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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2018

OR

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

For the transition period from to

Commission file number: 001-37372

Collegium Pharmaceutical, Inc.

(Exact name of registrant as specified in its charter)

Virginia	**03-0416362**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
780 Dedham Street, Suite 800 Canton, MA	**02021**
(Address of principal executive offices)	(Zip Code)

(781) 713-3699

(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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 ☒ No ☐

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

Large accelerated filer☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐
	Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

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

As of April 30, 2018, there were 33,044,050 shares of Common Stock, $0.001 par value per share, outstanding.

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FORWARD-LOOKING STATEMENTS

Statements made in this Quarterly Report on Form 10-Q that are not statements of historical or current facts, such as those under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements discuss our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. These statements may be preceded by, followed by or include the words "aim," "anticipate," "believe," "estimate," "expect," "forecast," "intend," "outlook," "plan," "potential," "project," "projection," "seek," "may," "could," "would," "should," "can," "can have," "likely," the negatives thereof and other words and terms of similar meaning.

Forward-looking statements are inherently subject to risks, uncertainties and assumptions; they are not guarantees of performance. You should not place undue reliance on these statements. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that our assumptions made in connection with the forward-looking statements are reasonable, we cannot assure you that the assumptions and expectations will prove to be correct.

You should understand that the following important factors could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in our forward-looking statements:

- our ability to obtain and maintain regulatory approval of our products and product candidates, and any related restrictions, limitations, and/or warnings in the label of an approved product;
- our plans to commercialize our product candidates and grow sales of our products;
- our ability to effectively commercialize in-licensed products and manage our relationships with licensors, including our ability to satisfy our royalty payment obligations in connection with such products;
- the size and growth potential of the markets for our products and product candidates, and our ability to service those markets;
- the success of competing products that are or become available;
- our ability to obtain and maintain reimbursement and third-party payor contracts for our products;
- the costs of commercialization activities, including marketing, sales and distribution;
- our ability to develop sales and marketing capabilities, whether alone or with potential future collaborators;
- the rate and degree of market acceptance of our products and product candidates;
- changing market conditions for our products and product candidates;
- the outcome of any patent infringement or other litigation that may be brought by or against us, including litigation with Purdue Pharma, L.P. and Teva Pharmaceuticals USA, Inc.;
- our ability to attract collaborators with development, regulatory and commercialization expertise;
- the success, cost and timing of our product development activities, studies and clinical trials;
- our ability to obtain funding for our operations;
- regulatory developments in the United States and foreign countries;
- our expectations regarding our ability to obtain and adequately maintain sufficient intellectual property protection for our products and product candidates;
- our ability to operate our business without infringing the intellectual property rights of others;
- the performance of our third-party suppliers and manufacturers;
- our ability to secure adequate supplies of active pharmaceutical ingredient for each of our products and product candidates;
- our ability to comply with stringent U.S. and foreign government regulations relating to the manufacturing and marketing of pharmaceutical products, including U.S. Drug Enforcement Agency, or DEA, compliance;
- the loss of key scientific or management personnel;
- our expectations regarding the period during which we qualify as an emerging growth company under the JOBS Act;
- our customer concentration. which may adversely affect our financial condition and results of operations;
- the accuracy of our estimates regarding expenses, revenue, capital requirements and need for additional financing; and
- the other risks, uncertainties and factors discussed under the heading "Risk Factors" in this Quarterly Report on Form 10-Q

In light of these risks and uncertainties, expected results or other anticipated events or circumstances discussed in this Quarterly Report on Form 10-Q (including the exhibits hereto) might not occur. We undertake no obligation, and specifically decline any obligation, to publicly update or revise any forward-looking statements, even if experience or future developments make it clear that projected results expressed or implied in such statements will not be realized, except as may be required by law.

These and other risks are described under the heading "Risk Factors" in this Quarterly Report on Form 10-Q. Those factors and the other risk factors described therein are not necessarily all of the important factors that could cause actual results or developments to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, there can be no assurance that actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements.

PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited).

Collegium Pharmaceutical, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	March 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$ 128,249	$ 118,697
Accounts receivable	66,036	9,969
Inventory	7,902	1,813
Prepaid expenses and other current assets	5,526	3,005
Total current assets	207,713	133,484
Property and equipment, net	1,612	1,826
Intangible assets, net	486,100	—
Restricted cash	703	97
Other long-term assets	150	161
Total assets	$ 696,278	$ 135,568
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	$ 9,336	$ 5,684
Accrued expenses	17,436	8,541
Accrued rebates, returns and discounts	92,400	15,784
Current portion of asset acquisition obligations	131,056	—
Current portion of term loan payable	—	1,479
Total current liabilities	250,228	31,488
Asset acquisition obligations, long-term	343,727	—
Term loan payable, long-term	11,500	—
Total liabilities	605,455	31,488
Commitments and contingencies (see Note 12)		
Shareholders’ equity:		
Preferred stock, $0.001 par value; authorized shares - 5,000,000 at March 31, 2018 and December 31, 2017; issued and outstanding shares - none at March 31, 2018 and December 31, 2017	—	—
Common stock, $0.001 par value; authorized shares - 100,000,000 at March 31, 2018 and December 31, 2017; issued and outstanding shares - 33,027,579 at March 31, 2018 and 32,770,678 at December 31, 2017	33	33
Additional paid-in capital	407,491	402,096
Accumulated deficit	(316,701)	(298,049)
Total shareholders’ equity	90,823	104,080
Total liabilities and shareholders’ equity	$ 696,278	$ 135,568

See accompanying notes to the Condensed Consolidated Financial Statements.

Collegium Pharmaceutical, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share amounts)

	Three months ended March 31,	
	2018	**2017**
Product revenues, net	$ 63,749	$ 2,172
Costs and expenses		
Cost of product revenues	43,106	371
Research and development	2,268	2,130
Selling, general and administrative	31,582	22,847
Total costs and expenses	76,956	25,348
Loss from operations	(13,207)	(23,176)
Interest expense	(5,700)	—
Interest income	255	98
Net loss	$ (18,652)	$ (23,078)
Loss per share - basic and diluted	$ (0.57)	$ (0.79)
Weighted-average shares - basic and diluted	32,903,674	29,350,268

See accompanying notes to the Condensed Consolidated Financial Statements.

Collegium Pharmaceutical, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended March 31,	
	2018	**2017**
Operating activities		
Net loss	$ (18,652)	$ (23,078)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation expense	482	208
Amortization expense	29,526	—
Lease incentive obligation	—	(9)
Stock-based compensation expense	2,728	1,821
Non-cash interest expense	5,528	—
Changes in operating assets and liabilities:		
Accounts receivable	(56,067)	(1,220)
Inventories	134	(179)
Prepaid expenses and other assets	(523)	(148)
Accounts payable	3,652	(2,313)
Accrued expenses	8,900	(2,521)
Accrued rebates, returns and discounts	53,955	—
Deferred revenue	—	3,751
Net cash provided by (used in) operating activities	29,663	(23,688)
Investing activities		
Cash paid for asset acquisition	(18,761)	—
Purchases of property and equipment	(356)	(29)
Net cash used in investing activities	(19,117)	(29)
Financing activities		
Cash paid for common stock offerings costs	(30)	—
Proceeds from issuances of common stock from employee stock purchase plans	510	673
Proceeds from term loan amendment, net of repayment of amended term loan	10,020	—
Repayment of asset acquisition obligations	(13,045)	—
Repayment of term note	—	(666)
Proceeds from the exercise of stock options	2,373	94
Payments made for employee restricted stock tax withholdings	(216)	(51)
Net cash (used in) provided by financing activities	(388)	50
Net increase (decrease) in cash, cash equivalents and restricted cash	10,158	(23,667)
Cash, cash equivalents and restricted cash at beginning of period	118,794	153,322
Cash, and cash equivalents and restricted cash at end of period	$ 128,952	$ 129,655
Supplemental disclosure of cash flow information		
Cash paid for offering costs	$ 30	$ —
Cash paid for interest	$ 109	$ 49
Supplemental disclosure of non-cash activities		
Offering costs in accrued expenses	$ 25	$ 112
Acquisition of property and equipment in accrued expenses	$ 129	$ 99
Asset acquisition transaction costs in accrued expenses	$ 116	$ —
Liabilities assumed from asset acquisition in accrued rebates, returns and discounts	$ 22,660	$ —

See accompanying notes to the Condensed Consolidated Financial Statements.

Collegium Pharmaceutical, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands, except share and per share amounts)

1. Nature of Business

Collegium Pharmaceutical, Inc. (the "Company") was incorporated in Delaware in April 2002 and then reincorporated in Virginia in July 2014. The Company has its principal operations in Canton, Massachusetts. The Company is a specialty pharmaceutical company focused on becoming the leader in responsible pain management by developing and commercializing innovative, differentiated products for patients suffering from pain. The Company's first product, Xtampza ER®, or Xtampza, is an abuse-deterrent, extended-release, oral formulation of oxycodone, a widely prescribed opioid medication. In April 2016, the U.S. Food and Drug Administration ("FDA") approved the Company's new drug application ("NDA") filing for Xtampza for the management of pain severe enough to require daily, around-the-clock, long-term opioid treatment and for which alternative treatment options are inadequate. In June 2016, the Company announced the commercial launch of Xtampza.

In December 2017, the Company and its wholly owned subsidiary, Collegium NF, LLC ("Collegium NF") entered into a Commercialization Agreement with Depomed, Inc. ("Depomed"), pursuant to which Depomed agreed to grant a sublicense of certain of its intellectual property related to Nucynta ER and IR products (the "Nucynta Products") to the Company for commercialization of the Nucynta Products in the United States. On January 9, 2018, the parties amended the Commercialization Agreement (as amended, the "Commercialization Agreement") and consummated the transactions contemplated thereby. Nucynta ER is an extended release formulation of tapentadol that is indicated for the management of pain severe enough to require daily, around the clock, long term opioid treatment, including neuropathic pain associated with diabetic peripheral neuropathy in adults, and for which alternate treatment options are inadequate. Nucynta IR is an immediate release formulation of tapentadol that is indicated for the management of moderate to severe acute pain in adults. The Company began shipping and recognizing product sales on the Nucynta Products on January 9, 2018 and began commercial promotion of the Nucynta Products in February 2018. The assets and liabilities assumed by the Company in connection with the Commercialization Agreement are further described in Note 7.

The Company's operations are subject to certain risks and uncertainties. The principal risks include inability to successfully commercialize products, changing market conditions for products and product candidates (including development of competing products), changing regulatory environment and reimbursement landscape, negative outcome of clinical trials, inability or delay in completing clinical trials or obtaining regulatory approvals, key personnel retention and protection of intellectual property, patent infringement litigation and the availability of additional capital financing on terms acceptable to the Company.

The Company has experienced net losses and negative cash flows from operating activities since its inception, and, as of March 31, 2018 had an accumulated deficit of $316,701. The Company expects to continue to incur net losses in the near future. A successful transition to profitable operations is dependent upon achieving a level of revenues adequate to support the Company's cost structure.

The Company believes that its cash and cash equivalents at March 31, 2018, together with expected cash inflows from the commercialization of its products, will enable the Company to fund its operating expenses, debt service and capital expenditure requirements into 2020. The Company may never achieve profitability, and unless and until it does, the Company will continue to need to raise additional cash. Management intends to fund future operations through additional private or public debt or equity offerings and may seek additional capital through arrangements with strategic partners or from other sources. If the Company is unable to obtain financing or increase profitability, the related lack of liquidity will have a material adverse effect on the Company's operations and future prospects.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of Collegium Pharmaceutical, Inc. (a Virginia corporation) as well as the accounts of Collegium Securities Corp. (a Massachusetts

corporation), incorporated in December 2015, and Collegium NF, LLC (a Delaware limited liability company), organized in December 2017, both wholly owned subsidiaries requiring consolidation. The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial reporting and as required by Regulation S-X, Rule 10-01. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements.

In the opinion of the Company's management, the accompanying unaudited Condensed Consolidated Financial Statements contain all adjustments (consisting of items of a normal and recurring nature) necessary to fairly present the financial position of the Company as of March 31, 2018, the results of operations for three months ended March 31, 2018 and 2017, and cash flows for the three months ended March 31, 2018 and 2017. The results of operations for the three months ended March 31, 2018 are not necessarily indicative of the results to be expected for the full year.

When preparing financial statements in conformity with GAAP, the Company must make estimates and assumptions that impact the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the Company's financial statements and accompanying notes. The most significant estimates in the Company's financial statements relate to revenue recognition, including the estimates of product returns, units prescribed, discounts and allowances related to commercial sales of its products, estimates utilized in the valuation of inventory, estimates of useful lives with respect to intangible assets, accounting for stock-based compensation, contingencies, intangible assets, and tax valuation reserves. The Company bases estimates and assumptions on historical experience when available and on various factors that it believes to be reasonable under the circumstances. The Company evaluates its estimates and assumptions on an ongoing basis. The Company's actual results may differ from these estimates under different assumptions or conditions. The consolidated interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the "Annual Report").

Significant Accounting Policies

The Company's significant accounting policies are described in Note 2, "Summary of Significant Accounting Policies," in the Company's Annual Report. There have been no material changes in the Company's significant accounting policies, other than the adoption of accounting pronouncements below, as compared to the significant accounting policies described in the Annual Report.

Controlled Equity Offering Sales Agreement

In March 2017, the Company entered into a Controlled Equity Offering Sales Agreement (the "ATM Sales Agreement"), with Cantor Fitzgerald & Co., as sales agent ("Cantor Fitzgerald"), pursuant to which the Company may issue and sell, from time to time, through Cantor Fitzgerald, shares of the Company's common stock, up to an aggregate offering price of $60,000 (the "ATM Shares").

Under the ATM Sales Agreement, Cantor Fitzgerald may sell the ATM Shares by methods deemed to be an "at-the-market" offering as defined in Rule 415 promulgated under the Securities Act of 1933, as amended (the "Securities Act"), including sales made directly on The NASDAQ Global Select Market, on any other existing trading market for the ATM Shares or to or through a market maker. In addition, under the ATM Sales Agreement, Cantor Fitzgerald may sell the ATM Shares by any other method permitted by law, including in privately negotiated transactions.

The Company is not obligated to make any sales of the ATM Shares under the ATM Sales Agreement. The Company or Cantor Fitzgerald may suspend or terminate the offering of ATM Shares upon notice to the other party and subject to other conditions. The Company will pay Cantor Fitzgerald a commission of up to 3.0% of the gross proceeds from the sale of the ATM Shares pursuant to the ATM Sales Agreement and has agreed to provide Cantor Fitzgerald with customary indemnification and contribution rights.

As of March 31, 2018, the Company had sold an aggregate of 3,126,998 shares at an average gross sales price of $11.36 per share generating net proceeds of $34,283, after deduction of underwriting discounts and commissions and expenses payable by the Company. All shares sold pursuant to the ATM Sales agreement were sold during the year ended December 31, 2017. The Company did not sell any shares pursuant to the ATM sales agreement during the three months ended March 31, 2018.

Advertising and Product Promotion Costs

Advertising and product promotion costs are included in selling, general and administrative expenses and were $2,562 and $3,860 in the three months ended March 31, 2018 and 2017 respectively. Advertising and product promotion costs are expensed as incurred.

Restricted Cash

Restricted cash represents cash held in a depository account at a financial institution to collateralize a conditional stand-by letter of credit related to the Company's facility lease agreements. Restricted cash is reported as non-current unless the restrictions are expected to be released in the next twelve months.

Leases

Effective March 2018, the Company entered into a lease for its new corporate headquarters (the "Lease") pursuant to which the Company will lease approximately 50,678 of rentable square feet of space, in Stoughton, Massachusetts. The Lease will commence when the tenant improvements in the space are substantially complete and will continue thereafter for a term of ten years. The Company has the right to extend the term of the Lease for two additional five-year terms, provided that written notice is provided to the Landlord no later than twelve months prior to the expiration of the current Lease term. The initial annual base rent is $1,214, or $23.95 per rentable square foot, and will increase annually by 2.5% to 3.1% over the subsequent Lease years. The Company is still evaluating when it plans to take possession of the new space and when the Lease term will commence.

Income Taxes

For the three months ended March 31, 2018 and 2017, the Company did not record a current or deferred income tax expense or (benefit) due to current and historical losses incurred by the Company. The Company's losses before income taxes consist solely of losses from domestic operations. As of March 31, 2018, the Company has recorded a full valuation allowance for deferred tax assets including NOL and tax credit carryovers. The Tax Cuts and Jobs Act of 2017 ("TCJA" or "2017 Tax Act"), which was signed into law in December 2017, has resulted in significant changes to the U.S. corporate income tax system. The SEC staff issued Staff Accounting Bulletin (SAB) 118, which provides guidance on accounting for enactment effects of the TCJA. The Company has not finalized its review of the impact of TCJA on the NOL rules, and the impact, if any, to the Company's ability to utilize and carryover net operating losses. For additional information related to the TCJA, please read Note 13, Income Taxes, to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Recently Adopted Accounting Pronouncements

New accounting pronouncements are issued periodically by the Financial Accounting Standards Board ("FASB") and are adopted by the Company as of the specified effective dates.

In May 2014, the FASB issued Accounting Standards Update, or ASU, 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the guidance for accounting for revenue from contracts with customers. This ASU supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, and creates a new Topic 606, *Revenue from Contracts with Customers*. In 2015, 2016 and 2017, the FASB issued additional ASUs related to Topic 606, including ASUs 2015-14, 2016-08, 2016-10, 2016-12, 2016-20, 2017-13, 2017-14, that delayed the effective date of and clarified various aspects of the new guidance, including principal versus agent considerations, identifying performance obligations, and licensing. The Company adopted ASC Topic 606, *Revenue from Contracts with Customers*, on January 1, 2018 using the modified retrospective method for all contracts not completed as of the date of adoption. The adoption of ASU 2014-09 did not have an impact on the Company's consolidated financial position, results of operations, equity or cash flows as of the adoption date or for the three months ended March 31, 2018. Refer to

Note 3 "Revenue from Contracts with Customers" for the required disclosures and a discussion of the Company's policies related to revenue recognition.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, and in November 2016, the FASB issued ASU 2016-18, *Restricted Cash*. The purpose of ASU 2016-15 is to reduce the diversity in presentation and classification of the following items within the Statement of Cash Flows: debt prepayments, settlement of zero coupon debt instruments, contingent consideration payments, insurance proceeds, securitization transactions and distributions from equity method investees. The update also addresses classification of transactions that have characteristics of more than one class of cash flows. ASU 2016-18 requires the Statement of Cash Flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Statement of Cash Flows. The Company adopted these new standards on January 1, 2018 using the retrospective transition method as required with respect to each period presented. The adoption of these standards did not have an impact on the Company’s consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 most significantly impacts lessee accounting and disclosures. First, this guidance requires lessees to identify arrangements that should be accounted for as leases. Under ASU 2016-02, for lease arrangements exceeding a 12-month term, a right-of-use asset and lease obligation is recorded by the lessee for all leases, whether operating or financing, while the income statement will reflect lease expense for operating leases and amortization/interest expense for financing leases. The Balance Sheet amount recorded for existing leases at the date of adoption of ASU 2016-02 must be calculated using the applicable incremental borrowing rate at the date of adoption. Leases with a term of 12 months or less will be accounted for in a manner similar to existing guidance for operating leases. In addition, ASU 2016-02 requires the use of the modified retrospective method, which will require adjustment to all comparative periods presented in the consolidated financial statements. This guidance is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted for all entities. The Company has not chosen early adoption for this ASU and is currently evaluating its effect on the Company’s consolidated financial statements. Based on its preliminary assessment, the Company expects to recognize a right-to-use asset and corresponding lease liability on its Balance Sheet related to lease agreement for its corporate headquarters upon adoption of this ASU.

3. Revenue from Contracts with Customers

The Company’s only source of revenue to date has been generated by sales of the Company’s products, which are primarily sold to distributors and retailers (“customers”), which in turn sell the product to pharmacies for the treatment of patients (“end users”).

Revenue Recognition

In accordance with ASC Topic 606, *Revenue from Contracts with Customers* (“ASC 606”), the Company recognizes revenue when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct. The Company then recognizes

as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Adoption of ASC Topic 606, Revenue from Contracts with Customers

The Company adopted ASC 606 on January 1, 2018 using the modified retrospective method. Under this method, prior periods were not retrospectively adjusted and, as a result, the reported results for 2018 reflect the application of ASC 606 guidance while the reported results for 2017 were prepared under the guidance of ASC Topic 605, *Revenue Recognition* ("legacy GAAP").

Immediately prior to the adoption date of January 1, 2018, the Company recognized revenue in accordance with legacy GAAP, or when there was persuasive evidence of an arrangement; title and risk of loss had passed to the customer; when estimated provisions for chargebacks, rebates, sales incentives and allowances, distribution service fees, and returns were reasonably determinable; and when collectability was reasonably assured. The satisfaction of these criteria generally occurred upon delivery of products to customers, or the sell-in method of revenue recognition under legacy GAAP. The Company began recognizing revenue on the sell-in method in the third quarter of 2017. Prior to the third quarter of 2017, the Company recognized revenue when products were dispensed to end users, or the sell-through method of revenue recognition under legacy GAAP, as the Company did not have sufficient experience with product sales to estimate returns at the time product was sold to customers.

As a result of the considerations discussed above, the Company concluded that, as of the adoption date, it would record revenue net of a provision for estimated chargebacks, rebates, sales incentives and allowances, distribution service fees, and returns upon delivery of products to customers under either the sell-in method of revenue recognition under legacy GAAP or under Topic 606 as of the adoption date. Therefore, the adoption of Topic 606 did not have a material impact on the Company's consolidated financial position, results of operations, equity or cash flows as of January 1, 2018, however, periods presented prior to the third quarter of 2017, when the Company recognized revenue on the sell-through method under legacy GAAP, would be impacted. For the three months ended March 31, 2017, the Company determined that, under Topic 606, the only significant changes to the reported results for the three months ended March 31, 2017 under Topic 606 would be higher product sales of $1,220 due to the acceleration of revenue recognition for product sales in which recognition was previously deferred due to the fees not being fixed or determinable under the sell-through method under legacy GAAP.

Performance Obligations

The Company determined that performance obligations are satisfied and revenue is recognized when a customer takes control of the Company's product, which occurs at a point in time. This generally occurs upon delivery of the products to customers, at which point the Company recognizes revenue and records accounts receivable, which represents the Company's only contract asset. Payment is typically received 30 to 60 days after satisfaction of its performance obligations and generally do not have an effect on contract asset and contract liability balances. Under the practical expedients permitted by the rules of the adoption, the Company will expense incremental costs of obtaining a contract as and when incurred if the expected amortization period of the assets is one year or less.

Transaction Price and Variable Consideration

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products or services to a customer ("transaction price"). The transaction price for product sales includes variable consideration related to chargebacks, rebates, sales incentives and allowances, distribution service fees, and returns. The Company will estimate the amount of variable consideration that should be included in the transaction price under the expected value method. These estimates take into consideration a range of possible outcomes that are probability-weighted for relevant factors such as the Company's historical experience, current contractual and statutory requirements, specific known market events and trends, industry data and forecasted customer buying and payment patterns. These provisions reflect the Company's best estimates of the amount of consideration to which it is entitled based on the terms of the contract. The amount of variable consideration that is included in the transaction price may be constrained and is included in net sales only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. In general, performance obligations do not include any estimated amounts of variable consideration that are constrained. Actual amounts of consideration ultimately received may differ from the Company's estimates. If actual results in the future vary from the Company's estimates,

the Company will adjust these estimates, which would affect net product revenue and earnings in the period such variances become known.

The following table summarizes activity in each of the Company's product revenue provision and allowance categories for the three months ended March 31, 2018:

	Rebates and Incentives (1)	Product Returns (2)	Trade Allowances and Chargebacks (3)
Balance at December 31, 2017	$ 12,647	$ 3,137	$ 2,256
Provision related to current period sales	58,591	4,047	16,650
Changes in estimate related to prior period sales	(32)	-	-
Credits/payments made	(7,842)	(809)	(4,253)
Balance at March 31, 2018	$ 63,364	$ 6,375	$ 14,653

(1) Rebates and discounts includes managed care rebates, government rebates, co-pay program incentives, and sales incentives and allowances. Provisions for rebates and discounts are deducted from gross revenues at the time revenues are recognized and are included in accrued rebates, returns and discounts in the Company's Condensed Consolidated Balance Sheets.

(2) Provisions for product returns are deducted from gross revenues at the time revenues are recognized and are included in accrued rebates, returns and discounts in the Company's Condensed Consolidated Balance Sheets.

(3) Trade allowances and chargebacks includes fees for distribution service fees, prompt pay discounts, and chargebacks. Trade allowances and chargebacks are deducted from gross revenue at the time revenues are recognized and are recorded as a reduction to accounts receivable in the Company's Condensed Consolidated Balance Sheets.

In addition to the above, the Company also recorded a liability of $22,660, representing the assumed rebate liabilities relating to sales of Nucynta Products that occurred prior to the closing date of January 9, 2018 which the Company is liable for under the terms of the Commercialization Agreement. This assumed liability is included as a component of the intangible asset acquired and as a component of accrued rebates, returns and discounts as of March 31, 2018 in the Company's Condensed Consolidated Balance Sheets.

As of March 31, 2018, the Company did not have any transaction price allocated to remaining performance obligations and any costs to obtain contracts with customers, including pre-contract costs and set up costs, were immaterial.

Disaggregation of Revenue

Product revenues, net consisted of the following:

	Three Months Ended March 31,	
	2018	2017
Xtampza	$ 15,795	$ 2,172
Nucynta	47,954	—
Total product revenues, net	$ 63,749	$ 2,172

4. Loss per Common Share

The following table presents the computations of basic and dilutive net loss per share:

	Three months ended March 31,	
	2018	2017
Loss attributable to common shareholders — basic and diluted	$ (18,652)	$ (23,078)
Weighted-average number of common shares used in net loss per share - basic and diluted	32,903,674	29,350,268
Loss per share - basic and diluted	$ (0.57)	$ (0.79)

The following potentially dilutive securities, which represent all outstanding potentially dilutive securities, were excluded from the calculation of diluted net loss per share due to their anti-dilutive effect (in common stock equivalent shares):

	Three months ended March 31,	
	2018	2017
Outstanding stock options	3,592,233	2,835,630
Warrants	2,445	2,445
Unvested restricted stock (1)	19,303	69,870
Restricted stock units	497,686	153,361

(1) - Includes shares of unvested restricted stock remaining from the early exercise of stock options.

5. Fair Value of Financial Instruments

Disclosures of fair value information about financial instruments are required, whether recognized in the Balance Sheet or not, for financial instruments with respect to which it is practicable to estimate that value. Fair value measurements and disclosures describe the fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, as follows:

Level 1 inputs:	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 inputs:	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 inputs:	Unobservable inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability

The following tables present the Company's financial instruments carried at fair value using the lowest level input applicable to each financial instrument at March 31, 2018 and December 31, 2017.

March 31, 2018	**Total**	**Quoted Prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Money market funds, included in cash equivalents	$ 81,479	$ 81,479	$ —	$ —
December 31, 2017				
Money market funds, included in cash equivalents	$ 81,225	$ 81,225	$ —	$ —

The Company's cash equivalents are comprised of money market funds that are measured on a recurring basis based on quoted market prices. As of March 31, 2018 and December 31, 2017 the carrying amounts of cash and cash equivalents, accounts receivable, prepaid expenses, inventory, intangible assets, accounts payable, accrued expenses, accrued rebates, returns and discounts, and term loan payable approximated their estimated fair values.

In connection with the Commercialization Agreement for the Nucynta Products, the Company recorded a liability of $482,300 representing the fair value of the future minimum royalty payments owed under the terms of the Commercialization Agreement. The fair value of the minimum royalty payments was measured by calculating the present value of the minimum royalty payments using a discount rate of 5.7%. The discount rate is a Level 2 input which was based on a review of observable market data of similar liabilities. The liability associated with the future minimum royalty payments is included as a component of the intangible asset acquired and as a component of the obligations assumed in connection with the Commercialization Agreement, which is further described in Note 7. As of March 31, 2018, the carrying amounts of the asset acquisition obligations approximated its estimated fair value.

6. Inventory

Inventory consisted of the following:

	As of March 31, 2018	As of December 31, 2017
Raw materials	$ 532	$ 616
Work in process	496	322
Finished goods	6,874	875
Total inventory	$ 7,902	$ 1,813

The aggregate charges related to excess inventory for both the March 31, 2018 and 2017 were immaterial. These expenses were recorded as a component of cost of product revenues.

7. Intangible Assets and Asset Acquisition Obligations

As of March 31, 2018, the Company's only intangible asset related to the Company's Commercialization Agreement with Depomed, pursuant to which Depomed agreed to grant a sublicense of certain of its intellectual property related to the Nucynta Products to the Company for commercialization of the Nucynta Products in the United States (the "Nucynta Intangible Asset"). The Company closed the transactions contemplated by the Commercialization Agreement, as amended, on January 9, 2018, and began marketing the Nucynta Products in February 2018.

Nucynta Intangible Asset

The Company determined that the Commercialization Agreement represented an asset acquisition, as substantially all of the fair value of the gross assets acquired is concentrated in the sublicense of the Nucynta Products, which is a single identifiable asset or group. The consideration transferred in the asset acquisition was measured at cost, including transaction costs, assets transferred by the acquirer, and liabilities assumed by the acquirer.

The transaction resulted in the Company receiving the assets and assuming the liabilities noted below, which were recognized at cost as a component of intangible assets in the Company's Condensed Consolidated Balance Sheets during the three months ended March 31, 2018:

Upfront cash paid for Nucynta asset acquisition	$ 18,877
Identifiable assets acquired and liabilities assumed:	
Intangible assets	$ 515,627
Inventory	6,223
Prepaid expenses	1,987
Minimum royalty payments	(482,300)
Other liabilities	(22,660)
Total	$ 18,877

The Company will amortize the intangible asset relating to the Commercialization Agreement over its useful life, which is the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Company. The Company determined that the useful life for the intangible asset is approximately 4.0 years from the closing date of January 9, 2018. The Company will recognize amortization expense as cost of product revenues in the Statement of Operations on a straight-line basis over its useful life as it approximates cash flows. For the three months ended March 31, 2018, the Company recognized amortization expense of $29,526. As of March 31, 2018, the remaining amortization period is approximately 3.8 years and estimated amortization for the remainder of 2018, 2019, 2020, and 2021 is expected to be $97,219, $129,627, $129,627, and $129,627, respectively.

As of March 31, 2018, the gross carrying amount and accumulated amortization of the Nucynta intangible were as follows:

	As of March 31, 2018
Gross carrying amount	$ 515,626
Accumulated amortization	(29,526)
Intangible assets, net	$ 486,100

Nucynta Asset Acquisition Obligations

From January 9, 2018 through December 2021, under the terms of the Commercialization Agreement, the Company will be required to pay a minimum royalty of $135,000 per year, payable in quarterly payments of $33,750, prorated in 2018 for the closing date of January 9, 2018. The total required minimum royalty payment from the closing date of January 9, 2018 through December 2021 is $537,000. Payments are swept to Depomed daily based on proceeds received for Nucynta Product sales, and minimum payments are paid in full within 45 days of the quarter end.

Due to the nature of the obligation and fact that it will be settled in cash, the Company determined that the minimum royalty payments represented a liability incurred at the closing of the transaction and that the liability should be recorded at its fair value as of the closing date on the Company's Condensed Consolidated Balance Sheet. The Company calculated the fair value of the minimum royalty payments to be $482,300, which was the calculated present value of the minimum royalty payments using a discount rate of 5.7%. The discount rate was determined based on a review of observable market data of similar liabilities. The Company will recognize the $54,700 discount as interest expense in the Statement of Operations using the effective interest method and will recognize the interest over the repayment period from January 9, 2018 through December 2021. For the three months ended March 31, 2018, the Company recognized interest expense of $5,528 relating to the minimum royalty payments. As of March 31, 2018, the remaining estimated interest expense relating to the minimum royalty payments for the remainder of 2018, 2019, 2020, and 2021 is expected to be $16,855, $17,138, $10,907, and $4,272, respectively.

For the three months ended March 31, 2018, the prorated minimum royalty payment of $30,750 became due and payable. As of March 31, 2018, the Company paid $13,045 in royalty payments and the remaining $17,705 of the minimum royalty payment will be paid within 45 days of March 31, 2018.

As of March 31, 2018, the remaining minimum royalty payments due under the Commercialization Agreement are as follows:

2018	$ 118,955
2019	135,000
2020	135,000
2021	135,000
Total remaining minimum royalty payments due	$ 523,955
Less: Unamortized discount	(49,172)
Carrying value of minimum royalty payments	$ 474,783

Onsolis Intangible Asset

In May 2016, the Company entered into an agreement with BioDelivery Sciences International, Inc. ("BDSI") to license the rights to develop, manufacture, and commercialize Onsolis® (fentanyl buccal soluble film), or Onsolis, in the United States. Onsolis is a Transmucosal Immediate-Release Fentanyl ("TIRF") film indicated for the management of breakthrough pain in certain cancer patients.

During the year ended December 31, 2016, the Company made an upfront payment of $2,500 and recorded the payment as a component of intangible assets. On December 8, 2017, the Company, after a review of its product portfolio, provided written notice to BDSI of termination of the License and Development Agreement. The termination was

effective pursuant to the terms of such agreement on March 8, 2018. Upon such termination of the License Agreement, the Company's rights to develop and commercialize Onsolis reverted to BDSI. As a result of this notice of termination, the Company determined that the carrying amount of the intangible asset was not recoverable and that the carrying amount exceeded its fair value. As such, an impairment loss of $1,845 was recognized and included as a component of sales, general and administrative expense during the year ended December 31, 2017 and the net intangible asset is zero as of March 31, 2018 and December 31, 2017. During the three months ended March 31, 2018 and 2017, the Company recognized amortization expense of zero and $130, respectively.

Amortization Expense

Amortization expense relating to the Company's intangible assets for the three months ended March 31, 2018 and 2017 was as follows:

	March 31, 2018	March 31, 2017
Nucynta amortization expense included in cost of product revenues	$ 29,526	$ -
Onsolis amortization expense included in selling, general and administrative expense	-	130
Total amortization expense	$ 29,526	$ 130

8. Accrued Expenses

Accrued expenses consisted of the following:

	As of March 31, 2018	As of December 31, 2017
Accrued cost of product revenues	$ 6,710	$ —
Accrued incentive compensation	2,937	1,790
Accrued inventory	2,367	—
Accrued payroll and related benefits	1,579	1,382
Accrued other operating costs	1,453	877
Accrued bonuses	883	2,940
Accrued sales and marketing	719	624
Accrued audit and legal	554	405
Accrued development costs	136	517
Accrued interest	98	6
Total accrued expenses	$ 17,436	$ 8,541

9. Term Loan Payable

On August 28, 2012, the Company entered into a loan agreement ("Original Term Loan") with Silicon Valley Bank ("SVB") to borrow up to a maximum amount of $1,000. The Original Term Loan bore interest at a rate per annum of 2.25% above the prime rate fixed at the time of advance of the Original Term Loan (5.50%). The Original Term Loan was subsequently amended in 2014 and 2015 to provide for additional borrowings of up to $8,000, adjust the interest rate, extend the loan draw period, and modify loan covenants (as amended, the "Existing Term Loan"). As of December 31, 2017, the future payments under the Existing Term Loan were $1,479.

In connection with, and as a condition to, consummation of the transactions contemplated by the Commercialization Agreement with Depomed, the Company entered into a Consent and Amendment to Loan and Security Agreement (the "Consent and Amendment") with SVB to amend the Existing Term Loan. The Consent and Amendment provided the Company with a new term loan facility in an original principal amount of $11,500 (the "New Term Loan"), which replaced the Existing Term Loan and the proceeds of which were used by the Company to finance certain payment obligations under the Commercialization Agreement and to repay the balance of the Existing Term Loan. The Consent

and Amendment also provided SVB's consent with respect to transactions contemplated by the Commercialization Agreement, including the delivery by SVB of a standby letter of credit in an aggregate amount of $33,750.

The New Term Loan bears interest at a rate per annum of 0.75% above the prime rate (as defined in the Consent and Amendment). The Company will repay the New Term Loan in equal consecutive monthly installments of principal plus monthly payments of accrued interest, commencing in July 2019, provided that, if the Company achieves EBITDA (as defined in the Consent and Amendment) in excess of $2,500 for two (2) consecutive calendar quarters prior to June 2019, such payments will commence in January 2020. All outstanding principal and accrued and unpaid interest under the New Term Loan, and all other outstanding obligations with respect to the New Term Loan, are due and payable in full in December 2022. The Company may prepay the New Term Loan, in full but not in part, with a prepayment fee of (i) 3.0% of the outstanding principal balance prior to the first anniversary of the Consent and Amendment, (ii) 2.0% of the outstanding principal balance following the first anniversary of the Consent and Amendment and prior to the second anniversary of the Consent and Amendment and (iii) 1.0% of the outstanding principal balance following the second anniversary of the Consent and Amendment, plus, in each case, a final payment fee of $719. The New Term Loan was further amended on March 30, 2018, extending the required refinancing date to August 1, 2018.

Under the New Term Loan, the Company will be required to maintain a liquidity ratio of at least 2.0 to 1.0. Any amounts outstanding during the continuance of any event of default under the New Term Loan will bear additional interest at the per annum rate of 5.0%.

As of March 31, 2018, scheduled principle repayments under the Company's term loan are as follows:

2018	$ —
2019	1,642
2020	3,286
2021	3,286
2022	3,286
Balance	$ 11,500

10. Equity

The changes in shareholders' equity for the three months ended March 31, 2018 were as follows:

	Common Stock		Additional Paid- In Capital	Accumulated Deficit	Total Shareholders' Equity (Deficit)
	Shares	Amount			
Balance, December 31, 2017	32,770,678	$ 33	$ 402,096	$ (298,049)	$ 104,080
Exercise of common stock options	183,987	—	2,373	—	2,373
Issuance for employee stock purchase plan	50,151	—	510	—	510
Vesting of restricted stock units	32,573	—	—	—	—
Shares withheld for employee taxes upon vesting of restricted stock units	(9,810)	—	(216)	—	(216)
Stock-based compensation	—	—	2,728	—	2,728
Net loss	—	—	—	(18,652)	(18,652)
Balance, March 31, 2018	33,027,579	$ 33	$ 407,491	$ (316,701)	$ 90,823

11. Stock-based Compensation

A summary of the Company's stock-based compensation expense included in the Condensed Consolidated Statements of Operations are as follows:

	Three months ended March 31,	
	2018	2017
Research and development expenses	$ 324	$ 209
Selling, general and administrative expenses	2,404	1,612
Total stock-based compensation expense	$ 2,728	$ 1,821

At March 31, 2018, there was approximately $33,065 of unrecognized compensation expense related to unvested options, restricted stock units and restricted stock awards, which is expected to be recognized as expense over a weighted average period of approximately 3.2 years.

Restricted Stock Awards, Restricted Stock Units and Stock Options

In May 2015, the Company adopted the Amended and Restated 2014 Stock Incentive Plan (the "Plan"), under which an aggregate of 2,700,000 shares of common stock were authorized for issuance to employees, officers, directors, consultants and advisors of the Company, plus an annual increase on the first day of each fiscal year until the expiration of the Plan equal to 4% of the total number of outstanding shares of common stock on December 31st of the immediately preceding calendar year (or a lower amount as otherwise determined by the board of directors prior to January 1st). As of March 31, 2018, there were 1,395,405 shares of common stock available for issuance pursuant to the Plan. The Plan provides for granting of both Internal Revenue Service qualified incentive stock options and non-qualified options, restricted stock awards and restricted stock units. Stock options generally vest over a four year period of service; however, certain options are also subject to performance conditions. The options generally have a ten year contractual life and, upon termination, vested options are generally exercisable between one and three months following the termination date, while unvested options are forfeited immediately.

A summary of the Company's restricted stock award activity for the three months ended March 31, 2018 and related information is as follows:

	Shares	Weighted-Average Purchase Price per Share
Unvested at December 31, 2017	10,816	$ 5.73
Granted	—	—
Vested	(8,112)	5.73
Unvested at March 31, 2018 (1)	2,704	$ 5.73

(1) Excludes 16,599 shares of unvested restricted stock remaining from the early exercise of stock options as of March 31, 2018.

A summary of the Company's restricted stock units activity for the three months ended March 31, 2018 and related information is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2017	218,872	$ 12.64
Granted	312,787	23.51
Settled	(32,573)	15.39
Forfeited	(1,400)	21.00
Outstanding at March 31, 2018	497,686	$ 19.27

A summary of the Company's stock option activity and related information follows:

	Shares	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2017	3,037,690	$ 13.00	8.4	$ 16,829
Granted	792,920	24.23		
Exercised	(183,987)	12.90		
Cancelled	(54,390)	15.27		
Outstanding at March 31, 2018	3,592,233	$ 15.45	8.6	$ 36,741
Exercisable at March 31, 2018	1,086,727	$ 13.17	7.6	$ 13,453
Vested and expected to vest at March 31, 2018	3,335,355	$ 15.09	8.5	$ 35,236

The fair value of each stock option is estimated on the grant date using the Black-Scholes option-pricing model using the following assumptions:

	Three months ended March 31,	
	2018	2017
Risk-free interest rate	2.6 %	2.1 %
Volatility	64.0 %	72.3 %
Expected term (years)	6.17	6.06
Expected dividend yield	— %	— %

Employee Stock Purchase Plan

The Company's 2015 Employee Stock Purchase Plan allows employees to purchase shares of the Company's common stock. The purchase price is equal to 85% of the lower of the closing price of our common stock on (1) the first day of the purchase period or (2) the last day of the purchase period. During the three months ended March 31, 2018, 50,151 shares of common stock were purchased for total proceeds of $510. The expense for the three months ended March 31, 2018 and 2017 was $122 and $106, respectively.

12. Commitments and Contingencies

From time to time, the Company may face legal claims or actions in the normal course of business. Except as disclosed below, the Company is not currently a party to any litigation and, accordingly, does not have any amounts recorded for any litigation related matters.

Xtampza Litigation

The Company filed the NDA for Xtampza as a 505(b)(2) application, which allows the Company to reference data from an approved drug listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations (commonly known as the Orange Book), in this case OxyContin OP. The 505(b)(2) process requires that the Company certifies to the FDA and notify Purdue Pharma, L.P ("Purdue"), as the holder of the NDA and any other Orange Book-listed patent owners, that the Company does not infringe any of the patents listed for OxyContin OP in the Orange Book, or that the patents are invalid. The Company made such certification and provided such notice on February 11, 2015 and such certification documented why Xtampza does not infringe any of the 11 Orange Book listed patents for OxyContin OP, five of which have been invalidated in court proceedings. Under the Hatch-Waxman Act of 1984, Purdue had the option to sue the Company for infringement and receive a stay of up to 30 months before the FDA could issue a final approval for Xtampza ER, unless the stay was earlier terminated.

Purdue exercised its option and elected to sue the Company for infringement in the District of Delaware on March 24, 2015 asserting infringement of three of Purdue's Orange Book-listed patents (Patent Nos. 7,674,799, 7,674,800, and

7,683,072) and a non-Orange Book-listed patent (Patent No. 8,652,497), and accordingly, received a 30-month stay of FDA approval.

The Delaware court transferred the case to the District of Massachusetts. After the Company filed a partial motion for judgment on the pleadings relating to the Orange Book-listed patents, the District Court of Massachusetts ordered judgment in the Company's favor on those three patents, and dismissed the claims asserting infringement of those patents with prejudice. Upon dismissal of those claims, the 30-month stay of FDA approval was lifted. As a result, the Company was able to obtain final approval for Xtampza ER and launch the product commercially.

In November 2015, Purdue filed a follow-on suit asserting infringement of another patent, Patent No. 9,073,933, which was late-listed in the Orange Book and therefore could not trigger any stay of FDA approval. In June 2016, Purdue filed another follow-on suit asserting infringement of another non-Orange Book listed patent, Patent No. 9,155,717. In April 2017, Purdue filed another follow-on suit asserting infringement of another patent, Patent No. 9,522,919, which was late-listed in the Orange Book and therefore could not trigger any stay of FDA approval. Then, in September 2017, Purdue filed another follow-on suit asserting infringement of another non-Orange Book listed patent, Patent No. 9,693,961.

In October 2017, and in response to the filing of the Company's Supplemental NDA ("sNDA") seeking to update the drug abuse and dependence section of the Xtampza label, Purdue filed another suit asserting infringement of the ′933 and ′919 patent. The Company filed a motion to dismiss that action, and the Court granted its motion on January 16, 2018.

The current suits have been consolidated by the District of Massachusetts, where Purdue continues to assert infringement of five patents: the ′497 patent, the ′933 patent, the ′717 patent, the ′919 patent, and the ′961 patent. None of these suits are associated with any stay of FDA approval for the Xtampza drug product. Purdue has made a demand for monetary relief but has not quantified their alleged damages. Purdue has also requested a judgment of infringement and an injunction on the sale of the Company's products accused of infringement. The Company has denied all claims and seeks a judgment that the patents are invalid and/or not infringed by the Company; the Company is also seeking a judgment that the case is exceptional, with an award to the Company of its fees for defending the case.

The parties are in the early stages of fact discovery. Written discovery has commenced with depositions expected to commence during the second half of 2018. A claim construction and summary judgment hearing was held on June 1, 2017. On November 21, 2017, the Court issued its claim construction ruling, construing certain claims of the ′933, ′497, and ′717 patents. At this time, the Motion for Summary Judgment, which asserted that claims of the ′933, ′497, and ′717 patents are invalid and not infringed, remains pending. The Company is not able to predict with certainty when the Court will decide the Company's motion. The Scheduling Order has been amended to stay the close of fact discovery until after the Court decides our Motion for Summary Judgment. No trial date has been scheduled.

The Company is, and plans to continue, defending this case vigorously. At this stage, the Company is unable to evaluate the likelihood of an unfavorable outcome or estimate the amount or range of potential loss, if any.

Nucynta Litigation

On February 7, 2018, Purdue filed a patent infringement suit against Collegium NF, LLC and Collegium Pharmaceutical, Inc. in the District of Delaware. Specifically, Purdue argues that the Company's sale of immediate release and extended release Nucynta infringes U.S. Patent Nos. 9,861,583, 9,867,784, and 9,872,836. Purdue has made a demand for monetary relief in its Complaint but has not quantified its alleged damages. The Company filed its answer to the Complaint on April 9, 2018. Purdue filed its answer to the Company's counterclaims on April 30, 2018. The parties are required to submit a proposed scheduling order to the court by May 9, 2018.

The Company plans to defend this case vigorously. At this stage, the Company is unable to evaluate the likelihood of an unfavorable outcome or estimate the amount or range of potential loss, if any.

Teva Litigation

The Company has twelve patents listed in the FDA *Orange Book* as covering the Company's abuse-deterrent product and methods of using it to treat patients: Patents Nos. 7,399,488; 7,771,707; 8,449,909; 8,557,291; 8,758,813; 8,840,928; 9,044,398; 9,248,195; 9,592,200; 9,682,075; 9,737,530 and 9,763,883.

Teva Pharmaceuticals USA, Inc. (“Teva”) filed a Notice Letter of Patent Certification against all twelve listed patents, alleging that they were invalid and/or not infringed by the proposed oxycodone product that is the subject of Teva’s Abbreviated New Drug Application (“ANDA”). On February 22, 2018—within the 45-day period that gives the Company a 30-month stay on FDA approval of Teva’s ANDA while the parties have an opportunity to litigate—the Company sued Teva in the District of Delaware on eleven of the patents listed in the *Orange Book*. Teva’s response to the Company’s complaint is due on May 14, 2018. The Company plans to assert and defend its intellectual property vigorously in this case. At this stage, the Company is unable to evaluate the likelihood of an unfavorable outcome or estimate the amount or range of potential loss, if any.

Opioid Litigation

On March 19, 2018, a lawsuit was filed by multiple local governments in the Circuit Court of Crittenden County, Arkansas, against the Company and other pharmaceutical manufacturers and distributors. The action alleges a variety of claims related to opioid marketing and distribution practices, including false advertising, deceptive trade practices, public nuisance, unjust enrichment, violations of state narcotics statutes and civil conspiracy. The suit seeks monetary penalties. The Company was served with the lawsuit on April 30, 2018.

On March 21, 2018, the Company and other pharmaceutical manufacturers and distributors were named in a class-action lawsuit filed in the Eastern District of Kentucky by a family practice clinic, on behalf of other similarly-situated healthcare providers. The action alleges violations of the Racketeer Influenced and Corrupt Organizations Act relating to opioid marketing and distribution practices. The lawsuit seeks, generally, penalties and/or injunctive relief. On April 2, 2018, the lawsuit was conditionally transferred by the Judicial Panel on Multi-District Litigation to the federal Prescription Opiate Multi District Litigation (the “MDL”) in the Southern District of Ohio. On April 10, 2018, the conditional transfer was finalized and the lawsuit was docketed in the MDL on April 11, 2018. The lawsuit is not designated as a representative case in the MDL and, therefore, is effectively currently stayed.

The Company disputes the allegations in these lawsuits and intends to vigorously defend these actions. At this stage, the Company is unable to evaluate the likelihood of an unfavorable outcome or estimate the amount or range of potential loss, if any.

Opioid-Related Request and Subpoenas

The Company, like a number of other pharmaceutical companies, has received subpoenas or civil investigative demands related to opioid sales and marketing. The Company has received such subpoenas or civil investigative demands from the Offices of the Attorney General of each of Washington, New Hampshire, and Massachusetts. The Company is currently cooperating with the each of the foregoing states in their respective investigations

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

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. The following discussion contains forward-looking statements that involve risks uncertainties and assumptions. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of many factors. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this Quarterly Report on Form 10-Q, including those set forth under “Forward-looking Statements” and “Risk Factors”, as revised and supplemented by those risks described from time to time in other reports which we file with the SEC..

OVERVIEW

We are a specialty pharmaceutical company focused on becoming the leader in responsible pain management by developing and commercializing innovative, differentiated products for patients suffering from pain. Our first product, Xtampza, is an abuse-deterrent, extended-release, oral formulation of oxycodone, a widely prescribed opioid medication. In April 2016, the U.S. Food and Drug Administration, or FDA, approved our New Drug Application, or NDA, filing for Xtampza for the management of pain severe enough to require daily, around-the-clock, long-term opioid treatment and

for which alternative treatment options are inadequate. Certain human abuse potential studies are included in the approved label, as well as data supporting the administration of the product as a sprinkle or administered through feeding tubes. In June 2016, we announced the commercial launch of Xtampza.

Xtampza has the same active ingredient as OxyContin OP, which is the largest selling abuse-deterrent, extended-release opioid in the United States by dollars, with $1.7 billion in U.S. sales in 2017. We conducted a comprehensive preclinical and clinical program for Xtampza consistent with FDA guidance on abuse-deterrence. These studies and clinical trials demonstrated that chewing, crushing and/or dissolving Xtampza, and then taking it orally or smoking, snorting, or injecting it did not meaningfully change its drug release profile or safety characteristics. By contrast, clinical trials performed by us and others — including head-to-head clinical trials comparing Xtampza with OxyContin OP — have shown that drug abusers can achieve rapid release and absorption of the active ingredient by manipulating OxyContin OP using common household tools and methods commonly available on the Internet. In November 2017, we announced the approval of a Supplemental New Drug Application by the FDA for Xtampza to include comparative oral pharmacokinetic data from the clinical study evaluating the effect of physical manipulation by crushing Xtampza compared with OxyContin OP and a control (oxycodone hydrochloride immediate-release), results from an oral human abuse potential study and the addition of an oral abuse deterrent claim.

In December 2017, we entered into a Commercialization Agreement with Depomed, Inc., or Depomed, pursuant to which Depomed agreed to grant us a sublicense of certain of its intellectual property related to Nucynta ER and Nucynta IR, or the Nucynta Products, for commercialization of such products in the United States. Nucynta ER is an extended release formulation of tapentadol that is indicated for the management of pain severe enough to require daily, around-the-clock, long term opioid treatment, including neuropathic pain associated with diabetic peripheral neuropathy in adults, and for which alternate treatment options are inadequate. Nucynta IR is an immediate release formulation of tapentadol that is indicated for the management of moderate to severe acute pain in adults.

We closed the transactions contemplated by the Commercialization Agreement, as amended, on January 9, 2018, and we began marketing and commercially selling the Nucynta Products in February 2018.

Outlook

We expect to continue to incur significant commercialization expenses related to marketing, manufacturing, distribution, selling and reimbursement activities. We are detailing Xtampza to approximately 10,000 physicians who write approximately 57% of the branded extended-release oral opioid prescriptions in the United States with a sales team of approximately 150 sales representatives and sales managers. In addition, we deploy a separate, hospital focused sales team.

We began shipping and recognizing product sales on the Nucynta Products on January 9, 2018, and we began commercial promotion of the Nucynta Products in February 2018. We are detailing the Nucynta Products to the same physicians to whom we detail Xtampza, leveraging our existing sales organization. We will pay a royalty to Depomed on all revenues from the sale of Nucynta Products based on certain net sales thresholds, with a minimum royalty of $135.0 million per year during the first four years of the Commercialization Agreement, with 2018 prorated for the closing of the transactions on January 9, 2018, subject to certain conditions. If Depomed or its contract manufacturers are unable to deliver a certain percentage of ordered quantities of the Nucynta Products for a period of two months or longer in calendar year 2018, then Depomed may be required to make a payment (or offset the minimum royalties) to ensure that we receive a minimum level of gross profit for 2018.

We have never been profitable and have incurred net losses in each year since inception. We incurred net losses of $18.7 million and $23.1 million for the three months ended March 31, 2018 and 2017 respectively. As of March 31, 2018, we had an accumulated deficit of $316.7 million. Substantially all of our net losses resulted from costs incurred in connection with our research and development programs and from selling, general and administrative costs associated with our operations. We expect to continue to incur net losses in the near future as we continue to commercialize Xtampza and the Nucynta Products. Our net losses may fluctuate significantly from quarter to quarter and year to year. We expect our expenses will increase in connection with our ongoing activities as we:

- expand our sales and marketing efforts for Xtampza and the Nucynta Products, including hiring additional personnel to expand our commercial organization;
- expand our regulatory and compliance functions;

- conduct clinical trials of our product candidates;
- continue scale-up and improvement of our manufacturing processes;
- continue our research and development efforts;
- manufacture preclinical study and clinical trial materials;
- maintain, expand and protect our intellectual property portfolio;
- seek regulatory approvals for our product candidates that successfully complete clinical trials;
- hire additional clinical, quality control and technical personnel to conduct our clinical trials;
- hire additional scientific personnel to support our product development efforts;
- implement operational, financial and management systems; and
- hire additional selling, general and administrative personnel to operate as a commercial stage public company.

We believe that our cash and cash equivalents at March 31, 2018, together with expected cash inflows from the commercialization of Xtampza and the Nucynta Products, will enable us to fund our operating expenses, debt service and capital expenditure requirements into 2020. In addition, we may in the future seek to fund our operations through additional public or private equity or debt financings or other sources. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. If we are unable to obtain financing or increase profitability, the related lack of liquidity will have a material adverse effect on our operations and future prospects.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES

We believe that several accounting policies are important to understanding our historical and future performance. We refer to these policies as “critical” because these specific areas generally require us to make judgments and estimates about matters that are uncertain at the time we make the estimate, and different estimates—which also would have been reasonable—could have been used, which would have resulted in different financial results.

The critical accounting policies we identified in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, or Annual Report, relate to revenue recognition, inventory, impairment of long-lived assets, stock-based compensation and income taxes. We have also identified the accounting policy related to intangible assets as a critical accounting policy in the interim period ended March 31, 2018. Estimates include revenue recognition, including the estimates of product returns, units prescribed, discounts and allowances related to commercial sales of our products, estimates utilized in the valuation of inventory, accounting for stock-based compensation, contingencies, and tax valuation reserves. We have also identified the estimate of useful lives with respect to intangible assets as a significant estimate in the interim period ended March 31, 2018. We base our estimates and assumptions on historical experience when available and on various factors that we believe are reasonable under the circumstances, and we evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions. It is important that the discussion of our operating results that follows be read in conjunction with the critical accounting policies disclosed in our Annual Report.

Revenue Recognition

Effective January 1, 2018, we adopted Accounting Standards Codification, or ASC, Topic 606, *Revenue from Contracts with Customers*, or ASC 606 using the modified retrospective method. Under this method, prior periods were not retrospectively adjusted. As a result, the reported results for 2018 reflect the application of ASC 606 guidance while the reported results for 2017 were prepared under the guidance of ASC Topic 605, *Revenue Recognition* (“legacy GAAP”).

Immediately prior to the adoption date of January 1, 2018, we recognized revenue in accordance with legacy GAAP, or when there was persuasive evidence of an arrangement; title and risk of loss had passed to the customer; when estimated provisions for chargebacks, rebates, sales incentives and allowances, distribution service fees, and returns were reasonably determinable; and when collectability was reasonably assured. The satisfaction of these criteria generally occurred upon delivery of products to customers, or the sell-in method of revenue recognition under legacy GAAP. We began recognizing revenue on the sell-in method in the third quarter of 2017. Prior to the third quarter of 2017, we recognized revenue when products were dispensed to end users, or the sell-through method of revenue recognition under

legacy GAAP, as we did not have sufficient experience with product sales to estimate returns at the time product was sold to customers.

We concluded that, as of January 1, 2018, we would record revenue net of a provision for estimated chargebacks, rebates, sales incentives and allowances, distribution service fees, and returns upon delivery of products to customers, as we have been under legacy GAAP since the third quarter of 2018, under either the sell-in method of revenue recognition under legacy GAAP or under ASC 606 as of the adoption date. Therefore, the adoption of ASC 606 did not have a material impact on our consolidated financial position, results of operations, equity or cash flows as of January 1, 2018.

RESULTS OF OPERATIONS
(in thousands)

	Three months ended March 31,	
	2018	**2017**
	(in thousands)	
Product revenues, net	$ 63,749	$ 2,172
Cost of product revenues	43,106	371
Research and development	2,268	2,130
Selling, general and administrative	31,582	22,847
Interest expense	(5,700)	—
Interest income	255	98
Net loss	$ (18,652)	$ (23,078)

Comparison of the three months ended March 31, 2018 and March 31, 2017

Product revenues, net were $63.7 million for the three months ended March 31, 2018, or the 2018 Quarter, compared to $2.2 million for the three months ended March 31, 2017, or the 2017 Quarter. The $61.5 million increase was primarily related to the Commercialization Agreement with Depomed consummated in January 2018 to sublicense the Nucynta Products. In the 2018 Quarter, Nucynta IR and ER product revenues, net were $27.2 million and $20.7 million, respectively. In addition, Xtampza product revenues, net were $15.8 million in the 2018 Quarter, which represents a $13.6 million increase compared to the 2017 Quarter. The increase in Xtampza product revenues, net was primarily due to an increase in sales volume due to increasing demand.

Cost of product revenues was $43.1 million for the 2018 Quarter, compared to $371,000 for the 2017 Quarter. The $42.7 million increase was primarily related to $29.5 million of amortization expense associated with the intangible asset related to the Commercialization Agreement for the Nucynta Products, which was entered into in the 2018 Quarter. The remaining increase was primarily related to increased product revenues in the 2018 Quarter.

Research and development expenses were $2.3 million for the 2018 Quarter, compared to $2.1 million for the 2017 Quarter. The $200,000 increase was primarily related to clinical trial and regulatory activity.

Selling, general and administrative expenses were $31.6 million for the 2017 Quarter, compared to $22.8 million for the 2017 Quarter. The $8.8 million increase was primarily related to:

- an increase in salaries, wages and benefits of $3.7 million primarily due to an increase in employees, including an increase in incentive compensation and stock-based compensation expense;
- an increase in commercialization costs, including consulting and marketing expenses, of $3.0 million primarily related to the Nucynta Products;
- an increase in PDUFA related expenses of $855,000 primarily due to the acquisition of the Nucynta Products;
- an increase in sales training costs of $728,000 primarily due to the ongoing training of our sales force;
- an increase in insurance expense of $610,000 primarily due to an increase in director and officer’s insurance and product liability insurance; and
- an increase in audit, legal, and other professional fees of $587,000; offset by
- a decrease in marketing speaker programs expense of $748,000.

Interest expense was $5.7 million for the 2018 Quarter, compared to none in the 2017 Quarter. The increase was primarily due to an increase of $5.5 million in interest expense associated with the minimum royalty payments related to the Commercialization Agreement for Nucynta, which was entered into in the 2018 Quarter, and interest expense on our term loan of $200,000.

Interest income was $255,000 for the 2018 Quarter, compared to $98,000 in the 2017 Quarter. The increase was primarily due to higher interest rates on money market funds.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

We have incurred net losses and negative cash flows from operations since inception. Since inception, we have funded our operations primarily through the private placements of our preferred stock and convertible notes, public offerings of common stock, and commercial bank debt. As of March 31, 2018, we had $128.2 million in cash and cash equivalents.

Although it is difficult to predict future liquidity requirements, we believe that our existing cash and cash equivalents, as well as proceeds from the commercialization of our products, will be sufficient to fund our operations into 2020. We have based this estimate on assumptions that may prove to be incorrect and we could use our available capital resources sooner than we currently expect. We may never become profitable, or if we do, we may not be able to sustain profitability on a recurring basis.

Equity Financing

In March 2017, we commenced an “at-the-market” offering of our common stock and entered into a Controlled Equity Offering Sales Agreement (the “ATM Sales Agreement”) with Cantor Fitzgerald, as agent, pursuant to which we may issue and sell, from time to time, shares of our common stock having an aggregate offering price of up to $60.0 million. As of March 31, 2018, we had sold an aggregate of 3,126,998 shares of common stock under the ATM Sales Agreement at an average gross sales price of $11.36 per share generating net proceeds of $34.3 million, after deduction of underwriting discounts and commissions and expenses payable by us, all of which were sold during the year ended December 31, 2017. We did not sell any shares pursuant to the ATM Sales Agreement during the three months ended March 31, 2018.

Silicon Valley Bank Term Loan Facility

Since August 2012, we have maintained a term loan facility with Silicon Valley Bank, which was amended in connection with, and as a condition to, consummation of the transactions contemplated by the Commercialization Agreement. Under the amended term loan, we now have a term loan facility in an amount of $11.5 million, or the New Term Loan, which replaces our previously existing term loan facility. The proceeds of the New Term Loan were used to finance certain payment obligations under the Commercialization Agreement and to repay the balance of the previously existing term loan. The New Term Loan also provided SVB’s consent with respect to transactions contemplated by the Commercialization Agreement, including the delivery by SVB of a standby letter of credit in an aggregate amount of $33.8 million.

The New Term Loan bears interest at a rate per annum of 0.75% above the prime rate (as defined in the agreement governing the New Term Loan). We will repay the New Term Loan in equal consecutive monthly installments of principal plus monthly payments of accrued interest, commencing in July 2019, provided that, if we achieve EBITDA (as defined in the agreement governing the New Term Loan) in excess of $2.5 million for two consecutive calendar quarters prior to June 2019, such payments will commence in January 2020. All outstanding principal and accrued and unpaid interest under the New Term Loan, and all other outstanding obligations with respect to the New Term Loan, are due and payable in full in December 2022. We may prepay the New Term Loan, in full but not in part, with a prepayment fee of (i) 3.0% of the outstanding principal balance prior to January 2019, (ii) 2.0% of the outstanding principal balance following January 2019 and prior to January 2020 and (iii) 1.0% of the outstanding principal balance following January 2020, plus, in each case, a final payment fee of $719.

Under the New Term Loan, we will be required to maintain a liquidity ratio of at least 2.0 to 1.0. Any amounts outstanding during the continuance of any event of default under the New Term Loan will bear additional interest at the per annum rate of 5.0%.

Cash Flows

	Three Months Ended March 31,	
	2018	**2017**
Net cash provided by (used in) operating activities	$ 29,663	$ (23,688)
Net cash used in investing activities	(19,117)	(29)
Net cash (used in) provided by financing activities	(388)	50

Operating activities. Cash provided by operating activities was $29.7 million in the 2018 Quarter, compared to cash used by operating activities of $23.7 million in the 2017 Quarter. The increase in cash provided by operating activities was primarily due to (i) a positive change in operating results prior to the recognition of non-cash changes in the 2018 Quarter that did not exist in the 2017 Quarter, including the amortization of the intangible asset associated with the Commercialization Agreement for the Nucynta Products of $29.5 million and non-cash interest expense associated with the minimum royalty payments related to the Commercialization Agreement for the Nucynta Products of $5.5 million; and (ii) a benefit from changes in the working capital accounts. We expect cash provided by operating activities to increase for the foreseeable future as we continue to commercialize our products and fund research, development and clinical activities for additional product candidates.

Investing activities. Cash used in investing activities was $19.1 million in the 2018 Quarter, compared to $29,000 in the 2017 Quarter. The increase in cash used in investing activities was primarily due to a one-time upfront fee paid to Depomed for the Nucynta asset acquisition in the 2018 Quarter.

Financing activities. Cash used in financing activities was $388,000 for the 2018 Quarter, compared to cash provided by financing activities $50,000 in the 2017 Quarter. The increase in cash used by financing activities was primarily due to an increase in cash used in the repayment of minimum royalty payments associated with the Commercialization Agreement for the Nucynta Products of $13.0 million, offset by an increase in proceeds received from our term loan, which was amended in the 2018 Quarter, of $10.7 million, and an increase in proceeds received from the exercise of stock options of $2.3 million. The remaining change is primarily due to higher payments made for employee restricted stock tax withholdings.

Funding Requirements

Since 2011, we have generated limited revenue from product sales and we continue to incur significant expenses related to our ongoing operations. As we continue to commercialize Xtampza and add the Nucynta Products to our portfolio, we anticipate that we will continue to incur losses in the near future as we grow our commercial organization and continue the development of, and seek regulatory approvals for, other product candidates. We are subject to all of the risks common to the commercialization and development of new pharmaceutical products, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. We will also continue to incur additional costs associated with operating as a commercial stage public company. We anticipate that we will need substantial additional funding in connection with our continuing operations.

Until we can generate a sufficient amount of revenue from our pharmaceutical products, if ever, we expect to finance future cash needs through public or private equity or debt offerings. Additional capital may not be available on reasonable terms, if at all. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we may have to significantly delay, scale back or discontinue the development or commercialization of one or more of our products or product candidates. If we raise additional funds through the issuance of additional debt or equity securities, it could result in dilution to our existing shareholders, increased fixed payment obligations and the existence of securities with rights that may be senior to those of our common stock. If we incur indebtedness, we could become subject to covenants that would restrict our operations and potentially impair our competitiveness, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. Any of these events could significantly harm our business, financial condition and prospects.

Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties, and actual results could vary as a result of a number of factors. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect. The amount and timing of future funding requirements, both near- and long-term, will depend on many factors, including:

- the generation of reasonable levels of revenue from the sale of Xtampza and Nucynta Products;
- the cost of growing and maintaining sales, marketing and distribution capabilities for Xtampza, the Nucynta Products and any other products for which we may receive regulatory approval;
- the design, initiation, progress, size, timing, costs and results of preclinical studies and clinical trials for our product candidates;
- the outcome, timing and cost of regulatory approvals by the FDA and comparable foreign regulatory authorities, including the potential for the FDA or comparable foreign regulatory authorities to require that we perform more studies than, or evaluate clinical endpoints other than those that we currently expect;
- the timing and costs associated with manufacturing Xtampza and the Nucynta Products, for commercial sale and clinical trials, and with manufacturing our product candidates for preclinical studies, clinical trials and, if approved, for commercial sale;
- the number and characteristics of product candidates that we pursue;
- the cost of patent infringement litigation, including our litigation with each of Purdue and Teva, relating to Xtampza, the Nucynta Products or our product candidates, which may be expensive to defend and delay the commercialization of our product candidates;
- the cost of litigation related to opioid marketing and distribution practices;
- our need to expand our research and development activities, including our need and ability to hire additional employees;
- the cost of implementing additional infrastructure and internal systems and hiring additional employees to operate as a commercial stage public company;
- our need to expand our regulatory and compliance functions; and
- the effect of competing technological and market developments.

If we cannot expand our operations or otherwise capitalize on our business opportunities because we lack sufficient capital, our business, financial condition and results of operations could be materially adversely affected.

CONTRACTUAL OBLIGATIONS

Effective March 2018, we entered into an Office Lease (the “Lease”) with Campanelli-Trigate 100TCD Stoughton, LLC (the “Landlord”), pursuant to which we will lease approximately 50,678 of rentable square feet of space, in Stoughton, Massachusetts. The Lease will commence when the tenant improvements in the space are substantially complete and will continue thereafter for a term of ten years. We have the right to extend the term of the Lease for two additional five year terms, provided that written notice is provided to the Landlord no later than twelve months prior to the expiration of the initial term of the Lease. The initial annual base rent is $1,214, or $23.95 per rentable square foot, and will increase annually by 2.5% to 3.1% over the subsequent Lease years. We are still evaluating when we will take possession of the new space and when the Lease term will commence.

With the exception of the Consent and Amendment to Loan and Security Agreement with SVB previously discussed, there have been no other material changes to the contractual obligations and commitments described under Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have during the periods presented any off-balance sheet arrangements, as defined under SEC rule.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

For information regarding our exposure to certain market risks, see Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report. There have been no significant changes in our financial instrument portfolio or market risk exposures since our fiscal year ended December 31, 2017.

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 March 31, 2018. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended or 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 SEC's rules and forms. 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. Based on the evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2018, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

During the fiscal quarter covered by this report, we began shipping and recognizing product sales on the Nucynta Products and began commercial promotion of the Nucynta Products. We also assumed certain assets and liabilities in connection with the Commercialization Agreement. These activities have resulted in certain business and operational changes. In response, we updated processes that are part of our internal control over financial reporting to accommodate related changes to our accounting procedures and business processes. Other than the aforementioned changes, there has been no other change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

Except as set forth in Note 12 to our financial statements, which is incorporated herein by reference to the extent applicable, there are no material changes from the legal proceedings previously disclosed in our Annual Report.

Item 1A. Risk Factors.

Investing in our common stock involves a high degree of risk. Investors should carefully consider the risks described below, as well as all other information included in this Quarterly Report on Form 10-Q, including our financial statements, the notes thereto and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." If any of the following risks actually occurs, our business, financial condition, operating results, prospects and ability to accomplish our strategic objectives could be materially harmed. As a result, the trading price of our common stock could decline and investors could lose all or part of their investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations and the market price of our common stock.

Risks Related to Our Financial Position and Capital Needs

We have incurred significant losses since our inception and anticipate that we will continue to incur losses in the future.

We are an early commercial-stage pharmaceutical company. To date, we have focused on developing our first product, Xtampza. Investment in pharmaceutical product development is highly speculative because it entails substantial upfront capital expenditures and significant risk that a product candidate will fail to gain regulatory approval or become commercially viable. Since 2010, we have only generated limited revenue from product sales, and we continue to incur significant research, development, commercialization and other expenses related to our ongoing operations. As a result, we are not profitable and have incurred losses in each period since January 1, 2011. For the year ended December 31, 2017, we reported a net loss of $74.9 million, and we had an accumulated deficit of $298.0 million at December 31, 2017. For the three months ended March 31, 2018, we reported a net loss of $18.7 million, and we had an accumulated deficit of $316.7 million at March 31, 2018.

We expect to continue to incur losses for the foreseeable future as we continue to commercialize Xtampza and the Nucynta Products and continue our development of, and seek regulatory approvals for, our product candidates. We may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. The size of our future net losses will depend, in part, on our ability to generate revenues and on the rate of future growth of our expenses. If any of our product candidates fail in clinical trials or does not gain final regulatory approval, or if approved, fails to achieve market acceptance, we may never become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our prior losses and expected future losses have had and will continue to have an adverse effect on our shareholders' equity and working capital.

We currently generate limited revenue from the sale of products and may never become profitable.

We began the commercial sale of our first product, Xtampza, in June 2016 and assumed responsibility for the sales and marketing of the Nucynta Products in January 2018, and in each case have generated limited revenue from product sales. Our ability to generate additional revenue and become profitable depends upon our ability to successfully commercialize Xtampza, the Nucynta Products, our existing product candidates, and any other products and product candidates that we may in-license or acquire in the future. Even if we are able to successfully achieve regulatory approval for our product candidates, we do not know when any of these product candidates will generate revenue for us, if at all. Our ability to generate revenue from our current or future products and product candidates depends on a number of factors, including our ability to:

- successfully commercialize Xtampza and the Nucynta Products;

- successfully satisfy FDA post-marketing requirements for Xtampza and the Nucynta Products, including studies and clinical trials that have been required for other extended release/long acting opioid analgesics and individual studies and clinical trials of Xtampza and the Nucynta Products;
- set a commercially viable price for Xtampza and the Nucynta Products;
- manufacture commercial quantities of our products at acceptable cost levels;
- grow and sustain a commercial organization capable of sales, marketing and distribution for the products we sell ourselves in the markets in which we have retained or acquired commercialization rights;\
- complete and submit applications to, and obtain regulatory approval from, foreign regulatory authorities, if we choose to commercialize our product candidates outside the United States
- find suitable distribution collaborators to help us market, sell and distribute our products, if approved, in markets outside the United States;
- obtain coverage and adequate reimbursement from third parties, including government payors;
- successfully complete development activities, including the necessary clinical trials, with respect to our product candidates;
- complete and submit regulatory submissions to the FDA and obtain regulatory approval for our product candidates;
- comply with existing and changing laws and regulations that apply to the pharmaceutical industry, including opioid manufacturers.

In addition, because of the numerous risks and uncertainties associated with product development, including that we may not successfully launch our products or that our product candidates may not advance through development or achieve the safety and efficacy endpoints of applicable clinical trials, we are unable to predict the timing or amount of increased expenses, or when or if we will be able to achieve or maintain profitability. Furthermore, we anticipate incurring significant costs associated with commercializing our products and, if regulatory approval is obtained, our product candidates.

Even though we are generating revenues from the sale of our products, we may not become profitable and may need to obtain additional funding to continue operations. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels and be forced to reduce our operations.

If we require additional capital to fund our operations and we fail to obtain necessary financing, we may be unable to complete the commercialization of our products or the development and commercialization of our product candidates.

Our operations have consumed substantial amounts of cash. We expect to continue to spend substantial amounts to commercialize Xtampza and the Nucynta Products and to advance the development of, and, if approved, commercialize our product candidates. We believe that our existing cash and cash equivalents and expected revenue contributions from sales of Xtampza and the Nucynta Products will be sufficient to fund our operations into 2020, and the continuation of our development of our product candidates. However, we may require additional capital for the further commercialization of Xtampza and the Nucynta Products and the further development, and if approved, commercialization, of our product candidates.

We cannot be certain that additional funding will be available on acceptable terms, or at all. If we are unable to raise additional capital in sufficient amounts, when required or on acceptable terms, we also could be required to:

- significantly delay, scale back or discontinue the development or the commercialization of Xtampza, our product candidates or one or more of our other research and development initiatives;
- delay, scale back or discontinue the commercialization of the Nucynta Products;
- seek collaborators for Xtampza and/or one or more of our product candidates at an earlier stage than otherwise would be desirable or on terms that are less favorable than might otherwise be available;
- relinquish or license on unfavorable terms our rights to technologies, products or product candidates that we otherwise would seek to develop or commercialize ourselves; or
- significantly curtail operations.

Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties, and actual results could vary as a result of a number of factors, including the factors discussed elsewhere in this “Risk Factors” section. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect. Our future funding requirements, both near and long-term, will depend on many factors, including, but not limited to:

- our ability to obtain and maintain abuse-deterrent claims in the product labels for Xtampza and our product candidates;
- our ability to successfully commercialize Xtampza and the Nucynta Products;
- our ability to successfully satisfy the FDA post-marketing requirements of Xtampza, including studies and clinical trials that have been required for other extended release/long acting opioid analgesics and individual studies and clinical trials of Xtampza;
- clinical development plans for our product candidates;
- the outcome, timing and cost of the regulatory approval process by the FDA and foreign regulatory authorities, including the potential for regulatory authorities to require that we perform more studies than those that we currently expect;
- the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights, including defending Purdue’s patent infringement claims against us and prosecuting patent infringement litigation against Teva in connection with its submission of an ANDA for a generic version of Xtampza;
- the cost and timing of completion of existing or expanded commercial-scale outsourced manufacturing activities;
- the cost of maintaining, and if appropriate, expanding, sales, marketing and distribution capabilities for Xtampza, and the Nucynta Products and, if approved, any product candidates in regions where we choose to commercialize our products; and
- the initiation, progress, timing, costs and results of clinical trials for our product candidates and any future product candidates we may in-license.

Raising additional capital may cause dilution to our existing shareholders, restrict our operations or require us to relinquish rights to Xtampza, the Nucynta Products, our technologies or product candidates.

We may seek additional capital through a combination of private and public equity offerings, debt financings, receivables or royalty financings, strategic collaborations and alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, existing shareholders' ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect the rights of existing shareholders. Debt, receivables and royalty financings may be coupled with an equity component, such as warrants to purchase stock, which could also result in dilution of our existing shareholders' ownership. The incurrence of additional indebtedness could result in increased fixed payment obligations and could also result in certain restrictive covenants, such as limitations on our ability to incur further debt, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could have a material adverse effect on our ability to conduct our business and may result in additional liens being placed on our assets and intellectual property. If we were to default on any of our indebtedness, we could lose such assets and intellectual property. If we raise additional funds through strategic collaborations and alliances and licensing arrangements with third parties, we may have to relinquish valuable rights to Xtampza, the Nucynta Products, or our product candidates, or grant licenses on terms that are not favorable to us. If we are unable to raise additional funds through equity or debt financing when needed, we may be required to delay, limit, reduce or terminate our product development or commercialization efforts or grant rights to develop and market our technologies that we would otherwise prefer to develop and market ourselves.

We have a limited operating history, which may make it difficult for you to evaluate the success of our business to date and to assess our future viability.

Our predecessor was originally incorporated in Delaware in April 2002 under the name Collegium Pharmaceuticals, Inc. In October 2003, our predecessor changed its name to Collegium Pharmaceutical, Inc. In July 2014, we reincorporated in the Commonwealth of Virginia pursuant to a merger whereby Collegium Pharmaceutical, Inc., a Delaware corporation, merged with and into Collegium Pharmaceutical, Inc., a Virginia corporation, with the Virginia corporation surviving the merger. From 2002 until 2010, our operations focused primarily on marketing proprietary therapies to the wound care and dermatology industry through our former subsidiary, Onset Therapeutics, LLC, which was spun off and became a part of PreCision Dermatology, Inc. in 2010. Since 2010, our operations have focused primarily on developing the DETERx technology platform and identifying and developing product candidates that utilize the DETERx technology, including our first product, Xtampza. We are currently in the early years of operating as a commercial stage company, and although we have expanded our product portfolio to include Xtampza and the Nucynta Products, we have a limited track record of successful commercialization of these products. Consequently, any predictions about our future success, performance or viability may not be as accurate as they could be if we had a longer operating history.

The Commercialization Agreement with Depomed, pursuant to which we assumed responsibility for the sales and marketing of the Nucynta Products, requires us to pay significant royalties, some of which are payable whether or not our commercialization efforts are successful. Such licensing fees may adversely affect our cash flow and our ability to operate our business and our prospects for future growth.

In December 2017, we entered into the Commercialization Agreement, pursuant to which we assumed responsibility for the sales and marketing of the Nucynta Products. We closed the transactions contemplated by the Commercialization Agreement, as amended, on January 9, 2018, and we began marketing the Nucynta Products in February 2018. During the term of the Commercialization Agreement and through December 31, 2021, we are required to pay to Depomed a minimum annual royalty of $135.0 million paid quarterly in arrears, plus double-digit royalties on net sales of Nucynta Products in excess of $233.0 million per year. Beginning January 1, 2022 and for each year of the Commercialization Agreement term thereafter, we are required to pay double-digit royalties on all net sales of Nucynta Products. If our commercialization efforts of the Nucynta Products are unsuccessful, there can be no assurance that we will have sufficient cash flow to pay such licensing fees.

Our obligation to Depomed to pay such licensing fees could:

- make it more difficult for us to satisfy obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including financial and other restrictive covenants, could result in an event of default under the agreements governing such indebtedness;
- require us to dedicate a substantial portion of available cash flow to pay licensing fees, which will reduce the funds available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- limit flexibility in planning for and reacting to changes in our business and in the industry in which we operate;
- limit our ability to engage in strategic transactions or implement our business strategies;
- limit our ability to borrow additional funds; and
- place us at a disadvantage compared to our competitors.

Any of the factors listed above could materially and adversely affect our business and our results of operations. If we do not have sufficient cash flow to pay the licensing fees under the Commercialization Agreement, we may be required to terminate the Commercialization Agreement, sell assets, borrow money or sell securities, none of which we can guarantee we will be able to do on favorable terms, if at all.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2017, we had a federal net operating loss, or NOL, carryforward of approximately $249.5 million and state NOL carryovers of approximately $205.1 million, which are available to offset future taxable income. The U.S. federal NOL carryforwards begin to expire in 2022, and the state NOL carryforwards begin to expire in 2030. We also had U.S. federal tax credits of approximately $3.4 million, and state tax credits of approximately $589,000. These tax attributes are generally subject to a limited carryover/carryback period, and are also subject to the annual limitations that may be imposed under Section 382 of the Internal Revenue Code of 1986, as amended (Code), or Section 382.

The 2017 Tax Cuts and Jobs Act, or TCJA, generally will allow losses incurred after 2017 to be carried over indefinitely, but limits the NOL deduction to the lesser of the NOL carryover or 80% of a corporation’s taxable income (subject to Sections 382 and 383 of the Code and other conditions). Also, there will be no carryback for losses incurred after 2017. Losses incurred prior to 2018 will generally be deductible to the extent of the lesser of a corporation’s NOL carryover or 100% of a corporation’s taxable income, and be available for twenty years from the period the loss was generated. We have not finalized our review of the impact of TCJA on the NOL rules, and the impact, if any, to our ability to utilize and carryover net operating losses.

The federal R&D credit generally has a twenty year carryover term, and our state R&D credit is generally available for a fifteen year carryover.

Under Section 382, if a corporation undergoes an “ownership change,” generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period, the corporation’s ability to use its pre-change NOLs and other pre-change tax attributes (such as research and development tax credits) to offset its post-change income may be limited. We may experience ownership changes in the future as a result of shifts in our stock ownership some of which are outside our control. We have not completed a current study to assess whether an ownership change has occurred or whether there have been multiple ownership changes since our formation. As a result, if we earn net taxable income, our ability to use our pre-change NOL carryforwards to offset U.S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us. In addition, at the state level, there may be periods during which the use of NOLs is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed.

As of December 31, 2017 and 2016, we have provided a full valuation allowance for deferred tax assets including NOL and tax credit carryovers.

We have been and may be the subject of litigation matters, including government investigations, for which we may be unable to obtain or maintain insurance adequate to cover potential liabilities.

Our business exposes us to significant potential risk from litigation matters, including government investigations and lawsuits alleging violations of various federal and state laws in connection with the marketing and sale of opioids. For example, we, along with other manufacturers of prescription opioid medications, are the subject of lawsuits and have received subpoenas and other requests for information from various state and local government agencies regarding the sales and marketing of opioid medications. In addition to direct expenditures for damages, settlement and defense costs, there is a possibility of adverse publicity, loss of revenues and disruption of business as a result of such litigation matters. The resolution of these lawsuits may require lengthy and costly negotiations, and we may incur substantial defense costs in addition to any settlement or other liabilities or restrictions that we may accept in order to resolve such matters. Further, we may be unable to obtain or maintain insurance in the future on acceptable terms or with adequate coverage against potential liabilities or other losses incurred in connection with certain litigation matters. The cost, effort and management attention required to resolve these lawsuits may adversely affect our financial condition and ability to conduct our business.

Risks Related to our Products and Product Candidates

Our success depends in large part on the commercial success of Xtampza, our lead product, and the Nucynta Products, which we will commercialize pursuant to a Commercialization Agreement with Depomed.

To date, we have invested substantial resources in the development of our lead product, Xtampza, which has been approved by the FDA. Our business and future success are substantially dependent on our ability to successfully and timely commercialize this product, which may never occur. We currently generate limited revenues from product sales and we may never be able to commercialize Xtampza, the Nucynta Products, or any product candidates that are approved by the FDA, successfully.

Our ability to successfully commercialize Xtampza will depend on many factors, including but not limited to:

- our ability to successfully satisfy FDA post-marketing requirements, including studies and clinical trials that have been required for other extended release/long acting opioid analgesics and individual studies and clinical trials of Xtampza and its components;
- our ability to manufacture commercial quantities of Xtampza at reasonable cost and with sufficient speed to meet commercial demand;
- our ability to continue to build and retain a sales and marketing organization to market Xtampza;
- our success in educating physicians, patients and caregivers about the benefits, administration, use and coverage of Xtampza;
- the perceived availability and advantages, relative cost, relative safety and relative efficacy of other abuse-deterrent products and treatments for chronic pain and chronic pain with dysphagia;
- our ability to successfully defend any challenges to our intellectual property relating to Xtampza;
- the availability of coverage and adequate reimbursement for Xtampza;
- a continued acceptable safety profile of Xtampza following approval; and
- our ability to comply with applicable legal and regulatory requirements.

Our ability to successfully commercialize the Nucynta Products will depend on many factors including, but not limited to, our ability to:

- develop and execute our sales and marketing strategies for the Nucynta Products;
- achieve, maintain and grow market acceptance of, and demand for, the Nucynta Products;
- obtain and maintain adequate coverage, reimbursement and pricing from managed care, government and other third-party payers;
- maintain and manage the necessary sales, marketing, manufacturing, managed markets, and other capabilities and infrastructure that are required to successfully integrate and commercialize the Nucynta Products;
- successfully defend any challenges to our intellectual property relating to Nucynta Products;

- obtain adequate supply of Nucynta ER and Nucynta IR; and
- comply with applicable legal and regulatory requirements.

The success of our efforts to commercialize the Nucynta Products may also depend on additional factors, including the market acceptance of the Nucynta Products, and the outcome of a pending appellate decision in litigation between Depomed and ANDA filers who are seeking to market a generic version of the Nucynta Products in the U.S.

Many of these matters are beyond our control and are subject to other risks described elsewhere in this "Risk Factors" section. Accordingly, we cannot assure you that we will be able to successfully commercialize or generate sufficient revenue from Xtampza, and/or the Nucynta Products. If we cannot do so, or are significantly delayed in doing so, our business will be materially harmed.

Despite receiving approval by the FDA, additional data may emerge that could change the FDA's position on the product labeling of Xtampza and our ability to successfully market Xtampza may be adversely affected.

It is estimated that the U.S. market includes approximately 11 million patients with chronic pain with dysphagia. Our Xtampza microspheres are designed to be removed from the capsule and sprinkled on food or into a cup, and then directly into the mouth, or in feeding tubes, without compromising their extended-release properties. On April 26, 2016, the FDA granted approval for the Xtampza NDA, including an approved product label. The FDA could change the product labeling. If the product label for Xtampza is modified in the future so as to exclude the flexible dose administration options, or the FDA requires us to have a boxed warning similar to competitor product labeling stating that "crushing, dissolving or chewing can cause rapid release and absorption of a potentially fatal dose of the active drug," it will limit our ability to differentiate Xtampza from other abuse-deterrent opioid formulations on the basis of flexible dosing options, and we may not be able to market Xtampza for use by patients with chronic pain with dysphagia. As a result, this may have an adverse effect on our business and our prospects for future growth.

If the FDA does not conclude that our product candidates in development are sufficiently bioequivalent, or demonstrate comparable bioavailability to their respective listed drugs, or if the FDA otherwise does not conclude that our product candidates satisfy the requirements for the Section 505(b)(2) approval pathway, the approval pathway for those product candidates will likely take significantly longer, cost significantly more and entail significantly greater complications and risks than anticipated, and the FDA may not approve those product candidates.

A key element of our strategy is to seek FDA approval for our product candidates through the Section 505(b)(2) regulatory pathway. Section 505(b)(2) of the Federal Food, Drug, and Cosmetic Act, or FD&C Act, permits the filing of an NDA that contains full safety and efficacy reports but where at least some of the information required for approval comes from studies not conducted by or for the applicant, such as the FDA's findings of safety and efficacy in the approval of a similar drug, and for which the applicant has not obtained a right of reference and/or published literature. Such reliance is typically predicated on a showing of bioequivalence or comparable bioavailability to an approved drug.

If the FDA does not allow us to pursue the Section 505(b)(2) approval pathway for our product candidates, or if we cannot demonstrate bioequivalence or comparable bioavailability of our product candidates to approved products, we may need to conduct additional clinical trials, provide additional data and information, and meet additional standards for regulatory approval. If this were to occur, the time and financial resources required to obtain FDA approval for these product candidates would increase. Moreover, our inability to pursue the Section 505(b)(2) approval pathway could result in new competitive products reaching the market sooner than our product candidates, which could have a material adverse effect on our competitive position and our business prospects. Even if we are allowed to pursue the Section 505(b)(2) approval pathway, we cannot assure you that our product candidates will receive the requisite approvals for commercialization on a timely basis, if at all.

In addition, notwithstanding the approval of a number of products by the FDA under Section 505(b)(2) over the last few years, pharmaceutical companies and others have objected to the FDA's interpretation of Section 505(b)(2). If the FDA's interpretation of Section 505(b)(2) is successfully challenged, the FDA may change its policies and practices with respect to Section 505(b)(2) regulatory approvals, which could delay or even prevent the FDA from approving any NDA that we submit under Section 505(b)(2).

Even if our product candidates are approved under Section 505(b)(2), the approval will likely be subject to limitations on the indicated uses for which the products may be marketed or to other conditions of approval, or may contain requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the products, including additional preclinical studies and clinical trials.

Our decision to seek approval of our product candidates under Section 505(b)(2) increases the risk that a patent infringement suit may be filed against us, which would delay the FDA's final regulatory approval of such product candidates and subject us to expensive and time consuming litigation.

In connection with any NDA that we file under Section 505(b)(2), we are required to notify the patent holders of the reference listed drug that we have certified to the FDA that any patents listed for the reference listed drug in the FDA's Orange Book publication are invalid, unenforceable or will not be infringed by the manufacture, use or sale of our drug. If the patent holder files a patent infringement lawsuit against us within 45 days of its receipt of notice of our certification, the FDA is automatically prevented from approving our Section 505(b)(2) NDA until the earliest of 30 months, expiration of the patents, settlement of the lawsuit or a court decision in the infringement case that is favorable to us. Accordingly, we may invest significant time and expense in the development of our product candidates only to be subject to significant delay and expensive and time-consuming patent litigation before our product candidates may be commercialized.

Even if we are found not to infringe any potential plaintiff's patent claims or the claims are found invalid or unenforceable, defending any such infringement claim could be expensive and time-consuming, and could delay the launch of our product candidates and distract management from their normal responsibilities. The Court could decline to hear our summary judgment motion, could decline to act expeditiously to issue a decision or hold a trial, or could decline to find that all of the listed patents are invalid or non-infringed. If we are unsuccessful in our defense of non-infringement and unable to prove invalidity of the listed patents, the court could issue an injunction prohibiting the launch of our product candidates. If we were to receive final regulatory approval by the FDA and launch any of our product candidates, prior to a full and final determination that the patents are invalid or non-infringed, we could be subject to substantial liability for damages if we do not ultimately prevail on our defenses to a claim of patent infringement.

For example, Xtampza was approved under Section 505(b)(2) and we are currently involved in patent infringement litigation with Purdue regarding alleged infringement of five Purdue patents. While successful dismissal of the initial infringement claims prevented a 30-month stay of FDA approval of Xtampza, the continued litigation is expensive and time consuming, and, while we are vigorously defending the infringement claims, we could be subject to substantial damages if unsuccessful.

The regulatory approval processes of the FDA and foreign regulatory authorities are lengthy, time-consuming and unpredictable, and if we are ultimately unable to obtain regulatory approval for our product candidates, our business will be substantially harmed.

The time required to obtain approval by the FDA and foreign regulatory authorities is unpredictable, but typically takes many years following the commencement of preclinical studies and clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. In addition, approval policies, regulations or the type and amount of clinical data necessary to gain approval varies among jurisdictions and may change during the course of a product candidate's clinical development. Although the FDA has approved Xtampza, it is possible that none of our product candidates or any future product candidates that we may in-license, acquire or develop will ever obtain final regulatory approval from the FDA or any foreign regulatory authority. Moreover, even after any product candidate receives final regulatory approval, the FDA may require, as it has for Xtampza, costly post-marketing requirements. Successful and timely satisfaction of these post-marketing requirements will be necessary for us to maintain regulatory approval.

Our product candidates could fail to receive regulatory approval from the FDA or a foreign regulatory authority, or we may be required to conduct more extensive studies and clinical trials in order to receive such approval, for many reasons, including, but not limited to:

- the FDA and/or foreign regulatory authorities may disagree with or disapprove of the design or implementation of our clinical trials;
- failure to demonstrate that a product candidate is safe and effective for its proposed indication;
- failure to demonstrate that a product candidate is bioequivalent to its listed drug;
- failure of clinical trials to meet criteria required for approval;
- failure to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;
- the FDA or foreign regulatory authorities may disagree with our interpretation of data from preclinical studies or clinical trials;
- deficiencies in the manufacturing processes or failure of third-party manufacturing facilities with whom we contract for clinical and commercial supplies to pass inspection;
- the FDA or foreign regulatory authorities may not approve the manufacturing processes or facilities of third party manufacturers with which we contract for clinical and commercial supplies; or
- insufficient data collected from clinical trials of our product candidates or changes in the approval policies or regulations that render our preclinical and clinical data insufficient to support the submission and filing of an NDA or to obtain regulatory approval.

The lengthy approval process, as well as the unpredictability of future clinical trial results, may result in our failing to obtain regulatory approval to market our product candidates, which would harm our business, results of operations and prospects significantly.

In addition, even if we obtain approval, regulatory authorities may approve any of our product candidates for fewer or more limited indications than we request, may not approve, with respect to certain foreign regulatory authorities, the price we intend to charge for our products, may grant approval contingent on the performance of costly post-marketing requirements, or may approve a product label that does not include the labeling claims necessary or desirable for the successful commercialization of that product. Any of the foregoing scenarios could have a material adverse effect on our business.

The FDA or a foreign regulatory authority may require more information, including additional preclinical or clinical data to support approval, which may delay or prevent approval and our commercialization plans, or cause us to abandon the development program. Even if we obtain regulatory approval, our product candidates may be approved for fewer or more limited indications than we request, such approval may be contingent on the performance of costly post-marketing requirements, or we may not be allowed to include the labeling claims necessary or desirable for the successful commercialization of such product candidate.

In order to market and sell our products outside the United States, we will need to obtain separate marketing approvals and comply with numerous and varied regulatory requirements and regimes, which can involve additional testing, may take substantially longer than the FDA approval process, and still 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. FDA approval 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 the FDA or regulatory authorities in other countries or jurisdictions. We may

not obtain any regulatory approvals for our current product candidates on a timely basis, if at all. We may not be able to file for marketing approvals and may not receive necessary approvals to commercialize our products in any market. If we are unable to obtain approval of any of our product candidates by regulatory authorities in countries outside the United States, the commercial prospects of that product candidate may be significantly diminished and our business prospects could decline.

Development of our product candidates is not complete, and we cannot be certain that our product candidates will be commercialized.

To commercialize our product candidates, we must successfully research, develop, obtain regulatory approval for, manufacture, launch, market and distribute product candidates under development. For each product candidate that we intend to develop and commercialize, we must successfully meet a number of critical developmental milestones, including:

- selecting and developing a drug delivery technology to deliver the proper dose of drug over the desired period of time;
- determining the appropriate drug dosage that will be tolerated, safe and effective;
- demonstrating the drug formulation will be stable for commercially reasonable time periods;
- demonstrating that the drug is safe and effective in patients for the intended indication; and
- completing the manufacturing development and scale-up to permit manufacture of our product candidates in commercial quantities and at acceptable prices.

The time necessary to achieve these developmental milestones for any individual product candidate is long and uncertain, and we may not successfully complete these milestones for any of our product candidates in development. We may not be able to finalize the design or formulation of any product candidate. In addition, we may select components, solvents, excipients or other ingredients to include in our product candidates that have not been previously approved for use in pharmaceutical products, which may require us to perform additional studies and may delay clinical testing and regulatory approval of our product candidates. Even after we complete the design of a product candidate, the product candidate must still be shown to be bioequivalent to an approved drug or safe and effective in required clinical trials before approval for commercialization.

We are continuing to test and develop our product candidates and may explore possible design or formulation changes to address bioavailability, safety, efficacy, manufacturing efficiency and performance issues. We may not be able to complete development of any product candidates that will be safe and effective and that will have a commercially reasonable treatment and storage period. If we are unable to complete development of our product candidates, we will not be able to earn revenue from them.

Xtampza and the Nucynta Products are subject to mandatory REMS programs, which could increase the cost, burden and liability associated with the commercialization of these products. We anticipate that our product candidates, if approved, will also be subject to mandatory REMS programs.

The FDA has approved a REMS for extended release, or ER, and long acting, or LA, opioid drugs formulated with the active ingredients fentanyl, hydromorphone, methadone, morphine, oxycodone, oxymorphone, and others as part of a federal initiative to address prescription drug abuse and misuse, or the ER/LA opioid REMS. In September 2017, the FDA announced that immediate-release, or IR, opioid drugs will be subject to the same REMS as ER/LA opioids. One of the primary goals of the REMS is to ensure that the benefits of these drugs continue to outweigh the risks.

The REMS introduces new safety measures designed to reduce risks and improve the safe use of opioids, while continuing to provide access to these medications for patients in pain. The REMS applies to more than 20 companies that

manufacture opioid analgesics. Under the REMS, companies are required to make education programs available to prescribers based on the FDA Blueprint for Prescriber Education for Extended Release and Long Acting Opioid Analgesics. It is expected that companies will meet this obligation by providing educational grants to continuing education providers, who will develop and deliver the training. The REMS also requires companies to distribute FDA-approved educational materials to prescribers and patients on the safe use of these drugs. The companies must perform periodic assessments of the implementation of the REMS and the success of the program in meeting its goals. The FDA will review these assessments and may require additional elements to achieve the goals of the program.

If the FDA determines that a REMS is necessary during review of an application, the drug sponsor must agree to the REMS plan at the time of approval. Xtampza and the Nucynta Products have been subject to the REMS requirement since their approval. REMS includes a Medication Guide that is dispensed with each prescription, physician training based on FDA-identified learning objectives, audits to ensure that the FDA's learning objectives are addressed in the physician trainings, letters to prescribing physicians, professional organizations and state licensing entities alerting each to the REMS, and the establishment of a call center to provide more information about the REMS. We anticipate that our future product candidates will also be subject to these REMS requirements. There may be increased cost, administrative burden and potential liability associated with the marketing and sale of these types of product candidates subject to the REMS requirements, which could reduce the commercial benefits to us from the sale of these product candidates.

If we fail to comply with our obligations in the agreements under which we license intellectual property rights from third parties or otherwise experience disruptions to our business relationships with Depomed or other licensors, we could lose license rights that are important to our business.

We are, or may become, a party to certain intellectual property license agreements, including the Commercialization Agreement, that are important to our business and may enter into additional license agreements in the future. Our existing license agreements impose, and we expect that future license agreements will impose, various diligence, milestone, royalty and other obligations on us. If we fail to comply with the obligations under the Commercialization Agreement or other such agreements, Depomed or another such licensor may have the right to terminate the license, in which event we would not be able to market products covered by the license.

In addition, Depomed may terminate the Commercialization Agreement under certain circumstances, regardless of whether we are compliant with the terms of such agreement. If annual net sales of the Nucynta Products are less than $180,000,000 through January 1, 2022, or if they are less than $140,000,000 per year in any 12-month period commencing on January 1, 2022, then Depomed will have the right to terminate the Commercialization Agreement without penalty. Depomed may also terminate the Commercialization Agreement for convenience at any time prior to December 31, 2018, provided it will be required to pay a termination fee to us.

In some cases, patent prosecution of our licenses is controlled solely by the licensor. If our licensors fail to obtain and maintain patent or other protection for the proprietary intellectual property we license from them, we could lose our rights to the intellectual property or our exclusivity with respect to those rights, and our competitors could market competing products using the intellectual property. In certain cases, we control the prosecution of patents resulting from licenses. In the event we breach any of our obligations related to such prosecution, we may incur significant liability to our licensing partners. Licensing of intellectual property is of critical importance to our business and involves complex legal, business and scientific issues and is complicated by the rapid pace of scientific discovery in our industry. Disputes may arise regarding intellectual property subject to a licensing agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- the extent to which our technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- the sublicensing of patent and other rights under our collaborative development relationships;
- our diligence obligations under the license agreement and what activities satisfy those diligence obligations;

- the ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners; and

- the priority of invention of patented technology.

If disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on acceptable terms, we may be unable to successfully develop and commercialize the affected products or product candidates

If we fail to obtain the necessary final regulatory approvals, or if such approvals are limited, we will not be able to commercialize our product candidates.

Even if we comply with all FDA pre-approval regulatory requirements, the FDA may determine that our product candidates are not safe or effective, and we may never obtain final regulatory approval for such product candidates. If we fail to obtain final regulatory approval for some or all of our product candidates, we will have fewer commercial products and correspondingly lower product revenues. Even if our product candidates receive final regulatory approval, such final regulatory approval may involve limitations on the indications and conditions of use or marketing claims for our products, or may not include certain abuse-deterrence claims or clinical trial data that we have sought, and will seek, to include in the product label. If we do not receive regulatory approval to include certain abuse-deterrence claims, or certain clinical data, in our product labels, our ability to successfully commercialize our products may be limited and our financial results may be adversely impacted. Further, later discovery of previously unknown problems or adverse events could result in additional regulatory restrictions, including withdrawal of products and addition of warnings or other statements on the product label. The FDA may require us to perform lengthy Phase 4 post-approval clinical efficacy or safety trials. Post approval, the FDA may require us to study, as it has with respect to Xtampza, the serious risks of misuse, abuse, addiction, overdose, and death associated with long-term use of our medications for the management of chronic pain, as well as other risks. The FDA may also impose additional post-marketing requirements, which will be very expensive to satisfy.

In jurisdictions outside the United States, we must receive marketing authorizations from the appropriate regulatory authorities before commercializing our product candidates. Regulatory approval processes outside the United States generally include requirements and risks similar to, and in many cases in excess of, those associated with FDA approval.

Although Xtampza has been approved with abuse deterrent labeling, the FDA could require changes to such labeling or we could fail to promote such abuse deterrent claims in compliance with FDA regulations.

Xtampza was developed in compliance with the FDA's April 2015 guidance regarding opioid abuse deterrence and has received FDA-approved product labeling that describes its abuse deterrent features, which allows us to promote those features and differentiate Xtampza from other opioid products containing the same active ingredients. Because the FDA closely regulates promotional materials and other promotional activities, even though the FDA approved product labeling that includes a description of the abuse deterrent characteristics of Xtampza, the FDA may object to our marketing claims and product advertising campaigns. This could lead to the issuance of warning letters or untitled letters, suspension or withdrawal of our products from the market, recalls, fines, disgorgement of money, operating restrictions, injunctions, and civil or criminal prosecution. Any of these consequences would harm the commercial success of Xtampza. In addition, the April 2015 final FDA guidance on abuse-deterrent opioids is not binding law and may be superseded or modified at any time. Also, if the FDA determines that our post-marketing data do not demonstrate that the abuse-deterrent properties result in reduction of abuse, or demonstrate a shift to routes of abuse that present a greater risk, the FDA may find that product labeling revisions are needed, and potentially require the removal of our abuse-deterrence claims, which would have a material adverse effect on our ability to successfully commercialize Xtampza

The FDA may not approve product labeling for our product candidates that would permit us to market and promote our products in the United States by describing their abuse-deterrent features.

We invest substantial time and money conducting Category 1, Category 2 and Category 3 abuse deterrent studies to ensure that our product candidates developed with our DETERx technology comply with the FDA's April 2015 guidance regarding opioid abuse deterrence. Our failure to achieve FDA approval of product labeling containing such information

will prevent or substantiality limit our promotion of the abuse deterrent features of our product candidates in order to differentiate them from other opioid products containing the same active ingredients. This would make our products less competitive in the market. Even though Xtampza was approved with abuse-deterrent labeling, there can be no assurance that any of our product candidates will receive similar final FDA-approved product labeling that describes such features. Furthermore, the FDA's April 2015 final guidance on abuse deterrent opioids makes clear that the FDA expects sponsors to compare their formulations against approved abuse deterrent versions of the same opioid based on the relevant categories of testing. If a proposed product is less resistant to manipulation than an approved product, the FDA has stated that the proposed product may not be eligible for product labeling regarding abuse deterrent properties. If the FDA does not approve product labeling containing abuse deterrence claims, we will not be able to promote such products based on their abuse deterrent features, may not be able to differentiate such products from other opioid products containing the same active ingredients, and may need to lower the price of our products to the extent that there are competing products with abuse deterrent claims on their product labels.

Because the FDA closely regulates promotional materials and other promotional activities, even if the FDA initially approves product labeling that includes a description of the abuse deterrent characteristics of our product, the FDA may object to our marketing claims and product advertising campaigns. This could lead to the issuance of warning letters or untitled letters, suspension or withdrawal of our products from the market, recalls, fines, disgorgement of money, operating restrictions, injunctions, and civil or criminal prosecution. Any of these consequences would harm the commercial success of our products.

Even if our product candidates are approved for marketing with certain abuse-deterrence claims, the April 2015 final FDA guidance on abuse-deterrent opioids is not binding law and may be superseded or modified at any time. Also, if the FDA determines that our post-marketing data do not demonstrate that the abuse-deterrent properties result in reduction of abuse, or demonstrate a shift to routes of abuse that present a greater risk, the FDA may find that product labeling revisions are needed, and potentially require the removal of our abuse-deterrence claims.

Even if our product candidates receive regulatory approval, they will be subject to ongoing regulatory requirements, and we may face regulatory enforcement action if we do not comply with the requirements.

Even after a product candidate is approved, we remain subject to ongoing FDA and other regulatory requirements governing the product labeling, packaging, storage, distribution, safety surveillance, advertising, promotion, import, export, record-keeping and reporting of safety and other post-market information. If we experience delays in obtaining FDA approval of our advertising and promotional materials for any product candidate that receives marketing approval, or if FDA approval of such materials is contingent upon substantial modifications, our promotional efforts relating to any approved product candidate may be impaired, and sales of such products may suffer.

The holder of an approved NDA is obligated to monitor and report adverse events, or AEs, and any failure of a product to meet the specifications in the NDA. In addition, manufacturers of drug products and their facilities are subject to payment of user fees and continual review and periodic inspections by the FDA and other regulatory authorities for compliance with current good manufacturing practices, or cGMP, and other regulations. If we or a regulatory agency discover problems with a product which were previously unknown, such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, a regulatory agency may impose restrictions on that product, the manufacturing facility or us, including requiring product recall, notice to physicians, withdrawal of the product from the market or suspension of manufacturing, among other things. If we, our product candidates or the manufacturing facilities for our product candidates fail to comply with applicable regulatory requirements, a regulatory agency may:

- issue warning letters or untitled letters;
- mandate modifications to promotional materials or require us to provide corrective information to healthcare practitioners;
- require us to enter into a consent decree, which can include the imposition of various fines, reimbursements for inspection costs and penalties for noncompliance, and require due dates for specific actions;

- seek an injunction or impose civil, criminal and/or administrative penalties, damages, monetary fines, require disgorgement, consider exclusion from participation in Medicare, Medicaid and other federal healthcare programs and require curtailment or restructuring of our operations;
- suspend or withdraw regulatory approval;
- suspend any ongoing clinical trials;
- refuse to approve pending applications or supplements to applications filed by us;
- suspend or impose restrictions on operations, including costly new manufacturing requirements;
- seize or detain products, refuse to permit the import or export of products, or require us to initiate a product recall; or
- refuse to allow us to enter into government contracts.

Similar post-market requirements may apply in foreign jurisdictions in which we may seek approval of our products. Any government investigation of alleged violations of law could require us to expend significant time and resources in response and could generate negative publicity. The occurrence of any event or penalty described above may inhibit our ability to commercialize our products and generate revenue and may cause a material adverse impact on our financial condition and cash flows.

In addition, the FDA's regulations, policies or guidance may change and new or additional statutes or government regulations in the United States and other jurisdictions may be enacted that could further restrict or regulate post-approval activities. We cannot predict the likelihood, nature or extent of adverse government regulation that may arise from pending or future legislation or administrative action, either in the United States or abroad. If we are not able to achieve and maintain regulatory compliance, we may not be permitted to market our products and/or product candidates, which would adversely affect our ability to generate revenue and achieve or maintain profitability.

Failure to comply with ongoing governmental regulations for marketing any product, including Xtampza and the Nucynta Products, could delay or inhibit our ability to generate revenues from their sale and could also expose us to claims or other sanctions.

Advertising and promotion of any product that obtains approval in the United States, including Xtampza and the Nucynta Products, will be heavily scrutinized by, among others, the FDA, the Department of Justice, or the DOJ, the Office of Inspector General of the Department of Health and Human Services, or HHS, state attorneys general, members of Congress and the public. Violations, including promotion of Xtampza or the Nucynta Products, and any product for which we receive final regulatory approval, for unapproved or off-label uses, are subject to enforcement letters, inquiries and investigations, and civil and criminal sanctions by the FDA or other government agencies. Additionally, advertising and promotion of any product that obtains approval outside the United States will be heavily scrutinized by foreign regulatory authorities.

In the United States, engaging in off-label promotion of Xtampza or the Nucynta Products, or any products, can also subject us to false claims litigation under federal and state statutes, and other litigation and/or investigation, which can lead to civil and criminal penalties and fines and agreements that materially restrict the manner in which we promote or distribute our drug products. These false claims statutes include the federal False Claims Act, which allows any individual to bring a lawsuit against a pharmaceutical company on behalf of the federal government alleging submission of false or fraudulent claims, or causing to present such false or fraudulent claims, for payment by a federal program such as Medicare or Medicaid. If the government prevails in the lawsuit, the individual will share in any fines or settlement funds. False Claims Act lawsuits against pharmaceutical companies have increased significantly in volume and breadth in recent years, leading to several substantial civil and criminal settlements based on certain sales practices promoting off-label drug uses. This increased focus and scrutiny has increased the risk that a pharmaceutical company will have to defend a false claim action, pay settlement fines or restitution, agree to comply with burdensome reporting

and compliance obligations, and be excluded from the Medicare, Medicaid and other federal and state healthcare programs.

If we are found to have promoted such off-label uses, we may become subject to significant liability. The federal government has levied large civil and criminal fines against companies for alleged off-label use and has enjoined several companies from engaging in off-label promotion. The FDA has also requested that companies enter into consent decrees or permanent injunctions under which specified promotional conduct is changed or curtailed. If we cannot successfully manage the promotion of our products, we could become subject to significant liability, which could materially adversely affect our business and financial condition.

In addition, later discovery of previously unknown problems with a product, manufacturer or facility, or our failure to update regulatory files, may result in restrictions, including withdrawal of the product from the market. Any of the following or other similar events, if they were to occur, could delay or preclude us from further developing, marketing or realizing the full commercial potential of Xtampza, the Nucynta Products and our product candidates:

- failure to obtain or maintain requisite governmental approvals;
- failure to obtain approvals of product labeling with abuse-deterrent claims; or
- FDA required product withdrawals or warnings arising from identification of serious and unanticipated adverse side effects in our product candidates.

Xtampza, the Nucynta Products and our product candidates contain controlled substances, the manufacture, use, sale, importation, exportation and distribution of which are subject to regulation by state, federal and foreign law enforcement and other regulatory agencies.

Xtampza, the Nucynta Products and our product candidates contain, and our future product candidates will likely contain, controlled substances that are subject to state, federal and foreign laws and regulations regarding their manufacture, use, sale, importation, exportation and distribution. Xtampza's active ingredient, oxycodone, and the Nucynta Products' active ingredient, tapentadol, are both classified as controlled substances under the Controlled Substances Act of 1970, or CSA, and regulations of the U.S. Drug Enforcement Administration, or DEA. A number of states also independently regulate these drugs, including oxycodone and tapentadol, as controlled substances.

Controlled substances are classified by the DEA as Schedule I, II, III, IV or V substances, with Schedule I substances considered to present the highest risk of substance abuse and Schedule V substances the lowest risk. Oxycodone and tapentadol are both listed by the DEA as Schedule II controlled substances under the CSA. For our products and product candidates containing controlled substances, we and our suppliers, manufacturers, contractors, customers and distributors are required to obtain and maintain applicable registrations from state, federal and foreign law enforcement and regulatory agencies and comply with state, federal and foreign laws and regulations regarding the manufacture, use, sale, importation, exportation and distribution of controlled substances. For example, all Schedule II drug prescriptions must be signed by a physician, physically presented to a pharmacist and may not be refilled without a new prescription.

Furthermore, the amount of Schedule II substances that can be obtained for clinical trials and commercial distribution is limited by the CSA and DEA regulations. The DEA continues to increase its efforts to hold manufacturers, distributors, prescribers and pharmacies accountable through various enforcement actions as well as the implementation of compliance practices for controlled substances. During the 2016 presidential campaign, as well as implementing a REMS for immediate release opioids, many elected officials, including President Trump, called for the DEA to restrict the amount of opioids that can be manufactured in the U.S. In April 2018, the DEA proposed new guidelines for reducing the quota for controlled substances to be manufactured in the U.S., which would apply to aggregate production and procurement quotas for 2019. We may not be able to obtain sufficient quantities of these controlled substances in order to complete our clinical trials or meet commercial demand. If commercial demand for Xtampza, or any of our other approved products, increases and we cannot meet such demand in a timely fashion because of our limited supply of its active ingredient (in the case of Xtampza, oxycodone) then physicians may perceive such product as unavailable and may be less likely to prescribe it in the future.

In addition, controlled substances are also subject to regulations governing manufacturing, labeling, packaging, testing, dispensing, production and procurement quotas, recordkeeping, reporting, handling, shipment and disposal. These regulations increase the personnel needs and the expense associated with development and commercialization of Xtampza, the Nucynta Products, and product candidates that include controlled substances. The DEA and some states conduct periodic inspections of registered establishments that handle controlled substances.

Failure to obtain and maintain required registrations or to comply with any applicable regulations could delay or preclude us from developing and commercializing Xtampza, the Nucynta Products, and product candidates that contain controlled substances and subject us to enforcement action. The DEA may seek civil penalties, refuse to renew necessary registrations or initiate proceedings to revoke those registrations. In some circumstances, violations could lead to criminal proceedings. Because of their restrictive nature, these regulations could limit commercialization of our products containing controlled substances.

Clinical development is a lengthy and expensive process with an uncertain outcome, and failure can occur at any stage of clinical development. If we are unable to design, conduct and complete clinical trials successfully, our product candidates will not be able to receive regulatory approval.

In order to obtain FDA approval for any of our product candidates, we must submit to the FDA an NDA with substantial evidence that demonstrates that the product candidate is both safe and effective in humans for its intended use. This demonstration requires significant research, preclinical studies and clinical trials.

Our product candidates are in preclinical or early-stage clinical development. Clinical trials are time-consuming, expensive and difficult to design and implement, in part because they are subject to rigorous requirements and their outcomes are inherently uncertain. Clinical testing may take many years to complete, and failure can occur at any time during the clinical trial process, even with active ingredients that have previously been approved by the FDA as being safe and effective. We could encounter problems that halt our clinical trials or require us to repeat such clinical trials. If patients participating in clinical trials suffer drug-related adverse reactions during the clinical trials, or if we or the FDA believe that patients are being exposed to unacceptable health risks, such clinical trials may be suspended or terminated. Suspensions, termination or the need to repeat a clinical trial can occur at any stage.

The clinical trial success of each of our product candidates depends on reaching statistically significant changes in patients' symptoms based on clinician-rated scales. There is a lack of consensus regarding standardized processes for assessing clinical outcomes based on clinician-rated scales. Accordingly, the scores from our clinical trials may not be reliable, useful or acceptable to the FDA or other regulatory agencies.

Changes in standards related to clinical trial design could have a material adverse effect on our ability to design and conduct clinical trials as planned. For example, we have conducted or will conduct clinical trials comparing our product candidates to both placebo and other approved drugs, but regulatory authorities may not allow us to compare our product candidates to a placebo in a particular clinical indication where approved products are available. In that case, both the cost and the amount of time required to conduct a clinical trial could increase. The FDA may disagree with our trial design and our interpretation of data from clinical trials, or may change the requirements for approval even after it has reviewed and commented on the design for our clinical trials. The FDA may also approve a product candidate for fewer or more limited indications than we request, or may grant approval contingent on the performance of costly post-approval clinical trials. In addition, the FDA may not approve the product labeling claims or removal of certain warnings that we believe are necessary or desirable for the successful commercialization of our product candidates.

Approval may be contingent on a REMS, which could have a material adverse effect on the product labeling, distribution or promotion of a drug product.

Any of these delays or additional requirements could cause our product candidates to not be approved, or if approved, significantly impact the timing of commercialization and significantly increase our overall costs of drug development.

Because the results of preclinical studies and early-stage clinical trials are not necessarily predictive of future results, any product candidate we advance into additional clinical trials may not continue to have favorable results or receive regulatory approval.

All of our product candidates are in preclinical or early-stage clinical development. Success in preclinical studies and early clinical trials does not ensure that later clinical trials will generate adequate data to demonstrate the efficacy and safety of an investigational drug. Many companies in the pharmaceutical and biotechnology industries, including those with greater resources and experience, have suffered significant setbacks in clinical trials, even after positive results in earlier clinical trials. Despite preliminary preclinical studies for our other extended-release, abuse deterrent product candidates, including hydrocodone and oxymorphone for pain, and methylphenidate for the treatment of ADHD, we do not know whether the clinical trials we may conduct will demonstrate adequate efficacy and safety or otherwise provide adequate information to result in regulatory approval to market any of our product candidates in any particular jurisdiction. If later-stage clinical trials do not produce favorable results, our ability to achieve regulatory approval for any of our product candidates may be compromised.

Conducting clinical trials of Xtampza and our product candidates and any commercial sales of Xtampza, the Nucynta Products, and/or product candidates may expose us to expensive product liability claims, and we may not be able to maintain product liability insurance on reasonable terms or at all.

We currently carry product liability insurance. Product liability claims may be brought against us by patients, healthcare providers, others using, administering or selling our products or patients enrolled in our clinical trials. If we cannot successfully defend ourselves against claims that our products or product candidates caused injuries, we could incur substantial liabilities. 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. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for any product or product candidates that we may develop;
- injury to our reputation and significant negative media attention;
- significant costs to defend the related litigation;
- substantial monetary awards to patients;
- loss of revenue;
- diversion of management and scientific resources from our business operations;
- termination of clinical trial sites or entire trial programs;
- withdrawal of clinical trial participants;
- the inability to commercialize our products or product candidates that we may develop; and
- an increase in product liability insurance premiums or an inability to maintain product liability insurance coverage.

Our inability to maintain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of Xtampza, the Nucynta Products, and our product candidates. Any agreements we may enter into in the future with collaborators in connection with the development or commercialization of Xtampza and our product candidates may entitle us to indemnification against product liability losses, but such indemnification may not be available or adequate should any claim arise. In addition, many of our agreements require us to indemnify third parties and these indemnifications obligations may exceed the coverage under our product liability insurance policy.

Xtampza, the Nucynta Products, and our product candidates may be associated with undesirable adverse reactions or have other properties that could result in significant negative consequences.

Undesirable adverse reactions associated with Xtampza, the Nucynta Products, and our product candidates could cause us, our IRBs, clinical trial sites or regulatory authorities to interrupt, delay or halt clinical trials and could result in a restrictive product label or the delay, denial or withdrawal of regulatory approval by the FDA or foreign regulatory authorities. For example, even though Xtampza was generally well tolerated by patients in our clinical trials, in some cases there were adverse reactions, one of which was a serious adverse event, moderate in severity, of gastroesophageal reflux.

If we or others identify undesirable adverse events associated with Xtampza, the Nucynta Products, or any product candidate for which we receive final regulatory approval, a number of potentially significant negative consequences could result, including:

- we may be forced to suspend marketing of the product;
- regulatory authorities may withdraw their approvals of the product or impose restrictions on its distribution;
- regulatory authorities may require additional warnings or contradictions in the product label that could diminish the usage or otherwise limit the commercial success of the product;
- we may be required to conduct additional post-marketing studies;
- we could be sued and held liable for harm caused to patients; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of Xtampza or the Nucynta Products or any of our product candidates, if approved.

Risks Related to Intellectual Property

Unfavorable outcomes in intellectual property litigation could result in costly litigation and potentially limit our ability to commercialize our products.

Our commercial success depends upon our ability to develop product candidates and commercialize products without infringing the intellectual property rights of others. Our current or future product candidates or products, or any uses of them, may now or in the future infringe third-party patents or other intellectual property rights. This is due in part to the considerable uncertainty within the pharmaceutical industry about the validity, scope and enforceability of many issued patents in the United States and elsewhere in the world and, to date, there is no consistency regarding the breadth of claims allowed in pharmaceutical patents. We cannot currently determine the ultimate scope and validity of patents which may be granted to third parties in the future or which patents might be asserted to be infringed by the manufacture, use and sale of our products. In part as a result of this uncertainty, there has been, and we expect that there will continue to be, significant litigation in the pharmaceutical industry regarding patents and other intellectual property rights.

Third parties may assert infringement claims against us, or other parties we have agreed to indemnify, based on existing patents or patents that may be granted in the future. We are aware of third-party patents and patent applications related to oxycodone, oxymorphone, hydrocodone, morphine, and methylphenidate drugs and formulations, including those listed in the FDA's Orange Book for oxycodone products. Because of the delay between filing and publication of patent applications, and because applications can take several years to issue, there may be currently pending third-party patent applications that are unknown to us, which may later result in issued patents. Because of the uncertainty inherent in intellectual property litigation, we could lose, even if the case against us was weak or flawed.

If we are found to infringe a third party's intellectual property rights, we could be required to obtain a license from such third party to continue developing or commercializing Xtampza or our product candidates, products and technology. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we are able to obtain a license, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. We could be forced, including by court order, to cease commercializing the infringing technology or product. In addition, in any such proceeding or litigation, we could be found liable for monetary damages, including treble damages and attorneys' fees, if we are found to have willfully infringed a patent. A finding of infringement could prevent us from commercializing Xtampza or our product candidates or force us to cease some of our business operations.

In connection with any NDA that we file under Section 505(b)(2), including the NDA for Xtampza, we are required to notify the patent holder of the reference listed drug that we identify in our NDA, that we have certified to the FDA that any patents listed for the listed drug in the FDA's Orange Book publication are invalid, unenforceable or will not be infringed by the manufacture, use or sale of our drug. If the patent holder files a patent infringement lawsuit against us within 45 days of its receipt of notice of our certification, the FDA is automatically prevented from approving our Section 505(b)(2) NDA until the earliest of 30 months after the lawsuit is filed, expiration of the patents, settlement of the lawsuit and a court decision in the infringement case that is favorable to us. Accordingly, we may invest significant time and expense in the development of our product candidates only to be subject to significant delay and patent litigation before our product candidates may be commercialized.

If we are found by the court to have infringed a valid patent claim, we could be prevented from using the patented technology or be required to pay the patent holder for the right to license the patented technology. If we decide to pursue a license to use one or more of these patents, we may not be able to obtain a license on commercially reasonable terms, if at all, or the license we obtain may require us to pay substantial royalties or grant cross licenses to our patent rights. For example, if the relevant patent is owned by a competitor, such as Purdue, that competitor may choose not to license patent rights to us. If we decide to develop alternative technology, we may not be able to do so in a timely or cost-effective manner, if at all.

Even if we are found not to infringe or patent claims are found invalid or unenforceable, defending any such infringement claim would be expensive and time consuming, and could delay the approval or commercialization of our product candidates and distract management from their normal responsibilities.

Competitors may sue us as a way of delaying the introduction of our products. Any litigation, including any interference or derivation proceedings to determine priority of inventions, oppositions or other post-grant review proceedings to patents in the United States or in countries outside the United States, or litigation against our collaborators may be costly and time consuming and could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize products and our overall financial condition. We expect that litigation may be necessary in some instances to determine the validity and scope of our proprietary rights. Litigation may be necessary in other instances to determine the validity, scope or non-infringement of certain patent rights claimed by third parties to be pertinent to the manufacture, use or sale of our products Ultimately, the outcome of such litigation, including our pending litigation with Purdue, could compromise the validity and scope of our patents or other proprietary rights or hinder our ability to manufacture and market our products.

If we are unable to obtain or maintain intellectual property rights for our technology, products and product candidates, we may lose valuable assets or experience reduced market share.

We depend on our ability to protect our proprietary technology. We rely on patent and trademark laws, unpatented trade secrets and know-how, and confidentiality, licensing and other agreements with employees and third parties, all of which offer only limited protection. 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, products and product candidates.

The steps we have taken to protect our proprietary rights may not be adequate to preclude misappropriation of our proprietary information or infringement of our intellectual property rights, both inside and outside the United States. The rights already granted under any of our currently issued patents and those that may be granted under future issued patents may not provide us with the proprietary protection or competitive advantages we are seeking.

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 inventions made in the course of our development and commercialization activities before it is too late to obtain patent protection on them.

Given the amount of time required for the development, testing and regulatory review of product candidates, patents protecting such product candidates might expire before or shortly after such product candidates are commercialized. If we are unable to obtain and maintain patent protection for our technology and products, or if the scope of the patent protection obtained is not sufficient, our competitors could develop and commercialize technology and products identical, similar or superior to ours, and our ability to successfully commercialize our technology and products may be adversely affected.

With respect to patent rights, our patent applications may not issue into patents, and any issued patents may not provide protection against competitive technologies, may be held invalid or unenforceable if challenged or may be interpreted in a manner that does not adequately protect our technology, product candidates or future product candidates. Even if our patent applications issue into patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors from competing with us, or otherwise provide us with any competitive advantage. The examination process may require us to narrow the claims in our patents, which may limit the scope of patent protection that may be obtained. Our competitors may design around or otherwise circumvent patents issued to us or licensed by us.

The scope of patent protection in the United States and in foreign jurisdictions is highly uncertain, and changes in U.S. and foreign patent law have increased that uncertainty and could diminish the value of patents in general, thereby impairing our ability to protect our product candidates and any future products.

The patent position of pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of our patents or narrow the scope of our patent protection. The laws of foreign countries may not protect our rights to the same extent as the laws of the United States, and these foreign laws may also be subject to change.

Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions typically are not published until 18 months after filing or, in some cases, not at all. Therefore, we cannot be certain that we were the first to make the inventions claimed in our owned or licensed patents or pending patent applications, or that we were the first to file for patent protection of such inventions. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights, both in the United States and abroad, are highly uncertain.

Recent patent reform legislation could increase the uncertainties and costs associated with the prosecution of our patent applications and the enforcement or defense of our issued patents. The Leahy-Smith America Invents Act, or the Leahy-Smith Act, which was signed into law on September 16, 2011, made significant changes to U.S. patent law, including provisions that affect the way patent applications are prosecuted and litigated. Many of the substantive changes to patent law associated with the Leahy-Smith Act and, in particular, the “first to file” provisions described below, only became effective on March 16, 2013. 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.

Pursuant to the Leahy-Smith Act, the United States transitioned to a “first to file” system in which the first inventor to file a patent application will be entitled to the patent. In addition, third parties are allowed to submit prior art before the issuance of a patent by the U.S. Patent and Trademark Office, or USPTO, and may become involved in opposition, derivation, reexamination, or inter partes review challenging our patent rights or the patent rights of others. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including novelty, nonobviousness and enablement. It is possible that prior art of which both we and the patent examiner were unaware during prosecution exists, which could render our patents invalid. Moreover, there may exist prior art of which we were or are aware, and which we did not or do not consider relevant to our patents, but which could nevertheless be determined to render our patents invalid. An adverse determination in any such submission, proceeding or litigation

could reduce the scope of, or invalidate, our patent rights, which could have a material adverse effect on our competitive position with respect to third parties.

Because the issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, issued patents that we own or license from third parties may be challenged in the courts or patent offices in the United States and abroad. Such challenges may result in the loss of patent protection, the narrowing of claims in such patents, or the invalidity or unenforceability of such patents, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection for our technology and products. Protecting against the unauthorized use of our patented technology, trademarks and other intellectual property rights is expensive, difficult and, may in some cases not be possible. In some cases, it may be difficult or impossible to detect third party infringement or misappropriation of our intellectual property rights, even in relation to issued patent claims, and proving any such infringement may be even more difficult.

We may be forced to litigate to enforce or defend our intellectual property, which could be expensive, time consuming and unsuccessful, and result in the loss of valuable assets.

We may be forced to litigate to enforce or defend our intellectual property rights against infringement and unauthorized use by competitors, and to protect our trade secrets. To counter infringement or unauthorized use, litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights. In so doing, we may place our intellectual property at risk of being invalidated, rendered unenforceable or limited or narrowed in scope.

Further, this can be expensive and time consuming. Many of our current and potential competitors have the ability to dedicate substantially greater resources to defend their intellectual property rights than we can.

Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. Litigation could result in substantial costs and diversion of management resources, which could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize products and our overall financial condition. In addition, an adverse result in any litigation proceeding could put one or more of our patents at risk of being invalidated, held unenforceable or interpreted narrowly. 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 litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of shares of our common stock.

We may be subject to claims by third parties of ownership of what we regard as our own intellectual property or obligations to make compensatory payments to employees or others.

While it is our policy to require our employees and contractors who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing or obtaining such an agreement with each party who, in fact, develops intellectual property that we regard as our own. In addition, they may breach the assignment agreements or such agreements may not be self-executing, 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. Such intellectual property rights could be awarded to a third party, and we could be required to obtain a license from such third party to commercialize our technology or products. Such a license may not be available on commercially reasonable terms or at all. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

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, products and product candidates, we rely on 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. Despite these efforts, any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. 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 both within and outside the United States may be 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 such competitor, or those to whom they communicate with, from using that technology or information to compete with us. If any of our trade secrets were to be disclosed or independently developed, our competitive position would be harmed.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on all of our product candidates throughout the world would be prohibitively expensive. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop and sell their own products and, further, may export otherwise infringing products to territories where we have patent protection but enforcement is not as strong as that in the United States. These products may compete with our products in jurisdictions where we do not have any issued patents or our patent claims or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to pharmaceuticals, which could make it difficult for us to stop the infringement of our patents or the marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business.

We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

Many of our employees, including our senior management, were previously employed at other biotechnology or pharmaceutical companies, including potential competitors. These employees typically executed proprietary rights, non-disclosure and non-competition agreements in connection with their previous employment. Although we try to ensure that our employees 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 have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. We are not aware of any threatened or pending claims related to these matters, but in the future litigation may be necessary to defend against such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs, damage our reputation and be a distraction to management.

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

The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. In addition, periodic maintenance fees on issued patents are required to be paid to the USPTO and foreign patent agencies in several stages over the lifetime of the patents. 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 noncompliance can result in

abandonment or lapse of the patent or patent application, resulting in partial or complete loss of 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 failure to properly legalize and submit formal documents. If we fail to maintain the patents and patent applications covering our product candidates, our competitive position would be adversely affected.

Risks Related to the Commercialization of Our Products and Product Candidates

If we are unable to successfully develop and utilize our own sales and marketing capabilities or enter into strategic alliances with marketing collaborators, we may not be successful in commercializing Xtampza, the Nucynta Products and, if approved, our product candidates and may be unable to generate sufficient product revenue.

Our commercial organization continues to grow and evolve, and in light of its short history and limited track record, we cannot guarantee that we will be successful in marketing Xtampza, the Nucynta Products or any of our product candidates that may be approved for marketing. In addition, we will have to compete with other pharmaceutical and biotechnology companies with extensive and well-funded sales and marketing operations to recruit, hire, train and retain sales and marketing personnel. If we are unable to continue to grow and maintain adequate sales, marketing and distribution capabilities, whether independently or with third parties, we may not be able to generate sufficient product revenue and may not become profitable. Factors that may inhibit our efforts to commercialize our products and product candidates in the United States 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 Xtampza, the Nucynta Products and our product candidates;
- the lack of complementary products to be offered by 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 and maintaining an independent sales and marketing organization.

If we are not successful in recruiting and retaining sales and marketing personnel or in building a sales and marketing infrastructure or if we do not successfully enter into appropriate strategic alliances with marketing collaborators, agreements with contract sales organizations or collaboration arrangements, we will have difficulty commercializing Xtampza, the Nucynta Products or our product candidates. To the extent we commercialize Xtampza or our product candidates by entering into agreements with third-party collaborators, we may have limited or no control over the sales, marketing and distribution activities of these third parties, in which case our future revenues would depend heavily on the success of the efforts of these third parties.

If physicians, patients, healthcare payors and the medical community do not accept and use Xtampza, the Nucynta Products or our product candidates, if approved, we will not achieve sufficient product revenues and our business will suffer.

Physicians, patients, healthcare payors and the medical community may not accept and use Xtampza, the Nucynta Products or any of our product candidates (if regulatory approval is obtained), for which we receive final regulatory approval. Acceptance and use of Xtampza, the Nucynta Products and any product candidates for which we receive final regulatory approval will depend on a number of factors including:

- the timing of market introduction of our products and product candidates as well as competitive products;
- approved indications, warnings and precautions language that may be less desirable than anticipated;

- perceptions by members of the healthcare community, including physicians, about the safety and efficacy of Xtampza, the Nucynta Products and our product candidates;
- perceptions by members of the healthcare community, including physicians, about the relevance and efficacy of our abuse deterrent technology in reducing potential risks of unintended use;
- published studies demonstrating the cost-effectiveness of Xtampza, the Nucynta Products and our product candidates relative to competing products;
- the potential and perceived advantages of Xtampza, the Nucynta Products and our product candidates over alternative treatments;
- the convenience and ease of administration to patients of Xtampza, the Nucynta Products and our product candidates;
- actual and perceived availability of coverage and reimbursement for Xtampza, the Nucynta Products and our product candidates from government or other third-party payors;
- any negative publicity related to our or our competitors' products that include the same active ingredient as Xtampza, the Nucynta Products and our product candidates;
- the prevalence and severity of adverse side effects, including limitations or warnings contained in a product's FDA approved product labeling;
- our ability to implement a REMS; and
- effectiveness of marketing and distribution efforts by us and any licensees and distributors.

If Xtampza, the Nucynta Products, or our product candidates for which we receive final regulatory approval, fail to achieve an adequate level of acceptance by physicians, healthcare payors, patients or the medical community, we will not be able to generate significant revenue, and we may not become or remain profitable. Since we expect to rely on sales generated by Xtampza and the Nucynta Products for substantially all of our revenues for the foreseeable future, the failure of Xtampza or the Nucynta Products to find market acceptance would harm our business prospects.

Recently enacted and future legislation may increase the difficulty and cost for us to commercialize Xtampza, the Nucynta Products, and our product candidates and may reduce the prices we are able to obtain for our products.

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 our product candidates, restrict or regulate post-approval activities or affect our ability to profitably sell Xtampza, the Nucynta Products, or any product candidates for which we obtain marketing approval.

Cost reduction legislation could decrease the coverage and price that we receive for any approved products, including for reimbursement through Medicare and private payors.

The pricing of pharmaceutical products, in general, and specialty drugs, in particular, has also been a topic of concern in the U.S. government. There can be no assurance as to how this scrutiny on pricing of pharmaceutical products will impact future pricing of our products or pharmaceutical products generally. The current administration has indicated that reducing the price of prescription drugs will be a priority of the administration. The implementation of any price controls on prescription drugs, whether at the federal or state level, may adversely affect our business, operating results and financial condition.

Laws intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for health care and health insurance industries, impose new taxes and fees on the health industry and impose additional health policy reforms may continue the downward pressure on pharmaceutical pricing, especially under the Medicare program, and may also increase our regulatory burdens and operating costs. The Affordable Care Act, as well as other healthcare reform measures that have been and may be adopted in the future, may result in more rigorous coverage criteria, new payment methodologies and in additional downward pressure on the price that we receive for any approved product, and could seriously harm our future revenues. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may compromise our ability to generate revenue, attain profitability or commercialize our products. At the same time, there have been significant ongoing efforts to modify or eliminate the Affordable Care Act. For example, the TCJA, enacted on December 22, 2017, repealed the shared responsibility payment for individuals who fail to maintain minimum essential coverage under section 5000A of the Internal Revenue Code, commonly referred to as the individual mandate, beginning in 2019. The Joint Committee on Taxation estimates that the repeal will result in over 13 million Americans losing their health insurance coverage over the next ten years and is likely to lead to increases in insurance premiums. Further legislative changes to and regulatory changes under the Affordable Care Act remain possible. It is unknown what form any such changes or any law proposed to replace the Affordable Care Act would take, and how or whether it may affect our business in the future.

Newly enacted FDA regulations may require us to expend additional resources to obtain or maintain regulatory approval. For example, in August 2017 President Trump signed into law the Food & Drug Administration Reauthorization Act (FDARA). This legislation imposes significant new requirements for clinical trial sponsors which will affect, among other things, the development of drugs and biological products for pediatric use. This legislation may result in new regulations, which may affect future options or timelines for regulatory approval.

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, may be. In addition, increased scrutiny by the U.S. Congress of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject us to more stringent product labeling and post-marketing testing and other requirements.

On February 27, 2018, a bipartisan group of senators introduced Senate Bill 2456 (S.2456). S.2456 is characterized as "CARA 2.0," in reference to the Comprehensive Addiction and Recovery Act of 2016. CARA 2.0 would limit initial prescriptions for opioids to 3 days, while exempting initial prescriptions for chronic care, cancer care, hospice or end of life care, and palliative care. CARA 2.0 would also increase civil and criminal penalties for opioid manufacturers that fail to report suspicious orders for opioids or fail to maintain effective controls against diversion of opioids. The bill would increase civil fines from $10,000 to $100,000, and if a manufacturer fails to maintain effective controls or report suspicious orders with knowledge or willful disregard, the bill would double criminal penalties from $250,000 to $500,000. If this bill were signed into law, it could adversely affect our ability to successfully commercialize Xtampza, the Nucynta Products, and our product candidates if approved. In addition, in 2017 several states, including Indiana, Louisiana, and Utah, enacted laws that further limit or restrict opioid prescriptions.

In addition, state pharmacy laws may permit pharmacists to substitute generic products for branded products if the products are therapeutic equivalents, or may permit pharmacists and pharmacy benefit managers to seek prescriber authorization to substitute generics in place of Xtampza or our product candidates, which could significantly diminish demand for them and significantly impact our ability to successfully commercialize our products and generate revenues.

Even if we are able to commercialize our products and any of our product candidates, if approved, our products may become subject to unfavorable pricing regulations or third-party coverage and reimbursement policies, which could have a material adverse effect on our business. Such pricing regulations may address the rebates that manufacturers offer to pharmaceutical benefit managers, or the discounts that manufacturers provide others within the pharmaceutical distribution chain.

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 commercial launch of the product, possibly for lengthy time periods, which could negatively impact the revenues we are able to generate from the sale of the product in that particular country. Pricing limitations may hinder our ability to recoup our investment in Xtampza, the Nucynta Products, and our product candidates even if our product candidates obtain marketing approval.

Our ability to commercialize any product successfully will also depend in part on the extent to which coverage and adequate 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, determine which medications they will cover and establish reimbursement levels. A primary trend in the U.S. healthcare industry and elsewhere is cost containment. Government authorities and other third-party payors 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 discounts and rebates from list prices and are challenging the prices charged for medical products. We have agreed to provide such discounts and rebates to certain third-party payors. We expect increasing pressure to offer larger discounts and rebates. Additionally, a greater number of third-party payors may seek discounts and rebates in order to offer or maintain access for Xtampza, the Nucynta Products and our product candidates, if approved. We cannot be sure that coverage and reimbursement will be available for any product that we commercialize and, if reimbursement is available, what the level of reimbursement will be and whether it will be satisfactory. Coverage and reimbursement may impact the demand for, or the price of, any product candidate for which we obtain marketing approval. If coverage and reimbursement are not available or reimbursement is available only to limited levels, we may not be able to successfully commercialize any product candidate for which we obtain marketing approval.

There may be significant delays in obtaining coverage and reimbursement for newly approved drugs, and coverage may be more limited than the purposes for which the drug is approved by the FDA or foreign regulatory authorities. Moreover, eligibility for coverage and 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 only be temporary. 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 policy and payment limitations in setting their own reimbursement policies. Our inability to promptly obtain coverage and profitable reimbursement rates from both government-funded and private payors for Xtampza, the Nucynta Products or any product candidates approved could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize products and our overall financial condition.

Social issues around the abuse of opioids, including law enforcement concerns over diversion of opioids and regulatory efforts to combat abuse, could decrease the potential market for Xtampza, the Nucynta Products, and our product candidates.

Media stories regarding prescription drug abuse and the diversion of opioids and other controlled substances are commonplace. Law enforcement and regulatory agencies may apply policies and guidelines that seek to limit the

availability or use of opioids. Such efforts may inhibit our ability to commercialize Xtampza, the Nucynta Products, and our product candidates.

Aggressive enforcement and unfavorable publicity regarding, for example, the use or misuse of oxycodone or other opioid drugs; the limitations of abuse-resistant formulations; the ability of drug abusers to discover previously unknown ways to abuse opioid drugs, including Xtampza and the Nucynta Products; public inquiries and investigations into prescription drug abuse; litigation; or regulatory activity regarding sales, marketing, distribution or storage of opioid drugs could have a material adverse effect on our reputation. Such negative publicity could reduce the potential size of the market for Xtampza, the Nucynta Products, and our product candidates and decrease the revenues we are able to generate from their sale. Similarly, to the extent opioid abuse becomes less prevalent or less urgent of a public health issue, regulators and third party payers may not be willing to pay a premium for abuse-deterrent formulations of opioid.

Many state legislatures are considering various bills intended to reduce opioid abuse, for example by establishing prescription drug monitoring programs and mandating prescriber education. Further, the FDA is requiring “black-box” warnings on immediate release opioids highlighting the risk of misuse, abuse, addiction, overdose and death. In March 2017, President Trump announced the creation of a commission, through ONDCP, to make recommendations to the president on how to best combat opioid addiction and abuse. In August 2017, the commission issued a preliminary report calling on President Trump to officially declare the crisis of opioid abuse a national emergency. On October 26, 2017, President Trump declared the opioid crisis a “national public health emergency.” The commission’s final report was released in early November 2017. Efforts by the FDA and other regulatory bodies to combat abuse of opioids may negatively impact the market for our product and product candidates. In February 2016, the FDA released an action plan to address the opioid abuse epidemic and reassess the FDA’s approach to opioid medications. The plan identifies the FDA’s focus on implementing policies to reverse the opioid abuse epidemic, while maintaining access to effective treatments. The actions set forth in the FDA’s plan include strengthening post marketing study requirements to evaluate the benefit of long-term opioid use, changing the REMS requirements to provide additional funding for physician education courses, releasing a draft guidance setting forth approval standards for generic-abuse deterrent opioid formulations, and seeking input from the FDA’s Science Board to broaden the understanding of the public risks of opioid abuse. The FDA’s Science Board met to address these issues on March 1, 2016. The FDA’s plan is part of a broader initiative led by the HHS to address opioid-related overdose, death and dependence. The HHS initiative’s focus is on improving physician’s use of opioids through education and resources to address opioid over-prescribing, increasing use and development of improved delivery systems for naloxone, which can reverse overdose from both prescription opioids and heroin, to reduce overdose-related deaths, and expanding the use of Medication-Assisted Treatment, which couples counseling and behavioral therapies with medication to address substance abuse. As part of this initiative, the CDC has launched a state grant program to offer state health departments resources to assist with abuse prevention efforts, including efforts to track opioid prescribing through state-run electronic databases. In March 2016, as part of the HHS initiative, the CDC released a Guideline for Prescribing Opioids for Chronic Pain. The guideline is intended to assist primary care providers treating adults for chronic pain in outpatient settings. The guideline provides recommendations to improve communications between doctors and patients about the risks and benefits of opioid therapy for chronic pain, improve the safety and effectiveness of pain treatment, and reduce the risks associated with long-term opioid therapy. The guideline states that no treatment recommendations about the use of abuse-deterrent opioids can be made at this time.

The FDA continues to evaluate extended release and abuse-deterrent opioids in the post-market setting. In March 2017, the FDA’s Advisory Committee met to discuss OPANA ER (oxymorphone hydrochloride) extended release tablets. A majority of the Advisory Committee voted that the benefits do not outweigh the risks of OPANA ER. Upon the FDA’s subsequent request in June 2017, OPANA ER was removed from the market. Also, in July 2017, the FDA held a public workshop to discuss available data and methods to assess the impact of opioid formulations with abuse-deterrent properties on misuse, abuse, addiction, overdose, and death in the post-market context. The FDA will continue to scrutinize the impact of abuse-deterrent opioids and in the future could impose further restrictions to products currently on the market, which may include changing labeling, imposing additional prescribing restrictions, or seeking a product’s removal from the market.

Recently, CVS Pharmacy announced it would only fill first-time opioid prescriptions for acute pain for a seven day supply. In July 2017, the Pharmaceutical Care Management Association, a trade association representing pharmacy benefit managers, wrote a letter to the commissioner of FDA in which it expressed support for, among other things, the

CDC guidelines and a seven-day limit on the supply of opioids for acute pain. In addition, states, including the Commonwealths of Massachusetts and Virginia and the States of New York, Ohio, Arizona, Maine, New Hampshire, Vermont, Rhode Island, Colorado, Wisconsin, Alabama, South Carolina, Washington and New Jersey, have either recently enacted, intend to enact, or have pending legislation or regulations designed to, among other things, limit the duration and quantity of initial prescriptions of immediate release forms of opiates and, mandate the use by prescribers of prescription drug databases and mandate prescriber education. Also, at the state and local level, a number of states and cities have brought separate lawsuits against various pharmaceutical companies marketing and selling opioid pain medications, alleging misleading or otherwise improper promotion of opioid drugs to physicians and consumers. In addition, the attorneys general from several states have announced the launch of a joint investigation into the marketing and sales practices of drug companies that market opioid pain medications. Many of these changes and others could cause us to expend additional resources in developing and commercializing Xtampza, the Nucynta Products, and our product candidates to meet additional requirements. Advancements in development and approval of generic abuse-deterrent opioids could also compete with and potentially impact physician use of our product candidates and cause our product candidates to be less commercially successful.

If the FDA or other applicable regulatory authorities approve generic products with abuse deterrent claims that compete with Xtampza, the Nucynta Products, or any of our product candidates, it could reduce our sales.

Once an NDA, including a Section 505(b)(2) application, is approved, the product covered thereby becomes a “listed drug” which can, in turn, be cited by potential competitors in support of approval of an abbreviated NDA, or ANDA. The FD&C Act, FDA regulations and other applicable regulations and policies provide incentives to manufacturers to create modified, non-infringing versions of a drug to facilitate the approval of an ANDA or other application for generic substitutes. These manufacturers might only be required to conduct a relatively inexpensive study to show that their product has the same active ingredients, dosage form, strength, route of administration, and conditions of use, or product labeling, as our product and that the generic product is absorbed in the body at the same rate and to the same extent as, or is bioequivalent to, our product. These generic equivalents would be significantly less costly than ours to bring to market and companies that produce generic equivalents are generally able to offer their products at lower prices. Thus, after the introduction of a generic competitor, a significant percentage of the sales of any branded product are typically lost to the generic product. Accordingly, competition from generic equivalents to our products would substantially limit our ability to generate revenues and therefore to obtain a return on the investments we have made in our products and product candidates.

Guidelines and recommendations published by various organizations can reduce the use of our products and product candidates, if approved.

Government agencies promulgate regulations and guidelines directly applicable to us and to Xtampza, the Nucynta Products, and our product candidates. In addition, professional societies, practice management groups, private health and science foundations and organizations involved in various diseases from time to time may also publish guidelines or recommendations to the healthcare and patient communities. Recommendations of government agencies or these other groups or organizations may relate to such matters as usage, dosage, route of administration and use of concomitant therapies. Recommendations or guidelines suggesting the reduced use of our products or the use of competitive or alternative products as the standard of care to be followed by patients and healthcare providers could result in decreased use of our products.

Risks Related to Our Dependence on Third Parties

If the third-party manufacturer of Xtampza fails to devote sufficient time and resources to Xtampza, or its performance is substandard, our costs may be higher than expected and could have a material adverse effect on our business. Our commercialization partner also relies on a sole supplier to manufacture Nucynta ER, which presents a similar risk.

We do not own any manufacturing facilities and have limited experience in drug development and commercial manufacturing. We currently have no plans to build our own clinical or commercial scale manufacturing facility. We lack the resources and expertise to manufacture and test, on a commercial scale, the technical performance of Xtampza and our product candidates. We currently rely, and expect to continue to rely, on a limited number of experienced

personnel and contract manufacturers for our products and each product candidate, as well as other vendors to formulate, test, supply, store and distribute our products and our product candidates for our clinical trials and FDA registration, and we control only certain aspects of their activities. Although we have identified alternate sources for these services, it would be time-consuming, and require us to incur additional cost, to qualify these sources.

Our reliance on a limited number of vendors and, in particular, Patheon N.V., as our single manufacturer for Xtampza, exposes us to the following risks, any of which could delay FDA approval of our product candidates and commercialization of our products, result in higher costs, or deprive us of potential product revenues:

- Our contract manufacturer, or other third parties we rely on, may encounter difficulties in achieving the volume of production needed to satisfy commercial demand, may experience technical issues that impact quality or compliance with applicable and strictly enforced regulations governing the manufacture of pharmaceutical products, may be affected by natural disasters that interrupt or prevent manufacturing of our products, may experience shortages of qualified personnel to adequately staff production operations, may experience shortages of raw materials and may have difficulties finding replacement parts or equipment.

- Our contract manufacturer could default on their agreement with us to meet our requirements for commercial supplies of Xtampza.

- The use of alternate manufacturers may be difficult because the number of potential manufacturers that have the necessary governmental licenses to produce narcotic products is limited. Additionally, the FDA and the DEA must approve any alternative manufacturer of Xtampza or any product candidate for which we receive regulatory approval, before we may use the alternative manufacturer to produce commercial supplies.

- It may be difficult or impossible for us to find a replacement manufacturer on acceptable terms quickly, or at all. Our contract manufacturer and vendors may not perform as agreed or may not remain in the contract manufacturing business for the time required to successfully produce, store and distribute our products.

- If our contract manufacturer were to terminate our arrangement or fail to meet our commercial manufacturing demands, we may be forced to delay our development and commercial programs.

Our reliance on third parties reduces our control over our development and commercialization activities but does not relieve us of our responsibility to ensure compliance with all required legal, regulatory and scientific standards. The FDA and other regulatory authorities require that Xtampza and our product candidates that we may eventually commercialize be manufactured according to cGMP and similar foreign standards. Any failure by our third-party manufacturer to comply with cGMP or failure to scale up manufacturing processes, including any failure to deliver sufficient quantities of products in a timely manner, could lead to a shortage of commercial product or a delay in, or failure to obtain, regulatory approval of any of our product candidates. In addition, such failure could be the basis for the FDA to issue a warning or untitled letter, withdraw approvals for products previously granted to us, or take other regulatory or legal action, including recall or seizure, total or partial suspension of production, suspension of ongoing clinical trials, refusal to approve pending applications or supplemental applications, detention or product, refusal to permit the import or export of products, injunction, imposing civil penalties or pursuing criminal prosecution.

Our commercialization partner for the Nucynta Products, Depomed, currently relies on a single supplier to manufacture each of the Nucynta Products. Any stock out, or failure to obtain sufficient supplies of each of the Nucynta Products, or the necessary active pharmaceutical ingredients, excipients or components necessary to manufacture each of the Nucynta Products, could adversely affect our ability to commercialize the Nucynta Products, which could in turn adversely affect our results of operations and financial condition. Depomed, experienced delays in the manufacture, packaging and delivery of certain dosage strengths of Nucynta ER in the third and fourth quarters of 2017 and the first quarter of 2018 following Hurricanes Irma and Maria in Puerto Rico. We and our commercialization partner may continue to experience further outages in the future.

Because we currently rely on a sole supplier to manufacture the active pharmaceutical ingredient of Xtampza, any production problems with our supplier could have a material adverse effect on us.

We presently depend upon a single supplier for the active ingredient for Xtampza — oxycodone base — and we contract with this supplier, as necessary, for commercial supply of our products. Although we have identified an alternate source for oxycodone base, it would be time-consuming and costly to qualify this source. Since we currently obtain our active ingredient from this manufacturer on a purchase-order basis, either we or our supplier may terminate our arrangement, without cause, at any time without notice. If our supplier were to terminate our arrangement or fail to meet our supply needs, we might incur substantial costs and be forced to delay our development or commercialization programs. Any such delay could have a material adverse effect on our business.

We rely on third parties to conduct our clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, or if they terminate their agreement with us, we may not be able to obtain regulatory approval for or commercialize our product candidates and our business could suffer a material adverse effect.

We have relied upon and plan to continue to rely upon contract research organizations, or CROs, to monitor and manage data for our ongoing preclinical and clinical programs. We rely on these parties for execution of our clinical trials, and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies and clinical trials are conducted in accordance with the applicable protocol, legal, regulatory and scientific standards, and our reliance on the CROs does not relieve us of our regulatory responsibilities. We and our CROs are required to comply with federal regulations and current Good Clinical Practices, or GCP, which are international standards meant to protect the rights and health of patients and to define the roles of clinical trial sponsors, advisors and monitors, enforced by the FDA, the Competent Authorities of the Member States of the European Economic Area, or EEA, and foreign regulatory authorities in the form of International Conference on Harmonization, or ICH, guidelines for all of our product candidates in clinical development. Regulatory authorities enforce these GCP through periodic inspections of trial sponsors, principal investigators and trial sites. In addition, we and our CROs are required to comply with special regulations regarding the enrollment of recreational drug abusers in clinical trials. If we or any of our CROs fail to comply with applicable GCP and other regulations, including as a result of any recent changes in such regulations, the clinical data generated in our clinical trials may be deemed unreliable and the FDA or foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical trials comply with GCP requirements. In addition, our clinical trials must be conducted with product produced under cGMP requirements. While we have agreements governing activities of our CROs, we have limited influence over their actual performance. Failure to comply with applicable regulations in the conduct of the clinical trials for our product candidates may require us to repeat preclinical studies and clinical trials, which would delay the regulatory approval process.

Our CROs are not our employees, and except for remedies available to us under our agreements with such CROs, we cannot control whether or not they devote sufficient time and resources to our ongoing clinical and preclinical programs. If CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols, regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates. As a result, the commercial prospects for our product candidates would be harmed, our costs could increase substantially and our ability to generate revenue could be delayed.

Switching or adding additional CROs involves additional cost and requires management time and focus, and there is a limited number of CROs that are equipped and willing to manage clinical trials that involve recreational drug abusers. Our CROs have the right to terminate their agreements with us in the event of an uncured material breach. In addition, some of our CROs have an ability to terminate their respective agreements with us if it can be reasonably demonstrated that the safety of the patients participating in our clinical trials warrants such termination, if we make a general assignment for the benefit of our creditors or if we are liquidated. Identifying, qualifying and managing performance of third-party service providers can be difficult, time-consuming and cause delays in our development programs. In addition, there is a natural transition period when a new CRO commences work and the new CRO may not provide the same type or level of services as the original provider. Though we carefully manage our relationships with our CROs,

there can be no assurance that we will not encounter challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition and prospects. If any of our relationships with our CROs terminate, we may not be able to enter into arrangements with alternative CROs or to do so on commercially reasonable terms. As a result, delays may occur, which can materially impact our ability to meet our desired clinical development timelines.

Our internal capacity to perform these functions is limited. Outsourcing these functions involves risks that third parties may not perform to our standards, may not produce results in a timely manner or may fail to perform at all. In addition, the use of third-party service providers requires us to disclose our proprietary information to these parties, which could increase the risk that this information will be misappropriated. We currently have a small number of employees, which limits the internal resources we have available to identify and monitor our third-party providers. To the extent, we are unable to identify and successfully manage the performance of third-party service providers in the future, our ability to advance our product candidates through clinical trials will be compromised. There can be no assurance that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition and prospects.

In the future, we may depend on collaborations with third parties for the development and commercialization of Xtampza, the Nucynta Products and our product candidates. If those collaborations are not successful, we may not be able to capitalize on the market potential of these products and product candidates.

We may not be successful in establishing development and commercialization collaborations which could adversely affect, and potentially prohibit, our ability to develop or commercialize Xtampza, the Nucynta Products and our product candidates. These collaborations, including the Commercialization Agreement for Nucynta ER and Nucynta IR, pose the following risks to us:

- Collaborators may have significant discretion in determining the efforts and resources that they will apply to these collaborations.

- Collaborators may not pursue development and commercialization of our product or product candidates or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in the collaborator’s strategic focus or available funding or external factors such as an acquisition that diverts resources or creates competing priorities.

- Collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon our product or product candidate, repeat or conduct new clinical trials or require a new formulation of our product or product candidate for clinical testing.

- Collaborators may conduct clinical trials inappropriately, or may obtain unfavorable results in their clinical trials, which may have an adverse effect on the development or commercialization of our product or product candidates.

- Collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our product 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.

- A collaborator with marketing and distribution rights to one or more or product candidates may not commit sufficient resources to the marketing and distribution of such products or product candidates.

- Collaborators may not properly maintain or defend our intellectual property rights or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our proprietary information or expose us to potential litigation.

- Disputes may arise between the collaborators and us that result in the delay or termination of the research, development or commercialization of our products and product candidates or that result in costly litigation or arbitration that diverts management attention and resources.

- We may lose certain valuable rights under circumstances specified in our collaborations.

- Collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable products or product candidates.

- Collaboration agreements may not lead to development or commercialization of products or product candidates in the most efficient manner or at all. If a future collaborator of ours were to be involved in a business combination, the continued pursuit and emphasis on our product development or commercialization program under such collaboration could be delayed, diminished or terminated.

- Our ability to successfully commercialize products or product candidates pursuant to collaboration agreements may be adversely affected by disputes or delays arising from supply and/or manufacturing agreements between such collaborators and third parties—agreements to which we may not be a party.

We may rely on collaborators to market and commercialize our products, and, if approved, our product candidates, who may fail to effectively commercialize our products.

We may utilize strategic collaborators or contract sales forces, where appropriate, to assist in the commercialization of Xtampza, the Nucynta Products and our product candidates, if approved by the FDA. We currently possess limited resources and may not be successful in establishing collaborations or co-promotion arrangements on acceptable terms, if at all. We also face competition in our search for collaborators and co-promoters. If we enter into strategic collaborations or similar arrangements, we will rely on third parties for financial resources and for development, commercialization, sales and marketing and regulatory expertise. Our collaborators, if any, may fail to develop or effectively commercialize our products and product candidates because they cannot obtain the necessary regulatory approvals, they lack adequate financial or other resources or they decide to focus on other initiatives. Any failure of our third-party collaborators to successfully market and commercialize our products and product candidates would diminish our revenues.

Manufacturing issues may arise that could increase product and regulatory approval costs, delay commercialization or limit commercial supply.

As we scale up manufacturing of our products and product candidates and conduct required stability testing, we may encounter product, packaging, equipment and process-related issues that may require refinement or resolution in order to proceed with our planned clinical trials, obtain regulatory approval for commercial marketing and build commercial supplies. In the future, we may identify impurities, which could result in increased scrutiny by regulatory authorities, delays in our clinical programs and regulatory approval, increases in our operating expenses, failure to obtain or maintain approval or limitations in our commercial supply.

Our customer concentration may materially adversely affect our financial condition and results of operations.

A significant percentage of our product shipments are to a limited number of independent wholesale drug distributors. Three of our wholesale distributors represented 32%, 25% and 24% of our product shipments for the period ended March 31, 2018. If we were to lose the business of one or more of these distributors, or if any of these distributors failed to fulfill their obligations or refused or experienced difficulty in paying us on a timely basis, or negotiated larger discounts, it would have a material adverse effect on our business, financial condition, results of operations and cash flows.

Risks Related to Our Business and Strategy

We face substantial competition from other biotechnology and pharmaceutical companies, which may result in others discovering, developing or commercializing products before or more successfully than we do.

The biopharmaceutical industry is intensely competitive and subject to rapid and significant technological change. In addition, the competition in the pain and opioid market is intense. We have competitors both in the United States and internationally, including major multinational pharmaceutical companies, biotechnology companies and universities and other research institutions.

We face and will continue to face competition from other companies in the pharmaceutical and medical device industries. Xtampza, the Nucynta Products, and our product candidates, if approved, will compete with currently marketed oral opioids, transdermal opioids, local anesthetic patches, stimulants and implantable and external infusion pumps that can be used for infusion of opioids and local anesthetics. Products of these types are marketed by Actavis, Depomed, Egalet, Endo, Mallinckrodt, Pernix, Pfizer, Purdue, Teva, and others. Some of these current and potential future competitors may be addressing the same therapeutic areas or indications as we are. Many of our current and potential future competitors have significantly greater research and development capabilities than we do, have substantially more marketing, manufacturing, financial, technical, human and managerial resources than we do, and have more institutional experience than we do. Mergers and acquisitions in the biotechnology and pharmaceutical industries may result in even more resources being concentrated in our competitors.

As a result of these factors, our competitors may obtain regulatory approval of their products more rapidly than we are able to or may obtain patent protection or other intellectual property rights that allow them to develop and commercialize their products before us and limit our ability to develop or commercialize our products and product candidates. Our competitors may also develop drugs that are safer, more effective, more widely used and less costly than ours, and they may also be more successful than us in manufacturing and marketing their products.

Furthermore, if the FDA approves a competitor's 505(b)(2) application for a drug candidate before our application for a similar drug candidate and grants the competitor a period of exclusivity, the FDA may take the position that it cannot approve our NDA for a similar drug candidate. For example, several competitors have developed extended-release hydrocodone products, and if the FDA grants exclusivity, we could be subject to a delay that would dramatically reduce the expected market penetration for our hydrocodone product candidate. Additionally, even if our 505(b)(2) application is approved for marketing, we may still be subject to competition from other hydrocodone products, including approved products or other approved 505(b)(2) NDAs for different conditions of use that would not be restricted by any grant of exclusivity to us.

In addition, competitors have developed or are in the process of developing technologies that are, or in the future may be, the basis for competitive products. Some of these products may have an entirely different approach or means of accomplishing similar therapeutic effects than our product candidates. Our competitors may develop products that are safer, more effective or less costly than our product candidates and, therefore, present a serious competitive threat to our product offerings.

The widespread acceptance of currently available therapies with which our products and product candidates, if approved, compete may limit market acceptance of our product and product candidates even if commercialized. Oral medications, transdermal drug delivery systems, such as drug patches, injectable products and implantable drug delivery devices are currently available treatments for chronic pain, are widely accepted in the medical community and have a long history of use. These treatments will compete with our products and product candidates, if approved, and the established use of these competitive products may limit the potential for our products and product candidates to receive widespread acceptance if commercialized.

The use of legal and regulatory strategies by competitors with innovator products, including the filing of citizen petitions, may delay or prevent the introduction or approval of our product candidates, increase our costs associated with the introduction or marketing of our products, or significantly reduce the profit potential of our products or product candidates.

Companies with innovator drugs often pursue strategies that may serve to prevent or delay competition from alternatives to their innovator products. These strategies include, but are not limited to

- filing “citizen petitions” with the FDA that may delay competition by causing delays of our product approvals;
- seeking to establish regulatory and legal obstacles that would make it more difficult to demonstrate a product’s bioequivalence or “sameness” to the related innovator product;
- filing suits for patent infringement that automatically delay FDA approval of products seeking approval based on the Section 505(b)(2) pathway;
- obtaining extensions of market exclusivity by conducting clinical trials of innovator drugs in pediatric populations or by other methods;
- persuading the FDA to withdraw the approval of innovator drugs for which the patents are about to expire, thus allowing the innovator company to develop and launch new patented products serving as substitutes for the withdrawn products;
- seeking to obtain new patents on drugs for which patent protection is about to expire; and
- initiating legislative and administrative efforts in various states to limit the substitution of innovator products by pharmacies.

These strategies could delay, reduce or eliminate our entry into the market and our ability to generate revenues from our products and product candidates.

Our future success depends on our ability to retain our key personnel.

We are highly dependent upon the services of our key personnel, including our President and Chief Executive Officer, Michael T. Heffernan, our Chief Technology Officer, Alison Fleming, PhD, our Chief Operating Officer, Joseph Ciaffoni, our Chief Financial Officer, Paul Brannelly, and our General Counsel, Shirley Kuhlmann. Each employee is employed by us at will and is permitted to terminate his or her employment with us at any time pursuant to the terms of his employment agreement. We do not maintain “key person” insurance for any of our executives or other employees. The loss of the services of Mr. Heffernan, Dr. Fleming, Mr. Ciaffoni, Mr. Brannelly or Ms. Kuhlmann could impede the achievement of our development and commercialization objectives.

If we are unable to attract and retain highly qualified scientific and technical employees, we may not be able to grow effectively.

Our future growth and success depend on our ability to recruit, retain, manage and motivate our scientific, clinical, manufacturing and commercial employees. The loss of any member of our senior management team or the inability to hire or retain experienced management personnel could compromise our ability to execute our business plan and harm our operating results. Because of the specialized scientific nature of our business, we rely heavily on our ability to attract and retain qualified personnel. The competition for qualified personnel in the pharmaceutical field is intense, and as a result, we may be unable to continue to attract and retain qualified personnel necessary for the development of our business or to recruit suitable replacement personnel.

We will need to grow the size of our organization, and we may experience difficulties in managing this growth.

We have experienced a period of rapid growth. Our management, personnel and systems may not be adequate to support this and future growth. We may not be able to effectively manage the expansion of our operations, which may result in weaknesses in our infrastructure, give rise to operational mistakes, loss of business opportunities, loss of employees and reduced productivity among remaining employees. Future growth could require significant capital expenditures and may

divert financial resources from other projects, such as the development of our existing or future product candidates. Future growth would impose significant added responsibilities on members of management, including:

- managing the commercialization of any FDA-approved products;
- overseeing clinical trials effectively;
- identifying, recruiting, maintaining, motivating and integrating additional employees, including any sales and marketing personnel engaged in connection with the commercialization of any approved product;
- managing our internal development efforts effectively while complying with our contractual obligations to licensors, licensees, contractors and other third parties;
- improving our managerial, development, operational and financial systems and procedures; and
- developing our compliance infrastructure and processes to ensure compliance with regulations applicable to public companies.

As our operations expand, we will need to manage additional relationships with various strategic collaborators, suppliers and other third parties. Our future financial performance and our ability to commercialize our products and product candidates and to compete effectively will depend, in part, on our ability to manage any future growth effectively. To that end, we must be able to manage our development efforts and clinical trials effectively and hire, train and integrate additional management, administrative and sales and marketing personnel. We may not be able to accomplish these tasks, and our failure to accomplish any of them could prevent us from successfully growing our company.

We may acquire other assets or businesses, or form collaborations or make investments in other companies or technologies, that could have a material adverse effect on our operating results, dilute our shareholders' ownership, increase our debt or cause us to incur significant expense.

As part of our business strategy, we may pursue acquisitions of assets, including preclinical, clinical or commercial stage products or product candidates, or businesses, in-licensing or out-licensing of products, product candidates or technologies, or other strategic alliances and collaborations, to expand our existing technologies and operations. We may not identify or complete these transactions in a timely manner, on a cost-effective basis, or at all, and we may not realize the anticipated benefits of any such transaction, any of which could have a material adverse effect on our financial condition, results of operations and cash flows. We have limited experience with acquiring other companies, products or product candidates, and limited experience with licensing and forming strategic alliances and collaborations. We may not find suitable acquisition candidates, and if we make an acquisition, we may not integrate the acquisition successfully into our existing business and we may incur additional debt or assume unknown or contingent liabilities in connection therewith. Integration of an acquired company or assets may also disrupt ongoing operations, require the hiring of additional personnel and the implementation of additional internal systems and infrastructure, especially the acquisition of commercial assets, and require management resources that would otherwise focus on developing our existing business. We may not be able to find suitable strategic alliances or collaborators or identify other investment opportunities, and we may experience losses related to any such investments.

To finance any acquisitions, licenses or collaborations, we may incur significant transaction expenses and we may choose to issue debt or shares of our common or preferred stock as consideration. Any such issuance of shares would dilute the ownership of our shareholders. If the price of our common stock is low or volatile, we may not be able to acquire, license, or otherwise obtain rights to other assets or companies or fund a transaction using our stock as consideration. Alternatively, it may be necessary for us to raise additional funds for acquisitions through public or private financings. Additional funds may not be available on terms that are favorable to us, or at all.

Our employees, independent contractors, principal investigators, CROs, consultants and vendors may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could cause significant liability for us and harm our reputation.

We are exposed to the risk that our employees, independent contractors, principal investigators, CROs, consultants and vendors may engage in fraudulent conduct or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to us that violates:

- FDA, DEA or similar regulations of foreign regulatory authorities, including those laws requiring the reporting of true, complete and accurate information to such authorities;
- manufacturing standards;
- federal and state healthcare fraud and abuse laws and regulations and similar laws and regulations established and enforced by foreign regulatory authorities; or
- laws that require the reporting of financial information or data accurately.

In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Activities subject to these laws also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. We have adopted a Code of Ethics, but it is not always possible to identify and deter misconduct by employees and other third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a material adverse effect on our business and results of operations, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could have a material adverse effect on our ability to operate our business and our results of operations.

Our relationships with customers and payors are subject to applicable anti-kickback, fraud and abuse, transparency, and other healthcare laws and regulations, which could expose us to criminal sanctions, civil penalties, exclusion from government healthcare programs, contractual damages, reputational harm, administrative burdens, and diminished profits and future earnings.

Healthcare providers, physicians and payors play a primary role in the recommendation and prescription of Xtampza, the Nucynta Products, and any product candidates for which we may obtain marketing approval. Our arrangements with payors and customers may expose us 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 market, sell and distribute Xtampza, the Nucynta Products, and any product candidates for which we may obtain marketing approval. Even though we do not and will not control referrals of healthcare services or bill directly to Medicare, Medicaid or other third-party payors, federal and state healthcare laws and regulations pertaining to fraud and abuse and patients' rights are and will be applicable to our business. Restrictions under applicable federal, state and foreign healthcare laws and regulations may affect our ability to operate and expose us to areas of risk, including:

- the federal Anti-Kickback Statute, which prohibits, among other things, knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward 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 federal and state healthcare programs such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- the federal False Claims Act, which imposes criminal and civil penalties, including through 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. In addition, the government may assert that a claim including items and services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act;

- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which imposes criminal and civil liability for executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute to defraud any healthcare benefit program or specific intent to violate it in order to have committed a violation;

- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and its implementing regulations, which also imposes obligations on certain covered entity healthcare providers, health plans, and healthcare clearinghouses as well as their business associates that perform certain services involving the use or disclosure of individually identifiable health information, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;

- federal laws requiring drug manufacturers to report annually information related to certain payments and other transfers of value made to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, as well as ownership or investment interests held by physicians and their immediate family members, including under the federal Open Payments program, commonly known as the Sunshine Act, as well as other state and foreign laws regulating marketing activities and requiring manufacturers to report marketing expenditures, payments and other transfers of value to physicians and other healthcare providers;

- federal government price reporting laws, which require us to calculate and report complex pricing metrics to government programs, where such reported prices may be used in the calculation of reimbursement and/or discounts on our marketed drugs. Participation in these programs and compliance with the applicable requirements may subject us to potentially significant discounts on our products, increased infrastructure costs, potential liability for the failure to report such prices in an accurate and timely manner, and potentially limit our ability to offer certain marketplace discounts; and

- state and foreign equivalents of each of the above laws, including state anti-kickback and false claims laws, which may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental payors, including private insurers; state laws which require pharmaceutical companies to comply with the pharmaceutical industry’s voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government or otherwise restricting payments that may be made to healthcare providers; and state and foreign laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

While we do not submit claims and our customers will make the ultimate decision on how to submit claims, we may provide reimbursement guidance and support regarding our products to our customers and patients. If a government authority were to conclude that we provided improper advice to our customers and/or encouraged the submission of false claims for reimbursement, we could face action by government authorities. Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. Nonetheless, 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 operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, imprisonment, exclusion from participation in government funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur significant costs.

In connection with our research and development activities and our manufacture of materials and products and product candidates, we are subject to federal, state and local laws, rules, regulations and policies governing the use, generation, manufacture, storage, air emission, effluent discharge, handling and disposal of certain materials, biological specimens and wastes. Although we believe that we have complied with the applicable laws, regulations and policies in all material respects and have not been required to correct any material noncompliance, we may be required to incur significant costs to comply with environmental and health and safety regulations in the future. Current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

Our research and development involves the use, generation and disposal of hazardous materials, including chemicals, solvents, agents and biohazardous materials. Although we believe that our safety procedures for storing, handling and disposing of such materials comply with the standards prescribed by state and federal regulations, we cannot completely eliminate the risk of accidental contamination or injury from these materials. We currently contract with third parties to dispose of these substances that we generate, and we rely on these third parties to properly dispose of these substances in compliance with applicable laws and regulations. We cannot eliminate the risk of contamination or injury from these materials. If these third parties do not properly dispose of these substances in compliance with applicable laws and regulations, we may be subject to legal action by governmental agencies or private parties for improper disposal of these substances. The costs of defending such actions and the potential liability resulting from such actions are often very large. In the event we are subject to such legal action or we otherwise fail to comply with applicable laws and regulations governing the use, generation and disposal of hazardous materials and chemicals, we could be held liable for any damages that result, and any such liability could exceed our resources.

Although we maintain workers' compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees, this insurance may not provide adequate coverage against potential liabilities. We maintain insurance for environmental liability or toxic tort claims, but we may not continue to maintain such insurance in the future, and such insurance, to the extent maintained, may not be adequate to cover liabilities that may be asserted against us in connection with our storage or disposal of biological, hazardous or radioactive materials.

Our business and operations would suffer in the event of computer system failures, accidents or security breaches.

Despite the implementation of security measures, our internal computer systems, and those of our CROs, contract manufacturing organization, or CMO, and other third parties on which we rely, are vulnerable to damage from computer viruses, unauthorized access, cyber attacks and other malfeasance, natural disasters, terrorism, war and telecommunication and electrical failures. System failures, accidents or security breaches could cause interruptions in our operations, and could result in a material disruption of our commercial and clinical activities and business operations, in addition to possibly requiring substantial expenditures of resources to remedy. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our commercialization and drug development programs. For example, the loss of clinical trial data from completed or ongoing clinical trials 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 was to result in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further commercialization of our products and development of our product candidates could be delayed.

Risks Related to Our Common Stock

The price of our common stock may be volatile and you may lose all or part of your investment.

The market price of our common stock is highly volatile and may be subject to wide fluctuations in response to numerous factors, some of which are beyond our control. In addition to the factors discussed in these Risk Factors, these factors include:

- the success of competitive products or technologies;
- regulatory actions with respect to our products and product candidates or our competitors' products or product candidates;
- actual or anticipated changes in our growth rate relative to our competitors;
- the outcome of any patent infringement or other litigation that may be brought by or against us, including the ongoing Purdue and Teva litigation matters;
- announcements by us or our competitors of significant acquisitions, strategic collaborations, joint ventures, collaborations or capital commitments;
- results of clinical trials of our products and product candidates or those 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 our products and product candidates or clinical development programs;
- actual or anticipated variations in our quarterly operating results;
- the number and characteristics of our efforts to in-license or acquire additional product candidates or products;
- introduction of new products or services by us or our competitors;
- failure to meet the estimates and projections of the investment community or that we may otherwise provide to the public;
- 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;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- announcement or expectation of additional financing efforts;
- sales of our common stock by us, our insiders or our other shareholders;
- changes in accounting practices;
- significant lawsuits, including patent or shareholder litigation;
- changes in the structure of healthcare payment systems;

- market conditions in the pharmaceutical and biotechnology sectors;
- general economic, industry and market conditions;
- publication of research reports about us, our competitors or our industry, or positive or negative recommendations or withdrawal of research coverage by securities or industry analysts; and
- other events or factors, many of which are beyond our control.

In addition, the stock market in general, and pharmaceutical and biotechnology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance. The realization of any of the above risks or any of a broad range of other risks stated above could have a material adverse effect on the market price of our common stock.

As we operate in the pharmaceutical and biotechnology industry, we are especially vulnerable to these factors to the extent that they affect our industry or our products. In the past, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources, and could also require us to make substantial payments to satisfy judgments or to settle litigation.

Sales of a substantial number of shares of our common stock in the public market could cause our stock price to fall.

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 March 31, 2018, holders of an aggregate of approximately 3.1 million shares of our common stock have rights, subject to certain 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 shareholders. Once we register these shares, they can be freely sold in the public market, subject to volume limitations applicable to affiliates.

Actual or potential sales of our common stock by our directors or employees, including our executive officers, pursuant to pre-arranged stock trading plans or otherwise could cause our stock price to fall or prevent it from increasing for numerous reasons, and actual or potential sales by such persons could be viewed negatively by investors.

In accordance with the guidelines specified under Rule 10b5-1 of the Exchange Act and our policies regarding stock transactions, our directors and employees, including our executive officers, could adopt stock trading plans pursuant to which they may sell shares of our common stock from time to time in the future. Generally, sales under such plans by our executive officers and directors require public filings. Actual or potential sales of our common stock by such persons could cause our common stock to fall or prevent it from increasing for numerous reasons. For example, a substantial number of shares of our common stock becoming available (or being perceived to become available) for sale in the public market could cause the market price of our common stock to fall or prevent it from increasing. Also, actual or potential sales by such persons could be viewed negatively by investors.

Future issuances of our common stock or rights to purchase common stock, including pursuant to our equity incentive plans, could result in additional dilution of the percentage ownership of our shareholders and could cause our stock price to fall.

Significant additional capital may be needed in the future to continue our planned operations. To raise capital, we may sell substantial amounts of common stock or securities convertible into or exchangeable for common stock. These future issuances of common stock or common stock-related securities, together with the exercise of outstanding options and any additional shares issued in connection with acquisitions, if any, may result in material dilution to our investors. Such sales may also result in material dilution to our existing shareholders, and new investors could gain rights, preferences and privileges senior to those of holders of our common stock.

Our principal shareholders and management own a significant portion of our stock and have the ability to exert significant control over matters subject to shareholder approval.

Our executive officers, directors, holders of 5% or more of our capital stock and their respective affiliates beneficially own a significant portion of our voting stock, including shares subject to outstanding options and warrants. As a result, if these shareholders were to choose to act together, they would be able to significantly influence the outcome of all matters requiring shareholder approval, including the election of directors, amendments of our organizational documents, or approval of any merger, sale of assets or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest. The interests of this group of shareholders may not always coincide with your interests or the interests of other shareholders and they may act in a manner that advances their best interests and not necessarily those of other shareholders, including seeking a premium value for their common stock, and might affect the prevailing market price for our common stock. Such concentration of ownership control may:

- delay, defer or prevent a change in control;
- entrench our management and/or the board of directors; or
- impede a merger, consolidation, takeover or other business combination involving us that other shareholders may desire.

In addition, persons associated with Longitude Capital Partners, LLC and Skyline Venture Partners V, L.P. currently serve on our board of directors. The interests of Longitude Capital Partners, LLC and Skyline Venture Partners V, L.P. may not always coincide with the interests of the other shareholders, and the concentration of control in Longitude Capital Partners, LLC and Skyline Venture Partners V, L.P. limits other shareholders' ability to influence corporate matters. We may also take actions that our other shareholders do not view as beneficial, which may adversely affect our results of operations and financial condition and cause a decline in our stock price.

We are subject to anti-takeover provisions in our amended and restated articles of incorporation and amended and restated bylaws and under Virginia law that could delay or prevent an acquisition of our company, even if the acquisition would be beneficial to our shareholders.

Certain provisions of Virginia law, the state in which we are incorporated, and our amended and restated articles of incorporation and amended and restated bylaws could hamper a third party's acquisition of us, or discourage a third party from attempting to acquire control of us. These provisions include:

- a provision allowing our board of directors to set the terms of and issue preferred stock with rights senior to those of the common stock without any vote or action by the holders of our common stock. The issuance of preferred stock could adversely affect the rights and powers, including voting rights, of the holders of common stock;
- advance written notice procedures and notice requirements with respect to shareholder proposals and shareholder nomination of candidates for election as directors;
- a provision that only the board of directors, the chairman of the board of directors or the president may call a special meeting of the shareholders;
- the application of Virginia law prohibiting us from entering into certain transactions with the beneficial owner of more than 10 percent of our outstanding voting stock for a period of three years after such person first reached that level of stock ownership, unless certain conditions are met;
- a provision dividing our board of directors into three classes, each serving three-year terms;
- the requirement that the authorized number of our directors be changed only by resolution of our board of directors;

- a provision that our board of directors shall fill any vacancies on our board of directors, including vacancies resulting from a board of directors' resolution to increase the number of directors;
- limitations on the manner in which shareholders can remove directors from the board of directors;
- the lack of cumulative voting in the election of directors; and
- the prohibition on shareholders acting by less-than-unanimous written consent.

These provisions also could limit the price that certain investors might be willing to pay in the future for shares of our common stock. In addition, these provisions make it more difficult for our shareholders to remove our board of directors or management or elect new directors to our board of directors.

We may fail to qualify for continued listing on The NASDAQ Global Select Market which could make it more difficult for investors to sell their shares.

Our common stock is listed on The NASDAQ Global Select Market (NASDAQ). As a NASDAQ listed company, we are required to satisfy the continued listing requirements of NASDAQ for inclusion in the Global Select Market to maintain such listing, including, among other things, the maintenance of a minimum closing bid price of $1.00 per share and shareholders' equity of at least $10.0 million. There can be no assurance that we will be able to maintain compliance with the continued listing requirements or that our common stock will not be delisted from NASDAQ in the future. If our common stock is delisted by NASDAQ, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity with respect to our securities;
- a determination that our shares are a "penny stock," which will require brokers trading in our shares to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for our shares;
- a limited amount of news and analyst coverage for our company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

We are an "emerging growth company" and we take advantage of reduced disclosure and governance requirements applicable to emerging growth companies, which could result in our common stock being less attractive to investors and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our shares of common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and may remain an emerging growth company for up to five years for our initial public offering. For so long as we remain an emerging growth company, we are permitted to and do rely on certain exemptions from various reporting requirements applicable to other public companies, but not to emerging growth companies, including, but not limited to, an exemption from the auditor attestation requirement of Section 404 of the Sarbanes-Oxley Act, reduced disclosure about executive compensation arrangements pursuant to the rules applicable to smaller reporting companies and no requirement to seek non-binding advisory votes on executive compensation or golden parachute arrangements. We will remain an emerging growth company until the earliest of (i) December 31, 2020, (ii) the first fiscal year after our annual gross revenue are $1.07 billion or more, (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt securities or (iv) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded $700 million as of the end of the second quarter of that fiscal year.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we have chosen to "opt out" of such extended transition period and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act

provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

We cannot predict if investors will find our common stock less attractive as a result of our taking advantage of these exemptions. If some investors find our common stock less attractive as a result of our choices, there may be a less active trading market for our common stock and our stock price may be more volatile.

If investors find our common stock less attractive as a result of our reduced reporting requirements, there may be a less active trading market for our common stock and our stock price may be more volatile. We may also be unable to raise additional capital as and when we need it.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial condition, results of operations or cash flows, which may adversely affect investor confidence in us and, as a result, the value of our common stock.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting. We are required, under Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment must include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. A material weakness is a control deficiency, or combination of control deficiencies, in internal control over financial reporting that results in more than a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. Section 404 of the Sarbanes-Oxley Act also generally requires an attestation from our independent registered public accounting firm on the effectiveness of our internal control over financial reporting. However, for as long as we remain an emerging growth company as defined in the JOBS Act, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirement.

Our compliance with Section 404 requires that we incur substantial accounting expense and expend significant management efforts. We currently do not have an internal audit group, and we will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge, and compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion, which could potentially subject us to sanctions or investigations by the SEC or other regulatory authorities. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition, results of operations or cash flows. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness or significant deficiency in our internal control over financial reporting once that firm begin its reviews, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, and we could be subject to sanctions or investigations by NASDAQ, the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

We are subject to the periodic reporting requirements of the Exchange Act. Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accumulated and communicated to management, recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

These inherent limitations reflect the reality that judgments can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected.

The exercise of options and warrants and other issuances of shares of common stock or securities convertible into or exercisable for shares of common stock will dilute your ownership interests and may adversely affect the future market price of our common stock.

Sales of our common stock in the public market, either by us or by our current shareholders, or the perception that these sales could occur, could cause a decline in the market price of our securities. All of the shares of our common stock held by those of our current shareholders may be immediately eligible for resale in the open market either in compliance with an exemption under Rule 144 promulgated under the Securities Act, or pursuant to an effective resale registration statement that we have previously filed with the SEC. Such sales, along with any other market transactions, could adversely affect the market price of our common stock.

In addition, as of March 31, 2018, there were (a) outstanding options to purchase an aggregate of 3,592,233 shares of our common stock at a weighted average exercise price of $15.45 per share, of which options to purchase 1,086,727 shares of our common stock were then exercisable, and (b) 2,445 shares of common stock issuable upon the exercise of warrants to purchase common stock at a weighted-average exercise price of $12.27 per share. The exercise of options and warrants at prices below the market price of our common stock could adversely affect the price of shares of our common stock. Additional dilution may result from the issuance of shares of our common stock in connection with collaborations or manufacturing arrangements or in connection with other financing efforts.

Any issuance of our common stock that is not made solely to then-existing shareholders proportionate to their interests, such as in the case of a stock dividend or stock split, will result in dilution to each shareholder by reducing his, her or its percentage ownership of the total outstanding shares. Moreover, if we issue options or warrants to purchase our common stock in the future and those options or warrants are exercised you may experience further dilution. Holders of shares of our common stock have no preemptive rights that entitle them to purchase their pro rata share of any offering of shares of any class or series.

We have broad discretion in the use of our cash and cash equivalents, and, despite our efforts, we may use them in a manner that does not increase the value of your investment.

We have broad discretion in the use of our cash and cash equivalents, and investors must rely on the judgment of our management regarding the use of our cash and cash equivalents. Our management may not use cash and cash equivalents in ways that ultimately increase the value of our common stock. Our failure to use our cash and cash equivalents 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 commercialization or development of our products and product candidates. We may invest our cash and cash equivalents in short-term or long-term, investment-grade, interest-bearing securities. These investments may not yield favorable returns. If we do not invest or apply our cash and cash equivalents in ways that enhance shareholder value, we may fail to achieve expected financial results, which could cause the price of our common stock to decline.

Because we do not anticipate paying any cash dividends on our capital stock in the foreseeable future, capital appreciation, if any, will be your 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 and do not anticipate declaring or paying any cash dividends for the foreseeable future. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our capital stock will be your sole source of gain for the foreseeable future.

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

RECENT SALES OF UNREGISTERED SECURITIES

There were no unregistered sales of equity securities during the period covered by this Quarterly Report on Form 10-Q.

PURCHASE OF EQUITY SECURITIES

The following table sets forth purchases of our common stock for the three months ended March 31, 2018:

Period	(a) Total number of shares purchased [1]	(b) Average Price Paid per Share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number of shares that may yet be purchased under the plans or programs
January 1, 2018 through January 31, 2018	1,503	$ 23.38	-	-
February 1, 2018 through February 28, 2018	8,307	21.77	-	-
March 1, 2018 through March 31, 2018	-	-	-	-
Total	**9,810**	**$ 22.02**	-	-

(1) All of the shares were transferred to us from employees in satisfaction of minimum tax withholding obligations associated with the vesting of restricted stock units during the period.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

Exhibit Number	Exhibit Description
10.1	Amendment dated January 9, 2018 to Commercialization Agreement by and among Depomed, Inc. and Collegium Pharmaceutical, Inc. and Collegium NF, LLC.[(1)]
10.2	Office Lease agreement by and between Campanelli-Trigate 100 TCD Stoughton, LLC, and Collegium Pharmaceutical, Inc as of March 23, 2018 (filed herewith).
10.3+	Employment Agreement, effective as of March 16, 2018, by and between Shirley Kuhlmann and Collegium Pharmaceutical, Inc. (filed herewith).
10.4	Consent and Sixth Amendment to Loan and Security Agreement, dated January 9, 2018, by and between Silicon Valley Bank and Collegium Pharmaceutical, Inc. [(2)]
10.5	Seventh Amendment to Loan and Security Agreement, dated March 30, 2018, by and between Silicon Valley Bank and Collegium Pharmaceutical, Inc. (filed herewith).
31.1	Certification of Chief Executive Officer pursuant to Rules 13a- 14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Rules 13a- 14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

+Indicates management contract or compensatory plan.

(1) Previously filed as an exhibit to the registrant's Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Commission on March 7, 2018.

(2) Previously filed as an exhibit to the registrant's Current Report on Form 8-K filed with the Commission on January 10, 2018.

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.

COLLEGIUM PHARMACEUTICAL, INC.

Date: May 9, 2018

By: /s/ MICHAEL HEFFERNAN
Michael Heffernan
Chief Executive Officer
(Principal executive officer)

Date: May 9, 2018

By: /s/ PAUL BRANNELLY
Paul Brannelly
Chief Financial Officer
(Principal financial and accounting officer)

Exhibit 10.2

LEASE

BY AND BETWEEN

CAMPANELLI-TRIGATE 100 TCD STOUGHTON, LLC

AND

COLLEGIUM PHARMACEUTICAL, INC.

DATED: _____ __, 2018

PROPERTY: 100 TECHNOLOGY CENTER DRIVE, STOUGHTON, NORFOLK COUNTY, MASSACHUSETTS

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LEASE

THIS LEASE is made as of the ___day of _____, 2018 between Campanelli-Trigate 100 TCD Stoughton, LLC, a Delaware limited liability company ("Landlord") and the Tenant named below.

ARTICLE I
BASIC TERMS

TENANT:	Collegium Pharmaceutical, Inc., a Virginia corporation
TENANT'S NOTICE ADDRESS:	Prior to the Possession Date: 780 Dedham Street, Suite 800 Canton, MA 02021 Attention: CEO On and after the Possession Date: At the Premises Attention: CEO
LANDLORD'S NOTICE AND RENT PAYMENT ADDRESS:	c/o Campanelli One Campanelli Drive Braintree, MA 02184 Attn: Daniel DeMarco
PROPERTY:	The building commonly known as 100 Technology Center Drive, Stoughton, Norfolk County, MA (the "Building"), together with the parking areas, landscaping, walkways and other improvements related to the Building, as described on Exhibit A
PREMISES:	A total of approximately 50,678 rentable square feet comprising (i) approximately 33,840 rentable square feet commonly known as Suite 301 on the entire third (3rd) floor of the Building (the "Third Floor Premises"), (ii) approximately 16,757 rentable square feet commonly known as Suite 201 located on the second (2'1) floor of the Building (the "Second Floor Premises"), each as shown on Exhibit B, and (iii) approximately 27 rentable square feet on each of the fourth (4th), fifth (5th), and sixth (6th) floors of the Building to be used solely for Tenant's duct chase (collectively, the "Duct Chase Space"), as referenced on Exhibit B, all of which space has been measured in accordance with ANSI/BOMA Z65.1-2017 for office buildings; Tenant shall have the right, subject to the terms of this Lease, at no additional charge, to the exclusive use of the patio on the third (3rd) floor of the Building.

BUILDING RENTABLE AREA:	Approximately 188,311 rentable square feet
TENANT'S PRO RATA SHARE:	26.91%
INITIAL TERM:	The period of time beginning on the Term Commencement Date and ending on the last day of the one hundred twentieth (120th) full calendar month following the Rent Commencement Date.
TERM COMMENCEMENT DATE:	The Third Floor Premises Possession Date
POSSESSION DATE:	With respect to each of the Third Floor Premises and the Second Floor Premises, the first to occur of the following: (a) the date on which Landlord gives Tenant notice of Substantial Completion (as defined in Section 3.1) by Landlord of Landlord's Work described in Section 3.2 and Exhibit C hereof with respect to such premises and delivers possession of such premises with Landlord's Work Substantially Complete to Tenant, or (b) if Landlord reasonably determines that the date of Substantial Completion of Landlord's Work with respect to the such premises is delayed by reason of Tenant's Delays (as defined in Section 3.1 hereof), the date on which, in Landlord's reasonable judgment, Landlord's Work with respect to such premises would have been completed but for such Tenant's Delays. References in this Lease to Exhibit C shall be deemed to include Exhibits C-1 and C-2. The Possession Date for the Third Floor Premises shall be referred to herein as the "Third Floor Premises Possession Date" and the Possession Date for the Second Floor Premises shall be referred to herein as the "Second Floor Premises Possession Date." The Possession Date for the Duct Chase Space shall be the Second Floor Premises Possession Date. It is the parties' intent that the Third Floor Premises will be delivered to Tenant prior to the delivery of the Second Floor Premises to Tenant.
LEASE TERM:	The Initial Term and any extension thereof in accordance with the provisions hereof

RENT COMMENCEMENT DATE: For the Third Floor Premises, the date that is four (4) months after the Term Commencement Date (the "Third Floor Rent Commencement Date"); for the Second Floor Premises and the Duct Chase Space, the date that is twelve (12) months after the Second Floor Premises Possession Date (the "Second Floor Rent Commencement Date"); as used in this Lease, the term "Rent Commencement Date" shall mean the date that is the Second Floor Rent Commencement Date.

BASE RENT:

Time Period	Annual Base Rent*	Monthly Base Rent*
From the Term Commencement Date through the day immediately prior to the Third Floor Rent Commencement Date	$0.00	$0.00
From the Third Floor Rent Commencement Date through the day immediately prior to the Rent Commencement Date	$810,468.00 (annualized amount)	$67,539.00
From the Rent Commencement Date through the end of the 12th full calendar month following the Rent Commencement Date	$1,213,738.10	$101,144.84
Months 13-24	$1,251,746.60	$104,312.22
Months 24-36	$1,289,755.10	$107,479.59
Months 37-48	$1,327,763.60	$110,646.97
Months 49-60	$1,365,772.10	$113,814.34
Months 61-72	$1,403,780.60	$116,981.72
Months 73-84	$1,441,789.10	$120,149.09
Months 85-96	$1,479,797.60	$123,316.47
Months 97-108	$1,517,806.10	$126,483.84
Months 109-120	$1,555,814.60	$129,651.22

**During the time period from the Term Commencement Date through the day that is immediately prior to the Third Floor Rent Commencement Date, Tenant's Base Rent shall be fully abated with respect to the entire Premises; during the time period from the Third Floor Rent Commencement Date through the day that is immediately prior to the Rent Commencement Date, Tenant's Base Rent shall be fully abated with respect to the Second Floor Premises only.*

OPERATING EXPENSE BASE YEAR: Calendar year 2019 (i.e., January 1, 2019 through December 31, 2019)

REAL ESTATE TAX BASE YEAR: Fiscal year 2019 (i.e., July 1, 2018 through June 30, 2019)

SECURITY DEPOSIT:	$606,869.05, subject to Section 11.13 hereof
PERMITTED USES:	Subject to applicable zoning, for business offices and, within the Lab Area (as defined in Section 3.2 hereof), manufacturing (including without limitation analytical testing and formulation in connection therewith) of pharmaceutical products, and for no other purpose whatsoever
BROKERS:	Transwestern and Newmark Knight Frank
PARKING SPACES:	One hundred ninety (190) unreserved/unassigned spaces in the parking lots located at the Property

ARTICLE II
PREMISES AND LEASE TERM

2.1 PREMISES.

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, subject to and with the benefit of the terms, covenants, conditions and provisions of this Lease, the Premises. Tenant will have the non-exclusive right (in common with other tenants and all others to whom Landlord has granted or may grant such rights) to use the Common Areas (as defined below) for the purposes intended, subject to such reasonable rules and regulations as Landlord may establish or modify from time to time. Tenant will not unreasonably interfere with the rights of Landlord, other tenants, or any other person entitled to use the Common Areas. "Common Areas" means all areas within the Property which are available for the common use of tenants of the Property and which are not leased or held for the exclusive use of Tenant or other tenants, including, but not limited to, parking areas, driveways, sidewalks, access roads, landscaping, and planted areas.

The Duct Chase Space shall be used by Tenant solely for the placement of ductwork associated with vent hoods located in the Lab Area (as defined in Section 3.2 hereof), and for no other purpose. Tenant shall have no right to access the Duct Chase Space from outside the Premises, except to the extent any such Duct Chase Space may be accessed directly from Common Areas immediately adjacent to such Duct Chase Space without unreasonably interfering with the use of such Common Areas by Landlord and other tenants and occupants of the Building.

Tenant shall have the right to the exclusive use, at no additional charge and at its sole risk, but otherwise in accordance with all the terms and conditions of this Lease, of the patio on the exterior of the Third Floor Premises (the "Patio"). Tenant shall be responsible, at its sole expense, for maintaining the Patio in a neat and tidy condition at all times, free of trash, rubbish, and waste.

Tenant shall have access to the Premises 24 hours per day, 7 days per week, 52 weeks per year (including, without limitation, swipe card or key fob access to the Building's entrance doors and fitness center).

Excepted and excluded from the Premises are the ceiling, floor and all perimeter walls of the Premises, except the inner surfaces thereof, but the entry doors to the Premises are a part thereof; and Tenant agrees that Landlord shall have the right to place in the Premises (but in such manner as to reduce to a minimum interference with Tenant's use of the Premises) utility lines, pipes, risers and chasers, and the like, in, over and upon the Premises, provided that Landlord shall, if it is reasonably feasible, place such utility

lines, pipes and the like behind the walls, above the ceilings and below the floor of the Premises, and that in no event shall any such utility lines, pipes and the like be run through the Lab Area within the Premises. Tenant shall install and maintain, as Landlord may require, proper access panels in any hung ceilings or walls as may be installed by Tenant following completion of the initial improvements to afford access to any facilities above the ceiling or within or behind the walls of the Premises.

Landlord represents, warrants and covenants to Tenant that (i) to Landlord's knowledge, as of the date hereof, the Premises, the Building and the Property do not violate any of the Covenants; (ii) to Landlord's knowledge, Landlord is not in default under the Covenants; (iii) Landlord has not received written notice of a default of another party to the Covenants; (iv) Landlord has obtained all consents and approvals required under the Covenants in connection with Landlord's work on the Building and the Property and, if applicable, will obtain the same with respect to Landlord's Work; and (v) Landlord shall not amend or modify (or consent to same) the Covenants in any manner that would materially adversely affect Tenant's use and occupancy of the Premises. Landlord covenants and agrees that throughout the Term (a) it will comply with the material terms and conditions of the Covenants and (b) it will use good faith efforts to cause the Property to be in compliance with the material terms and conditions of the Covenants. The "Covenants" shall mean collectively the following: Protective Covenants, Design and Development Standards for Stoughton Technology Center dated March 1, 1988 and recorded with the Norfolk Registry of Deeds in Book 7895, Page 171; and Variance to Protective Covenants, Design and Development Standards for Stoughton Technology Center dated March 7, 1989 and recorded with the Norfolk Registry of Deeds in Book 8433, Page 721.

2.2 INITIAL TERM.

Landlord hereby leases the Premises to Tenant and Tenant leases the Premises from Landlord for the Initial Term. Any occupancy of the Premises by Tenant prior to the Term Commencement Date will be subject to all of Tenant's obligations under this Lease (except that Tenant will not be obligated to pay Rent, other than for electricity consumption in the Premises, during such period of early occupancy, provided that Tenant shall not be responsible for the cost of electricity consumption in the Premises while Landlord's Work is being performed by Landlord).

2.3 EARLY ENTRY FOR INSTALLATION OF EQUIPMENT.

Landlord shall use commercially reasonable efforts to notify Tenant (which notice may be given by telephone or e-mail to Paul Brannelly at (781) 731-3734 or pbrannelly@collegiumpharma.com) approximately thirty (30) days prior to the anticipated Term Commencement Date, and Tenant may then enter the Third Floor Premises from such date until the Term Commencement Date for the sole purpose of installing its furniture, fixtures, equipment and telecommunications systems in the Third Floor Premises; provided, however, that such installation does not interfere with the completion of Landlord's Work and is done in harmony with Landlord's contractors, and provided, further, that all terms and provisions of the Lease (other than the obligation to pay Rent, provided however that Tenant shall pay for electricity consumption in the Premises, provided further that Tenant shall not be responsible for the cost of electricity consumption in the Premises while Landlord's Work is being performed by Landlord) are observed by Tenant. Landlord similarly shall use commercially reasonable efforts to notify Tenant as provided above approximately thirty (30) days prior to the Second Floor Premises Possession Date for the same purpose and subject to the foregoing conditions.

2.4 FAIR MARKET RENT.

Whenever any provision of this Lease provides that the Fair Market Rent shall be calculated, it shall mean ninety-five percent (95%) of the fair market rent for the Premises as of the commencement of the period in question under market conditions for comparable first class office space (with respect to age,

use, quality, location, and amenities) in the Route 128 South market, as well as such annual increases in rent and market concessions (including without limitation free rent and construction allowances) for the period in question as are consistent with then current market conditions. Fair Market Rent shall be determined by agreement between Landlord and Tenant, but if Landlord and Tenant are unable to agree upon the Fair Market Rent within twenty (20) days after the date on which Tenant delivers notice of its exercise of its option to extend under Section 2.5 below, then Landlord and Tenant shall mutually select a real estate professional with at least ten (10) years' continuous experience in the business of appraising or marketing office space in the Stoughton, Massachusetts area (the "Valuation Expert") to resolve the dispute as to the Fair Market Rent. If Landlord and Tenant cannot agree upon the designation of the Valuation Expert within thirty (30) days of the expiration of the foregoing twenty (20) day period, either party may apply to the American Arbitration Association, the Greater Boston Real Estate Board, or any successor thereto, for the designation of a Valuation Expert. Within ten (10) days of the selection of the Valuation Expert, Landlord and Tenant shall each submit to the Valuation Expert a copy of its proposed Fair Market Rent, together with any supporting material. The Valuation Expert shall not perform his or her own valuation, but rather, shall, within thirty (30) days after receipt of such submissions, select as the Fair Market Rent the submission which the Valuation Expert concludes most closely and accurately reflects the Fair Market Rent for the Premises and the rental rate set forth in that submission shall be the Fair Market Rent for such Extension Term. The Valuation Expert shall give notice of his or her determination to Landlord and Tenant and such decision shall be final and conclusively binding upon Landlord and Tenant. Each party shall pay the fees and expenses of any real estate professional such party retains and such party's counsel, if any, in connection with any proceeding under this paragraph, and the parties shall split equally the fees and expenses of the Valuation Expert.

2.5 OPTION TO EXTEND.

Provided that the Tenant originally named herein (a) has not been in monetary default beyond applicable notice and cure periods during the Initial Term, (b) has, throughout the Initial Term, materially complied with all of the provisions of Article Five hereof, and (c) is not in default under this Lease beyond applicable notice and cure periods (both at the time such extension option may be exercised and/or at the time such Extension Term (as hereafter defined) commences), provided that for such exercise to be effective, any and all such defaults shall be cured prior to the expiration of the applicable notice and cure periods, Tenant shall have the right and option to extend the Initial Term for two (2) additional consecutive periods of five (5) years each (each, an "Extension Term") each commencing the day after the expiration of the then current Lease Term and ending on the fifth anniversary of such expiration, provided that Tenant shall give Landlord notice of Tenant's exercise of such option no more than fifteen (15) months and no less than twelve (12) months prior to the expiration of the then current Lease Term. Prior to the exercise by Tenant of such option, the expression "Lease Term" shall mean the Initial Term as the same may have been extended, and after the exercise by Tenant of such option, the expression "Lease Term" shall mean the Lease Term as it has been then extended. All of the terms, covenants, conditions, provisions and agreements contained in this Lease shall be applicable to the then extended Lease Term, except as hereinafter set forth. If Tenant shall give notice of its exercise of this option to extend in the manner and within the time period provided aforesaid, the Lease Term shall be extended upon the giving of such notice without the requirement of any further action on the part of either Landlord or Tenant. If Tenant shall fail to give timely notice of the exercise of such option as aforesaid, Tenant shall have no right to extend the Term of this Lease, time being of the essence of the foregoing provisions, and shall be deemed to have waived any and all remaining options. The Base Rent payable during each Extension Term shall be the Fair Market Rent determined in accordance with Section 2.4 above. This option to extend shall be personal to Collegium Pharmaceutical, Inc., and shall not be exercisable by any other party other than a Permitted Transferee (as defined in Section 8.4 hereof).

2.6 RIGHT OF FIRST REFUSAL.

Provided that the Tenant originally named herein (a) has not been in monetary default beyond applicable notice and cure periods during the Lease Term, (b) has, throughout the Lease Term, materially complied with all of the provisions of Article Five hereof, and (c) is not in default beyond applicable notice and cure periods under this Lease at the time the within right may be exercised, as well as on the commencement date for Tenant's leasing of the Right of First Refusal Space (as defined below), provided that for such exercise to be effective, any and all such defaults shall be cured prior to the expiration of the applicable notice and cure periods, Landlord grants to Tenant an ongoing right of first refusal, exercisable within the twelve (12) month period commencing on the Term Commencement Date (the "Right of First Refusal"), to lease any portion of the second (2nd) floor of the Building (the "Right of First Refusal Space") on the following basis:

In the event that Landlord intends to accept a bona-fide third party offer on the Right of First Refusal Space, Landlord shall notify Tenant of such third party offer in writing ("Landlord's ROFR Notice"). Landlord will offer the Right of First Refusal Space to Tenant on the same economic terms as set forth in this Lease (i.e., initial Base Rent of $23.95/rsf with $0.75/rsf annual escalations; four (4) months' free Base Rent; a term coterminous with the Initial Term; and turnkey buildout consistent with a standard office buildout comparable to Landlord's Work for the Third Floor Premises, excluding the Additional Allowance).

Tenant may exercise the Right of First Refusal by delivering to Landlord an unconditional exercise ("Tenant's ROFR Notice") of such right within seven (7) business days after delivery by Landlord of Landlord's ROFR Notice to Tenant. Alternatively, Tenant may exercise the Right of First Refusal at its own election any time during the twelve (12) month period commencing on the Term Commencement Date. Time will be of the essence with respect to the giving of Tenant's ROFR Notice. Tenant must lease all of the Right of First Refusal Space described in Landlord's ROFR Notice and not only a portion thereof

Upon exercise of the Right of First Refusal, the Right of First Refusal Space will be deemed added to Tenant's existing Premises, and the parties will execute, within fifteen (15) business days, an amendment to this Lease memorializing the addition of the Right of First Refusal Space to the Premises.

If Tenant does not timely deliver Tenant's ROFR Notice to Landlord, it will be conclusively presumed that Tenant has waived its Right of First Refusal, and thereafter Landlord shall be free to lease the Right of First Refusal Space to anyone whom it desires.

Tenant, following any waiver of its rights hereunder with respect to the Right of First Refusal Space, shall, within seven (7) days of Landlord's request therefor, execute and deliver to Landlord a certification confirming the waiver of such right.

2.7 RIGHT OF FIRST OFFER — FIRST AND SECOND FLOORS.

Provided that the Tenant originally named herein (a) has not been in monetary default beyond applicable notice and cure periods during the Lease Term, (b) has, throughout the Lease Term, materially complied with all of the provisions of Article Five hereof, and (c) is not in default under this Lease at the time the within right may be exercised, as well as on the commencement date for Tenant's leasing of the Offered Space (as defined below), provided that for such exercise to be effective, any and all such defaults shall be cured prior to the expiration of the applicable notice and cure periods, if at any time during the Lease Term Landlord is preparing to submit, or has submitted, a letter of intent to an unrelated third party for space located on the first (1st) or second (2nd) floors of the Building that is or becomes vacant and available (all or any portion of such floor(s), the "Offered Space"), then Landlord shall offer to Tenant

the right to include the Offered Space within the Premises on the same fair market (as determined by Landlord in its commercially reasonable discretion) terms and conditions upon which Landlord intends to offer the Offered Space for lease, provided that, notwithstanding such terms and conditions, in no event shall the rental rate payable by Tenant for the Offered Space be less than Tenant's then current rental rate at the time of the First Offer Notice (as defined below).

Such offer will be made by Landlord to Tenant in a written notice (the "First Offer Notice"), which offer will specify the terms which Landlord intends to offer with respect to the Offered Space. Tenant may accept the offer set forth in the First Offer Notice by delivering to Landlord an unconditional acceptance ("Tenant's ROFO Notice") of such offer within the time period specified by Landlord in the First Offer Notice to Tenant (but not less than three (3) business days). Time will be of the essence with respect to the giving of Tenant's ROFO Notice. If Tenant fails to timely deliver Tenant's ROFO Notice to Landlord or otherwise waives its rights under this Section 2.7 with respect to the Offered Space, Landlord may market and lease such Offered Space to any party and upon any terms free of any rights of Tenant, provided that the rent (inclusive of free rent, improvement allowance(s), and other concessions) payable by such party shall not be less than ninety percent (90%) of the rental rate offered to Tenant in the First Offer Notice.

Tenant must accept all Offered Space offered by Landlord at any one time if it desires to accept any of such Offered Space and may not exercise its right with respect to only part of such space. If the term offered for leasing the Offered Space extends beyond the expiration date of this Lease, such expiration date for the entire leased premises shall be extended such that the terms for Tenant's leasing of the Leased Premises as demised herein will be coterminous with the term for Tenant's leasing of the Offered Space. In addition, if Landlord desires to lease more than just the Offered Space to one tenant, Landlord may offer to Tenant pursuant to the terms hereof all such space which Landlord desires to lease, and Tenant must exercise its rights hereunder with respect to all such space and may not insist on receiving an offer for just the Offered Space.

Tenant, following any waiver of its rights hereunder with respect to any applicable Offered Space, shall, within seven (7) days of Landlord's request therefor, execute and deliver to Landlord a certification confirming the waiver of such right.

2.8 RIGHT OF FIRST OFFER — FOURTH FLOOR.

Provided that the Tenant originally named herein (a) has not been in monetary default beyond applicable notice and cure periods during the Lease Term, (b) has, throughout the Lease Term, materially complied with all of the provisions of Article Five hereof, and (c) is not in default under this Lease at the time the within right may be exercised, as well as on the commencement date for Tenant's leasing of the Fourth Floor Offered Space (as defined below), provided that for such exercise to be effective, any and all such defaults shall be cured prior to the expiration of the applicable notice and cure periods, if at any time during the Lease Term, after the first lease between Landlord and a third party for such space, Landlord receives notice from a then tenant of space on the fourth (4th) floor of the Building that it does not intend to renew its lease of such space or Landlord's becoming aware that such space will otherwise become available, and Landlord shall intend to offer such space for lease to an unrelated third party (any and all such fourth (4th) floor space, the "Fourth Floor Offered Space"), then Landlord shall offer to Tenant, within ten (10) business days after Landlord's receipt of such notice from such tenant or Landlord's becoming aware that such space will otherwise become available, the right to include the Fourth Floor Offered Space within the Leased Premises on the same fair market (as determined by Landlord in its commercially reasonable discretion) terms and conditions upon which Landlord intends to offer the Fourth Floor Offered Space for lease, provided that, notwithstanding such terms and conditions, in no event shall the rental rate payable by Tenant for the Fourth Floor Offered Space be less than Tenant's then current rental rate at the time of the Fourth Floor First Offer Notice (as defined below).

Such offer will be made by Landlord to Tenant in a written notice (the "Fourth Floor First Offer Notice"), which offer will specify the terms which Landlord intends to offer with respect to the Fourth Floor Offered Space. Tenant may accept the offer set forth in the Fourth Floor First Offer Notice by delivering to Landlord an unconditional acceptance ("Tenant's Fourth Floor ROFO Notice") of such offer within seven (7) business days after delivery by Landlord of the Fourth Floor First Offer Notice to Tenant. Time will be of the essence with respect to the giving of Tenant's Fourth Floor ROFO Notice.

Tenant must accept all Fourth Floor Offered Space offered by Landlord at any one time if it desires to accept any of such Fourth Floor Offered Space and may not exercise its right with respect to only part of such space. If the term offered for leasing the Fourth Floor Offered Space extends beyond the expiration date of this Lease, such expiration date for the entire leased premises shall be extended such that the terms for Tenant's leasing of the Leased Premises as demised herein will be coterminous with the term for Tenant's leasing of the Fourth Floor Offered Space. In addition, if Landlord desires to lease more than just the Fourth Floor Offered Space to one tenant, Landlord may offer to Tenant pursuant to the terms hereof all such space which Landlord desires to lease, and Tenant must exercise its rights hereunder with respect to all such space and may not insist on receiving an offer for just the Fourth Floor Offered Space.

Tenant's right of first offer under this Section 2.8 shall be a one-time right only with respect to each Fourth Floor Offered Space. Therefore, if Tenant does not accept (or fails to timely accept) an offer made by Landlord in the Fourth Floor First Offer Notice with respect to a particular Fourth Floor Offered Space, Landlord will be under no further obligation to Tenant with respect to such Fourth Floor Offered Space, Tenant will be deemed to have irrevocably waived all further rights with respect to such Fourth Floor Offered Space under this Section 2.8, and Landlord will be free to lease any or all of such Fourth Floor Offered Space to third parties upon any terms free of any rights of Tenant, provided that the rent (inclusive of free rent, improvement allowance(s), and other concessions) payable by such party shall not be less than ninety percent (90%) of the rental rate offered to Tenant in the Fourth Floor First Offer Notice.

Tenant, following any waiver of its rights hereunder with respect to any applicable Fourth Floor Offered Space, shall, within seven (7) days of Landlord's request therefor, execute and deliver to Landlord a certification confirming the waiver of such right.

2.9 ADDITIONAL SPACE — FIRST FLOOR.

In the event that Tenant desires to lease additional space on the first floor of the Building for the storage of its equipment and materials, and appropriate space is available for such use, Tenant shall have the right to lease such space on the same terms and conditions set forth in this Lease and at the same Base Rent rates payable for the Premises. Notwithstanding anything in this Section 2.9 or otherwise in this Lease to the contrary, Tenant shall be responsible, at its sole cost and expense, for preparing such first floor space for its use and occupancy pursuant to a plan mutually acceptable to Landlord and Tenant, such work to be performed in accordance with Section 5.6 hereof and all other applicable provisions of this Lease, provided that Landlord shall contribute an allowance of up to Forty and No/100 Dollars ($40.00) per square foot toward the cost of such work. In the event that Tenant leases additional space on the first floor of the Building pursuant to this Section 2.9, Landlord and Tenant shall execute and deliver a mutually acceptable amendment to this Lease memorializing the addition of such space to the Premises, and setting forth (a) the adjustments to Base Rent and Tenant's Pro Rata Share resulting from such addition and (b) the terms and conditions for Landlord's contribution of the foregoing allowance.

ARTICLE III
COMMENCEMENT AND CONDITION

3.1 TERM COMMENCEMENT DATE.

The Term Commencement Date shall be as defined in Article I hereof.

If, as a result of Tenant's Delay(s), Landlord's Work is delayed in the aggregate for a sufficient time period that all of Tenant's free rent has been forfeited pursuant to the preceding sentence, Landlord may (but shall not be required to) at any time thereafter terminate this Lease by giving written notice of such termination to Tenant and thereupon this Lease shall terminate without further liability or obligation on the part of either party except that Tenant shall pay to Landlord the cost theretofore incurred by Landlord in performing Landlord's Work.

"Substantial Completion" (or like phrases) of Landlord's Work, with respect to each of the Third Floor Premises and the Second Floor Premises, shall mean (i) completion of such Landlord's Work except for minor items and adjustments which can be completed after Tenant's occupancy without undue interference with Tenant's use of such floor of the Premises (i.e. so-called "punch list items") and (ii) issuance of a temporary certificate of occupancy for the Permitted Uses with respect to such floor of the Premises (without conditions other than relating to Tenant's installation of its furniture, fixtures, and equipment) by the Town of Stoughton Building Department (provided that Landlord shall obtain a permanent certificate of occupancy as soon as reasonably available and provide a copy of same to Tenant promptly thereafter). Upon Substantial Completion of Landlord's Work with respect to each of the Third Floor Premises and the Second Floor Premises, Landlord shall cause Landlord's architect to prepare a punch list of such minor items and adjustments remaining to be performed, and within five (5) business days after architect's delivery of such punch list to Landlord and Tenant, Landlord and Tenant shall conduct a walkthrough of the applicable floor of the Premises to confirm such punch list. Landlord shall use reasonable efforts to complete all punch list items within thirty (30) days or, if such completion is not feasible for any reason, as soon as conditions permit and Tenant shall afford Landlord access to the Premises for such purpose.

"Tenant Delays" means any actual delay in the completion of the Landlord's Work resulting from any or all of the following:

(a) Tenant's failure to timely perform any of its obligations pursuant to this Lease, including any failure to select finishes, if any, as necessary, within two (2) business days from the date that Landlord requests that Tenant make such selection and provides all information necessary to make such selections;

(b) Change orders requested by Tenant after the date hereof;

(c) Any delay of Tenant in making payment to Landlord for any costs due from Tenant under this Lease, including without limitation Excess Costs (as hereinafter defined); or

(d) Any other act or failure to act by Tenant, Tenant's employees, agents, architects, independent contractors, consultants and/or any other person performing or required to perform services on behalf of Tenant, provided that Landlord shall deliver written notice of such delay describing the same with reasonably specificity within two (2) business days after the occurrence of such delay, and provided further that such delay continues for more than one (1) day after delivery of such notice.

Landlord shall use commercially reasonable efforts to deliver such notice of Substantial Completion by the date that is four (4) months after the date hereof In the event that, subject to Tenant Delays(s) and Section 11.14 hereof, (i) the Third Floor Premises Possession Date has not occurred on or before the

date that is twelve (12) months after the date hereof, or (ii) the Second Floor Premises Possession Date has not occurred on or before the date that is fifteen (15) months after the date hereof, then in either case, Tenant shall have the right to terminate this Lease upon written notice to Landlord at any time thereafter until the applicable Possession Date occurs.

When the Term Commencement Date and the Second Floor Premises Possession Date have been finally established, each of Landlord and Tenant, upon the request of the other, shall execute a memorandum of acceptance of the Lease, in Landlord's customary and commercially reasonable form, stating the Term Commencement Date, the Second Floor Premises Possession Date, the Rent Commencement Date, and expiration date as established. Any failure of either party to execute such statement shall not affect any such dates.

3.2 CONDITION OF PREMISES.

Landlord is leasing the Premises to Tenant "as is", without any representations or warranties of any kind (including, without limitation, any express or implied warranties of merchantability, fitness or habitability), subject to all recorded matters, laws, ordinances and governmental regulations and orders. Tenant acknowledges that, except as expressly provided in this Lease, neither Landlord nor any agent of Landlord has made any representation as to the condition of the Property or the suitability of the Property for Tenant's intended use. Tenant represents and warrants that Tenant has made its own inspection of and inquiry regarding the condition of the Property and is not relying on any representations of Landlord or any broker with respect thereto, except as expressly provided in this Lease.

Notwithstanding the foregoing, Landlord shall, at Landlord's sole cost and expense (except with respect to the "Lab Area" as follows), perform the improvements to the Premises as described on Exhibit C attached hereto and made a part hereof using building standard construction methods, materials, colors and finishes (except as otherwise set forth on Exhibit C), in a good and workmanlike manner and in compliance with applicable laws, regulations, ordinances, and codes ("Landlord's Work"). The cost of Landlord's Work with respect to the "Lab Area" to be located in the Second Floor Premises as shown on Exhibit B (such portion of Landlord's Work being referred to hereinafter as the "Lab Area Work") shall be Tenant's sole responsibility, provided that Landlord and Tenant acknowledge that the cost of Landlord's Work includes, without limitation, a budget of up to Two Hundred Forty Thousand and No/100 Dollars ($240,000.00) contributed by Landlord for the Lab Area Work. Notwithstanding Tenant's obligation to pay for Excess Costs (as defined in the following paragraph), Landlord shall provide an additional tenant improvement allowance of up to Twenty and No/100 Dollars ($20.00) per rentable square foot of the Lab Area, provided, however, that notwithstanding the actual square footage of the Lab Area, the maximum amount of such allowance shall be Sixty Thousand and No/100 Dollars ($60,000.00) (the "Additional Allowance"), for use by Tenant in the event that Tenant requests changes to the scope with respect to the Lab Area Work that increase the cost of such work in excess of the foregoing budget. The amount of the Additional Allowance utilized by Tenant shall be amortized as Base Rent over the Initial Term at a rate of $0.019 per rentable square foot of the total Premises per year for each dollar ($1.00) of the Additional Allowance utilized by Tenant, up to a total of an additional $0.38 per rentable square foot (i.e., $19,257.64) per year for the Initial Term in the event Tenant utilizes the entire Additional Allowance. Within fifteen (15) business days after the date on which the total increase to the Base Rent resulting from Tenant's use of the Additional Allowance has been determined, Landlord and Tenant shall execute and deliver an amendment to this Lease memorializing the increase in the Base Rent for the Initial Term.

From and after the date hereof, subject to the preceding paragraph with respect to the Lab Area Work, Tenant may not request any changes to Landlord's Work. If, notwithstanding the foregoing, after the date hereof Tenant requests any changes to Landlord's Work which will either increase the cost of Landlord's Work or the time necessary to complete Landlord's Work, Landlord shall not be required to make such

changes to such plans and complete such changed work unless Tenant pays to Landlord all costs associated with such change and/or delay (the "Excess Costs"), but Excess Costs shall not include any Rent payable by Tenant for such period of delay to the extent such Rent is payable by Tenant pursuant to another provision of this Lease. Such Excess Costs shall be paid to Landlord as follows: 50% prior to commencement of construction of such change and 50% upon completion of such changes. Any changes to Landlord's Work requested by Tenant shall be in the form of a written request for change order to be submitted by Tenant to Landlord, who shall, within a commercially reasonable time period specified by Landlord, provide a written estimate of the cost and time necessary to perform the additional work contemplated by such request for change order. Tenant shall approve or reject such estimate within the time period specified by Landlord therein. Any increases to the cost of Landlord's Work resulting from Tenant's request of above-standard materials, colors, or finishes (including without limitation wiring and cabling; workstations; furniture, fixtures, and equipment; appliances; and specialty equipment) pursuant to a change order shall be treated as Excess Costs. In the event that Tenant requests additional funding for the Lab Area Work in excess of the Additional Allowance, such excess amount shall be treated as Excess Costs.

Landlord shall engage Campanelli Associates Construction Corporation ("Landlord's General Contractor") to perform Landlord's Work. The Lab Area Work shall be performed on an open book basis; Landlord's General Contractor shall obtain, to the extent feasible, at least two (2) bids from qualified bidders for each portion of the Lab Area Work. The selection and award of the Lab Area Work to the successful bidders shall be made by Landlord based upon Landlord's determination of the lowest most qualified bid. Landlord's General Contractor shall be entitled to a payment in an amount equal to four percent (4%) of the actual cost of the Lab Area Work for general overhead costs and a payment in an amount equal to four percent (4%) of the actual cost of Lab Area Work for profit, which amounts shall be included in the cost of the Lab Area Work. During the construction of the Lab Area Work, Landlord shall provide to Tenant a monthly summary of all expenses incurred in connection with the Lab Area Work.

On the respective Possession Dates, Landlord's Work with respect to the Third Floor Premises and the Second Floor Premises (including without limitation the Lab Area Work) shall comply with applicable laws, regulations, ordinances, and codes, and the Third Floor Premises and Second Floor Premises shall comply with applicable laws, regulations, ordinances, and codes to the extent required to obtain a certificate of occupancy for the Permitted Uses for the Premises.

Landlord's Work shall include, without limitation, the installation of new concrete pavers on the Patio. Landlord shall be responsible, at its sole expense, for demising the Premises into a single contiguous space and demising base building mechanical, electrical, and plumbing systems. Tenant shall be responsible, at its sole expense, for the cost of any furniture for the Patio area.

Notwithstanding Tenant's maintenance obligations with respect to the Premises set forth in Section 5.5 hereof, Landlord shall repair, at its sole expense, any elements of Landlord's Work that are discovered to be defective or damaged (other than due to the negligence or willful misconduct of Tenant or its agents, employees, contractors, and invitees) within the one (1) year period commencing on each of the respective floors' Possession Dates, and Landlord shall enforce any and all warranties it has obtained with respect to Landlord's Work for the benefit of Tenant, such warranties to be on commercially reasonable terms and customary for the trades involved.

ARTICLE IV
RENT

4.1 BASE RENT.

Commencing on the applicable Rent Commencement Date, and on the first day of each calendar month during the Lease Term, Tenant will pay to Landlord the Base Rent in equal monthly installments, in lawful money of the United States, in advance and without offset, deduction, prior notice or demand, except as expressly set forth in this Lease. The Base Rent is payable at Landlord's Rent Payment Address or at such other place or to such other person as Landlord may designate in writing from time to time. Payments of Base Rent for any partial calendar month will be prorated.

4.2 ADDITIONAL RENT.

All sums payable by Tenant to Landlord under this Lease other than Base Rent, are "Additional Rent"; the term "Rent" includes both Base Rent and Additional Rent.

4.2.1 REAL PROPERTY TAXES.

Tenant covenants and agrees to pay to Landlord, as Additional Rent, an escalation charge calculated as Tenant's Pro Rata Share of the increase in Real Property Taxes (hereafter defined), for each fiscal tax period (being July 1 through June 30), or ratable portion thereof, included in the Lease Term over the Base Taxes (hereinafter defined), provided that for purposes of making such calculation, the amount of Real Property Taxes (including without limitation the amount for the Real Estate Tax Base Year) shall be adjusted to the figure reasonably estimated to reflect a 100% occupancy rate and fully assessed value for the Building. Tenant shall make estimated payments on account of increases in Real Property Taxes above the Base Taxes in monthly installments on the first day of each month commencing on the later of (i) the first day of the month that is twelve (12) full calendar months following the Second Floor Premises Possession Date, and (ii) July 1, 2019, in amounts reasonably estimated from time to time by Landlord to provide for the full payment of Tenant's obligation with respect to Real Property Taxes on the date such Real Property Taxes are due, and with a final payment adjustment between the parties within 30 days after Landlord provides Tenant a statement of Real Property Taxes and Tenant's Pro Rata Share of the increase of such Real Property Taxes above Base Taxes for Landlord's most recent tax year, which statement shall be provided no later than ninety (90) days after the end of the tax year that is the subject of the statement. "Base Taxes" as used herein means the amount of Real Property Taxes for the Real Estate Tax Base Year. If Landlord receives a refund of Real Property Taxes with respect to which Tenant has paid Tenant's Pro Rata Share, Landlord will refund to Tenant Tenant's Pro Rata Share of such refund after deducting therefrom all reasonable related costs and expenses of obtaining such refund. This section shall survive the expiration or earlier termination of this Lease, provided that Landlord hereby waives and shall have no right to collect from Tenant any Real Property Taxes if not billed within twelve (12) months after the end of the tax year to which such Real Property Taxes relate (unless and except to the extent to which such Real Property Taxes are the subject of pending abatement and/or appeal proceedings).

As used in this Lease, the term "Real Property Taxes" shall mean all taxes, assessments, betterments, excises, user fees and all other governmental charges and fees of any kind or nature, or impositions or agreed payments in lieu thereof or voluntary payments made in connection with the provision of governmental services or improvements of benefit to the Building and/or the Property (including any so- called linkage, impact or voluntary betterment payments), and all penalties and interest thereon (if due to Tenant's failure to make timely payments on account of Real Property Taxes), assessed or imposed against the Premises or the Property (including without limitation any personal property taxes levied on such property or on fixtures or equipment used in connection therewith), or upon Landlord by virtue of

its ownership thereof, other than a federal, state, or local income tax of general application, excise, profits, estates, inheritance, succession, gift, transfer, franchise, capital, other tax assessments on Landlord or on the rent, gross receipts taxes, and interest and penalties not attributable to Tenant's late payments hereunder. If during the Lease Term the present system of ad valorem taxation of property shall be changed so that, in lieu of or in addition to the whole or any part of such ad valorem tax, there shall be assessed, levied or imposed on such property or Premises or on Landlord any kind or nature of federal, state, county, municipal or other governmental capital levy, income, sales, franchise, excise or similar tax, assessment, levy, charge or fee (as distinct from the federal, state, and local income tax in effect on the Term Commencement Date) measured by or based in whole or in part upon Building or Property valuation, mortgage valuation, rents or any other incidents, benefits or measures of real property or real property operations, then any and all of such taxes, assessments, levies, charges and fees shall be included within the term Real Property Taxes. Real Property Taxes include reasonable expenses, including fees of attorneys, appraisers and other consultants, incurred in connection with any efforts to obtain abatements or reductions or to assure maintenance of Real Property Taxes (collectively, "Reductions") for any tax fiscal year wholly or partially included in the Lease Term, whether or not successful and whether or not such efforts involve filing of actual abatement applications or initiation of formal proceedings. Upon request of Tenant and so long as there is a reasonable basis therefor, Landlord shall use commercially reasonable efforts to obtain Reductions.

4.2.2 PERSONAL PROPERTY TAXES.

Tenant will pay directly all taxes charged against trade fixtures, furnishings, equipment, inventory or any other personal property belonging to Tenant. Tenant will use commercially reasonable efforts to have personal property taxed separately from the Property. If any of Tenant's personal property is taxed with the Property, Tenant will pay Landlord the taxes for such personal property within 30 days after Tenant receives a written statement from Landlord for such personal property taxes accompanied by reasonable backup documentation.

4.2.3 OPERATING EXPENSES.

Tenant covenants and agrees to pay to Landlord, as Additional Rent, commencing upon the later of (i) the first day of the month that is twelve (12) full calendar months following the Second Floor Premises Possession Date, and (ii) January 1, 2020, an escalation charge calculated as Tenant's Pro Rata Share of the increase in Operating Expenses (hereafter defined) for each calendar year, or ratable portion thereof, included in the Lease Term above Base Operating Expenses (hereinafter defined). Tenant shall make estimated payments on account of increases in Operating Expenses in monthly installments on the first day of each month in advance commencing upon the date set forth above, based on amounts reasonably estimated from time to time by Landlord, and with a final payment adjustment between the parties within 30 days after Landlord provides Tenant a statement of Operating Expenses and Tenant's Pro Rata Share of the increase of such Operating Expenses over Base Operating Expenses for Landlord's most recent calendar year, which statement shall be provided no later than one hundred twenty (120) days after the end of the calendar year that is the subject of the statement. "Base Operating Expenses" as used herein means the amount of Operating Expenses for the Operating Expense Base Year. This section shall survive the expiration or earlier termination of this Lease, provided that Landlord hereby waives and shall have no right to collect from Tenant any Operating Expenses if not billed within twelve (12) months after the end of the calendar year in which such Operating Expenses were incurred.

"Operating Expenses" means all costs and expenses incurred by Landlord with respect to the ownership, maintenance and operation of the Property including, but not limited to: maintenance, repair and replacement of the heating, ventilation, air conditioning, plumbing, electrical, mechanical, utility and safety systems, paving and parking areas, roads and driveways; maintenance of exterior areas such as gardening and landscaping, snow and ice removal and Property signage; maintenance and repair of roof

membrane, flashings, gutters, downspouts, roof drains, skylights and waterproofing; painting; lighting; cleaning; refuse removal; security; utility services attributable to the Common Areas (as defined below); Property personnel costs; personal property taxes; rentals or lease payments paid by Landlord for rented or leased personal property used in the operation or maintenance of the Property; fees for required licenses and permits; fees and costs incurred under covenants, conditions, and restrictions applicable to the Property and/or the business park in which the Property is located (except to the extent any such fee or cost is a fee, fine, penalty, interest or litigation costs incurred due to Landlord's failure to timely perform its obligations under such covenants, conditions, and restrictions); Landlord's insurance coverages required under this Lease for the Property; and a property management fee not to exceed four percent (4%) of gross rents for the Building (the "Management Fee"). Operating Expenses do not include: (a) the cost of capital repairs, replacements or improvements, other than annual depreciation (based on the useful life of the item under generally accepted accounting principles) on any such capital repair, replacement or improvement that is reasonably intended to reduce Operating Expenses or that is required for compliance with a law enacted on or after the Term Commencement Date; (b) debt service under mortgages or ground rent under ground leases; (c) costs of restoration from any casualty or condemnation to the extent of net insurance proceeds received by Landlord (or, in the event Landlord has not maintained the insurance policies required by this Lease, the net insurance proceeds that would have been received by Landlord had such policies been maintained); (d) leasing commissions, attorney's fees related to leases, advertising costs, and tenant improvement costs; (e) litigation expenses relating to disputes with tenants; (f) costs of initial construction of the Building and repairing or otherwise correcting defects in the construction of the Building or other improvements on the Property; (g) costs incurred in connection with sales, financing, refinancing or change of ownership of the Property or any portion thereof; (h) costs, fines, interest, penalties, legal fees or litigation costs incurred due to the late payment of taxes, utilities bills or other costs; (i) costs incurred by Landlord for organizational expenses and accounting fees except relating solely to the operation of the Building; (j) Landlord's general corporate overhead and general and administrative expenses; (k) compensation paid to persons in commercial concessions operated by Landlord; (1) rent or costs for a leasing or management office or common areas; (m) taxes; (n) all amounts which would otherwise be included in Operating Expenses that are paid to any affiliate or subsidiary of Landlord, or any representative, employee or agent of same, to the extent the costs of such services exceed the competitive rates for similar services of comparable quality rendered by persons or entities of similar skill, competence and experience; (o) all fees for management of the Property or any portion thereof other than the Management Fee; (p) any cost or expense for which Landlord is reimbursed by a third party; (q) wages, salaries and benefits for any employee above the level of property manager.

Notwithstanding anything to the contrary in the preceding paragraph, Controllable Operating Expenses (as defined below) charged to Tenant shall not increase by more than five percent (5%) annually on a non-cumulative basis (the "CAM Cap"). The CAM Cap in any given calendar year shall be calculated based upon the Controllable Operating Expenses for the immediately prior calendar year after the CAM Cap has been applied. "Controllable Operating Expenses" are defined as all Operating Expenses excluding costs and expenses related to snow removal, Common Areas utility charges (including but not limited to gas, electricity and water/sewer), and insurance premiums and costs.

If at any time during the Lease Term, Landlord provides services only with respect to portions of the Building which include the Premises or incurs other Operating Expenses allocable to portions of the Building which include the Premises alone, then such Operating Expenses shall be charged entirely to those tenants, including Tenant, of such portions, notwithstanding the provisions hereof referring to Tenant's Pro Rata Share (but Landlord shall provide its calculation thereof). If, during any period for which Operating Expenses are being computed, less than all of the Building is occupied by tenants, or if Landlord is not supplying all tenants with the services being supplied hereunder, Operating Expenses that vary based upon occupancy shall be reasonably estimated and extrapolated by Landlord to determine the Operating Expenses that would have been incurred if the Building were fully occupied for such year and

such services were being supplied to all tenants, and such estimated and extrapolated amount shall be deemed to be Operating Expenses for such period (and Landlord shall provide its calculation thereof).

4.2.4 UTILITIES.

In the event that any utilities are not supplied to the Premises by Landlord as part of Operating Expenses, Tenant will promptly pay, directly to the appropriate supplier, the cost of all natural gas, heat, cooling, electricity, sewer service, telephone, water, refuse disposal and other utilities and services supplied to the Premises, together with any related installation or connection charges or deposits (collectively, "Utility Costs") incurred during the Lease Term. If any utilities are jointly metered with other premises, Landlord will make a reasonable determination of Tenant's proportionate share of such Utility Costs and Tenant will pay such share to Landlord. Landlord shall, prior to the Term Commencement Date install a check meter or submeter in the Premises (the "Submeter"), at Landlord's sole cost and expense, to measure Tenant's electricity. Landlord shall read the Submeter monthly and shall bill Tenant for the cost of Tenant's actual electricity consumption for the Premises as shown by the Submeter, which costs Tenant shall pay to Landlord as Additional Rent. If at any time in the future the electricity supplier to the Property allows a separate meter to be installed for the Premises, Tenant shall thereafter pay the costs of such electricity directly to the supplier. Landlord reserves the right to participate in wholesale energy purchase programs and to provide energy to the Premises through such programs so long as the cost to Tenant is competitive. In the event of any interruption in any utility due to the negligence or willful misconduct of Landlord that continues for more than five (5) consecutive days after written notice of such interruption from Tenant to Landlord, then, commencing after the expiration of such five (5) day period, Rent hereunder shall abate for the remaining duration of such interruption.

4.2.5 ELECTRICITY.

Tenant warrants and represents that its electrical demand requirements shall not adversely affect the Building's electrical system, will not exceed the maximum from time to time permitted under applicable laws or the capacity of any of the electrical conductors and equipment in or otherwise serving the Premises. Tenant agrees to repair at Tenant's sole cost any damage caused to the electrical system caused by Tenant's failure to observe this requirement. In order to assure that the capacity of the electrical system of the Building is not exceeded and to avert possible damage thereto, Tenant shall not, without Landlord's prior consent, connect any fixtures, appliances or equipment to the Building's electric distribution system other than customary computer, electronic, and electrical equipment normally found in business offices and not drawing more than the building standard, as adjusted by Landlord from time to time. From time to time during the Lease Term, Landlord shall have the right to survey Tenant's electric usage. Landlord hereby approves the level of use of electricity by Tenant associated with the improvements described in Exhibit C. In the event that Landlord, in its reasonable discretion, determines that Tenant has exceeded such level of use of electricity then, in addition to any other rights Landlord may have hereunder, Tenant shall immediately upon demand (accompanied by reasonable backup documentation) at Landlord's election, (i) cease to exceed such limit, and/or (ii) reimburse Landlord for the costs of any repairs required due to Tenant's use in excess of such limit

4.2.6 TENANT'S AUDIT RIGHT.

Notwithstanding anything contained herein to the contrary, but provided that Tenant is not in default under this Lease beyond the applicable notice and cure period, Tenant shall have the right, within six (6) months following receipt of the annual final statements of Operating Expenses and Real Property Taxes, by written notice delivered to Landlord, to declare that it seeks to inspect and examine Landlord's books and records relating to Operating Expenses and Real Property Taxes for said immediately preceding year (except if any overcharge is found, in which event Tenant may inspect and examine Landlord's books and records for prior years), whereupon a duly qualified employee of Tenant or Tenant's designated

accountant (who shall be paid by Tenant on a non-contingency basis only) may visit Landlord's office or other place reasonably designated by Landlord, during normal business hours, upon at least fifteen (15) days prior written notice, to inspect Landlord's books and records to verify the correctness of such annual final statements. All information discovered by Tenant (and/or its accountants) shall be regarded as confidential information and may not be shared with any other party (except for Tenant's contractors, agents, attorneys, accountants, investors, potential purchasers, or employees all of who shall agree to keep such information confidential), unless required by order of a court of competent jurisdiction (provided that Tenant may disclose such information to the extent reasonably necessary for the limited purpose of adjudicating any dispute with Landlord regarding Operating Expenses and Real Property Taxes); Tenant's failure to adhere to this confidentiality clause shall be deemed to be an Event of Default that, in additional to all other rights and remedies available to Landlord under this Lease, shall result in the nullification of this paragraph and Tenant's future right to inspect and verify Landlord's annual statement of any charges including but not limited to Operating Expenses and Real Property Taxes. Tenant shall be required to share with Landlord the results of Tenant's inspection. It is expressly agreed that any errors will be promptly corrected (provided that Landlord agrees with Tenant's evaluation or a court of competent jurisdiction has rendered a final decision in Tenant's favor with respect thereto), and any resulting overpayment by Tenant will be promptly refunded by Landlord to Tenant (or, at Tenant's option, credited against the next installment of rent or other charges due to Landlord hereunder), and any resulting underpayment by Tenant will be promptly paid by Tenant to Landlord. If such inspection and examination reveals that Landlord overcharged Tenant by five percent (5%) or more of the amount actually due, Landlord shall also reimburse Tenant for Tenant's reasonable inspection and examination costs.

4.3 INDEPENDENT COVENANTS.

Tenant acknowledges and agrees that Tenant's obligations under this Lease to pay Rent and all of Landlord's obligations under this Lease are independent covenants, and no default or failure of Landlord under this Lease shall have any effect on this Lease, give to Tenant any offset or defense to the full and timely performance of its obligations under this Lease, entitle Tenant to any abatement of Rent or constitute any actual or constructive eviction of Tenant, except as otherwise expressly set forth herein. Without limiting any of the foregoing, Tenant specifically covenants and agrees that Tenant's obligation to pay all Rent hereunder is not dependent upon the condition of the Premises or the performance by Landlord of any of its obligations hereunder, and Tenant shall continue to pay all Rent, without abatement, demand, claim, setoff or deduction, notwithstanding any breach by Landlord of its duties or obligations hereunder, whether express or implied, except as otherwise expressly set forth herein.

4.4 INTEREST AND LATE CHARGES.

Any Rent or other amount due to Landlord, if not paid when due, will bear interest from the date due until paid at the rate of 15% per year, but not to exceed the highest rate legally permitted. In addition, if any installment of Rent or any other sums due from Tenant is not received by Landlord within 5 days following the due date (or, for the first such instance in any rolling twelve (12) month period, within five (5) days following Tenant's receipt of written notice of such late payment), Tenant will pay to Landlord a late charge equal to 5% of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant.

ARTICLE V
TENANT'S COVENANTS

5.1 MANNER OF USE.

Tenant will use the Premises only for the Permitted Uses. Tenant will not cause or permit the Premises to be used in any way which (i) constitutes a violation of any Legal Requirements (as defined below) or the rules and regulations (the "Rules and Regulations") established by Landlord, a copy of which is attached as Exhibit D, as they may be amended in writing by Landlord upon notice to Tenant and so long as any such amendment shall not materially increase Tenant's obligations or materially decrease Tenant's rights under this Lease, (ii) unreasonably interferes with the rights of tenants of the Property, or (iii) constitutes a nuisance or waste or will invalidate any insurance carried by Landlord (Landlord hereby representing that, as of the date hereof, customary conduct of the Permitted Uses shall not so invalidate any such insurance). Tenant will obtain and pay for all necessary permits relating to its particular manner of use of the Premises (including without limitation any and all permits necessary for its manufacturing use, but excluding a certificate of occupancy), and will promptly take all actions necessary to comply with all applicable Federal, State or local statutes, ordinances, rules, notes, regulations, orders, recorded declarations, covenants and requirements (collectively, "Legal Requirements") regulating the particular manner of use by Tenant of the Premises, including, without limitation, the Occupational Safety and Health Act and the Americans With Disabilities Act. In the event of any conflict or inconsistency between this Lease and the Rules and Regulations, this Lease shall control.

5.2 TENANT'S INSURANCE.

Tenant, at its expense, will maintain the following insurance coverages during the Lease Term:

(a) Liability Insurance. Commercial general liability insurance insuring Tenant against liability for bodily injury, property damage (including loss of use of property) and personal injury at the Premises, including contractual liability. Such insurance will name Landlord, its property manager, any mortgagee, and such other parties as Landlord may designate, as additional insureds. The initial amount of such insurance will be Two Million Dollars ($2,000,000) per occurrence, will be subject to periodic increases as required by Landlord's mortgagee, and may be satisfied by any combination of the primary policy and the excess/umbrella liability policy required in clause (f) below. The liability insurance obtained by Tenant under this Section 5.2 will (i) be primary and (ii) insure Tenant's obligations to Landlord under Section 6.4. The amount and coverage of such insurance will not limit Tenant's liability nor relieve Tenant of any other obligation under this Lease.

(b) Worker's Compensation Insurance. Worker's Compensation Insurance in the statutory amount (and Employers' Liability Insurance) covering all employees of Tenant employed or performing services at the Premises, in order to provide the statutory benefits required by the laws of the state in which the Premises are located.

(c) Automobile Liability Insurance. Automobile Liability Insurance, including but not limited to, passenger liability, on all owned, non-owned, and hired vehicles used in connection with the Premises, with a combined single limit per occurrence of not less than One Million Dollars ($1,000,000) for injuries or death of one or more persons or loss or damage to property.

(d) Personal Property Insurance. Personal Property Insurance covering leasehold improvements paid for by Tenant (excluding Landlord's Work) and Tenant's personal property and fixtures from time to time in, on, or at the Premises, in an amount not less than 100% of the full replacement cost, without deduction for depreciation, providing protection against events protected under "All Risk Coverage," as well as against sprinkler damage, vandalism, and malicious mischief.

(e) Business Interruption Insurance. Business Interruption Insurance providing in the event of damage or destruction of the Premises an amount sufficient to sustain Tenant for a period of not less than one year for: (i) the net profit that would have been realized had Tenant's business continued; and (ii) such fixed charges and expenses as must necessarily continue during a total or partial suspension of business to the extent to which they would have been incurred had no business interruption occurred, including, but not limited to, interest on indebtedness of Tenant, salaries of executives, foremen and other employees under contract, charges under noncancelable contracts, charges for advertising, legal or other professional services, taxes and rents that may still continue and insurance premiums.

(f) Umbrella Liability Insurance. The initial amount of Umbrella Liability Insurance shall be Fifteen Million Dollars ($15,000,000) per occurrence and Fifteen Million Dollars ($15,000,000) annual aggregate and shall be subject to periodic increases as required by Landlord's mortgagee. Such insurance shall name Landlord, its property manager, and any mortgagee as additional insureds.

At all times when any work is in process in connection with any change or alteration being made by Tenant, Tenant shall require all contractors and subcontractors to maintain the insurance described in Sections 5.2(a), 5.2(b), 5.2(c), and 5.2(f).

5.3 GENERAL INSURANCE PROVISIONS.

(a) Any insurance which Tenant is required to maintain under this Lease will include a provision which requires the insurance carrier to give Landlord not less than 30 days' written notice prior to any cancellation (ten (10) days for cancellation due to non-payment of premium) or modification of such coverage.

(b) Prior to the earlier of Tenant's entry into the Premises or the Term Commencement Date, Tenant will deliver to Landlord an insurance company certificate that Tenant maintains the insurance required by Section 5.2 and not less than 30 days prior to the expiration or termination of any such insurance, Tenant will deliver to Landlord renewal certificates therefor.

(c) All insurance policies required under this Lease will be with companies having a "General Policy Rating" of A-; X or better, as set forth in the most current issue of the Best Key Rating Guide.

(d) Without limiting the provisions of Section 5.4, Landlord and Tenant, on behalf of themselves and their insurers, each hereby waives any and all rights of recovery against the other, the agents, advisors, employees, members, officers, directors, partners, trustees, beneficiaries and shareholders of the other and the agents, advisors, employees, members, officers, directors, partners, trustees, beneficiaries and shareholders of each of the foregoing (collectively, "Representatives"), for loss of or damage to its property or the property of others under its control, to the extent that such loss or damage is covered by any insurance policy in force (whether or not described in this Lease) at the time of such loss or damage, or required to be carried under this Lease **EVEN IF CAUSED BY THE NEGLIGENCE OF THE RELEASED PARTY.** All property insurance carried by either party will contain a waiver of subrogation against the other party to the extent such right was waived by the insured party prior to the occurrence of loss or injury.

5.4 INDEMNITY.

To the fullest extent permitted by law, Tenant shall hold Landlord and its Representatives (collectively, the "Indemnitees") harmless from and defend the Indemnitees from and against all claims, liabilities, judgments, demands, causes of action, losses, damages, costs and expenses, including reasonable attorney's fees, for damage to any property or injury to or death of any person arising from (i) the use or

occupancy of the Premises by Tenant or persons claiming under Tenant, except to the extent caused by the sole negligence or willful misconduct of the Indemnitees, (ii) the negligence or willful misconduct of Tenant in, upon or about the Property, or (iii) any breach or default by Tenant under this Lease. Landlord shall hold Tenant and its Representatives harmless from and defend Tenant and its Representatives from and against all claims, liabilities, judgments, demands, causes of action, losses, damages, costs and expenses, including reasonable attorney's fees, for damage to any property or injury to or death of any person arising from (i) the operation and management of the Property by Landlord and its Representatives, except to the extent such is caused by the negligence or willful misconduct of Tenant or its Representatives, (ii) the negligence or willful misconduct of Landlord in, upon or about the Property, or (iii) any breach or default by Landlord under this Lease.

5.5 TENANT'S MAINTENANCE OBLIGATIONS.

Subject to the provisions of Section 3.2 and Article 7, at its sole cost and expense, Tenant will keep all portions of the Premises for which it is responsible pursuant to the terms of this Lease in good order, condition and repair (including repainting and refinishing, as needed). If any portion of the Premises or any system or equipment within the Premises which Tenant is obligated to repair cannot be fully repaired or restored, Tenant will promptly replace such portion of the Premises or system or equipment. If Landlord is required to perform Tenant's maintenance and repair obligations under this Section 5.5 after the expiration of the applicable notice and cure period set forth in Section 9.1 hereof, Tenant shall reimburse Landlord for all costs incurred in doing so promptly upon receipt of an invoice from Landlord.

5.6 ALTERATIONS, ADDITIONS, AND IMPROVEMENTS.

Tenant may not make any installations, alterations, additions, or improvements or major repairs in or to the Premises, including without limitation any such work to prepare the Premises for Tenant's initial occupancy, without obtaining Landlord's prior written consent. All such work (other than a Cosmetic Alteration, as hereinafter defined) will be performed in accordance with plans and specifications approved by Landlord, such approval not to be unreasonably withheld, conditioned, or delayed. Tenant will procure all necessary governmental permits and licenses before undertaking any work on the Premises and will perform all work in a good and workmanlike manner employing materials of good quality and in conformity with all applicable Legal Requirements and insurance requirements. Tenant will (i) employ only contractors reasonably approved by Landlord, (ii) require all contractors employed by Tenant to carry worker's compensation insurance in accordance with statutory requirements and commercial general liability insurance covering such contractors on or about the Premises with a combined single limit not less than $3,000,000 and (iii) submit certificates evidencing such coverage to Landlord prior to the commencement of any work. Landlord may inspect Tenant's work at reasonable times. Tenant will prosecute and complete such work with reasonable diligence and will provide Landlord with "as built" plans (if applicable), copies of all construction contracts and proof of payment for all labor and materials. In connection with all such work, Tenant will pay when due all claims for such labor and materials furnished to the Premises and keep the Property at all times free from liens for labor and materials. Tenant will give Landlord at least 20 days' prior written notice of the commencement of any work on the Premises, regardless of whether Landlord's consent to such work is required. Landlord may record and post notices of non-responsibility on the Premises. Tenant agrees to use commercially reasonable efforts not to employ or permit the use of any labor or otherwise take any action which might result in a labor dispute involving personnel providing services in the Building pursuant to arrangements with Landlord. Notwithstanding the foregoing, Tenant shall be permitted to make alterations and improvements to the Premises that do not affect the Building structure or exterior or Building systems, and which do not cost more than Twenty-Five Thousand Dollars ($25,000) per year in the aggregate (each, a "Cosmetic Alteration"), without Landlord's consent, but upon prior written notice to Landlord.

5.7 SIGNS/ADVERTISING.

Except as set forth in Section 6.7 hereof, Tenant shall not place any sign, symbol, advertisement or the like visible to public view on the exterior walls (including both interior and exterior surfaces of windows and doors) or on any part of the Building or the Premises, without the prior written consent of Landlord, which consent Landlord may withhold in its sole discretion.

5.8 PERSONAL PROPERTY AT TENANT'S RISK.

Tenant covenants and agrees that all of the furnishings, fixtures, equipment, effects and property of every kind, nature and description of Tenant and of all persons claiming by, through or under Tenant which, during the continuance of this Lease or any occupancy of the Premises by Tenant or anyone claiming under Tenant, may be on the Premises, shall be at the sole risk and hazard of Tenant, and if the whole or any part thereof shall be destroyed or damaged by fire, water or otherwise, or by the leakage or bursting of water pipes, steam pipes, or other pipes, by theft or from any other cause, no part of said loss or damage is to be charged to or to be borne by Landlord, except to the extent caused by the negligence or willful misconduct of Landlord or its employees, agents, and contractors, and except to the extent prohibited by law.

5.9 ENVIRONMENTAL REQUIREMENTS.

(a) Definition of "Hazardous Material". "Hazardous Material" means any flammable items, explosives, radioactive materials, oil, hazardous or toxic substances, material or waste or related materials, including any substances defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" now or hereafter regulated under any Legal Requirements, including without limitation petroleum-based products, paints, solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonia compounds and other chemical products, asbestos, PCBs and similar compounds, and including any different products and materials which are found to have adverse effects on the environment or the health and safety of persons; provided, however, "Hazardous Material" does not include any de minimis quantities of office or other cleaning supplies commonly used in accordance with Legal Requirements, or other materials customarily used in connection with the Permitted Uses, provided that such materials are transported, stored, used, and disposed of in accordance with Legal Requirements.

(b) Tenant's Obligations. Tenant will not cause or permit any Hazardous Material to be generated, produced, brought upon, used, stored, treated or disposed of in or about the Property by Tenant, its agents, employees, contractors, sublessees or invitees without (i) the prior written consent of Landlord, such consent not to be unreasonably withheld, conditioned, or delayed so long as the use of such Hazardous Material is reasonably consistent with the Permitted Uses, and (ii) complying with all applicable Legal Requirements pertaining to the transportation, storage, use or disposal of such Hazardous Material (collectively, "Environmental Laws"), including, but not limited to, obtaining proper permits. For the avoidance of doubt, however, Landlord understands and agrees that (x) Tenant will use the materials listed on Schedule 1 attached hereto in its operations and that Landlord hereby consents to the use of the listed materials in the quantities listed, so long as Tenant otherwise complies with the provisions of this Lease and all applicable Environmental Laws in the use, storage, treatment, and disposal of such materials, and (y) Tenant may, from time to time, add different or additional materials to Schedule 1, subject to Landlord's prior written consent as provided in clause (i) above. Landlord is entitled to take into account such other factors or facts Landlord reasonably deems relevant in granting or withholding consent to Tenant's proposed activity with respect to Hazardous Material. Landlord will not, however, be required to consent to the installation or use of any storage tanks on the Property.

If Tenant's transportation, storage, use or disposal of Hazardous Materials on, to, or from the Premises or the Property results in the contamination of the soil or surface or ground water, release of a Hazardous Material or loss or damage to person(s) or property or the violation of any Environmental Laws, then Tenant agrees to, upon becoming aware of same: (x) notify Landlord immediately of any contamination, claim of contamination, release, loss or damage, (y) after consultation with Landlord, clean up the contamination in full compliance with, and to the extent required under, all Environmental Laws and (z) indemnify, defend and hold Landlord harmless from and against any claims, suits, causes of action, costs and fees, including, without limitation, reasonable attorney's fees and costs, arising from or connected with any such contamination, claim of contamination, release, loss or damage. Tenant will reasonably cooperate with Landlord and provide such non-privileged documents, affidavits and information as may be requested by Landlord (A) to comply with any Environmental Laws, (B) to comply with the request of any lender, purchaser or tenant, and/or (C) as otherwise deemed reasonably necessary by Landlord in its discretion. Upon becoming aware of same, Tenant will notify Landlord promptly in the event of any spill or other release of any Hazardous Material at, in, on, under or about the Premises which is required to be reported to a governmental authority under any Environmental Laws, will promptly forward to Landlord copies of any written notices received by Tenant (and shall notify Landlord of any oral notices) relating to alleged violations of any Environmental Laws related to the Premises or the Property, will promptly pay when due any fine or assessment against Landlord, Tenant or the Property and remove or bond any lien filed against the Property relating to any violation of Tenant's obligations with respect to Hazardous Material, provided that Tenant shall have the right to contest any such fine or assessment in good faith, provided that no lien may be allowed to filed against the Property during the pendency of such contest, and if any lien is so filed, Tenant shall promptly remove or bond any such lien.

(c) Landlord's Rights. Landlord will have the right, but not the obligation, without in any way limiting Landlord's other rights and remedies under this Lease, upon reasonable advance notice, to enter upon the Premises, or to take such other actions as it deems reasonably necessary or advisable, to investigate, clean up, remove or remediate any Hazardous Material or contamination by Hazardous Material present on, in, at, under or emanating from the Premises or the Property in violation of Tenant's obligations under this Lease or under any laws regulating Hazardous Material or that Tenant is liable under this Lease to clean up, remove or remediate. For the avoidance of doubt, any of the foregoing rights of Landlord in this Section 5.9(c) shall be exercised only after Tenant has had notice and an opportunity to remedy such matters and has failed or refused to do so within the time frames required under Environmental Law or, in the absence of any such prescribed time frame, within a reasonable period of time. Landlord and Tenant shall reasonably cooperate to negotiate, defend, approve and appeal, at Tenant's expense, any action taken or order issued by any governmental agency or authority against Tenant, Landlord or the Premises or the Property relating to any Hazardous Material or under any related law or the occurrence of any event or existence of any condition, which in any such case would cause or constitute a breach of any of Tenant's covenants set forth in this Section 5.9.

If Landlord possesses credible evidence that a release or other environmental condition in violation of Environmental Laws may have originated in or from the Premises during the Lease Term and was not caused by Landlord or its agents, employees or contractors, then, at Tenant's cost, Landlord may require an environmental audit of the Premises by a qualified environmental consultant. Tenant will, at its sole cost and expense, take all reasonable actions required under Environmental Law to remediate any environmental conditions for which it is responsible under this Lease.

5.10 CONDITION UPON TERMINATION.

Upon the expiration or termination of the Lease Term, Tenant will surrender the Premises to Landlord broom clean and in the condition which Tenant is required to maintain the Premises under this Lease. Tenant will not be obligated to repair any damage which Landlord is required to repair (including, without limitation, under Article 7), as well as ordinary wear and tear and damage due to casualty or

condemnation. Tenant shall not be required to remove any of Landlord's Work, any signs by or on behalf of Tenant, or any alterations, additions or improvements made by Tenant during the Lease Term, other than the specialty equipment and infrastructure in the Lab Area more particularly described on Exhibit C-2 attached hereto and any exterior signage on the Building installed by Tenant pursuant to Section 6.7 hereof Any work which Tenant is not required to remove will, at Landlord's option, become Landlord's property and will be surrendered to Landlord upon the expiration or earlier termination of the Lease, except that Tenant may remove any of Tenant's personal property, furniture, trade fixtures, machinery or equipment which can be removed without material damage to the Property so long as Tenant repairs any damage caused by such removal. Any of Tenant's property which shall remain in the Building or in the Premises after the expiration or termination of the Lease Term shall be deemed conclusively to have been abandoned, and either may be retained by Landlord as its property or may be disposed of in such manner as Landlord may see fit, at Tenant's sole cost and expense.

5.11 COVENANTS AND CONDITIONS.

Except as otherwise expressly provided herein, Tenant's performance of each of Tenant's obligations under this Lease is a condition as well as a covenant. Tenant's right to continue in possession of the Premises is conditioned upon such performance (but subject to all applicable notice and cure periods). Time is of the essence in the performance by Tenant and Landlord of all covenants and conditions under this Lease.

5.12 PARKING.

Tenant shall be entitled to park in the Parking Spaces and to use them in common with other tenants of Landlord. Tenant agrees not to overburden the parking facilities, which are shown on Exhibit B-1 attached hereto, by parking in spaces in excess of the number of Parking Spaces, agrees to reasonably cooperate with Landlord and other tenants in the use of parking facilities, and to abide by all reasonable rules and regulations regarding the use of such parking facilities as may now exist, or as may hereinafter be promulgated by Landlord, provided that (i) any such rules and regulations shall not materially increase Tenant's obligations or materially decrease Tenant's rights under this Lease, and (ii) in the event of any conflict or inconsistency between this Lease and such rules and regulations, this Lease shall control. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called "Permitted Size Vehicles." Vehicles other than Permitted Size Vehicles shall be parked and loaded or unloaded as reasonably directed by Landlord. Tenant and its employees, agents, contractors, and visitors shall not park overnight in the Property's parking areas without Landlord's prior written approval. Landlord reserves the right, in its absolute discretion, to determine whether parking facilities are becoming overcrowded, and in such event, to allocate parking spaces among tenants or to designate areas within which Tenant must park, provided that Tenant shall have the right at all times to the same number of Parking Spaces and any such designated parking area shall be located adjacent to the Building. Landlord further reserves the right to modify, restripe, and otherwise change the location of drives and parking spaces, so long as the Parking Spaces remain adjacent to the Building. Tenant and Tenant's employees, visitors and customers assume all responsibility for damage and theft to vehicles, except to the extent caused by the gross negligence or willful misconduct of Landlord, its employees, agents, and contractors. Tenant shall repair or cause to be repaired, at Tenant's sole cost and expense, any and all damage to the buildings on the Property caused by Tenant's, or Tenant's employees', visitors' or customers' use of such parking areas thereon. Landlord shall have no obligation to police the parking area or to insure the safety of Tenant's automobiles.

5.13 FLOOR LOAD.

Tenant shall not place a load upon any floor in the Premises exceeding 100 lbs. (live load) per square foot of the rentable area of the Premises, and in the event Tenant must place a load upon any such floor

in excess thereof, the parties shall reasonably cooperate, at Tenant's sole cost and expense, to determine reasonable engineering and construction requirements to achieve the desired floor load. Landlord reserves the right to reasonably prescribe the weight and position of all business machines and mechanical equipment, including safes, which shall be placed so as to distribute the weight. Business machines and mechanical equipment shall be placed and maintained by Tenant at Tenant's expense in settings sufficient, in Landlord's reasonable judgment, to absorb and prevent vibration, noise and annoyance. Tenant shall not move any safe, heavy machinery, heavy equipment, freight, bulky matter or fixtures into or out of the Building without Landlord's prior consent, which consent shall not be unreasonably withheld, conditioned or delayed and may include a requirement to provide insurance in such commercially reasonable amounts as Landlord may deem reasonable. If any such safe, machinery, equipment, freight, bulky matter or fixtures requires special handling, Tenant agrees to employ only persons holding a Master Rigger's License to do such work, and that all work in connection therewith shall comply with applicable laws and regulations. Any such moving shall be at the sole risk and hazard of Tenant, and Tenant will exonerate, indemnify and save Landlord harmless against and from any liability, loss, injury, claim or suit resulting directly or indirectly from such moving, except to the extent of any damages, losses, or claims arising due to the gross negligence or willful misconduct of Landlord and its employees, agents, and contractors.

5.14 NO RELOCATION.

Under no circumstances shall Landlord be permitted to relocate Tenant.

ARTICLE VI
LANDLORD'S COVENANTS

6.1 BUILDING SERVICES.

Landlord shall provide, as part of Operating Expenses, building services comparable to those provided in comparable buildings in the general vicinity of the Building. Without limiting the foregoing, Landlord shall provide the following services:

(a) Access to the Premises and Common Areas for duly authorized and identified employees of Tenant twenty-four hours per day, seven days per week, three hundred sixty-five days a year, through a key card system, subject to Landlord's right to close the Building in the event of an emergency or casualty.

(b) Necessary elevator facilities for access to the Premises, except if such services must be stopped for replacements or repairs in the reasonable judgment of the Landlord, in which event alternative access shall be provided by Landlord.

(c) Heat, ventilation and air-conditioning ("HVAC") to the Premises for comfortable office use during regular business hours (from 7:00 a.m. to 7:00 p.m. Monday through Friday on regular business days and from 8:00 a.m. to 1:00 p.m. on Saturdays). Minimum levels of heating and cooling are maintained throughout the Building after hours according to the respective seasons. If Tenant requires after hours HVAC service, such additional service shall be furnished at Tenant's request by use of a thermostat located within the Premises. Tenant agrees to pay to Landlord, as Additional Rent, the cost for such additional service as determined by Landlord in its reasonable discretion, but in no event at a charge less than Landlord's actual cost plus overhead for such additional service. The parties acknowledge that Landlord's current charge for after-hours HVAC service is $45.00 per hour, which is subject to adjustment from time to time (based on increases in actual cost). In the event Tenant introduces into the Building personnel or equipment which overloads the capacity of

the HVAC system serving the Premises or in any other way interferes with the ability of such system to perform adequately its proper functions, supplementary systems may, if and as needed, at Landlord's option, be provided by Landlord, and the cost of such supplementary systems shall be payable by Tenant to Landlord upon demand as Additional Rent.

(d) Cleaning of the Premises and the Common Areas, all in accordance with Landlord's reasonable cleaning specifications attached hereto as Exhibit E (provided, however, that Landlord shall not responsible for cleaning the Lab Area, and as a result, Tenant shall receive a $250/month credit toward Tenant's Pro Rata Share of increases in Operating Expenses payable by Tenant hereunder).

(e) Normal lighting of the main lobby, elevators, washrooms and stairs.

(f) Keep all roadways, walks and parking and loading areas reasonably free of snow and ice.

(g) Onsite property management customary for properties similar to the Property in the Route 128 South market.

6.2 LANDLORD'S MAINTENANCE OBLIGATIONS.

As of the Possession Date, the Building and all building systems serving the Premises shall be in good working order. Subject to the provisions of Article 7, Tenant's obligation to pay Additional Rent pursuant to Section 4.2, and the waiver of subrogation set forth in Section 5.3(d) hereof, except for damage caused by any act or omission of Tenant or Tenant's employees, agents, contractors or invitees, Landlord will maintain the Common Areas in good order, condition and repair and will keep the structural supports, exterior walls, foundation, and roof of the Building, the Building systems, the heating, ventilating and air conditioning systems serving the Premises and the Common Areas (but excluding any supplemental equipment, HVAC or other systems installed by Tenant or at Tenant's request or as a result of Tenant's requirements in excess of building standard design criteria; Landlord's Work shall be deemed to not exceed building standard design criteria) in good order, condition and repair, and in compliance with the Americans with Disabilities Act and all other applicable Legal Requirements. Landlord will not be obligated to maintain or repair windows, doors or plate glass. Tenant will promptly report in writing to Landlord any defective condition known to it which Landlord is required to repair. Landlord will repair, at Tenant's expense (subject to the waiver of subrogation set forth in Section 5.3(d) hereof), any damage to the Property caused by Tenant's acts or omissions which is Landlord's maintenance responsibility. Notwithstanding Tenant's obligations as set forth in Section 5.1 hereof, any alterations or improvements to the Premises that are required to comply with Legal Requirements that do not arise from Tenant's particular use of the Premises shall be performed by Landlord, and the costs thereof shall be reimbursable Operating Expenses pursuant to Section 4.2.3 hereof, except to the extent arising from a violation of Legal Requirements first occurring prior to the Possession Date.

6.3 EXEMPTION OF LANDLORD FROM LIABILITY.

Landlord will not be liable for any damage or injury to the person, business (or any loss of income therefrom), goods, wares, merchandise or other property of Tenant, Tenant's employees, invitees, customers or any other person or about the Property, whether such damage or injury is caused by or results from: (a) fire, steam, electricity, water, gas or rain; (b) the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures or any other cause; (c) conditions arising in or about the Property, or from other sources or places; (d) any curtailment or interruption in utility services or (e) any act or omission of any other tenant of the Property. Tenant will give Landlord prompt notice upon the occurrence of any accident or casualty at the Premises. The

provisions of this Section will not exempt Landlord from liability for its gross negligence or willful misconduct or that of its employees, agents, and contractors; provided, however, Landlord will not be liable for any consequential damages.

Tenant expressly acknowledges that whether or not Landlord, from time to time, elects to provide security services, Landlord has not, nor will Landlord be deemed to have, warranted the efficiency of any security personnel, service, procedures or equipment and Landlord is not liable in any manner for the failure of any of the foregoing to prevent, control or apprehend anyone suspected of theft, personal injury, property damage or any criminal conduct in, on or around the Building. Tenant shall be responsible for repairs of damage and restoration of the Premises, personal property or equipment servicing the Premises following any such act.

6.4 LANDLORD'S INSURANCE.

During the Lease Term, Landlord will maintain in effect all risk insurance covering loss of or damage to the Property in the amount of its replacement value with such endorsements and deductibles as Landlord determines from time to time. Landlord will have the right to obtain flood, earthquake, and such other insurance as Landlord determines from time to time or is required by any mortgagee of the Property. Landlord will not insure Tenant's fixtures or equipment or building improvements installed or paid by Tenant. Landlord shall obtain commercial general liability insurance with limits of One Million Dollars ($1,000,000) per occurrence and Two Million Dollars ($2,000,000) aggregate, with an excess/umbrella liability policy with a limit of Fifty Million Dollars ($50,000,000) aggregate, insuring Landlord against liability with respect to the Premises and the Property. The policy obtained by Landlord will not provide primary insurance, will not be contributory and will be excess over any liability insurance maintained by Tenant. Any increase in the cost of Landlord's insurance due to Tenant's particular use or activities at the Premises will be paid by Tenant to Landlord as Additional Rent, provided, however, that Landlord represents to Tenant that, as of the date hereof, customary conduct of the Permitted Uses in the Premises shall not cause any such increase (and in the event of such an increase, such increase shall not be payable directly by Tenant, but shall be reimbursable Operating Expenses pursuant to Section 4.2.3 hereof).

6.5 LANDLORD'S ACCESS.

Landlord or its agents may enter the office space portions of the Premises, upon 24 hours' notice to Tenant (except in the case of an emergency), to show the Premises to potential buyers, investors or other parties for routine property inspections and maintenance or for any other purpose Landlord deems reasonably necessary, and, within the last twelve (12) months of the Lease Term, potential tenants. Landlord or its agents may enter the Lab Area portion of the Premises, upon at least 24 hours' notice to Tenant and only when accompanied by a representative of Tenant.

6.6 LANDLORD'S RIGHT TO COMMON AREAS.

At any time upon reasonable advance notice to Tenant (except in case of an emergency), Landlord may close any Common Areas to perform any acts as, in Landlord's reasonable judgment, are desirable to maintain or improve the Property. In addition, Landlord, from time to time, may change the size, location, nature, and use of any of the Common Areas, convert Common Areas into leasable areas, construct additional parking facilities in the Common Areas, and increase or decrease Common Area land or facilities so long as Tenant's use of the Premises is not materially affected.

6.7 SIGNS.

Landlord shall provide and install, at Landlord's expense, Building standard signage on the principal entry doors to the Premises. Landlord will also maintain a tenant directory in the main lobby of the

Building in which will be placed, at Landlord's expense, Tenant's name and the location of the Premises in the Building; all such letters and numerals to be in the Building standard graphics. Additionally, Tenant will be provided with signage (a) at Landlord's expense, on the exterior monument sign at the entrance to the Building, the size of such signage to be approximately proportionate to Tenant's share of space within the Building and the appearance of such signage to be mutually agreeable to the parties, and (b) at Tenant's expense, in the main lobby of the Building, the location, size, and scale of such signage to be mutually agreeable to the parties. All such signage described in this paragraph shall be installed on or prior to the Term Commencement Date, subject to Tenant's reasonable cooperation with Landlord to agree upon all such signage at least sixty (60) days prior to the Term Commencement Date.

In the event that Tenant occupies either (i) fifty percent (50%) or more of the rentable area of the Building or (ii) is the largest tenant of the Building after the Building has become eighty percent (80%) or more occupied, Tenant thereafter shall have the right to install, at its sole expense, subject to compliance with all municipal regulations, ordinances, and codes and subject to Landlord's prior written approval of such signage, which approval shall not be unreasonably withheld, signage on the exterior of the Building.

ARTICLE VII
CASUALTY AND CONDEMNATION

7.1 DAMAGE TO PREMISES.

(a) If the Premises are destroyed or rendered untenantable, either wholly or in part, by fire or other casualty ("Casualty"), Tenant will immediately notify Landlord in writing upon the occurrence of such Casualty and becoming aware of same.

(b) If (i) based on the estimate of Landlord's architect or contractor (which shall be provided to Tenant within thirty (30) days after Landlord's receipt of notice of the Casualty (the "Contractor Notice Period"), it will take Landlord more than 9 months following the date of Casualty to rebuild the Premises or (ii) the Casualty occurs during the last 6 months of the Lease Term and the damage is reasonably estimated by Landlord to require more than 30 days to repair, Landlord and Tenant may each elect to terminate the Lease Term as of the date the Casualty occurred, which must be exercised by written notification to the other party within 10 days after the expiration of the Contractor Notice Period.

(c) In the event that Landlord commences to rebuild the Premises but does not achieve Substantial Completion of such work within 9 months after the date of Casualty, subject to Tenant Delay(s) and Section 11.14 hereof, Tenant shall have the right, but not the obligation, to terminate this Lease upon thirty (30) days' prior written notice to Landlord delivered within thirty (30) days after the expiration of such 9 month period (time being of the essence), provided, however, that if Landlord achieves Substantial Completion of such work and delivers the restored Premises to Tenant within thirty (30) days after Tenant's delivery to Landlord of such termination notice, such notice shall be deemed to be null and void and this Lease shall continue in full force and effect.

(d) In the event that Landlord reasonably determines that Landlord's insurance proceeds are less than the estimated cost to repair the Casualty, Landlord shall have the right, but not the obligation, to terminate this Lease upon written notice to Tenant within thirty (30) days after Landlord determines the inadequacy of such proceeds for such repairs.

(e) If this Lease is not terminated pursuant to this Section 7.1, Landlord shall repair the damage caused by the Casualty as soon as reasonably possible and this Lease will remain in full force and effect.

(f) If a Casualty occurs, any Rent payable during the period of such damage, repair and/or restoration or otherwise thereafter will be reduced according to the degree, if any, to which Tenant's use of the Premises is impaired.

(g) The provisions of this Article 7 will govern the rights and obligations of Landlord and Tenant in the event of any damage or destruction of or to the Property. Tenant waives the protection of any statute, code or judicial decision which grants a tenant the right to terminate a lease in the event of the damage or destruction of the leased property.

7.2 CONDEMNATION.

If more than 20% of the floor area of the Premises or more than 25% of the parking on the Property is taken by eminent domain, either Landlord or Tenant may terminate the Lease Term as of the date the condemning authority takes title or possession, by delivering notice to the other within 10 days after receipt of written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority takes title or possession). If neither party terminates the Lease Term, this Lease will remain in effect as to the portion of the Premises not taken, except that the Base Rent will be reduced in proportion to the reduction in the floor area of the Premises, Tenant's Pro Rata Share shall be reduced accordingly and all other terms of this Lease dependent on the floor area of the Premises shall be equitably adjusted. Any condemnation award or payment will be paid to Landlord. Tenant will have no claim against Landlord for the value of the unexpired lease term or otherwise; provided, however, Tenant may make a separate claim with the condemning authority for its personal property and/or moving costs so long as Landlord's award is not reduced thereby.

ARTICLE VIII
ASSIGNMENT AND SUBLETTING

8.1 LANDLORD'S CONSENT REQUIRED.

Except as set forth in Section 8.4 hereof, Tenant will not assign or transfer this Lease or sublease the Premises or any part thereof or interest therein, or mortgage, pledge or hypothecate its leasehold interest, without Landlord's prior written consent, which shall not be unreasonably withheld, conditioned, or delayed. Unless Tenant is a publicly traded company, and except as set forth in Section 8.4 hereof, a transfer of a controlling interest in Tenant will be deemed an assignment of this Lease. Any attempted transfer without consent will be void and constitute a non-curable Event of Default under this Lease (as defined below). Tenant's request for consent will include the details of the proposed sublease or assignment, including the name, business and financial condition of the prospective transferee, financial details of the proposed transaction (e.g., the term of and the rent and security deposit payable under any proposed assignment or sublease), and any other information Landlord reasonably deems relevant. Landlord will have the right to withhold or grant consent, in its reasonable business judgment, based on the following factors: (i) the business of the proposed assignee or subtenant and the proposed use of the Premises; (ii) the net worth and financial condition of the proposed assignee or subtenant in relation to its obligations under the proposed assignment or sublease; (iii) Tenant's compliance with all of its obligations under this Lease; (iv) such other factors as Landlord may reasonably deem relevant. Tenant shall not advertise or promote a rental rate in connection with such proposed sublease or assignment that is less than Landlord's then current asking rental rate, provided that there shall not be a minimum rental rate requirement for any actual executed sublease or assignment. Tenant will promptly furnish to Landlord copies of all transaction documentation. Notwithstanding any provision in this Lease to the contrary, Tenant shall not assign, sublet or otherwise transfer any of its interests or rights hereunder to any tenant, subtenant or occupant in the Building, or any tenant, subtenant or occupant at any other property owned by Landlord or any affiliate of Landlord, without the prior written consent of Landlord which shall be granted or denied in its sole discretion, except in the case of a sublease where Landlord

does not then have space directly available in the Building that is comparable to Tenant's sublease space, in which case Landlord's consent shall not be unreasonably withheld, conditioned or delayed (subject to the foregoing factors).

If this Lease is assigned, or if the Premises or any part thereof is sublet or occupied by anyone other than Tenant, Landlord may, at any time and from time to time, collect rent and other charges from the assignee, subtenant or occupant, and apply the net amount collected to the rent and other charges herein reserved, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of the requirements of this Article VIII, or the acceptance of the assignee, subtenant or occupant as a tenant or a release of Tenant from the further performance by Tenant of its obligations hereunder.

8.2 OFFER TO TERMINATE.

If Tenant desires to assign this Lease or sublease all or any part of the Premises to a party other than to a Permitted Transferee, Tenant will notify Landlord and Landlord for a period of 30 days will have the right to terminate the Lease Term. If Tenant desires to sublease only a portion of the Premises, and such portion is subdividable (with any costs paid by Tenant), then the right to terminate may be exercised with respect to only that portion of the Premises to be subleased. In the event that Landlord exercises such right to terminate, then Tenant may rescind its proposed assignment or sublease by written notice to Landlord within ten (10) days after receipt of Landlord's written notice of termination, in which case such termination shall be null and void and this Lease shall continue in full force and effect. If Landlord elects not to terminate the Lease Term as provided in this Section 8.2, Tenant shall pay to Landlord 50% of any net profits received by Tenant (after deduction of Tenant's reasonable transaction costs including tenant improvements, leasing commissions, legal expenses, and free rent) from any assignment of this Lease or sublet of the Premises to a party other than a Permitted Transferee.

8.3 NO RELEASE OF TENANT.

Notwithstanding any assignment or subletting, Tenant will at all times remain fully responsible and primarily liable for the payment of Rent and compliance with all of Tenant's obligations under this Lease. Consent to one transfer will not be deemed a consent to any subsequent transfer or a waiver of the obligation to obtain consent on subsequent occasions. If Tenant's assignee or transferee defaults under this Lease, Landlord may proceed directly against Tenant without pursuing remedies against the assignee or transferee.

8.4 PERMITTED TRANSFERS BY TENANT.

Notwithstanding the foregoing or any other restrictions set forth herein, the provisions of this Article VIII relating to the necessity of Landlord's prior consent shall not, however, be applicable to any transfer or assignment of this Lease or a sublease of all or any portion of the Premises as follows:

(a) to any Affiliate;
(b) pursuant to a sale or transfer of all or substantially all of the assets of Tenant; or
(c) pursuant to any merger, consolidation or reorganization of Tenant;

provided that, prior to any such transfer, assignment, or sublease (or promptly after if required by law or due to confidentiality requirements), Tenant shall deliver written notice thereof to Landlord accompanied by reasonable evidence that the assignee, transferee, or subtenant (each, a "Permitted Transferee"), as is the case, (i) will use the Premises for a use comparable to that of Tenant's (and consistent with the Permitted Uses); (ii) has a financial standing comparable to Tenant; and (iii) has a tangible net worth not less than the greater of Tenant's tangible net worth (A) as of the date of this Lease or (B) the date of the proposed assignment or transfer.

The capitalized term "Affiliate" as used in this Section 8.4 shall mean an entity which controls or is controlled by or is under common control with Tenant.

ARTICLE IX
DEFAULTS AND REMEDIES

9.1 DEFAULTS.

Each of the following constitutes an "Event of Default" under this Lease:

(a) Tenant fails to pay Rent or any other sum payable under this Lease within 5 days after it is due, provided that for the first such failure in any rolling twelve (12) month period, such failure shall not be an Event of Default unless and until such failure continues for more than five (5) days after delivery of written notice from Landlord to Tenant of such failure;

(b) Tenant fails to perform any of Tenant's other obligations under this Lease and such failure continues for a period of 30 days after notice from Landlord; provided that if more than 30 days are reasonably required to complete such performance, Tenant will not be in default if Tenant commences such performance within the 30 day period and thereafter pursues its completion with diligence and continuity;

(c) Tenant abandons the Premises; or

(d) Tenant becomes insolvent or bankrupt, has a receiver or trustee appointed for any part of its property, makes an assignment for the benefit of its creditors, or any proceeding is commenced either by Tenant or against it under any bankruptcy or insolvency laws, which proceeding is not dismissed within 60 days; provided, however, if a court of competent jurisdiction determines that any of the acts described in this subsection (d) is not an Event of Default under this Lease, and a trustee is appointed to take possession (or if Tenant remains a debtor in possession) and such trustee or Tenant assigns, subleases, or transfers Tenant's interest hereunder, then Landlord will receive, as Additional Rent, the excess, if any, of the rent (or any other consideration) paid in connection with such assignment, transfer or sublease over the Rent payable by Tenant under this Lease.

9.2 REMEDIES.

On the occurrence of an Event of Default, Landlord may, at any time thereafter, with or without further notice or demand, and without limiting Landlord in the exercise of any right or remedy which Landlord may have:

(a) Terminate the Lease Term by written notice to Tenant. Tenant will then immediately quit and surrender the Premises to Landlord, but Tenant will remain liable as hereinafter provided. Following termination, without prejudice to other remedies Landlord may have by reason of Tenant's default or of such termination, Landlord may (i) peaceably reenter the Premises upon voluntary surrender by Tenant or remove Tenant therefrom and any other persons occupying the Premises, using such legal proceedings as may be available; (ii) repossess the Premises or relet the Premises or any part thereof for such term (which may be for a term extending beyond the Lease Term), at such rental and upon such other terms and conditions as Landlord in Landlord's sole discretion determines, with the right to make alterations and repairs to the Premises; and (iii) remove all personal property therefrom.

The amount of damages Tenant will pay to Landlord following termination will include all Rent unpaid up to the termination of the Lease Term, the value of any free, abated or reduced rent provided for in this Lease as set forth in Section 9.4 hereof (if applicable), actual out of pocket costs and expenses incurred by Landlord due to such Event of Default and, in addition, Tenant will pay to Landlord as damages, at the election of Landlord (if Landlord shall elect subsection (y) below, it may cease such election at any time), either (x) the amount, discounted to present value (at the then Federal Reserve Bank discount rate) by which, at the time of the termination of the Lease Term or of Tenant's right to possession (or, if Landlord initially elects damages under subsection (y) below, on the date on which Landlord thereafter elects this subsection (x)), (i) the aggregate of the Rent and other charges projected over the period commencing with such termination and ending on the expiration date of this Lease exceeds (ii) the aggregate projected rental value of the Premises for such period; or (y) amounts equal to the Rent and other charges which would have been payable by Tenant had the Lease Term or Tenant's right to possession not been so terminated, payable upon the due dates therefor specified herein following such termination and until the expiration date of this Lease, provided, however, that if Landlord re-lets the Premises during such period, Landlord will credit Tenant with the net rents received by Landlord from such re-letting, such net rents to be determined by first deducting from the gross rents received from such re-letting the expenses incurred or paid by Landlord in terminating this Lease, and the reasonable expenses of re-letting, including, without limitation, altering and preparing the Premises for new tenants, brokers' commissions and reasonable legal fees, it being understood that any such reletting may be for a period equal to or shorter or longer than the remaining Lease Term; and provided, further, that in no event (i) will Tenant be entitled to receive any excess of such net rents over the sums payable by Tenant to Landlord hereunder or (ii) will Tenant be entitled in any suit for the collection of damages pursuant to this subsection (y) to a credit in respect of any net rents from a re-letting except to the extent that such net rents are actually received by Landlord prior to the commencement of such suit.

If the Premises or any part thereof are re-let in combination with other space, then proper apportionment on a square foot area basis will be made of the rent received from such re-letting and of the expenses of re-letting. In calculating the Rent and other charges under subsection (x) above, there will be included, in addition to the Rent, other considerations agreed to be paid or performed by Tenant, on the assumption that all such considerations would have remained constant for the balance of the full Lease Term hereby granted. Landlord may re-let the Premises or any part thereof for such rent and on such terms as it determines (including the right to re-let the Premises for a greater or lesser term than the Lease Term, the right to re-let the Premises as part of a larger area and the right to change the character or use made of the Premises). Landlord will use reasonable efforts to relet the Premises and otherwise to mitigate Tenant's damages upon redelivery of the Premises to Landlord. Suit or suits for the recovery of damages, or any installments thereof, may be brought by Landlord from time to time at its election, and nothing contained herein will be deemed to require Landlord to postpone suit until the date when the Lease Term would have expired if it had not been terminated hereunder.

(b) Maintain Tenant's right to possession, in which case this Lease will continue in effect whether or not Tenant has abandoned the Premises. In such event, Landlord will be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the Rent as it becomes due.

(c) Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the state in which the Property is located.

9.3 DAMAGES.

On any termination, Landlord's damages will include all costs and fees, including reasonable attorneys' fees that Landlord incurs in connection with any bankruptcy court or other court proceeding with respect to the Lease, the obtaining of relief from any stay in bankruptcy restraining any action to evict Tenant, or

the pursuing of any action with respect to Landlord's right to possession of the Premises. All such damages suffered (apart from Rent payable hereunder) will constitute pecuniary damages which will be paid to Landlord prior to assumption of the Lease by Tenant or any successor to Tenant in any bankruptcy or other proceedings.

9.4 REPAYMENT OF "FREE" RENT.

The abated Base Rent for the period between the Term Commencement Date and the Rent Commencement Date shall be referred to herein as the "Abated Rent". Tenant shall be credited with having paid all of the Abated Rent on the expiration of the Lease Term only if Tenant has fully, faithfully, and punctually performed all of Tenant's obligations hereunder, including the payment of all Rent (other than the Abated Rent) and all other monetary obligations, subject to the balance of this Section 9.4, and the surrender of the Premises in the physical condition required by this Lease. Tenant acknowledges that its right to receive credit for the Abated Rent is absolutely conditioned upon Tenant's full, faithful and punctual performance of its obligations under this Lease. If an Event of Default shall occur and this Lease shall be terminated, and Landlord does not otherwise recover the full amount of Rent for the period commencing with such termination and ending on the expiration date of this Lease to extent set forth in Section 9.2 hereof, then the then-unamortized portion of the Abated Rent (calculated by amortizing such amount on a straight-line basis over a ten (10) year term) shall immediately become due and payable in full and this Lease shall be enforced as if there were no such Rent abatement. In such case, Abated Rent shall be calculated based on the full initial Rent payable under this Lease.

9.5 CUMULATIVE REMEDIES.

Except as otherwise expressly provided herein, any and all rights and remedies which either party may have under this Lease and at law and equity are cumulative and will not be deemed to be inconsistent with each other, and any two or more of all such rights and remedies may be exercised at the same time to the greatest extent permitted by law.

ARTICLE X
PROTECTION OF LENDERS

10.1 SUBORDINATION.

This Lease shall be subordinated to any Mortgage (as hereinafter defined) encumbering the Property, provided that (i) as a condition to the occurrence of the Term Commencement Date, Landlord shall obtain and deliver to Tenant an instrument in commercially reasonable form providing that the ground lessor, mortgagee or beneficiary of such Mortgage (each, "Mortgagee") agrees that in the event of the foreclosure or termination of such Mortgage, this Lease and the rights of Tenant hereunder will continue in full force and effect so long as Tenant continues to comply with all its obligations hereunder (an "SNDA") from the current Mortgagee of the Property substantially in the form of Exhibit F attached hereto; and (ii) Landlord shall obtain and deliver to Tenant an SNDA from any future Mortgagee in commercially reasonable form prior to any future Mortgage encumbering the Property. "Mortgage" includes any present or future mortgage, deed of trust or ground lease, together with any amendments, additional advances, restatements, modifications or consolidations of such instrument. If any ground lessor, beneficiary or mortgagee elects to have this Lease prior to the lien of its Mortgage and gives written notice thereof to Tenant, this Lease will be deemed prior to such Mortgage whether this Lease is dated prior or subsequent to the date of said Mortgage or the date of recording thereof In the event of any conflict between this Lease and an SNDA, the terms of such SNDA shall control as between Tenant and the Mortgagee that is party to such SNDA.

10.2 ATTORNMENT.

So long as Landlord has complied with its obligations under Section 10.1 to deliver an SNDA from such Mortgagee, if Landlord's interest in the Property is acquired by any Mortgagee or purchaser of such Mortgagee's interest at a foreclosure sale, Tenant will attorn to the transferee of or successor to Landlord's interest in the Property and recognize such transferee or successor as successor Landlord under this Lease and Tenant waives the protection of any statute or rule of law which gives Tenant any right to terminate this Lease or surrender possession of the Premises upon the transfer of Landlord's interest.

10.3 NOTICE TO MORTGAGEES.

Upon receipt of a written request by Landlord or any holder of a Mortgage on all or any part of the Building, Tenant will thereafter simultaneously send any such holder copies of all notices of default or termination or both given by Tenant to Landlord in accordance with any provision of this Lease. In the event of any failure of Landlord to perform, fulfill or observe any agreement by Landlord herein or any breach by Landlord of any representation or warranty herein, any such holder may, at its election, within a reasonable period of time of receiving such notice, cure such failure or breach for and on behalf of Landlord and such cure shall, as to Tenant, be deemed to be performance, fulfillment or observance by Landlord hereunder. The provisions of this Section 10.3 shall apply to any successor in interest of such holder.

10.4 ESTOPPEL CERTIFICATES.

Within 10 business days after Landlord's request, Tenant will execute, acknowledge and deliver to Landlord a written statement certifying: (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how they have been changed); (ii) that this Lease has not been canceled or terminated; (iii) the last date of payment of the Base Rent and other charges, the amount of such payment(s) and the time period covered by such payment(s); (iv) that to Tenant's knowledge Landlord is not in default under this Lease (or if Landlord is claimed to be in default, setting forth such default in reasonable detail); and (v) such other information with respect to Tenant or this Lease as Landlord may reasonably request or which any prospective purchaser or encumbrancer of the Property may reasonably require. Landlord may deliver any such statement by Tenant to any prospective purchaser or encumbrancer of the Property to which such statement is addressed, and such purchaser or encumbrancer may rely conclusively upon such statement as true and correct.

10.5 TENANT'S FINANCIAL CONDITION.

Unless Tenant is then a publicly traded company, within 10 business days after request from Landlord from time to time, Tenant will deliver to Landlord Tenant's financial statements (in the form kept in the ordinary course of business and audited, if available) for the most recent two fiscal years. Such financial statements may be delivered to Landlord's mortgagees and lenders and prospective mortgagees, lenders and purchasers so long as any such party enters into a commercially reasonable confidentiality agreement. Landlord shall exercise commercially reasonable efforts to keep all non-public financial statements confidential to Landlord and such mortgagees or prospective purchasers and their respective attorneys, accountants and representatives, and Landlord will use them only in connection with the Property and this Lease.

ARTICLE XI
MISCELLANEOUS PROVISIONS

11.1 COVENANT OF QUIET ENJOYMENT.

Tenant on paying the Rent and performing its obligations hereunder will peacefully and quietly have, hold and enjoy the Premises throughout the Lease Term without any manner of hindrance from Landlord, subject however to all the terms and provisions hereof

11.2 LANDLORD'S LIABILITY.

The obligations of this Lease run with the land, and this Lease will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. As used herein, "Landlord" shall mean the owner from time to time of Landlord's estate and property in the Building and the Property, and if such estate and property is sold or transferred, the seller or transferor shall thereupon be relieved of all obligations and liabilities hereunder thereafter arising or occurring, so long as the purchaser or transferee shall thereupon have assumed and agreed to perform and observe all obligations and liabilities hereunder thereafter arising or occurring or based on occurrences or situations thereafter arising or occurring, subject in any event to the provisions of this Section 11.2. No owner of the Property will be liable under this Lease except for breaches of Landlord's obligations occurring while it is owner of the Property, except to the extent any breaches of a prior owner continue during such owner's period of ownership (provided that such liability for such continuing defaults shall not be applicable to any foreclosing Mortgagee or subsequent purchaser or transferee of such Mortgagee unless otherwise agreed upon by Mortgagee and Tenant). The obligations of Landlord will be binding upon the assets of Landlord which comprise the Property but not upon other assets of Landlord. No individual Representative of Landlord will be personally liable under this Lease or any other instrument, transaction or undertaking contemplated hereby.

11.3 NOTICE TO LANDLORD.

Tenant will give written notice of any failure by Landlord to perform any of its obligations under this Lease to Landlord and to any ground lessor, mortgagee or beneficiary under any Mortgage encumbering the Property whose name and address have been furnished to Tenant. Landlord will not be in default under this Lease unless Landlord (or such ground lessor, mortgagee or beneficiary) fails to cure such non-performance within 30 days after receipt of Tenant's notice or such longer period as may be required to diligently complete such matter, subject to Section 11.14 hereof. If Landlord (or such ground lessor, mortgagee or beneficiary) cannot perform any of its obligations due to events beyond its reasonable control, the time provided for performing such obligations will be extended by a period of time equal to the duration of such events. Events beyond Landlord's reasonable control include, but are not limited to, acts of God, war, civil commotion, labor disputes, strikes, fire, flood or other casualty or weather conditions, shortages of labor or material, and Legal Requirements.

11.4 HOLDING OVER.

If Tenant does not vacate the Premises upon the expiration or earlier termination of this Lease, (a) Tenant will indemnify Landlord against all damages, costs, liabilities and expenses, including reasonable attorneys' fees, which Landlord incurs on account of Tenant's failure to vacate and (b) upon the expiration or earlier termination of this Lease, the Base Rent will increase as follows: (i) to 150% of the Base Rent in effect during the last month of the Term, for the first two (2) months that Tenant has failed to vacate the Premises following the expiration or earlier termination of this Lease, and (b) to 200% of the Base Rent in effect for the last month of the Term from the third month that Tenant has failed to vacate the Premises following the expiration of earlier termination of the Lease until the date that Tenant

vacates the Premises, and, in both cases, Tenant's obligation to pay Additional Rent will continue. Any holdover by Tenant does not constitute an extension of the Lease or recognition by Landlord of any right of Tenant to remain in the Premises. Base Rent during such holdover shall be computed on a monthly basis and shall be payable on the first day of such holdover period and the first day of each calendar month thereafter during such holdover period until the Premises have been vacated. Notwithstanding anything to the contrary in this Lease, under no circumstances shall Tenant be liable for consequential damages hereunder as a result of any holdover.

11.5 LANDLORD'S RIGHT TO CURE.

If Tenant defaults in the performance of any obligation under this Lease beyond applicable notice and cure periods, Landlord will have the right (but is not required) to perform such obligation and, if necessary, to enter upon the Premises for purposes thereof All costs incurred by Landlord (together with interest at the rate of 15% per year but not to exceed the highest legal rate) will be deemed to be Additional Rent under this Lease and will be payable to Landlord immediately on demand accompanied by reasonable backup documentation. Landlord may exercise the foregoing rights without waiving any of its other rights or releasing Tenant from any of its obligations under this Lease.

11.6 INTERPRETATION.

The captions of the Articles or Sections of this Lease are not a part of the terms or provisions of this Lease. Whenever required by the context of this Lease, the singular includes the plural and the plural includes the singular. The masculine, feminine and neuter genders each include the other. In any provision relating to the conduct, acts or omissions of Tenant, the term "Tenant" includes Tenant's agents, employees, contractors, invitees, successors or others using the Premises with Tenant's express or implied permission (other than Landlord and its employees, agents, and contractors). This Lease does not, and nothing contained herein, will create a partnership or other joint venture between Landlord and Tenant. A determination by a court of competent jurisdiction that any provision of this Lease or any part thereof is illegal or unenforceable will not invalidate the remainder of such provision, which will remain in full force and effect.

11.7 INCORPORATION OF PRIOR AGREEMENTS; MODIFICATIONS.

This Lease is the only agreement between the parties pertaining to the lease of the Premises. All amendments to this Lease must be in writing and signed by all parties. Any other attempted amendment will be void.

11.8 NOTICES.

All notices, requests and other communications required or permitted under this Lease will be in writing and personally delivered or sent by a national overnight delivery service which maintains delivery records. Notices will be delivered to Tenant's Notice Address or to Landlord's Notice Address, as appropriate. All notices will be effective upon delivery (or refusal to accept delivery). Either party may change its notice address upon written notice to the other party. Attorneys for a party may give notice on behalf of that party.

11.9 WAIVERS.

All waivers will be in writing and signed by the waiving party. Landlord's failure to enforce any provision of this Lease or its acceptance of Rent is not a waiver and will not prevent Landlord from enforcing that provision or any other provision of this Lease in the future. Tenant's failure to enforce any provision of this Lease is not a waiver and will not prevent Tenant from enforcing that provision or

any other provision of this Lease in the future. No statement on a payment check from Tenant or in a letter accompanying a payment check will be binding on Landlord. Landlord may, with or without notice to Tenant, negotiate such check without being bound by to the conditions of such statement.

11.10 BINDING EFFECT; CHOICE OF LAW.

This Lease will bind any party who legally acquires any rights or interest in this Lease from Landlord or Tenant, provided that Landlord will have no obligation to Tenant's successor unless the rights or interests of Tenant's successor are acquired in accordance with the terms of this Lease. The laws of the state in which the Property is located govern this Lease. The parties hereto waive trial by jury in any action, proceeding or counterclaim brought by any party(ies) against any other party(ies) on any matter arising out of or in any way connected with this Lease or the relationship of the parties hereunder.

11.11 EXECUTION OF LEASE.

This Lease may be executed in counterparts and, when all counterpart documents are executed and delivered, the counterparts will constitute a single binding instrument. Landlord's delivery of this Lease to Tenant (and vice versa) is not be deemed to be an offer to lease and will not be binding upon either party until executed and delivered by both parties. Tenant and Landlord each represent and warrant to the other that the person(s) signing this Lease on its behalf has full authority to do so, and that this Lease binds the Tenant. Upon request of Landlord, Tenant shall deliver to Landlord such evidence as is reasonably acceptable to Landlord of such party's authority to execute and deliver this Lease. All parties signing this Lease as "Tenant" shall be jointly and severally liable for all obligations of Tenant.

11.12 SURVIVAL.

All representations and warranties of Landlord and Tenant, the indemnities under Section 5.4, the provisions of Section 5.9 and all obligations of Tenant and Landlord with respect to Additional Rent hereunder, in each case with respect to matters and/or obligations first accruing during the Lease Term, shall survive the termination of this Lease.

11.13 SECURITY DEPOSIT.

Upon the execution of this Lease and as a condition precedent to the effectiveness of this Lease, Tenant shall deposit with Landlord the Security Deposit. Landlord may, at its option, apply all or part of the Security Deposit to any unpaid Rent or other charges due from Tenant, cure any other defaults of Tenant, or compensate Landlord for any loss or damage which Landlord may suffer due to Tenant's default for which Tenant is liable under this Lease. If Landlord uses any part of the Security Deposit, Tenant will restore the Security Deposit to its full amount within 10 days after Landlord's request. No interest will be paid on the Security Deposit, no trust relationship is created herein between Landlord and Tenant with respect to the Security Deposit, and the Security Deposit may be commingled with other funds of Landlord. Within thirty (30) days after the expiration or termination of this Lease not resulting from Tenant's default and after Tenant has vacated the Premises in the manner required by this Lease, Landlord will pay to Tenant any balance of the Security Deposit not applied pursuant to this Section. If the Security Deposit is in the form of an unconditional, irrevocable letter of credit, such letter of credit will be issued by a financial institution and in a form reasonably acceptable to Landlord. Provided that upon each such anniversary of the Rent Commencement Date, Tenant is not then in default of its obligations under this Lease beyond applicable notice and cure periods, on each of the first (1st), second (2nd), third (3rd), fourth (4th), and fifth (5th) anniversaries of the Rent Commencement Date, upon written request from Tenant, the Security Deposit shall be reduced by one-sixth, Landlord shall return $101,144.84 of the Security Deposit to Tenant, and, provided that Tenant has qualified for each such reduction, from and after the fifth (5th) anniversary of the Rent Commencement Date for the remainder of

the Lease Term, the Security Deposit shall be deemed to be in the amount of $101,144.85 (provided that any and all outstanding defaults of Tenant shall be cured prior to Landlord returning any such portion of the Security Deposit to Tenant). If the Security Deposit is in the form of a letter of credit, Tenant shall deliver a replacement letter of credit or amendment to the current letter of credit in each such reduced amount and, in the case of a replacement, Landlord shall return the then current letter of credit to Tenant upon receipt of each such replacement letter of credit. Notwithstanding anything in this Section 11.13 to the contrary, in the event that Tenant fails to qualify for any such reduction in the Security Deposit due to a default beyond applicable notice and cure periods, Tenant's right to such reduction and any and all subsequent reductions provided hereunder shall be deemed to be forfeit and null and void, and the Security Deposit shall remain at its then current amount for the remainder of the Lease Term.

11.14 ACTS OF GOD.

In any case where either party is required to do any act (other than the payment of money), delays caused by or resulting from Acts of God, war, civil commotion, fire, floor or other casualty, labor difficulties, shortages of labor, materials or equipment, government regulations, unusually severe weather, or other causes beyond such party's reasonable control, shall not be counted in determining the time during which such act shall be completed, whether such time be designated by a fixed date, a fixed time or a "reasonable time", and such time shall be deemed to be extended by the period of such delay.

11.15 NO OTHER BROKERS.

Landlord and Tenant each represent and warrant to the other that the Brokers are the only agents, brokers, finders or other parties with whom it has dealt who may be entitled to any commission or fee with respect to this Lease. Landlord shall be responsible for paying the commission due to the Brokers in connection with this Lease pursuant to separate written agreements. Landlord and Tenant each agree to indemnify and hold the other party harmless from any claim, demand, cost or liability, including, without limitation, attorneys' fees and expenses, asserted by any party other than the Brokers based upon dealings with that party.

11.16 LEGAL COSTS.

In any enforcement proceeding brought by either party with respect to this Lease, the non-prevailing party will pay to the prevailing party in such proceeding all costs, including reasonable attorneys' fees and court costs, incurred by such other party with respect to said proceeding and any appeals therefrom.

Tenant will pay Landlord its actual and reasonable out of pocket fees and expenses incurred in connection with any act by Tenant which requires Landlord's consent or approval under this Lease, not to exceed Two Thousand Five Hundred Dollars ($2,500).

11.17 LEASE NOT TO BE RECORDED.

Tenant agrees that it will not record this Lease. Both parties shall, upon the request of either, execute and deliver a Notice of Lease in form as permitted by applicable law for recording or filing with the appropriate Registry of Deeds. The party requesting such Notice of Lease shall be responsible for the recording or filing thereof and all recording/filing fees associated therewith.

11.18 PATRIOT ACT.

Each party hereto shall take any actions that may be required to comply with the terms of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, H.R. 3162, Public Law 107-56 (commonly known as the "USA Patriot Act"), as amended,

any regulations promulgated under the foregoing law, Executive Order No. 13224 on Terrorist Financing, any sanctions program administrated by the U.S. Department of Treasury's Office of Foreign Asset Control or Financial Crimes Enforcement Network, or any other laws, regulations, executive orders or government programs designed to combat terrorism or money laundering, or the effect of any of the foregoing laws, regulations, orders or programs, if applicable, on this Lease. Each party represents and warrants to the other party that it is not an entity named on the List of Specially Designated Nationals and Blocked Persons maintained by the U.S. Department of Treasury, as last updated prior to the date of this Lease.

11.19 NON-DISCRIMINATION.

To the extent required by applicable law and/or restrictions of record, Tenant agrees that it will not permit any discrimination against, or segregation of, any person or group of persons on the basis of race, color, sex, creed, national origin or ancestry in the leasing, subleasing, transferring, occupancy, tenure or use of the Premises or any portion thereof.

11.20 LANDLORD LIEN SUBORDINATION.

Landlord hereby agrees to subordinate all statutory and contractual liens or any other so-called "landlord's lien" which it may be entitled to assert against any of Tenant's property as security for the payment of Rent or the performance of any other obligation of Tenant hereunder to the security interest of any lenders providing Tenant with leasehold or equipment financing with respect to the Premises or to any purchase money or commercial lender providing financing secured by Tenant's equipment, trade fixtures, personal property or other improvements within the Premises which are permitted to be removed at the end of the Lease Term. Simultaneously with its execution and delivery hereof, Landlord shall execute and deliver the lien subordination form attached hereto as Exhibit G. From time to time during the Lease Term, within ten (10) business days following written request from Tenant, Landlord shall deliver to any equipment lessor providing leased equipment to the Premises or to any purchase money or commercial lender providing financing secured by Tenant's equipment, trade fixtures, personal property or other improvements within the Premises which are permitted to be removed at the end of the Lease Term, a subordination in the form attached hereto as Exhibit G or in another commercially reasonable form, duly executed and acknowledged by Landlord, respecting any statutory or common law lien or security interests which Landlord may possess respecting Tenant's equipment, trade fixtures and improvements to the Premises permitted to be removed by Tenant as aforesaid.

11.21 ADDITIONAL PROVISIONS.

The exhibits attached hereto are incorporated herein by reference.

SIGNATURES FOLLOW ON NEXT PAGE

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be duly executed as of the date set forth below.

Signed on _____ __, 2018

LANDLORD:

CAMPANELLI-TRIGATE 100 TCD STOUGHTON, LLC,
a Delaware limited liability company

By: _____
Name:
Title:

Signed on _____ __, 2018

TENANT:

COLLEGIUM PHARMACEUTICAL, INC., a Virginia
corporation

By: _____
Name:
Title:

EXHIBIT A
THE PROPERTY

LEGAL DESCRIPTION

All that certain parcel of land with the buildings thereon on Lindeloff Avenue In the Town of Stoughton, Norfolk County, Commonwealth of Massachusetts and being Lot A on the Plan entitled "Redivision Plan of Lot A and Lot D Stoughton Technology Center, North Stoughton, MA" by Gale Engineering Company, Inc. dated February 6, 1987 as most recently revised January 13, 1988 and recorded with Norfolk County Registry of Deeds as Plan No. 374 of 1988 in Plan Book 367.

Lot A is also described as the following:

Beginning at the point of intersection of the Southerly Right of Way line of Lindeloff Avenue and the Northwesterly Right of Way line of Technology Center Drive;

thence along said Northwesterly Right of Way line the following courses;

along a curve to the right having a radius of 40.00', a delta of 90-00-00, and an arc length of 62.83'; thence

S 45-31-48 E.19.61’; thence

along a curve to the right having a radius of 182.25', a delta of 41-00-00, and an arc length of 130.41'; thence

S 04-31-48 E. 384-99, thence

along a curve to the right having a radius of 605.00', a delta 37-40-48 and an arc length of 397.87; thence

S 33-09-00 W, 290.53'; thence

departing said Northwesterly Right of Way along the Easterly line of Lot D, N 45-31-48 W, 617.26' to the Southerly Line of Parcel "LA-1" (shown to be owned by the Commonwealth of Mass,); thence

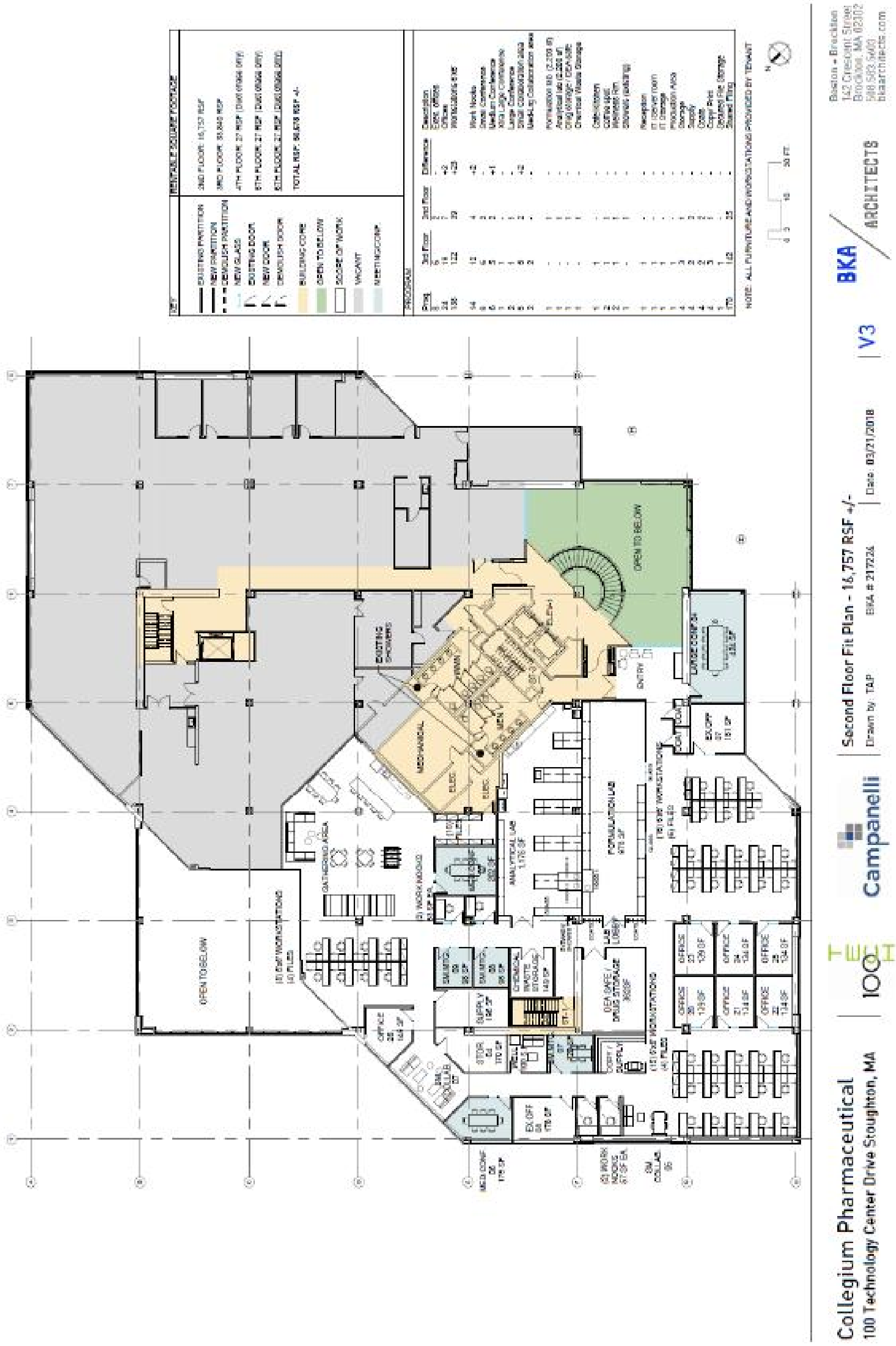
along said Southerly line the following courses:

N 20-55-27 E, 139.70’; thence
N 44-28-12 E, 751-93’; thence
N 45-31-48 W, 50.00 to the POINT OF BEGINNING, containing 10.07 acres, more or less.

EXHIBIT B
THE PREMISES

Third Floor Premises:

Second Floor Premises:



KEY	RENTABLE SQUARE FOOTAGE
EXISTING PARTITION NEW PARTITION DEMOLISH PARTITION NEW GLASS EXISTING DOOR NEW DOOR DEMOLISH DOOR BUILDING CORE OPEN TO BELOW DOOPE OF WORK VACANT MEETING/CONF.	2ND FLOOR: 16,757 RSF 3RD FLOOR: 33,840 RSF 4TH FLOOR: 27 RSF (Duct chase only) 5TH FLOOR: 27 RSF (Duct chase only) 6TH FLOOR: 27 RSF (Duct chase only) TOTAL RSF: 50,678 RSF +/-

PROGRAM

Prog.	3rd Floor	2nd Floor	Difference	Description
6	6	3	-	Exec. offices
20	18	7	+2	Offices
136	122	39	+23	Workstations 6x6'
14	12	4	+2	Work Nooks
8	6	2	-	Small Conference
6	5	2	+1	Medium Conference
1	1	-	-	Xtra Large Conference
2	1	1	-	Large Conference
6	4	2	+2	Small Collaboration area
2	2	-	-	Med-Lrg Collaboration area
1	-	1	-	Formulation lab (3,200 sf)
1	-	1	-	Analytical lab (2,200 sf)
1	-	1	-	Drug storage / DEA safe
1	-	1	-	Chemical Waste Storage
1	1	-	-	Café/Kitchen
3	1	1	-	Coffee spot
3	1	1	-	Wellness Rm.
1	-	1	-	Showers (existing)
1	1	-	-	Reception
1	1	-	-	IT / Server room
1	1	-	-	IT Storage
1	1	-	-	Production Area
4	3	1	-	Storage
4	2	2	-	Supply
4	3	2	-	Coats
4	3	1	-	Copy/ Print
1	1	-	-	Sidelined mtg storage
170	142	28	-	Shared Filing

NOTE: ALL FURNITURE AND WORKSTATIONS PROVIDED BY TENANT

0 5 10 20 FT.

Collegium Pharmaceutical
100 Technology Center Drive Stoughton, MA

100 TECH | Campanelli

Second Floor "LAB AREA" - 3,712 RSF +/-
Drawn by: TAP/MMK | BKA # 217224 | Date: 03/21/2018 | V3

BKA ARCHITECTS
Boston + Brockton
142 Crescent Street
Brockton, MA 02302
508.583.5603
bkaarchitects.com

EXHIBIT B-1
PARKING

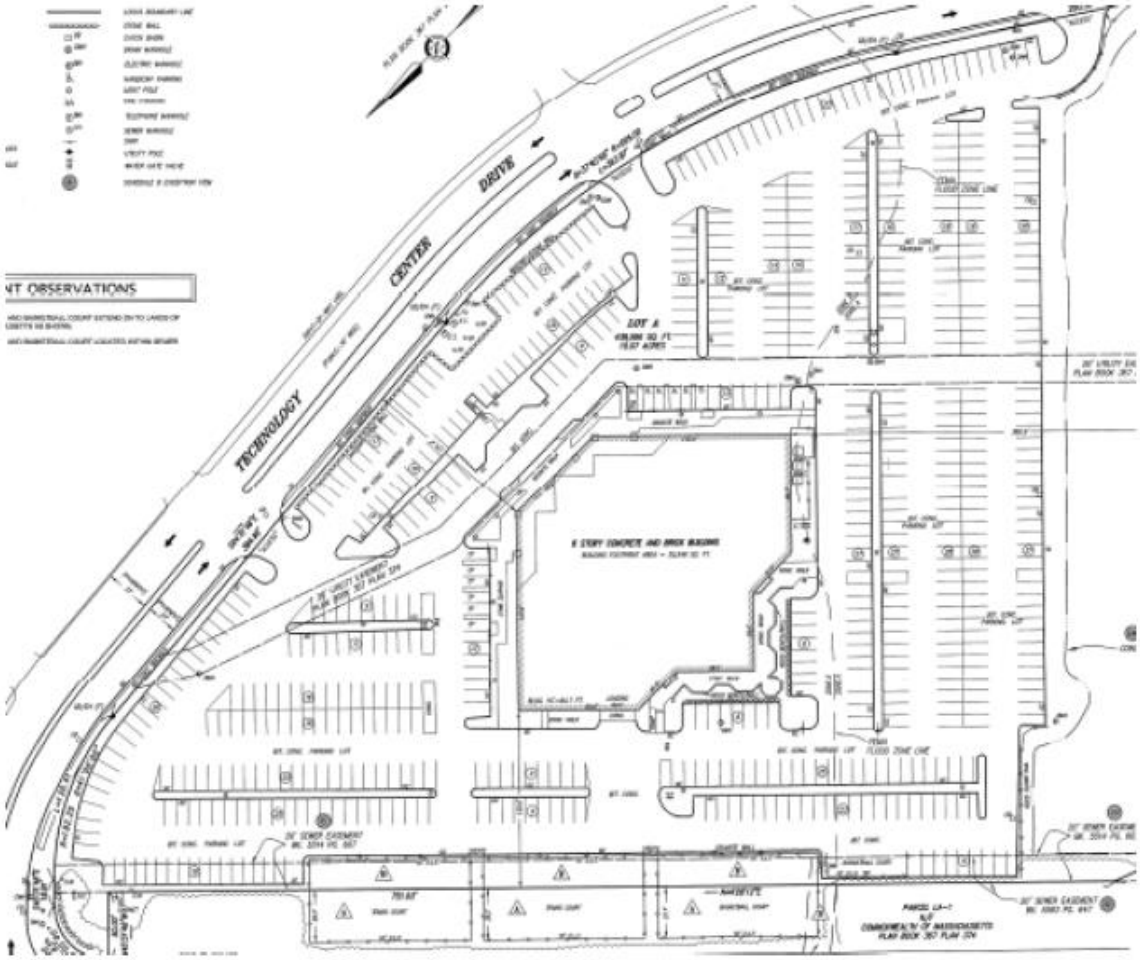


EXHIBIT C
LANDLORD'S WORK

Subject to Tenant's payment of any Excess Costs, Landlord shall perform a "turn-key" build-out of the Premises (including without limitation permitting fees and architectural and engineering fees) in accordance with the fit up plans attached hereto as Exhibit B and the outline specifications attached hereto as Exhibit C-1 (the "Outline Specifications") using Building standard colors, materials and finishes, except as otherwise expressly set forth below.

EXHIBIT C-1
OUTLINE SPECIFICATIONS

(follow this page)

EXHIBIT C -1 – Landlord's Work

Outline Specification

For Tenant Improvements

Provided by Landlord

For

Collegium Pharmaceutical
Labs & Offices
50,678 RSF

At

100 Tech

2nd & 3rd Floors

100 Technology Center Drive

Stoughton, MA

Campanelli

General

Architect: Owner's Interior Design Architect is BKA Architects Inc. (BKA) and they have prepared Preliminary Schematic Plans listed below. The Schematic Plans shall be the basis for development of construction drawings necessary to build the Tenant Improvements. Landlords Architect BKA Architects Inc. and they shall produce the construction drawings.

General Contractor: The General Contractor shall be Campanelli Associates Construction Corporation.

The General Contractor shall furnish all materials and perform all work necessary to complete the construction and execution of Landlord's Work to the Premises and to render Premises acceptable for occupancy by the Tenant. Landlord's Work shall include furnishing architectural, engineering and construction contracting services in strict accordance with Landlord's Work and any future approved changes thereto.

Tenant shall appoint an individual as Tenant's Representative to make decisions, changes to plans and provide approvals. No extra work, change, amendment, revision or other directive shall be made unless so ordered and authorized in writing by Tenant's Representative and Landlord's representative.

Preliminary Schematic Plans;

Entitled "Collegium Pharmaceutical", Second & Third Floor fit Plans, Sheet V3, Dated March 21, 2018, produced by BKA Architects

Note: Some Walls and Doors may be adjusted on the final plans to accommodate openings, building systems or tenant requirements.

Existing Improvements: The proposed work includes re-use of existing improvements. These improvements shall include but not be limited to electrical fixtures and equipment, HVAC equipment, walls, doors, among others. All existing improvements that are to be re-used shall be repaired or refinished and placed in good serviceable condition in accordance with Landlord's work.

Finishes: Landlord will present carpet samples for Tenant's selection. After Tenant selects the carpet, Landlord's Architect shall prepare a collection of material samples demonstrating up to three (3) combinations of finishes and colors for the various materials including wall, trim, paint colors, wall base, and VCT coordinated to the selected carpet. These finish samples shall be provided to Tenant for selection and approval. The final approvals by Tenant shall be incorporated as part of Landlord's work.

The following Outline Specification represents Landlord's Work and corresponds to the Preliminary Schematic Plans listed above.

The following tenant improvements shall be constructed substantially as shown on the Preliminary Schematic Plans prepared by the Landlord's Architect, and as more specifically described below.

1. Interior Partitions

Interior Partitions as shown on plans' prepared by the Landlord's Architect

A. All new interior partition walls will be constructed of 3- 5/8" wide, steel studs, channels and tracks with 5/8" gypsum wallboard mounted to each side of the partition, unless otherwise shown on construction drawings.
B. All wallboard joints shall be reinforced with wall board tape and filled with joint compound. Wallboard shall be furnished in 48 inch width and lengths; as will result in a minimum number of joints.
C. Unless otherwise identified on construction drawings, all interior partitions will receive 4" vinyl wall base, color as selected by Tenant from Landlord provided samples.
D. Unless otherwise specified, all new interior partitions at offices and related spaces will be constructed to 6″ above the ceiling height. New demising walls shall extend to the deck above.
E. New partitions will be constructed with fiberglass sound insulation, full height within wall cavity.
F. Existing partitions and other walls to remain are to be repaired to remove imperfections, refinished if required to provide a consistent finished surface.

2. Interior Glass

A. Interior glass side-lites, approximately 2'-6"+- wide and door height, with single tempered glass in KD steel frames shall be provided. Side-lite width may vary subject to dimensional restrictions. Side-lites shall be provided as shown on the schematic plans.
B. Interior glass-lites at Lab windows shall be single tempered glass in welded frames. Three (3) windows at Approx. 5' X 4'.

3. Interior Doors

Interior Doors to be provided as shown on plans' prepared by the Landlord's Architect

A. All new interior doors shall be building standard 3'-0"+- wide, 1-3/4" thick by 7'-0" tall solid core, pre- finished clear birch or clear plain sliced red oak veneer doors or equal set in painted hollow metal frames or as shown on the construction documents. Door width may vary based dimensional restrictions.
B. All new interior doors will be set in building standard hollow metal frames (painted).
C. Existing entrance doors from 3rd floor lobby to Tenant's premises will remain. On the 2nd floor a new set of building standard double doors (red oak or white birch) with full glass lights will be installed at the primary entrance to Tenant's 2nd floor suite.
D. Hardware at all new doors will be building standard commercial duty, Best Brand or equal, non-mortised, compatible with Best Brand cores and shall include stainless steel finish matching building standards. Non- locking passage sets will be installed at all new door locations. If requested by tenant, locksets can be installed on any office door with construction cores only. Final cores and keying by Tenant.
E. Existing doors remaining per plan with existing hardware to remain shall be touched up to remove minor imperfections.

4. Ceilings

A. Ceilings shall be building standard 24" x 24"x 5/8" "Dune" acoustic tile by Armstrong or equal, on 9/16" suspended metal grid at existing height, or as noted on the construction drawings.
B. Acoustical materials shall be installed in accordance with procedure endorsed by Acoustical and Insulating Materials Association.

5. Flooring

A. Commercial Carpet. Carpet material shall be glue-down, carpet tile, color strand nylon, 22 oz / sy minimum and manufactured by Mohawk, Mannington or Shaw Industries or as selected by Tenant from Landlord provided samples. A 4" vinyl base at all walls shall be provided.

a. Locations: Carpet shall extend in all space as noted on plans other than the areas receiving VCT as listed below.

B. Vinyl *Composition Tile (VCT),* 12" x 12" x 1/8" vinyl composition tile equal or similar to Excelon by Armstrong. Up to three color, set at pattern identified by the Architect, with colors as selected by Tenant from Landlord provided samples.

a. Locations: Storage, IT Storage, IT, Each Supply room, Coffee, Each Kitchen and Labs

6. Millwork/Cabinetry

Millwork to be provided as shown on plans prepared by the Landlord's Architect and identified below;

A. Location: Café 2nd Floor
Typical Base and Upper cabinet with Counter Top, not to exceed 14 linear feet.

Spec.: User Side – Flush drawers and doors with cabinet flush panel design,
standard plastic laminate finish.
Counter – Plastic laminate surface material
Interior – Plastic laminate surface material w/ single $^{1}/_{2}$ shelf

B. Location: Coffee(3rd Floor) & Gathering Area(2nd floor)
Typical Base and Upper cabinet with Counter Top, not to exceed 10 linear feet each room.

Spec.: User Side – Flush drawers and doors with cabinet flush panel *design,*
standard plastic laminate finish.
Counter – Plastic laminate surface material
Interior – Plastic laminate surface material w/ single $^{1}/_{2}$ shelf.

C. Location: Print/Copy Areas (Four Total)

Typical Base and Upper cabinet with Counter Top, not to exceed 42 linear feet in total.

Spec: User Side – Flush drawers and doors with cabinet flush panel design, standard plastic laminate finish
Counter – Plastic laminate surface material
Interior – Plastic laminate surface material w/ single $^{1}/_{2}$ shelf

7. Painting

A. *Painting;* All interior partition walls, door frames and trim shall be painted a primer and two (2) finish coats, colors, not to exceed a total of two (2) wall colors per Office, Conference room, and no more than two (2) wall colors in the Open Office area with no more than three (3) colors in the entire premises. Tenant shall select final color scheme from Landlord provided finish boards.
B. New wood veneer doors shall be factory finished. Existing wood veneer doors to receive a light sand and clear coat sealer as required. All wood veneer doors to match as close as possible given natural variations encountered in the wood veneers.
C. Drywall ceilings (if present) shall be paint finished, color ceiling white.

8. Plumbing

A. Common toilet areas shall be provided for both sexes on each floor.
B. Three (3) stainless steel, single bowl sinks and faucets shall be provided at the areas located on the plan (Café, Gathering Area and Coffee.
C Hot water will be supplied from common area hot water heater or if not available from point of source water heaters (electric) installed in base cabinet below sink or above the ceiling in the tenant lease area.

9. HVAC

A. General Description of HVAC Systems: The spaces within the building are mechanically heated, cooled and ventilated, where required, in accordance with applicable codes and good practice. Tenant's premises shall be served by the buildings HVAC systems.
   a The heating system is a hydronic type with gas fired multi-section boilers located in the penthouse. Heating water is pumped down through the building to a hydronic loop on each floor which is connected to fan powered air terminals with hot water heating coils at perimeter areas.
   b. The air conditioning (AC) system consists of an open cooling tower on the roof which supplies condenser water to water-cooled AC units on each floor. The AC units are variable air volume (VAV) type with a waterside economizer option. There are two units on the second & third floors. Each terminal device serves a dedicated zone which ranges in size and area of coverage.

B. Supply and Return Air Distribution System
   a. The ventilation system consists of a roof mounted unit that has a gas heating section to temper the outside air during the winter months. The design capacity of the unit is 20,000 CFM which can support a total building occupancy of approximately 1,600 people based on current code requirements.
   b. The Premises are served by multiple VAV / terminal devices units. Each device serves one zone.

c. Terminal devices include fan powered units and vary air flow volume in response to the demands of each zone. Fan powered units typically include re-heat coils and primarily serve perimeter zones. All zone devices will be tested and placed in good working condition.
d. Existing zones to remain with distribution ductwork modified to serve the new layout. Ductwork shall be distributed to serve all occupied spaces. New supply air ductwork is to be thermally insulated.
e. Return air circulated via a return air plenum.

C. Automatic Temperature Controls
a. The building will be equipped with a new computer based energy management system (EMS) providing automatic temperature controls that will control multiple functions/systems to maintain efficient environmental conditions at all times. Zones are controlled to specified temperature by the energy management system through local thermostats / zone sensors.

D. HVAC Specialty Spaces / Systems
a. Any other specialty cooling, ventilation or exhaust that maybe required for Tenant's equipment or processes is not included as part of this project. If desired by Tenant, all costs for the design and construction will be paid for by Tenant.
b. Dedicated cooling of Tenant's IT server room is dependent on the needs of the equipment and is not included. If desired by Tenant, all costs for the design and construction will be paid for by Tenant.

10. Electrical

A. Electrical; Electric service is sourced from a Utility company provided, pad mounted transformer, feeding main switch gear sized for a 2,500 amp Main Switchboard in the Main Electric room. Power from this switchboard is distributed to floor electric rooms containing 277/480V and 120/208V distribution panels for tenant use
B. Building power shall be provided to the tenant space, sufficient to provide four (4) watts of power per usable square foot for tenants lighting and receptacles. 480/277 volt electrical panels, transformers serving 208/120 volt electric panels will be provided for the Tenant's Use. Electric panels may be wall mounted in the tenant's leased space. Tenant's transformer may be mounted above the ceiling within close proximity of the electric panels.
C. General illumination in Office areas, Break room and other related areas which are to receive suspended ceilings will be provided through newbuilding standard 2' x 2- and/or 2’ x 4', recessed, LED fixtures.
D. Light switching where possible and practical at new areas shall be by occupant sensors.
E. Receptacles and general electrical power shall be provided as follows;
a. Offices to receive a minimum of (3) standard duty, wall mount 120 volt duplex receptacles.
b. Printer Area locations identified on the plan shall be provided with one (1) 20 AMP dedicated quad receptacle and one (2) standard duty, wall mount, 120 volt duplex receptacle.
c. The Café & Gathering Area shall be provided with (1) standard duty, wall mount, 120 volt duplex receptacles, (2) counter top standard duty, wall mount 120 volt duplex receptacles with GFI and (1) 20 amp dedicated receptacles for refrigerators.
d. Coffee Area shall be provided with (1) standard duty, wall mount, 120 volt duplex receptacles, (2) counter top standard duty, wall mount 120 volt duplex receptacles with GFI
e. A total of 11 Floor boxes shall be located in the following Locations
i. (2) Extra Large conference Room

ii. (7) Medium Conference Room
iii. (2) Large Conference Room

f. Ten (13) wall mounted recessed outlet and blocking for Tenant's flat screen monitor shall be provided for the below locations. The wall blocking at this locations will be approximately 2' x 2'. Tenant shall provide location.
i. (2) Extra Large Conference Room
ii. (2) Large Conference Rooms
iii. (7) Medium Conference Rooms
iv. (2) Cafe & Gathering Area

F. Emergency lighting shall be provided in accordance with state and local codes.
G. A fire alarm system shall be provided per state and local code requirements.
H. Telephone and Data Communications
a. All wiring, equipment and termination connections are by tenant's vendor.
b. Landlord shall provide (1) box with pull string at all new hard walled spaces or rooms.
I. Other electrical wiring: Additional dedicated circuits, outlets or devices may be provided at Tenants cost.

11. Fire Protection

A. Fire sprinkler system shall be wet-type covering the entire building and in tenant areas in accordance with requirements of local codes and local fire department. Existing drop down exposed chrome pendant sprinkler heads with chrome escutcheons and/or concealed heads shall remain.
B. Fire Alarm - A fire alarm control panel serves the building and shall be connected to Tenant's fire alarm devices. Fire alarm devices shall be installed in accordance with the requirements of local codes as approved by the local governing fire department
C. The Fire alarm includes alarm monitoring.

12. Specialties

A. *Window Blinds:* Building standard, Rollease Acmeda Skyline Series Clutch Operated Systems

13. Lab AREA

A. The Lab Area shown on "Exhibit B - Lab Only Fit Plan" shall be constructed on an open book basis at Tenant's cost less Landlord's contribution of up to $240,000 as further described in the Lease.

B. Landlord anticipates completion of the following scope of work in the Lab Area as shown on the Preliminary Schematic Plans at Tenant's cost using building standard finishes:
a. Demolition of existing space.
b. Doors, Frames & Hardware
c. Stud walls and drywall
d. VCT Flooring and vinyl base
e. Glass for 3 windows w/hollow metal frames

f. Acoustical ceilings
g. Painting
h. Electric: LED Lighting and Duplex Outlets (Qty of 50 outlets)
i. Sprinkler Work
j. Standard Building HVAC
k. Plumbing: One Eye Wash and two (2) sinks per building plumbing standard.

C. Landlord anticipates completion of the following specialized scope of work in the Lab Area as shown on the Preliminary Schematic Plans at Tenant's cost:

a. Installation of one 2-hour rated duct shaft extending from the Lab Area to the roof through the 3rd, 4th, 5th and 6th floors. The duct shaft will be sized to accommodate the installation of four (4) 12" diameter PVC ducts.
b. Installation of three (3)12" PVC exhaust ducts and one (1) 12" PVC make up air duct within the duct shaft.
c. Installation of three (3) roof top exhaust fans and connection to exhaust ducts at the roof. The exhaust fans will be Greenheck Vektor-H or equal and sized to provide 1,163 CFM of exhaust for each of three (3) tenant-supplied fume hoods.
d. Installation of one (1) roof top make up air unit and connection to make up air duct at the roof. Make up air unit will be sized to accommodate the exhaust requirements of the three (3) tenant- supplied fume hoods.
e. Installation of Lab Case Work & Lab Benches.

D. The following specialized scope of work in the Lab Area will be completed by Tenant or Tenant's service providers at Tenant's cost:

a. Purchase and installation of all floor mounted or desk top laboratory equipment including any specialty power cords and electrical outlets required for such equipment.
b. Purchase and installation of fume hoods including specialty power requirements, controls and connection to exhaust ducts.
c. Purchase and installation of tenant's water treatment system
d. Purchase and installation of Carbon/HEPA Filter modules, if any

14. GENERAL NOTES

A. Telecommunications and data wiring or systems, furnishings, workstations, appliances (refrigerator, microwave oven,...), video / conference equipment, flat panel monitors, floor mounted electric devices, security systems, door access & security systems, dedicated HVAC requirements or other equipment are not included

B. Exterior entry doors to building shall be equipped with a DSX, HID Proximity Card (or equal) access system at exterior building lobby doors for after hour access. Tenant may program their own compatible access system to operate exterior doors and elevator access controls subject to Landlords approval. Tenant's vendor to coordinate and confirm system compatibility.

C. Entry to tenant space shall be controlled via DSX, HID Proximity Card (or equal). This shall be provided at each location by Owner with access to common space, estimated as 3 doors into common atrium space. Proximity Cards or Fobs are by tenant. Final determination of entry doors will be based on architect plan to be completed.

15. TENANT SPECIFIC IT EQUIPMENT ROOM

Tenant Specific IT Equipment Room

A. HVAC system shall be building standard with no additional cooling.

B. Electrical Requirements will be provided as specified below.
   i. Dedicated Direct 208 line to UPS system (UPS provided by tenant).
   ii. Secondary “Bypass” panel after UPS

C. Fire Proofing
   i. Fire caulking for all penetrations.
   ii. One 2 hour door to be provided to the room.
   iii. Fire extinguisher to be provided in IT room.
   iv. Fire Sprinkler systems to be tied to building sprinkler system, alternative fire protection is not included.

The following items are the responsibility of the tenant and have NOT been included in the IT Room upgrades or turnkey buildout.

1. Data wiring (Cat 6) throughout tenant space including IT room.
2. Servers, UPS Systems, battery backups or specialty equipment.
3. Racks, wire tracks, specialty cabinets.

EXHIBIT C-2
TENANT'S SPECIALTY EQUIPMENT AND INFRASTRUCTURE

The following items shall be removed by Tenant from the Premises at or prior to the end of the Lease Term in accordance with the terms of Section 5.10 of the Lease, provided that if no such items are listed below upon execution of this Lease, then the list of such items shall be determined by the parties in connection with the design process for the Lab Area.

[TBD]

EXHIBIT D
RULES AND REGULATIONS

1. The following Rules and Regulations have been formulated for the safety and wellbeing of all Tenants of the Building and to insure compliance with all municipal and other requirements. Strict adherence to these Rules and Regulations is necessary to guarantee that each and every Tenant will enjoy a safe and undisturbed occupancy in the Building in accordance with the Lease. Any continuing violation of these Rules and Regulations by a Tenant, after the applicable notice and cure period, shall constitute an Event of Default under the Lease, at the option of the Landlord.

2. The sidewalks, entrances, loading dock, atrium, elevators, vestibules, stairways, corridors, or other parts of the Building not occupied by any Tenant shall not be obstructed or encumbered by any Tenant or used for any purpose other than ingress and egress and to from the Premises. The Landlord shall have the right to control and operate and public portions of the Building and the facilities furnished for common use of the Tenants, in such manner as the Landlord deems best for the benefit of the Tenants generally.

3. No drapes, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the Premises, without the prior written consent of the Landlord.

4. No bicycles, vehicles or animals, birds or pets of any kind (other than service animals) shall be brought into or kept in or about the Premises, and no cooking shall be done or permitted by any Tenant on the Premises. No Tenant shall cause or permit any unusual or objectionable odors to be produced upon or penetrate from the Premises.

5. No inflammable, combustible or explosive fluid, chemical or substance shall be kept upon the Premises.

6. No additional locks or bolts of any kind shall be places upon any of the doors, nor shall any changes be made in existing locks or the mechanism thereof to the doors leading to the corridors or main halls. All entrance doors shall be kept closed during business hours except as they may be used for ingress or egress. Each Tenant shall, upon the termination of his tenancy, restore to the Landlord all keys 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 the Landlord the cost thereof

7. No furniture, equipment or other bulky matter of any description shall be received into the Building or carried in the elevators except in the manner and during the times approved by Lessor. Lessee shall obtain Lessor's determination before moving said property into the Building. All moving of furniture, equipment, and other material within the public areas shall be under the direct control and supervision of Lessor who shall, however, not be responsible for any damage to or charges for moving the same. Lessor shall have the sole right to determine if Lessee's property can be safely transported in the elevators.

8. The Landlord reserves the right to exclude from the Building at all times any person who is not known or does not properly identify himself to the building management or security service. Landlord may, at its option, require all persons admitted to or leaving the Building between the hours of 6:00 PM and 7:00 AM, Monday through Friday, and on Saturdays after 1:00 PM to register. Each Tenant shall be responsible for all persons for whom they authorize entry into or exit out of the Building.

9. The Premises shall not, at any time, be used for lodging or sleeping or for any immoral or illegal purposes.

10. Canvassing, soliciting and peddling in the Building is prohibited and each Tenant shall cooperate to prevent the same.

11. Landlord does not maintain suite finishes which are non-standard, such as bathrooms, wallpaper, special lights, etc. However, should the need for repairs of items not maintained by Landlord arise, Landlord will arrange for the work to be done at Tenant's expense.

12. All Tenants and visitors are expected to observe all safety features and traffic laws at the property which include:

- A speed limit of 20 m.p.h.
- All stop signs are to be obeyed
- Automobiles are not be left in the roadway at anytime
- Automobiles are not to be left in the parking lot overnight or weekends.
- Automobiles should be parked within marked lanes. Reserved parking and parking for the handicap signs should be respected.

13. Tenant shall cause all freight to be delivered to or removed from the Building and the Premises in accordance with reasonable rules and regulations established by Landlord therefor.

14. Tenant will not place on the exterior of the Premises (including both interior and exterior surfaces of windows and doors) or on any part of the Building outside the Premises, any sign, symbol, advertisement or the like visible to public view outside of the Premises without the prior consent of Landlord.

15. Tenant shall not perform any act or carry on any practice which may injure the Premises, or any other part of the Building, or cause any offensive odors or loud noise or constitute a nuisance or a menace to any other tenant or tenants or other persons in the Building.

16. Tenant shall not operate any cooking apparatus (except for coffee making equipment, a microwave oven, a standard size refrigerator and a sink), or locate any vending machines, in the Premises.

17. The Premises shall be designated a non-smoking area and Tenant will comply, and cause its employees and invitees to comply, with Building regulations regarding non-smoking areas.

18. Landlord may, upon request by any Tenant, waive the compliance by such Tenant of any of the foregoing Rules and Regulations, provided that:

(i) No waiver shall be effective unless signed by Landlord or Landlord's authorized agent.

(ii) Any such waiver shall not relieve such Tenant from the obligation to comply with such Rules or Regulations in the future unless expressly consented to by Landlord, and;

(iii) No waiver granted to any Tenant shall relieve any other Tenant from the obligation of complying with the foregoing Rules and Regulations unless such other Tenant has received a similar waiver in writing from Landlord.

EXHIBIT E
CLEANING SPECIFICATIONS

A. Premises

Daily on Business Days:
1. Empty and clean all waste receptacles and remove waste material from the Premises; wash receptacles as necessary.
2. Sweep and dust mop all uncarpeted areas using a dust treated mop.
3. Spot vacuum all rugs and carpeted areas.
4. Hand dust and wipe clean with treated cloths all horizontal surfaces including furniture, office equipment, window sills, door ledges, chair rails and counter tops, within normal reach.
5. Wash clean all water fountains.
6. Upon completion of cleaning, all lights will be turned off and doors locked, leaving the Premises in an orderly condition.

Weekly:
Vacuum all rugs and carpeted areas.

Quarterly:
Render high dusting not reached in daily cleaning to include:
1. Dusting all pictures, frames, charts, graphs and similar wall hangings.
2. Dusting all vertical surfaces, such as walls, partitions, doors and ducts.
3. Dusting all pipes and high moldings.

B. Lavatories

Daily on Business Days:
1. Sweep and damp mop floors.
2. Clean all mirrors, powder shelves, dispensers and receptacles, bright work, flushmeters, pipes and toilet seat hinges.
3. Wash both sides of all toilet seats.
4. Wash all basin, bowls and urinals.
5. Dust and clean all powder room fixtures.
6. Empty and clean paper towel and sanitary disposal receptacles.
7. Remove waste paper and refuse.
8. Refill tissue holders, soap dispensers, towel dispensers, vending sanitary dispensers; materials to be furnished by Landlord.
9. A sanitizing solution will be used in all lavatory cleaning.

Monthly:
1. Machine scrub lavatory floors.
2. Wash all partitions and tile walls in lavatories.

C. Main Lobby, Building Exterior and Corridors

Daily on Business Day:
1. Sweep and wash all floors.
2. Wash all rubber mats.
3. Clean elevators, wash or vacuum floors, wipe down walls and doors.
4. Spot clean any metal work inside lobby.
5. Spot clean any metal work surrounding building entrance doors.

Monthly:
All resilient tile floors in public areas to be treated equivalent to spray buffing.

Bi-annually:
Windows washed inside and outside — weather permitting.

D. Miscellaneous Services

Tenant requiring services in excess of those described above shall request same through Landlord, at Tenant's expense.

EXHIBIT F
FORM OF SNDA

LEASE SUBORDINATION, ATTORNMENT AND
NON-DISTURBANCE AGREEMENT

This Lease Subordination, Attornment and Non-Disturbance Agreement (hereinafter, the "Agreement") is made this _____ day of _____, 20__, by and among CAMPANELLITRIGATE 100 TCD STOUGHTON, LLC, a Delaware limited liability company (hereinafter, the "Landlord" or "Borrower"), with an address of 1 Campanelli Drive, Braintree, Massachusetts 02184, COLLEGIUM PHARMACEUTICAL, INC., a Virginia corporation (hereinafter, the "Tenant"), with a current address of 780 Dedham Street, Suite 800, Canton, MA 02021, Attention: CEO, and on and after the Possession Date under the Lease, at the Demised Premises, Attention: CEO, and NEEDHAM BANK (hereinafter, the "Mortgagee"), having an address at 1063 Great Plain Avenue, Needham, Massachusetts 02492.

Introductory Provisions

A. Mortgagee is relying on this Agreement in connection with a loan (hereinafter, the "Loan") made by Mortgagee to Borrower, secured by, among other things, a certain Mortgage and Security Agreement dated as of March 27, 2017 (hereinafter, the "Mortgage") given by Borrower covering property located at 100 Technology Center Drive, Stoughton, Norfolk County, Massachusetts (hereinafter, the "Property").

B. Tenant is the holder of and tenant under that certain lease (hereinafter, the "Lease") dated _____, 2018, made with Landlord covering certain premises (hereinafter, the "Demised Premises") at the Property.

C. Mortgagee, Landlord, and Tenant desire to confirm their understanding with respect to the Mortgage and the Lease.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements contained herein, and other valuable consideration, the receipt and adequacy of which are hereby acknowledged, and with the understanding by Tenant that Mortgagee will rely hereon in making and maintaining the Loan, Mortgagee, Landlord, and Tenant agree as follows:

1. The Lease and the rights of Tenant thereunder are subordinate to the Mortgage and any renewal, substitution, extension or replacement thereof and each advance made thereunder as though said Mortgage, and each such renewal, substitution, extension, and replacement were executed, recorded and the advance made before the execution of the Lease.

2. So long as Tenant is not in default (beyond any period expressed in the Lease within which Tenant may cure such default) in the payment of rent or in the performance or observance of any of the terms, covenants or conditions of the Lease on Tenant's part to be performed or observed, (i) Tenant's occupancy of the Demised Premises shall not be disturbed by Mortgagee in the exercise of any of its rights under the Mortgage during the term of the Lease or

any extension or renewal thereof, made in accordance with the terms of the Lease, and (ii) Mortgagee will not join Tenant as a party defendant in any action or proceeding for the purpose of terminating Tenant's interest and estate under the Lease because of any default under the Mortgage.

3. In the event any proceedings are brought for the foreclosure of the Mortgage, or if the Property or the Demised Premises are sold pursuant to the power of sale under the Mortgage, Tenant shall attorn to the purchaser upon any such foreclosure sale and shall recognize such purchaser thereafter as the Landlord under the Lease. Such attornment shall be effective and self-operative without the execution of any further instrument on the part of any of the parties hereto. Tenant agrees, however, to execute and deliver at any time and from time to time, upon the request of any holder(s) of any of the indebtedness or other obligations secured by the Mortgage, or upon request of any such purchaser, (a) any commercially reasonable instrument or certificate which, in the reasonable judgment of such holder(s), or such purchaser, may be necessary or appropriate in any such foreclosure proceeding or otherwise to evidence such attornment, and (b) an instrument or certificate regarding the status of the Lease, consisting of statements, if true (and if not true, specifying in what respect), (i) that the Lease is in full force and effect, (ii) the date through which rentals have been paid, (iii) the duration and date of the commencement of the term of the Lease, (iv) the nature of any amendments or modifications to the Lease, (v) that to Tenant's knowledge, no default, or state of facts, which with the passage of time, or notice, or both, would constitute a default, exists on the part of either party to the Lease, and (vi) the dates on which payments of additional rent, if any, are due under the Lease.

4. If Mortgagee shall succeed to the interest of Landlord under the Lease, or if any purchaser acquires the Property, or the Demised Premises, upon any foreclosure of the Mortgage, Mortgagee or such purchaser, as the case may be, shall have the same remedies by entry, action or otherwise in the event of any default by Tenant (beyond any period expressed in the Lease within which Tenant may cure such default) in the payment of rent or in the performance or observance of any of the terms, covenants and conditions of the Lease on Tenant's part to be performed or observed that the Landlord had or would have had if Mortgagee or such purchaser had not succeeded to the interest of the present Landlord. From and after any such attornment, Mortgagee or such purchaser shall be bound to Tenant under all the terms, covenants and conditions of the Lease, and Tenant shall, from and after such attornment to Mortgagee, or such purchaser, have the same remedies against Mortgagee, or such purchaser, for the breach of an agreement contained in the Lease that Tenant might have had under the Lease against Landlord if Mortgagee or such purchaser had not succeeded to the interest of Landlord; provided, however, that Mortgagee or such purchaser shall only be bound during the period of its ownership, all Tenant claims shall be satisfied only out of the interest, if any, of Mortgagee or such purchaser in the Property, and Mortgagee and such purchaser shall not be (a) liable for any act or omission of any prior landlord (including the Landlord), other than an ongoing nonmonetary default; or (b) liable for or incur any obligation with respect to the initial construction of the Property or any subsequent improvements therein, provided that Tenant shall have the right to perform and/or complete any such construction provided for in the Lease, provided further that Tenant shall use commercially reasonable efforts to minimize disruption to the business of the other tenants and occupants of the Property; or (c) subject to any offsets or defenses which Tenant might have

against any prior landlord (including the Landlord) except as specifically set forth in the Lease; or (d) bound by any rent or additional rent which Tenant might have paid for more than the then current rental period to any prior landlord (including the Landlord) not actually received by Mortgagee; or (e) bound by or responsible for any security deposit or prepaid rent not actually received by Mortgagee; or (f) liable for or incur any obligation with respect to any breach of warranties of any nature made by any prior landlord (including the Landlord under the Lease, including without limitation, any warranties respecting use, compliance with zoning, landlord's title, landlord's authority, habitability and/or fitness for any purpose, or possession; or (g) liable for consequential damages.

5. Nothing herein contained is intended, nor shall it be construed, to abridge or adversely affect any right or remedy of the Landlord under the Lease, or any subsequent Landlord, in the event of any default by Tenant (beyond any period expressed in the Lease within which Tenant may cure such default) in the payment of rent or in the performance or observance of any of the terms, covenants or conditions of the Lease on Tenant's part to be performed or observed.

6. Tenant agrees to provide Mortgagee with a copy of each notice of default given to Landlord under the Lease, at the same time as such notice of default is given to the Landlord, and that in the event of any default by the Landlord under the Lease, Tenant will take no action to terminate the Lease (a) intentionally deleted, or (b) if the default is curable by Mortgagee, unless the default remains uncured for a period of thirty (30) days after written notice thereof shall have been mailed, postage prepaid, to Landlord at Landlord's address, and to Mortgagee at its address stated in (or pursuant to) Section 7 below; provided, however, that if any such default is such that it reasonably cannot be cured within said thirty-day period, such period shall be extended for such additional period of time as shall be reasonably necessary (including, without limitation, a reasonable period of time to obtain possession of the Property and to foreclose the Mortgage) but not to exceed ninety (90) days total, if Mortgagee gives Tenant written notice of Mortgagee's election to undertake the cure of the default and if curative action (including, without limitation, action to obtain possession and foreclose) is instituted within a reasonable period of time and is thereafter diligently pursued. Mortgagee shall have no obligation to cure any default under the Lease.

7. Any notice or communication required or permitted hereunder shall be in writing, and shall be given or delivered by United States mail, registered or certified, postage fully prepaid, return receipt requested, or by recognized courier service addressed to the party to whom it is being given at its address set forth above, or such other address as such party may have specified theretofore by notice delivered in accordance with this sentence. Any such notice shall be deemed to have been given and received on the date delivered or that delivery is refused, in each case during normal business hours as herein provided.

8. This Agreement may not be modified orally or in any manner than by an agreement in writing signed by the parties hereto or their respective successors in interest. This Agreement shall inure to the benefit of and be binding upon the parties hereto, their respective heirs, personal representatives, successors and assigns, and any purchaser or purchasers at

foreclosure of the Property or any portion thereof, and their respective heirs, personal representatives, successors and assigns.

9. In the event the Mortgagee notifies Tenant of an Event of Default under the Loan and demands that Tenant pay its rent and all other sums due under the Lease to Mortgagee (a "Rent Notice"), Tenant agrees that it will honor such demand and pay its rent and all other sums due under the Lease to the Mortgagee. Tenant shall be entitled to rely upon any Rent Notice and Tenant shall not be responsible for determining whether such an Event of Default exists or whether the Rent Notice was signed by an authorized officer or representative of Mortgagee. Any payment made by Tenant pursuant to a Rent Notice shall receive full credit under the Lease.

[signatures appear on following page]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

MORTGAGEE:
NEEDHAM BANK

By: _____
Name: Patrick Lee
Title: Senior Vice President

TENANT:
COLLEGIUM PHARMACEUTICAL, INC.

By: _____
Name: _____
Title: _____

COMMONWEALTH OF MASSACHUSETTS

_____, ss.

On this date, _____, 2018, before me, the undersigned notary public, personally appeared _____, the _____ of Collegium Pharmaceutical, Inc., a Virginia corporation, proved to me through satisfactory evidence of identification, which were to be the person whose name is signed on the preceding or attached document, and acknowledged to me that he signed it voluntarily for its stated purpose as the free act and deed and voluntary act of such corporation.

_____
Notary Public
My commission expires:

COMMONWEALTH OF MASSACHUSETTS

_____, SS.

On this date, _____, 2018, before me, the undersigned notary public, personally appeared Patrick Lee, Senior Vice President of Needham Bank, a corporation, proved to me through satisfactory evidence of identification, which were _____ to be the person whose name is signed on the preceding or attached document, and acknowledged to me that he signed it voluntarily for its stated purpose as the free act and deed and voluntary act of Needham Bank.

_____
Notary Public
My commission expires:

CAMPANELLI-TRIGATE 100 TCD STOUGHTON, LLC as Landlord under the Lease, and Mortgagor under the Mortgage, agrees for itself and its successors and assigns that:

The above agreement does not:

i. constitute a waiver by Mortgagee of any of its rights under the Mortgage or any of the other Loan documents; or

ii. in any way release Mortgagor or Borrower from their obligations to comply with the terms, provisions, conditions, covenants and agreements and clauses of the Mortgage and other Loan documents;

iii. The provisions of the Mortgage remain in full force and effect and must be complied with by Borrower; and

iv. Following an Event of Default under the Mortgage, Tenant may pay all rent and other sums due under the Lease to Mortgagee as provided for above and Tenant shall have no liability whatsoever for performing in accordance with a Rent Notice.

[Landlord's signature appears on following page]

CAMPANELLI-TRIGATE 100 TCD STOUGHTON, LLC,
a Delaware limited liability company

By: _____
Name:
Title:

COMMONWEALTH OF MASSACHUSETTS

_____, SS.

On this date, _____, 2018, before me, the undersigned notary public, personally appeared _____, as _____ of Campanelli-Trigate 100 TCD Stoughton, LLC, a Delaware limited liability company, proved to me through satisfactory evidence of identification, which was _____ to be the person whose name is signed on the preceding or attached document, and acknowledged to me that he signed it voluntarily for its stated purpose and as his free act and deed on behalf of Campanelli-Trigate 100 TCD Stoughton, LLC.

_____
Notary Public
My commission expires

EXHIBIT G
FORM OF LANDLORD'S LIEN SUBORDINATION

LANDLORD LIEN SUBORDINATION AND CONSENT TO REMOVAL OF PERSONAL PROPERTY

(a) The undersigned ("Landlord") has an interest in the real property at the location described on Attachment 1 (the "Real Property"): **SEE ATTACHMENT 1 ATTACHED HERETO FOR FULL LEGAL DESCRIPTION,** commonly known as 100 Technology Center Drive, Stoughton, Massachusetts 02072.

(b) COLLEGIUM PHARMACEUTICAL, INC. ("Borrower"), whose address is 100 Technology Center Drive, Stoughton, Massachusetts 02072, has entered into a Loan and Security Agreement with Silicon Valley Bank ("Bank") dated as of August 28, 2012, as amended by that certain First Amendment to Loan and Security Agreement dated as of January 31, 2014, by and between Borrower and Bank, as amended by that certain Assumption and Second Amendment to Loan and Security Agreement dated as of August 12, 2014, by and between Borrower and Bank, as amended by that certain Third Amendment to Loan and Security Agreement dated as of September 25, 2014, by and between Borrower and Bank, as amended by that certain Fourth Amendment to Loan and Security Agreement dated as of October 31, 2014, by and between Borrower and Bank, as amended by that certain Consent and Fifth Amendment to Loan and Security Agreement dated as of December 31, 2015, by and between Borrower and Bank, and as further amended by that certain Consent and Sixth Amendment to Loan and Security Agreement dated as of January 9, 2018, by and between Borrower and Bank (as amended, restated, or otherwise modified from time to time, the "Loan Agreement"). As a condition to entering into the Loan Agreement, Bank requires that Landlord consent to the removal by Bank of the personal property serving as collateral for Borrower's obligations to Bank under the Loan Agreement, such personal property being more particularly described on Attachment 2 attached hereto (hereinafter called "Collateral") from the Real Property. For purposes of this Agreement, the term "Collateral" shall exclude any of Borrower's personal property which is attached to the Real Property in such a manner that it constitutes a "fixture" as defined in the Uniform Commercial Code. Capitalized terms used but not defined in this agreement shall have the meanings given to them in the Loan Agreement.

NOW, THEREFORE, Landlord consents to the placing of the Collateral on the Real Property, and agrees with Bank as follows:

1. Landlord subordinates to Bank's security interest in the Collateral any and all of Landlord's claims, demands and liens of every kind and nature against the Collateral under applicable law or by virtue of the lease for the Real Property now in effect (the "Lease"), to levy or distrain upon for rent, in arrears, in advance or both, or to claim or assert title to the Collateral that is located on the Real Property and Landlord shall not assert such claims or demands until all of Borrower's obligations to Bank under the Loan Agreement have been paid in full.

2. The Collateral shall be considered to be personal property and shall not be considered part of the Real Property regardless of whether or by what means it is or may become attached or affixed to the Real Property. Landlord shall provide prompt written notice to Bank of any early termination or expiration of the Lease or any abandonment of the Real Property by Borrower.

3. So long as Borrower remains in possession of the Real Property, Landlord will not dispose of any of the Collateral nor assert any right or interest therein. If any Collateral remains on the Real Property after Borrower has vacated the Real Property (whether upon early termination or expiration of the Lease or abandonment of the Real Property or otherwise), Landlord (i) will not dispose of any of the Collateral nor assert any right or interest therein unless Bank has had a reasonable period of time (in any case, not less than 20 days after Bank has knowledge that Borrower has vacated the Real Property) to exercise Bank's rights in and to the Collateral, and (ii) will permit Bank, or its agents or representatives, upon two business days' prior written notice by Bank to Landlord, to enter upon the Real Property during normal business hours during such 20 day period for the purpose of exercising any right Bank may have under the terms of the Loan Agreement, at law, or in equity, including, without limitation, the right to

remove the Collateral, to inspect or remove the Collateral, or any part thereof, from the Real Property (but for no other purpose). Bank shall not conduct any auctions or sales of the Collateral in the Premises or otherwise on the Real Property.

If any order or injunction is issued or stay granted which prohibits Bank from exercising any of its rights hereunder, then, at Bank's option, the period set forth in this Section 3 shall be stayed during the period of such prohibition and shall continue thereafter for the greater of (x) the number of days remaining for Bank to perform under this Section 3 or (y) 20 days.

In the event that Bank, or its agents or representatives, enter upon the Real Property to exercise Bank's rights with respect to the Collateral, Bank shall pay a pro-rated per diem fee at a rate equal to the base rental rate payable by Borrower under the Lease prior to the expiration or early termination thereof (or Borrower's abandonment of the Real Property) for the number of days that Bank, or such agents or representatives, occupy the Real Property; provided that, notwithstanding anything to the contrary, in no event shall Bank or its agents, representatives or affiliates be liable for any rent or other fees or amounts that may be owing by Borrower to Landlord. Landlord and Borrower acknowledge that Bank's entrance upon, occupation and use of the Real Property as contemplated herein shall neither render Bank a tenant of landlord or sub-tenant of Borrower nor give rise to any obligations under the Lease or otherwise other than as set forth herein. Bank hereby represents and warrants that it carries, and will carry at the time of any entry hereunder onto the Real Property, commercially reasonable insurance coverage.

4. Bank and Borrower agree, jointly and severally, promptly to repair any damage to the Real Property caused by Bank's or its agent's, representative's, or contractor's removal of the Collateral or, if Landlord, in its sole discretion, shall elect to make such repairs, to pay to Landlord promptly the reasonable and documented costs and expenses incurred in connection therewith. Bank hereby indemnifies Landlord for any claim, liability or expense (including reasonable and documented attorneys' fees) arising out of or in connection with Bank's or its agent's, representative's, or contractor's entry upon the Real Property and removal of the Collateral. Notwithstanding the foregoing, Bank shall not (a) be liable for any diminution in value of the Real Property caused by the absence of any Collateral so removed, and (b) have any duty or obligation to remove or dispose of any Collateral or any other property left on the Real Property by Borrower.

5. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

6. This agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of the respective parties hereto.

IN WITNESS WHEREOF, the undersigned have executed this instrument as a sealed instrument under the laws of the Commonwealth of Massachusetts on this _____ day of _____ , 2018.

CAMPANELLI-TRIGATE 100 TCD STOUGHTON, LLC

By: _____
Title: _____

SILICON VALLEY BANK

By: _____
Title: _____

Acknowledged and agreed:

COLLEGIUM PHARMACEUTICAL, INC.

By: _____
Title: _____

Attachment 1

LEGAL DESCRIPTION

All that certain parcel of land with the buildings thereon on Lindeloff Avenue In the Town of Stoughton, Norfolk Country, Commonwealth of Massachusetts and being Lot A on the Plan entitled "Redivision Plan of Lot A and Lot D Stoughton Technology Center, North Stoughton, MA" by Gale Engineering Company, Inc. dated February 6, 1987 as most recently revised January 13, 1988 and recorded with Norfolk County Registry of Deeds as Plan No. 374 of 1988 in Plan Book 367.

Lot A is also described as the following:

Beginning at the point of intersection of the Southerly Right of Way line of Lindeloff Avenue, and the Northwesterly Right of Way line of Technology Center Drive;

thence along said Northwesterly Right of Way line the following courses;

along a curve to the right having a radius of 40.00', a delta of 90-00-00, and an arc length of 62.83'; thence

S 45-31-48 E.19.61'; thence

along a curve to the right having a radius of 182.25', a delta of 41-00-00, and an arc length of 130.41'; thence

S 04-31-48 E. 384-99; thence

along a curve to the right having a radius of 605.00', a delta 37-40-48 and an arc length of 397.87; thence

S 33-09-00 W, 290.53'; thence

departing said Northwesterly Right of Way along the Easterly line of Lot D, N 45-31-48 W, 617.26' to the Southerly Line of Parcel "LA-1" (shown to be owned by the Commonwealth of Mass.); thence

along said Southerly line the following courses:

N 20-55-27 E. 139.70'; thence
N 44-28-12 E. 751-93'; thence
N 45-31-48 W, 50.00 to the POINT OF BEGINNING, containing 10.07 acres, more or less.

Attachment 2
Description of the Collateral

The Collateral consists of all of Borrower's right, title and interest in and to the following personal property as such terms are defined under the Massachusetts Uniform Commercial Code:

All goods, equipment, inventory, contract rights or rights to payment of money, leases, license agreements, franchise agreements, general intangibles (including payment intangibles), accounts (including health-care receivables), documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, certificates of deposit, deposit accounts, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and

all Borrower's Books relating to the foregoing and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Notwithstanding the foregoing, the Collateral does not include (a) any equity interests of Borrower in NewCo, (b) the Excluded Sublicenses, (c) any Intellectual Property of Borrower; provided, however, the Collateral shall include all accounts, license and royalty fees and other revenues, proceeds, or income arising out of or relating to any of the foregoing Intellectual Property of Borrower, or (d) any accounts directly resulting from the sale of the Payment-Bearing Products and any cash, royalty fees, revenues, proceeds or income directly resulting from any of the foregoing Payment-Bearing Products; provided, however, the Collateral shall include all cash deposited in accounts in Borrowers bank or securities accounts in Borrowers name, including transfers by NewCo to Borrower pursuant to Section 7.7(b)(ii) of the Commercialization Agreement.

SCHEDULE 1
LIST OF APPROVED HAZARDOUS MATERIALS

HAZARDOUS MATERIALS ON SITE:

MATERIAL NAME & LOCATION	*TYPE OF STORAGE	APPROXIMATE QUANTITY
HPLC Waste contains Acetonitrile 22% and aqueous buffer 78% - - Analytical Lab Hazardous and Waste Room	AC	55 Gallons
Ethyl Acetate Waste — Analytical Lab and Hazardous Waste Room	AC	5 Gallons
0.1 N Hydrochloric Acid Waste — Analytical Lab and Hazardous Waste Room	AC	10 Gallons
Methanol 80%, diethylene glycol monoethyl ether 20% Waste — Analytical Lab and Hazardous Waste Room	AC	5 Gallons
Sulfuric Acid and Formaldehyde Waste — Analytical Lab and Hazardous Waste Room	AC	1 Quart
Cyclohcxane, Trichloroethane, Glacial acetic acid, 0.1 N Sodium Thiosulfate Waste — Analytical Lab and Hazardous Waste Room	AC	1 Gallon
Potassium Dichromate, Sodium Thiosulfate, Waste — Analytical Lab and Hazardous Waste Room	AC	1 Gallon
Hydrochloric Acid, Conc. - Analytical Lab	AC	5 Gallons
Phosphoric Acid Conc.- Analytical Lab	AC	3 Quart
Sulfuric Acid Conc. - Analytical Lab	AC	1 Quart
Trifluoroacetic Acid - Analytical Lab	AC	1 Quart
Formic Acid — Analytical Lab	AC	1 Quart

Potassium Dichromate - Analytical Lab	AC	100 gm
Cyclohexane - Analytical Lab	AC	1 Gallon
1,1,2-Trichloroethane - Analytical Lab	AC	1 Quart
Sodium Hydroxide 50% - Analytical Lab	AC	2 Gallons
Formaldehyde 37% - Analytical Lab	AC	1 Quart
Methanol - Analytical Lab or Product Development Lab	AC	7 Gallons
Acetonitrile - Analytical Lab	AC	6 Gallons
Ethyl Acetate - Analytical Lab	AC	5 Gallons
Ethanol (100%) - Analytical Lab	AC	5 Gallons
Isopropanol - Analytical Lab	AC	3 Gallons
0.1 N Sodium Thiosulfate Volumetric Solution - Analytical Lab	AC	1 Gallon
Acetone - Analytical Lab	AC	2 Gallons
Triethylamine - Analytical Lab	AC	1 Gallon
Glacial Acetic Acid - Analytical Lab	AC	4 Gallons
Ethylene Glycol — Product Development Lab	AC	1 Gallon
Diethylene Glycol Monoethyl Ether - Analytical Lab	AC	2 Gallon

*(Use codes: U=under ground tank; AT=above ground tank; AC=above ground containers or drums)

Exhibit 10.3

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made by and between COLLEGIUM PHARMACEUTICAL, INC. (the "Company") and SHIRLEY R. KUHLMANN (the "Executive").

WHEREAS, the Company desires to employ Executive on at at-will basis, and the Executives wishes to continue to be employed by the Company on at-will basis, on the terms and conditions set forth herein; and

WHEREAS, the parties wish to enter into this Agreement to memorialize the terms of Executive's continued employment by the Company.

NOW, THEREFORE, in consideration of the foregoing and intending to be bound hereby, the parties agree as follows:

1. Duration of Agreement. This Agreement shall be effective on the date Executive commences employment with the Company (the "Effective Date"), which is anticipated to be March 16, 2018, and has no specific expiration date. Unless terminated by agreement of the parties, this Agreement will govern Executive's continued employment by the Company until that employment ceases.

2. Title; Duties. Executive will be employed as the Company's Executive Vice President and General Counsel, reporting directly to the Company's Chief Executive Officer. Executive will devote her best efforts and substantially all of her business time and services to the Company and its affiliates to perform such duties as may be customarily incident to her position and as may reasonably be assigned to her from time to time. Executive will not, in any capacity, engage in other business activities or perform services for any other individual, firm or corporation without the prior written consent of the Company; *provided*, *however*, that without such consent, Executive may engage in charitable, non-profit and public service activities, so long as such activities do not in any respect interfere or conflict with Executive's performance of her duties and obligations to the Company.

3. Place of Performance. Executive will perform her services hereunder at the principal executive offices of the Company in Canton, Massachusetts; *provided, however,* that Executive may be required to travel from time to time for business purposes.

4. Compensation and Indemnification.

4.1. Base Salary. Executive's annual salary will be $375,000 (the "Base Salary"), paid in accordance with the Company's payroll practices as in effect from time to time. The Base Salary will be reviewed annually by the Compensation Committee of the Company's Board of Directors (the "Committee").

4.2. Annual Bonuses.

4.2.1. For each fiscal year ending during her employment, Executive will be eligible to earn an annual bonus. The target amount of that bonus will be 40% percent of Executive's Base Salary for the applicable fiscal year. The actual bonus payable with respect to a particular year will be determined by the Committee, based on the achievement of corporate and /or individual performance objectives established by the Committee. Any bonus payable under this paragraph will be paid during the calendar year immediately following the fiscal year in respect of which the bonus is payable and, except as otherwise provided in Section 5.1.2, will only be paid if Executive remains continuously employed by the Company through the actual bonus payment date.

4.2.2. For purposes of determining any bonus payable to Executive, the measurement of corporate and individual performance will be performed by the Committee in good faith. From time to time, the Committee may, in its sole discretion, make adjustments to corporate or individual performance goals, so that required departures from the Company's operating budget, changes in accounting principles, acquisitions, dispositions, mergers, consolidations and other corporate transactions, and other factors influencing the achievement or calculation of such goals do not affect the operation of this provision in a manner inconsistent with its intended purposes.

4.3. Signing Bonus. On the first payroll date applicable to Executive after the Effective Date, the Company shall pay Executive a one-time lump sum signing bonus of $50,000 (the "Signing Bonus"), subject to tax withholding and the Company's payroll policies. If Executive resigns her employment with the Company for any reason other than for Good Reason (as defined below), or if Executive's employment is terminated for Cause (as defined below), in either case within six (6) months of the Effective Date, Executive shall repay 100% of the Signing Bonus to the Company within thirty (30) days after such termination of employment. If Executive resigns her employment with the Company for any reason other than for Good Reason, or if Executive's employment is terminated for Cause, in either case between six (6) months of the Effective Date and the first anniversary of the Effective Date, Executive shall repay 50% of the Signing Bonus to the Company within thirty (30) days after such termination of employment.

4.4. Equity Incentive Awards. As soon as practicable following the Effective Date and subject to the approval of the Committee, Executive will be granted the following awards under and subject to the Company's Amended and Restated 2014 Stock Incentive Plan (the "Plan"):

4.4.1. a restricted stock unit award (the "RSU Award") for 20,000 restricted stock units. Subject to Executive's continued employment with the Company, the RSU Award will vest 25% on the first anniversary of the RSU Award grant date and the remainder will vest in substantially equal installments every six months during the three-year period commencing on the first anniversary of the grant date; and

4.4.2. an option to purchase 40,000 shares of the Company's common stock (the "Option Award"). Subject to Executive's continued employment with the Company, 25% of the Option Award will vest on the first anniversary of the Option Award grant date and the remainder will vest in substantially equal monthly installments during the three-year period commencing on the first anniversary of the grant date.

The RSU Award and Option Award will be subject to the terms and conditions of the Plan and award agreements evidencing such grants.

4.5. Employee Benefits. During Executive's employment, Executive will be eligible to participate in all employee benefit plans and programs made available by the Company from time to time to employees generally, subject to applicable plan terms and policies. The Company periodically reviews its benefits, policies, benefits providers and practices and may terminate, alter or change them at its discretion from time to time.

4.6. Reimbursement of Expenses. The Executive will be reimbursed by the Company for all reasonable business expenses incurred by Executive in accordance with the Company's customary expense reimbursement policies as in effect from time to time. Notwithstanding anything herein to the contrary, to the extent any expense, reimbursement or in-kind benefit provided to the Executive constitutes a "deferral of compensation" within the meaning of Section 409A of the Internal Revenue Code (the "Code") (i) the amount of expenses eligible for reimbursement or in-kind benefits provided to the Executive must be incurred during the Executive's term of employment; (ii) the amount of expenses

eligible for reimbursement or in-kind benefits provided to the Executive during any calendar year will not affect the amount of expenses eligible for reimbursement or in-kind benefits provided to the Executive in any other calendar year, (iii) the reimbursements for expenses for which the Executive is entitled to be reimbursed shall be made on or before the last day of the calendar year following the calendar year in which the applicable expense is incurred and (iv) the right to payment or reimbursement or in-kind benefits hereunder may not be liquidated or exchanged for any other benefit.

5. Termination. Executive's employment with the Company may be terminated by the Company or Executive at any time and for any reason. Upon any cessation of her employment with the Company, Executive will be entitled only to such compensation and benefits as described in this Section 5. Upon any cessation of her employment for any reason, unless otherwise requested by the Company, Executive agrees to resign immediately from all officer and director positions she then holds with the Company and its affiliates.

5.1. Termination without Cause or for Good Reason. If Executive's employment by the Company ceases due to a termination by the Company without Cause (as defined below) or a resignation by Executive for Good Reason (as defined below), Executive will be entitled to:

5.1.1. payment of any annual bonus otherwise payable (but for the cessation of Executive's employment) with respect to a year ended prior to the cessation of Executive's employment;

5.1.2. continuation of Executive's Base Salary for a period equal to 9 months, payable in accordance with the Company's standard payroll practices; and

5.1.3. waiver of the applicable premium otherwise payable for COBRA continuation coverage for Executive (and, to the extent covered immediately prior to the date of such cessation, her eligible dependents) for a period equal to 9 months.

Except as otherwise provided in this Section 5.1, and except for payment of all (i) accrued and unpaid Base Salary through the date of such cessation, (ii) any expense reimbursements to be paid in accordance with Company policy and (iii) payments for any accrued but unused paid time off in accordance with the Company's policies and applicable law, all compensation and benefits will cease at the time of such cessation and the Company will have no further liability or obligation by reason of such cessation. The payments and benefits described in this Section 5.1 are in lieu of, and not in addition to, any other severance arrangement maintained by the Company. Notwithstanding any provision of this Agreement, the payments and benefits described in Section 5.1 are conditioned on: (a) the Executive's execution and delivery to the Company and the expiration of all applicable statutory revocation periods, by the 45th day following the effective date of her cessation of employment, of a general release of claims against the Company and its affiliates in a form reasonably prescribed by the Company (the "Release"); and (b) the Executive's continued compliance with the Restrictive Covenants (as defined below). Subject to Section 5.4, below, the benefits described in Section 5.1 will be paid or provided (or begin to be paid or provided) as soon as administratively practicable [(or determinable in the case of the benefits described in Section 5.1.1)] after the Release becomes irrevocable, provided that if the 45 day period described above begins in one taxable year and ends in a second taxable year such payments or benefits shall not commence until the second taxable year.

5.2. Termination Following a Change in Control. For cessations of employment described in Section 5.1 that occur during the twelve (12) month period immediately following the occurrence of a Change in Control (as defined below), the Executive will receive the payments and benefits described in Section 5.1 above, subject to the following modifications:

5.2.1. the references in Sections 5.1.2 and 5.1.3 to “9 months” will each be replaced with a reference to “12 months”; and

5.2.2. all unvested restricted stock, stock options and other equity incentives awarded to Executive by the Company will become immediately and automatically fully vested and exercisable (as applicable).

5.3. Other Terminations. If Executive’s employment with the Company ceases for any reason other than as described in Section 5.1, above (including but not limited to termination (i) by the Company for Cause, (ii) as a result of Executive’s death, (iii) as a result of Executive’s Disability or (d) by Executive without Good Reason, then the Company’s obligation to Executive will be limited solely to (a) accrued and unpaid Base Salary through the date of such cessation, (b) any expense reimbursements to be paid in accordance with Company policy and (c) payments for any accrued but unused paid time off in accordance with the Company’s policies and applicable law. All compensation and benefits will cease at the time of such cessation and, except as otherwise provided by COBRA or this Section 5.3, the Company will have no further liability or obligation by reason of such termination. The foregoing will not be construed to limit Executive’s right to payment or reimbursement for claims incurred prior to the date of such termination under any insurance contract funding an employee benefit plan, policy or arrangement of the Company in accordance with the terms of such insurance contract.

5.4. Compliance with Section 409A. If the termination giving rise to the payments described in Section 5.1 is not a “Separation from Service” within the meaning of Treas. Reg. § 1.409A-1(h)(1) (or any successor provision), then the amounts otherwise payable pursuant to that section will instead be deferred without interest and will not be paid until Executive experiences a Separation from Service. To the maximum extent permitted under Section 409A of the Code and its corresponding regulations, the cash severance benefits payable under this Agreement are intended to meet the requirements of the short-term deferral exemption under Section 409A of the Code and the “separation pay exception” under Treas. Reg. §1.409A-1(b)(9)(iii). To the extent compliance with the requirements of Treas. Reg. § 1.409A-3(i)(2) (or any successor provision) is necessary to avoid the application of an additional tax under Section 409A of the Internal Revenue Code to payments due to Executive upon or following her Separation from Service, then notwithstanding any other provision of this Agreement (or any otherwise applicable plan, policy, agreement or arrangement), any such payments that are otherwise due within six months following Executive’s Separation from Service (taking into account the preceding sentence of this paragraph) will be deferred without interest and paid to Executive in a lump sum immediately following that six month period. For purposes of the application of Treas. Reg. § 1.409A-1(b)(4)(or any successor provision), each payment in a series of payments will be deemed a separate payment.

5.5. PPACA. Notwithstanding anything in this Agreement to the contrary, the waiver in respect of COBRA premiums pursuant to this Sections 5.1 and 5.2 shall cease to the extent required to avoid adverse consequences to the Company under the Patient Protection and Affordable Care Act of 2010 and regulations thereunder.

5.6. Section 280G. If any payment or distribution by the Company to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement or the lapse or termination of any restriction on or the vesting or exercisability of any payment or benefit (each a “Payment”), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law (such tax or taxes are hereafter collectively referred to as the “Excise Tax”), then the aggregate amount of Payments payable to Executive shall be reduced to the aggregate amount of Payments that may be made

to the Executive without incurring an excise tax (the "Safe-Harbor Amount") in accordance with the immediately following sentence; *provided that* such reduction shall only be imposed if the aggregate after-tax value of the Payments retained by Executive (after giving effect to such reduction) is equal to or greater than the aggregate after-tax value (after giving effect to the Excise Tax) of the Payments to Executive without any such reduction. Any such reduction shall be made in the following order: (i) first, any future cash payments (if any) shall be reduced (if necessary, to zero); (ii) second, any current cash payments shall be reduced (if necessary, to zero); (iii) third, all non-cash payments (other than equity or equity derivative related payments) shall be reduced (if necessary, to zero); and (iv) fourth, all equity or equity derivative payments shall be reduced.

5.7. Definitions. For purposes of this Agreement:

5.7.1. "Cause" means (a) commission or conviction of any felony or any crime involving dishonesty; (b) commission of any fraud against the Company; (c) intentional and material damage to any material property of the Company; (d) Executive's material breach of any agreement with or duty owed to the Company or any of its affiliates (including, without limitation, Executive's material breach of any of the Restrictive Covenants, as defined below); or (e) refusal to perform the lawful, reasonable and material directives of the Company's Board of Directors (the "Board") or the Company's Chief Executive Officer. Before "Cause" under clause (c), (d) or (e) has been deemed to have occurred, the Board must provide the Executive with written notice detailing why the Board has determined that Cause has occurred and the actions required to cure the same, to the extent reasonably subject to cure. The Executive shall then, where the grounds for Cause are reasonably subject to cure within such time, have thirty (30) days after the Executive's receipt of written notice to cure the item cited in the written notice so that "Cause" will have not formally occurred with respect to the event in question until such period, where applicable, shall have expired.

5.7.2. "Change in Control" means the first to occur of any of the events described in Section 1(g) of the Plan (or any successor provision).

5.7.3. "Disability" means a condition entitling the Executive to benefits under the Company's long term disability plan, policy or arrangement; *provided, however*, that if no such plan, policy or arrangement is then maintained by the Company and applicable to the Executive, "Disability" will mean the Executive's inability to perform her duties under this Agreement due to a mental or physical condition that can be expected to result in death or that can be expected to last (or has already lasted) for a continuous period of 90 days or more, or for 120 days in any 180 consecutive day period. Termination as a result of a Disability will not be construed as a termination by the Company "without Cause."

5.7.4. "Good Reason" means any of the following, without the Executive's prior consent: (a) a material diminution of the Executive's duties or authority with the Company, reporting relationships or the assignment of duties and responsibilities inconsistent with Executive's status at the Company; (b) a reduction in Base Salary; or (c) the relocation of the Executive's primary place of employment to a location that is (i) more than 50 miles from the location of the Executive's permanent primary place of employment prior to such relocation and (ii) more than 50 miles from the location of the Executive's residence. However, none of the foregoing events or conditions will constitute Good Reason unless the Executive provides the Company with written objection to the event or condition within 30 days following the occurrence thereof, the Company does not reverse or otherwise cure the event or condition within 30 days of receiving that written objection, and the Executive resigns Executive's employment within 30 days following the expiration of that cure period.

6. Restrictive Covenants. To induce the Company to enter into this Agreement and in recognition of the compensation to be paid to the Executive pursuant to Sections 4 and 5 of this

Agreement, the Executive agrees to be bound by the provisions of this Section 6 (the "Restrictive Covenants"). These Restrictive Covenants will apply without regard to whether any termination or cessation of the Executive's employment is initiated by the Company or the Executive, and without regard to the reason for that termination or cessation.

6.1. Covenant Not To Compete. The Executive covenants that, during her employment by the Company and for a period of 9 months following immediately thereafter (the "**Restricted Period**"), the Executive will not (except in her capacity as an employee or director of the Company) do any of the following, directly or indirectly:

6.1.1. engage or participate in any Competing Business (as defined below) wherever the Company or its affiliates do business, do or plan to do business or sell or market their products or services;

6.1.2. become interested in (as owner, stockholder, lender, partner, co-venturer, director, officer, employee, agent or consultant) any person, firm, corporation, association or other entity engaged in a Competing Business. Notwithstanding the foregoing, the Executive may hold up to 1% of the outstanding securities of any class of any publicly-traded securities of any company;

6.1.3. influence or attempt to influence any employee, consultant, supplier, licensor, licensee, contractor, agent, strategic partner, distributor, customer or other person to terminate or modify any written or oral agreement, arrangement or course of dealing with the Company or any of its affiliates; or

6.1.4. solicit for employment or retention as an independent contractor (or arrange to have any other person or entity solicit for employment or retention) any person employed or retained by the Company or any of its affiliates.

6.2. Confidentiality. The Executive recognizes and acknowledges that the Proprietary Information (as defined in below) is a valuable, special and unique asset of the business of the Company and its affiliates. As a result, both during the Term and thereafter, the Executive will not, without the prior written consent of the Company, for any reason divulge to any third-party or use for her own benefit, or for any purpose other than the exclusive benefit of the Company and its affiliates, any Proprietary Information. Notwithstanding the foregoing, nothing in this Agreement prohibits the Executive from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General (collectively, the "Regulators"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. In connection with any such activity, the Executive must identify any information that is confidential and ask the Regulator for confidential treatment of such information. Despite the foregoing, Executive is not permitted to reveal to any third party, including any governmental, law enforcement, or regulatory authority, information employee came to learn during the course of Executive's employment with the Company that is protected from disclosure by any applicable privilege, including but not limited to the attorney-client privilege, attorney work product doctrine and/or other applicable legal privileges. The Company does not waive any applicable privileges or the right to continue to protect its privileged attorney-client information, attorney work product, and other privileged information. Notwithstanding any other provisions of this Agreement, pursuant to 18 USC Section 1833(b), Executive shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (a) confidentially to a federal, state, or local government

official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (b) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. If Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose a trade secret of the Company to Executive's attorney and use the trade secret information in related court proceedings, provided that Executive files any document containing the trade secret information under seal and does not disclose the trade secret, except pursuant to court order.

6.3. Property of the Company.

6.3.1. Proprietary Information. All right, title and interest in and to Proprietary Information will be and remain the sole and exclusive property of the Company and its affiliates. The Executive will not remove from the Company's or its affiliates' offices or premises any documents, records, notebooks, files, correspondence, reports, memoranda or similar materials of or containing Proprietary Information, or other materials or property of any kind belonging to the Company or its affiliates unless necessary or appropriate in the performance of her duties to the Company and its affiliates. If the Executive removes such materials or property in the performance of her duties, she will return such materials or property promptly after the removal has served its purpose. The Executive will not make, retain, remove and/or distribute any copies of any such materials or property, or divulge to any third person the nature of and/or contents of such materials or property, except to the extent necessary to satisfy contractual obligations of the Company or its affiliates or to perform her duties on behalf of the Company and its affiliates. Upon termination of the Executive's employment with the Company, she will leave with the Company and its affiliates or promptly return to the Company and its affiliates all originals and copies of such materials or property then in her possession.

6.3.2. Intellectual Property. The Executive agrees that all the Intellectual Property (as defined below) will be considered "works made for hire" as that term is defined in Section 101 of the Copyright Act (17 U.S.C. § 101) and that all right, title and interest in such Intellectual Property will be the sole and exclusive property of the Company and its affiliates. To the extent that any of the Intellectual Property may not by law be considered a work made for hire, or to the extent that, notwithstanding the foregoing, the Executive retains any interest in the Intellectual Property, the Executive hereby irrevocably assigns and transfers to the Company and its affiliates any and all right, title, or interest that the Executive may now or in the future have in the Intellectual Property under patent, copyright, trade secret, trademark or other law, in perpetuity or for the longest period otherwise permitted by law, without the necessity of further consideration. The Company and its affiliates will be entitled to obtain and hold in its own name all copyrights, patents, trade secrets, trademarks and other similar registrations with respect to such Intellectual Property. The Executive further agrees to execute any and all documents and provide any further cooperation or assistance reasonably required by the Company, at the Company's expense, to perfect, maintain or otherwise protect its rights in the Intellectual Property. If the Company or its affiliates, as applicable, are unable after reasonable efforts to secure the Executive's signature, cooperation or assistance in accordance with the preceding sentence, whether because of the Executive's incapacity or any other reason whatsoever, the Executive hereby designates and appoints the Company, the appropriate affiliate, or their respective designee as the Executive's agent and attorney-in-fact, to act on her behalf, to execute and file documents and to do all other lawfully permitted acts necessary or desirable to perfect, maintain or otherwise protect the Company's or its affiliates' rights in the Intellectual Property. The Executive acknowledges and agrees that such appointment is coupled with an interest and is therefore irrevocable.

6.4. Definitions. For purposes of this Agreement:

6.4.1. "Competing Business" means any person, firm, corporation, partnership, association or other entity engaged in developing, manufacturing, marketing, distributing or selling, directly or indirectly, pharmaceutical abuse-deterrent products or any other product for pain indications that directly competes with a product developed, manufactured, marketed, distributed or sold by the Company. A division, subsidiary or similar business unit of an entity that does not engage in the business activities described in this definition will not be considered a Competing Business even if another separate division, subsidiary or similar business unit does engage in such activities.

6.4.2. "Intellectual Property" means (a) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents and patent applications claiming such inventions, (b) all trademarks, service marks, trade dress, logos, trade names, fictitious names, brand names, brand marks and corporate names, together with all translations, adaptations, derivations, and combinations thereof and including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith, (c) all copyrightable works, all copyrights, and all applications, registrations, and renewals in connection therewith, (d) all mask works and all applications, registrations, and renewals in connection therewith, (e) all trade secrets (including research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, methodologies, technical data, designs, drawings and specifications), (f) all computer software (including data, source and object codes and related documentation), (g) all other proprietary rights, (h) all copies and tangible embodiments thereof (in whatever form or medium), or (i) similar intangible personal property which have been or are developed or created in whole or in part by the Executive (1) at any time and at any place while the Executive is employed by Company and which, in the case of any or all of the foregoing, are related to and used in connection with the business of the Company or its affiliates, or (2) as a result of tasks assigned to the Executive by the Company or its affiliates.

6.4.3. "Proprietary Information" means any and all proprietary information developed or acquired by the Company or any of its subsidiaries or affiliates that has not been specifically authorized to be disclosed. Such Proprietary Information shall include, but shall not be limited to, the following items and information relating to the following items: (a) all intellectual property and proprietary rights of the Company (including, without limitation, the Intellectual Property), (b) computer codes and instructions, processing systems and techniques, inputs and outputs (regardless of the media on which stored or located) and hardware and software configurations, designs, architecture and interfaces, (c) business research, studies, procedures and costs, (d) financial data, (e) distribution methods, (f) marketing data, methods, plans and efforts, (g) the identities of actual and prospective suppliers, (h) the terms of contracts and agreements with, the needs and requirements of, and the Company's or its affiliates' course of dealing with, actual or prospective suppliers, (i) personnel information, (j) customer and vendor credit information, and (k) information received from third parties subject to obligations of non-disclosure or non-use. Failure by the Company or its affiliates to mark any of the Proprietary Information as confidential or proprietary shall not affect its status as Proprietary Information.

6.5. Acknowledgements. The Executive acknowledges that the Restrictive Covenants are reasonable and necessary to protect the legitimate interests of the Company and its affiliates, that the duration and geographic scope of the Restrictive Covenants are reasonable given the nature of this Agreement and the position the Executive holds within the Company, and that the Company would not enter into this Agreement or otherwise employ or continue to employ the Executive unless the Executive agrees to be bound by the Restrictive Covenants set forth in this Section 6.

6.6. Remedies and Enforcement Upon Breach.

6.6.1. Specific Enforcement. The Executive acknowledges that any breach by her, willfully or otherwise, of the Restrictive Covenants will cause continuing and irreparable injury to the Company or its affiliates for which monetary damages would not be an adequate remedy. The Executive shall not, in any action or proceeding to enforce any of the provisions of this Agreement, assert the claim or defense that such an adequate remedy at law exists. In the event of any such breach or threatened breach by the Executive of any of the Restrictive Covenants, the Company or its affiliates, as applicable, shall be entitled to injunctive or other similar equitable relief in any court, without any requirement that a bond or other security be posted, and this Agreement shall not in any way limit remedies of law or in equity otherwise available to the Company and its affiliates.

6.6.2. Judicial Modification. If any court determines that any of the Restrictive Covenants, or any part thereof, is unenforceable because of the duration or geographical scope of such provision, such court shall have the power to modify such provision and, in its modified form, such provision shall then be enforceable.

6.6.3. Enforceability. If any court holds the Restrictive Covenants unenforceable by reason of their breadth or scope or otherwise, it is the intention of the parties hereto that such determination not bar or in any way affect the right of the Company and its affiliates to the relief provided above in the courts of any other jurisdiction within the geographic scope of such Restrictive Covenants.

6.6.4. Disclosure of Restrictive Covenants. The Executive agrees to disclose the existence and terms of the Restrictive Covenants to any employer that the Executive may work for during the Restricted Period.

6.6.5. Extension of Restricted Period. If the Executive breaches Section 6.1 in any respect, the restrictions contained in that section will be extended for a period equal to the period that the Executive was in breach.

7. Miscellaneous.

7.1. Other Agreements. Executive represents and warrants to the Company that there are no restrictions, agreements or understandings whatsoever to which she is a party that would prevent or make unlawful her execution of this Agreement, that would be inconsistent or in conflict with this Agreement or Executive's obligations hereunder, or that would otherwise prevent, limit or impair the performance by Executive of her duties under this Agreement.

7.2. Successors and Assigns. The Company may assign this Agreement to any successor to its assets and business by means of liquidation, dissolution, sale of assets or otherwise. The duties of Executive hereunder are personal to Executive and may not be assigned by her.

7.3. Governing Law and Enforcement. This Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, without regard to the principles of conflicts of laws. Any legal proceeding arising out of or relating to this Agreement will be instituted in a state or federal court in the Commonwealth of Massachusetts, and Executive and the Company hereby consent to the personal and exclusive jurisdiction of such court(s) and hereby waive any objection(s) that they may have to personal jurisdiction, the laying of venue of any such proceeding and any claim or defense of inconvenient forum.

7.4. Waivers. The waiver by either party of any right hereunder or of any breach by the other party will not be deemed a waiver of any other right hereunder or of any other breach by the other party. No waiver will be deemed to have occurred unless set forth in a writing. No waiver will

constitute a continuing waiver unless specifically stated, and any waiver will operate only as to the specific term or condition waived.

7.5. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law. However, if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provision, and this Agreement will be reformed, construed and enforced as though the invalid, illegal or unenforceable provision had never been herein contained.

7.6. Survival. This Agreement will survive the cessation of Executive's employment to the extent necessary to fulfill the purposes and intent the Agreement.

7.7. Notices. Any notice or communication required or permitted under this Agreement will be made in writing and (a) sent by overnight courier, (b) mailed by overnight U.S. express mail, return receipt requested or (c) sent by telecopier. Any notice or communication to Executive will be sent to the address contained in her personnel file. Any notice or communication to the Company will be sent to the Company's principal executive offices, to the attention of its Chief Executive Officer. Notwithstanding the foregoing, either party may change the address for notices or communications hereunder by providing written notice to the other in the manner specified in this paragraph.

7.8. Entire Agreement; Amendments. This Agreement contains the entire agreement and understanding of the parties hereto relating to the subject matter hereof, and merges and supersedes all prior and contemporaneous discussions, agreements and understandings of every nature relating to that subject matter (including, without limitation, the employment offer letter dated February 12, 2018). This Agreement may not be changed or modified, except by an agreement in writing signed by each of the parties hereto.

7.9. Withholding. All payments (or transfers of property) to Executive will be subject to tax withholding to the extent required by applicable law.

7.10. Section Headings. The headings of sections and paragraphs of this Agreement are inserted for convenience only and will not in any way affect the meaning or construction of any provision of this Agreement.

7.11. Counterparts; Facsimile. This Agreement may be executed in multiple counterparts (including by facsimile signature), each of which will be deemed to be an original, but all of which together will constitute but one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

<***remainder of page intentionally left blank; signature page follows***>

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer, and Executive has executed this Agreement, on the date(s) indicated below.

COLLEGIUM PHARMACEUTICAL, INC.

By: _____

Name: _____

Title: _____

Date: _____

SHIRLEY R. KUHLMANN

_____

Date: _____

SEVENTH AMENDMENT
TO
LOAN AND SECURITY AGREEMENT

This Seventh Amendment to Loan and Security Agreement (this "**Amendment**") is entered into this [_____] day of [_____], 2018, by and between **SILICON VALLEY BANK**, a California corporation with a loan production office located at 275 Grove Street, Suite 2-200, Newton, Massachusetts 02466 ("**Bank**") and **COLLEGIUM PHARMACEUTICAL, INC.**, a Virginia corporation with an office located at 780 Dedham Street, Suite 800, Canton, Massachusetts 02021 ("**Borrower**").

RECITALS

A. Bank and Borrower have entered into that certain Loan and Security Agreement dated as of August 28, 2012, as amended by that certain First Amendment to Loan and Security Agreement dated as of January 31, 2014, by and between Borrower and Bank, as amended by that certain Assumption and Second Amendment to Loan and Security Agreement (the "**Second Amendment**") dated as of August 12, 2014, by and between Borrower and Bank, as amended by that certain Third Amendment to Loan and Security Agreement dated as of September 25, 2014, by and between Borrower and Bank, as further amended by that certain Fourth Amendment to Loan and Security Agreement dated as of October 31, 2014, by and between Borrower and Bank, as further amended by that certain Consent and Fifth Amendment to Loan and Security Agreement dated as of December 31, 2015, by and between Borrower and Bank, and as further amended by that certain Consent and Sixth Amendment to Loan and Security Agreement dated as of January 9, 2018 (as the same may from time to time be further amended, modified, supplemented or restated, the "**Loan Agreement**").

B. Bank has extended credit to Borrower for the purposes permitted in the Loan Agreement.

C. Borrower has requested that Bank amend the Loan Agreement to (i) revise an Event of Default and (ii) make certain revisions to the Loan Agreement as more fully set forth herein.

D. Bank has agreed to so amend certain provisions of the Loan Agreement, but only to the extent, in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

1. Definitions. Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Loan Agreement.

2. Amendment to Loan Agreement.

2.1 Section 5 (Events of Default). Section 5 of the Loan Agreement is

amended by deleting the text “March 31, 2018” appearing in subsection (xi) thereof, and inserting in lieu thereof the text “August 1, 2018”.

3. Limitation of Amendment.

3.1 The amendment set forth in Section 2, above, is effective for the purpose set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Bank may now have or may have in the future under or in connection with any Loan Document.

3.2 This Amendment shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

4. Representations and Warranties. To induce Bank to enter into this Amendment, Borrower hereby represents and warrants to Bank as follows:

4.1 Immediately after giving effect to this Amendment (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date), and (b) no Event of Default has occurred and is continuing;

4.2 Borrower has the power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

4.3 The organizational documents of Borrower delivered to Bank on the Second Amendment Effective Date remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect, except as set forth on Exhibit 2 annexed to the Second Amendment;

4.4 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized;

4.5 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not and will not contravene (a) any law or regulation binding on or affecting Borrower, (b) any contractual restriction with a Person binding on Borrower, (c) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;

4.6 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not require any order, consent, approval, license, authorization or validation of,

or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on Borrower, except as already has been obtained or made; and

4.7 This Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

5. Updated Schedule D. Borrower has delivered an updated Schedule D (Statement of Borrower's Information) to the Loan Agreement in connection with this Amendment attached hereto as Exhibit 1 (the "**Updated Schedule D**"), which Updated Schedule D shall supersede in all respects that certain Schedule D (Statement of Borrower's Information) to the Loan Agreement previously delivered by Borrower to Bank in connection with the Second Amendment. Borrower agrees that all references in the Loan Agreement to "Schedule D" shall hereinafter be deemed to be a reference to the Updated Schedule D.

6. Integration. This Amendment and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Amendment and the Loan Documents merge into this Amendment and the Loan Documents.

7. Counterparts. This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

8. Effectiveness. This Amendment shall be deemed effective upon (a) the due execution and delivery to Bank of this Amendment by each party hereto and (b) Borrower's payment of Bank's legal fees and expenses incurred in connection with this Amendment.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as a sealed instrument under the laws of the Commonwealth of Massachusetts as of the date first written above.

BANK

SILICON VALLEY BANK

By: _____
Name: _____
Title: _____

BORROWER

COLLEGIUM PHARMACEUTICAL, INC.

By: _____
Name: _____
Title: _____

EXHIBIT 1

SCHEDULE D
STATEMENT OF BORROWER'S INFORMATION

Borrower hereby represents and warrants, as of the date of the Agreement, subject to any updates provided to Bank as required under the Agreement: (If none, please indicate so. Attach additional pages, if necessary.)

*1. The exact legal name of Borrower, as set forth in its formation documents, is: Collegium Pharmaceutical, Inc.

*2. Borrower currently operates and has operated during the previous five years under only the following names: Collegium Pharmaceutical, Inc., a Virginia corporation, and Collegium Pharmaceutical, Inc., a Delaware corporation.

*3. Borrower is organized in the Commonwealth of Virginia and is qualified to do business in the following states: Massachusetts.

*4. The following are all of Borrower's Subsidiaries and their respective states (or countries, if other than the U.S.) and dates of formation, as well as the percentage of total capital stock owned by Borrower:

Name of Subsidiary	**State**	**Date of Formation**	**Percentage of Total Capital Stock Owned by Borrower**
Collegium NF, LLC	Delaware	December 1, 2017	100%
Collegium Securities Corporation	Massachusetts	December 22, 2015	100%

**5. The following are all actions, suits, proceedings and investigations pending, or to Borrower's knowledge, currently threatened by or against Borrower, in which a likely adverse decision could reasonably be expected to cause a Material Adverse Change in Borrower's business, operations or financial condition:

None, other than the following matters, each of which has been publicly disclosed: (i) defense of patent infringement litigation initiated by Purdue Pharma, L.P. in relation to Xtampza ER (case numbers 1:17-CV-11923-FDS (D. Mass. Oct.6, 2017) , 1:17-CV-11814-FDS (D. Mass. Sept. 21, 2017), and 1:15-CV-13099-FDS (D. Mass. Aug. 6, 2015)); (ii) defense of patent infringement litigation initiated by Purdue Pharma, L.P. in relation to Nucynta ER and IR (case number 1:18-CV-00226 (D. Del. Feb. 7, 2018)); and (iii) patent infringement litigation initiated by Collegium Pharmaceutical, Inc. against Teva Pharmaceutical USA, Inc. in relation to infringement of Collegium intellectual property (case number 1:18-CV-00300 FDS (D. Del. Feb. 22, 2018)).

**6. The following is a description of all returns, recoveries, disputes and claims of at least $50,000 each, received by Borrower within the last thirty (30) days:

None

***7. The following are all of Borrower's copyrights or mask works registered with the United States Copyright Office:

None

****8. The following are all of Borrower's patents, trademarks and service marks, and all applications filed by Borrower in the United States Patent & Trademark Office for a patent or to register a trademark or service mark:

See Exhibit A to this Schedule D.

9. The following is all of the Borrower's indebtedness existing as of the date of the Agreement (other than indebtedness arising under the Agreement):

None

10. The following is all of the Borrower's investments (other than Subsidiaries) existing as of the date of the Agreement:

None

11. The following are all liens to which Borrower's assets and property are subject as of the date of the Agreement (other than liens in favor of Lender):

None

12. Other exceptions to representations and warranties under Section 3 of the Agreement:

None

Borrower must update Bank of any material change to information:

* at least thirty (30) days' prior to the date of occurrence of the event necessitating such update.

** within five (5) days' of the date of occurrence of the event necessitating such update.

*** at least 15 days' prior to the date of filing of any application with the United States Copyright Office.

**** at least 30 days' prior to the date of filing of any application with the United States Patent and Trademark Office.

EXHIBIT A TO SCHEDULE D

Borrower's patents, trademarks and service marks, and all applications filed by Borrower in the United States Patent & Trademark Office for a patent or to register a trademark or service mark

Country	Case Status	Application No.	Application Date	Patent No.	Grant Date	Title/Mark
United States of America	Granted	10/614,866	7/7/2003	7,399,488	7/15/2008	ABUSE-DETERRENT PHARMACEUTICAL COMPOSITIONS OF OPIODS AND OTHER DRUGS
United States of America	Granted	11/149,867	6/10/2005	7,771,707	8/10/2010	ABUSE-DETERRENT DRUG FORMULATIONS
United States of America	Granted	12/823,628	6/25/2010	8,449,909	5/28/2013	ABUSE-DETERRENT DRUG FORMULATIONS
United States of America	Granted	12/473,073	5/27/2009	8,557,291	10/15/2013	ABUSE-DETERRENT PHARMACEUTICAL COMPOSITIONS OF OPIOIDS AND OTHER DRUGS
United States of America	Granted	13/870,690	4/25/2013	8,758,813	6/24/2014	ABUSE-DETERRENT DRUG FORMULATIONS
United States of America	Granted	12/965,572	12/10/2010	8,840,928	9/23/2014	TAMPER-RESISTANT PHARMACEUTICAL COMPOSITIONS OF OPIODS AND OTHER DRUGS
United States of America	Granted	13/551,455	7/17/2012	9,044,398	6/2/2015	ABUSE-DETERRENT PHARMACEUTICAL COMPOSITIONS OF OPIOIDS AND OTHER DRUGS
United States of America	Granted	14/054,513	10/15/2013	9,248,195	2/2/2016	ABUSE-DETERRENT PHARMACEUTICAL COMPOSITIONS OF OPIOIDS AND OTHER DRUGS
United States of America	Granted	14/946,275	11/19/2015	9,592,200	3/14/2017	ABUSE-DETERRENT PHARMACEUTICAL COMPOSITIONS OF OPIOIDS AND OTHER DRUGS

Country	Case Status	Application No.	Application Date	Patent No.	Grant Date	Title/Mark
United States of America	Granted	14/320,086	6/30/2014	9,682,075	6/20/2017	TAMPER-RESISTANT PHARMACEUTICAL COMPOSITIONS OF OPIODS AND OTHER DRUGS
United States of America	Granted	15/255,859	9/2/2016	9,737,530	8/22/2017	PROCESS OF MAKING STABLE ABUSE-DETERRENT ORAL FORMULATIONS
United States of America	Granted	14/147,088	1/3/2014	9,763,883	9/19/2017	ABUSE-DETERRENT DRUG FORMULATIONS
United States of America	Pending	14/321,125	7/1/2014			TAMPER-RESISTANT PHARMACEUTICAL COMPOSITIONS OF OPIOIDS AND OTHER DRUGS
United States of America	Pending	15/606,112	5/26/2017			TAMPER-RESISTANT PHARMACEUTICAL COMPOSITIONS OF OPIODS AND OTHER DRUGS
United States of America	Pending	15/725,818	10/5/2017			ABUSE-DETERRENT PHARMACEUTICAL COMPOSITIONS OF OPIOIDS AND OTHER DRUGS
United States of America	Pending	15/727,134	10/6/2017			ABUSE-DETERRENT PHARMACEUTICAL COMPOSITIONS OF OPIOIDS AND OTHER DRUGS
United States of America	Pending	15/681,589	8/21/2017			ABUSE-DETERRENT DRUG FORMULATIONS
United States of America	Pending	15/649,024	7/13/2017			PROCESS OF MAKING STABLE ABUSE-DETERRENT ORAL FORMULATIONS
United States of America	Pending	15/699,229	9/8/2017			METHOD OF TREATMENT WITH OXYCODONE FORMULATIONS HAVING FOOD EFFECTS

Trademarks and Trademark Applications

Name	Application Date	Application Number	Publication Date	Registration Date	Registration Number	Status
Collegium Pharmaceutical	10/17/2014	86/426952	2/10/2015	6/6/2017	5218890	Registered
DeterX	9/19/2007	77/283090	6/17/2008	9/27/2011	4031851	Allowed
Xtampza	2/5/2015	86/525672	6/23/2015	8/23/2016	5027886	Registered

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael T. Heffernan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Collegium Pharmaceutical, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. 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.

/s/ MICHAEL T. HEFFERNAN

Michael Heffernan
President and Chief Executive Officer

Date: May 9, 2018

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul Brannelly, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Collegium Pharmaceutical, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. 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.

/s/ PAUL BRANNELLY

Paul Brannelly
Executive Vice President and Chief Financial Officer

Date: May 9, 2018

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 Collegium Pharmaceutical, Inc. (the "Company") for the period ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Michael T. Heffernan, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 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.

/s/ MICHAEL T. HEFFERNAN

Michael Heffernan
President and Chief Executive Officer

Date: May 9, 2018

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 Collegium Pharmaceutical, Inc. (the "Company") for the period ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Paul Brannelly, Executive Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 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.

/s/ PAUL BRANNELLY

Paul Brannelly
Executive Vice President and Chief Financial Officer

Date: May 9, 2018