hereby authorizes Landlord to retain or remove and dispose of the Satellite Dish Installations and charge Tenant for all reasonable, out-of-pocket costs and expenses incurred thereby. Tenant agrees that the Landlord shall not be liable for any property (including the Satellite Dish Installations) disposed of or removed by the Landlord in accordance herewith.

10. Any default on the part of Tenant under this Agreement shall constitute a default under the Lease, and the occurrence of any Event of Default under the Lease pursuant to which Landlord terminates the Lease shall entitle Landlord to immediately terminate the rights of Tenant under this Agreement. This Agreement shall automatically terminate upon the termination or expiration of the Lease. However, the obligations of Tenant hereunder shall survive the termination of this Agreement.

11. All notices to either party shall be sent in the manner and to the addresses set forth in the Lease.

12. This Agreement represents the entire agreement between Landlord and Tenant with respect to the Satellite Dish Installations, and may be amended only by an agreement in writing signed by both parties.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Satellite Dish Agreement as of the day and year first above written.

RM SQUARE, LLC

By: _____
Name: Todd Rechler
Title: Authorized Signatory

OTSUKA AMERICA PHARMACEUTICAL, INC.

By: _____
Name:
Title:

FIRST AMENDMENT TO LEASE

This FIRST AMENDMENT TO LEASE (this "Agreement"), made as of the 5th day of August 2010, by and between RM SQUARE, LLC a Delaware limited liability company, having an address c/o RXR Realty LLC at 625 RXR Plaza, Uniondale, New York 11556 (hereinafter called "Landlord"), and OTSUKA AMERICA PHARMACEUTICAL, INC., a Delaware corporation, having its principal place of business at 100 Overlook Center, Princeton, New Jersey 08540 (hereinafter called "Tenant").

RECITALS

WHEREAS, Landlord and Tenant entered into an Agreement of Lease dated as of July 22, 2009 (the "Lease"), for the lease of 67,531 rentable square feet (the "Original Premises") on the fifth (5th) floor of the building located at One University Square, Princeton, New Jersey (the "Building"); and

WHEREAS, Landlord and Tenant desire to amend the Lease so as to, among other things, provide for Tenant to lease from Landlord certain additional space in the Building (the "Expansion Premises"); such Expansion Premises being the premises shown on the rental plan annexed hereto as Exhibit "1" and made a part hereof, consisting of 35,206 rentable square feet and located on the second (2nd) floor of the Building; all subject to and in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which being hereby acknowledged, the parties agree as follows:

ARTICLE I
Definitions

1.1 The recitals are specifically incorporated into the body of this Agreement and shall be binding upon the parties hereto.

1.2 Unless expressly set forth to the contrary and except as modified by this Agreement, all defined terms shall have the meanings as ascribed to them in the Lease.

ARTICLE II
Lease Modifications

The Lease is deemed modified and amended as follows:

2.1 Lease of Expansion Premises. Landlord hereby leases to Tenant, and Tenant hereby hires and lets from Landlord, the Expansion Premises, subject to all of the terms of the Lease, as modified by this Agreement.

(A) Effective as of the date hereof, Article 1 of the Lease is hereby modified and amended to provide that all references to the term "Premises" and "Demised Premises" in the Lease shall mean the Original Premises together with the Expansion Premises. The parties hereby

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stipulate and agree that such combined Demised Premises shall be deemed to consist of 102,737 rentable square feet, in the aggregate; and

(B) Effective as of the Expansion Premises Commencement Date (as such term is defined in Section 2.2.1, below), Article 1 of the Lease is hereby modified and amended to provide that the term "Tenant's Proportionate Share" shall mean (i) 21.57% when used in relation to the Original Premises only; or (ii) 11.25% when used in relation to the Expansion Premises only; or (iii) 32.82% when used in relation to the entire Demised Premises.

2.2 Term.

2.2.1 Effective as of the "Expansion Premises Commencement Date", Article 2 of the Lease is hereby modified and amended so as to provide that the "Term" of the Lease, as it relates to the Expansion Premises only, shall commence on the earlier to occur of (a) the date on which the Expansion Work (hereinafter defined) has been substantially completed, or (b) March 1, 2011, subject to any extensions of such date required as a result of any delays caused by force majeure (as contemplated in Article 37 of the Lease) or any delays caused by Landlord, its agents, contractors or employees in the substantial completion of the Expansion Work (in either event, the "Expansion Premises Commencement Date"). The parties acknowledge and agree that Landlord shall not be required to deliver the Expansion Premises to Tenant and Tenant shall not have the right to occupy the Expansion Premises until the Expansion Work is "substantially completed". For purposes of this Agreement, the terms "substantially completed" and "substantial completion" shall have the meaning set forth in Article 2(B) of the Lease, except that all references therein to "Landlord's Initial Construction" shall mean the Expansion Work and all references therein to the "Demised Premises" shall mean the Expansion Premises. Tenant waives any right to rescind this Agreement or the Lease under applicable law then in force and further waives the right to recover any damages which may result from Landlord's failure to deliver possession of the Expansion Premises on any scheduled Expansion Premises Commencement Date.

2.2.2 The Expiration Date under the Lease (i.e., March 31, 2021), with respect to the entire Demised Premises, shall remain unaffected by this Agreement; it being the express intention of the parties that, following the Expansion Premises Commencement Date, the Term of the Lease as it relates to the Expansion Premises shall run co-terminously with the Term of the Lease as it relates to the Original Premises.

2.2.3 The terms and conditions of Article 2(E) of the Lease shall apply with respect to Tenant's early access to the Expansion Premises for a period of approximately thirty (30) days prior to the substantial completion of the Expansion Work.

2.2.4 Notwithstanding anything to the contrary contained herein, if the Expansion Work has not been substantially completed by December 31, 2011 (the "Expansion Premises Termination Deadline"), and provided that such delay is not attributable to force majeure or tenant delays, then Tenant shall have five (5) business days in which to deliver to Landlord a thirty (30) day written notice ("Tenant's Expansion Premises Termination Notice") of Tenant's intention to terminate this Agreement. If the Expansion Work has not been substantially completed as of the thirtieth (30th) day following the timely and effective delivery of Tenant's Expansion Premises Termination Notice, then this Agreement shall be immediately terminated and neither Landlord

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nor Tenant shall have any further obligation or liability to the other hereunder (but the Lease shall continue in full force and effect as if Tenant never leased the Expansion Premises). Tenant acknowledges that time is of the essence with respect to Tenant's delivery of Tenant's Expansion Premises Termination Notice and, if Tenant shall fail to deliver Tenant's Expansion Premises Termination Notice by the end of the fifth (5th) business day following the Expansion Premises Termination Deadline, then Tenant's termination right hereunder shall lapse and become of no force or effect whatsoever. In the event of any such termination, Landlord shall promptly reimburse Tenant for any Expansion Rent previously paid by Tenant to Landlord, which reimbursement obligation shall survive any such termination of this Agreement.

2.2.5 Notwithstanding anything to the contrary contained herein, if (i) the Expansion Work has not been substantially completed by December 31, 2011, and (ii) Tenant does not deliver the Tenant's Expansion Premises Termination Notice, as permitted pursuant to Section 2.2.4, above, and provided that such delay is not attributable to force majeure or tenant delays, then Tenant may deliver to Landlord written notice (the "EP Self Help Notice") of its intent to exercise its EP Self Help Remedy (as defined below). If the Expansion Work has not been substantially completed by the thirtieth (30th) day following effective delivery of the EP Self Help Notice, then Landlord shall cease performance of the Expansion Work, and Tenant may proceed to undertake the EP Self Help Remedy. The "EP Self Help Remedy" shall be the empowerment of Tenant to engage its own licensed, insured and reputable contractors and subcontractors for the purpose of completing the Expansion Work, under the direction of Tenant. However, Tenant acknowledges and agrees that, with respect to any aspect(s) of the Expansion Work that would affect, touch or concern the Building systems, Tenant shall only engage a contractor(s) or subcontractor(s) approved by Landlord for the performance of the subject work, which approval shall not be unreasonably withheld, delayed or conditioned. If Tenant exercises the EP Self Help Remedy, then upon Tenant having achieved substantial completion, Landlord shall pay to Tenant the entire positive

difference (if any) between the aggregate amount of reasonable out-of-pocket expenses actually incurred by Tenant directly in connection with the Expansion Work and the aggregate amount of such expenses that would have been incurred by Tenant but for the exercise of the EP Self Help Remedy by Tenant. Also if Tenant exercises the EP Self Help Remedy, the Expansion Premises Commencement Date shall be deemed to be the sooner to occur of (i) the date on which Tenant achieves substantial completion, or (ii) the date that is one (1) month following the date upon which the remainder of the Expansion Work should reasonably be substantially completed (as determined by a general contractor selected by Tenant and reasonably approved by Landlord).

2.3 Rent.

2.3.1 From the date hereof through and including the Expiration Date, the annual minimum rental (the "Rent") for the Original Premises only shall continue to be payable in accordance with the terms and conditions of the Lease, specifically Article 3 thereof.

2.3.2 Effective as of the Expansion Premises Commencement Date and continuing through and including the Expiration Date, Article 3 of the Lease shall be modified and amended so that the Rent for the Expansion Premises only (the "Expansion Rent") shall be payable by Tenant in accordance with the following schedule:

(a) From the Expansion Premises Commencement Date through and including March 31, 2011, Expansion Rent shall be payable in equal monthly installments of $101,217.25 (based on $34.50 per rentable square foot). The aforementioned Expansion Rent shall be appropriately prorated should the Expansion Premises Commencement Date not occur on the first day of a calendar month.

(b) From April 1, 2011 through and including March 31, 2012, Expansion Rent shall be $1,232,210.04, payable in equal monthly installments of $102,684.17 (based on $35.00 per rentable square foot).

(c) From April 1, 2012 through and including March 31, 2013, Expansion Rent shall be $1,249,812.96, payable in equal monthly installments of $104,151.08 (based on $35.50 per rentable square foot).

(d) From April 1, 2013 through and including March 31, 2014, Expansion Rent shall be $1,267,416.00, payable in equal monthly installments of $105,618.00 (based on $36.00 per rentable square foot).

(e) From April 1, 2014 through and including March 31, 2015, Expansion Rent shall be $1,285,019.04, payable in equal monthly installments of $107,084.92 (based on $36.50 per rentable square foot).

(f) From April 1, 2015 through and including March 31, 2016, Expansion Rent shall be $1,302,621.96, payable in equal monthly installments of $108,551.83 (based on $37.00 per rentable square foot).

(g) From April 1, 2016 through and including March 31, 2017, Expansion Rent shall be $1,320,225.00, payable in equal monthly installments of $110,018.75 (based on $37.50 per rentable square foot).

(h) From April 1, 2017 through and including March 31, 2018, Expansion Rent shall be $1,337,828.04, payable in equal monthly installments of $111,485.67 (based on $38.00 per rentable square foot).

(i) From April 1, 2018 through and including March 31, 2019, Expansion Rent shall be $1,355,430.96, payable in equal monthly installments of $112,952.58 (based on $38.50 per rentable square foot).

(j) From April 1, 2019 through and including March 31, 2020, Expansion Rent shall be $1,373,034.00, payable in equal monthly installments of $114,419.50 (based on $39.00 per rentable square foot).

(k) From April 1, 2020 through and including March 31, 2021, Expansion Rent shall be $1,390,637.04, payable in equal monthly installments of $115,886.42 (based on $39.50 per rentable square foot).

2.3.3 In addition to the Expansion Rent set forth above, throughout the Term, Tenant shall also be required to pay all items of additional rent with respect to the Expansion

Premises, as set forth in the Lease (as modified by this Agreement), including, without limitation, Energy Rent and Tenant's Proportionate Share of Taxes and Operating Costs.

2.3.4 For all other purposes of the Lease, Expansion Rent shall be treated as Rent, and Landlord shall have the same rights and remedies with respect to the non-payment or delinquent payment of Expansion Rent as does Landlord with respect to the non-payment or delinquent payment of Rent.

2.3.5 Notwithstanding the foregoing and provided that Tenant is not in default under any of the terms or provisions of the Lease or this Agreement beyond applicable notice and grace periods provided therein for the cure thereof, Tenant shall receive a Rent credit to be calculated as follows: (a) during the first (1st) through third (3rd) full calendar months following the Expansion Premises Commencement Date, Tenant shall receive a Rent credit equal to the Expansion Rent payable with respect to the Expansion Premises during each such calendar month, and (b) during the fourth (4th) through twenty-fourth (24th) full calendar months following the Expansion Premises Commencement Date, Tenant shall receive a Rent Credit equal to the Expansion Rent payable with respect to a 13,000 rentable square foot portion of the Expansion Premises during each such calendar month. In no event shall the foregoing Rent credit affect, reduce or eliminate in any way Tenant's obligation to pay all items of additional rent with respect to the Expansion Premises during such times.

2.4 Expansion Work.

2.4.1 Landlord, at Tenant's expense (except as otherwise set forth herein), will perform or cause Landlord's construction affiliate to perform certain work and make certain installations in and to the Expansion Premises in order to prepare same for occupancy by Tenant; such work and installations to be performed in accordance with final construction drawings to be developed by or on behalf of Tenant, subject to Landlord's approval, which approval shall not be unreasonably withheld, conditioned or delayed (such work and installations sometimes herein referred to as the "Expansion Work"). As of the date of this Agreement, Landlord's good faith, estimated construction schedule for the performance of the Expansion Work is attached hereto as Exhibit "2", it being understood that such construction schedule is subject to, among other things, the timely performance by Tenant of all of its obligations set forth thereon. In the event that there is a conflict or inconsistency between the provisions of this Agreement (including the Exhibits annexed hereto) and the work set forth on the final construction documents to be prepared for the Expansion Work and approved by Landlord and Tenant after the date hereof, such final construction documents shall be controlling. Landlord shall correct any latent defects in the Expansion Work provided such defects are disclosed to Landlord, in writing, within twelve (12) months after the Expansion Premises Commencement Date, and same are not caused by any work performed by or on behalf of Tenant.

2.4.2 Notwithstanding anything to the contrary contained herein, Landlord shall bear up to a maximum of $1,584,270.00 (i.e., $45.00 multiplied by the rentable square footage of the Expansion Premises [35,206]) (the "Expansion Allowance") of the Total Expansion Charge (as hereinafter defined). For purposes of this Section, the term "Total Expansion Charge" shall have the meaning set forth in Article 5(F) of the Lease with respect to the "Total LIC Charge", and shall specifically include all costs associated with any Ceiling Work (as defined in the Lease) performed

within the Expansion Premises, except all references in such definition to the "Landlord's Initial Construction" shall mean and refer to the "Expansion Work" for purposes of this Section. Tenant shall pay to Landlord or Landlord's designee, as additional rent hereunder, the entire amount (the "Expansion Overage") by which the Total Expansion Charge exceeds the maximum amount of the Expansion Allowance set forth above; such Expansion Overage to be paid in accordance with the applicable provisions set forth in Article 5(F) of the Lease (except that, for purposes of this Section, all references in Article 5(F) to the terms "Overage", "Landlord's Initial Construction" and "Partial Overage Prepayment" shall mean and refer to "Expansion Overage", "Expansion Work" and "Partial EWO Prepayment", respectively). If, however, the Total Expansion Charge is less than the maximum amount of the Expansion Allowance set forth above, then Landlord shall bear the entire Total Expansion Charge, and any such outstanding portion of the Expansion Allowance shall be applied by Landlord against the next due installment(s) of Expansion Rent hereunder. Furthermore, if, for whatever reason, Landlord fails to fund any portion of the Expansion Allowance which is otherwise due and payable to the contractors performing the Expansion Work, Tenant shall pay the corresponding portion of the Total Expansion Charge to such contractors (and Tenant may rely on bills rendered for such work) and such portion of the Expansion Allowance not paid by Landlord to the contractors and so advanced by Tenant shall be credited against the next due installment(s) of Expansion Rent hereunder. Tenant hereby acknowledges that in no event shall any portion of the Expansion Allowance be paid or applied against any "soft costs" (as such term is defined in the Lease, except that, for purposes of this Section, all references in such definition to the term "Demised Premises" shall mean and refer to the "Expansion Premises").

2.4.3 The procedures and limitations set forth in Articles 5(C) and (G) of the Lease with respect to Landlord's Initial Construction shall also apply with respect to the performance of the Expansion Work.

2.4.4 Tenant hereby acknowledges that it has been advised by Landlord that Landlord is currently in the process of refinancing the Building and that Landlord intends on funding the Expansion Allowance through the proceeds of such refinancing. Accordingly, within sixty (60) days of the date of this Agreement, Landlord shall deliver to Tenant a copy of Landlord's mortgage commitment letter (the "Commitment") which shall include confirmation that an amount of the loan proceeds from such refinancing equal to the Expansion Allowance shall be earmarked for use by Landlord in connection with its performance of the Expansion Work (to be disbursed as the performance of the Expansion Work progresses in accordance with the provisions of the loan documents). Notwithstanding the aforementioned sixty (60) day period, Landlord agrees to use good faith efforts to obtain the Commitment, confirming the portion thereof to be earmarked for the Expansion Allowance, within thirty (30) days of the date of this Agreement. In the event Landlord fails or is otherwise unable to deliver the Commitment within the aforementioned sixty (60) day period, Landlord shall, within five (5) business days following the expiration of such sixty (60) day period, either (a) deposit an amount equal to the Expansion Allowance in escrow with a mutually acceptable bank for use in connection with the performance of the Expansion Work, or (b) deliver a letter of credit in the amount of the Expansion Allowance naming Tenant as the beneficiary. In either of (a) or (b) above, Landlord shall be permitted to draw upon the escrowed funds or the letter of credit, as applicable, during the progress of the Expansion Work in accordance with the procedure more particularly set forth in Article 5(H)(ii) of the Lease. In the event Landlord is unable or unwilling, for whatever reason, to deliver the aforementioned

letter of credit or to deposit an amount equal to the Expansion Allowance, as required above, by the expiration of the five (5) business day period, Tenant may elect to terminate this Agreement by delivering written notice to Landlord of such termination no later than two (2) business days after the expiration of such five (5) business day period, at which time this Agreement shall terminate and be of no further force or effect (but the Lease shall continue in full force and effect with respect to the Original Premises as if Tenant had never leased the Expansion Premises). In the event Tenant does not terminate this Agreement, as permitted above, then, Tenant may, at its option, elect to pay all or any portion of the Total Expansion Charge (as more particularly set forth in the penultimate sentence of Section 2.4.2, above), in which event the corresponding portions of the Expansion Allowance actually paid by Tenant shall be credited on a dollar for dollar basis against the next due installment(s) of Expansion Rent payable hereunder.

2.5 Parking Field. Effective as of the Expansion Premises Commencement Date, Article 9 of the Lease is hereby modified and amended as follows:

(A) the number "two hundred fifty (250)" is hereby deleted and the number "three hundred seventy-three (373)" is inserted in its place; and

(B) the number "forty (40)" is hereby deleted and the number "sixty (60)" is inserted in its place.

2.6 Taxes and Other Charges.

2.6.1 As it relates to the Original Premises only, Article 11 of the Lease shall remain unaffected by this Agreement.

2.6.2 As it relates to the Expansion Premises only, effective as of the Expansion Premises Commencement Date, Article 11(A)(ii) of the Lease shall be modified and amended so as to provide that the term "Base Year Taxes", wherever it is used in the Lease, shall mean and refer to the Taxes actually due and payable with respect to the 2011 calendar year.

2.7 Operating Cost Increases.

2.7.1 As it relates to the Original Premises only, Article 12 of the Lease shall remain unaffected by this Agreement.

2.7.2 As it relates to the Expansion Premises only, effective as of the Expansion Premises Commencement Date, Article 12(A)(ii) of the Lease shall be modified and amended so as to provide that the term "Base Operating Costs", wherever it is used in the Lease, shall mean and refer to the Operating Costs incurred by Landlord for the calendar year ending December 31, 2011 (whether or not retroactively determined).

2.8 Signs. Effective as of the Expansion Premises Commencement Date, the following sentence is hereby inserted immediately prior to the last sentence of Article 19 of the Lease:

"So long as Tenant continues to lease and occupy at least 100,000 rentable square feet of space within the Building, then, in the event Landlord installs a tenant identification monument sign for use by other tenants in the

Building, Tenant, at its sole cost and expense, shall be included on such monument sign with a listing equal in size to the listing of any Comparable Tenant (as hereinafter defined). For purposes of this Article, the term "Comparable Tenant" shall mean and refer to any other tenant in the Building that is leasing the same or more space in the Building as Tenant is leasing therein, determined as of the date the initial construction of such monument sign is completed. Landlord further agrees that, so long as Tenant continues to lease and occupy at least 100,000 rentable square feet of space within the Building, then (a) Tenant's listing will be placed no lower than the second position on such monument sign, and (b) in no event shall the size of Tenant's listing be less than Tenant's Proportionate Share of the total available listing space on the monument sign."

2.9 Building Name. Effective as of the date of this Agreement, the words "fifty-one (51%) percent of such space" are hereby deleted from Article 22(B) of the Lease and the words "34,000 rentable square feet of such space" are hereby inserted in their place.

2.10 Letter of Credit/Security Deposit.

(A) Effective as of the date of this Agreement, the amount of security required pursuant to Article 49 of the Lease shall be increased from "$4,100,000.00" to "$6,237,356.26". Accordingly, simultaneously with the execution of this Agreement by Tenant, Tenant shall deliver to Landlord either (a) a check in the amount of $2,137,356.26, (b) a supplemental Letter of Credit in the amount of $2,137,356.26 (in the form required by Article 49 of the Lease), or (c) a replacement Letter of Credit (to be held in lieu of the existing Letter of Credit) in the total amount of $6,237,356.26 (in the form required by Article 49 of the Lease), which amount/Letter of Credit shall be held by Landlord in accordance with the terms and conditions of Article 49 of the Lease.

(B) Effective as of the date of this Agreement, the amount of "One Million Two Hundred Thousand and 00/100ths ($1,200,000.00) Dollars" is hereby deleted from the last sentence of Article 49(A) of the Lease and the amount of "One Million Eight Hundred Twenty-Five Thousand Six Hundred Ten and 62/100ths ($1,825,610.62) Dollars" is inserted in its place.

2.11 Cafeteria. Effective as of the Expansion Premises Commencement Date, Article 54 of the Lease is hereby modified and amended, with respect to the Expansion Premises only, so that the words "$2,500.00 per annum" are hereby deleted from the fourth (4th) sentence thereof and the words "$2,500.00 per month" are inserted in their place; it being understood and agreed by the parties that such cap relates to the entire subsidy amount, with Tenant only obligated to pay Tenant's Proportionate Share of any such subsidy. Article 54 of the Lease shall remain unchanged with respect to the Original Premises.

2.12 Right of First Offer (BUILDING). Effective as of the date of this Agreement, the following is hereby inserted as a new Article 59 of the Lease:

"RIGHT OF FIRST OFFER (BUILDING)

(A) Before offering for lease to a third party all or any portion of the Building (other than space on the fourth (4th) floor of the Building, which shall be governed by the terms and conditions of Article 53, above) (each, a "ROFO Space"), during the term of this Lease, and so long as Tenant is not in default under this Lease beyond applicable notice and grace periods provided herein for the cure thereof, Landlord shall notify Tenant ("Landlord's ROFO Notice") of the Market Rent (as defined in Article 53) upon which it would be willing to lease the entire ROFO Space; provided that Landlord shall not be liable to Tenant for any costs, expenses, damages or liabilities which are or maybe incurred by Tenant for Landlord's unintentional failure to so notify Tenant, unless Tenant has expressed to Landlord, in writing, during the preceding twelve (12) months, a general intention to expand its Premises at the Building. Notwithstanding the foregoing, Tenant acknowledges and agrees that portions of the Building are currently vacant however, Tenant has chosen not to lease such portion(s) as of the date hereof. Accordingly, Landlord shall not deliver a Landlord's ROFO Notice with respect to the initial leasing of any such vacant portion(s) of the ROFO Space unless and until Landlord is prepared to submit to a third party a bona fide proposal or letter of intent to lease such vacant portion(s) of the ROFO Space. Landlord shall not be required to deliver a Landlord's ROFO Notice with respect to a proposal for the initial leasing of any currently vacant portion(s) of the ROFO Space more frequently than once every four (4) months.

(B) Tenant shall be required to notify Landlord, in writing ("Tenant's ROFO Notice"), within ten (10) days after receipt of Landlord's ROFO Notice, of its intention to exercise Tenant's right to lease the entire ROFO Space and whether Tenant accepts Landlord's determination of Market Rent or if Tenant desires that Market Rent be established by arbitration in accordance with the arbitration procedures set forth in Article 52(D)(i)(a) (which Tenant's ROFO Notice shall be effective only if sent by Tenant to Landlord in accordance with the terms of this Lease).

In the event Tenant desires that Market Rent be established by arbitration, a final determination of Market Rent must be made no later than sixty (60) days from delivery of Landlord's Notice or Landlord's determination shall be deemed binding. Within twenty (20) days after the final determination of Market Rent, Landlord and Tenant shall execute an Offer Agreement (as defined in Article 53, above) for the applicable ROFO Space. Such Offer Agreement shall provide that the applicable ROFO Space be leased upon all the same terms as this lease, except as otherwise set forth in Article 53(B), above.

(C) If Tenant does not deliver Tenant's ROFO Notice within the ten (10) day period set forth above for delivery of same, then this Right of First Offer will forever lapse and be of no further force and effect with respect to the applicable ROFO Space and Landlord shall have the right to lease the applicable ROFO Space to a third party on the same or any other terms and conditions whether or not such terms and conditions are more or less favorable than those offered to Tenant; provided that if, following the initial leasing of the ROFO Space, Landlord desires

to make the ROFO Space available to any third party at "materially more favorable" terms (as defined in Article 53(C)) than were contained in the original Landlord's ROFO Notice, Landlord shall first be required to present Tenant with a revised Landlord's ROFO Notice containing such more favorable terms (and the foregoing procedures shall apply thereto). In no event shall Landlord be required to re-offer the ROFO Space to Tenant on such materially more favorable terms unless and until the initial leasing of such ROFO Space has occurred, the term of such initial lease has expired or is sooner terminated and the tenant under such lease has surrendered and vacated its premises. Time shall be of the essence with respect to all of Tenant's obligations under this Article.

(D) In the event Tenant exercises its option as above provided, the security deposit referred to in Article 49 of this Lease may, in Landlord's reasonable discretion, be proportionately increased. All provisions for the payment of additional rent (including but not limited to Energy Rent) shall apply without limitation to the ROFO Space.

(E) This Right of First Offer is personal to Otsuka America Pharmaceutical, Inc. and any assignee permitted pursuant to Article 21(C) of this Lease, is non-transferable by operation of law or otherwise, and is subject to (i) existing rights, if any, granted to other tenants at the Building as of the date of this lease (i.e., Blackrock, Inc. [with respect to any vacant and available space within the Building] and Axis Reinsurance Company [with respect to any vacant and available space on the second (2nd) floor of the Building]), and (ii) any extension or renewal of a lease with an existing tenant then leasing the subject ROFO Space (whether pursuant to an extension option in that tenant's lease, a negotiated renewal or otherwise)."

2.13 Schedule C. Effective as of the date hereof, the number "four (4)" is hereby deleted from the second (2nd) sentence of Schedule C, Paragraph 1(F), and the number "six (6)" is inserted in its place.

2.14 Cancellation Option (Expansion Premises).

(A) Provided Tenant is not then in default of its obligations under the Lease, as modified by this Agreement, beyond applicable notice and grace periods provided therein for the cure thereof, Tenant shall have the one time right to cancel the Lease, with respect to the Expansion Premises only, as of the last day of the eighty-fourth (84th) full calendar month following the Expansion Premises Commencement Date (the "Cancellation Date") by notifying Landlord, in writing (the "Cancellation Notice"), at least nine (9) months prior to the Cancellation Date of Tenant's exercise of this cancellation option and by delivering and paying to Landlord, on or before the Cancellation Date, a bank or certified check in the amount of the "Cancellation Fee" set forth in Section (B), below. Notwithstanding anything to the contrary contained herein, if, at any time prior to the Cancellation Date, Tenant leases more space within the Building (whether pursuant to a Right of First Offer or otherwise), then the cancellation option granted herein shall be deemed void and of no further force or effect.

(B) The term "Cancellation Fee", as used herein, shall be deemed to mean $2,010,651.00 (i.e., an amount equal to four (4) monthly installments of Expansion Rent in effect as of the Cancellation Date, plus those portions of all costs incurred by Landlord in connection with this Agreement which have not been amortized as of the Cancellation Date [the "Unamortized Costs"]). The Unamortized Costs shall be defined as the unamortized portion of each of the following: (i) [INTENTIONALLY OMITTED]; (ii) brokerage fees; (iii) the Expansion Allowance, and (iv) the rent concessions set forth in Section 2.3.5 above. For the purpose of calculating the one-time Cancellation Fee, the foregoing costs shall be amortized over the Term of the Lease, as same relates to the Expansion Premises, as if same were a one hundred twenty (120) month self-amortizing loan at an annual interest rate of twelve (12%) percent payable in equal monthly installments of principal and interest combined.

(C) Upon satisfaction by Tenant of each of the above conditions, and upon the Expansion Premises having been surrendered to Landlord and vacated by Tenant on or before the Cancellation Date as if that date were the Expiration Date hereunder, the Lease, as it relates to the Expansion Premises only, shall be deemed canceled and terminated as of the Cancellation Date. Following the delivery by Tenant of the Cancellation Notice, Landlord and Tenant agree to execute a mutually acceptable lease amendment reflecting the surrender of the Expansion Premises and the restoration of all Lease provisions otherwise modified by this Agreement. Time is of the essence with respect to all time periods referenced in this Section. Tenant acknowledges that, following exercise of this cancellation option by Tenant, Tenant may not revoke such cancellation without the prior written consent of Landlord (which may be granted or withheld in Landlord's sole discretion). In the event that Tenant shall fail to fully and timely comply with each of the conditions herein contained, Tenant will be deemed to have waived all of its rights contained in this Section.

(D) This cancellation option is personal to Otsuka America Pharmaceutical, Inc. and any assignee permitted pursuant to Article 21(C) of the Lease, and may not be transferred by operation of law or otherwise.

ARTICLE III
Broker

3.1 Landlord and Tenant each represents to the other party that this Agreement was brought about by Triad Properties LLC and Newmark Knight Frank, as brokers (collectively, the "Brokers") and that all of its respective negotiations with respect to this Agreement were conducted exclusively

with said Brokers. Each party (the "Indemnifying Party") agrees that if any claim is made for commissions by any other broker through or on account of any acts of the Indemnifying Party, the Indemnifying Party will indemnify, defend and hold the other party free and harmless from any and all liabilities and expenses in connection therewith, including reasonable attorney fees and disbursements. Landlord agrees to pay any fees or commissions due and payable to the Brokers in connection with this Agreement pursuant to the terms and conditions of a separate written agreement between Landlord and the Brokers and, in the event Landlord fails to comply with the terms and conditions of such separate agreement, Landlord will indemnify, defend and hold Tenant harmless from and against any claim by Brokers in connection with such breach by Landlord.

ARTICLE IV
Ratification; Miscellaneous Provisions

4.1 Landlord and Tenant each represents and warrants that the Lease is presently in full force and effect.

4.2 The parties hereby ratify and confirm all of the terms, covenants and conditions of the Lease, except to the extent that those terms, covenants, conditions and provisions are amended, modified or varied by this Agreement. In the event of a conflict between the provisions of the Lease and the provisions of this Agreement, the provisions of this Agreement shall control.

4.3 The covenants, agreements, terms and conditions contained in this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

4.4 Landlord confirms and ratifies that, to the best of its knowledge as of the date hereof, (a) Tenant is not in default (beyond any applicable notice and grace period provided in the Lease for the cure thereof) of any monetary obligation of Tenant under the Lease with respect to which Landlord has delivered to Tenant an invoice, and (b) Landlord has not delivered to Tenant any written notice of default of any non-monetary obligation of Tenant under the Lease, where such default remains uncured. In no event shall the foregoing sentence be deemed to waive, forgive or otherwise affect, in any way, Tenant's obligation to pay Rent, additional rent or other sums payable with respect to (i) the performance and completion of Landlord's Initial Construction (as defined in the Lease) and/or any extra work orders requested by Tenant, and/or (ii) the Original Premises from and after the "Rent Commencement Date" under the Lease, as same may be accelerated pursuant to the terms and conditions thereof.

4.5 Tenant confirms and ratifies that, to the best of its knowledge as of the date hereof, (a) Landlord is not in default (beyond any applicable notice and grace period provided in the Lease for the cure thereof) of any monetary obligation of Landlord under the Lease with respect to which Tenant has delivered to Landlord an invoice, and (b) Tenant has not delivered to Landlord any written notice of default of any non-monetary obligation of Landlord under the Lease, where such default remains uncured.

4.6 Landlord has submitted a copy of this Agreement to Wells Fargo Bank, N.A., as Trustee for the Registered Certificate Holders of UBS Commercial Mortgage Securities Trust 2007-FL1, Commercial Mortgage Pass-Through Certificates, Series 2007-FL1 under that certain Pooling and Servicing Agreement dated as of December 28, 2007, the current holder of the mortgage on the Real Property (the "Lender"), for its approval and Landlord shall obtain such approval within sixty (60) days after the date Landlord delivers to Tenant a fully executed counterpart of this Agreement. Notwithstanding the aforementioned sixty (60) day period, Landlord agrees to use good faith and diligent efforts to obtain such approval within thirty (30) days after the date Landlord delivers to Tenant a fully executed counterpart of this Agreement. If Landlord shall not obtain Lender's approval of this Agreement within such sixty (60) day period, then Tenant may, by written notice to Landlord within two (2) business days of the expiration of such sixty (60) day period (but prior to Tenant's receipt of such Lender's approval), terminate this Agreement, whereupon this Agreement shall terminate and be of no further force or effect (but the

Lease shall continue in full force and effect with respect to the Original Premises as if Tenant had never leased the Expansion Premises).

IN WITNESS WHEREOF, the parties have executed this First Amendment to Lease as of the day and year first above written.

RM SQUARE, LLC

By: /s/ Todd Rechler
Name: Todd Rechler
Title: Authorized Signatory

OTSUKA AMERICA PHARMACEUTICAL, INC.

By: /s/ Mark Altmeyer
Name: Mark Altmeyer
Title: President and CEO

EXHIBIT “1”

Expansion Premises Rental Plan

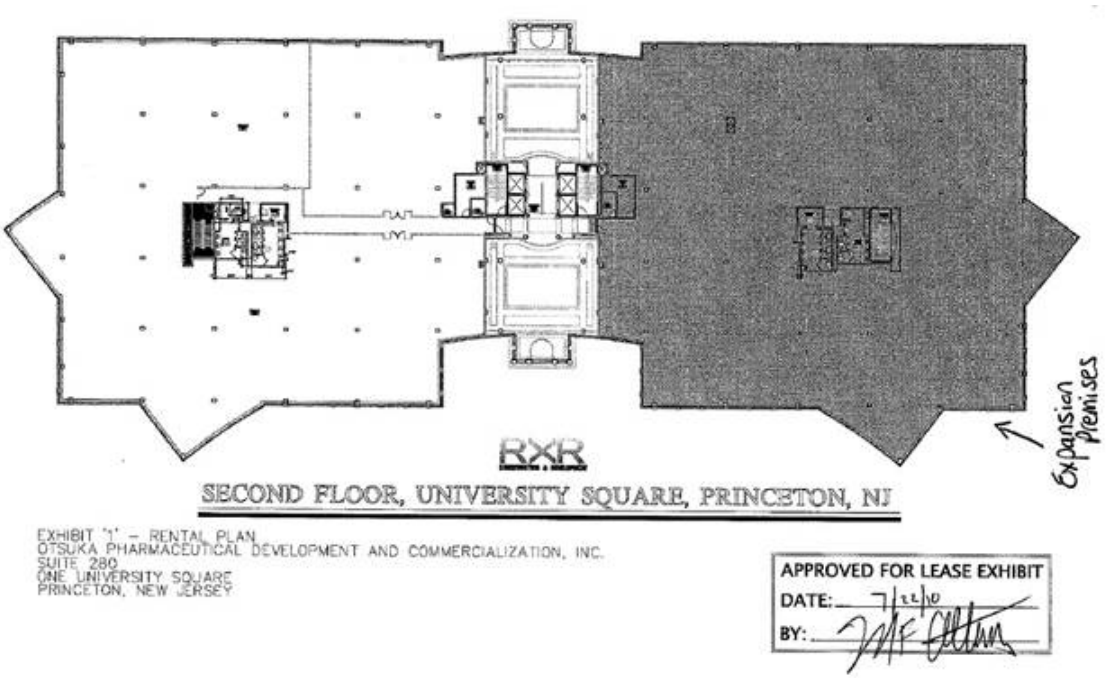
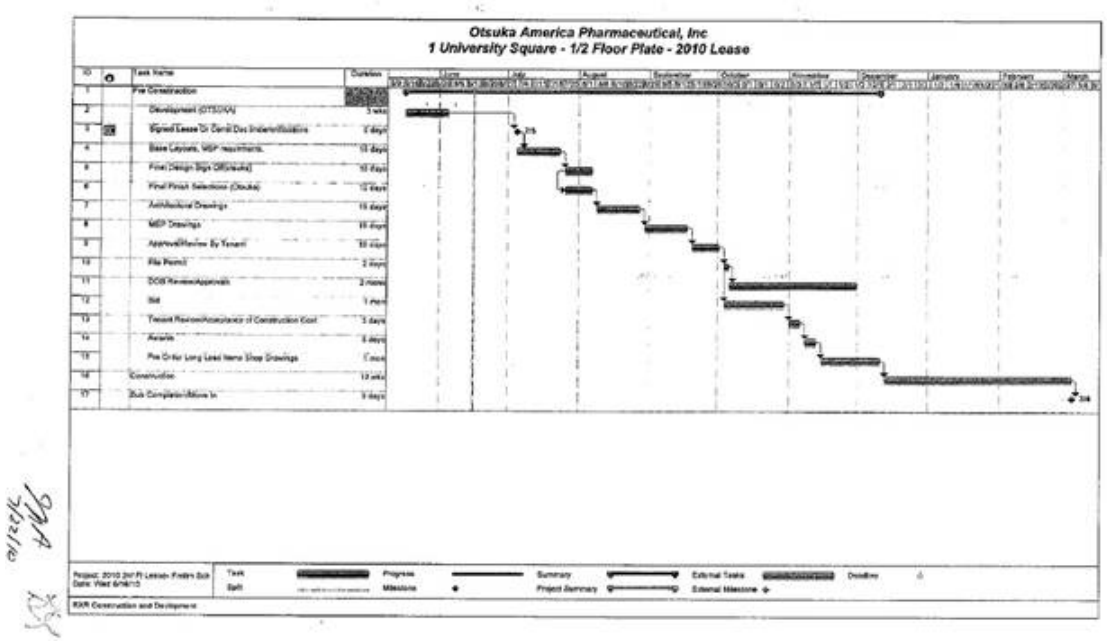


EXHIBIT “2”

Estimated Construction Schedule



SECOND AMENDMENT TO LEASE

This SECOND AMENDMENT TO LEASE (this “Agreement”), made as of the 8th day of December, 2014, by and between RM SQUARE, LLC, a New York limited liability company, having an office c/o RXR Realty LLC at 625 RXR Plaza, Uniondale, New York 11556 (hereinafter called “Landlord”), and OTSUKA AMERICA PHARMACEUTICAL, INC., a Delaware corporation, having its principal place of business at 508 Carnegie Center, Princeton, NJ 08540 (hereinafter called “Tenant”).

RECITALS

WHEREAS, Landlord and Tenant entered into an Agreement of Lease, dated as of July 22, 2009 (the "Original Lease") for the lease of 67,531 rentable square feet of space (the "Original Premises") on the fifth (5th) floor of the building located at One University Square, Princeton, New Jersey (the "Building"); and

WHEREAS, Landlord and Tenant entered into a First Amendment to Lease, dated as of August 5, 2010 (the "First Amendment" and, together with the Original Lease, sometimes hereinafter collectively referred to as the "Lease"), whereby, among other things, Tenant leased from Landlord an additional 35,206 rentable square feet of space (the "Expansion Premises") located on the second (2nd) floor of the Building; and

WHEREAS, Landlord and Tenant desire to amend the Lease so as to, among other things, provide for the surrender by Tenant and acceptance by Landlord of the Original Premises; subject to and in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which being hereby acknowledged, the parties agree as follows:

ARTICLE I

Definitions

1.1 The recitals arc specifically incorporated into the body of this Agreement, and shall be binding upon the parties hereto.

1.2 Unless expressly set forth to the contrary and except as modified by this Agreement, all capitalized or defined terms shall have the meanings ascribed to them in the Lease.

ARTICLE II

Surrender of the Original Premises

2.1 Tenant hereby surrenders to Landlord, as of December 31, 2014 (the "Surrender Date"), the Lease and the term and the estate thereby granted, as it relates to the Original Premises only, to the extent and purpose that the estate of Tenant in and to the Original Premises shall be wholly extinguished, and that the term of the Lease, as it relates to the Original Premises only, shall expire as of the Surrender Date in the manner and with the same effect as if the Surrender Date were the "Expiration Date" set forth in the Lease. Tenant shall, on or before the Surrender Date, completely vacate and surrender the Original Premises in broom clean, "As Is" condition.

2.2 Tenant hereby represents, warrants and covenants that (a) nothing has been done or suffered whereby the Lease or the term or the estate thereby granted have been encumbered in any way whatsoever; (b) Tenant owns the leasehold interest of "Tenant" under the Lease and has good right to surrender the same as it relates to the Original Premises; and (c) no one other than Tenant has acquired, through or under Tenant, any right, title or interest in or to the Lease (as it relates to the Original Premises) or the term or estate thereby granted or in or to the Original Premises.

2.3 Any failure by Tenant to fully vacate and surrender the entire Original Premises by the Surrender Date shall be deemed to constitute an Event of Default on the part of Tenant under the Lease and shall also be deemed to constitute a holdover in the Original Premises by Tenant,

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without the acquiescence of Landlord, and the holdover provisions of the Lease shall apply with full force and effect with respect thereto. In addition and in the event of a holdover in the Original Premises by Tenant following the Surrender Date, Landlord hereby reserves all rights and remedies available to it under the Lease, at law, in equity or otherwise with respect to such use and occupancy of the Original Premises by Tenant.

2.4 In consideration of the acceptance by Landlord of the surrender being made by Tenant hereunder, Tenant hereby covenants to:

2.5 Upon Tenant (a) timely paying all Rent Payments and the Surrender Fee, and (b) fully surrendering and vacating the Original Premises (in the manner required under Section 2.1 hereof) no later than the Surrender Date; TIME BEING OF THE ESSENCE, then each party does hereby release the other party, of and from all claims, demands, actions and causes of actions of every kind and nature whatsoever arising out of or in connection with the Lease, as it relates to the Original Premises, from and after the Surrender Date (excluding, however, any obligations with respect to the Original Premises that would have survived the expiration of the Term of the Lease).

ARTICLE III

Lease Modifications

The Lease is hereby modified and amended as follows:

3.1 Premises. Effective as of January 1, 2015 (the "Effective Date"), Article 1 of the Lease is modified and amended as follows:

(A) The terms "Premises" and "Demised Premises", as used in the Lease, shall mean and refer to the Expansion Premises only, which the parties hereby stipulate and agree consists of 35,206 rentable square feet..

(B) The term "Tenant's Proportionate Share" shall continue to mean and refer to 11.25% with respect to the Expansion Premises.

3.2 Term. The Expiration Date under the Lease (i.e., March 31, 2021), with respect to the Expansion Premises, shall remain unchanged and unaffected by this Agreement.

3.3 Rent. Tenant shall continue to pay all items of Expansion Rent (as such term is defined in Section 2.3.2 of the First Amendment) and additional rent with respect to the Expansion Premises, as more particularly set forth in the Lease, through and including the Expiration Date.

3.4 Condition of the Expansion Premises. Tenant hereby acknowledges and agrees that all work and payments that were required to be performed or made by Landlord under the Original Lease and/or the First Amendment have been performed or made. Tenant accepts the Expansion Premises in its current "as is" condition as of the date hereof and agrees that Landlord shall not be required to perform any work, make any installations or incur any expense in order to prepare the Expansion Premises for Tenant's continued occupancy thereof.

3.5 Parking Field. Effective as of the Effective Date, Article 9 of the Original Lease, as previously modified by Section 2.5 of the First Amendment, is further modified and amended as follows:

(A) the number "three hundred seventy-three (373)" is hereby deleted and the number "one hundred twenty-three (123)" is inserted in its place; and

(B) the number "sixty (60)" is hereby deleted and the number "twenty-six (26)" is inserted in its place.

3.6 Letter of Credit/Security Deposit. Landlord and Tenant currently acknowledge and agree that, as of the date of this Agreement, Landlord is holding $1,825,610.62 as security pursuant to Article 49 of the Original Lease, as modified by Section 2.10 of the First Amendment. Effective as of the Effective Date, the amount of security required pursuant to Article 49(B) of the Original Lease, as modified by Section 2.10(B) of the First Amendment, shall be decreased from

"$1,825,610.62" to "$625,610.62". Accordingly, on or after the Effective Date, Tenant shall deliver to Landlord either (a) a check in the amount of $625,610.62, (b) a Letter of Credit amendment in the amount of $625,610.62 (in the form required by Article 49 of the Lease), or (c) a replacement Letter of Credit (to be held in lieu of the existing Letter of Credit) in the total amount of $625,610.62 (in the form required by Article 49 of the Lease), which amount/Letter of Credit shall be held by Landlord in accordance with the terms and conditions of Article 49 of the Lease.

3.7 Rights of First Offer. Effective immediately, Article 53 of the Original Lease and Section 2.12 of the First Amendment are hereby deleted in their entirety.

ARTICLE IV

Broker

4.1 Landlord and Tenant each represents to the other party that this Agreement was not brought about by any broker and that all negotiations with respect to this Agreement were conducted exclusively between Landlord and Tenant. Each party (the "Indemnifying Party") agrees that if any claim is made for commissions by any broker through or on account of any acts of the Indemnifying Party, the Indemnifying Party will hold the other party free and harmless from any and all liabilities and expenses in connection therewith, including Landlord's reasonable attorney's fees and disbursements.

ARTICLE V

Ratification; Miscellaneous Provisions

5.1 Landlord and Tenant each represents and warrants that the Lease is presently in full force and effect.

5.2 The parties hereby ratify and confirm all of the terms, covenants and conditions of the Lease, except to the extent that those terms, covenants and conditions are amended, modified

or varied by this Agreement. If there is a conflict between the provisions of the Lease, and the provisions of this Agreement, the provisions of this Agreement shall control.

5.3 The covenants, agreements, terms and conditions contained in this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and/or assigns.

5.4 Landlord confirms and ratifies that, to the best of its knowledge as of the date hereof, (a) Tenant is not in default (beyond any applicable notice and grace period provided in the Lease for the cure thereof) of any monetary obligation of Tenant under the Lease with respect to which Landlord has delivered to Tenant an invoice, and (b) Landlord has not delivered to Tenant any written notice of default of any non-monetary obligation of Tenant under the Lease, where such default remains uncured. In no event shall the foregoing sentence be deemed to waive, forgive or otherwise affect, in any way, Tenant's obligation to pay Rent, Expansion Rent, additional rent as required pursuant to the Lease (as modified by this Agreement).

5.5 Tenant confirms and ratifies that, to the best of its knowledge as of the date hereof, (a) Landlord is not in default (beyond any applicable notice and grace period provided in the Lease for the cure thereof) of any monetary obligation of Landlord under the Lease with respect to which Tenant has

delivered to Landlord an invoice, and (b) Tenant has not delivered to Landlord any written notice of default of any non-monetary obligation of Landlord under the Lease, where such default remains uncured.

IN WITNESS WHEREOF, the parties have executed this Second Amendment to

Lease as of the day and year first above written.

RM SQUARE, LLC

By: /s/ Todd Rechler
Name: Todd Rechler
Title: Authorized Person

OTSUKA AMERICA PHARMACEUTICAL, INC.

By: /s/ Steven J. Weisel
Name: Steven J. Weisel
Title: Vice President & General Counsel

EXHIBIT B

Furniture

Sublandlord and Subtenant agree that the following list is materially accurate, comprises the "Furniture" and which, in material respects, lists the Furniture which will be located at the Premises on the Commencement Date:

OFFICE DESKS*	**88**
U CONFIGURATION	25
L CONFIGURATION	59
SINGLE	4

* INCLUDES WALL MOUNTED OVERHEAD CABINETRY

TABLES	**114**
MOVEABLE TRAINING	62
ROUND OFFICE	39
OVAL CONFERENCE	3
CAFÉ	6
MISCELLANEOUS	5
WORKSTATIONS	**28**
BENCHSTATIONS	**15**
CHAIRS	**458**
TASK CHAIRS	232
VISITOR CHAIRS	205
CAFÉ AREA	21
BOOKSHELVES	**32**
CREDENZAS	**5**
FILE CABINETS	**36**
STORAGE CABINETS	**2**
MISCELLANEOUS	
COUCH	1
LEATHER CHAIRS	4
STOOLS	4

EXHIBIT C

Reserved Parking Spaces

(Attached hereto)

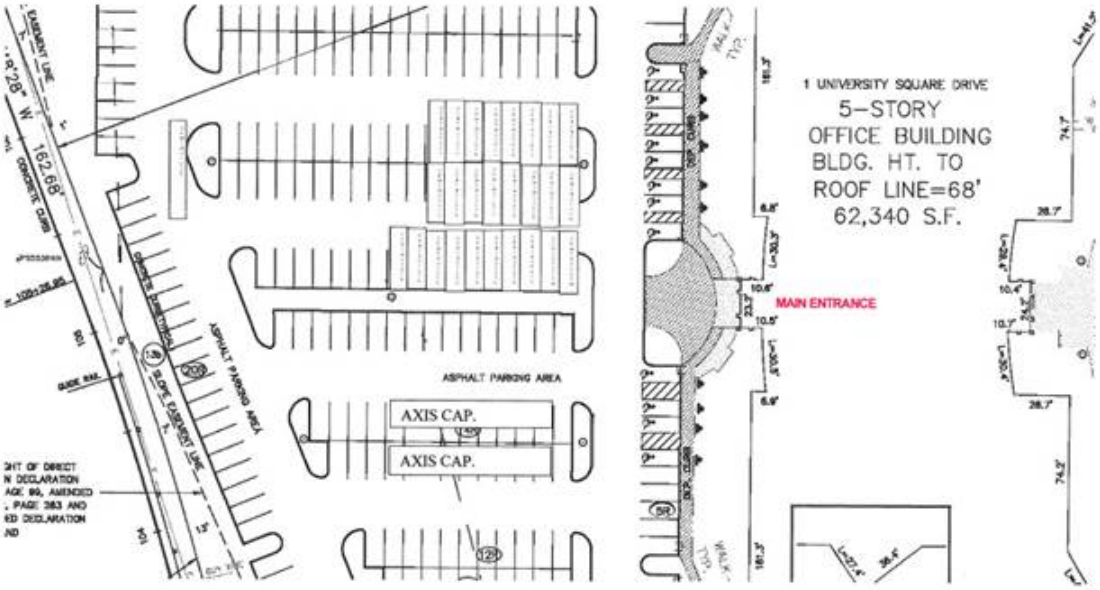

Exhibit 31.1

CERTIFICATIONS

I, David R. Guyer, M.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 of Ophthotech Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2015

By: /s/ David R. Guyer
David R. Guyer, M.D.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Michael G. Atieh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 of Ophthotech Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2015

By: /s/ Michael G. Atieh
Michael G. Atieh
Executive Vice President and Chief Financial and Business Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Ophthotech Corporation (the "Company") for the period ended June 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, David R. Guyer, M.D., Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2015

By: /s/ David R. Guyer
David R. Guyer M.D.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Ophthotech Corporation (the "Company") for the period ended June 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Michael G. Atieh, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2015

By: /s/ Michael G. Atieh
Michael G. Atieh
Executive Vice President and Chief Financial and Business Officer
(Principal Financial Officer)