

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 September 30, 2016

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: 001-33609

SUCAMPO PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

30-0520478
*(I.R.S. Employer
Identification No.)*

805 King Farm Boulevard, Suite 550
Rockville, MD
(Address of principal executive offices)

20850
(Zip Code)

(301) 961-3400
*(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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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 November 4, 2016, there were 45,837,056 shares of the registrant's class A common stock outstanding.

Sucampo Pharmaceuticals, Inc.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

SUCAMPO PHARMACEUTICALS, INC.
Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)

	September 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 128,465	\$ 108,284
Product royalties receivable	20,771	22,792
Accounts receivable, net	20,684	22,759
Restricted cash	25,213	55,218
Inventories	24,202	33,121
Prepaid expenses and other current assets	18,146	9,186
Total current assets	237,481	251,360
Property and equipment, net	6,563	6,393
Intangible assets	134,886	130,315
Goodwill	73,022	60,937
In-process research and development	-	6,171
Deferred charge, non-current	1,400	1,400
Convertible note receivable	5,182	-
Other assets	1,030	605
Total assets	\$ 459,564	\$ 457,181
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,869	\$ 11,213
Accrued expenses	14,380	10,886
Collaboration obligation	1,438	5,623
Income tax payable	16,587	6,507
Notes payable, current	21,730	39,083
Other current liabilities	4,805	14,815
Total current liabilities	66,809	88,127
Notes payable, non-current	196,984	213,277
Deferred revenue, non-current	913	1,088
Deferred tax liability, net	41,757	52,497
Other liabilities	8,291	15,743
Total liabilities	314,754	370,732
Commitments and contingencies (note 12)		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 5,000,000 shares authorized at September 30, 2016 and December 31, 2015; no shares issued and outstanding at September 30, 2016 and December 31, 2015	-	-
Class A common stock, \$0.01 par value; 270,000,000 shares authorized at September 30, 2016 and December 31, 2015; 45,828,775 and 45,509,150 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	458	455
Class B common stock, \$0.01 par value; 75,000,000 shares authorized at September 30, 2016 and December 31, 2015; no shares issued and outstanding at September 30, 2016 and December 31, 2015	-	-
Additional paid-in capital	113,440	99,212
Accumulated other comprehensive income	54,339	13,412
Treasury stock, at cost; 3,009,942 shares at September 30, 2016 and December 31, 2015	(46,269)	(46,269)
Retained earnings	22,842	19,639
Total stockholders' equity	144,810	86,449
Total liabilities and stockholders' equity	\$ 459,564	\$ 457,181

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

SUCAMPO PHARMACEUTICALS, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)
(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Product royalty revenue	\$ 20,771	\$ 19,328	\$ 56,222	\$ 51,209
Product sales revenue	31,554	11,022	86,538	36,678
Research and development revenue	3,172	2,714	9,971	7,468
Contract and collaboration revenue	2,376	384	4,301	2,457
Total revenues	<u>57,873</u>	<u>33,448</u>	<u>157,032</u>	<u>97,812</u>
Costs and expenses:				
Costs of goods sold	15,586	5,286	59,278	18,656
Research and development	9,976	8,368	35,580	22,285
Impairment of in-process research and development	7,286	-	7,286	-
General and administrative	11,061	7,752	32,411	22,363
Selling and marketing	696	385	2,094	1,617
Total costs and expenses	<u>44,605</u>	<u>21,791</u>	<u>136,649</u>	<u>64,921</u>
Income from operations	13,268	11,657	20,383	32,891
Non-operating income (expense):				
Interest income	31	62	67	155
Interest expense	(5,899)	(243)	(18,141)	(784)
Other income, net	8,102	87	5,216	1,947
Total non-operating income (expense), net	<u>2,234</u>	<u>(94)</u>	<u>(12,858)</u>	<u>1,318</u>
Income before income taxes	15,502	11,563	7,525	34,209
Income tax provision	(7,410)	(4,327)	(4,321)	(10,989)
Net income	<u>\$ 8,092</u>	<u>\$ 7,236</u>	<u>\$ 3,203</u>	<u>\$ 23,220</u>
Net income per share:				
Basic	\$ 0.19	\$ 0.16	\$ 0.08	\$ 0.52
Diluted	\$ 0.19	\$ 0.16	\$ 0.07	\$ 0.51
Weighted average common shares outstanding:				
Basic	42,813	44,731	42,704	44,576
Diluted	43,443	46,309	43,334	45,939
Comprehensive income				
Net income	\$ 8,092	\$ 7,236	\$ 3,203	\$ 23,220
Other comprehensive income (expense):				
Unrealized gain on pension benefit obligation	12	57	37	38
Unrealized gain (loss) on investments, net of tax effect	-	(6)	-	6
Foreign currency translation gain	4,635	264	40,890	102
Comprehensive income	<u>\$ 12,739</u>	<u>\$ 7,551</u>	<u>\$ 44,130</u>	<u>\$ 23,366</u>

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

SUCAMPO PHARMACEUTICALS, INC.
Condensed Consolidated Statement of Changes in Stockholders' Equity (Unaudited)
(In thousands, except share data)

	Class A		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Common Stock				Shares	Amount		
	Shares	Amount						
Balance at December 31, 2015	45,509,150	\$ 455	\$ 99,212	\$ 13,412	3,009,942	\$ (46,269)	\$ 19,639	\$ 86,449
Stock-based compensation expense	-	-	5,445	-	-	-	-	5,445
Stock issued under exercise of stock options	300,906	3	1,659	-	-	-	-	1,662
Stock issued under employee stock purchase plan	18,719	-	174	-	-	-	-	174
Windfall tax benefit from stock-based compensation	-	-	435	-	-	-	-	435
Unrealized gain on pension benefit obligation	-	-	-	37	-	-	-	37
Foreign currency translation	-	-	-	40,890	-	-	-	40,890
Treasury stock transfer	-	-	6,515	-	-	-	-	6,515
Net income	-	-	-	-	-	-	3,203	3,203
Balance at September 30, 2016	<u>45,828,775</u>	<u>\$ 458</u>	<u>\$ 113,440</u>	<u>\$ 54,339</u>	<u>3,009,942</u>	<u>\$ (46,269)</u>	<u>\$ 22,842</u>	<u>\$ 144,810</u>

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

SUCAMPO PHARMACEUTICALS, INC.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net income	\$ 3,203	\$ 23,220
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	37,873	433
Loss on disposal of property and equipment	535	77
Deferred tax provision	(16,571)	(2,828)
Deferred charge	-	221
Stock-based compensation	5,445	5,607
Amortization of premiums on investments	-	121
Unrealized currency translations	9,811	2
Shortfall from stock-based compensation	(25)	-
Windfall benefit from stock-based compensation	(460)	-
Transfer and assignment of licensing rights	-	(2,000)
Impairment of in-process research and development	7,286	-
Forgiveness of AMED deferred grant	(9,258)	-
Changes in operating assets and liabilities:		
Product royalties receivable	2,021	(752)
Accounts receivable	3,526	(1,347)
Inventory	(2,000)	(296)
Prepaid and income taxes receivable and payable, net	(1,067)	(600)
Accounts payable	(4,094)	785
Accrued expenses	(2,414)	1,672
Accrued interest payable	(55)	227
Deferred revenue	(38)	(1,399)
Collaboration obligation	(4,185)	(448)
Other assets and liabilities, net	755	1,510
Net cash provided by operating activities	<u>30,288</u>	<u>24,205</u>
Cash flows from investing activities:		
Purchases of investments	(250)	(39,775)
Proceeds from sales of investments	-	2,398
Maturities of investments	-	30,054
Transfer and assignment of licensing rights	-	2,000
Convertible note receivable	(5,000)	-
Changes in restricted cash	12,302	548
Payment of squeeze-out liability for non-tendering R-Tech shareholders	(7,668)	-
Purchases of property and equipment	(1,219)	(2,023)
Net cash used in investing activities	<u>(1,835)</u>	<u>(6,798)</u>
Cash flows from financing activities:		
Payments of notes payable	(36,332)	(4,077)
Changes in restricted cash	17,676	-
Proceeds from exercise of stock options	1,662	4,829
Proceeds from employee stock purchase plan	174	74
Windfall benefit from stock-based compensation	460	1,600
Net cash (used in) provided by financing activities	<u>(16,360)</u>	<u>2,426</u>
Effect of exchange rates on cash and cash equivalents	8,088	50
Net increase in cash and cash equivalents	20,181	19,883
Cash and cash equivalents at beginning of period	108,284	71,622
Cash and cash equivalents at end of period	<u>\$ 128,465</u>	<u>\$ 91,505</u>

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

1. Business Organization and Basis of Presentation

Description of the Business

Sucampo Pharmaceuticals, Inc., (Company) is a global biopharmaceutical company focused on developing, identifying, acquiring and bringing to market innovative medicines that meet unmet medical needs. Our primary focus areas are gastroenterology, ophthalmology, and oncology-related disorders.

The Company currently generates revenue mainly from product sales, product royalties, upfront and milestone payments, and reimbursements for development activities. The Company expects to continue to incur significant expenses for the next several years as the Company continues its research and development activities, seeks additional regulatory approvals and additional indications for approved products and other compounds and seeks strategic opportunities for licensing new products and product candidates.

AMITIZA[®] (lubiprostone) is being marketed for three gastrointestinal indications under the collaboration and license agreement (as amended in October 2014, the North America Takeda Agreement) with Takeda Pharmaceutical Company Limited (Takeda). These indications are chronic idiopathic constipation (CIC) in adults, irritable bowel syndrome with constipation (IBS-C) in adult women and opioid-induced constipation (OIC) in adults suffering from chronic non-cancer related pain. Under the North America Takeda Agreement, the Company is primarily responsible for clinical development activities, while Takeda is responsible for commercialization of AMITIZA in the United States (U.S.) and Canada. The Company and Takeda initiated commercial sales of AMITIZA in the U.S. for the treatment of CIC in April 2006, for the treatment of IBS-C in May 2008 and for the treatment of OIC in May 2013. Takeda is required to provide a minimum annual commercial investment during the current term of the North America Takeda Agreement and may reduce the minimum annual commercial investment when a generic equivalent enters the market. In October 2015, Health Canada approved AMITIZA for CIC in adults. In October 2014, the Company and Takeda executed amendments to the North America Takeda Agreement, which, among other things, extended the term of the North America Takeda Agreement beyond December 2020. During the extended term beginning in January 2021, Takeda and the Company will share the annual net sales revenue of the branded AMITIZA products. The Company also partnered with Par Pharmaceuticals, Inc. (Par) and Dr. Reddy's Laboratories, Ltd. and certain of its affiliates (Dr. Reddy's) in connection with the settlement of patent litigation in the U.S. related to our AMITIZA (lubiprostone) 8 mcg and 24 mcg soft gelatin capsule products. Under the agreement with Par, the Company granted Par a non-exclusive license to market Par's generic version of lubiprostone 8 mcg and 24 mcg soft gelatin capsules in the U.S. for the indications approved for AMITIZA beginning January 1, 2021, or earlier under certain circumstances. Beginning on January 1, 2021, the Company and Par will split the gross profits of the licensed products sold during the term of the agreement, which continues until each of the related patents has expired. Under the agreement with Dr. Reddy's and certain of its affiliates, the Company granted Dr. Reddy's a non-exclusive license to market Dr. Reddy's generic version of lubiprostone 8 mcg and 24 mcg soft gelatin capsules in the U.S. for the indications approved for AMITIZA. This license does not begin until more than six years from today's date, or earlier under certain circumstances. Dr. Reddy's will pay to the Company a share of net profits of generic lubiprostone products sold during the term of the agreement, which decreases over time and ends when all of the related patents have expired. In the event that either Par or Dr. Reddy's elect to launch an authorized generic form of lubiprostone, the Company has agreed to supply such product under the terms of a manufacturing and supply agreement at a negotiated price.

In Japan, AMITIZA is marketed under a license, commercialization and supply agreement (the Japan Mylan Agreement) that was transferred to Mylan, Inc. (Mylan) from Abbott Laboratories, Inc. (Abbott), as of February 2015, as part of Mylan's acquisition of a product portfolio from Abbott. The Company received approval of its new drug application (NDA) for AMITIZA for the treatment of chronic constipation (CC), excluding constipation caused by organic diseases, from Japan's Ministry of Health, Labour and Welfare (MHLW) in June 2012 and pricing approval in November 2012. AMITIZA is Japan's only prescription medicine for CC. The Company did not experience any significant changes in the commercialization of AMITIZA in Japan as a result of the transfer of the Japan Mylan Agreement from Abbott to Mylan.

In May 2015, the Company entered into an exclusive license, development, commercialization and supply agreement (the China Gloria Agreement) with Harbin Gloria Pharmaceuticals Co., Ltd. (Gloria), for AMITIZA in the People's Republic of China. Under the China Gloria Agreement, Gloria is responsible for all development activities and costs, as well as commercialization and regulatory activities, for AMITIZA in the People's Republic of China. The Company will be the exclusive supplier of AMITIZA to Gloria at an agreed upon supply price. Upon entering into the China Gloria Agreement, the Company received an upfront payment of \$1.0 million. In June 2015, the China Food and Drug Administration accepted an Investigational New Drug (IND) application for a pivotal trial of AMITIZA in patients with CIC; as a result, the Company received an additional payment of \$500,000 from Gloria. In addition to the \$1.5 million in payments received and recognized as revenue through June 2015, the Company is eligible to receive an additional payment for \$1.5 million upon the occurrence of a specified regulatory or commercial milestone event.

In October 2014, the Company entered into an exclusive license, development, commercialization and supply agreement (the Global Takeda Agreement) for lubiprostone with Takeda, through which Takeda has the exclusive rights to further develop and commercialize AMITIZA in all global markets, except the U.S., Canada, Japan and the People's Republic of China. Takeda became the marketing authorization holder in Switzerland in April 2015 and in the United Kingdom (U.K.), Austria, Belgium, Germany, Ireland, Netherlands, Luxembourg and Spain during 2016, and is expected to become the marketing authorization holder in Italy in the last quarter of 2016.

Before the execution of the Global Takeda Agreement, the Company retained full rights to develop and commercialize AMITIZA for the rest of the world's markets outside of the U.S., Canada and Japan. In the U.K., the Company received approval in September 2012 from the Medicines and Healthcare Products Regulatory Agency (MHRA) for the use of AMITIZA to treat CIC. The Company made AMITIZA available in the U.K. in the fourth quarter of 2013. In July 2014, National Institute of Health and Care Excellence (NICE) published the technology appraisal guidance recommending the use of AMITIZA in the treatment of CIC and associated symptoms in adults who have failed laxatives. In January 2015, the Company successfully completed the European mutual recognition procedure (MRP) for AMITIZA for the treatment of CIC in select European countries, resulting in marketing authorizations in these countries.

In Switzerland, AMITIZA was approved to treat CIC in 2009. In 2012, the Company reached an agreement with the Bundesamt für Gesundheit, (BAG), the Federal Office of Public Health in Switzerland, on a reimbursement price for AMITIZA in Switzerland, and began active marketing in the first quarter of 2013. In February 2014, the Company announced that the BAG revised several reimbursement limitations with which AMITIZA was first approved for reimbursement and inclusion in the Spezialitätenliste (SL) to allow all Swiss physicians to prescribe AMITIZA to patients who have failed previous treatments with at least two laxatives over a nine-month period. In July 2014, AMITIZA was approved for the treatment of OIC in chronic, non-cancer adult patients by the Swissmedic, the Swiss Agency for Therapeutic Products, and in October 2015, the BAG added this indication to the SL.

In October 2015, Takeda obtained approval of the clinical trial application (CTA) for AMITIZA for the treatment of CIC and IBS-C in Russia that was submitted in June 2015. In December 2015, a CTA was filed for AMITIZA for the treatment of CIC, IBS-C and OIC in Mexico and South Korea. Takeda initiated phase 3 registration trials in Russia in March 2016 and in South Korea and Mexico in May 2016. An NDA for the treatment of CIC, IBS-C, and OIC was submitted in Israel in June 2015 and approved in July 2016. An NDA for the same indications was submitted in Kazakhstan in December 2015. Additional NDA submissions in 2016 are planned in various other markets.

As part of the acquisition of R-Tech in October 2015, the Company acquired all rights to RESCULA, an ophthalmology product used to lower intraocular pressure. In the U.S., the Company ceased marketing RESCULA in the fourth quarter of 2014 and no product was made available after the March 2015 expiration date. In May 2015, the Company returned all licenses for unoprostone isopropyl to R-Tech. In June 2016, the Company completed the withdrawal of the marketing authorization for RESCULA in the U.S. RESCULA is being commercialized by Santen Pharmaceutical Co., Ltd in Japan, Dong-A Pharmaceutical, Co., Ltd in South Korea and Sinphar Pharmaceutical, Co., Ltd and Zuellig Pharma Inc. in Taiwan.

The Company's other current clinical development programs include the following:

Lubiprostone Alternate Formulation

The Company has been developing an alternate formulation of lubiprostone for both adult and pediatric patients who are unable to take or do not tolerate capsules and for naso-gastric tube fed patients. Takeda has agreed to fund 100% of the costs, up to a cap, of this alternate formulation work and the Company expects to initiate a phase 3 trial of the alternate formulation of lubiprostone in adults in the second half of 2016 and, if the trial is successful, to file an NDA in the U.S. for the alternate formulation for adults in the second half of 2017.

Lubiprostone for Pediatric Functional Constipation

The phase 3 program required to support an application for marketing authorization of lubiprostone for pediatric functional constipation comprises four clinical trials. The first two trials, one of which was recently completed, test the soft gelatin capsule formulation of lubiprostone in patients 6 to 17 years of age. The first of these trials is a pivotal 12-week, randomized, placebo-controlled trial which was initiated in December 2013 and completed enrollment in April 2016. The second trial is a follow-on, long-term safety extension trial that was initiated in March 2014. In early November, the Company announced that the phase 3 trial of AMITIZA in pediatric functional constipation in children 6 to 17 years of age failed to achieve its primary endpoint of overall spontaneous bowel movement (SBM) response. The trial achieved statistical significance for some secondary endpoints, notably overall SBM frequency, straining, and stool consistency. In addition, in this study lubiprostone was well tolerated. The Company intends to review these results with the U.S. Food and Drug Administration (FDA) and other constituencies, and will announce next steps at the completion of this review. Additionally, after consultations with the FDA to better determine the doses and endpoints that should be studied, the phase 3 trial for the alternate formulation of lubiprostone described above will be followed in mid-2017 with a phase three program in children 6 months to 6 years of age using the alternate formulation. Takeda has agreed to fund 67% of the costs, up to a cap, of this pediatric functional constipation program.

VAP-1 Inhibitor RTU-1096

RTU-1096 is an oral compound recently under development for indications in auto-immune/inflammatory and immune-oncology diseases. In the first quarter of 2016, the Company completed a phase 1 trial in healthy individuals that evaluated the safety and pharmacokinetics of the compound. No significant safety issues were reported during the seven-day study. There was evidence of inhibition of systemic VAP-1 at all doses tested and the trial provided evidence of proof of mechanism. However, based on further assessment of the clinical data and on additional non-clinical data generated in the quarter, development of the compound has been discontinued.

VAP-1 Inhibitor RTU-009

RTU-009 is a pre-clinical stage, VAP-1 inhibitor that was planned to be studied in acute cerebral infarction. However, based on new non-clinical data and the decision to discontinue the development of RTU-1096, the development pathway has been revised to target chronic inflammatory conditions. The redirection of the RTU-009 program for chronic inflammatory conditions is in early preclinical development and as such has no perceived value. However, if the compound meets additional pre-specified non-clinical development goals the Company plans to complete IND-enabling studies and then determine how best to develop the molecule in the clinic.

CPP-1X/Sulindac Combination Product

In January 2016, the Company entered into an option and collaboration agreement under which Cancer Prevention Pharmaceuticals, Inc. (CPP) has granted the Company the sole option to acquire an exclusive license to commercialize CPP-1X/sulindac combination product in North America. This product is currently in a phase 3 clinical trial being conducted by CPP for the treatment of familial adenomatous polyposis (FAP). Under the agreement with CPP, the Company has the exclusive option to license this product in North America. There are currently no approved treatments for FAP. The ongoing phase 3 study is a 150-patient, three-arm, double-blind, randomized trial of the combination agent and the single agent comparators. Enrollment in the study has completed, and results from a Phase 3 futility analysis are expected to be available in the first half of 2017. The trial is expected to conclude in 2018. More information regarding the Company's arrangement with CPP is set forth in note 19 below.

Cobiprostone

In April 2016, the Company discontinued the development of cobiprostone for the treatment of proton pump inhibitor (PPI)-refractory non-erosive reflux disease (NERD) or symptomatic gastroesophageal reflux disease (sGERD), based on its analysis of top-line data from a Phase 2a study. While cobiprostone was observed to have significant benefit in some of the secondary parameters of this exploratory study, the trial did not meet its primary endpoints. In July 2016, the Company discontinued the development of an oral spray formulation of cobiprostone for the prevention of oral mucositis in patients that are undergoing radio chemotherapy for head and neck cancer, based on the results of a pre-specified futility analysis of the Phase 2a study. The futility analysis indicated that the clinical benefit of cobiprostone was insufficient to support continuation of the study.

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) and the rules and regulations of the U.S. Securities and Exchange Commission (SEC) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the Company's Consolidated Financial Statements as of and for the year ended December 31, 2015 included in the Company's Annual Report on Form 10-K, which was filed with the SEC on March 11, 2016, as amended. The financial information as of September 30, 2016 and for the nine months ended September 30, 2016 and 2015 is unaudited. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. In the opinion of the Company's management, all adjustments, consisting only of normal recurring adjustments or accruals, considered necessary for a fair statement of the results of these interim periods have been included. The results of the Company's operations for any interim period are not necessarily indicative of the results that may be expected for any other interim period or for a full fiscal year.

The Condensed Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries: Sucampo AG (SAG) based in Zug, Switzerland, through which the Company conducts certain of its worldwide and European operations; Sucampo Pharma, LLC (SPL) based in Osaka, Japan, through which the Company conducts its Asian operations; R-Tech Ueno, Ltd., based in Tokyo, Japan, through which the Company conducts manufacturing and certain development operations; Sucampo Pharma Americas LLC (SPA), based in Rockville, Maryland, through which the Company conducts its North American operations; and Sucampo Pharma Europe, Ltd. (SPE), based in Oxford, United Kingdom. All inter-company balances and transactions have been eliminated.

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies

Restricted Cash

As of September 30, 2016, restricted cash consisted of \$25.2 million primarily related to the Credit Facility (see note 14); these funds will be held in a restricted account until at least \$35 million of the Term Loans under the Credit Facility have been repaid or prepaid.

As of December 31, 2015, restricted cash consisted of \$25.0 million related to the Credit Facility and \$17.7 million related to the payment of the Ueno and Kuno Trust Notes (see note 13), which were settled on February 1, 2016, and \$8.2 million related to the squeeze out of non-tendering R-Tech shareholders (see note 4), which was settled in January 2016.

Certain Risks, Concentrations and Uncertainties

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist of cash and cash equivalents, restricted cash and receivables. The Company places its cash, cash equivalents and restricted cash with highly rated financial institutions. As of September 30, 2016 and December 31, 2015, approximately \$1.8 million or 1.1%, and \$5.9 million or 3.6%, respectively, of the Company's cash, cash equivalents, and restricted cash were issued or insured by the United States government or other government agencies. The Company has not experienced any losses on these accounts related to amounts in excess of insured limits.

Revenues from Takeda, an unrelated party, accounted for 65.7% and 66.3% of the Company's total revenues for the three months ended September 30, 2016 and 2015, respectively, and 65.6% and 60.4% for the nine months ended September 30, 2016 and 2015, respectively. Accounts receivable, unbilled accounts receivable and product royalties receivable from Takeda accounted for 82.6% and 78.1% of the Company's total accounts receivable, unbilled accounts receivable and product royalties receivable at September 30, 2016 and December 31, 2015, respectively.

Revenues from another unrelated party, Mylan, accounted for 30.1% and 30.8% of the Company's total revenues for the three months ended September 30, 2016 and 2015, respectively, and 29.6% and 36.7% for the nine months ended September 30, 2016 and 2015, respectively. The Company depends significantly upon collaborations with Takeda and Mylan, and its activities may be impacted if these relationships are disrupted.

Fair Value of Financial Instruments

The carrying values of the Company's financial instruments approximate their fair values based on their short maturities, independent valuations or internal assessments. The Company's financial instruments include cash and cash equivalents, restricted cash, current and non-current investments, receivables, accounts payable, convertible notes receivable, collaboration obligation and accrued expenses. The carrying amounts of the Credit Facility notes payable at September 30, 2016 and December 31, 2015 approximated fair value and are classified as a Level 2 instrument.

Variable Interest Entities

The Company performs initial and on-going evaluations of the entities with which it has variable interests, such as equity ownership, in order to identify entities (i) that do not have sufficient equity investment at risk to permit the entity to finance its activities without additional subordinated financial support or (ii) in which the equity investors lack an essential characteristic of a controlling financial interest. Such entities are classified as variable interest entities (VIEs). If an entity is identified as a VIE, the Company performs an assessment to determine whether the Company has both (i) the power to direct activities that most significantly impact the VIE's economic performance and (ii) have the obligation to absorb losses from or the right to receive benefits of the VIE that could potentially be significant to the VIE. If both of these criteria are satisfied, the Company is identified as the primary beneficiary of the VIE. As of September 30, 2016, CPP, in which the Company held a variable interest, was determined to be a VIE. See note 19 for additional information.

Recent Accounting Pronouncements

In May 2014, the FASB issued authoritative guidance that sets forth a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The guidance was originally scheduled to be effective for annual reporting periods, including interim reporting periods within those periods, beginning after December 15, 2016, but in July 2015 the FASB voted to defer the effective date to December 15, 2017 for interim and annual reporting periods beginning after that date. Early adoption is permitted, but not before the original effective date of December 15, 2016. Companies may use either a full retrospective or a modified retrospective approach to adopt this guidance. The Company is currently evaluating the impact of this guidance on its results of operations, financial position and cash flows.

In April 2015, the FASB issued ASU Number 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). ASU 2015-03 specifies that debt issuance costs related to a note shall be reported in the balance sheet as a direct reduction from the face amount of the note. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015, and interim periods within those fiscal years. ASU 2015-03 had no effect on the Company's results of operations or liquidity.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, (ASU 2015-17). This new guidance requires businesses to classify deferred tax liabilities and assets on their balance sheets as noncurrent. Under existing accounting, a business must separate deferred income tax liabilities and assets into current and noncurrent. ASU 2015-17 was issued as a way to simplify the way businesses classify deferred tax liabilities and assets on their balance sheets. Public companies must apply ASU 2015-17 to fiscal years beginning after December 15, 2016. Companies must follow the requirements for interim periods within those fiscal years, but early adoption at the beginning of an interim or annual period is allowed for all entities. The Company has elected to early adopt the guidance and has applied the guidance on a prospective basis. The adoption had no impact on the Company's consolidated statements of operations and comprehensive income, changes in stockholders' equity, and cash flows for the three and nine months ended September 30, 2016 and 2015.

In January 2016, the FASB issued Accounting Standards Update 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which requires that most equity investments be measured at fair value, with subsequent changes in fair value recognized in net income (other than those accounted for under equity method of accounting). This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company is currently assessing the impact of the adoption of this guidance on its consolidated financial statements and disclosures.

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*, in which it provided new guidance related to accounting for leases. The new standard requires the recognition of assets and liabilities arising from lease transactions on the balance sheet and the disclosure of key information about leasing arrangements. Accordingly, a lessee will recognize a lease asset for its right to use the underlying asset and a lease liability for the corresponding lease obligation. Both the asset and liability will initially be measured at the present value of the future minimum lease payments over the lease term. Subsequent measurement, including the presentation of expenses and cash flows, will depend on the classification of the lease as either finance or an operating lease. Initial costs directly attributable to negotiating and arranging the lease will be included in the asset. For leases with a term of 12 months or less, a lessee can make an accounting policy election by class of underlying asset to not recognize an asset and corresponding liability. Lessees will also be required to provide additional qualitative and quantitative disclosures regarding the amount, timing and uncertainty of cash flows arising from leases. These disclosures are intended to supplement the amounts recorded in the financial statements and provide additional information about the nature of an organizations' leasing activities. The new standard is effective for fiscal years beginning after December 15, 2018 and interim periods within those years, with early adoption permitted. In transition, lessees are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The transition guidance also provides specific guidance for sale and leaseback transactions, build-to-suit leases and amounts previously recognized in accordance with the business combinations guidance for leases. The Company is currently evaluating its expected adoption method and the impact of this new standard on its consolidated financial statements and disclosures.

In March 2016, the FASB issued Accounting Standards Update 2016-09, *Improvements to Employee Share Based Payment Accounting*, which requires all of the tax effects related to share-based payments to be recorded through the income statement. The new guidance also removes the requirement to delay recognition of a windfall tax benefit until it reduces current taxes payable; instead, it is required to be recognized at the time of settlement, subject to normal valuation allowance considerations. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. The Company is currently assessing the impact of the adoption of this guidance on its consolidated financial statements and disclosures.

3. Net Income per Share

Basic net income per share is computed by dividing net income by the sum of the weighted average class A common shares outstanding. Diluted net income per share is computed by dividing net income by the weighted average common shares and potential dilutive common shares outstanding.

The computation of net income per share for the three and nine months ended September 30, 2016 and 2015 is shown below:

(In thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	\$ 8,092	\$ 7,236	\$ 3,203	\$ 23,220
Basic net income per share:				
Weighted average class A common shares outstanding	42,813	44,731	42,704	44,576
Basic net income per share	\$ 0.19	\$ 0.16	\$ 0.08	\$ 0.52
Diluted net income per share:				
Weighted average class A common shares outstanding	42,813	44,731	42,704	44,576
Assumed exercise of stock options under the treasury stock method	630	1,578	630	1,363
	43,443	46,309	43,334	45,939
Diluted net income per share	\$ 0.19	\$ 0.16	\$ 0.07	\$ 0.51

The following securities were excluded from the computation of diluted net income per share as their effect would have been anti-dilutive for the three and nine months ended September 30, 2016 and 2015:

(In thousands)	Three Months Ended September 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
Employee stock options	2,410	273	2,410	884

4. Acquisition of R-Tech

On October 20, 2015, the Company acquired approximately 98% of the outstanding shares of R-Tech Ueno, Ltd., a Japanese company (R-Tech). The Company acquired the remaining 2% of outstanding shares of R-Tech through a squeeze-out process under Japanese law on December 8, 2015. The total consideration for the acquisition was approximately \$275 million. This transaction was accounted for under the acquisition method of accounting, with the Company as the acquirer. Under the acquisition method of accounting, the assets and liabilities of R-Tech were recorded as of the acquisition date at their respective fair values, and combined with those of the Company.

The final allocation of the purchase price based upon estimated fair value of assets acquired and liabilities assumed is as follows:

(In thousands)	
Cash	\$ 62,097
Accounts receivable	8,299
Inventory	37,563
Other current assets	3,792
Property, plant and equipment	2,796
Other long term assets	449
Accounts payable and accrued liabilities	(11,598)
Income tax payable	(5,025)
Other liabilities, current	(3,282)
Deferred tax liability, net	(63,365)
Other liabilities, long term	(9,347)
R-Tech shares of Sucampo stock (treasury stock)	43,956
Total fair value of tangible assets acquired and liabilities assumed	<u>66,335</u>
Acquired in-process research and development	6,200
Acquired intangible assets	134,600
Goodwill	61,618
Total purchase price	<u>\$ 268,753</u>
Total purchase price	268,753
Settlement of net receivable from pre-existing relationship	6,364
Total consideration	<u>\$ 275,117</u>
Acquisition, net of acquired cash	161,187
Acquired cash	62,097
Purchase of treasury stock	43,956
Squeeze out liability for non-tendering R-Tech shareholders	7,668
Other	209
Total consideration	<u>\$ 275,117</u>

The following unaudited pro forma information is presented as if the acquisition had occurred on January 1, 2015, and combines the historical results of operations of the Company and R-Tech for the three and nine months ended September 30, 2015.

(In thousands)	<u>Three Months Ended September 30, 2015</u>	<u>Nine Months Ended September 30, 2015</u>
Pro forma revenue	\$ 43,529	\$ 129,529
Pro forma net income (loss)	1,301	(3,036)

5. Segment Information

The Company has one operating segment, which is the development and commercialization of pharmaceutical products.

Summarized product category and geographic information is shown in the tables below.

Product Category Information

Revenues for product categories are attributed based on the following categories.

Product royalty revenue represents royalty revenue earned on the net sales of AMITIZA in North America. Product sales revenue represents drug product net sales of AMITIZA in North America, Japan and Europe and drug product net sales of RESCULA in Japan. Research and development revenue represents funded development work primarily related to AMITIZA. Contract and collaboration revenue represents the amortization of up-front payments under the North America Takeda Agreement and release of the collaboration obligation under the Global Takeda Agreement (see note 15).

Company revenues by product category for the three and nine months ended September 30, 2016 and 2015 were as follows:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Product royalty revenue	\$ 20,771	\$ 19,328	\$ 56,222	\$ 51,209
Product sales revenue - AMITIZA	29,132	10,286	79,253	35,930
Product sales revenue - RESCULA	2,422	736	7,285	748
Research and development revenue	3,172	2,714	9,971	7,468
Contract and collaboration revenue	2,376	384	4,301	2,457
Total	\$ 57,873	\$ 33,448	\$ 157,032	\$ 97,812

Geographical Information

Revenues are attributable to countries based on the location of the customer. The Company operates a manufacturing facility in Japan that supplies products to customers as well as the Company's subsidiaries in other countries. The sales from the manufacturing operations to other countries are included in the net sales of the country in which the manufacturing location is based. The intersegment portions of such sales are excluded to derive consolidated revenues. The Company's country of domicile is the United States.

Company revenues by geographic location for the three and nine months ended September 30, 2016 and 2015 were as follows:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
United States	\$ 34,911	\$ 22,919	\$ 98,073	\$ 59,850
Japan	\$ 19,839	\$ 10,295	54,004	35,952
Rest of the world	\$ 3,123	\$ 234	4,955	2,010
Total	\$ 57,873	\$ 33,448	\$ 157,032	\$ 97,812

The Company's long-lived assets by geographic location where located on September 30, 2016 and December 31, 2015 were as follows:

(In thousands)	September 30,	December 31,
	2016	2015
United States	\$ 3,192	\$ 3,105
Japan	3,334	3,232
Rest of the world	37	56
Total	\$ 6,563	\$ 6,393

6. Fair Value measurements

The Company performs fair value measurements in accordance with the Financial Accounting Standards Board's (FASB) guidance for fair value measurements and disclosures, which defines fair value as the exchange price that would be received for selling an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy is established which requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company classifies its investments into the following categories based on the three levels of inputs used to measure fair value:

Level 1: quoted prices in active markets for identical assets or liabilities,

Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company has elected the fair value option on its investment in CPP; as such, it is measured at fair value on a recurring basis. As of September 30, 2016, the fair value of the convertible note is \$5.2 million using level 3 inputs (see note 19) provided by a valuation specialist using unobservable market level inputs and assumptions that include accrued interest and prepayment assumptions. The Company re-evaluates the fair value on a quarterly basis. Changes in the fair value can result from adjustments to the market level inputs and assumptions. The election was made upon the acquisition of the financial asset and cannot be revoked. The changes in fair value are recorded in current earnings within Other Income. As of September 30, 2016, there were no changes in the fair value of the note recorded in earnings related to the convertible note received from CPP. There were no other financial instruments measured at fair value on a recurring basis as of September 30, 2016.

7. Restructuring

In December 2015, the Company adopted a plan to restructure certain of its operations and to consolidate certain functions in the Company's corporate headquarters located in Rockville, Maryland and in the Company's Japanese subsidiaries. During the nine months ended September 30, 2016, the Company recorded pretax charges of approximately \$1.9 million in connection with these restructuring activities. The restructuring plan primarily included headcount reductions in connection with the ongoing integration of R-Tech (see note 4). These costs are reflected within operating expenses and are detailed below:

	Incurred during the nine months ended September 30, 2016
(In thousands)	
Termination benefits	\$ 1,809
Asset impairments	86
Contract and other costs	24
Total	<u>\$ 1,919</u>

As of September 30, 2016, a restructuring accrual of \$1.0 million for termination benefits was included in accrued liabilities. The following table summarizes the accrued restructuring costs at September 30, 2016.

	Accrued Restructuring Costs September 30, 2016
(In thousands)	
Balance at December 31, 2014	\$ -
Expenses incurred	953
Amounts paid	(102)
Balance at December 31, 2015	<u>\$ 851</u>
Expenses incurred	\$ 1,809
Amounts paid	(1,669)
Foreign currency translation adjustment	14
Balance at September 30, 2016	<u>\$ 1,005</u>

The Company expects to record additional restructuring charges in the final quarter of 2016 related to the ongoing integration of R-Tech. The Company has incurred total restructuring charges under this plan of \$2.9 million through September 30, 2016.

8. Inventory

Inventories are valued under a weighted average costing method and are stated at the lower of cost or net realizable value. Inventories consist of raw materials, work-in-process and finished goods. The Company's inventories include the direct purchase cost of materials and supplies and manufacturing overhead costs. In connection with the acquisition of R-Tech, all inventory held by R-Tech was stepped-up in fair value to \$37.6 million as of the acquisition date. As of September 30, 2016 and December 31, 2015, the remaining balance of inventory step-up was zero and \$14.3 million, respectively.

Inventory consisted of the following at September 30, 2016 and December 31, 2015:

(In thousands)	September 30, 2016	December 31, 2015
Raw materials	\$ 2,370	\$ 5,554
Work in process	20,380	26,926
Finished goods	1,452	641
Total	<u>\$ 24,202</u>	<u>\$ 33,121</u>

9. Intangible Assets

Intangible assets by major class consisted of the following as of September 30, 2016 and December 31, 2015:

(In thousands)	September 30, 2016		December 31, 2015	
	Weighted average life (in months)	Carrying amount	Weighted average life (in months)	Carrying amount
Amortized intangible assets				
Patent and license rights	63	\$ 10,513	72	\$ 10,513
Manufacturing know-how	68	134,600	76	134,600
Accumulated amortization		(27,382)		(8,463)
Impairment losses		(5,651)		(5,651)
Foreign currency translation adjustments		22,806		(684)
Total amortized intangible assets		<u>\$ 134,886</u>		<u>\$ 130,315</u>
Unamortized intangible assets				
In-process research and development		\$ -		\$ 6,171
Goodwill		73,022		60,937
Total unamortized intangible assets		<u>\$ 73,022</u>		<u>\$ 67,108</u>
Total intangible assets		<u>\$ 207,908</u>		<u>\$ 197,423</u>

The changes in intangible assets for the nine months ended September 30, 2016 are as follows:

(In thousands)	Intangibles	Goodwill	In-process research & development
Balance at December 31, 2015	\$ 130,315	\$ 60,937	\$ 6,171
Additions/(Impairments)	-	455	(7,286)
Amortization	(18,907)	-	-
Foreign currency translation adjustment	23,478	11,630	1,115
Balance at September 30, 2016	<u>\$ 134,886</u>	<u>\$ 73,022</u>	<u>\$ -</u>

During the quarter ended September 30, 2016, the Company discontinued its VAP-1 Inhibitor RTU-1096 development program and changed the indication for its VAP-1 Inhibitor RTU-009 program. The Company considered the discontinuance and change in indication as a potential indicator of impairment of the related in-process research and development (IPR&D) asset. Accordingly, the Company performed an interim assessment, and as a result, recorded an impairment charge of \$7.3 million during the quarter ended September 30, 2016, which represented the entire carrying value of the IPR&D asset. This charge is classified in the Company's statement of operations as impairment of in-process research and development.

10. Accrued Expenses and Other Current Liabilities

Accrued expenses consisted of the following at September 30, 2016 and December 31, 2015:

(In thousands)	September 30, 2016	December 31, 2015
Research and development costs	\$ 8,142	\$ 3,843
Employee compensation	3,447	4,860
Restructuring	1,005	851
Legal, consulting & other professional expenses	821	428
Other accrued expenses	965	904
Total	<u>\$ 14,380</u>	<u>\$ 10,886</u>

Other current liabilities consisted of the following at September 30, 2016 and December 31, 2015:

(In thousands)	September 30, 2016	December 31, 2015
Indirect taxes payable	\$ 3,029	\$ 5,963
Squeeze out liability for non-tendering R-Tech shareholders	249	7,668
Deferred revenue	813	676
Other liabilities	714	508
Total	<u>\$ 4,805</u>	<u>\$ 14,815</u>

11. Other Liabilities

Other liabilities consisted of the following at September 30, 2016 and December 31, 2015:

(In thousands)	September 30, 2016	December 31, 2015
Deferred grants	\$ 750	\$ 9,604
Unrecognized tax benefits	3,694	3,061
Deferred leasehold incentive	1,618	1,715
Defined benefit obligation	972	949
Other liabilities	1,257	414
Total	<u>\$ 8,291</u>	<u>\$ 15,743</u>

At December 31, 2015, deferred grants consisted of a \$9.3 million grant from the Japan Agency for Medical Research & Development (AMED), for use in developing unoprostone-related medicine for Retinitis Pigmentosa (see below), and a \$300,000 government grant from Montgomery County, Maryland related to the move of the Company's headquarters. Both grants may have to be repaid if certain conditions are not met.

Under its arrangement with AMED, R-Tech received ¥1.05 billion to support the development of unoprostone. This grant would be repayable in full if R-Tech terminated the development of unoprostone for commercial or other reasons, but only in part if such termination was due to scientific failure of the compound. R-Tech discontinued the development of unoprostone in early 2016. At the time of the Company's acquisition of R-Tech, AMED's position, on which we relied when accounting for this liability at the time of the R-Tech acquisition, was that the full amount of the grant would be repayable by R-Tech because such termination was for convenience, rather than due to a scientific failure of the compound. In September 2016, however, AMED agreed to waive the repayment of all but approximately ¥105 million (approximately \$1.0 million) of the grant, representing 10% of the funds received by R-Tech from AMED through the end of March 2014. The Company recognized approximately \$9.3 million in other income for the three and nine months ended September 30, 2016 because of this grant forgiveness.

12. Commitments and Contingencies

Operating Leases

The Company leases office space in the United States, Switzerland and Japan under operating leases through 2027. Total future minimum, non-cancelable lease payments under operating leases are as follows:

(In thousands)	September 30, 2016	
2016	\$	576
2017		1,186
2018		1,323
2019		1,048
2020		974
2021		3,188
Total minimum lease payments	\$	<u>8,295</u>

Rent expense for all operating leases was \$650,000 and \$482,000 for the three months ended September 30, 2016 and 2015, respectively, and \$2.0 million and \$1.1 million for the nine months ended September 30, 2016 and 2015, respectively.

Numab Commitment

In July 2016, Numab repaid all outstanding amounts under its loan from Zurcher Kantonalbank, which was guaranteed by the Company under the Numab Agreement (see note 13). As a result, the Company's liability associated with the Numab Agreement guarantee has been released.

13. Related Party Transactions

R-Tech Ueno, Ltd.

Before the R-Tech acquisition on October 20, 2015, R-Tech was a related party through common ownership. Prior to the R-Tech acquisition, the Company did not own manufacturing facilities. Instead, the Company contracted with R-Tech as the sole manufacturer of the Company's products to produce AMITIZA and RESCULA. The Company had entered into multiple exclusive supply arrangements with R-Tech and had granted to R-Tech the exclusive right to manufacture and supply AMITIZA and other products and compounds to the Company to meet its commercial and clinical requirements.

The Company received upfront, development and milestone payments under these agreements totaling \$9.0 million through October 20, 2015. The Company recorded the following expenses under all of its agreements with R-Tech for the three and nine months ended September 30, 2015:

(In thousands)	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Clinical supplies	\$ 106	\$ 143
Other research and development services	258	347
Commercial supplies	4,860	18,038
	<u>\$ 5,224</u>	<u>\$ 18,528</u>

The Company recognized \$356,000 and \$829,000 of revenue relating to its agreements with R-Tech for the three and nine months ended September 30, 2015, respectively, which was recorded as contract and collaboration revenue in the accompanying condensed consolidated statements of operations and comprehensive income.

Numab AG

In September 2011, the Company entered into a loan guarantee and development agreement (the Numab Agreement) with Numab AG (Numab). Under the terms of the Numab Agreement, the Company provided Numab with up to CHF 5.0 million as collateral and served as guarantor for a loan to Numab from a third party, Zurcher Kantonbank. Following the payment of the first success fee during the first quarter of 2013, this amount was reduced to CHF 2.2 million, or approximately \$2.2 million, as of December 31, 2015. As of December 31, 2015, collateral of CHF 2.2 million had been deposited by the Company and Numab had utilized CHF 1.5 million of its loan facility, or approximately \$1.5 million. At December 31, 2015, the Company had recorded a guarantee liability of \$202,000 in collateral callable to meet a potential loan default by Numab.

In July 2016, Numab repaid all outstanding amounts under its loan from Zurcher Kantonbank, which was guaranteed by the Company under the Numab Agreement. As a result, the Company's liability associated with the Numab Agreement guarantee has been released, and all deposited collateral returned.

Subordinated Unsecured Promissory Notes

In connection with the SAG acquisition in 2010, the Company issued subordinated unsecured promissory notes (Notes) to the Ueno Trust and Kuno Trust, former shareholders of SAG. The Ueno Trust and Kuno Trust are considered related parties. Each of the Notes was issued with an initial principal balance of approximately \$25.9 million, or approximately \$51.9 million in the aggregate. The interest rate for the Notes was the sum of the London Interbank Offered Rate, or LIBOR, plus 4.0%, and was reset on December 1, 2015 to 4.7%. On February 1, 2016, the Notes were paid in full.

14. Credit Facility and Notes Payable

On October 16, 2015, the Company entered into a Credit Agreement (Credit Facility) with Jefferies Financing LLC. Term Loans under the Credit Facility bear interest, at the Company's option, at the Adjusted Eurodollar Rate plus 7.25% or the Adjustable Base Rate plus 6.25%. The average interest rate on the notes payable for the nine months ending September 30, 2016 was 8.43%. The Company was in compliance with all covenants under the Credit Facility as of September 30, 2016.

The Company's debt is subject to the fair value disclosure requirements as discussed in note 2. The carrying amounts of the notes payable at September 30, 2016 and December 31, 2015 approximated fair value and are classified as a Level 2 instrument.

15. Collaboration Obligation

Due to the signing of the Global Takeda Agreement, the Company received an upfront payment from Takeda of \$14.0 million in 2014, of which the Company is obligated to reimburse Takeda for the first \$6.0 million in developmental expenses incurred by Takeda. As of September 30, 2016 and December 31, 2015, the collaboration obligation was \$1.4 million and \$5.6 million, respectively.

16. Collaboration and License Agreements

North America Takeda Agreement

The following table summarizes the cash streams and related revenue recognized or deferred under the North America Takeda Agreement for the nine months ended September 30, 2016:

(In thousands)	Amount Deferred at December 31, 2015	Cash Received for the Nine Months Ended September 30, 2016	Revenue Recognized for the Nine Months Ended September 30, 2016	Change in Receivables for the Nine Months Ended September 30, 2016	Foreign Currency Effects for the Nine Months Ended September 30, 2016	Amount Deferred at September 30, 2016
<i>Product royalty revenue</i>	\$ -	\$ 58,027	\$ 56,005	\$ (2,022)	\$ -	\$ -
<i>Product sales revenue</i>	\$ -	\$ 34,382	\$ 31,953	\$ (501)	\$ (1,928)	\$ -
<i>Research and development revenue:</i>						
Reimbursement of research and development expenses	\$ -	\$ 9,378	\$ 9,964	\$ 586	\$ -	\$ -
<i>Collaboration revenue:</i>						
Up-front payment associated with the Company's obligation to participate in joint committees	\$ 736	\$ -	\$ 110	\$ -	\$ -	\$ 626

Japan Mylan Agreement

The following table summarizes the cash streams and related revenue recognized or deferred under the Japan Mylan Agreement for the nine months ended September 30, 2016:

(In thousands)	Amount Deferred at December 31, 2015	Cash Received for the Nine Months Ended September 30, 2016	Revenue Recognized for the Nine Months Ended September 30, 2016	Change in Receivables for the Nine Months Ended September 30, 2016	Foreign Currency Effects for the Nine Months Ended September 30, 2016	Amount Deferred at September 30, 2016
<i>Product sales revenue</i>	\$ -	\$ 49,276	\$ 46,509	\$ 2,122	\$ (4,889)	\$ -
<i>Collaboration revenue:</i>						
Up-front payment associated with the Company's obligation to participate in joint committees	\$ 416	\$ -	\$ 29	\$ -	\$ 95	\$ 482

Japan Santen Agreement

The Company has recorded RESCULA product sales revenue for the three and nine months ended September 30, 2016 of approximately \$2.3 million and \$7.1 million, respectively, under its distribution agreement with Santen Pharmaceutical Co., Ltd. for the commercialization of RESCULA in Japan.

17. Stock Option Plans

A summary of employee stock option activity for the nine months ended September 30, 2016 under the Company's Amended and Restated 2001 Stock Incentive Plan is presented below:

2001 Stock Incentive Plan	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding, December 31, 2015	37,400	\$ 10.00		
Options exercised	(20,400)	10.00		
Options expired	(17,000)	10.00		
Options outstanding, September 30, 2016	-		-	\$ -
Options exercisable, September 30, 2016	-		-	\$ -
Options vested and expected to vest, September 30, 2016	-		-	\$ -

A summary of employee stock option activity for the nine months ended September 30, 2016 under the Company's Amended and Restated 2006 Stock Incentive Plan is presented below:

2006 Stock Incentive Plan	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding, December 31, 2015	4,440,608	\$ 9.37		
Options granted	1,266,050	13.60		
Options exercised	(280,506)	5.20		
Options forfeited	(90,918)	13.16		
Options expired	(59,365)	14.53		
Options outstanding, September 30, 2016	5,275,869	10.49	8.07	\$ 14,796,907
Options exercisable, September 30, 2016	2,060,515	8.45	6.96	\$ 9,134,458
Options vested and expected to vest, September 30, 2016	2,061,303	8.45	6.96	\$ 9,140,683

The weighted average grant date fair value of options granted during the nine months ended September 30, 2016 and the year ended December 31, 2015 was \$7.10 and \$9.45, respectively.

A summary of employee stock option activity for the nine months ended September 30, 2016 under the Company's 2016 Equity Incentive Plan, or the 2016 Plan, is presented below:

2016 Equity Incentive Plan	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding, December 31, 2015	-	\$ -		
Options granted	41,164	13.55		
Options outstanding, September 30, 2016	41,164	13.55	1.12	\$ 9,926
Options exercisable, September 30, 2016	-	-	-	\$ -
Options vested and expected to vest, September 30, 2016	-	-	-	\$ -

A summary of employee restricted stock units activity for the nine months ended September 30, 2016 under the Company's 2016 Plan is presented below:

2016 Equity Incentive Plan	Shares	Weighted Average Grant-Date Fair Value
Nonvested Restricted Stock Units, December 31, 2015	-	\$ -
Restricted Stock Units granted	63,700	12.29
Restricted Stock Units vested	-	
Restricted Stock Units forfeited	-	
Nonvested Restricted Stock Units, September 30, 2016	<u>63,700</u>	<u>12.29</u>

Employee Stock Purchase Plan

Under the Company's 2006 Employee Stock Purchase Plan, the Company received \$46,262 and \$36,324 upon employees' purchase of 4,932 and 2,502 shares of class A common stock during the three months ended September 30, 2016 and 2015, respectively, and \$174,572 and \$74,414 upon employees' purchase of 18,719 and 5,442 shares of class A common stock during the nine months ended September 30, 2016 and 2015, respectively.

Accumulated Other Comprehensive Income

The following table details the accumulated other comprehensive income activity for the nine months ended September 30, 2016:

(In thousands)	Foreign currency translation adjustments	Unrealized income on investments, net of tax effect	Unrealized income (loss) on pension benefit obligation	Accumulated other comprehensive income
Balance January 1, 2016	\$ 14,243	\$ 42	\$ (873)	\$ 13,412
Other comprehensive income before reclassifications	40,890	-	37	40,927
Amounts reclassified from accumulated other comprehensive loss	-	-	-	-
Balance September 30, 2016	<u>\$ 55,133</u>	<u>\$ 42</u>	<u>\$ (836)</u>	<u>\$ 54,339</u>

18. Income Taxes

The provision for income taxes is based upon the estimated annual effective tax rates for the year applied to the current period income before tax plus the tax effect of any significant unusual items, discrete events or changes in tax law. The Company's operating subsidiaries are exposed to statutory effective tax rates ranging from zero to approximately 40%. Fluctuations in the distribution of pre-tax income among the Company's operating subsidiaries can lead to fluctuations of the effective tax rate in the condensed consolidated financial statements. In the three-month periods ended September 30, 2016 and 2015, the actual effective tax rates were 47.8% and 37.4%, respectively, and for the nine-month periods ended September 30, 2016 and 2015, the actual effective tax rates were 57.4% and 32.1%, respectively.

The Company assesses uncertain tax positions in accordance with ASC 740-10 *Accounting for Uncertainties in Tax*. As of September 30, 2016, the Company's net unrecognized tax benefits totaled approximately \$3.7 million. Of this balance, \$1.8 million would favorably impact the Company's effective tax rate in the periods if they are recognized. Management has not identified any material uncertain tax positions that are reasonably likely to be released during the next 12 months due to lapse of statutes of limitations or settlements with tax authorities.

The Company conducts business globally and, as a result, files numerous consolidated and separate income tax returns in the U.S., Switzerland and Japan, as well as in various other state and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world. Currently tax years 2011 to 2015 remain open and subject to examination in the major tax jurisdictions in which tax returns are filed. The tax years 2009-2011 were examined by the U.S. tax authorities and resulted in no tax adjustments.

19. Investment in CPP

On January 9, 2016, the Company entered into a Securities Purchase Agreement and an Option and Collaboration Agreement with Cancer Prevention Pharmaceuticals (CPP) for the development and commercialization of CPP-1X/sulindac combination.

The Company made a \$5.0 million loan to CPP in exchange for a convertible note. The convertible note bears interest at the rate of 5% per annum and matures on January 31, 2019 unless earlier converted or prepaid. The convertible note is automatically convertible into securities of CPP, subject to certain limitations, in the event CPP consummates a future financing with aggregate proceeds at least \$10.0 million, exclusive of any investment by the Company, whether through a public offering or a private offering (a Qualified Financing). Depending on the timing of the Qualified Financing, the convertible note will automatically convert into the same securities issued in the Qualified Financing at a 10% to 20% discount to the lowest issuance price of the securities in the Qualified Financing. The Company has also agreed to purchase up to \$5.0 million of CPP's securities in any such Qualified Financing.

Under the terms of an Option and Collaboration Agreement, CPP granted the Company the sole option to acquire an exclusive license to commercialize CPP-1X/Sulindac combination product in North America. This product is currently in a Phase 3 clinical trial for the treatment of familial adenomatous polyposis (FAP). Target enrollment in the study was achieved in April 2016 and the trial is expected to conclude in 2018. The Company will pay CPP an option fee of \$7.5 million, payable in two tranches. The first tranche of \$3.0 million was paid in January 2016 and was recorded as research and development expense. The second tranche of \$4.5 million is due upon achievement of certain results of the ongoing feasibility study, which are expected in early 2017. CPP will complete the ongoing Phase 3 trial under the oversight of a joint steering committee between CPP and the Company. Upon exercise of its exclusive option, the Company would negotiate an exclusive license to develop and commercialize the product in North America for all indications. In connection with the exercise of the option right, the subsequent execution of a license agreement and the development and commercialization of the product, the Company would be obligated to pay CPP up to an aggregate of \$190.0 million of specified clinical development and sales milestones. Under the terms of the license, the Company and CPP would share equally in net profits from the sale of licensed products.

The Company has elected the fair value option on the convertible note received from CPP due to the nature of the financial characteristics of the investment. As of September 30, 2016, the fair value of the convertible note is \$5.2 million using level 3 inputs.

CPP is considered to be a VIE with respect to the Company. It has been determined that the power to direct the activities that most significantly impact CPP's economic performance is held by the board of directors of CPP. The Company does not have a representative on CPP's board and does not have the right to appoint or elect such a representative. Therefore, the Company is not the primary beneficiary of CPP, and the entity is not consolidated with the financial statements of the Company. The company's maximum exposure to loss as a result of its involvement with CPP is \$5.2 million as of September 30, 2016, which is the investment in the convertible security of \$5.2 million. As of June 30, 2016, CPP had total assets of \$7.1 million and total liabilities of \$20.5 million.

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

This Quarterly Report on Form 10-Q contains forward-looking statements regarding Sucampo Pharmaceuticals, Inc. and our business, financial condition, results of operations and prospects within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include those that express plans, anticipation, intent, contingency, goals, targets or future development and/or otherwise are not statements of historical fact. These forward-looking statements are based on our current expectations and projections about future events and they are subject to risks and uncertainties, known and unknown, that could cause actual results and developments to differ materially from those expressed or implied in such statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in our other filings with the Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, which we filed with the SEC on March 11, 2016, as subsequently amended. Statements made herein are as of the date of the filing of this Form 10-Q with the SEC and should not be relied upon as of any subsequent date. Unless otherwise required by applicable law, we do not undertake, and we specifically disclaim any obligation to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes that appear in Item 1 of this Form 10-Q and with our consolidated financial statements and related notes for the year ended December 31, 2015 which are included in our Annual Report on Form 10-K.

Overview

Sucampo Pharmaceuticals, Inc., (Company) is a global biopharmaceutical company focused on developing, identifying, acquiring and bringing to market innovative medicines that meet unmet medical needs. Our primary focus areas are gastroenterology, ophthalmology, and oncology-related disorders.

We currently generate revenue mainly from product sales, product royalties, development milestone payments, and reimbursements for clinical development activities. We expect to continue to incur significant expenses for the next several years as we continue our research and development activities, seek additional regulatory approvals and additional indications for our approved products and other compounds and seek strategic opportunities for in-licensing new products and product candidates.

Our operations are conducted through subsidiaries based in the United States (U.S.), Japan and Switzerland. We operate as one segment, which focuses on the development and commercialization of pharmaceutical products.

AMITIZA (lubiprostone)

United States and Canada

AMITIZA is marketed in the U.S. for three gastrointestinal indications under a collaboration and license agreement (North America Takeda Agreement) with Takeda Pharmaceutical Company Limited (Takeda). These indications are chronic idiopathic constipation (CIC) in adults, irritable bowel syndrome with constipation (IBS-C) in adult women and opioid-induced constipation (OIC) in adults suffering from chronic non-cancer related pain. Under the North America Takeda Agreement, we are primarily responsible for clinical development activities, while Takeda is responsible for commercialization of AMITIZA in the U.S. and Canada. Takeda is required to provide a minimum annual commercial investment during the current term of the North America Takeda Agreement and may reduce the minimum annual commercial investment when a generic equivalent enters the market. In October 2015, Health Canada approved AMITIZA for CIC in adults. In October 2014, we signed an amendment (Takeda Amendment) to the North America Takeda Agreement, which among other things, extended the term of the North America Takeda Agreement beyond December 2020. During the extended term beginning in January 2021, we will share with Takeda the annual net sales revenue on branded AMITIZA products. We have also partnered with Par Pharmaceuticals, Inc. (Par) and Dr. Reddy's Laboratories, Ltd. (Dr. Reddy's) in connection with the settlement of patent litigation in the U.S. related to our AMITIZA (lubiprostone) 8 mcg and 24 mcg soft gelatin capsule products. Under our agreement with Par, we granted Par a non-exclusive license to market Par's generic version of lubiprostone 8 mcg and 24 mcg soft gelatin capsules in the U.S. for the indications approved for AMITIZA beginning January 1, 2021, or earlier under certain circumstances. Beginning on January 1, 2021, Par will split with us the gross profits of the licensed products sold during the term of the agreement, which continues until each of our related patents has expired. Under our agreement with Dr. Reddy's, we granted Dr. Reddy's a non-exclusive license to market Dr. Reddy's generic version of lubiprostone 8 mcg and 24 mcg soft gelatin capsules in the U.S. for the indications approved for AMITIZA. This license does not begin until more than six years from today's date, or earlier under certain circumstances. Dr. Reddy's will pay to us a share of net profits of generic lubiprostone products sold during the term of the agreement, which decreases over time and ends when all of our related patents have expired. In the event that either Par or Dr. Reddy's elect to launch an authorized generic form of lubiprostone, we have agreed to supply such product under the terms of a manufacturing and supply agreement at a negotiated price.

Japan

In Japan, AMITIZA is the only prescription medicine for chronic constipation, excluding constipation caused by organic diseases, and is marketed under a license, commercialization and supply agreement (Japan Mylan Agreement) originally entered into with Abbott Laboratories, Inc. (Abbott). In February 2015, Mylan purchased Abbott's non-U.S. developed markets specialty and branded generics business, as a result of which Mylan acquired the rights to commercialize AMITIZA in Japan. We did not experience any significant changes in the commercialization of AMITIZA in Japan as a result of the transfer of the Japan Mylan Agreement from Abbott to Mylan.

People's Republic of China

In May 2015, we entered into an exclusive license, development, commercialization and supply agreement (China Gloria Agreement) with Harbin Gloria Pharmaceuticals Co., Ltd. (Gloria) for AMITIZA in the People's Republic of China. We will be the exclusive supplier of AMITIZA to Gloria at an agreed upon supply price. Under the China Gloria Agreement, Gloria is responsible for all development activities and costs, as well as commercialization and regulatory activities, for AMITIZA in the People's Republic of China. Upon entering into the China Gloria Agreement, we received an upfront payment of \$1.0 million. In June 2015, the China Food and Drug Administration accepted an Investigational New Drug (IND) application for a pivotal trial of AMITIZA in patients with CIC, as a result of which we received an additional payment of \$500,000 from Gloria. In addition to the \$1.5 million in payments received and recognized as revenue through June 2015, we are eligible to receive an additional payment in the amount of \$1.5 million upon the occurrence of a specified regulatory or commercial milestone event.

Other Global Markets

In October 2014, we entered into an exclusive license, development, commercialization and supply agreement (Global Takeda Agreement) for lubiprostone with Takeda. Under the Global Takeda Agreement, Takeda develops and markets AMITIZA globally except in the U.S., Canada, Japan and the People's Republic of China. We supply Takeda with the clinical and commercial product at a negotiated price. Takeda currently markets AMITIZA for CIC and OIC in Switzerland and currently markets AMITIZA for CIC in the U.K. Takeda became the marketing authorization holder in Switzerland in April 2015, in the United Kingdom (U.K.), Austria, Belgium, Germany, Netherlands, Ireland, Luxembourg and Spain during 2016, and is expected to become the marketing authorization holder in Italy during the last quarter of 2016.

Before the execution of the Global Takeda Agreement, we retained full rights to develop and commercialize AMITIZA for the rest of the world's markets outside of the U.S., Canada and Japan. In the U.K., we received approval in September 2012 from the Medicines and Healthcare Products Regulatory Agency for the use of AMITIZA to treat CIC. We made AMITIZA available in the U.K. in the fourth quarter of 2013. In July 2014, National Institute of Health and Care Excellence published the technology appraisal guidance recommending the use of AMITIZA in the treatment of CIC and associated symptoms in adults who have failed laxatives. In January 2015, we successfully completed the European mutual recognition procedure for AMITIZA for the treatment of CIC in select European countries, resulting in marketing authorizations in these countries.

In Switzerland, AMITIZA was approved to treat CIC in 2009. In 2012, we reached an agreement with the Bundesamt für Gesundheit, (BAG), the Federal Office of Public Health in Switzerland, on a reimbursement price for AMITIZA in Switzerland, and began active marketing in the first quarter of 2013. In February 2014, the BAG revised several reimbursement limitations with which AMITIZA was first approved for reimbursement and inclusion in the Spezialitätenliste (SL) to allow all Swiss physicians to prescribe AMITIZA to patients who have failed previous treatments with at least two laxatives over a nine-month period. In July 2014, AMITIZA was approved for the treatment of OIC in chronic, non-cancer adult patients by the Swissmedic, the Swiss Agency for Therapeutic Products, and in October 2015, the BAG added this indication to the SL.

In October 2015, Takeda obtained approval of the clinical trial application (CTA) for AMITIZA for the treatment of CIC and IBS-C in Russia that was submitted in June 2015. In December 2015, a CTA was filed for AMITIZA for the treatment of CIC, IBS-C and OIC in Mexico and South Korea. Takeda initiated phase 3 registration trials in Russia in March 2016 and in South Korea and Mexico in May 2016. A new drug application (NDA) for the treatment of CIC, IBS-C, and OIC was submitted in Israel in June 2015 and approved in July 2016, and an NDA for the same indications was submitted in Kazakhstan in December 2015. Additional NDA submissions have been made in Singapore in May 2016, and South Africa and Indonesia in June 2016; further submissions are planned in 2016 for Brazil, the Philippines, Malaysia, Thailand, Vietnam and the United Arab Emirates.

RESCULA (unoprostone isopropyl)

As part of the acquisition of R-Tech in October 2015, we acquired global rights to RESCULA, an ophthalmology product used to lower intraocular pressure. In the U.S., we ceased marketing RESCULA in the fourth quarter of 2014 and no product was made available after the March 2015 expiration date. In May 2015, we returned all licenses for unoprostone isopropyl to R-Tech. In June 2016, we completed the withdrawal of the marketing authorization for RESCULA in the U.S. RESCULA is being commercialized by Santen Pharmaceutical Co., Ltd in Japan, Dong-A Pharmaceutical, Co., Ltd in South Korea and Sinphar Pharmaceutical, Co., Ltd and Zuellig Pharma Inc. in Taiwan.

Product Pipeline

The table below summarizes the development status of our marketed products and key product candidates. The commercialization rights to lubiprostone have been licensed to Takeda on a global basis other than Japan and the People's Republic of China, to Mylan for Japan, and to Gloria for the People's Republic of China. Commercialization of each product candidate may occur after successful completion of clinical trials and approval from competent regulatory agencies. For CPP-1X/sulindac, we have an option to acquire an exclusive license to commercialize in North America.

Country	Program Type	Target Indication	Development Phase	Next Milestone
Lubiprostone (AMITIZA®)				
U.S.	Commercial	Chronic idiopathic constipation (CIC) adults of all ages	Marketed	_____
U.S.	Commercial	Irritable bowel syndrome with constipation (adult women) (IBS-C)	Marketed	Initiate phase 4 study on higher dosage and with additional male subjects
U.S.	Commercial	Opioid-induced constipation (OIC) in patients with chronic non-cancer pain	Marketed	_____
U.S.	Clinical	Alternate (Sprinkle) formulation	In development	Initiate phase 3 trial in adults
U.S.	Clinical	Pediatric functional constipation (6 months - 6 years)	Alternate (Sprinkle) formulation in development	Initiate phase 3 program
U.S.	Clinical	Pediatric IBS-C (6 years - 17 years)	Alternate (Sprinkle) formulation in development	Initiate phase 3 program
U.S. & European Union	Clinical	Pediatric functional constipation (6 years - 17 years)	Open label phase 3 trials ongoing	Complete open label phase 3 trials and submit sNDA
Japan	Commercial	Chronic constipation	Marketed	_____
Japan	Clinical	CIC adults, 12mcg capsule	CTN submitted	Initiate Phase 3 trial
Switzerland	Commercial	CIC-adults of all ages	Marketed	_____
Switzerland	Commercial	OIC in patients with chronic non-cancer pain	Marketed	_____
U.K.	Commercial	CIC-adults of all ages	Marketed	_____
Canada	Clinical	CIC-adults of all ages	Received approval from Health Canada	Market in Canada
China	Clinical	CIC-adults of all ages	IND accepted	Initiate CIC study
European Union	Clinical	CIC-adults of all ages	Received national marketing approvals in Ireland, Germany, Austria, Belgium, the Netherlands, Luxembourg, Italy and Spain (where product is not yet launched)	Launch feasibility and planning under evaluation
Israel	Commercial	CIC-adults of all ages	Received national marketing approval	Develop pricing and reimbursement assessments and, based on outcome, determine launch feasibility and plans
Mexico	Clinical	CIC-adults of all ages	CTA Approved	Complete phase 3 trial
Mexico	Clinical	IBS-C - adult women	CTA Approved	Complete phase 3 trial
Mexico	Clinical	OIC in patients with chronic non-cancer pain	CTA Approved	Complete phase 3 trial
Russia	Clinical	CIC-adults of all ages	CTA Approved	Complete phase 3 trial
Russia	Clinical	IBS-C - adult women	CTA Approved	Complete phase 3 trial
South Korea	Clinical	CIC-adults of all ages	CTA Approved	Complete phase 3 trial
South Korea	Clinical	IBS-C - adult women	CTA Approved	Complete phase 3 trial
South Korea	Clinical	OIC in patients with chronic non-cancer pain	CTA Approved	Complete phase 3 trial
Unoprostone isopropyl (RESCULA®)				
Japan South Korea Taiwan	Commercial	Glaucoma and ocular hypertension	Marketed	_____
RTU-009				
Japan	Preclinical	Inflammation/immune-related disorder	Initiate IND-enabling studies	Initiate phase 1a trial
CPP-1X/sulindac combination product				
U.S.	Option	Familial adenomatous polyposis (FAP)	Phase 3	Complete phase 3 trial

Our Clinical Development Programs

Lubiprostone

Alternate Formulation

We are developing an alternate formulation of lubiprostone for both adult and pediatric patients who are unable to take or do not tolerate capsules and for nasogastric tube fed patients. Takeda has agreed to fund 100% of the costs, up to a cap, of this alternate formulation work and we expect to initiate a phase 3 trial of the alternate formulation of lubiprostone in adults in the second half of 2016 and, if the trial is successful, to file an NDA in the U.S. for the alternate formulation for adults in the second half of 2017.

Pediatric Functional Constipation

The phase 3 program required to support an application for marketing authorization of lubiprostone for pediatric functional constipation comprises four clinical trials. The first two trials, one of which was recently completed, test the soft gelatin capsule formulation of lubiprostone in patients 6 to 17 years of age. The first of these trials is a pivotal 12-week, randomized, placebo-controlled trial which was initiated in December 2013 and completed enrollment in April 2016. The second trial is a follow-on, long-term safety extension trial that was initiated in March 2014. In early November, we announced that the phase 3 trial of AMITIZA in pediatric functional constipation in children 6 to 17 years of age failed to achieve its primary endpoint of overall spontaneous bowel movement (SBM) response. The trial achieved statistical significance for some secondary endpoints, notably overall SBM frequency, straining, and stool consistency. In addition, in this study lubiprostone was well tolerated. We intend to review these results with the U.S. Food and Drug Administration (FDA) and other constituencies, and will announce next steps at the completion of this review. Additionally, after consultations with the FDA to better determine the doses and endpoints that should be studied, the phase 3 trial for the alternate formulation of lubiprostone described above will be followed in mid-2017 with a phase 3 program in patients 6 months to 6 years of age using the alternate formulation. Takeda has agreed to fund 67% of the costs, up to a cap, of this pediatric functional constipation program.

VAP-1 Inhibitors

RTU-1096

RTU-1096 is an oral compound recently under development for indications in auto-immune/inflammatory and immune-oncology diseases. In the first quarter of 2016, we completed a phase 1 trial in healthy individuals that evaluated the safety and pharmacokinetics of the compound. No significant safety issues were reported during the seven-day study. There was evidence of inhibition of systemic VAP-1 at all doses tested and the trial provided evidence of proof of mechanism. However, based on further assessment of the clinical data and on additional non-clinical data generated in the quarter, development of the compound has been discontinued.

RTU-009

RTU-009 is a pre-clinical stage, VAP-1 inhibitor that was planned to be studied in acute cerebral infarction. However, based on new non-clinical data and the decision to discontinue the development of RTU-1096, the development pathway has been revised to target chronic inflammatory conditions. The redirection of the RTU-009 program for chronic inflammatory conditions is in early preclinical development and as such has no perceived value. However, if the compound meets additional pre-specified non-clinical development goals we plan to complete IND-enabling studies and then determine how best to develop the molecule in the clinic.

CPP- 1X/Sulindac Combination Product

In January 2016, we entered into an option and collaboration agreement under which Cancer Prevention Pharmaceuticals, Inc. (CPP) has granted us the sole option to acquire an exclusive license to commercialize CPP-1X/sulindac combination product in North America. This product is currently in a Phase 3 clinical trial being conducted by CPP for the treatment of familial adenomatous polyposis (FAP). Under our agreement with CPP, we have the exclusive option to license this product for North America. There are currently no approved treatments for FAP. The ongoing Phase 3 study is a 150-patient, three-arm, double-blind, randomized trial of the combination agent and the single agent comparators. Enrollment in the study has completed and the results from a Phase 3 futility analysis are expected to be available in the first half of 2017. The trial is expected to conclude in 2018. More information regarding our arrangement with CPP is set forth in Note 19 in the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Cobiprostone

In April 2016, we discontinued development of cobiprostone for the treatment of proton pump inhibitor (PPI)-refractory non-erosive reflux disease (NERD) or symptomatic gastroesophageal reflux disease (sGERD), based on our analysis of top-line data from a Phase 2a study. While cobiprostone was observed to have significant benefit in some of the secondary parameters of this exploratory study, the trial did not meet its primary endpoints. In July 2016, we discontinued the development of an oral spray formulation of cobiprostone for the prevention of oral mucositis in patients that are undergoing radio chemotherapy for head and neck cancer, based on the results of a pre-specified futility analysis of the Phase 2a study. The futility analysis indicated that the clinical benefit of cobiprostone was insufficient to support continuation of the study.

Results of Operations

Comparison of Three Months Ended September 30, 2016 and 2015

Revenues

The following table summarizes our revenues for the three months ended September 30, 2016 and 2015:

(In thousands)	Three Months Ended September 30,	
	2016	2015
Product royalty revenue	\$ 20,771	\$ 19,328
Product sales revenue - AMITIZA	29,132	10,286
Product sales revenue - RESCULA	2,422	736
Research and development revenue	3,172	2,714
Contract and collaboration revenue	2,376	384
Total	<u>\$ 57,873</u>	<u>\$ 33,448</u>

Total revenues were \$57.9 million for the three months ended September 30, 2016, compared to \$33.4 million for the three months ended September 30, 2015, an increase of \$24.4 million or 73.0%.

Product royalty revenue

Product royalty revenue primarily represents royalty revenue earned on Takeda net sales of AMITIZA in North America and was \$20.8 million for the three months ended September 30, 2016 compared to \$19.3 million for the three months ended September 30, 2015, an increase of \$1.4 million or 7.5%. The increase was primarily due to higher Takeda reported AMITIZA net sales, which were driven by a mix of price and volume increases.

Product sales revenue

Product sales revenue represents drug product sales of AMITIZA in North America, Japan and Europe, and drug product sales of RESCULA in Japan. AMITIZA product sales revenue was \$29.1 million for the three months ended September 30, 2016 compared to \$10.3 million for the three months ended September 30, 2015, an increase of \$18.8 million or 183.2%. The increase was primarily due to a \$10.9 million increase in AMITIZA sales in North America as a result of the acquisition of R-Tech in October 2015, coupled with an increase in Mylan related product sales in Japan. RESCULA product sales revenue was \$2.4 million for the three months ended September 30, 2016 compared to \$736,000 for the three months ended September 30, 2015, an increase of \$1.7 million or 229.1%. The increase was due to the acquisition of R-Tech in October 2015 and resulting revenue from sales of RESCULA under the Japan Santen Agreement.

Research and development revenue

Research and development revenue was \$3.2 million for the three months ended September 30, 2016 compared to \$2.7 million for the three months ended September 30, 2015, an increase of \$0.5 million or 16.9%. The increase was due to increased activity on the advancement of pediatric and alternative formulation studies in the third quarter of 2016 for which we receive reimbursement from Takeda.

Contract and collaboration revenue

Contract and collaboration revenue was \$2.4 million for the three months ended September 30, 2016 compared to \$384,000 for the three months ended September 30, 2015, an increase of \$2.0 million. The increase was primarily attributable to a higher release of the collaboration obligation under the Global Takeda Agreement in the third quarter of 2016.

Costs of Goods Sold

Costs of goods sold were \$15.6 million for the third quarter of 2016 compared to \$5.3 million for the same period in 2015, an increase of \$10.3 million or 194.9%. The increase was primarily due to acquired intangible asset amortization of \$6.7 million and the costs associated with increased product sales.

Research and Development Expenses

The following table summarizes our research and development expenses for the three months ended September 30, 2016 and 2015:

(In thousands)	Three Months Ended September 30,	
	2016	2015
Direct costs:		
Lubiprostone	\$ 6,787	\$ 4,559
Cobiprostone	697	2,742
CPP-1X	14	-
RTU-1096	383	-
Other	1,023	(586)
	8,904	6,715
Indirect costs	1,072	1,653
Total	\$ 9,976	\$ 8,368

Total research and development expenses for the three months ended September 30, 2016 were \$10.0 million compared to \$8.4 million for the three months ended September 30, 2015, an increase of \$1.6 million or 19.2%. The increase was primarily due to an increase in expenses related to the ongoing AMITIZA pediatric trials, the acquisition of R-Tech in October 2015 and the inclusion of the respective share of R-Tech's research and development costs during the post-acquisition period.

Impairment of In-Process Research and Development

During the quarter ended September 30, 2016, the Company discontinued its VAP-1 Inhibitor RTU-1096 development program and changed the indication for its VAP-1 Inhibitor RTU-009 program. The Company considered the discontinuance and change in indication as a potential indicator of impairment of the related in-process research and development (IPR&D) asset. Accordingly, the Company performed an interim assessment, and as a result, recorded an impairment charge of \$7.3 million during the quarter ended September 30, 2016, which represented the entire carrying value of the IPR&D asset. This charge is classified in the Company's statement of operations as impairment of in-process research and development.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the three months ended September 30, 2016 and 2015:

(In thousands)	Three Months Ended September 30,	
	2016	2015
Salaries, benefits and related costs	\$ 2,588	\$ 2,314
Legal, consulting and other professional expenses	4,065	2,833
Stock-based compensation	1,172	994
Rent	501	390
Insurance	213	185
Pharmacovigilance	440	465
Restructuring costs	208	-
R-Tech integration/opportunity costs	605	-
Other expenses	1,269	571
Total	\$ 11,061	\$ 7,752

General and administrative expenses were \$11.1 million for the three months ended September 30, 2016, compared to \$7.8 million for the three months ended September 30, 2015, an increase of \$3.3 million or 42.7%. The increase was primarily due to legal costs associated with the settlement of the Dr. Reddy's matter as described in Part II, Item 1 of this report, restructuring costs and R-Tech integration/opportunity costs in 2016.

Selling and Marketing Expenses

Selling and marketing expenses were \$696,000 for the three months ended September 30, 2016, compared to \$385,000 for the three months ended September 30, 2015, an increase of \$311,000 or 80.8%. The increase was the result of the inclusion of R-Tech RESCULA-related commercial activities in 2016, which was partially offset by the elimination of RESCULA sales and marketing activities in the U.S. during the 2016 period.

Non-Operating Income and Expense

The following table summarizes our non-operating income and expense for the three months ended September 30, 2016 and 2015:

(In thousands)	Three Months Ended September 30,	
	2016	2015
Interest income	\$ 31	\$ 62
Interest expense	(5,899)	(243)
Other income, net	8,102	87
Total	<u>\$ 2,234</u>	<u>\$ (94)</u>

Interest expense was \$5.9 million for the three months ended September 30, 2016, compared to \$243,000 for the three months ended September 30, 2015, an increase of \$5.7 million, due to interest payable in connection with our Credit Facility that was entered into in October 2015.

Other income, net was \$8.1 million for the three months ended September 30, 2016, compared to \$87,000 for the three months ended September 30, 2015, an increase of \$8.0 million. The increase was primarily attributable to the recognition of \$9.3 million in other income from the forgiveness of the AMED grant, partially offset by increases in unrealized and non-cash foreign exchange losses in 2016.

Income Taxes

We recorded an income tax provision of \$7.4 and \$4.3 million for the three months ended September 30, 2016 and 2015, respectively. The income tax provision for the three months ended September 30, 2016 primarily pertains to the impact of Subpart F deemed dividend rules in the U.S. The tax provision for the three months ended September 30, 2015 primarily pertained to pre-tax profits generated by our U.S., Japanese and Swiss subsidiaries.

The effective tax rate (ETR) for the third quarter of 2016 was 47.8%, compared to 37.4% in the same period of 2015. The ETR for the quarter was based on a projection of the full year rate. The increase in the ETR was due to the shifting of profits from lower tax jurisdictions to higher tax jurisdictions and the impact of Subpart F deemed dividend rules in the U.S.

Comparison of Nine Months Ended September 30, 2016 and 2015

Revenues

The following table summarizes our revenues for the nine months ended September 30, 2016 and 2015:

(In thousands)	Nine Months Ended September 30,	
	2016	2015
Product royalty revenue	\$ 56,222	\$ 51,209
Product sales revenue - AMITIZA	79,253	35,930
Product sales revenue - RESCULA	7,285	748
Research and development revenue	9,971	7,468
Contract and collaboration revenue	4,301	2,457
Total	<u>\$ 157,032</u>	<u>\$ 97,812</u>

Total revenues were \$157.0 million for the nine months ended September 30, 2016, compared to \$97.8 million for the nine months ended September 30, 2015, an increase of \$59.2 million or 60.5%.

Product royalty revenue

Product royalty revenue primarily represents royalty revenue earned on Takeda net sales of AMITIZA in North America and was \$56.2 million for the nine months ended September 30, 2016 compared to \$51.2 million for the nine months ended September 30, 2015, an increase of \$5.0 million or 9.8%. The increase was primarily due to higher Takeda reported AMITIZA net sales, which were driven by a mix of price and volume increases.

Product sales revenue

AMITIZA product sales revenue was \$79.3 million for the nine months ended September 30, 2016 compared to \$35.9 million for the nine months ended September 30, 2015, an increase of \$43.3 million or 120.6%. The increase was primarily due to a \$32.0 million increase in AMITIZA sales in North America as a result of the acquisition of R-Tech in October 2015, coupled with an increase in Mylan related product sales in Japan. RESCULA product sales revenue was \$7.3 million for the nine months ended September 30, 2016 compared to \$748,000 for the nine months ended September 30, 2015, an increase of \$6.5 million. The increase was due to the acquisition of R-Tech in October 2015 and resulting revenue from sales of RESCULA under the Japan Santen Agreement.

Research and development revenue

Research and development revenue was \$10.0 million for the nine months ended September 30, 2016 compared to \$7.5 million for the nine months ended September 30, 2015, an increase of \$2.5 million or 33.5%. The increase was due to increased activity on the advancement of pediatric and alternative formulation studies for the nine months ended September 30, 2016, for which we receive reimbursement from Takeda.

Contract and collaboration revenue

Contract and collaboration revenue was \$4.3 million for the nine months ended September 30, 2016 compared to \$2.5 million for the nine months ended September 30, 2015, an increase of \$1.8 million or 75.1%. The increase was primarily attributable to a higher release of the collaboration obligation under the Global Takeda Agreement in the nine months ended September 30, 2016, partially offset by upfront and milestone payments of \$1.5 million recognized in the nine months ended September 30, 2015 under the China Gloria Agreement.

Costs of Goods Sold

Costs of goods sold were \$59.3 million for the nine months ended September 30, 2016 compared to \$18.7 million for the same period in 2015, an increase of \$40.6 million or 217.7%. The increase was primarily due to the amortization of the R-Tech inventory step up of \$15.2 million and acquired intangible asset amortization of \$18.9 million.

Research and Development Expenses

The following table summarizes our research and development expenses for the nine months ended September 30, 2016 and 2015:

(In thousands)	Nine Months Ended September 30,	
	2016	2015
Direct costs:		
Lubiprostone	\$ 18,139	\$ 11,673
Cobiprostone	5,736	5,914
CPP-1X	2,942	-
RTU-1096	2,530	-
Other	2,884	162
	<u>32,231</u>	<u>17,749</u>
Indirect costs	3,349	4,536
Total	<u>\$ 35,580</u>	<u>\$ 22,285</u>

Total research and development expenses for the nine months ended September 30, 2016 were \$35.6 million compared to \$22.3 million for the nine months ended September 30, 2015, an increase of \$13.3 million or 59.7%. The increase was primarily due to an increase in expenses related to the ongoing AMITIZA pediatric trials, costs associated with the CPP option, and the inclusion of R-Tech's research and development costs during the post-acquisition period.

Impairment of In-Process Research and Development

During the quarter ended September 30, 2016, the Company discontinued its VAP-1 Inhibitor RTU-1096 development program and changed the indication for its VAP-1 Inhibitor RTU-009 program. The Company considered the discontinuance and change in indication as a potential indicator of impairment of the related in-process research and development (IPR&D) asset. Accordingly, the Company performed an interim assessment, and as a result, recorded an impairment charge of \$7.3 million during the nine months ended September 30, 2016, which represented the entire carrying value of the IPR&D asset. This charge is classified in the Company's statement of operations as impairment of in-process research and development.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the nine months ended September 30, 2016 and 2015:

(In thousands)	Nine Months Ended September 30,	
	2016	2015
Salaries, benefits and related costs	\$ 8,407	\$ 7,521
Legal, consulting and other professional expenses	8,939	6,391
Stock-based compensation	3,843	3,831
Rent and facilities	1,657	1,001
Insurance	688	511
Pharmacovigilance	1,311	1,029
Restructuring costs	1,895	-
R-Tech integration/opportunity costs	2,206	-
Other expenses	3,465	2,079
Total	<u>\$ 32,411</u>	<u>\$ 22,363</u>

General and administrative expenses were \$32.4 million for the nine months ended September 30, 2016, compared to \$22.4 million for the nine months ended September 30, 2015, an increase of \$10.0 million or 44.9%. The increase is primarily due to the legal costs associated with the settlement of the Dr. Reddy's matter, the inclusion of R-Tech general and administrative expenses, restructuring costs and R-Tech opportunity/integration costs in 2016.

Selling and Marketing Expenses

Selling and marketing expenses were \$2.1 million for the nine months ended September 30, 2016, compared to \$1.6 million for the nine months ended September 30, 2015, an increase of \$477,000 or 29.7%. The increase was the result of the inclusion of R-Tech RESCULA-related commercial activities in 2016, which was partially offset by the elimination of RESCULA sales and marketing activities in the U.S. during the 2016 period.

Non-Operating Income and Expense

The following table summarizes our non-operating income and expense for the nine months ended September 30, 2016 and 2015:

(In thousands)	Nine Months Ended September 30,	
	2016	2015
Interest income	\$ 67	\$ 155
Interest expense	(18,141)	(784)
Other income, net	5,216	1,947
Total	<u>\$ (12,858)</u>	<u>\$ 1,318</u>

Interest income was \$67,000 for the nine months ended September 30, 2016, compared to \$155,000 for the nine months ended September 30, 2015, a decrease of \$88,000 or 56.8%.

Interest expense was \$18.1 million for the nine months ended September 30, 2016, compared to \$784,000 for the nine months ended September 30, 2015, an increase of \$17.4 million, due to interest payable in connection with our Credit Facility that was entered into in October 2015.

Other income, net was \$5.2 million for the nine months ended September 30, 2016, compared to \$1.9 million for the nine months ended September 30, 2015, an increase of \$3.7 million, or 167.9%. The increase was primarily attributable to the recognition of \$9.3 million in other income from the forgiveness of the AMED grant, offset by increases in unrealized and non-cash foreign exchange losses in 2016.

Income Taxes

We recorded an income tax provision of \$4.3 million and \$11.0 million for the nine months ended September 30, 2016 and 2015, respectively. The tax provision for the nine months ended September 30, 2016 primarily pertains to the impact of Subpart F deemed dividend rules in the U.S. The tax provision for the nine months ended September 30, 2015 primarily pertains to pre-tax profits generated by our U.S., Japanese and Swiss subsidiaries.

The effective tax rate (ETR) for the nine months ended September 30, 2016 was 57.4%, compared to 32.1% in the same period of 2015. The ETR for the nine months was based on a projection of the full year rate. The increase in the ETR was due to the shifting of profits from lower tax jurisdictions to higher tax jurisdictions and the impact of Subpart F deemed dividend rules in the U.S.

Reportable Operating Segments

We have one operating segment, which is the development and commercialization of pharmaceutical products.

Liquidity and Capital Resources

Sources of Liquidity

We finance our operations principally from cash generated from operations and our Credit Facility. From time to time, we have also received proceeds from the issuance and sale of our class A common stock and through the exercise of employee stock options. Cash generated from operations is principally derived from product sales, royalty payments, upfront and milestone payments, and research and development expense reimbursements received from Takeda, Mylan and other parties.

Our cash, cash equivalents and restricted cash consist of the following as of September 30, 2016 and December 31, 2015:

(In thousands)	September 30, 2016	December 31, 2015
Cash and cash equivalents	\$ 128,465	\$ 108,284
Restricted cash, current	25,213	55,218
Total	<u>\$ 153,678</u>	<u>\$ 163,502</u>

Our cash and cash equivalents are deposited in operating accounts and liquid investments with an original maturity at time of purchase of 90 days or less.

As of September 30, 2016, our restricted cash consisted primarily of \$25.0 million held in a restricted cash account, which is required by the Credit Facility until at least \$35 million of the Term Loans have been repaid or prepaid. As of December 31, 2015, our restricted cash consisted primarily of this \$25.0 million related to the Credit Facility, and as part of the R-Tech acquisition, \$17.7 million held in a restricted cash account for payment of the Ueno and Kuno Trust Notes, and \$8.2 million held in restricted cash related to the squeeze out of non-tendering R-Tech shareholders. As of September 30, 2016, the Ueno and Kuno Trust Notes had been repaid and the R-Tech acquisition had been completed.

Cash Flows

The following table summarizes our cash flows for the nine months ended September 30, 2016 and 2015:

(In thousands)	Nine Months Ended June 30,	
	2016	2015
Cash provided by (used in):		
Operating activities	\$ 30,288	\$ 24,205
Investing activities	(1,835)	(6,798)
Financing activities	(16,360)	2,426
Effect of exchange rates	8,088	50
Net increase (decrease) in cash and cash equivalents	<u>\$ 20,181</u>	<u>\$ 19,883</u>

Nine months ended September 30, 2016

Net cash provided by operating activities was \$30.3 million for the nine months ended September 30, 2016. This was primarily due to net income of \$3.2 million, adjustments to reconcile net income to net cash consisting of depreciation and amortization of \$37.9 million, unrealized currency translation losses of \$9.8 million, write down of in-process research and development of \$7.3 million, and stock-based compensation expense of \$5.4 million, offset by a deferred tax provision decrease of \$16.6 million and AMED deferred grant forgiveness of \$9.3. Additional cash provided by operating activities consisted of decreases in receivables of \$5.5 million, and changes in other assets and liabilities, net of \$0.8 million. Partially offsetting these items were an increase in inventory of \$2.0 million, increases in prepaid and income taxes payable and receivable, net of \$1.1 million, and decreases in payables of \$10.7 million.

Net cash used in investing activities was \$1.8 million for the nine months ended September 30, 2016. This was primarily due to the payment of the squeeze-out liability for non-tendering R-Tech shareholders of \$7.7 million, investment in a convertible note receivable of \$5.0 million, purchases of property and equipment of \$1.2 million, partially offset by a decrease in restricted cash of \$12.3 million.

Net cash used in financing activities was \$16.4 million for the nine months ended September 30, 2016. This was primarily due to repayments of notes payable (net of restricted cash) of \$18.7 million, partially offset by the issuance of Class A common stock upon the exercise of options and the associated windfall benefit together totaling \$2.3 million.

The effect of exchange rates on the cash balances of currencies held in foreign denominations for the nine months ended September 30, 2016 was an increase of \$8.1 million.

Nine months Ended September 30, 2015

Net cash provided by operating activities of \$24.2 million for the nine months ended September 30, 2015 was primarily due to our net income of \$23.2 million plus non-cash stock-based compensation expense of \$5.6 million, offset in part by a \$2.0 million gain from the transfer and assignment of licensing rights to R-Tech and an increase in deferred tax provision of \$2.8 million.

Net cash used in investing activities of \$6.8 million for the nine months ended September 30, 2015 was primarily due to investment purchases of \$39.8 million and purchases of property and equipment of \$2.0 million, offset in part by sales and maturities of investments totaling \$32.5 million, proceeds of \$2.0 million from the transfer and assignment of licensing rights to R-Tech, and changes in restricted cash of \$548,000.

Net cash provided by financing activities of \$2.4 million for the nine months ended September 30, 2015 was primarily due to proceeds from exercised stock options totaling \$4.8 million, plus a non-cash windfall benefit from stock-based compensation of \$1.6 million, offset in part by repayment of notes payable totaling \$4.1 million.

The effect of exchange rates on the cash balances of currencies held in foreign denominations for nine months ended September 30, 2015 was an increase of \$50,000.

Off-Balance Sheet Arrangements

As of September 30, 2016, we did not have any off-balance sheet arrangements, as such term is defined in Item 303(a)(4) of Regulation S-K under the Securities Act of 1933, as amended.

Funding Requirements and Capital Resources

We may need substantial amounts of capital to continue growing our business. We may require this capital, among other things, to fund:

- our share of the on-going development program of AMITIZA;
- research, development, manufacturing, regulatory and marketing efforts for our other products and product candidates;
- the costs involved in obtaining and maintaining proprietary protection for our products, technology and know-how, including litigation costs and the results of such litigation;
- activities to resolve our ongoing legal matters ;
- any option and milestone payments under general option and licensing ventures, including our exclusive option and collaboration agreement with CPP;
- other business development activities, including partnerships, alliances and investments in or acquisitions of other businesses, products and technologies;
- the expansion of our commercialization activities including the purchase of inventory; and
- the payment of principal and interest under our loan obligations.

The timing of these funding requirements is difficult to predict due to many factors, including the outcomes of our preclinical and clinical research and development programs, when those outcomes are determined, the timing of obtaining regulatory approvals, and the presence and status of competing products. Our capital needs may exceed the capital available from our future operations, collaborative and licensing arrangements and existing liquid assets. Our future capital requirements and liquidity will depend on many factors, including, but not limited to:

- the cost and time involved to pursue our research and development programs;
- our ability to establish collaborative arrangements and to enter into licensing agreements and contractual arrangements with others; and
- any future change in our business strategy.

To the extent that our capital resources may be insufficient to meet our future capital requirements, we may need to finance our future cash needs through at-the-market sales, public or private equity offerings, further debt financings or corporate collaboration and licensing arrangements.

At September 30, 2016, based upon our current business plan, we believe our future cash flows from operating activities and our existing capital resources will be sufficient to meet our cash requirements for the next 12 months.

Effects of Foreign Currency

We currently receive a portion of our revenue, incur a portion of our operating expenses, and have assets and liabilities in currencies other than the U.S. Dollar, the reporting currency for our consolidated financial statements. As such, the results of our operations could be adversely affected by changes in exchange rates due to transaction losses, which are recognized in the statement of operations, or translation losses, which are recognized in comprehensive income. We currently do not hedge foreign exchange rate exposure via derivative instruments.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our market risks during the three months ended September 30, 2016 have not materially changed from those discussed in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2015, which was filed with the SEC on March 11, 2016, as amended.

Foreign Currency Exchange Rate Risk

We are subject to foreign exchange risk for revenues and expenses denominated in foreign currencies. Foreign currency risk arises from the fluctuation of foreign exchange rates and the degree of volatility of these rates relative to the U.S. Dollar. We do not currently hedge our foreign currency transactions via derivative instruments.

Interest Rate Risk

Our exposure to market risks associated with changes in interest rates relates to both (i) the amount of interest income earned on our investment portfolio, and (ii) the amount of interest expense payable under our Credit Facility. These risks offset each other somewhat; for example, rising interest rates would increase both the amounts earned on our investments and amounts due under our Credit Facility.

With respect to our investments, our goal is to ensure the safety and preservation of invested funds by limiting default risk, market risk and reinvestment risk. We attempt to mitigate default risk by investing in investment grade securities. A hypothetical one percentage point decline in interest rates would not have materially affected the fair value of our interest-sensitive financial instruments as of September 30, 2016.

Our notes payable bear interest at a variable rate calculated by reference to the Federal Funds rate or LIBOR, at our option. A hypothetical one percentage point increase in interest rates would have increased our interest payments for the three and nine months ended September 30, 2016 by approximately \$589,000 and \$1.8 million, respectively.

We do not use derivative financial instruments for trading or speculative purposes. However, we regularly invest excess cash in overnight repurchase agreements that are subject to changes in short-term interest rates. We believe that the market risk arising from holding these financial instruments is minimal.

Credit Risk

Our exposure to credit risk generally consists of cash and cash equivalents, restricted cash, investments and receivables. We place our cash, cash equivalents and restricted cash with what we believe to be highly rated financial institutions and invest the excess cash in highly rated investments. Our investment policy limits investments to certain types of debt and money market instruments issued by institutions primarily with investment grade credit ratings and places restrictions on maturities and concentrations by asset class and issuer.

Our exposure to credit risk also extends to strategic investments made as part of our ongoing business development activities, such as the investment of \$5.0 million in CPP in exchange for a convertible note made in January 2016. A more detailed discussion of this arrangement is set forth in note 19 in the Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q.

As of September 30, 2016 and December 31, 2015, approximately 1.1% and 3.6%, respectively, of our cash, cash equivalents, restricted cash and investments are issued or insured by the federal government or government agencies. We have not experienced any losses on these accounts related to amounts in excess of insured limits.

Item 4. Controls and Procedures.

a) Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of September 30, 2016. In designing and evaluating such controls, 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 benefits of possible controls and procedures relative to their costs. Based upon the evaluation we carried out, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2016, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified under the applicable rules and forms of the SEC, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

b) Changes in Internal Control Over Financial Reporting

We completed the R-Tech acquisition on October 20, 2015. Our management considers this transaction to be material to our consolidated financial statements and believes that the internal controls and procedures of R-Tech have a material effect on our internal control over financial reporting. We are currently in the process of incorporating the internal controls and procedures of R-Tech into our internal controls over financial reporting and extending our compliance program under the Sarbanes-Oxley Act of 2002, to include R-Tech.

Part II — OTHER INFORMATION

Item 1. Legal Proceedings.

On October 3, 2014, we received a Paragraph IV certification notice letter regarding an abbreviated new drug application (ANDA) submitted to the U.S. Food and Drug Administration (the FDA) by Dr. Reddy's Laboratories, Ltd. and Dr. Reddy's Laboratories, Inc. (collectively, Dr. Reddy's), requesting approval to market, sell, and use a generic version of the 8 mcg and 24 mcg AMITIZA (lubiprostone) soft gelatin capsule products. In its notice letter, Dr. Reddy's alleges that U.S. Patent Nos. 6,414,016; 6,583,174; 7,064,148; 7,417,067; 8,026,393; 8,071,613; 8,088,934; 8,097,649; 8,114,890; 8,338,639; 8,748,481; 8,779,187; 7,795,312; 8,097,653; and 8,389,542, which cover compositions, formulations and methods of using AMITIZA, are invalid, unenforceable and/or will not be infringed by Dr. Reddy's manufacture, use or sale of the product described in its ANDA. The latest of such patents expires in 2027. On November 12, 2014, we, Takeda, and certain affiliates of Takeda filed a patent infringement lawsuit in the U.S. District Court for the District of New Jersey against Dr. Reddy's related to the ANDA previously filed by Dr. Reddy's and described above. The lawsuit claims infringement of 7 patents that are listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations (the Orange Book), with the latest expiring in 2027. Under the Drug Price Competition and Patent Term Restoration Act of 1984, known as the Hatch-Waxman Act, as a result of the patent infringement lawsuit, final FDA approval of Dr. Reddy's ANDA will be stayed up to 30 months from the date of receipt of the notice letter. On September 14, 2016, the parties to this lawsuit entered into a Settlement and License Agreement and agreed to dismiss the suit by mutual consent. Under this agreement, we granted Dr. Reddy's a non-exclusive license to market its generic version of lubiprostone 8 mcg and 24 mcg soft gelatin capsules in the U.S. for the indications approved for AMITIZA. This license does not begin until more than six years from today's date, or earlier under certain circumstances. Dr. Reddy's will pay to us a share of net profits of generic lubiprostone products sold during the term of the agreement, which decreases over time and ends when all of our related patents have expired. In the event Dr. Reddy's elects to launch an authorized generic form of lubiprostone, we have agreed to supply such product under the terms of a manufacturing and supply agreement at a negotiated price.

On May 27, 2015, R-Tech received a Paragraph IV certification notice letter regarding an ANDA submitted to the FDA by Apotex, Inc. requesting approval to market, sell, and use a generic version of the RESCULA (unoprostone isopropyl ophthalmic solution) 0.15% product approved for the lowering of intraocular pressure in patients with open-angle glaucoma or ocular hypertension. In its notice letter, Par Pharmaceutical alleges that U.S. Patent Nos. 6,458,836 and 6,770,675, which cover compositions, formulations and methods of using RESCULA, are invalid and/or will not be infringed by Apotex's manufacture, use or sale of the product described in its ANDA. The latest of such patents expires in 2020. On July 10, 2015, R-Tech filed a patent infringement lawsuit in the U.S. District Court for the District of Delaware against Apotex related to the ANDA previously filed by Apotex and described above. The lawsuit claims infringement of two patents that are listed in the FDA's Orange Book, with the latest expiring in 2020. Under the Hatch-Waxman Act, as a result of the patent infringement lawsuit, final FDA approval of Apotex's ANDA will be stayed up to 30 months from the date of receipt of the notice letter. On September 10, 2015, Apotex filed an answer and counterclaim to our complaint. In May 2016, the parties negotiated a settlement of the litigation, which was subsequently dismissed by mutual consent. The settlement agreement grants Apotex a license to market its generic unoprostone product after a specified future date.

On December 28, 2015, in connection with our acquisition of R-Tech, three non-tendering stockholders of R-Tech submitted complaints to the Tokyo District Court alleging that the purchase price of R-Tech's shares was unfair, and demanding an appraisal of the fair value of the shares. The number of shares subject to these proceedings is minimal. As of the date of this filing, these proceedings remain ongoing.

Item 1A. Risk Factors.

Our business is subject to certain risks and events that, if they occur, could adversely affect our financial condition and results of operations and the trading price of our common stock. For a discussion of these risks, please refer to the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed by us with the SEC on March 11, 2016, as amended. There have not been any material changes from the risk factors as previously disclosed in our Form 10-K for the fiscal year ended December 31, 2015.

Item 6. Exhibits

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
3.1	Certificate of Incorporation	8-K	001-33609	3.1	12/29/2008
3.2	Certificate of Amendment	8-K	001-33609	3.2	12/29/2008
3.3	Amended and Restated Bylaws	8-K	001-33609	3.3	8/2/2013
4.1	Specimen Stock Certificate evidencing the shares of class A common stock	S-1/A	333-135133	4.1	2/1/2007
10.1	Form of Indemnification Agreement between the Company and an indemnitee	Included herewith			
10.2 [^]	Employment Agreement, dated as of August 3, 2016, between the Company and Peter Greenleaf	Included herewith			
10.3 [^]	Employment Agreement, dated as of August 2, 2016, between the Company and Dr. Peter Kiener	Included herewith			
10.4 [^]	Employment Agreement, dated as of August 2, 2016, between the Company and Andrew Smith	Included herewith			
10.5 [^]	Employment Agreement, dated as of August 3, 2016, between the Company and Matthew Donley	Included herewith			
10.6 [^]	Employment Agreement, dated as of August 23, 2016, between Sucampo Ag and Dr. Peter Lichtlen	Included herewith			
31.1	Certification of the Principal Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002	Included herewith			
31.2	Certification of the Principal Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002	Included herewith			
32.1 **	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Included herewith			
32.2 **	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Included herewith			

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
101.[SCH]	XBRL Taxonomy Extension Schema Document	Included herewith			
101.[CAL]	XBRL Taxonomy Extension Calculation Linkbase Document	Included herewith			
101.[LAB]	XBRL Taxonomy Extension Label Linkbase Document	Included herewith			
101.[PRE]	XBRL Taxonomy Extension Presentation Linkbase Document	Included herewith			

^ Compensatory plan, contract or arrangement.

** These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

The exhibits filed as part of this Form 10-Q are set forth on the Exhibit Index immediately preceding such exhibits, and are incorporated herein by reference.

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.

Sucampo Pharmaceuticals, Inc.

November 9, 2016

By: /s/ PETER GREENLEAF
Peter Greenleaf
Chief Executive Officer
(Principal Executive Officer)

November 9, 2016

By: /s/ ANDREW P. SMITH
Andrew P. Smith
Chief Financial Officer
(Principal Financial Officer)

Sucampo Pharmaceuticals, Inc.
Exhibit Index

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4.1	Specimen Stock Certificate evidencing the shares of class A common stock	S-1/A	333-135133	4.1	2/1/2007
10.1	Form of Indemnification Agreement between the Company and an indemnitee	Included herewith			
10.2 [^]	Employment Agreement, dated as of August 3, 2016, between the Company and Peter Greenleaf	Included herewith			
10.3 [^]	Employment Agreement, dated as of August 2, 2016, between the Company and Dr. Peter Kiener	Included herewith			
10.4 [^]	Employment Agreement, dated as of August 2, 2016, between the Company and Andrew Smith	Included herewith			
10.5 [^]	Employment Agreement, dated as of August 3, 2016, between the Company and Matthew Donley	Included herewith			
10.6 [^]	Employment Agreement, dated as of August 23, 2016, between Sucampo Ag and Dr. Peter Lichtlen	Included herewith			
31.1	Certification of the Principal Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002	Included herewith			
31.2	Certification of the Principal Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002	Included herewith			
32.1 **	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Included herewith			
32.2 **	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Included herewith			

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
101.[SCH]	XBRL Taxonomy Extension Schema Document	Included herewith			
101.[CAL]	XBRL Taxonomy Extension Calculation Linkbase Document	Included herewith			
101.[LAB]	XBRL Taxonomy Extension Label Linkbase Document	Included herewith			
101.[PRE]	XBRL Taxonomy Extension Presentation Linkbase Document	Included herewith			

^ Compensatory plan, contract or arrangement.

** These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

INDEMNIFICATION AGREEMENT

INDEMNIFICATION AGREEMENT (this "*Agreement*") dated as of July [___], 2016 by and between Sucampo Pharmaceuticals, Inc. (the "*Company*"), a Delaware corporation, and [_____] ("*Indemnitee*");

WHEREAS, competent persons are reluctant to serve a corporation as an officer or in another capacity unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of corporations;

WHEREAS, the Board of Directors of the Company has determined that the ability to attract and retain such persons is in the best interests of the Company's stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future; and

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified; and

WHEREAS, Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that Indemnitee be so indemnified;

NOW, THEREFORE, in consideration of the premises, the mutual agreements herein set forth below and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Definitions. For purposes of this Agreement the following terms shall have the meanings set forth below:

(a) "*Board*" shall mean the Board of Directors of the Company.

(b) "*Change of Control*" shall mean any of the following events:

(i) Unless approved by the affirmative vote of at least two-thirds of those members of the Board who are in office immediately prior to the event(s) and who are not employees of the Company:

(A) the merger or consolidation of the Company with, or the sale of all or substantially all of the assets of the Company to, any person or entity or group of associated persons or entities; or

(B) the acquisition of direct or indirect beneficial ownership in the aggregate of securities of the Company representing twenty percent (20%) or more of the total combined voting power of the Company's then issued and outstanding securities by any person or entity, or group of associated persons or entities acting in concert, not affiliated (within the meaning of the Securities Act of 1933) with the Company as of the date of this Agreement; or

Sucampo Pharmaceuticals, Inc.
Executive Indemnification Agreement

(C) approval by the stockholders of the Company of any plan or proposal for the liquidation or dissolution of the Company; or

(ii) A change in the composition of the Board at any time during any consecutive 24-month period such that the "Continuing Directors" cease for any reason to constitute at least a seventy percent (70%) majority of the Board. For purposes of this clause (ii), "Continuing Directors" means those members of the Board who either:

(A) were members of the Board at the beginning of such consecutive 24-month period; or

(B) were elected by, or on the nomination or recommendation of, at least a two-thirds majority (consisting of at least five directors) of the then-existing Board.

(c) "*Corporate Status*" describes the status of a person who is or was a director, officer, employee, agent or fiduciary of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the express written request of the Company.

(d) "*Disinterested Director*" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(e) "*Enterprise*" shall mean the Company and any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the express written request of the Company as a director, officer, employee, agent or fiduciary.

(f) "*Expenses*" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in a Proceeding.

(g) "*Good Faith*" shall mean Indemnitee having acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal Proceeding, having had no reasonable cause to believe Indemnitee's conduct was unlawful.

(h) “*Independent Counsel*” means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “*Independent Counsel*” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement.

(i) “*Proceeding*” includes any action, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other actual, threatened or completed proceeding whether civil, criminal, administrative or investigative, other than one initiated by Indemnitee. For purposes of the foregoing sentence, a “*Proceeding*” shall not be deemed to have been initiated by Indemnitee where Indemnitee seeks pursuant to Section 9 of this Agreement to enforce Indemnitee’s rights under this Agreement.

2. Term of Agreement. This Agreement shall continue until and terminate upon the later of: (a) 10 years after the date that Indemnitee has ceased to serve as a director, officer, employee, agent or fiduciary of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which Indemnitee served at the express written request of the Company or (b) the final termination of all pending Proceedings in respect of which Indemnitee is granted rights of indemnification or advancement of expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 9 of this Agreement relating thereto. In addition, no legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee’s estate, spouse, heirs, executors or personal or legal representatives after the expiration of five (5) years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such five (5) year period; PROVIDED, HOWEVER, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

3. Services by Indemnitee, Notice of Proceedings.

(a) Services. Indemnitee agrees to serve as an officer of the Company. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by operation of law).

(b) Notice of Proceeding. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter that may be subject to indemnification or advancement of Expenses covered hereunder.

4. Indemnification.

(a) In General. In connection with any Proceeding, the Company shall indemnify and advance Expenses to Indemnitee as provided in this Agreement and to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may thereafter from time to time permit.

(b) Proceedings Other Than Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 4(b) if, by reason of Indemnitee's Corporate Status, Indemnitee is, or is threatened to be made, a party to any Proceeding, other than a Proceeding by or in the right of the Company. Indemnitee shall be indemnified against Expenses, judgments, penalties, fines and amounts paid in settlements actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in Good Faith including without limitation, any and all losses, claims, damages, expenses and liabilities, joint or several (including any investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of, any action, suit, proceeding or any claim asserted) under the Securities Act of 1933, the Securities Exchange Act of 1934, as amended (the "Exchange Act of 1934") or other federal or state statutory law or regulation, at common law or otherwise or which relate directly or indirectly to the registration, purchase, sale or ownership of any securities of the Company or to any fiduciary obligation owed with respect thereto or as a direct or indirect result of any Proceeding or any claim, issue or matter therein made by any stockholder of the Company against Indemnitee and arising out of or related to any round of financing of the Company (including but not limited to Proceedings or any claims, issues or matters therein regarding non-participation, or non-pro rata participation, in such round by such stockholder), or made by a third party against Indemnitee based on any misstatement or omission of a material fact by the Company in violation of any duty of disclosure imposed on the Company by federal or state securities or common laws.

(c) Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 4(c) if, by reason of Indemnitee's Corporate Status, Indemnitee is or is threatened to be made a party to any Proceeding brought by or in the right of the Company to procure a judgment in its favor. Indemnitee shall be indemnified against Expenses, judgments, penalties and amounts paid in settlement, actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding if Indemnitee acted in Good Faith. Notwithstanding the foregoing, no such indemnification shall be made in respect of any claim, issue or matter in such Proceeding as to which Indemnitee shall have been adjudged to be liable to the Company if applicable law prohibits such indemnification; *provided, however*, that, if applicable law so permits, indemnification shall nevertheless be made by the Company in such event if and only to the extent that the Court of Chancery of the State of Delaware, or the court in which such Proceeding shall have been brought or is pending, shall determine.

(d) Indemnification of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of Indemnitee's Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, Indemnitee shall be indemnified to the maximum extent permitted by law against all Expenses, judgments, penalties, fines and amounts paid in settlement, actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee to the maximum extent permitted by law, against all Expenses, judgments, penalties, fines and amounts paid in settlement, actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section 4(d) and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter, so long as there has been no finding (either adjudicated or pursuant to Section 6) that Indemnitee did not act in Good Faith.

(e) Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of Indemnitee's Corporate Status, a witness in any Proceeding, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith.

(f) Assumption of Defense and Settlement. Notwithstanding any other provision of this Agreement, with respect to any such Proceeding as to which the Indemnitee gives notice to the Company of the commencement thereof:

(1) the Company will be entitled to participate therein at its own expense;

(2) the Company, jointly with any other indemnifying party similarly notified, shall be entitled to assume the defense thereof, with counsel satisfactory to the Indemnitee. If the Company assumes the defense of the Indemnitee, it shall notify the Indemnitee, and after the Indemnitee receives such notice, the Company shall not be liable to the Indemnitee under this Agreement for any Expenses incurred by the Indemnitee after the date such notice was received. The Indemnitee shall be entitled to employ Indemnitee's own counsel at Indemnitee's own expense. Nevertheless, the Company shall pay for Indemnitee's own counsel if (1) the Company agrees to do the same, (2) the Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee regarding the defense of such action, or (3) the Company shall not in fact have employed counsel to assume the defense of the Proceeding. The Company shall not be entitled to assume the defense of any Proceeding brought by or on behalf of the Company or as to which the Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee regarding the defense of such Proceeding; and

(3) the Company shall not be liable to the Indemnitee under this Agreement for any amounts paid in settlement of any Proceeding unless the Company consents to such settlement. The Company shall not settle any Proceeding in any manner that would impose any penalty or limitation on the Indemnitee without the Indemnitee's written consent. Neither the Company nor the Indemnitee will unreasonably withhold their consent to any proposed settlement.

(g) Contribution.

(1) Notwithstanding any other provision of this Agreement, if the indemnification provided for in this Section 4 for any reason is held by a court of competent jurisdiction to be unavailable to Indemnitee in respect of any losses, claims, damages, expenses or liabilities referred to therein, then the Company, in lieu of indemnifying Indemnitee thereunder, shall contribute to the amount paid or payable by Indemnitee as a result of such losses, claims, damages, expenses or liabilities

(A) in such proportion as is appropriate to reflect the relative benefits received by the Company and Indemnitee; or

(B) if the allocation provided by clause (A) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (A) above but also the relative fault of the Company and Indemnitee in connection with the action or inaction which resulted in such losses, claims, damages, expenses or liabilities, as well as any other relevant equitable considerations.

(2) In connection with the registration of the Company's securities, the relative benefits received by the Company and Indemnitee shall be deemed to be in the same respective proportions that the net proceeds from the offering (before deducting expenses) received by the Company and Indemnitee, in each case as set forth in the table on the cover page of the applicable prospectus, bear to the aggregate public offering price of the securities so offered. The relative fault of the Company and Indemnitee shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or Indemnitee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and Indemnitee agree that it would not be just and equitable if contribution pursuant to this Section 4(g) were determined by pro rata or per capita allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph.

(3) In connection with the registration of the Company's securities, in no event shall Indemnitee be required to contribute any amount under this Section 4(g) in excess of the lesser of:

(A) that proportion of the total of such losses, claims, damages or liabilities indemnified against equal to the proportion of the total securities sold under such registration statement which is being sold by Indemnitee; or

(B) the proceeds received by Indemnitee from its sale of securities under such registration statement.

(4) Persons found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act of 1933) shall only be entitled to contribution from any person who was found guilty of such fraudulent misrepresentation.

5. Exceptions

Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Claims Under Section 16(b). To indemnify Indemnitee for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Exchange Act of 1934 or any similar successor statute; or

(b) Unlawful Indemnification. To indemnify Indemnitee if a final decision by a court having jurisdiction in the matter shall determine that such indemnification is not lawful.

6. Advancement of Expenses. Notwithstanding any provision to the contrary in Section 7, the Company shall advance all reasonable Expenses which, by reason of Indemnitee's Corporate Status, were incurred by or on behalf of Indemnitee in connection with any Proceeding, within 20 days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall be preceded or accompanied by an undertaking by or on behalf of Indemnitee to repay any Expenses if it shall ultimately be determined that Indemnitee is not entitled to be indemnified against such Expenses. Any advance and undertakings to repay pursuant to this Section 6 shall be unsecured and interest free.

7. Procedures for Determination of Entitlement to Indemnification

(a) Initial Request. To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall promptly advise the Board in writing that Indemnitee has requested indemnification.

(b) Method of Determination. A determination (if required by applicable law) with respect to Indemnitee's entitlement to indemnification shall be made as follows:

(1) if a Change in Control has occurred, unless Indemnitee shall request in writing that such determination be made in accordance with clause (2) of this Section 7(b), the determination shall be made by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee;

(2) if a Change of Control has not occurred, the determination shall be made by the Board by a majority vote of Disinterested Directors, even though less than a quorum. In the event that there are no Disinterested Directors or if such Disinterested Directors so direct, the determination shall be made by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee.

(c) Selection, Payment, Discharge, of Independent Counsel. In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 7(b) of this Agreement, the Independent Counsel shall be selected, paid and discharged in the following manner:

(1) If a Change of Control has not occurred, the Independent Counsel shall be selected by the Board, and the Company shall give written notice to Indemnitee advising Indemnitee of the identity of the Independent Counsel so selected.

(2) If a Change of Control has occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board, in which event clause (1) of this Section 7(c) shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected.

(3) Following the initial selection described in clauses (1) and (2) of this Section 7(c), Indemnitee or the Company, as the case may be, may, within seven days after such written notice of selection has been given, deliver to the other party a written objection to such selection. Such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is made, the Independent Counsel so selected may not serve as Independent Counsel unless and until a court has determined that such objection is without merit.

(4) Either the Company or Indemnitee may petition any court of competent jurisdiction if the parties have been unable to agree on the selection of Independent Counsel within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 7(a) of this Agreement. Such petition may request a determination whether an objection to the party's selection is without merit and/or seek the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate. A person so appointed shall act as Independent Counsel under Section 7(b) of this Agreement.

(5) The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to this Agreement, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 7(c), regardless of the manner in which such Independent Counsel was selected or appointed.

(6) Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 9(c) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(d) Cooperation. Indemnitee shall cooperate with the person, persons or entity making the determination with respect to Indemnitee's entitlement to indemnification under this Agreement, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(e) Payment. If it is determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within 10 days after such determination.

8. Presumptions and Effect of Certain Proceedings.

(a) Burden of Proof. In making a determination with respect to entitlement to Indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 7(a), and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption.

(b) Effect of Other Proceedings. The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in Good Faith.

(c) Reliance as Safe Harbor. For purposes of any determination of Good Faith, Indemnitee shall be deemed to have acted in Good Faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Enterprise. The provisions of this Section 8(c) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement.

(d) Actions of Others. The knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

9. Remedies of Indemnitee.

(a) Application. This Section 9 shall apply in the event of a Dispute. For purposes of this article, "Dispute" shall mean any of the following events:

- (1) a determination is made pursuant to Section 7 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement;
- (2) advancement of Expenses is not timely made pursuant to Section 6 of this Agreement;
- (3) if the determination of entitlement to be made pursuant to Section 7(b) of this Agreement is to be made by the Board and the Board has not made such determination within 60 days after receipt by the Company of the request for indemnification;
- (4) if the determination of entitlement to be made pursuant to Section 7(b) of this Agreement is to be made by Independent Counsel and Independent Counsel has not made such determination within 90 days after receipt by the Company of the request for indemnification;
- (5) payment of indemnification is not made pursuant to Section 4(e) of this Agreement within 10 days after receipt by the Company of a written request therefor; or

(6) payment of indemnification is not made within 10 days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 7 of this Agreement.

(b) Adjudication. In the event of a Dispute, Indemnitee shall be entitled to an adjudication in an appropriate court in the State of Delaware, or in any other court of competent jurisdiction, of Indemnitee's entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at Indemnitee's option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 9(b). The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(c) De Novo Review. In the event that a determination shall have been made pursuant to Section 7 of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 9 shall be conducted in all respects as a *de novo* trial, or arbitration, on the merits, and Indemnitee shall not be prejudiced by reason of that adverse determination. In any such proceeding or arbitration, the Company shall have the burden of proving that Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(d) Company Bound. If a determination shall have been made or deemed to have been made pursuant to Section 7 of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading in connection with the request for indemnification or (ii) a prohibition of such indemnification under applicable law.

(e) Procedures Valid. The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 9 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all of the provisions of this Agreement.

(f) Expenses of Adjudication. In the event that Indemnitee, pursuant to this Section 9, seeks a judicial adjudication of or an award in arbitration to enforce Indemnitee's rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all expenses (of the types described in the definition of Expenses in this Agreement) actually and reasonably incurred by Indemnitee in such adjudication or arbitration, but only if Indemnitee prevails therein. If it shall be determined in such adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advancement of expenses sought, the expenses incurred by Indemnitee in connection with such adjudication or arbitration shall be appropriately prorated.

10. Non-exclusivity, Insurance, Subrogation.

(a) Non-Exclusivity. The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation, the Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration, rescission or replacement of this Agreement or any provision hereof shall be effective as to Indemnitee with respect to any action taken or omitted by such Indemnitee in Indemnitee's Corporate Status prior to such amendment, alteration, rescission or replacement.

(b) Insurance. The Company may maintain an insurance policy or policies against liability arising out of this Agreement or otherwise.

(c) Subrogation. In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) No Duplicative Payment. The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

11. Miscellaneous Provisions.

(a) Entire Agreement. This Agreement contains the entire understanding between the parties hereto with respect to the subject matter hereof and supersedes any prior understandings, agreements or representations, written or oral, relating to the subject matter hereof.

(b) Counterparts. This Agreement may be executed in separate counterparts, each of which will be an original and all of which taken together shall constitute one and the same agreement, and any party hereto may execute this Agreement by signing any such counterpart.

(c) Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable under any applicable law or rule, the validity, legality and enforceability of the other provision of this Agreement will not be affected or impaired thereby.

(d) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives and successors and assigns.

(e) Modification, Amendment, Waiver or Termination. No provision of this Agreement may be modified, amended, waived or terminated except by an instrument in writing signed by the parties to this Agreement. No course of dealing between the parties will modify, amend, waive or terminate any provision of this Agreement or any rights or obligations of any party under or by reason of this Agreement.

(f) Notices. All notices, consents, requests, instructions, approvals or other communications provided for herein shall be in writing and delivered by personal delivery, overnight courier, mail, electronic facsimile or e-mail addressed to the receiving party at the address set forth herein. All such communications shall be effective when received.

If to the Company:

Sucampo Pharmaceuticals, Inc.
ATTN: General Counsel & Corporate Secretary
805 King Farm Blvd
Suite 550
Rockville, MD 20850

If to the Indemnitee:

Any party may change the address set forth above by notice to each other party given as provided herein.

(g) Headings. The headings and any table of contents contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

(h) Governing Law. **ALL MATTERS RELATING TO THE INTERPRETATION, CONSTRUCTION, VALIDITY AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW PROVISIONS THEREOF.**

(i) Third-Party Benefit. Nothing in this Agreement, express or implied, is intended to confer upon any other person any rights, remedies, obligations or liabilities of any nature whatsoever.

(j) Jurisdiction and Venue. **THIS AGREEMENT MAY BE ENFORCED IN ANY FEDERAL COURT OR STATE COURT SITTING IN DELAWARE, AND EACH PARTY CONSENTS TO THE JURISDICTION AND VENUE OF ANY SUCH COURT AND WAIVES ANY ARGUMENT THAT VENUE IN SUCH FORUM IS NOT CONVENIENT. IF ANY PARTY COMMENCES ANY ACTION UNDER ANY TORT OR CONTRACT THEORY ARISING DIRECTLY OR INDIRECTLY FROM THE RELATIONSHIP CREATED BY THIS AGREEMENT IN ANOTHER JURISDICTION OR VENUE, ANY OTHER PARTY TO THIS AGREEMENT SHALL HAVE THE OPTION OF TRANSFERRING THE CASE TO THE ABOVE-DESCRIBED VENUE OR JURISDICTION OR, IF SUCH TRANSFER CANNOT BE ACCOMPLISHED, TO HAVE SUCH CASE DISMISSED WITHOUT PREJUDICE.**

(k) Remedies. The parties agree that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may, in its discretion, apply to any court of law or equity of competent jurisdiction for specific performance and injunctive relief in order to enforce or prevent any violations this Agreement, and any party against whom such proceeding is brought hereby waives the claim or defense that such party has an adequate remedy at law and agrees not to raise the defense that the other party has an adequate remedy at law.

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Sucampo Pharmaceuticals, Inc.
Executive Indemnification Agreement

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth in the first paragraph.

SUCAMPO PHARMACEUTICALS, INC.

By: _____

Name: Peter Greenleaf
Its: Chairman & CEO

INDEMNITEE

Sucampo Pharmaceuticals, Inc.
Executive Indemnification Agreement

AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

This Amended and Restated Executive Employment Agreement (the "Agreement") is made by and between Sucampo Pharmaceuticals, Inc., its parent, subsidiary, predecessor and affiliated corporations (collectively "Sucampo"), and Peter Greenleaf ("Executive"), and amends, restates and supersedes the Employment Agreement between Sucampo and Executive dated March 3, 2014.

A. Employment and Duties.

1. Sucampo shall employ Executive as Chief Executive Officer. While employed by Sucampo, Executive shall devote Executive's full-time work efforts exclusively on behalf of Sucampo and shall not perform work of any nature for compensation of any kind for any person or entity other than for Sucampo, unless approved in writing by the Chair or lead independent director of Sucampo's Board of Directors.

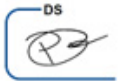
2. This Agreement shall be in effect for the one-year period following the first date on which both Executive and Sucampo have signed the Agreement (the "Anniversary Date"). The Agreement will continue to renew on a year-to-year basis unless either party ends the Executive's employment pursuant to Section H; or Sucampo delivers written notice to the Executive about Sucampo's intent to renew the Agreement with specifically articulated changes at least 30 days before the Anniversary Date, and then terminates the Agreement under Section N.

B. Compensation and Benefits.

1. **Base Salary.** Sucampo shall pay Executive an annual base salary of Six Hundred Seventy One Thousand Five Hundred Forty Five US dollars and Seventy Four Cents (US\$671,545.74) in accordance with Sucampo's regular payroll cycle (the "Base Salary"). The Base Salary shall be reviewed on an annual basis and may, in the sole discretion of the Board of Directors, be increased, but not decreased (unless either mutually agreed by Executive and Sucampo, or established as part of salary reductions that apply equally to similarly situated officers as a percentage reduction in their salaries).

2. **Bonus.** Executive shall be entitled to participate in Sucampo's annual incentive plan, as defined and modified from time to time by Sucampo. The target bonus for Executive shall be 60% of Executive's Base Salary, in the sole discretion of the Board of Directors. The annual bonus payable to Executive for any fiscal year shall be paid to Executive in a lump sum on the date set forth in Sucampo's incentive plan in effect at the time of payment. Sucampo reserves the unilateral right to modify the incentive plan and reserves the unilateral discretion to determine the amount of Executive's bonus, if any. Executive agrees that such bonus is not "earned" until approved by the Board of Directors.

3. **Stock.** At least annually for the Term of this Agreement, Executive shall be eligible for consideration to receive restricted stock grants, stock options or other awards



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(collectively, "Equity Incentive Awards") in accordance with the 2016 Equity Incentive Plan or such other equity incentive plan as may be designated in the Stock Agreement (collectively referred to as the "Plan"). Any such Equity Incentive Awards shall be made in the sole discretion of the Board of Directors.

4. **Taxes.** Executive acknowledges and agrees that Executive shall be solely responsible for the satisfaction of any applicable taxes that may arise pursuant to this Agreement (including taxes arising under Section 409A of the Internal Revenue Code ("IRC"), which pertains to deferred compensation) or 4999 (which pertains to golden parachute excise taxes), and that neither Sucampo nor any of its employees, officers, directors, or agents shall have any obligation whatsoever to pay such taxes or to otherwise indemnify or hold Executive harmless from any or all of such taxes. For purposes of IRC Section 409A, the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments. All compensation due to Executive shall be paid subject to withholding by Sucampo to ensure compliance with all applicable laws and regulations.


5. **Participation in Benefits.** Executive shall be entitled to participate in all Sucampo employee benefit plans or programs offered to other Sucampo employees to the extent that Executive's position, tenure, salary, and other qualifications make Executive eligible to participate in such plans. Sucampo reserves the unilateral right to adopt, continue, discontinue, amend, modify, reduce or expand each and every employee benefit plan, program or other fringe benefit during any term of the Agreement. Participation by Executive in any such plan, program or benefit shall be subject to all applicable rules and regulations.

6. **Expenses.** Sucampo shall pay or reimburse Executive for all reasonable and necessary out-of-pocket expenses incurred by Executive the performance of his or her obligations under this Agreement. Sucampo shall reimburse such expenses in accordance with Sucampo's expense reimbursement policies and procedures. Sucampo reserves the right to modify such policies and procedures in its sole discretion. All reimbursements due under this Agreement shall be separately requested and paid not later than one year after Executive incurs the underlying expense.

7. **Professional Organizations.** During the Term, Sucampo shall reimburse Executive for the annual dues payable for membership in professional societies associated with the Executive's job responsibilities or subject matters related to Sucampo's interests. Sucampo shall only reimburse for a new membership if and after Sucampo has approved such membership.

C. **Confidential Information.**

1. Executive acknowledges that Sucampo operates in a competitive environment and has a legitimate business interest in protecting Sucampo's Confidential Information and Protected Property. "Confidential Information" includes any of the following information pertaining to Sucampo or its affiliated entities:


Executive's Initials


a. Any and all information, whether or not meeting the legal definition of a trade secret, and whether in written, oral, electronic or other form, containing and/or concerning: (i) business plans, strategic plans, forecasts, budgets, sales, financial projections and costs; (ii) personnel and payroll records and employee lists, including any information related to an employee's health; (iii) candidates, consultants, and contractors, including lists, resumes, preferences, transaction histories and rates; (iv) customers and prospective customers, including their identity, the identities of their employees, contractors and consultants, special needs, job orders, preferences, transaction histories, contacts, characteristics, agreements and current or proposed pricing; (v) marketing activities, plans, promotions, operations and research and development; (vi) business operations, internal organizational structure and financial affairs; (vii) pricing structure and/or current or proposed manufacturing costs; (viii) proposed services, technologies and products; (ix) contracts with customers, suppliers, joint ventures, licensors, licensees, or distributors; (x) customer history; (xi) compensation structure and strategy compared to the market; (xii) current or proposed product tests; (xiii) technical or scientific information or processes, including chemical compounds, computer programs, code, algorithms, Inventions (as defined below), formulae, test data, know how, functional and technical specifications, designs, drawings; (xiv) passwords; and

b. Any information (including any compilation, device, method, technique or process) that (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy (hereafter "Trade Secret"). Such information constitutes a Trade Secret even if a person has acquired the information without express notice that it is a Trade Secret if, under all the circumstances, such person knows or has reason to know that the party who owns the information or has disclosed it intends or expects the secrecy of the type of information comprising the Trade Secret to be maintained.

c. The term "Confidential Information" excludes any information that (i) is, was, or enters in the public domain without violation of this Agreement and through no fault of the Executive, (ii) was in Executive's possession free of any obligation of confidence at the time it was disclosed to the Executive, or (iii) was rightfully communicated to the Executive by a third party free of any obligation of confidentiality subsequent to the time it was disclosed by Sucampo to the Executive.

2. During and after the Term of this Agreement, Executive shall not, directly or indirectly, reproduce, commercialize, use, disclose, or authorize use or disclosure of, any Confidential Information, unless such use or disclosure is (a) consistent with Sucampo's obligations or business purposes and for the sole purpose of carrying out Executive's duties to Sucampo, or (b) specifically authorized by Sucampo in writing prior to such use or disclosure. Executive understands and agrees that this restriction shall continue to apply after this Agreement terminates, regardless of the reason for such termination. Executive agrees to comply with all policies and procedures of Sucampo for protecting Confidential Information.

3. Executive agrees that Sucampo has the right to refuse publication of any papers prepared by Executive as a result of Executive's employment, consultation, work or services,


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with, for, on behalf of or in conjunction with Sucampo. Executive agrees to submit any proposed publications referring to Executive's employment, consultation, work, services and activities with, for, on behalf of or in conjunction with Sucampo, or referring to any information developed therefrom, to Sucampo for review, prior to publication, to ensure that Sucampo's position with respect to Confidential Information is not adversely affected by publication disclosures.

4. If Executive is required to disclose Confidential Information due to the issuance of a court order or other government process, Executive shall (a) promptly, but in no event more than 72 hours after learning of such court order or other government process, notify the Executive Vice President, Global Human Resources, IT and Strategy; (b) at Sucampo's expense, take all reasonable necessary steps requested by Sucampo to defend against the enforcement of such court order or other government process, and permit Sucampo to intervene and participate with counsel of its choice in any proceeding relating to the enforcement thereof; and (c) if such compelled disclosure is required, Executive shall disclose only that portion of the Confidential Information that is necessary to meet the minimum legal requirement imposed on Executive

5. Executive agrees that, upon termination of this Agreement or if requested by Sucampo, Executive shall immediately return to Sucampo any and all Sucampo Property (as defined below) and documents and other media containing Confidential Information (and all hard/electric copies thereof) in Executive's possession, custody or control.

a. "Sucampo Property" shall mean any and all documents, instruments, records and databases, recorded or stored on any medium whatsoever, relating or pertaining, directly or indirectly, to the business of Sucampo, including without limitation any and all documents (and copies) containing or relating to Confidential Information. Executive acknowledges that Sucampo Property is solely the property of Sucampo regardless of whether it was created, stored or used on property of the Executive or any other person or entity.

b. Executive agrees that, while employed by Sucampo, Executive shall not directly or indirectly, use, or allow the use of, Sucampo property of any kind (including property leased to Sucampo), for any purpose other than Sucampo activities, except with the authorization of a duly authorized representative of Sucampo.

c. Executive agrees not to remove any Sucampo Property from Sucampo's business premises or deliver any Sucampo Property to any person or entity outside of Sucampo, except as required in connection with Executive's duties of employment.

d. If Sucampo Property in electronic form that contains or relates to Confidential Information is stored on a computer or device that is not Sucampo Property, then at the termination of this Agreement, Executive agrees to promptly deliver a copy of the stored Sucampo Property to Sucampo, permanently delete the Sucampo Property from the computer or device, and confirm these actions to Sucampo in writing.

6. Executive understands that Executive is signing this Agreement as a condition of Executive's employment, or continued employment, with Sucampo. Executive further acknowledges and agrees that Executive's employment or continued employment by Sucampo, Executive's access to Sucampo's Confidential Information, and other goods and valuable



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consideration associated with employment by Sucampo, provide good and sufficient consideration for Executive's obligations under this Agreement.


D. Protected Property.

1. "Protected Property" includes any Invention (as defined below), discovery, improvement, idea or expression of idea, process, development, design, know-how, data, and formula, whether patentable or un-patentable, or protectable by copyright or other intellectual property law, that Executive makes or conceives, alone or with others, during or outside of working matters, during Executive's employment with Sucampo, that relates in any manner to the actual or demonstrably anticipated business, research or development of Sucampo, or results from or is suggested by any task assigned to Executive or any work performed by Executive on behalf of Sucampo. "Invention" means any apparatus, biological processes, cell line, chemical compound, creation, data, development, design, discovery, formula, idea, improvement, innovation, know-how, laboratory notebook, manuscript, process or technique, whether or not patentable or protectable by copyright, or other intellectual property in any form.

2. Executive agrees to communicate to Sucampo in writing as promptly and fully as practicable all Protected Property conceived or reduced to practice by Executive at any time during the Executive's employment by Sucampo. Executive agrees to keep and maintain adequate written records of Protected Property at all times and stages, in the form of notes, sketches, drawings, memoranda and reports. Those records shall be the property of and be available to Sucampo at all times.

3. Executive hereby assigns to Sucampo and/or its nominees, all of Executive's right, title, and interest in such Protected Property, and all of the Executive's right, title, and interest in any patents, copyrights, patent applications, software, trademarks, or copyright applications based thereon. Executive agrees that all Protected Property subject to copyright protection constitutes "work made for hire" under United States copyright laws (17 U.S.C. §101) and is owned exclusively Sucampo. To the extent that title to any Protected Property subject to copyright protection does not constitute a "work for hire," and to the extent title to any other Protected Property does not, by operation of law or otherwise, vest in Sucampo, all right, title, and interest therein, including, without limitation, all copyrights, patents and trade secrets, and all copyrightable or patentable subject matter, are hereby irrevocably assigned to Sucampo.

4. Executive shall, at the expense of and on behalf of Sucampo, do everything reasonably necessary for Sucampo to obtain, preserve, and protect Sucampo's right, title and interest in and to such Protected Property, including preparing and signing all documents Sucampo may deem necessary to obtain and maintain patents, copyrights, trade secrets, trademarks, service marks and other rights within the United States or anywhere in the world. This obligation binds Executive or Executive's legal representative and continues despite the end of Executive's employment with Sucampo, subject to reasonable compensation by Sucampo for Executive's time and expenses. Should Sucampo be unable, after reasonable effort, to obtain Executive's signature on any document necessary to apply for or prosecute any of the above rights for any reason, Executive hereby irrevocably designates and appoints Sucampo or its officers and agents as Executive's agent coupled with a power of attorney to act on Executive's behalf to do everything necessary to accomplish the above.



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5. The provisions of this Section D do not apply to any invention if (a) Executive developed it entirely on Executive's own time; (b) Executive did not use or rely on any of Sucampo's Confidential Information, equipment, supplies, or facilities; (c) the invention is unrelated to Sucampo's business; and (d) the invention did not result from any work Executive performed for Sucampo. If, when hired or during Executive's employment, Executive is working on any invention that is excluded under this Section D.5. Executive agrees to put Sucampo on written notice at the time of hire or as soon as the Executive starts working on the invention during Executive's employment. To further comply with this notice requirement, Executive has provided Exhibit 1 to this Agreement, which includes a complete list and description of all Inventions, intellectual property and equipment located at Sucampo that is owned directly or indirectly by Executive and which shall not be transferred to Sucampo pursuant to this Agreement. Except for those items listed on Exhibit 1, Executive agrees that he or she shall not assert any rights under any intellectual property as having been made or acquired by Executive prior to being employed by Sucampo. If Sucampo and Executive disagree about whether an invention is appropriately listed on Exhibit 1, Executive and Sucampo agree to submit the matter to arbitration per the terms of Section I below.

E. Non-Competition And Non-Solicitation.

1. Executive agrees that, as a result of Executive's position with Sucampo and/or the unique skills Executive brings to Sucampo, Sucampo has entrusted Executive with information and customer relationships that are valuable to Sucampo, and that Sucampo has a legitimate interest in protecting. Accordingly, Executive agrees that, during the term of this Agreement and for a period of twelve consecutive months following the end of that employment, absent the prior written, signed consent of the President of Sucampo, Executive shall not directly or indirectly render services, advice or assistance similar to the services Executive provided while employed by Sucampo, or involving the Executive's use of knowledge Executive gained while employed at Sucampo, to any Conflicting Organization, in connection with any Conflicting Product. "Conflicting Organization" means any person, entity or organization engaged in research on, or development, production, or marketing of, a Conflicting Product. "Conflicting Product" means any product, method, process, system or service provided for commercial use or sale of any person or organization other than Sucampo, that is the same, similar to, or interchangeable with a product, method, process, system, or service provided for commercial use or sale or under development for commercial use or sale by Sucampo when this Agreement terminates, or about which Executive developed Protected Property while employed by Sucampo. The foregoing restrictions shall not prevent Executive from working for or performing services on behalf of any business or other entity that offers Conflicting Products if such business or entity is also engaged in other lines of business and if Executive certifies to Sucampo before accepting such employment that Executive's employment or services shall be restricted to such other lines of business, and Executive shall not directly or indirectly be providing support, advice, instruction, direction or other guidance to lines of business providing a Conflicting Product.

2. Executive agrees that, solely as a result of Executive's position and employment with Sucampo, Executive shall or has come to know Confidential Information regarding some of Sucampo's employees, independent contractors and/or consultants. Accordingly, both during the Term of this Agreement and for a period of twelve consecutive months following the end of that employment, Executive agrees to not directly or indirectly—either on Executive's own account


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or on behalf of any person, company, corporation, or other entity— induce, solicit, endeavor to entice or attempt to induce any Sucampo Employees (as defined below) to: (a) leave employment with Sucampo; (b) supply any Sucampo Confidential Information to any third party or entity; or (c) alter, sever, discontinue, or in any other way interfere with their relationship with Sucampo. “Sucampo Employees” are Sucampo employees, independent contractors and consultants who Executive has come to know as a result of Executive’s employment with Sucampo, and with whom Executive had business communications at any time during the last twenty-four months of the Term of this Agreement.

3. Executive agrees that, solely as a result of Executive’s position and employment with Sucampo, Executive shall or has come to know some of Sucampo’s clients and has access to Confidential Information related to them. Accordingly, both during the Term of this Agreement and for a period of twelve consecutive months following the end of such employment, Executive agrees to not, directly or indirectly, induce, solicit, endeavor to entice or attempt to induce any Sucampo Client (as defined below) to cease doing business with Sucampo, or in any way interfere with the relationship between any such Sucampo Client and Sucampo. “Sucampo Clients” are individuals or entities of any nature, with whom/which Executive had business-related involvement on behalf of Sucampo at any time during the last twenty-four months of the Term of this Agreement. “Business-related involvement” includes Executive’s direct communication with the Sucampo client, and any direct or indirect involvement in any aspect of developing the initial relationship and any direct or indirect involvement on behalf of Sucampo in any aspect of Sucampo’s relationship with the Sucampo Client.

4. Executive acknowledges and agrees that Sucampo operates globally, and the products and services of Sucampo are or are intended to be marketed to customers on a global basis. Executive further acknowledges and agrees to the reasonableness of the provisions in this Section E and the adequacy of the consideration supporting these provisions. Executive also acknowledges and agrees that the provisions of this Section E will not preclude Executive from becoming gainfully employed following termination of employment with Sucampo.

F. Breach of Obligations of Confidentiality, Non-Competition and Non-Solicitation.

1. Executive acknowledges that any threatened or actual breach of Section C or E of this Agreement may cause irreparable harm to Sucampo, for which money damages would be inadequate to compensate Sucampo. Consequently, in the event of a breach or threatened breach of Section C or E of this Agreement, Executive agrees that Sucampo shall be entitled to expedited arbitration under Section I of this Agreement to obtain injunctive relief to enforce this Agreement, without necessity of posting a bond. In such an expedited arbitration proceeding, the arbitrator must issue a determination within 30 days after Sucampo initiates the arbitration proceeding. The twelve-month period described in Section E shall be tolled during any period when Executive is engaged in activity that violates the terms of Section E. In such an arbitration proceeding, the arbitrator shall have the authority to award damages as appropriate. However, given the difficulty of assessing damages for breaches of this Agreement, the Parties agree that, if the arbitrator finds Executive violated this Agreement, the arbitrator must issue a damage award of, at minimum, \$25,000. Each disclosure or transmission of Protected Property shall constitute a separate violation and the minimum damage amount will apply to each violation.



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Further, if Executive breaches or fails to honor any provision in Section C or E of this Agreement, and Sucampo is successful in whole or in part in any legal or equitable action to defend its right under or to enforce any terms of Section C or E, Executive agrees to reimburse Sucampo for Sucampo's costs, expenses, and reasonable attorneys' fees associated with such action. In that event, the arbitrator will be obligated to award Sucampo all its attorneys' fees and costs as part of the arbitrator's determination. Executive waives any defense as to the validity of any liquidated damages stated in this Agreement on the grounds that such liquidated damages are void as penalties or are not reasonably related to actual damages.

2. Notwithstanding the language in Section F.1. above, under the federal Defend Trade Secrets Act of 2016, 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: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made to Executive's attorney in relation to a lawsuit for retaliation against Executive for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

G. Sucampo Access.

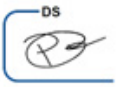
Executive agrees and consents that, during the Term of this Agreement and thereafter, Sucampo may review, audit, intercept, review and disclose all messages created, received or sent over the voice mail, electronic mail and Internet access systems provided by Sucampo, with or without notice to Executive. Executive further consents and agrees that Sucampo may, at any time, access and review the contents of all telephones and related systems, computers, computer disks, other data storage equipment and devices, files, desks, drawers, closets, cabinets and work stations which are either on Sucampo's premises or which are owned or provided by Sucampo. Executive acknowledges that Executive should have no expectation of privacy in any of the electronic communications systems or work areas described in this paragraph.

H. Termination.

1. **Termination by Sucampo for Cause.** Sucampo may terminate this Agreement and Executive's employment for Cause (as defined below) by written notice with immediate effect.

"Cause" shall mean any of the following:

- (i) the gross neglect, willful failure, or refusal of Executive to perform Executive's duties and/or responsibilities (other than as a result of Executive's death or Disability); or
- (ii) perpetration of an intentional and knowing fraud against or affecting the Company or any customer, supplier, client, agent or employee thereof; or
- (iii) any willful or intentional act that could reasonably be expected to injure the reputation, financial condition, business or business relationships of the Company or Executive's reputation or business relationships, including but not limited to any act that could subject Sucampo to legal liability (e.g. violation of Sucampo's policy prohibiting sexual harassment); or


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(iv) conviction (including conviction on a *nolo contendere* plea) of a felony or any crime involving fraud, dishonesty or moral turpitude; or

(v) the material breach by Executive of this Agreement (including, without limitation, Section C or E); or

(vi) Executive's supervisor demonstrates he/she had *legitimate reasons* to conclude Executive failed or refused to perform Executive's job duties and/or responsibilities at an acceptable level, within 30 days after Executive's supervisor provided Executive with written notice detailing the specific (unacceptable) performance areas and/or behavior that Executive must improve to remain employed; or

(vii) Executive refuses to execute a modified Agreement offered by Sucampo on the Anniversary Date of this Agreement that is in compliance with Section A.2; as long as the modified Agreement does not make any unilateral changes to Section B.1 (protections against deductions in the Executive's Base Salary), Section H (Termination for Cause/Termination Without Cause/Resignation for Good Reason/Change of Control/Separation Benefits) or substantially change Section I (agreement to arbitrate).

2. Termination Other Than For Cause.

a. **Termination Without Cause.** Either party may terminate this Agreement and Executive's employment hereunder at any time upon 30 days' prior written notice to the other party. Executive's employment and this Agreement shall terminate at the end of the 30-day notice period. Sucampo may elect to provide Executive with 30 days' salary in lieu of Executive's continued active employment during the notice period.

b. **Resignation for Good Reason.**

i. To resign for Good Reason, within 21 days of any event or condition that gives rise to Executive's belief that he/she has Good Reason to resign, Executive must notify Sucampo in writing that Executive intends to resign for "Good Reason under Section H.2.b" and state the reasons for Executive's belief he/she has reason to do so. Following receipt of such notice, Sucampo will have 30 days (the "Cure Period") to cure the issues identified by Executive. If, by the expiration of the Cure Period, Sucampo has not cured the issues identified by Executive, and those issues meet the standard for Good Reason defined below, Executive may resign for Good Reason. If Executive does not resign within 14 days following the Cure Period, Executive waives any future right to resign for Good Reason based on the same reasons set forth in his/her 21 day letter.

ii. As used herein, "Good Reason" is the same standard as "constructive discharge" in Maryland federal employment law cases. More specifically, to resign for Good Reason, Executive must establish that Sucampo unilaterally made materially significant change(s) to, or diminutions of, Executive's work environment, commute to work, terms, conditions; job duties, responsibilities and/or overall status of his/her position, that rendered Executive's continued employment so *unbearable that a reasonable person would resign*.




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iii. Executive shall have the right to resign for Good Reason if Sucampo requires Executive to accept any unilateral change(s) to Section A.2, Section B.1 (Base Salary), Section H (standards for termination/resignation/death and disability/separation benefits), Section N (limits to unilateral changes), or any materially significant changes to Section I (Arbitration) of this Agreement at any time—including before, on or after the Anniversary Date. If Executive resigns under this subsection H.2.b.iii, Sucampo shall pay Executive the Separation Benefits enumerated in Section H.2.d without any obligation to meet the constructive discharge standard for Good Reason set forth above in Section H.2.b.ii. In addition, if Executive resigns because Sucampo or its successor makes unilateral changes to this Agreement to prepare for—or within 12 months following—a Change in Control, that qualify as Good Reason under this Section H.2.b.iii, Sucampo and/or its successor shall pay Executive the “Change in Control Benefits” enumerated below in Section H.3.b—*instead of* the Separation Benefits in Section H.2.d.

iv. If Executive provides notice that he/she is resigning for Good Reason, Sucampo reserves the right to accept Executive’s resignation immediately, end the Agreement, release Executive from employment immediately or at any time during the Cure Period, and pay Executive’s Base Salary during the remaining Cure Period, up to a maximum of 30 days. By electing to do so, Sucampo does not concede that Executive has met the condition(s) to resign for Good Reason defined above.

c. **Death or Disability.** If Executive dies, this Agreement and Executive’s employment shall terminate automatically. If Executive has or develops a disability that affects Executive’s ability to work, Sucampo shall explore options with Executive to determine whether Executive is able to perform the essential functions of the job with or without reasonable accommodation. In the event of any dispute as to whether Employee is disabled for purposes of this Section H.2.c., such dispute shall be resolved by an independent physician competent to assess the condition at issue selected by Sucampo and performing such assessment at Sucampo’s expense. Upon termination of this Agreement due to Executive’s death or disability, Sucampo shall provide Executive (or Executive’s estate, as applicable) with all of Executive’s compensation and benefits that had fully accrued or fully vested as of the date this Agreement terminated. No other compensation or benefits of any nature shall accrue, vest or continue after the effective date the Agreement is terminated, except as provided under paragraph d. immediately below.

d. **Separation Benefits.** If Sucampo terminates Executive’s employment without meeting the conditions for “Termination for Cause” in Section H.1; if Executive resigns for Good Reason under the conditions set forth in Section H.2.b, or due to the Executive’s “Death or Disability” under Section H.2.c; and Executive (or the executor of Executive’s estate upon death or incapacity) signs and returns to Sucampo without revocation a release prepared by Sucampo of all legally waivable claims related to or arising from Executive’s employment with Sucampo and all other terms determined exclusively by Sucampo, then (i) Sucampo shall pay Executive (or the estate): (A) the amount of any COBRA continuation premium payments made by Executive during the 12-month period following the date of termination, or the period ending when Executive becomes eligible for comparable group medical benefits coverage from another source (whichever comes first); (B) a lump sum severance payment equal to the sum of (1) twelve (12) months of Executive’s then current annual Base Salary and (2) the current target



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bonus percentage of the current annual Base Salary, to be made not later than 60 days following Executive's date of termination; and (ii) Executive's Equity Incentive Awards shall vest as set forth in Section H.5 (collectively, the "Separation Benefits").

3. Termination in Connection with Change In Control.

a. This Agreement terminates if it is not assumed by the successor corporation (or affiliate thereto) upon a Change in Control (as defined below).

"Change in Control" means: (i) the acquisition by any person of beneficial ownership of 50% or more of the outstanding shares of the voting securities of Sucampo; (ii) Sucampo is the non-surviving party in a merger; (iii) Sucampo sells all or substantially all of its assets, provided, that no "Change in Control" shall be deemed to have occurred merely as the result of a refinancing by Sucampo or as a result of Sucampo's insolvency or the appointment of a conservator; or (iv) the Board of Directors of Sucampo, in its sole and absolute discretion, determines that there has been a sufficient change in the share ownership or ownership of the voting power of Sucampo's voting securities to constitute a change of effective ownership or control of Sucampo.

b. If, in advance of the closing or within 12 months following the occurrence of a Change in Control of Sucampo, this Agreement is terminated other than for Cause, and Executive signs and returns to Sucampo without revocation a release prepared by Sucampo of all legally waivable claims related to or arising from Executive's employment with Sucampo and all other terms determined exclusively by Sucampo, then (i) Sucampo shall pay Executive: (A) the amount of any COBRA continuation premium payments made by Executive during the 24- month period following the Date of Termination, or the period ending when Executive becomes eligible for comparable group medical benefits coverage from another source (whichever comes first) and (B) a lump sum payment equal to the sum of (1) 24 months of Executive's then-current annual Base Salary and (2) 200% of the current target bonus percentage of the Executive's current annual Base Salary, to be made not later than 60 days following Executive's date of termination; and (ii) Executive's Equity Incentive Awards shall vest as set forth in Section H.5 (collectively, the "Change in Control Benefits").

c. If within 12 months following a Change in Control, there is a material diminution of Executive's role in the company, material diminution of status, or diminution of reporting structure, Executive shall have the right to resign and receive the Change in Control Benefits enumerated in Section H.3.b. without being required to satisfy the standard for Good Reason defined in Section H.2.b.ii.

4. Timing Of Payments.

a. Sucampo shall, only to the extent necessary, modify the timing of delivery of the Separation Benefits or the Change in Control Benefits to Executive if Sucampo reasonably determines that the timing would subject such Benefit to any additional tax or interest assessed under IRC Section 409A. In such event, the payments shall be made as soon as practicable without causing the Benefit to trigger such additional tax or interest under Section 409A of the IRC. If any amount of the Benefit becomes constitutes "nonqualified deferred compensation" within the meaning of Section 409A, payment of such amount shall not commence until



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Executive incurs a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h). If, at the time of Executive's separation from service, Executive is a "specified employee" (under IRC Section 409A), any benefit as to which Section 409A penalties could be assessed that becomes payable to Executive on account of Executive's "separation from service" (including any amounts payable pursuant to the preceding sentence) shall be paid, without interest thereon, on the date six months and one day after such separation from service.

b. Prior to paying any Change in Control Benefit, Sucampo shall cause its independent auditors promptly to review, at Sucampo's sole expense, the applicability to those payments of Sections 280G and 4999 of the IRC. If the auditors determine that any payment of the Change in Control Benefit would be subject to the excise tax imposed by Section 4999 of the IRC or any interest or penalties with respect to such excise tax, then such payment owed to Executive shall be reduced by an amount calculated to provide to Executive the maximum Change in Control Benefits which will not trigger application of Sections 280G and 4999 of the IRC, with any such reduction being made last with respect to benefits that are not exempt from IRC §409A.

5. Effect Of Termination On Equity Incentive Awards.

a. If this Agreement is terminated other than by Sucampo for Cause, any unvested Equity Incentive Awards that have a duration vesting condition as defined in the Stock Agreement shall immediately vest to the extent such unvested Equity Incentive Awards would have vested in the 12 months from the date of termination; or

b. If Sucampo is acquired or is the non-surviving party in a merger, or Sucampo sells all of its assets, and in advance of the closing of such transaction or within 12 months thereafter, this Agreement is terminated other than for Cause, any unvested Equity Incentive Awards that have a duration vesting condition as defined in the Stock Agreement shall immediately vest and any unvested Equity Incentive Awards with a performance condition shall immediately vest and may be exercised only to the extent the performance targets have been achieved or would be achieved by such acquisition, merger or sale in accordance with the terms of the Plan and the Stock Agreement.

c. If any provision of this Agreement conflicts with a provision of the Stock Agreement and/or the Plan, the provision more favorable to the Executive shall govern.

6. **No Further Compensation.** Executive shall receive all compensation and benefits provided to Executive by Sucampo that fully accrued and fully vested before the date of termination of this Agreement. No other compensation or benefits of any nature provided by Sucampo shall continue, accrue or vest after the date of termination, except as provided under the terms of any Sucampo benefits plan in which Executive is enrolled as of the date of termination.

I. Arbitration.

1. Executive and Sucampo agree to resolve by arbitration any and all disputes arising from or relating to Executive's employment with Sucampo, Executive's application for



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such employment, the termination of this Agreement, any alleged breach of this Agreement, or post-employment issues with Sucampo (collectively, "Covered Disputes"), including:


- a. claims relating to any claim of employment discrimination on the basis of any legally protected trait, claims of retaliation for engaging in any legally protected activity, claims under the Maryland Wage Payment and Collection Law, or claims under any other federal, state or local law;
- b. claims under the Family and Medical Leave Act of 1993, the Fair Labor Standards Act of 1938, the Occupational Safety and Health Act of 1970, the Uniformed Services Employment and Reemployment Rights Act of 1994, or the Worker Adjustment and Retraining Notification Act;
- c. claims for breach of an express or implied contract, quasi-contractual claims (*e.g.* unjust enrichment, quantum meruit, promissory estoppel), or tort claims;
- d. claims for benefits under the Executive Retirement Income Security Act, except claims under an employee pension or benefit plan which specifies that its claims procedure shall culminate in an arbitration procedure different from this one, or is underwritten by a commercial insurer which decides such claims.

2. Covered Disputes do not include: (a) claims for workers' compensation benefits;(b) claims for unemployment compensation benefits; (c) claims based upon Sucampo's current (successor or future) stock option plans, employee pension and/or welfare benefit plans if those plans contain some form of a grievance, arbitration, or other procedure for the resolution of disputes under the plan; and (d) claims by law which are not subject to mandatory binding pre-dispute arbitration pursuant to the Federal Arbitration Act, such as claims under the Dodd-Frank Act.

3. Executive agrees that, if Sucampo terminates the Agreement for Cause and an arbitrator later determines that Sucampo did not have Cause to terminate the Agreement, then the remedy awarded to Executive shall be limited to such compensation and benefits as Executive would have received in the event of Executive's termination other than for Cause at the same time as the original termination.

4. Executive affirms that Executive has been provided with a copy of Sucampo's Arbitration Procedures, and has had an opportunity to ask questions regarding the procedures, to seek counsel, and has read, understands and accepts them. By signing below, the Executive acknowledges and agrees that Sucampo has the unilateral right to amend its arbitration procedures from time to time as long as the underlying procedures provide similar access to the arbitration process

J. Executive's Representations. Executive represents to Sucampo that Executive has no obligations to any other person or entity that conflict with the Executive's obligations under this Agreement. Executive further represents that, to the extent Executive has disclosed information to Sucampo, created any original materials or used any proprietary information in consulting, working or rendering services with, for or to Sucampo, Executive has the right to do so, and such actions shall not violate any privacy, proprietary or other rights of others.


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K. Choice of Law.

This Agreement is governed by the laws of the United States and the State of Maryland, without regard to its choice of law provisions.

L. Severability.

If any term of this Agreement is declared unenforceable, the decision-maker of competent jurisdiction shall interpret or modify this Agreement, to the extent necessary, for it to be enforceable. If any term of this Agreement is declared unenforceable and cannot be modified to be enforceable, such term or provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.

M. No Oral Agreements.

By signing below, Executive confirms that Executive understands Sucampo does not enter into any oral agreements with any personnel.

N. Entire Agreement; Amendment.

1. This Agreement sets forth the entire agreement between the Parties concerning the topics addressed in this Agreement. This Agreement fully supersedes the Employment Agreement between the parties dated March 3, 2014 and any other prior oral or written inducements, agreements or understandings between the Parties regarding such topics. This Agreement shall be binding upon and inure to the benefit of Sucampo, its successors and assigns, without the need for further agreement or consent by Executive. If Sucampo is acquired during the Term, or is the non-surviving party in a merger, or sells all or substantially all of its assets, this Agreement shall not automatically be terminated, and Sucampo agrees to use its best efforts to ensure that the transferee or surviving company shall assume and be bound by the provisions of this Agreement. The failure of either party to enforce any of the provisions in this Agreement shall not be construed to be a waiver of the right of that party to enforce any such provision.

2. During the term of this Agreement, the Agreement may not be modified, altered or changed, except through a writing signed by both Parties. On the Anniversary Date of this Agreement, Sucampo reserves the unilateral right to modify any term of this Agreement except for the terms of Section B.1, Section H, Section I or Section N so long as Sucampo complies with the notice requirements in Section A.2 above. If Executive rejects Sucampo's modified Agreement that complies with Section N, Sucampo may elect to employ Executive at-will without an employment agreement, or either party may end Executive's employment under the terms of Section H.



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O. Notices.

Executive and Sucampo agree that all notices or other communications required or permitted under this Agreement shall be deemed to be sufficient only if contained in a written instrument given by personal delivery, air courier or registered or certified mail, postage prepaid, return receipt requested, addressed to such party at the address set forth below or such other address as may thereafter be designated in a written notice from such party to the other party:

To Sucampo: Sucampo Pharmaceuticals, Inc.
Attn: Executive Vice President, Global Human Resources, Information Technology and Strategy
Copy to: General Counsel
805 King Farm Boulevard, Suite 550
Rockville, Maryland 20850

To Executive: Peter Greenleaf

#####, #####

All such notices, advances and communications shall be deemed to have been delivered and received (1) in the case of personal delivery, on the date of such delivery, (2) in the case of air courier, on the business day after the date when sent and (3) in the case of mailing, on the third business day following such mailing.


P. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and both of which, taken together shall constitute one and the same instrument. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, shall have the same effect as physical delivery of the paper document bearing the original signature.



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EXECUTIVE KNOWINGLY AND FREELY AGREES TO ALL THE TERMS OF THIS AGREEMENT, INCLUDING THE MUTUAL AGREEMENT TO ARBITRATE CLAIMS THAT OTHERWISE COULD HAVE BEEN BROUGHT IN COURT. EXECUTIVE AFFIRMS THAT EXECUTIVE HAS HAD SUFFICIENT TIME TO READ AND UNDERSTAND THE TERMS OF THIS AGREEMENT AND HAS BEEN ADVISED OF EXECUTIVE'S RIGHT TO SEEK LEGAL COUNSEL REGARDING THE MEANING AND EFFECT OF THIS AGREEMENT PRIOR TO SIGNING.

EXECUTIVE:

DocuSigned by:

01CF8373EE574B3...

Executive (signature)

8/3/2016

Date

Peter Greenleaf

Executive (printed name)

SUCAMPO PHARMACEUTICALS, INC.



John Johnson (signature)
Lead Independent Director

Date

DS



Executive's Initials

**EXHIBIT 1
INVENTIONS, INTELLECTUAL PROPERTY AND EQUIPMENT CERTIFICATE**

I hereby certify that I have set forth below a complete list and brief description of all Inventions, intellectual property and equipment located at the Company which is owned directly or indirectly by me and which shall not be transferred to the Company pursuant to the terms of that certain Amended and Restated Employment Agreement (the "Agreement") entered into between Sucampo Pharmaceuticals, Inc., a Delaware corporation, and me, and me, of even date herewith.

I further certify that I have complied with and will continue to comply with all the terms of the Agreement.

List of Items: [none]

DocuSigned by:

01CF8373EE574B3...

SIGNATURE

Peter Greenleaf

Print Name

8/3/2016

Date



Executive's Initials

AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

This Amended and Restated Executive Employment Agreement (the "Agreement") is made by and between Sucampo Pharmaceuticals, Inc., its parent, subsidiary, predecessor and affiliated corporations (collectively "Sucampo"), and Peter Kiener ("Executive"), and amends, restates and supersedes the Employment Agreement between Sucampo and Executive dated October 21, 2014.

A. Employment and Duties.

1. Sucampo shall employ Executive as Chief Scientific Officer. While employed by Sucampo, Executive shall devote Executive's full-time work efforts exclusively on behalf of Sucampo and shall not perform work of any nature for compensation of any kind for any person or entity other than for Sucampo, unless approved in writing and signed by Sucampo's CEO.

2. This Agreement shall be in effect for the one-year period following the first date on which both Executive and Sucampo have signed the Agreement (the "Anniversary Date"). The Agreement will continue to renew on a year-to-year basis unless either party ends the Executive's employment pursuant to Section H; or Sucampo delivers written notice to the Executive about Sucampo's intent to renew the Agreement with specifically articulated changes at least 30 days before the Anniversary Date, and then terminates the Agreement under Section N.

B. Compensation and Benefits.

1. **Base Salary.** Sucampo shall pay Executive an annual base salary of Four Hundred Eighteen Thousand Six Hundred Eighty Four US dollars and Fifty Cents (US \$418,684.50) in accordance with Sucampo's regular payroll cycle (the "Base Salary"). The Base Salary shall be reviewed on an annual basis and may, in the sole discretion of the Board of Directors, be increased, but not decreased (unless either mutually agreed by Executive and Sucampo, or established as part of salary reductions that apply equally to similarly situated officers as a percentage reduction in their salaries).

2. **Bonus.** Executive shall be entitled to participate in Sucampo's annual incentive plan, as defined and modified from time to time by Sucampo. The target bonus for Executive shall be 40% of Executive's Base Salary, in the sole discretion of the Board of Directors. The annual bonus payable to Executive for any fiscal year shall be paid to Executive in a lump sum on the date set forth in Sucampo's incentive plan in effect at the time of payment. Sucampo reserves the unilateral right to modify the incentive plan and reserves the unilateral discretion to determine the amount of Executive's bonus, if any. Executive agrees that such bonus is not "earned" until approved by the Board of Directors.

3. **Stock.** At least annually for the Term of this Agreement, Executive shall be eligible for consideration to receive restricted stock grants, stock options or other awards (collectively, "Equity Incentive Awards") in accordance with the 2016 Equity Incentive Plan or such other equity incentive plan as may be designated in the Stock Agreement (collectively referred to as the "Plan"). Any such Equity Incentive Awards shall be made in the sole discretion of the Board of Directors.



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4. **Taxes.** Executive acknowledges and agrees that Executive shall be solely responsible for the satisfaction of any applicable taxes that may arise pursuant to this Agreement (including taxes arising under Section 409A of the Internal Revenue Code (“IRC”), which pertains to deferred compensation) or 4999 (which pertains to golden parachute excise taxes), and that neither Sucampo nor any of its employees, officers, directors, or agents shall have any obligation whatsoever to pay such taxes or to otherwise indemnify or hold Executive harmless from any or all of such taxes. For purposes of IRC Section 409A, the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments. All compensation due to Executive shall be paid subject to withholding by Sucampo to ensure compliance with all applicable laws and regulations.

5. **Participation in Benefits.** Executive shall be entitled to participate in all Sucampo employee benefit plans or programs offered to other Sucampo employees to the extent that Executive's position, tenure, salary, and other qualifications make Executive eligible to participate in such plans. Sucampo reserves the unilateral right to adopt, continue, discontinue, amend, modify, reduce or expand each and every employee benefit plan, program or other fringe benefit during any term of the Agreement. Participation by Executive in any such plan, program or benefit shall be subject to all applicable rules and regulations.

6. **Expenses.** Sucampo shall pay or reimburse Executive for all reasonable and necessary out-of-pocket expenses incurred by Executive the performance of his or her obligations under this Agreement. Sucampo shall reimburse such expenses in accordance with Sucampo’s expense reimbursement policies and procedures. Sucampo reserves the right to modify such policies and procedures in its sole discretion. All reimbursements due under this Agreement shall be separately requested and paid not later than one year after Executive incurs the underlying expense.

7. **Professional Organizations.** During the Term, Sucampo shall reimburse Executive for the annual dues payable for membership in professional societies associated with the Executive’s job responsibilities or subject matters related to Sucampo’s interests. Sucampo shall only reimburse for a new membership if and after Sucampo has approved such membership.

C. **Confidential Information.**

1. Executive acknowledges that Sucampo operates in a competitive environment and has a legitimate business interest in protecting Sucampo’s Confidential Information and Protected Property. “Confidential Information” includes any of the following information pertaining to Sucampo or its affiliated entities:



Executive’s Initials

a. Any and all information, whether or not meeting the legal definition of a trade secret, and whether in written, oral, electronic or other form, containing and/or concerning: (i) business plans, strategic plans, forecasts, budgets, sales, financial projections and costs; (ii) personnel and payroll records and employee lists, including any information related to an employee's health; (iii) candidates, consultants, and contractors, including lists, resumes, preferences, transaction histories and rates; (iv) customers and prospective customers, including their identity, the identities of their employees, contractors and consultants, special needs, job orders, preferences, transaction histories, contacts, characteristics, agreements and current or proposed pricing; (v) marketing activities, plans, promotions, operations and research and development; (vi) business operations, internal organizational structure and financial affairs; (vii) pricing structure and/or current or proposed manufacturing costs; (viii) proposed services, technologies and products; (ix) contracts with customers, suppliers, joint ventures, licensors, licensees, or distributors; (x) customer history; (xi) compensation structure and strategy compared to the market; (xii) current or proposed product tests; (xiii) technical or scientific information or processes, including chemical compounds, computer programs, code, algorithms, Inventions (as defined below), formulae, test data, know how, functional and technical specifications, designs, drawings; (xiv) passwords; and

b. Any information (including any compilation, device, method, technique or process) that (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy (hereafter "Trade Secret"). Such information constitutes a Trade Secret even if a person has acquired the information without express notice that it is a Trade Secret if, under all the circumstances, such person knows or has reason to know that the party who owns the information or has disclosed it intends or expects the secrecy of the type of information comprising the Trade Secret to be maintained.

c. The term "Confidential Information" excludes any information that (i) is, was, or enters in the public domain without violation of this Agreement and through no fault of the Executive, (ii) was in Executive's possession free of any obligation of confidence at the time it was disclosed to the Executive, or (iii) was rightfully communicated to the Executive by a third party free of any obligation of confidentiality subsequent to the time it was disclosed by Sucampo to the Executive.

2. During and after the Term of this Agreement, Executive shall not, directly or indirectly, reproduce, commercialize, use, disclose, or authorize use or disclosure of, any Confidential Information, unless such use or disclosure is (a) consistent with Sucampo's obligations or business purposes and for the sole purpose of carrying out Executive's duties to Sucampo, or (b) specifically authorized by Sucampo in writing prior to such use or disclosure. Executive understands and agrees that this restriction shall continue to apply after this Agreement terminates, regardless of the reason for such termination. Executive agrees to comply with all policies and procedures of Sucampo for protecting Confidential Information.

3. Executive agrees that Sucampo has the right to refuse publication of any papers prepared by Executive as a result of Executive's employment, consultation, work or services, with, for, on behalf of or in conjunction with Sucampo. Executive agrees to submit any proposed publications referring to Executive's employment, consultation, work, services and activities with, for, on behalf of or in conjunction with Sucampo, or referring to any information developed therefrom, to Sucampo for review, prior to publication, to ensure that Sucampo's position with respect to Confidential Information is not adversely affected by publication disclosures.



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4. If Executive is required to disclose Confidential Information due to the issuance of a court order or other government process, Executive shall (a) promptly, but in no event more than 72 hours after learning of such court order or other government process, notify the Executive Vice President, Global Human Resources, Information Technology and Strategy; (b) at Sucampo's expense, take all reasonable necessary steps requested by Sucampo to defend against the enforcement of such court order or other government process, and permit Sucampo to intervene and participate with counsel of its choice in any proceeding relating to the enforcement thereof; and (c) if such compelled disclosure is required, Executive shall disclose only that portion of the Confidential Information that is necessary to meet the minimum legal requirement imposed on Executive

5. Executive agrees that, upon termination of this Agreement or if requested by Sucampo, Executive shall immediately return to Sucampo any and all Sucampo Property (as defined below) and documents and other media containing Confidential Information (and all hard/electric copies thereof) in Executive's possession, custody or control.

a. "Sucampo Property" shall mean any and all documents, instruments, records and databases, recorded or stored on any medium whatsoever, relating or pertaining, directly or indirectly, to the business of Sucampo, including without limitation any and all documents (and copies) containing or relating to Confidential Information. Executive acknowledges that Sucampo Property is solely the property of Sucampo regardless of whether it was created, stored or used on property of the Executive or any other person or entity.

b. Executive agrees that, while employed by Sucampo, Executive shall not directly or indirectly, use, or allow the use of, Sucampo property of any kind (including property leased to Sucampo), for any purpose other than Sucampo activities, except with the authorization of a duly authorized representative of Sucampo.

c. Executive agrees not to remove any Sucampo Property from Sucampo's business premises or deliver any Sucampo Property to any person or entity outside of Sucampo, except as required in connection with Executive's duties of employment.

d. If Sucampo Property in electronic form that contains or relates to Confidential Information is stored on a computer or device that is not Sucampo Property, then at the termination of this Agreement, Executive agrees to promptly deliver a copy of the stored Sucampo Property to Sucampo, permanently delete the Sucampo Property from the computer or device, and confirm these actions to Sucampo in writing.

6. Executive understands that Executive is signing this Agreement as a condition of Executive's employment, or continued employment, with Sucampo. Executive further acknowledges and agrees that Executive's employment or continued employment by Sucampo, Executive's access to Sucampo's Confidential Information, and other goods and valuable consideration associated with employment by Sucampo, provide good and sufficient consideration for Executive's obligations under this Agreement.



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D. Protected Property.

1. "Protected Property" includes any Invention (as defined below), discovery, improvement, idea or expression of idea, process, development, design, know-how, data, and formula, whether patentable or un-patentable, or protectable by copyright or other intellectual property law, that Executive makes or conceives, alone or with others, during or outside of working matters, during Executive's employment with Sucampo, that relates in any manner to the actual or demonstrably anticipated business, research or development of Sucampo, or results from or is suggested by any task assigned to Executive or any work performed by Executive on behalf of Sucampo. "Invention" means any apparatus, biological processes, cell line, chemical compound, creation, data, development, design, discovery, formula, idea, improvement, innovation, know-how, laboratory notebook, manuscript, process or technique, whether or not patentable or protectable by copyright, or other intellectual property in any form.

2. Executive agrees to communicate to Sucampo in writing as promptly and fully as practicable all Protected Property conceived or reduced to practice by Executive at any time during the Executive's employment by Sucampo. Executive agrees to keep and maintain adequate written records of Protected Property at all times and stages, in the form of notes, sketches, drawings, memoranda and reports. Those records shall be the property of and be available to Sucampo at all times.

3. Executive hereby assigns to Sucampo and/or its nominees, all of Executive's right, title, and interest in such Protected Property, and all of the Executive's right, title, and interest in any patents, copyrights, patent applications, software, trademarks, or copyright applications based thereon. Executive agrees that all Protected Property subject to copyright protection constitutes "work made for hire" under United States copyright laws (17 U.S.C. §101) and is owned exclusively Sucampo. To the extent that title to any Protected Property subject to copyright protection does not constitute a "work for hire," and to the extent title to any other Protected Property does not, by operation of law or otherwise, vest in Sucampo, all right, title, and interest therein, including, without limitation, all copyrights, patents and trade secrets, and all copyrightable or patentable subject matter, are hereby irrevocably assigned to Sucampo.

4. Executive shall, at the expense of and on behalf of Sucampo, do everything reasonably necessary for Sucampo to obtain, preserve, and protect Sucampo's right, title and interest in and to such Protected Property, including preparing and signing all documents Sucampo may deem necessary to obtain and maintain patents, copyrights, trade secrets, trademarks, service marks and other rights within the United States or anywhere in the world. This obligation binds Executive or Executive's legal representative and continues despite the end of Executive's employment with Sucampo, subject to reasonable compensation by Sucampo for Executive's time and expenses. Should Sucampo be unable, after reasonable effort, to obtain Executive's signature on any document necessary to apply for or prosecute any of the above rights for any reason, Executive hereby irrevocably designates and appoints Sucampo or its officers and agents as Executive's agent coupled with a power of attorney to act on Executive's behalf to do everything necessary to accomplish the above.



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5. The provisions of this Section D do not apply to any invention if (a) Executive developed it entirely on Executive's own time; (b) Executive did not use or rely on any of Sucampo's Confidential Information, equipment, supplies, or facilities; (c) the invention is unrelated to Sucampo's business; and (d) the invention did not result from any work Executive performed for Sucampo. If, when hired or during Executive's employment, Executive is working on any invention that is excluded under this Section D.5. Executive agrees to put Sucampo on written notice at the time of hire or as soon as the Executive starts working on the invention during Executive's employment. To further comply with this notice requirement, Executive has provided Exhibit 1 to this Agreement, which includes a complete list and description of all Inventions, intellectual property and equipment located at Sucampo that is owned directly or indirectly by Executive and which shall not be transferred to Sucampo pursuant to this Agreement. Except for those items listed on Exhibit 1, Executive agrees that he or she shall not assert any rights under any intellectual property as having been made or acquired by Executive prior to being employed by Sucampo. If Sucampo and Executive disagree about whether an invention is appropriately listed on Exhibit 1, Executive and Sucampo agree to submit the matter to arbitration per the terms of Section I below.

E. Non-Competition And Non-Solicitation.

1. Executive agrees that, as a result of Executive's position with Sucampo and/or the unique skills Executive brings to Sucampo, Sucampo has entrusted Executive with information and customer relationships that are valuable to Sucampo, and that Sucampo has a legitimate interest in protecting. Accordingly, Executive agrees that, during the term of this Agreement and for a period of twelve consecutive months following the end of that employment, absent the prior written, signed consent of the President of Sucampo, Executive shall not directly or indirectly render services, advice or assistance similar to the services Executive provided while employed by Sucampo, or involving the Executive's use of knowledge Executive gained while employed at Sucampo, to any Conflicting Organization, in connection with any Conflicting Product. "Conflicting Organization" means any person, entity or organization engaged in research on, or development, production, or marketing of, a Conflicting Product. "Conflicting Product" means any product, method, process, system or service provided for commercial use or sale of any person or organization other than Sucampo, that is the same, similar to, or interchangeable with a product, method, process, system, or service provided for commercial use or sale or under development for commercial use or sale by Sucampo when this Agreement terminates, or about which Executive developed Protected Property while employed by Sucampo. The foregoing restrictions shall not prevent Executive from working for or performing services on behalf of any business or other entity that offers Conflicting Products if such business or entity is also engaged in other lines of business and if Executive certifies to Sucampo before accepting such employment that Executive's employment or services shall be restricted to such other lines of business, and Executive shall not directly or indirectly be providing support, advice, instruction, direction or other guidance to lines of business providing a Conflicting Product.

2. Executive agrees that, solely as a result of Executive's position and employment with Sucampo, Executive shall or has come to know Confidential Information regarding some of Sucampo's employees, independent contractors and/or consultants. Accordingly, both during the Term of this Agreement and for a period of twelve consecutive months following the end of that employment, Executive agrees to not directly or indirectly—either on Executive's own account or on behalf of any person, company, corporation, or other entity— induce, solicit, endeavor to entice or attempt to induce any Sucampo Employees (as defined below) to: (a) leave employment with Sucampo; (b) supply any Sucampo Confidential Information to any third party or entity; or (c) alter, sever, discontinue, or in any other way interfere with their relationship with Sucampo. "Sucampo Employees" are Sucampo employees, independent contractors and consultants who Executive has come to know as a result of Executive's employment with Sucampo, and with whom Executive had business communications at any time during the last twenty-four months of the Term of this Agreement.



Executive's Initials

3. Executive agrees that, solely as a result of Executive's position and employment with Sucampo, Executive shall or has come to know some of Sucampo's clients and has access to Confidential Information related to them. Accordingly, both during the Term of this Agreement and for a period of twelve consecutive months following the end of such employment, Executive agrees to not, directly or indirectly, induce, solicit, endeavor to entice or attempt to induce any Sucampo Client (as defined below) to cease doing business with Sucampo, or in any way interfere with the relationship between any such Sucampo Client and Sucampo. "Sucampo Clients" are individuals or entities of any nature, with whom/which Executive had business-related involvement on behalf of Sucampo at any time during the last twenty-four months of the Term of this Agreement. "Business-related involvement" includes Executive's direct communication with the Sucampo client, and any direct or indirect involvement in any aspect of developing the initial relationship and any direct or indirect involvement on behalf of Sucampo in any aspect of Sucampo's relationship with the Sucampo Client.

4. Executive acknowledges and agrees that Sucampo operates globally, and the products and services of Sucampo are or are intended to be marketed to customers on a global basis. Executive further acknowledges and agrees to the reasonableness of the provisions in this Section E and the adequacy of the consideration supporting these provisions. Executive also acknowledges and agrees that the provisions of this Section E will not preclude Executive from becoming gainfully employed following termination of employment with Sucampo.

F. Breach of Obligations of Confidentiality, Non-Competition and Non-Solicitation.

1. Executive acknowledges that any threatened or actual breach of Section C or E of this Agreement may cause irreparable harm to Sucampo, for which money damages would be inadequate to compensate Sucampo. Consequently, in the event of a breach or threatened breach of Section C or E of this Agreement, Executive agrees that Sucampo shall be entitled to expedited arbitration under Section I of this Agreement to obtain injunctive relief to enforce this Agreement, without necessity of posting a bond. In such an expedited arbitration proceeding, the arbitrator must issue a determination within 30 days after Sucampo initiates the arbitration proceeding. The twelve-month period described in Section E shall be tolled during any period when Executive is engaged in activity that violates the terms of Section E. In such an arbitration proceeding, the arbitrator shall have the authority to award damages as appropriate. However, given the difficulty of assessing damages for breaches of this Agreement, the Parties agree that, if the arbitrator finds Executive violated this Agreement, the arbitrator must issue a damage award of, at minimum, \$25,000. Each disclosure or transmission of Protected Property shall constitute a separate violation and the minimum damage amount will apply to each violation. Further, if Executive breaches or fails to honor any provision in Section C or E of this Agreement, and Sucampo is successful in whole or in part in any legal or equitable action to defend its right under or to enforce any terms of Section C or E, Executive agrees to reimburse Sucampo for Sucampo's costs, expenses, and reasonable attorneys' fees associated with such action. In that event, the arbitrator will be obligated to award Sucampo all its attorneys' fees and costs as part of the arbitrator's determination. Executive waives any defense as to the validity of any liquidated damages stated in this Agreement on the grounds that such liquidated damages are void as penalties or are not reasonably related to actual damages.



Executive's Initials

2. Notwithstanding the language in Section F.1. above, under the federal Defend Trade Secrets Act of 2016, 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: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made to Executive's attorney in relation to a lawsuit for retaliation against Executive for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

G. Sucampo Access.

Executive agrees and consents that, during the Term of this Agreement and thereafter, Sucampo may review, audit, intercept, review and disclose all messages created, received or sent over the voice mail, electronic mail and Internet access systems provided by Sucampo, with or without notice to Executive. Executive further consents and agrees that Sucampo may, at any time, access and review the contents of all telephones and related systems, computers, computer disks, other data storage equipment and devices, files, desks, drawers, closets, cabinets and work stations which are either on Sucampo's premises or which are owned or provided by Sucampo. Executive acknowledges that Executive should have no expectation of privacy in any of the electronic communications systems or work areas described in this paragraph.

H. Termination.

1. **Termination by Sucampo for Cause.** Sucampo may terminate this Agreement and Executive's employment for Cause (as defined below) by written notice with immediate effect.

"Cause" shall mean any of the following:

- (i) the gross neglect, willful failure, or refusal of Executive to perform Executive's duties and/or responsibilities (other than as a result of Executive's death or Disability); or
- (ii) perpetration of an intentional and knowing fraud against or affecting the Company or any customer, supplier, client, agent or employee thereof; or



Executive's Initials

(iii) any willful or intentional act that could reasonably be expected to injure the reputation, financial condition, business or business relationships of the Company or Executive's reputation or business relationships, including but not limited to any act that could subject Sucampo to legal liability (e.g. violation of Sucampo's policy prohibiting sexual harassment); or

(iv) conviction (including conviction on a *nolo contendere* plea) of a felony or any crime involving fraud, dishonesty or moral turpitude; or

(v) the material breach by Executive of this Agreement (including, without limitation, Section C or E); or

(vi) Executive's supervisor demonstrates he/she had *legitimate reasons* to conclude Executive failed or refused to perform Executive's job duties and/or responsibilities at an acceptable level, within 30 days after Executive's supervisor provided Executive with written notice detailing the specific (unacceptable) performance areas and/or behavior that Executive must improve to remain employed; or

(vii) Executive refuses to execute a modified Agreement offered by Sucampo on the Anniversary Date of this Agreement that is in compliance with Section A.2; as long as the modified Agreement does not make any unilateral changes to Section B.1 (protections against deductions in the Executive's Base Salary), Section H (Termination for Cause/Termination Without Cause/Resignation for Good Reason/Change of Control/Separation Benefits) or substantially change Section I (agreement to arbitrate).

2. Termination Other Than For Cause.

a. **Termination Without Cause.** Either party may terminate this Agreement and Executive's employment hereunder at any time upon 30 days' prior written notice to the other party. Executive's employment and this Agreement shall terminate at the end of the 30-day notice period. Sucampo may elect to provide Executive with 30 days' salary in lieu of Executive's continued active employment during the notice period.

b. Resignation for Good Reason.

i. To resign for Good Reason, within 21 days of any event or condition that gives rise to Executive's belief that he/she has Good Reason to resign, Executive must notify Sucampo in writing that Executive intends to resign for "Good Reason under Section H.2.b" and state the reasons for Executive's belief he/she has reason to do so. Following receipt of such notice, Sucampo will have 30 days (the "Cure Period") to cure the issues identified by Executive. If, by the expiration of the Cure Period, Sucampo has not cured the issues identified by Executive, and those issues meet the standard for Good Reason defined below, Executive may resign for Good Reason. If Executive does not resign within 14 days following the Cure Period, Executive waives any future right to resign for Good Reason based on the same reasons set forth in his/her 21 day letter.

ii. As used herein, "Good Reason" is the same standard as "constructive discharge" in Maryland federal employment law cases. More specifically, to resign for Good Reason, Executive must establish that Sucampo unilaterally made materially significant change(s) to, or diminutions of, Executive's work environment, commute to work, terms, conditions; job duties, responsibilities and/or overall status of his/her position, that rendered Executive's continued employment so *unbearable that a reasonable person would resign*.



Executive's Initials

iii. Executive shall have the right to resign for Good Reason if Sucampo requires Executive to accept any unilateral change(s) to Section A.2, Section B.1 (Base Salary), Section H (standards for termination/resignation/death and disability/separation benefits), Section N (limits to unilateral changes), or any materially significant changes to Section I (Arbitration) of this Agreement at any time—including before, on or after the Anniversary Date. If Executive resigns under this subsection H.2.b.iii, Sucampo shall pay Executive the Separation Benefits enumerated in Section H.2.d without any obligation to meet the constructive discharge standard for Good Reason set forth above in Section H.2.b.ii. In addition, if Executive resigns because Sucampo or its successor makes unilateral changes to this Agreement to prepare for—or within 12 months following—a Change in Control, that qualify as Good Reason under this Section H.2.b.iii, Sucampo and/or its successor shall pay Executive the “Change in Control Benefits” enumerated below in Section H.3.b—*instead of* the Separation Benefits in Section H.2.d.

iv. If Executive provides notice that he/she is resigning for Good Reason, Sucampo reserves the right to accept Executive’s resignation immediately, end the Agreement, release Executive from employment immediately or at any time during the Cure Period, and pay Executive’s Base Salary during the remaining Cure Period, up to a maximum of 30 days. By electing to do so, Sucampo does not concede that Executive has met the condition(s) to resign for Good Reason defined above.

c. **Death or Disability.** If Executive dies, this Agreement and Executive's employment shall terminate automatically. If Executive has or develops a disability that affects Executive’s ability to work, Sucampo shall explore options with Executive to determine whether Executive is able to perform the essential functions of the job with or without reasonable accommodation. In the event of any dispute as to whether Employee is disabled for purposes of this Section H.2.c., such dispute shall be resolved by an independent physician competent to assess the condition at issue selected by Sucampo and performing such assessment at Sucampo’s expense. Upon termination of this Agreement due to Executive’s death or disability, Sucampo shall provide Executive (or Executive’s estate, as applicable) with all of Executive’s compensation and benefits that had fully accrued or fully vested as of the date this Agreement terminated. No other compensation or benefits of any nature shall accrue, vest or continue after the effective date the Agreement is terminated, except as provided under paragraph d. immediately below.

d. **Separation Benefits.** If Sucampo terminates Executive’s employment without meeting the conditions for “Termination for Cause” in Section H.1; if Executive resigns for Good Reason under the conditions set forth in Section H.2.b, or due to the Executive’s “Death or Disability” under Section H.2.c; and Executive (or the executor of Executive’s estate upon death or incapacity) signs and returns to Sucampo without revocation a release prepared by Sucampo of all legally waivable claims related to or arising from Executive’s employment with Sucampo and all other terms determined exclusively by Sucampo, then (i) Sucampo shall pay Executive (or the estate): (A) the amount of any COBRA continuation premium payments made by Executive during the 12-month period following the date of termination, or the period ending when Executive becomes eligible for comparable group medical benefits coverage from another source (whichever comes first); and (B) a lump sum payment equal to 12 months of Executive’s then-current annual Base Salary, to be made not later than 60 days following Executive’s date of termination; and (ii) Executive’s Equity Incentive Awards shall vest as set forth in Section H.5 (collectively, the “Separation Benefits”).



Executive’s Initials

3. Termination in Connection with Change In Control.

a. This Agreement terminates if it is not assumed by the successor corporation (or affiliate thereto) upon a Change in Control (as defined below). "Change in Control" means: (i) the acquisition by any person of beneficial ownership of 50% or more of the outstanding shares of the voting securities of Sucampo ; (ii) Sucampo is the non-surviving party in a merger; (iii) Sucampo sells all or substantially all of its assets, provided, that no "Change in Control" shall be deemed to have occurred merely as the result of a refinancing by Sucampo or as a result of Sucampo's insolvency or the appointment of a conservator; or (iv) the Board of Directors of Sucampo, in its sole and absolute discretion, determines that there has been a sufficient change in the share ownership or ownership of the voting power of Sucampo's voting securities to constitute a change of effective ownership or control of Sucampo.

b. If, in advance of the closing or within 12 months following the occurrence of a Change in Control of Sucampo, this Agreement is terminated other than for Cause, and Executive signs and returns to Sucampo without revocation a release prepared by Sucampo of all legally waivable claims related to or arising from Executive's employment with Sucampo and all other terms determined exclusively by Sucampo, then (i) Sucampo shall pay Executive: (A) the amount of any COBRA continuation premium payments made by Executive during the 18- month period following the Date of Termination, or the period ending when Executive becomes eligible for comparable group medical benefits coverage from another source (whichever comes first) and (B) a lump sum payment equal to the sum of (1) 18 months of Executive's then-current annual Base Salary and (2) 150% of the current target bonus percentage of the Executive's current annual Base Salary, to be made not later than 60 days following Executive's date of termination; and (ii) Executive's Equity Incentive Awards shall vest as set forth in Section H.5 (collectively, the "Change in Control Benefits").

c. If within 12 months following a Change in Control, there is a material diminution of Executive's role in the company, material diminution of status, or diminution of reporting structure, Executive shall have the right to resign and receive the Change in Control Benefits enumerated in Section H.3.b. without being required to satisfy the standard for Good Reason defined in Section H.2.b.ii.

4. Timing Of Payments.

a. Sucampo shall, only to the extent necessary, modify the timing of delivery of the Separation Benefits or the Change in Control Benefits to Executive if Sucampo reasonably determines that the timing would subject such Benefit to any additional tax or interest assessed under IRC Section 409A. In such event, the payments shall be made as soon as practicable without causing the Benefit to trigger such additional tax or interest under Section 409A of the IRC. If any amount of the Benefit becomes constitutes "nonqualified deferred compensation" within the meaning of Section 409A, payment of such amount shall not commence until Executive incurs a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h). If, at the time of Executive's separation from service, Executive is a "specified employee" (under IRC Section 409A), any benefit as to which Section 409A penalties could be assessed that becomes payable to Executive on account of Executive's "separation from service" (including any amounts payable pursuant to the preceding sentence) shall be paid, without interest thereon, on the date six months and one day after such separation from service.



Executive's Initials

b. Prior to paying any Change in Control Benefit, Sucampo shall cause its independent auditors promptly to review, at Sucampo's sole expense, the applicability to those payments of Sections 280G and 4999 of the IRC. If the auditors determine that any payment of the Change in Control Benefit would be subject to the excise tax imposed by Section 4999 of the IRC or any interest or penalties with respect to such excise tax, then such payment owed to Executive shall be reduced by an amount calculated to provide to Executive the maximum Change in Control Benefits which will not trigger application of Sections 280G and 4999 of the IRC, with any such reduction being made last with respect to benefits that are not exempt from IRC §409A.

5. **Effect Of Termination On Equity Incentive Awards.**

a. If this Agreement is terminated other than by Sucampo for Cause, any unvested Equity Incentive Awards that have a duration vesting condition as defined in the Stock Agreement shall immediately vest to the extent such unvested Equity Incentive Awards would have vested in the 12 months from the date of termination; or

b. If Sucampo is acquired or is the non-surviving party in a merger, or Sucampo sells all of its assets, and in advance of the closing of such transaction or within 12 months thereafter, this Agreement is terminated other than for Cause, any unvested Equity Incentive Awards that have a duration vesting condition as defined in the Stock Agreement shall immediately vest and any unvested Equity Incentive Awards with a performance condition shall immediately vest and may be exercised only to the extent the performance targets have been achieved or would be achieved by such acquisition, merger or sale in accordance with the terms of the Plan and the Stock Agreement.

c. If any provision of this Agreement conflicts with a provision of the Stock Agreement and/or the Plan, the provision more favorable to the Executive shall govern.

6. **No Further Compensation.** Executive shall receive all compensation and benefits provided to Executive by Sucampo that fully accrued and fully vested before the date of termination of this Agreement. No other compensation or benefits of any nature provided by Sucampo shall continue, accrue or vest after the date of termination, except as provided under the terms of any Sucampo benefits plan in which Executive is enrolled as of the date of termination.



Executive's Initials

I. Arbitration.

1. Executive and Sucampo agree to resolve by arbitration any and all disputes arising from or relating to Executive's employment with Sucampo, Executive's application for such employment, the termination of this Agreement, any alleged breach of this Agreement, or post-employment issues with Sucampo (collectively, "Covered Disputes"), including:

- a. claims relating to any claim of employment discrimination on the basis of any legally protected trait, claims of retaliation for engaging in any legally protected activity, claims under the Maryland Wage Payment and Collection Law, or claims under any other federal, state or local law;
- b. claims under the Family and Medical Leave Act of 1993, the Fair Labor Standards Act of 1938, the Occupational Safety and Health Act of 1970, the Uniformed Services Employment and Reemployment Rights Act of 1994, or the Worker Adjustment and Retraining Notification Act;
- c. claims for breach of an express or implied contract, quasi-contractual claims (e.g. unjust enrichment, quantum meruit, promissory estoppel), or tort claims;
- d. claims for benefits under the Executive Retirement Income Security Act, except claims under an employee pension or benefit plan which specifies that its claims procedure shall culminate in an arbitration procedure different from this one, or is underwritten by a commercial insurer which decides such claims.

2. Covered Disputes do not include: (a) claims for workers' compensation benefits; (b) claims for unemployment compensation benefits; (c) claims based upon Sucampo's current (successor or future) stock option plans, employee pension and/or welfare benefit plans if those plans contain some form of a grievance, arbitration, or other procedure for the resolution of disputes under the plan; and (d) claims by law which are not subject to mandatory binding pre-dispute arbitration pursuant to the Federal Arbitration Act, such as claims under the Dodd-Frank Act.

3. Executive agrees that, if Sucampo terminates the Agreement for Cause and an arbitrator later determines that Sucampo did not have Cause to terminate the Agreement, then the remedy awarded to Executive shall be limited to such compensation and benefits as Executive would have received in the event of Executive's termination other than for Cause at the same time as the original termination.

4. Executive affirms that Executive has been provided with a copy of Sucampo's Arbitration Procedures, and has had an opportunity to ask questions regarding the procedures, to seek counsel, and has read, understands and accepts them. By signing below, the Executive acknowledges and agrees that Sucampo has the unilateral right to amend its arbitration procedures from time to time as long as the underlying procedures provide similar access to the arbitration process

J. Executive's Representations. Executive represents to Sucampo that Executive has no obligations to any other person or entity that conflict with the Executive's obligations under this Agreement. Executive further represents that, to the extent Executive has disclosed information to Sucampo, created any original materials or used any proprietary information in consulting, working or rendering services with, for or to Sucampo, Executive has the right to do so, and such actions shall not violate any privacy, proprietary or other rights of others.



Executive's Initials

K. Choice of Law.

This Agreement is governed by the laws of the United States and the State of Maryland, without regard to its choice of law provisions.

L. Severability.

If any term of this Agreement is declared unenforceable, the decision-maker of competent jurisdiction shall interpret or modify this Agreement, to the extent necessary, for it to be enforceable. If any term of this Agreement is declared unenforceable and cannot be modified to be enforceable, such term or provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.

M. No Oral Agreements.

By signing below, Executive confirms that Executive understands Sucampo does not enter into any oral agreements with any personnel.

N. Entire Agreement; Amendment.

1. This Agreement sets forth the entire agreement between the Parties concerning the topics addressed in this Agreement. This Agreement fully supersedes the Employment Agreement between the parties dated October 21, 2014 any other prior oral or written inducements, agreements or understandings between the Parties regarding such topics. This Agreement shall be binding upon and inure to the benefit of Sucampo, its successors and assigns, without the need for further agreement or consent by Executive. If Sucampo is acquired during the Term, or is the non-surviving party in a merger, or sells all or substantially all of its assets, this Agreement shall not automatically be terminated, and Sucampo agrees to use its best efforts to ensure that the transferee or surviving company shall assume and be bound by the provisions of this Agreement. The failure of either party to enforce any of the provisions in this Agreement shall not be construed to be a waiver of the right of that party to enforce any such provision.

2. During the term of this Agreement, the Agreement may not be modified, altered or changed, except through a writing signed by both Parties. On the Anniversary Date of this Agreement, Sucampo reserves the unilateral right to modify any term of this Agreement except for the terms of Section B.1, Section H, Section I or Section N so long as Sucampo complies with the notice requirements in Section A.2 above. If Executive rejects Sucampo's modified Agreement that complies with Section N, Sucampo may elect to employ Executive at-will without an employment agreement, or either party may end Executive's employment under the terms of Section H.



Executive's Initials

O. Notices.

Executive and Sucampo agree that all notices or other communications required or permitted under this Agreement shall be deemed to be sufficient only if contained in a written instrument given by personal delivery, air courier or registered or certified mail, postage prepaid, return receipt requested, addressed to such party at the address set forth below or such other address as may thereafter be designated in a written notice from such party to the other party:

To Sucampo: Sucampo Pharmaceuticals, Inc.
 Attn: Executive Vice President, Global Human Resources,
 Information Technology and Strategy
 Copy to: General Counsel
 805 King Farm Boulevard, Suite 550
 Rockville, Maryland 20850

To Executive: Peter Kiener
 #####
 #####, #####

All such notices, advances and communications shall be deemed to have been delivered and received (1) in the case of personal delivery, on the date of such delivery, (2) in the case of air courier, on the business day after the date when sent and (3) in the case of mailing, on the third business day following such mailing.

P. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and both of which, taken together shall constitute one and the same instrument. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, shall have the same effect as physical delivery of the paper document bearing the original signature.



Executive's Initials

EXECUTIVE KNOWINGLY AND FREELY AGREES TO ALL THE TERMS OF THIS AGREEMENT, INCLUDING THE MUTUAL AGREEMENT TO ARBITRATE CLAIMS THAT OTHERWISE COULD HAVE BEEN BROUGHT IN COURT. EXECUTIVE AFFIRMS THAT EXECUTIVE HAS HAD SUFFICIENT TIME TO READ AND UNDERSTAND THE TERMS OF THIS AGREEMENT AND HAS BEEN ADVISED OF EXECUTIVE'S RIGHT TO SEEK LEGAL COUNSEL REGARDING THE MEANING AND EFFECT OF THIS AGREEMENT PRIOR TO SIGNING.

EXECUTIVE:

DocuSigned by:
Peter Kiener
8E5C52BCC3FE482...

Executive (signature)

8/1/2016

Date

Peter Kiener

Executive (printed name)

SUCAMPO PHARMACEUTICALS, INC.

DocuSigned by:
Max Donley
5A9584F213F741A...

Max Donley (signature)
Executive Vice President
Global Human Resources,
Information Technology and Strategy

8/2/2016

Date

^{DS}
pk

Executive's Initials

EXHIBIT 1
INVENTIONS, INTELLECTUAL PROPERTY AND EQUIPMENT CERTIFICATE

I hereby certify that I have set forth below a complete list and brief description of all Inventions, intellectual property and equipment located at the Company which is owned directly or indirectly by me and which shall not be transferred to the Company pursuant to the terms of that certain Amended and Restated Employment Agreement (the "Agreement") entered into between Sucampo Pharmaceuticals, Inc., a Delaware corporation, and me, and me, of even date herewith.

I further certify that I have complied with and will continue to comply with all the terms of the Agreement.

List of Items: None at company. See CV for patents and patent filings.

DocuSigned by:
Peter Kiener
8E5C528CC3FE482...

SIGNATURE

Peter Kiener

Print Name

8/1/2016

Date

DS
pk

Executive's Initials

AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

This Amended and Restated Executive Employment Agreement (the "Agreement") is made by and between Sucampo Pharmaceuticals, Inc., its parent, subsidiary, predecessor and affiliated corporations (collectively "Sucampo"), and Andrew Smith ("Executive"), and amends, restates and supersedes the Employment Agreement between Sucampo and Executive dated January 30, 2015.

A. Employment and Duties.

1. Sucampo shall employ Executive as Chief Financial Officer. While employed by Sucampo, Executive shall devote Executive's full-time work efforts exclusively on behalf of Sucampo and shall not perform work of any nature for compensation of any kind for any person or entity other than for Sucampo, unless approved in writing and signed by Sucampo's CEO.

2. This Agreement shall be in effect for the one-year period following the first date on which both Executive and Sucampo have signed the Agreement (the "Anniversary Date"). The Agreement will continue to renew on a year-to-year basis unless either party ends the Executive's employment pursuant to Section H; or Sucampo delivers written notice to the Executive about Sucampo's intent to renew the Agreement with specifically articulated changes at least 30 days before the Anniversary Date, and then terminates the Agreement under Section N.

B. Compensation and Benefits.

1. **Base Salary.** Sucampo shall pay Executive an annual base salary of Three Hundred Sixty Six Thousand Seven Hundred Ninety Five US dollars and Sixty Three Cents (US \$366,795.63) in accordance with Sucampo's regular payroll cycle (the "Base Salary"). The Base Salary shall be reviewed on an annual basis and may, in the sole discretion of the Board of Directors, be increased, but not decreased (unless either mutually agreed by Executive and Sucampo, or established as part of salary reductions that apply equally to similarly situated officers as a percentage reduction in their salaries).

2. **Bonus.** Executive shall be entitled to participate in Sucampo's annual incentive plan, as defined and modified from time to time by Sucampo. The target bonus for Executive shall be 40% of Executive's Base Salary, in the sole discretion of the Board of Directors. The annual bonus payable to Executive for any fiscal year shall be paid to Executive in a lump sum on the date set forth in Sucampo's incentive plan in effect at the time of payment. Sucampo reserves the unilateral right to modify the incentive plan and reserves the unilateral discretion to determine the amount of Executive's bonus, if any. Executive agrees that such bonus is not "earned" until approved by the Board of Directors.

3. **Stock.** At least annually for the Term of this Agreement, Executive shall be eligible for consideration to receive restricted stock grants, stock options or other awards (collectively, "Equity Incentive Awards") in accordance with the 2016 Equity Incentive Plan or such other equity incentive plan as may be designated in the Stock Agreement (collectively referred to as the "Plan"). Any such Equity Incentive Awards shall be made in the sole discretion of the Board of Directors.



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4. **Taxes.** Executive acknowledges and agrees that Executive shall be solely responsible for the satisfaction of any applicable taxes that may arise pursuant to this Agreement (including taxes arising under Section 409A of the Internal Revenue Code (“IRC”), which pertains to deferred compensation) or 4999 (which pertains to golden parachute excise taxes), and that neither Sucampo nor any of its employees, officers, directors, or agents shall have any obligation whatsoever to pay such taxes or to otherwise indemnify or hold Executive harmless from any or all of such taxes. For purposes of IRC Section 409A, the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments. All compensation due to Executive shall be paid subject to withholding by Sucampo to ensure compliance with all applicable laws and regulations.

5. **Participation in Benefits.** Executive shall be entitled to participate in all Sucampo employee benefit plans or programs offered to other Sucampo employees to the extent that Executive's position, tenure, salary, and other qualifications make Executive eligible to participate in such plans. Sucampo reserves the unilateral right to adopt, continue, discontinue, amend, modify, reduce or expand each and every employee benefit plan, program or other fringe benefit during any term of the Agreement. Participation by Executive in any such plan, program or benefit shall be subject to all applicable rules and regulations.

6. **Expenses.** Sucampo shall pay or reimburse Executive for all reasonable and necessary out-of-pocket expenses incurred by Executive the performance of his or her obligations under this Agreement. Sucampo shall reimburse such expenses in accordance with Sucampo’s expense reimbursement policies and procedures. Sucampo reserves the right to modify such policies and procedures in its sole discretion. All reimbursements due under this Agreement shall be separately requested and paid not later than one year after Executive incurs the underlying expense.

7. **Professional Organizations.** During the Term, Sucampo shall reimburse Executive for the annual dues payable for membership in professional societies associated with the Executive’s job responsibilities or subject matters related to Sucampo’s interests. Sucampo shall only reimburse for a new membership if and after Sucampo has approved such membership.

C. **Confidential Information.**

1. Executive acknowledges that Sucampo operates in a competitive environment and has a legitimate business interest in protecting Sucampo’s Confidential Information and Protected Property. “Confidential Information” includes any of the following information pertaining to Sucampo or its affiliated entities:



Executive’s Initials

a. Any and all information, whether or not meeting the legal definition of a trade secret, and whether in written, oral, electronic or other form, containing and/or concerning: (i) business plans, strategic plans, forecasts, budgets, sales, financial projections and costs; (ii) personnel and payroll records and employee lists, including any information related to an employee's health; (iii) candidates, consultants, and contractors, including lists, resumes, preferences, transaction histories and rates; (iv) customers and prospective customers, including their identity, the identities of their employees, contractors and consultants, special needs, job orders, preferences, transaction histories, contacts, characteristics, agreements and current or proposed pricing; (v) marketing activities, plans, promotions, operations and research and development; (vi) business operations, internal organizational structure and financial affairs; (vii) pricing structure and/or current or proposed manufacturing costs; (viii) proposed services, technologies and products; (ix) contracts with customers, suppliers, joint ventures, licensors, licensees, or distributors; (x) customer history; (xi) compensation structure and strategy compared to the market; (xii) current or proposed product tests; (xiii) technical or scientific information or processes, including chemical compounds, computer programs, code, algorithms, Inventions (as defined below), formulae, test data, know how, functional and technical specifications, designs, drawings; (xiv) passwords; and

b. Any information (including any compilation, device, method, technique or process) that (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy (hereafter "Trade Secret"). Such information constitutes a Trade Secret even if a person has acquired the information without express notice that it is a Trade Secret if, under all the circumstances, such person knows or has reason to know that the party who owns the information or has disclosed it intends or expects the secrecy of the type of information comprising the Trade Secret to be maintained.

c. The term "Confidential Information" excludes any information that (i) is, was, or enters in the public domain without violation of this Agreement and through no fault of the Executive, (ii) was in Executive's possession free of any obligation of confidence at the time it was disclosed to the Executive, or (iii) was rightfully communicated to the Executive by a third party free of any obligation of confidentiality subsequent to the time it was disclosed by Sucampo to the Executive.

2. During and after the Term of this Agreement, Executive shall not, directly or indirectly, reproduce, commercialize, use, disclose, or authorize use or disclosure of, any Confidential Information, unless such use or disclosure is (a) consistent with Sucampo's obligations or business purposes and for the sole purpose of carrying out Executive's duties to Sucampo, or (b) specifically authorized by Sucampo in writing prior to such use or disclosure. Executive understands and agrees that this restriction shall continue to apply after this Agreement terminates, regardless of the reason for such termination. Executive agrees to comply with all policies and procedures of Sucampo for protecting Confidential Information.

3. Executive agrees that Sucampo has the right to refuse publication of any papers prepared by Executive as a result of Executive's employment, consultation, work or services, with, for, on behalf of or in conjunction with Sucampo. Executive agrees to submit any proposed publications referring to Executive's employment, consultation, work, services and activities with, for, on behalf of or in conjunction with Sucampo, or referring to any information developed therefrom, to Sucampo for review, prior to publication, to ensure that Sucampo's position with respect to Confidential Information is not adversely affected by publication disclosures.



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4. If Executive is required to disclose Confidential Information due to the issuance of a court order or other government process, Executive shall (a) promptly, but in no event more than 72 hours after learning of such court order or other government process, notify the Executive Vice President, Global Human Resources, Information Technology and Strategy; (b) at Sucampo's expense, take all reasonable necessary steps requested by Sucampo to defend against the enforcement of such court order or other government process, and permit Sucampo to intervene and participate with counsel of its choice in any proceeding relating to the enforcement thereof; and (c) if such compelled disclosure is required, Executive shall disclose only that portion of the Confidential Information that is necessary to meet the minimum legal requirement imposed on Executive

5. Executive agrees that, upon termination of this Agreement or if requested by Sucampo, Executive shall immediately return to Sucampo any and all Sucampo Property (as defined below) and documents and other media containing Confidential Information (and all hard/electric copies thereof) in Executive's possession, custody or control.

a. "Sucampo Property" shall mean any and all documents, instruments, records and databases, recorded or stored on any medium whatsoever, relating or pertaining, directly or indirectly, to the business of Sucampo, including without limitation any and all documents (and copies) containing or relating to Confidential Information. Executive acknowledges that Sucampo Property is solely the property of Sucampo regardless of whether it was created, stored or used on property of the Executive or any other person or entity.

b. Executive agrees that, while employed by Sucampo, Executive shall not directly or indirectly, use, or allow the use of, Sucampo property of any kind (including property leased to Sucampo), for any purpose other than Sucampo activities, except with the authorization of a duly authorized representative of Sucampo.

c. Executive agrees not to remove any Sucampo Property from Sucampo's business premises or deliver any Sucampo Property to any person or entity outside of Sucampo, except as required in connection with Executive's duties of employment.

d. If Sucampo Property in electronic form that contains or relates to Confidential Information is stored on a computer or device that is not Sucampo Property, then at the termination of this Agreement, Executive agrees to promptly deliver a copy of the stored Sucampo Property to Sucampo, permanently delete the Sucampo Property from the computer or device, and confirm these actions to Sucampo in writing.

6. Executive understands that Executive is signing this Agreement as a condition of Executive's employment, or continued employment, with Sucampo. Executive further acknowledges and agrees that Executive's employment or continued employment by Sucampo, Executive's access to Sucampo's Confidential Information, and other goods and valuable consideration associated with employment by Sucampo, provide good and sufficient consideration for Executive's obligations under this Agreement.



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D. Protected Property.

1. "Protected Property" includes any Invention (as defined below), discovery, improvement, idea or expression of idea, process, development, design, know-how, data, and formula, whether patentable or un-patentable, or protectable by copyright or other intellectual property law, that Executive makes or conceives, alone or with others, during or outside of working matters, during Executive's employment with Sucampo, that relates in any manner to the actual or demonstrably anticipated business, research or development of Sucampo, or results from or is suggested by any task assigned to Executive or any work performed by Executive on behalf of Sucampo. "Invention" means any apparatus, biological processes, cell line, chemical compound, creation, data, development, design, discovery, formula, idea, improvement, innovation, know-how, laboratory notebook, manuscript, process or technique, whether or not patentable or protectable by copyright, or other intellectual property in any form.

2. Executive agrees to communicate to Sucampo in writing as promptly and fully as practicable all Protected Property conceived or reduced to practice by Executive at any time during the Executive's employment by Sucampo. Executive agrees to keep and maintain adequate written records of Protected Property at all times and stages, in the form of notes, sketches, drawings, memoranda and reports. Those records shall be the property of and be available to Sucampo at all times.

3. Executive hereby assigns to Sucampo and/or its nominees, all of Executive's right, title, and interest in such Protected Property, and all of the Executive's right, title, and interest in any patents, copyrights, patent applications, software, trademarks, or copyright applications based thereon. Executive agrees that all Protected Property subject to copyright protection constitutes "work made for hire" under United States copyright laws (17 U.S.C. §

101) and is owned exclusively Sucampo. To the extent that title to any Protected Property subject to copyright protection does not constitute a "work for hire," and to the extent title to any other Protected Property does not, by operation of law or otherwise, vest in Sucampo, all right, title, and interest therein, including, without limitation, all copyrights, patents and trade secrets, and all copyrightable or patentable subject matter, are hereby irrevocably assigned to Sucampo.

4. Executive shall, at the expense of and on behalf of Sucampo, do everything reasonably necessary for Sucampo to obtain, preserve, and protect Sucampo's right, title and interest in and to such Protected Property, including preparing and signing all documents Sucampo may deem necessary to obtain and maintain patents, copyrights, trade secrets, trademarks, service marks and other rights within the United States or anywhere in the world. This obligation binds Executive or Executive's legal representative and continues despite the end of Executive's employment with Sucampo, subject to reasonable compensation by Sucampo for Executive's time and expenses. Should Sucampo be unable, after reasonable effort, to obtain Executive's signature on any document necessary to apply for or prosecute any of the above rights for any reason, Executive hereby irrevocably designates and appoints Sucampo or its officers and agents as Executive's agent coupled with a power of attorney to act on Executive's behalf to do everything necessary to accomplish the above.



Executive's Initials

5. The provisions of this Section D do not apply to any invention if (a) Executive developed it entirely on Executive's own time; (b) Executive did not use or rely on any of Sucampo's Confidential Information, equipment, supplies, or facilities; (c) the invention is unrelated to Sucampo's business; and (d) the invention did not result from any work Executive performed for Sucampo. If, when hired or during Executive's employment, Executive is working on any invention that is excluded under this Section D.5. Executive agrees to put Sucampo on written notice at the time of hire or as soon as the Executive starts working on the invention during Executive's employment. To further comply with this notice requirement, Executive has provided Exhibit 1 to this Agreement, which includes a complete list and description of all Inventions, intellectual property and equipment located at Sucampo that is owned directly or indirectly by Executive and which shall not be transferred to Sucampo pursuant to this Agreement. Except for those items listed on Exhibit 1, Executive agrees that he or she shall not assert any rights under any intellectual property as having been made or acquired by Executive prior to being employed by Sucampo. If Sucampo and Executive disagree about whether an invention is appropriately listed on Exhibit 1, Executive and Sucampo agree to submit the matter to arbitration per the terms of Section I below.

E. Non-Competition And Non-Solicitation.

1. Executive agrees that, as a result of Executive's position with Sucampo and/or the unique skills Executive brings to Sucampo, Sucampo has entrusted Executive with information and customer relationships that are valuable to Sucampo, and that Sucampo has a legitimate interest in protecting. Accordingly, Executive agrees that, during the term of this Agreement and for a period of twelve consecutive months following the end of that employment, absent the prior written, signed consent of the President of Sucampo, Executive shall not directly or indirectly render services, advice or assistance similar to the services Executive provided while employed by Sucampo, or involving the Executive's use of knowledge Executive gained while employed at Sucampo, to any Conflicting Organization, in connection with any Conflicting Product. "Conflicting Organization" means any person, entity or organization engaged in research on, or development, production, or marketing of, a Conflicting Product. "Conflicting Product" means any product, method, process, system or service provided for commercial use or sale of any person or organization other than Sucampo, that is the same, similar to, or interchangeable with a product, method, process, system, or service provided for commercial use or sale or under development for commercial use or sale by Sucampo when this Agreement terminates, or about which Executive developed Protected Property while employed by Sucampo. The foregoing restrictions shall not prevent Executive from working for or performing services on behalf of any business or other entity that offers Conflicting Products if such business or entity is also engaged in other lines of business and if Executive certifies to Sucampo before accepting such employment that Executive's employment or services shall be restricted to such other lines of business, and Executive shall not directly or indirectly be providing support, advice, instruction, direction or other guidance to lines of business providing a Conflicting Product.

2. Executive agrees that, solely as a result of Executive's position and employment with Sucampo, Executive shall or has come to know Confidential Information regarding some of Sucampo's employees, independent contractors and/or consultants. Accordingly, both during the Term of this Agreement and for a period of twelve consecutive months following the end of that employment, Executive agrees to not directly or indirectly—either on Executive's own account or on behalf of any person, company, corporation, or other entity— induce, solicit, endeavor to entice or attempt to induce any Sucampo Employees (as defined below) to: (a) leave employment with Sucampo; (b) supply any Sucampo Confidential Information to any third party or entity; or (c) alter, sever, discontinue, or in any other way interfere with their relationship with Sucampo. "Sucampo Employees" are Sucampo employees, independent contractors and consultants who Executive has come to know as a result of Executive's employment with Sucampo, and with whom Executive had business communications at any time during the last twenty-four months of the Term of this Agreement.



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3. Executive agrees that, solely as a result of Executive's position and employment with Sucampo, Executive shall or has come to know some of Sucampo's clients and has access to Confidential Information related to them. Accordingly, both during the Term of this Agreement and for a period of twelve consecutive months following the end of such employment, Executive agrees to not, directly or indirectly, induce, solicit, endeavor to entice or attempt to induce any Sucampo Client (as defined below) to cease doing business with Sucampo, or in any way interfere with the relationship between any such Sucampo Client and Sucampo. "Sucampo Clients" are individuals or entities of any nature, with whom/which Executive had business-related involvement on behalf of Sucampo at any time during the last twenty-four months of the Term of this Agreement. "Business-related involvement" includes Executive's direct communication with the Sucampo client, and any direct or indirect involvement in any aspect of developing the initial relationship and any direct or indirect involvement on behalf of Sucampo in any aspect of Sucampo's relationship with the Sucampo Client.

4. Executive acknowledges and agrees that Sucampo operates globally, and the products and services of Sucampo are or are intended to be marketed to customers on a global basis. Executive further acknowledges and agrees to the reasonableness of the provisions in this Section E and the adequacy of the consideration supporting these provisions. Executive also acknowledges and agrees that the provisions of this Section E will not preclude Executive from becoming gainfully employed following termination of employment with Sucampo.

F. Breach of Obligations of Confidentiality, Non-Competition and Non-Solicitation.

1. Executive acknowledges that any threatened or actual breach of Section C or E of this Agreement may cause irreparable harm to Sucampo, for which money damages would be inadequate to compensate Sucampo. Consequently, in the event of a breach or threatened breach of Section C or E of this Agreement, Executive agrees that Sucampo shall be entitled to expedited arbitration under Section I of this Agreement to obtain injunctive relief to enforce this Agreement, without necessity of posting a bond. In such an expedited arbitration proceeding, the arbitrator must issue a determination within 30 days after Sucampo initiates the arbitration proceeding. The twelve-month period described in Section E shall be tolled during any period when Executive is engaged in activity that violates the terms of Section E. In such an arbitration proceeding, the arbitrator shall have the authority to award damages as appropriate. However, given the difficulty of assessing damages for breaches of this Agreement, the Parties agree that, if the arbitrator finds Executive violated this Agreement, the arbitrator must issue a damage award of, at minimum, \$25,000. Each disclosure or transmission of Protected Property shall constitute a separate violation and the minimum damage amount will apply to each violation. Further, if Executive breaches or fails to honor any provision in Section C or E of this Agreement, and Sucampo is successful in whole or in part in any legal or equitable action to defend its right under or to enforce any terms of Section C or E, Executive agrees to reimburse Sucampo for Sucampo's costs, expenses, and reasonable attorneys' fees associated with such action. In that event, the arbitrator will be obligated to award Sucampo all its attorneys' fees and costs as part of the arbitrator's determination. Executive waives any defense as to the validity of any liquidated damages stated in this Agreement on the grounds that such liquidated damages are void as penalties or are not reasonably related to actual damages.



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2. Notwithstanding the language in Section F.1. above, under the federal Defend Trade Secrets Act of 2016, 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: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made to Executive's attorney in relation to a lawsuit for retaliation against Executive for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

G. Sucampo Access.

Executive agrees and consents that, during the Term of this Agreement and thereafter, Sucampo may review, audit, intercept, review and disclose all messages created, received or sent over the voice mail, electronic mail and Internet access systems provided by Sucampo, with or without notice to Executive. Executive further consents and agrees that Sucampo may, at any time, access and review the contents of all telephones and related systems, computers, computer disks, other data storage equipment and devices, files, desks, drawers, closets, cabinets and work stations which are either on Sucampo's premises or which are owned or provided by Sucampo. Executive acknowledges that Executive should have no expectation of privacy in any of the electronic communications systems or work areas described in this paragraph.

H. Termination.

1. **Termination by Sucampo for Cause.** Sucampo may terminate this Agreement and Executive's employment for Cause (as defined below) by written notice with immediate effect.

"Cause" shall mean any of the following:

- (i) the gross neglect, willful failure, or refusal of Executive to perform Executive's duties and/or responsibilities (other than as a result of Executive's death or Disability); or
- (ii) perpetration of an intentional and knowing fraud against or affecting the Company or any customer, supplier, client, agent or employee thereof; or



Executive's Initials

(iii) any willful or intentional act that could reasonably be expected to injure the reputation, financial condition, business or business relationships of the Company or Executive's reputation or business relationships, including but not limited to any act that could subject Sucampo to legal liability (e.g. violation of Sucampo's policy prohibiting sexual harassment); or

(iv) conviction (including conviction on a *nolo contendere* plea) of a felony or any crime involving fraud, dishonesty or moral turpitude; or

(v) the material breach by Executive of this Agreement (including, without limitation, Section C or E); or

(vi) Executive's supervisor demonstrates he/she had *legitimate reasons* to conclude Executive failed or refused to perform Executive's job duties and/or responsibilities at an acceptable level, within 30 days after Executive's supervisor provided Executive with written notice detailing the specific (unacceptable) performance areas and/or behavior that Executive must improve to remain employed; or

(vii) Executive refuses to execute a modified Agreement offered by Sucampo on the Anniversary Date of this Agreement that is in compliance with Section A.2; as long as the modified Agreement does not make any unilateral changes to Section B.1 (protections against deductions in the Executive's Base Salary), Section H (Termination for Cause/Termination Without Cause/Resignation for Good Reason/Change of Control/Separation Benefits) or substantially change Section I (agreement to arbitrate).

2. Termination Other Than For Cause.

a. **Termination Without Cause.** Either party may terminate this Agreement and Executive's employment hereunder at any time upon 30 days' prior written notice to the other party. Executive's employment and this Agreement shall terminate at the end of the 30-day notice period. Sucampo may elect to provide Executive with 30 days' salary in lieu of Executive's continued active employment during the notice period.

b. **Resignation for Good Reason.**

i. To resign for Good Reason, within 21 days of any event or condition that gives rise to Executive's belief that he/she has Good Reason to resign, Executive must notify Sucampo in writing that Executive intends to resign for "Good Reason under Section H.2.b" and state the reasons for Executive's belief he/she has reason to do so. Following receipt of such notice, Sucampo will have 30 days (the "Cure Period") to cure the issues identified by Executive. If, by the expiration of the Cure Period, Sucampo has not cured the issues identified by Executive, and those issues meet the standard for Good Reason defined below, Executive may resign for Good Reason. If Executive does not resign within 14 days following the Cure Period, Executive waives any future right to resign for Good Reason based on the same reasons set forth in his/her 21 day letter.

ii. As used herein, "Good Reason" is the same standard as "constructive discharge" in Maryland federal employment law cases. More specifically, to resign for Good Reason, Executive must establish that Sucampo unilaterally made materially significant change(s) to, or diminutions of, Executive's work environment, commute to work, terms, conditions; job duties, responsibilities and/or overall status of his/her position, that rendered Executive's continued employment so *unbearable that a reasonable person would resign*.



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iii. Executive shall have the right to resign for Good Reason if Sucampo requires Executive to accept any unilateral change(s) to Section A.2, Section B.1 (Base Salary), Section H (standards for termination/resignation/death and disability/separation benefits), Section N (limits to unilateral changes), or any materially significant changes to Section I (Arbitration) of this Agreement at any time—including before, on or after the Anniversary Date. If Executive resigns under this subsection H.2.b.iii, Sucampo shall pay Executive the Separation Benefits enumerated in Section H.2.d without any obligation to meet the constructive discharge standard for Good Reason set forth above in Section H.2.b.ii. In addition, if Executive resigns because Sucampo or its successor makes unilateral changes to this Agreement to prepare for—or within 12 months following—a Change in Control, that qualify as Good Reason under this Section H.2.b.iii, Sucampo and/or its successor shall pay Executive the “Change in Control Benefits” enumerated below in Section H.3.b—*instead of* the Separation Benefits in Section H.2.d.

iv. If Executive provides notice that he/she is resigning for Good Reason, Sucampo reserves the right to accept Executive’s resignation immediately, end the Agreement, release Executive from employment immediately or at any time during the Cure Period, and pay Executive’s Base Salary during the remaining Cure Period, up to a maximum of 30 days. By electing to do so, Sucampo does not concede that Executive has met the condition(s) to resign for Good Reason defined above.

c. **Death or Disability.** If Executive dies, this Agreement and Executive's employment shall terminate automatically. If Executive has or develops a disability that affects Executive’s ability to work, Sucampo shall explore options with Executive to determine whether Executive is able to perform the essential functions of the job with or without reasonable accommodation. In the event of any dispute as to whether Employee is disabled for purposes of this Section H.2.c., such dispute shall be resolved by an independent physician competent to assess the condition at issue selected by Sucampo and performing such assessment at Sucampo’s expense. Upon termination of this Agreement due to Executive’s death or disability, Sucampo shall provide Executive (or Executive’s estate, as applicable) with all of Executive’s compensation and benefits that had fully accrued or fully vested as of the date this Agreement terminated. No other compensation or benefits of any nature shall accrue, vest or continue after the effective date the Agreement is terminated, except as provided under paragraph d. immediately below.

d. **Separation Benefits.** If Sucampo terminates Executive’s employment without meeting the conditions for “Termination for Cause” in Section H.1; if Executive resigns for Good Reason under the conditions set forth in Section H.2.b, or due to the Executive’s “Death or Disability” under Section H.2.c; and Executive (or the executor of Executive’s estate upon death or incapacity) signs and returns to Sucampo without revocation a release prepared by Sucampo of all legally waivable claims related to or arising from Executive’s employment with Sucampo and all other terms determined exclusively by Sucampo, then (i) Sucampo shall pay Executive (or the estate): (A) the amount of any COBRA continuation premium payments made by Executive during the 12-month period following the date of termination, or the period ending when Executive becomes eligible for comparable group medical benefits coverage from another source (whichever comes first); and (B) a lump sum payment equal to 12 months of Executive’s then-current annual Base Salary, to be made not later than 60 days following Executive’s date of termination; and (ii) Executive’s Equity Incentive Awards shall vest as set forth in Section H.5 (collectively, the “Separation Benefits”).



Executive’s Initials

3. **Termination in Connection with Change In Control.**

a. This Agreement terminates if it is not assumed by the successor corporation (or affiliate thereto) upon a Change in Control (as defined below).

“Change in Control” means: (i) the acquisition by any person of beneficial ownership of 50% or more of the outstanding shares of the voting securities of Sucampo ; (ii) Sucampo is the non-surviving party in a merger; (iii) Sucampo sells all or substantially all of its assets, provided, that no “Change in Control” shall be deemed to have occurred merely as the result of a refinancing by Sucampo or as a result of Sucampo’s insolvency or the appointment of a conservator; or (iv) the Board of Directors of Sucampo, in its sole and absolute discretion, determines that there has been a sufficient change in the share ownership or ownership of the voting power of Sucampo’s voting securities to constitute a change of effective ownership or control of Sucampo.

b. If, in advance of the closing or within 12 months following the occurrence of a Change in Control of Sucampo, this Agreement is terminated other than for Cause, and Executive signs and returns to Sucampo without revocation a release prepared by Sucampo of all legally waivable claims related to or arising from Executive’s employment with Sucampo and all other terms determined exclusively by Sucampo, then (i) Sucampo shall pay Executive: (A) the amount of any COBRA continuation premium payments made by Executive during the 18- month period following the Date of Termination, or the period ending when Executive becomes eligible for comparable group medical benefits coverage from another source (whichever comes first) and (B) a lump sum payment equal to the sum of (1) 18 months of Executive’s then-current annual Base Salary and (2) 150% of the current target bonus percentage of the Executive’s current annual Base Salary, to be made not later than 60 days following Executive’s date of termination; and (ii) Executive’s Equity Incentive Awards shall vest as set forth in Section H.5 (collectively, the “Change in Control Benefits”).

c. If within 12 months following a Change in Control, there is a material diminution of Executive’s role in the company, material diminution of status, or diminution of reporting structure, Executive shall have the right to resign and receive the Change in Control Benefits enumerated in Section H.3.b. without being required to satisfy the standard for Good Reason defined in Section H.2.b.ii.

4. **Timing Of Payments.**

a. Sucampo shall, only to the extent necessary, modify the timing of delivery of the Separation Benefits or the Change in Control Benefits to Executive if Sucampo reasonably determines that the timing would subject such Benefit to any additional tax or interest assessed under IRC Section 409A. In such event, the payments shall be made as soon as practicable without causing the Benefit to trigger such additional tax or interest under Section 409A of the IRC. If any amount of the Benefit becomes constitutes “nonqualified deferred compensation” within the meaning of Section 409A, payment of such amount shall not commence until Executive incurs a “separation from service” within the meaning of Treasury Regulation Section 1.409A-1(h). If, at the time of Executive’s separation from service, Executive is a “specified employee” (under IRC Section 409A), any benefit as to which Section 409A penalties could be assessed that becomes payable to Executive on account of Executive’s “separation from service” (including any amounts payable pursuant to the preceding sentence) shall be paid, without interest thereon, on the date six months and one day after such separation from service.



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b. Prior to paying any Change in Control Benefit, Sucampo shall cause its independent auditors promptly to review, at Sucampo's sole expense, the applicability to those payments of Sections 280G and 4999 of the IRC. If the auditors determine that any payment of the Change in Control Benefit would be subject to the excise tax imposed by Section 4999 of the IRC or any interest or penalties with respect to such excise tax, then such payment owed to Executive shall be reduced by an amount calculated to provide to Executive the maximum Change in Control Benefits which will not trigger application of Sections 280G and 4999 of the IRC, with any such reduction being made last with respect to benefits that are not exempt from IRC §409A.

5. **Effect Of Termination On Equity Incentive Awards.**

a. If this Agreement is terminated other than by Sucampo for Cause, any unvested Equity Incentive Awards that have a duration vesting condition as defined in the Stock Agreement shall immediately vest to the extent such unvested Equity Incentive Awards would have vested in the 12 months from the date of termination; or

b. If Sucampo is acquired or is the non-surviving party in a merger, or Sucampo sells all of its assets, and in advance of the closing of such transaction or within 12 months thereafter, this Agreement is terminated other than for Cause, any unvested Equity Incentive Awards that have a duration vesting condition as defined in the Stock Agreement shall immediately vest and any unvested Equity Incentive Awards with a performance condition shall immediately vest and may be exercised only to the extent the performance targets have been achieved or would be achieved by such acquisition, merger or sale in accordance with the terms of the Plan and the Stock Agreement.

c. If any provision of this Agreement conflicts with a provision of the Stock Agreement and/or the Plan, the provision more favorable to the Executive shall govern.

6. **No Further Compensation.** Executive shall receive all compensation and benefits provided to Executive by Sucampo that fully accrued and fully vested before the date of termination of this Agreement. No other compensation or benefits of any nature provided by Sucampo shall continue, accrue or vest after the date of termination, except as provided under the terms of any Sucampo benefits plan in which Executive is enrolled as of the date of termination.



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I. Arbitration.

1. Executive and Sucampo agree to resolve by arbitration any and all disputes arising from or relating to Executive's employment with Sucampo, Executive's application for such employment, the termination of this Agreement, any alleged breach of this Agreement, or post-employment issues with Sucampo (collectively, "Covered Disputes"), including:

- a. claims relating to any claim of employment discrimination on the basis of any legally protected trait, claims of retaliation for engaging in any legally protected activity, claims under the Maryland Wage Payment and Collection Law, or claims under any other federal, state or local law;
- b. claims under the Family and Medical Leave Act of 1993, the Fair Labor Standards Act of 1938, the Occupational Safety and Health Act of 1970, the Uniformed Services Employment and Reemployment Rights Act of 1994, or the Worker Adjustment and Retraining Notification Act;
- c. claims for breach of an express or implied contract, quasi-contractual claims (e.g. unjust enrichment, quantum meruit, promissory estoppel), or tort claims;
- d. claims for benefits under the Executive Retirement Income Security Act, except claims under an employee pension or benefit plan which specifies that its claims procedure shall culminate in an arbitration procedure different from this one, or is underwritten by a commercial insurer which decides such claims.

2. Covered Disputes do not include: (a) claims for workers' compensation benefits; (b) claims for unemployment compensation benefits; (c) claims based upon Sucampo's current (successor or future) stock option plans, employee pension and/or welfare benefit plans if those plans contain some form of a grievance, arbitration, or other procedure for the resolution of disputes under the plan; and (d) claims by law which are not subject to mandatory binding pre-dispute arbitration pursuant to the Federal Arbitration Act, such as claims under the Dodd-Frank Act.

3. Executive agrees that, if Sucampo terminates the Agreement for Cause and an arbitrator later determines that Sucampo did not have Cause to terminate the Agreement, then the remedy awarded to Executive shall be limited to such compensation and benefits as Executive would have received in the event of Executive's termination other than for Cause at the same time as the original termination.

4. Executive affirms that Executive has been provided with a copy of Sucampo's Arbitration Procedures, and has had an opportunity to ask questions regarding the procedures, to seek counsel, and has read, understands and accepts them. By signing below, the Executive acknowledges and agrees that Sucampo has the unilateral right to amend its arbitration procedures from time to time as long as the underlying procedures provide similar access to the arbitration process

J. Executive's Representations. Executive represents to Sucampo that Executive has no obligations to any other person or entity that conflict with the Executive's obligations under this Agreement. Executive further represents that, to the extent Executive has disclosed information to Sucampo, created any original materials or used any proprietary information in consulting, working or rendering services with, for or to Sucampo, Executive has the right to do so, and such actions shall not violate any privacy, proprietary or other rights of others.



Executive's Initials

K. Choice of Law.

This Agreement is governed by the laws of the United States and the State of Maryland, without regard to its choice of law provisions.

L. Severability.

If any term of this Agreement is declared unenforceable, the decision-maker of competent jurisdiction shall interpret or modify this Agreement, to the extent necessary, for it to be enforceable. If any term of this Agreement is declared unenforceable and cannot be modified to be enforceable, such term or provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.

M. No Oral Agreements.

By signing below, Executive confirms that Executive understands Sucampo does not enter into any oral agreements with any personnel.

N. Entire Agreement; Amendment.

1. This Agreement sets forth the entire agreement between the Parties concerning the topics addressed in this Agreement. This Agreement fully supersedes the Employment Agreement between the parties dated January 30, 2015 and any other prior oral or written inducements, agreements or understandings between the Parties regarding such topics. This Agreement shall be binding upon and inure to the benefit of Sucampo, its successors and assigns, without the need for further agreement or consent by Executive. If Sucampo is acquired during the Term, or is the non-surviving party in a merger, or sells all or substantially all of its assets, this Agreement shall not automatically be terminated, and Sucampo agrees to use its best efforts to ensure that the transferee or surviving company shall assume and be bound by the provisions of this Agreement. The failure of either party to enforce any of the provisions in this Agreement shall not be construed to be a waiver of the right of that party to enforce any such provision.

2. During the term of this Agreement, the Agreement may not be modified, altered or changed, except through a writing signed by both Parties. On the Anniversary Date of this Agreement, Sucampo reserves the unilateral right to modify any term of this Agreement except for the terms of Section B.1, Section H, Section I or Section N so long as Sucampo complies with the notice requirements in Section A.2 above. If Executive rejects Sucampo's modified Agreement that complies with Section N, Sucampo may elect to employ Executive at-will without an employment agreement, or either party may end Executive's employment under the terms of Section H.



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O. **Notices.**

Executive and Sucampo agree that all notices or other communications required or permitted under this Agreement shall be deemed to be sufficient only if contained in a written instrument given by personal delivery, air courier or registered or certified mail, postage prepaid, return receipt requested, addressed to such party at the address set forth below or such other address as may thereafter be designated in a written notice from such party to the other party:

To Sucampo: Sucampo Pharmaceuticals, Inc.
 Attn: Executive Vice President, Global Human Resources, Information Technology and Strategy
 Copy to: General Counsel
 805 King Farm Boulevard, Suite 550
 Rockville, Maryland 20850

To Executive: Andrew Smith
 #####
 #####, #####
 #####, #####

All such notices, advances and communications shall be deemed to have been delivered and received (1) in the case of personal delivery, on the date of such delivery, (2) in the case of air courier, on the business day after the date when sent and (3) in the case of mailing, on the third business day following such mailing.

P. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and both of which, taken together shall constitute one and the same instrument. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, shall have the same effect as physical delivery of the paper document bearing the original signature.



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EXECUTIVE KNOWINGLY AND FREELY AGREES TO ALL THE TERMS OF THIS AGREEMENT, INCLUDING THE MUTUAL AGREEMENT TO ARBITRATE CLAIMS THAT OTHERWISE COULD HAVE BEEN BROUGHT IN COURT. EXECUTIVE AFFIRMS THAT EXECUTIVE HAS HAD SUFFICIENT TIME TO READ AND UNDERSTAND THE TERMS OF THIS AGREEMENT AND HAS BEEN ADVISED OF EXECUTIVE'S RIGHT TO SEEK LEGAL COUNSEL REGARDING THE MEANING AND EFFECT OF THIS AGREEMENT PRIOR TO SIGNING.

EXECUTIVE:

DocuSigned by:
ASmith
644509F1804A8...

Executive (signature)

8/2/2016

Date

Andrew Smith

Executive (printed name)

SUCAMPO PHARMACEUTICALS, INC.

DocuSigned by:
Max Donley
5A6584F213F741A...

Max Donley (signature)

Executive Vice President
Global Human Resources,

Information Technology and Strategy

8/2/2016

Date

DS
AS

Executive's Initials

EXHIBIT 1
INVENTIONS, INTELLECTUAL PROPERTY AND EQUIPMENT CERTIFICATE

I hereby certify that I have set forth below a complete list and brief description of all Inventions, intellectual property and equipment located at the Company which is owned directly or indirectly by me and which shall not be transferred to the Company pursuant to the terms of that certain Amended and Restated Employment Agreement (the "Agreement") entered into between Sucampo Pharmaceuticals, Inc., a Delaware corporation, and me, and me, of even date herewith.

I further certify that I have complied with and will continue to comply with all the terms of the Agreement.

List of Items: [none]

DocuSigned by:

64460F0F18004A8

SIGNATURE

Andrew Smith

Print Name

8/2/2016

Date



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AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

This Amended and Restated Executive Employment Agreement (the "Agreement") is made by and between Sucampo Pharmaceuticals, Inc., its parent, subsidiary, predecessor and affiliated corporations (collectively "Sucampo"), and Matthew Maxwell Donley ("Executive"), and amends, restates and supersedes the Employment Agreement between Sucampo and Executive dated October 21, 2014.

A. Employment and Duties.

1. Sucampo shall employ Executive as Executive Vice President, Global Human Resources, Information Technology and Strategy. While employed by Sucampo, Executive shall devote Executive's full-time work efforts exclusively on behalf of Sucampo and shall not perform work of any nature for compensation of any kind for any person or entity other than for Sucampo, unless approved in writing and signed by Sucampo's CEO.

2. This Agreement shall be in effect for the one-year period following the first date on which both Executive and Sucampo have signed the Agreement (the "Anniversary Date"). The Agreement will continue to renew on a year-to-year basis unless either party ends the Executive's employment pursuant to Section H; or Sucampo delivers written notice to the Executive about Sucampo's intent to renew the Agreement with specifically articulated changes at least 30 days before the Anniversary Date, and then terminates the Agreement under Section N.

B. Compensation and Benefits.

1. **Base Salary.** Sucampo shall pay Executive an annual base salary of Four Hundred Thousand Three Hundred Seventy Two US dollars and Fifty Cents (US \$~~400,372.50~~) in accordance with Sucampo's regular payroll cycle (the "Base Salary"). The Base Salary shall be reviewed on an annual basis and may, in the sole discretion of the Board of Directors, be increased, but not decreased (unless either mutually agreed by Executive and Sucampo, or established as part of salary reductions that apply equally to similarly situated officers as a percentage reduction in their salaries).

2. **Bonus.** Executive shall be entitled to participate in Sucampo's annual incentive plan, as defined and modified from time to time by Sucampo. The target bonus for Executive shall be 40% of Executive's Base Salary, in the sole discretion of the Board of Directors. The annual bonus payable to Executive for any fiscal year shall be paid to Executive in a lump sum on the date set forth in Sucampo's incentive plan in effect at the time of payment. Sucampo reserves the unilateral right to modify the incentive plan and reserves the unilateral discretion to determine the amount of Executive's bonus, if any. Executive agrees that such bonus is not "earned" until approved by the Board of Directors.

3. **Stock.** At least annually for the Term of this Agreement, Executive shall be eligible for consideration to receive restricted stock grants, stock options or other awards



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(collectively, "Equity Incentive Awards") in accordance with the 2016 Equity Incentive Plan or such other equity incentive plan as may be designated in the Stock Agreement (collectively referred to as the "Plan"). Any such Equity Incentive Awards shall be made in the sole discretion of the Board of Directors.

4. **Taxes.** Executive acknowledges and agrees that Executive shall be solely responsible for the satisfaction of any applicable taxes that may arise pursuant to this Agreement (including taxes arising under Section 409A of the Internal Revenue Code ("IRC"), which pertains to deferred compensation) or 4999 (which pertains to golden parachute excise taxes), and that neither Sucampo nor any of its employees, officers, directors, or agents shall have any obligation whatsoever to pay such taxes or to otherwise indemnify or hold Executive harmless from any or all of such taxes. For purposes of IRC Section 409A, the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments. All compensation due to Executive shall be paid subject to withholding by Sucampo to ensure compliance with all applicable laws and regulations.

5. **Participation in Benefits.** Executive shall be entitled to participate in all Sucampo employee benefit plans or programs offered to other Sucampo employees to the extent that Executive's position, tenure, salary, and other qualifications make Executive eligible to participate in such plans. Sucampo reserves the unilateral right to adopt, continue, discontinue, amend, modify, reduce or expand each and every employee benefit plan, program or other fringe benefit during any term of the Agreement. Participation by Executive in any such plan, program or benefit shall be subject to all applicable rules and regulations.

6. **Expenses.** Sucampo shall pay or reimburse Executive for all reasonable and necessary out-of-pocket expenses incurred by Executive the performance of his or her obligations under this Agreement. Sucampo shall reimburse such expenses in accordance with Sucampo's expense reimbursement policies and procedures. Sucampo reserves the right to modify such policies and procedures in its sole discretion. All reimbursements due under this Agreement shall be separately requested and paid not later than one year after Executive incurs the underlying expense.

7. **Professional Organizations.** During the Term, Sucampo shall reimburse Executive for the annual dues payable for membership in professional societies associated with the Executive's job responsibilities or subject matters related to Sucampo's interests. Sucampo shall only reimburse for a new membership if and after Sucampo has approved such membership.

C. Confidential Information.

1. Executive acknowledges that Sucampo operates in a competitive environment and has a legitimate business interest in protecting Sucampo's Confidential Information and Protected Property. "Confidential Information" includes any of the following information pertaining to Sucampo or its affiliated entities:



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a. Any and all information, whether or not meeting the legal definition of a trade secret, and whether in written, oral, electronic or other form, containing and/or concerning:

(i) business plans, strategic plans, forecasts, budgets, sales, financial projections and costs; (ii) personnel and payroll records and employee lists, including any information related to an employee's health; (iii) candidates, consultants, and contractors, including lists, resumes, preferences, transaction histories and rates; (iv) customers and prospective customers, including their identity, the identities of their employees, contractors and consultants, special needs, job orders, preferences, transaction histories, contacts, characteristics, agreements and current or proposed pricing; (v) marketing activities, plans, promotions, operations and research and development; (vi) business operations, internal organizational structure and financial affairs; (vii) pricing structure and/or current or proposed manufacturing costs; (viii) proposed services, technologies and products; (ix) contracts with customers, suppliers, joint ventures, licensors, licensees, or distributors; (x) customer history; (xi) compensation structure and strategy compared to the market; (xii) current or proposed product tests; (xiii) technical or scientific information or processes, including chemical compounds, computer programs, code, algorithms, inventions (as defined below), formulae, test data, know how, functional and technical specifications, designs, drawings; (xiv) passwords; and

b. Any information (including any compilation, device, method, technique or process) that (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy (hereafter "Trade Secret"). Such information constitutes a Trade Secret even if a person has acquired the information without express notice that it is a Trade Secret if, under all the circumstances, such person knows or has reason to know that the party who owns the information or has disclosed it intends or expects the secrecy of the type of information comprising the Trade Secret to be maintained.

c. The term "Confidential Information" excludes any information that (i) is, was, or enters in the public domain without violation of this Agreement and through no fault of the Executive, (ii) was in Executive's possession free of any obligation of confidence at the time it was disclosed to the Executive, or (iii) was rightfully communicated to the Executive by a third party free of any obligation of confidentiality subsequent to the time it was disclosed by Sucampo to the Executive.

2. During and after the Term of this Agreement, Executive shall not, directly or indirectly, reproduce, commercialize, use, disclose, or authorize use or disclosure of, any Confidential Information, unless such use or disclosure is (a) consistent with Sucampo's obligations or business purposes and for the sole purpose of carrying out Executive's duties to Sucampo, or (b) specifically authorized by Sucampo in writing prior to such use or disclosure. Executive understands and agrees that this restriction shall continue to apply after this Agreement terminates, regardless of the reason for such termination. Executive agrees to comply with all policies and procedures of Sucampo for protecting Confidential Information.

3. Executive agrees that Sucampo has the right to refuse publication of any papers prepared by Executive as a result of Executive's employment, consultation, work or services,



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with, for, on behalf of or in conjunction with Sucampo. Executive agrees to submit any proposed publications referring to Executive's employment, consultation, work, services and activities with, for, on behalf of or in conjunction with Sucampo, or referring to any information developed therefrom, to Sucampo for review, prior to publication, to ensure that Sucampo's position with respect to Confidential Information is not adversely affected by publication disclosures.

4. If Executive is required to disclose Confidential Information due to the issuance of a court order or other government process, Executive shall (a) promptly, but in no event more than 72 hours after learning of such court order or other government process, notify the General Counsel; (b) at Sucampo's expense, take all reasonable necessary steps requested by Sucampo to defend against the enforcement of such court order or other government process, and permit Sucampo to intervene and participate with counsel of its choice in any proceeding relating to the enforcement thereof; and (c) if such compelled disclosure is required, Executive shall disclose only that portion of the Confidential Information that is necessary to meet the minimum legal requirement imposed on Executive

5. Executive agrees that, upon termination of this Agreement or if requested by Sucampo, Executive shall immediately return to Sucampo any and all Sucampo Property (as defined below) and documents and other media containing Confidential Information (and all hard/electric copies thereof) in Executive's possession, custody or control.

a. "Sucampo Property" shall mean any and all documents, instruments, records and databases, recorded or stored on any medium whatsoever, relating or pertaining, directly or indirectly, to the business of Sucampo, including without limitation any and all documents (and copies) containing or relating to Confidential Information. Executive acknowledges that Sucampo Property is solely the property of Sucampo regardless of whether it was created, stored or used on property of the Executive or any other person or entity.

b. Executive agrees that, while employed by Sucampo, Executive shall not directly or indirectly, use, or allow the use of, Sucampo property of any kind (including property leased to Sucampo), for any purpose other than Sucampo activities, except with the authorization of a duly authorized representative of Sucampo.

c. Executive agrees not to remove any Sucampo Property from Sucampo's business premises or deliver any Sucampo Property to any person or entity outside of Sucampo, except as required in connection with Executive's duties of employment.

d. If Sucampo Property in electronic form that contains or relates to Confidential Information is stored on a computer or device that is not Sucampo Property, then at the termination of this Agreement, Executive agrees to promptly deliver a copy of the stored Sucampo Property to Sucampo, permanently delete the Sucampo Property from the computer or device, and confirm these actions to Sucampo in writing.

6. Executive understands that Executive is signing this Agreement as a condition of Executive's employment, or continued employment, with Sucampo. Executive further acknowledges and agrees that Executive's employment or continued employment by Sucampo, Executive's access to Sucampo's Confidential Information, and other goods and valuable



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consideration associated with employment by Sucampo, provide good and sufficient consideration for Executive's obligations under this Agreement.

D. Protected Property.

1. "Protected Property" includes any Invention (as defined below), discovery, improvement, idea or expression of idea, process, development, design, know-how, data, and formula, whether patentable or un-patentable, or protectable by copyright or other intellectual property law, that Executive makes or conceives, alone or with others, during or outside of working matters, during Executive's employment with Sucampo, that relates in any manner to the actual or demonstrably anticipated business, research or development of Sucampo, or results from or is suggested by any task assigned to Executive or any work performed by Executive on behalf of Sucampo. "Invention" means any apparatus, biological processes, cell line, chemical compound, creation, data, development, design, discovery, formula, idea, improvement, innovation, know-how, laboratory notebook, manuscript, process or technique, whether or not patentable or protectable by copyright, or other intellectual property in any form.

2. Executive agrees to communicate to Sucampo in writing as promptly and fully as practicable all Protected Property conceived or reduced to practice by Executive at any time during the Executive's employment by Sucampo. Executive agrees to keep and maintain adequate written records of Protected Property at all times and stages, in the form of notes, sketches, drawings, memoranda and reports. Those records shall be the property of and be available to Sucampo at all times.

3. Executive hereby assigns to Sucampo and/or its nominees, all of Executive's right, title, and interest in such Protected Property, and all of the Executive's right, title, and interest in any patents, copyrights, patent applications, software, trademarks, or copyright applications based thereon. Executive agrees that all Protected Property subject to copyright protection constitutes "work made for hire" under United States copyright laws (17 U.S.C. § 101) and is owned exclusively Sucampo. To the extent that title to any Protected Property subject to copyright protection does not constitute a "work for hire," and to the extent title to any other Protected Property does not, by operation of law or otherwise, vest in Sucampo, all right, title, and interest therein, including, without limitation, all copyrights, patents and trade secrets, and all copyrightable or patentable subject matter, are hereby irrevocably assigned to Sucampo.

4. Executive shall, at the expense of and on behalf of Sucampo, do everything reasonably necessary for Sucampo to obtain, preserve, and protect Sucampo's right, title and interest in and to such Protected Property, including preparing and signing all documents Sucampo may deem necessary to obtain and maintain patents, copyrights, trade secrets, trademarks, service marks and other rights within the United States or anywhere in the world. This obligation binds Executive or Executive's legal representative and continues despite the end of Executive's employment with Sucampo, subject to reasonable compensation by Sucampo for Executive's time and expenses. Should Sucampo be unable, after reasonable effort, to obtain Executive's signature on any document necessary to apply for or prosecute any of the above rights for any reason, Executive hereby irrevocably designates and appoints Sucampo or its officers and agents as Executive's agent coupled with a power of attorney to act on Executive's behalf to do everything necessary to accomplish the above.



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5. The provisions of this Section D do not apply to any invention if (a) Executive developed it entirely on Executive's own time; (b) Executive did not use or rely on any of Sucampo's Confidential Information, equipment, supplies, or facilities; (c) the invention is unrelated to Sucampo's business; and (d) the invention did not result from any work Executive performed for Sucampo. If, when hired or during Executive's employment, Executive is working on any invention that is excluded under this Section D.5. Executive agrees to put Sucampo on written notice at the time of hire or as soon as the Executive starts working on the invention during Executive's employment. To further comply with this notice requirement, Executive has provided Exhibit 1 to this Agreement, which includes a complete list and description of all Inventions, intellectual property and equipment located at Sucampo that is owned directly or indirectly by Executive and which shall not be transferred to Sucampo pursuant to this Agreement. Except for those items listed on Exhibit 1, Executive agrees that he or she shall not assert any rights under any intellectual property as having been made or acquired by Executive prior to being employed by Sucampo. If Sucampo and Executive disagree about whether an invention is appropriately listed on Exhibit 1, Executive and Sucampo agree to submit the matter to arbitration per the terms of Section I below.

E. Non-Competition And Non-Solicitation.

1. Executive agrees that, as a result of Executive's position with Sucampo and/or the unique skills Executive brings to Sucampo, Sucampo has entrusted Executive with information and customer relationships that are valuable to Sucampo, and that Sucampo has a legitimate interest in protecting. Accordingly, Executive agrees that, during the term of this Agreement and for a period of twelve consecutive months following the end of that employment, absent the prior written, signed consent of the President of Sucampo, Executive shall not directly or indirectly render services, advice or assistance similar to the services Executive provided while employed by Sucampo, or involving the Executive's use of knowledge Executive gained while employed at Sucampo, to any Conflicting Organization, in connection with any Conflicting Product. "Conflicting Organization" means any person, entity or organization engaged in research on, or development, production, or marketing of, a Conflicting Product. "Conflicting Product" means any product, method, process, system or service provided for commercial use or sale of any person or organization other than Sucampo, that is the same, similar to, or interchangeable with a product, method, process, system, or service provided for commercial use or sale or under development for commercial use or sale by Sucampo when this Agreement terminates, or about which Executive developed Protected Property while employed by Sucampo. The foregoing restrictions shall not prevent Executive from working for or performing services on behalf of any business or other entity that offers Conflicting Products if such business or entity is also engaged in other lines of business and if Executive certifies to Sucampo before accepting such employment that Executive's employment or services shall be restricted to such other lines of business, and Executive shall not directly or indirectly be providing support, advice, instruction, direction or other guidance to lines of business providing a Conflicting Product.

2. Executive agrees that, solely as a result of Executive's position and employment with Sucampo, Executive shall or has come to know Confidential Information regarding some of Sucampo's employees, independent contractors and/or consultants. Accordingly, both during the Term of this Agreement and for a period of twelve consecutive months following the end of that employment, Executive agrees to not directly or indirectly—either on Executive's own account



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or on behalf of any person, company, corporation, or other entity— induce, solicit, endeavor to entice or attempt to induce any Sucampo Employees (as defined below) to: (a) leave employment with Sucampo; (b) supply any Sucampo Confidential Information to any third party or entity; or (c) alter, sever, discontinue, or in any other way interfere with their relationship with Sucampo. “Sucampo Employees” are Sucampo employees, independent contractors and consultants who Executive has come to know as a result of Executive’s employment with Sucampo, and with whom Executive had business communications at any time during the last twenty-four months of the Term of this Agreement.

3. Executive agrees that, solely as a result of Executive’s position and employment with Sucampo, Executive shall or has come to know some of Sucampo’s clients and has access to Confidential Information related to them. Accordingly, both during the Term of this Agreement and for a period of twelve consecutive months following the end of such employment, Executive agrees to not, directly or indirectly, induce, solicit, endeavor to entice or attempt to induce any Sucampo Client (as defined below) to cease doing business with Sucampo, or in any way interfere with the relationship between any such Sucampo Client and Sucampo. “Sucampo Clients” are individuals or entities of any nature, with whom/which Executive had business-related involvement on behalf of Sucampo at any time during the last twenty-four months of the Term of this Agreement. “Business-related involvement” includes Executive’s direct communication with the Sucampo client, and any direct or indirect involvement in any aspect of developing the initial relationship and any direct or indirect involvement on behalf of Sucampo in any aspect of Sucampo’s relationship with the Sucampo Client.

4. Executive acknowledges and agrees that Sucampo operates globally, and the products and services of Sucampo are or are intended to be marketed to customers on a global basis. Executive further acknowledges and agrees to the reasonableness of the provisions in this Section E and the adequacy of the consideration supporting these provisions. Executive also acknowledges and agrees that the provisions of this Section E will not preclude Executive from becoming gainfully employed following termination of employment with Sucampo.

F. Breach of Obligations of Confidentiality, Non-Competition and Non-Solicitation.

1. Executive acknowledges that any threatened or actual breach of Section C or E of this Agreement may cause irreparable harm to Sucampo, for which money damages would be inadequate to compensate Sucampo. Consequently, in the event of a breach or threatened breach of Section C or E of this Agreement, Executive agrees that Sucampo shall be entitled to expedited arbitration under Section I of this Agreement to obtain injunctive relief to enforce this Agreement, without necessity of posting a bond. In such an expedited arbitration proceeding, the arbitrator must issue a determination within 30 days after Sucampo initiates the arbitration proceeding. The twelve-month period described in Section E shall be tolled during any period when Executive is engaged in activity that violates the terms of Section E. In such an arbitration proceeding, the arbitrator shall have the authority to award damages as appropriate. However, given the difficulty of assessing damages for breaches of this Agreement, the Parties agree that, if the arbitrator finds Executive violated this Agreement, the arbitrator must issue a damage award of, at minimum, \$25,000. Each disclosure or transmission of Protected Property shall constitute a separate violation and the minimum damage amount will apply to each violation.



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Further, if Executive breaches or fails to honor any provision in Section C or E of this Agreement, and Sucampo is successful in whole or in part in any legal or equitable action to defend its right under or to enforce any terms of Section C or E, Executive agrees to reimburse Sucampo for Sucampo's costs, expenses, and reasonable attorneys' fees associated with such action. In that event, the arbitrator will be obligated to award Sucampo all its attorneys' fees and costs as part of the arbitrator's determination. Executive waives any defense as to the validity of any liquidated damages stated in this Agreement on the grounds that such liquidated damages are void as penalties or are not reasonably related to actual damages.

2. Notwithstanding the language in Section F.1. above, under the federal Defend Trade Secrets Act of 2016, 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: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made to Executive's attorney in relation to a lawsuit for retaliation against Executive for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

G. Sucampo Access.

Executive agrees and consents that, during the Term of this Agreement and thereafter, Sucampo may review, audit, intercept, review and disclose all messages created, received or sent over the voice mail, electronic mail and Internet access systems provided by Sucampo, with or without notice to Executive. Executive further consents and agrees that Sucampo may, at any time, access and review the contents of all telephones and related systems, computers, computer disks, other data storage equipment and devices, files, desks, drawers, closets, cabinets and work stations which are either on Sucampo's premises or which are owned or provided by Sucampo. Executive acknowledges that Executive should have no expectation of privacy in any of the electronic communications systems or work areas described in this paragraph.

H. Termination.

1. **Termination by Sucampo for Cause.** Sucampo may terminate this Agreement and Executive's employment for Cause (as defined below) by written notice with immediate effect.

"Cause" shall mean any of the following:

- (i) the gross neglect, willful failure, or refusal of Executive to perform Executive's duties and/or responsibilities (other than as a result of Executive's death or Disability); or
- (ii) perpetration of an intentional and knowing fraud against or affecting the Company or any customer, supplier, client, agent or employee thereof; or
- (iii) any willful or intentional act that could reasonably be expected to injure the reputation, financial condition, business or business relationships of the Company or Executive's reputation or business relationships, including but not limited to any act that could subject Sucampo to legal liability (e.g. violation of Sucampo's policy prohibiting sexual harassment); or



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(iv) conviction (including conviction on a *nolo contendere* plea) of a felony or any crime involving fraud, dishonesty or moral turpitude; or

(v) the material breach by Executive of this Agreement (including, without limitation, Section C or E); or

(vi) Executive's supervisor demonstrates he/she had *legitimate reasons* to conclude Executive failed or refused to perform Executive's job duties and/or responsibilities at an acceptable level, within 30 days after Executive's supervisor provided Executive with written notice detailing the specific (unacceptable) performance areas and/or behavior that Executive must improve to remain employed; or

(vii) Executive refuses to execute a modified Agreement offered by Sucampo on the Anniversary Date of this Agreement that is in compliance with Section A.2; as long as the modified Agreement does not make any unilateral changes to Section B.1 (protections against deductions in the Executive's Base Salary), Section H (Termination for Cause/Termination Without Cause/Resignation for Good Reason/Change of Control/Separation Benefits) or substantially change Section I (agreement to arbitrate).

2. **Termination Other Than For Cause.**

a. **Termination Without Cause.** Either party may terminate this Agreement and Executive's employment hereunder at any time upon 30 days' prior written notice to the other party. Executive's employment and this Agreement shall terminate at the end of the 30-day notice period. Sucampo may elect to provide Executive with 30 days' salary in lieu of Executive's continued active employment during the notice period.

b. **Resignation for Good Reason.**

i. To resign for Good Reason, within 21 days of any event or condition that gives rise to Executive's belief that he/she has Good Reason to resign, Executive must notify Sucampo in writing that Executive intends to resign for "Good Reason under Section H.2.b" and state the reasons for Executive's belief he/she has reason to do so. Following receipt of such notice, Sucampo will have 30 days (the "Cure Period") to cure the issues identified by Executive. If, by the expiration of the Cure Period, Sucampo has not cured the issues identified by Executive, and those issues meet the standard for Good Reason defined below, Executive may resign for Good Reason. If Executive does not resign within 14 days following the Cure Period, Executive waives any future right to resign for Good Reason based on the same reasons set forth in his/her 21 day letter.

ii. As used herein, "Good Reason" is the same standard as "constructive discharge" in Maryland federal employment law cases. More specifically, to resign for Good Reason, Executive must establish that Sucampo unilaterally made materially significant change(s) to, or diminutions of, Executive's work environment, commute to work, terms, conditions; job duties, responsibilities and/or overall status of his/her position, that rendered Executive's continued employment so *unbearable that a reasonable person would resign*.



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iii. Executive shall have the right to resign for Good Reason if Sucampo requires Executive to accept any unilateral change(s) to Section A.2, Section B.1 (Base Salary), Section H (standards for termination/resignation/death and disability/separation benefits), Section N (limits to unilateral changes), or any materially significant changes to Section I (Arbitration) of this Agreement at any time—including before, on or after the Anniversary Date. If Executive resigns under this subsection H.2.b.iii, Sucampo shall pay Executive the Separation Benefits enumerated in Section H.2.d without any obligation to meet the constructive discharge standard for Good Reason set forth above in Section H.2.b.ii. In addition, if Executive resigns because Sucampo or its successor makes unilateral changes to this Agreement to prepare for—or within 12 months following—a Change in Control, that qualify as Good Reason under this Section H.2.b.iii, Sucampo and/or its successor shall pay Executive the “Change in Control Benefits” enumerated below in Section H.3.b—*instead of* the Separation Benefits in Section H.2.d.

iv. If Executive provides notice that he/she is resigning for Good Reason, Sucampo reserves the right to accept Executive’s resignation immediately, end the Agreement, release Executive from employment immediately or at any time during the Cure Period, and pay Executive’s Base Salary during the remaining Cure Period, up to a maximum of 30 days. By electing to do so, Sucampo does not concede that Executive has met the condition(s) to resign for Good Reason defined above.

c. **Death or Disability.** If Executive dies, this Agreement and Executive's employment shall terminate automatically. If Executive has or develops a disability that affects Executive’s ability to work, Sucampo shall explore options with Executive to determine whether Executive is able to perform the essential functions of the job with or without reasonable accommodation. In the event of any dispute as to whether Employee is disabled for purposes of this Section H.2.c., such dispute shall be resolved by an independent physician competent to assess the condition at issue selected by Sucampo and performing such assessment at Sucampo’s expense. Upon termination of this Agreement due to Executive’s death or disability, Sucampo shall provide Executive (or Executive’s estate, as applicable) with all of Executive’s compensation and benefits that had fully accrued or fully vested as of the date this Agreement terminated. No other compensation or benefits of any nature shall accrue, vest or continue after the effective date the Agreement is terminated, except as provided under paragraph d. immediately below.

d. **Separation Benefits.** If Sucampo terminates Executive’s employment without meeting the conditions for “Termination for Cause” in Section H.1; if Executive resigns for Good Reason under the conditions set forth in Section H.2.b, or due to the Executive’s “Death or Disability” under Section H.2.c; and Executive (or the executor of Executive’s estate upon death or incapacity) signs and returns to Sucampo without revocation a release prepared by Sucampo of all legally waivable claims related to or arising from Executive’s employment with Sucampo and all other terms determined exclusively by Sucampo, then (i) Sucampo shall pay Executive (or the estate): (A) the amount of any COBRA continuation premium payments made by Executive during the 12-month period following the date of termination, or the period ending when Executive becomes eligible for comparable group medical benefits coverage from another source (whichever comes first); and (B) a lump sum payment equal to 12 months of Executive’s then-current annual Base Salary, to be made not later than 60 days following Executive’s date of



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termination; and (ii) Executive's Equity Incentive Awards shall vest as set forth in Section H.5 (collectively, the "Separation Benefits").

3. Termination in Connection with Change In Control.

a. This Agreement terminates if it is not assumed by the successor corporation (or affiliate thereto) upon a Change in Control (as defined below).

"Change in Control" means: (i) the acquisition by any person of beneficial ownership of 50% or more of the outstanding shares of the voting securities of Sucampo ; (ii) Sucampo is the non-surviving party in a merger; (iii) Sucampo sells all or substantially all of its assets, provided, that no "Change in Control" shall be deemed to have occurred merely as the result of a refinancing by Sucampo or as a result of Sucampo's insolvency or the appointment of a conservator; or (iv) the Board of Directors of Sucampo, in its sole and absolute discretion, determines that there has been a sufficient change in the share ownership or ownership of the voting power of Sucampo's voting securities to constitute a change of effective ownership or control of Sucampo.

b. If, in advance of the closing or within 12 months following the occurrence of a Change in Control of Sucampo, this Agreement is terminated other than for Cause, and Executive signs and returns to Sucampo without revocation a release prepared by Sucampo of all legally waivable claims related to or arising from Executive's employment with Sucampo and all other terms determined exclusively by Sucampo, then (i) Sucampo shall pay Executive: (A) the amount of any COBRA continuation premium payments made by Executive during the 18- month period following the Date of Termination, or the period ending when Executive becomes eligible for comparable group medical benefits coverage from another source (whichever comes first) and (B) a lump sum payment equal to the sum of (1) 18 months of Executive's then-current annual Base Salary and (2) 150% of the current target bonus percentage of the Executive's current annual Base Salary, to be made not later than 60 days following Executive's date of termination; and (ii) Executive's Equity Incentive Awards shall vest as set forth in Section H.5 (collectively, the "Change in Control Benefits").

c. If within 12 months following a Change in Control, there is a material diminution of Executive's role in the company, material diminution of status, or diminution of reporting structure, Executive shall have the right to resign and receive the Change in Control Benefits enumerated in Section H.3.b. without being required to satisfy the standard for Good Reason defined in Section H.2.b.ii.

4. Timing Of Payments.

a. Sucampo shall, only to the extent necessary, modify the timing of delivery of the Separation Benefits or the Change in Control Benefits to Executive if Sucampo reasonably determines that the timing would subject such Benefit to any additional tax or interest assessed under IRC Section 409A. In such event, the payments shall be made as soon as practicable without causing the Benefit to trigger such additional tax or interest under Section 409A of the IRC. If any amount of the Benefit becomes constitutes "nonqualified deferred compensation" within the meaning of Section 409A, payment of such amount shall not commence until Executive incurs a "separation from service" within the meaning of Treasury Regulation Section



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1.409A-1(h). If, at the time of Executive's separation from service, Executive is a "specified employee" (under IRC Section 409A), any benefit as to which Section 409A penalties could be assessed that becomes payable to Executive on account of Executive's "separation from service" (including any amounts payable pursuant to the preceding sentence) shall be paid, without interest thereon, on the date six months and one day after such separation from service.

b. Prior to paying any Change in Control Benefit, Sucampo shall cause its independent auditors promptly to review, at Sucampo's sole expense, the applicability to those payments of Sections 280G and 4999 of the IRC. If the auditors determine that any payment of the Change in Control Benefit would be subject to the excise tax imposed by Section 4999 of the IRC or any interest or penalties with respect to such excise tax, then such payment owed to Executive shall be reduced by an amount calculated to provide to Executive the maximum Change in Control Benefits which will not trigger application of Sections 280G and 4999 of the IRC, with any such reduction being made last with respect to benefits that are not exempt from IRC §409A.

5. **Effect Of Termination On Equity Incentive Awards.**

a. If this Agreement is terminated other than by Sucampo for Cause, any unvested Equity Incentive Awards that have a duration vesting condition as defined in the Stock Agreement shall immediately vest to the extent such unvested Equity Incentive Awards would have vested in the 12 months from the date of termination; or

b. If Sucampo is acquired or is the non-surviving party in a merger, or Sucampo sells all of its assets, and in advance of the closing of such transaction or within 12 months thereafter, this Agreement is terminated other than for Cause, any unvested Equity Incentive Awards that have a duration vesting condition as defined in the Stock Agreement shall immediately vest and any unvested Equity Incentive Awards with a performance condition shall immediately vest and may be exercised only to the extent the performance targets have been achieved or would be achieved by such acquisition, merger or sale in accordance with the terms of the Plan and the Stock Agreement.

c. If any provision of this Agreement conflicts with a provision of the Stock Agreement and/or the Plan, the provision more favorable to the Executive shall govern.

6. **No Further Compensation.** Executive shall receive all compensation and benefits provided to Executive by Sucampo that fully accrued and fully vested before the date of termination of this Agreement. No other compensation or benefits of any nature provided by Sucampo shall continue, accrue or vest after the date of termination, except as provided under the terms of any Sucampo benefits plan in which Executive is enrolled as of the date of termination.

I. **Arbitration.**

1. Executive and Sucampo agree to resolve by arbitration any and all disputes arising from or relating to Executive's employment with Sucampo, Executive's application for



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such employment, the termination of this Agreement, any alleged breach of this Agreement, or post-employment issues with Sucampo (collectively, "Covered Disputes"), including:

- a. claims relating to any claim of employment discrimination on the basis of any legally protected trait, claims of retaliation for engaging in any legally protected activity, claims under the Maryland Wage Payment and Collection Law, or claims under any other federal, state or local law;
- b. claims under the Family and Medical Leave Act of 1993, the Fair Labor Standards Act of 1938, the Occupational Safety and Health Act of 1970, the Uniformed Services Employment and Reemployment Rights Act of 1994, or the Worker Adjustment and Retraining Notification Act;
- c. claims for breach of an express or implied contract, quasi-contractual claims (e.g. unjust enrichment, quantum meruit, promissory estoppel), or tort claims;
- d. claims for benefits under the Executive Retirement Income Security Act, except claims under an employee pension or benefit plan which specifies that its claims procedure shall culminate in an arbitration procedure different from this one, or is underwritten by a commercial insurer which decides such claims.

2. Covered Disputes do not include: (a) claims for workers' compensation benefits; (b) claims for unemployment compensation benefits; (c) claims based upon Sucampo's current (successor or future) stock option plans, employee pension and/or welfare benefit plans if those plans contain some form of a grievance, arbitration, or other procedure for the resolution of disputes under the plan; and (d) claims by law which are not subject to mandatory binding pre-dispute arbitration pursuant to the Federal Arbitration Act, such as claims under the Dodd-Frank Act.

3. Executive agrees that, if Sucampo terminates the Agreement for Cause and an arbitrator later determines that Sucampo did not have Cause to terminate the Agreement, then the remedy awarded to Executive shall be limited to such compensation and benefits as Executive would have received in the event of Executive's termination other than for Cause at the same time as the original termination.

4. Executive affirms that Executive has been provided with a copy of Sucampo's Arbitration Procedures, and has had an opportunity to ask questions regarding the procedures, to seek counsel, and has read, understands and accepts them. By signing below, the Executive acknowledges and agrees that Sucampo has the unilateral right to amend its arbitration procedures from time to time as long as the underlying procedures provide similar access to the arbitration process

J. Executive's Representations. Executive represents to Sucampo that Executive has no obligations to any other person or entity that conflict with the Executive's obligations under this Agreement. Executive further represents that, to the extent Executive has disclosed information to Sucampo, created any original materials or used any proprietary information in consulting, working or rendering services with, for or to Sucampo, Executive has the right to do so, and such actions shall not violate any privacy, proprietary or other rights of others.



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K. Choice of Law.

This Agreement is governed by the laws of the United States and the State of Maryland, without regard to its choice of law provisions.

L. Severability.

If any term of this Agreement is declared unenforceable, the decision-maker of competent jurisdiction shall interpret or modify this Agreement, to the extent necessary, for it to be enforceable. If any term of this Agreement is declared unenforceable and cannot be modified to be enforceable, such term or provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.

M. No Oral Agreements.

By signing below, Executive confirms that Executive understands Sucampo does not enter into any oral agreements with any personnel.

N. Entire Agreement; Amendment.

1. This Agreement sets forth the entire agreement between the Parties concerning the topics addressed in this Agreement. This Agreement fully supersedes the Employment Agreement between the parties dated October 21, 2014 and any other prior oral or written inducements, agreements or understandings between the Parties regarding such topics. This Agreement shall be binding upon and inure to the benefit of Sucampo, its successors and assigns, without the need for further agreement or consent by Executive. If Sucampo is acquired during the Term, or is the non-surviving party in a merger, or sells all or substantially all of its assets, this Agreement shall not automatically be terminated, and Sucampo agrees to use its best efforts to ensure that the transferee or surviving company shall assume and be bound by the provisions of this Agreement. The failure of either party to enforce any of the provisions in this Agreement shall not be construed to be a waiver of the right of that party to enforce any such provision.

2. During the term of this Agreement, the Agreement may not be modified, altered or changed, except through a writing signed by both Parties. On the Anniversary Date of this Agreement, Sucampo reserves the unilateral right to modify any term of this Agreement except for the terms of Section B.1, Section H, Section I or Section N so long as Sucampo complies with the notice requirements in Section A.2 above. If Executive rejects Sucampo's modified Agreement that complies with Section N, Sucampo may elect to employ Executive at-will without an employment agreement, or either party may end Executive's employment under the terms of Section H.



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O. Notices.

Executive and Sucampo agree that all notices or other communications required or permitted under this Agreement shall be deemed to be sufficient only if contained in a written instrument given by personal delivery, air courier or registered or certified mail, postage prepaid, return receipt requested, addressed to such party at the address set forth below or such other address as may thereafter be designated in a written notice from such party to the other party:

To Sucampo: Sucampo Pharmaceuticals, Inc.
 Attn: Chief Executive Officer
 Copy to: General Counsel
 805 King Farm Boulevard, Suite 550
 Rockville, Maryland 20850

To Executive: Matthew Maxwell Donley
 #####
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All such notices, advances and communications shall be deemed to have been delivered and received (1) in the case of personal delivery, on the date of such delivery, (2) in the case of air courier, on the business day after the date when sent and (3) in the case of mailing, on the third business day following such mailing.

P. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and both of which, taken together shall constitute one and the same instrument. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, shall have the same effect as physical delivery of the paper document bearing the original signature.

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EXECUTIVE KNOWINGLY AND FREELY AGREES TO ALL THE TERMS OF THIS AGREEMENT, INCLUDING THE MUTUAL AGREEMENT TO ARBITRATE CLAIMS THAT OTHERWISE COULD HAVE BEEN BROUGHT IN COURT. EXECUTIVE AFFIRMS THAT EXECUTIVE HAS HAD SUFFICIENT TIME TO READ AND UNDERSTAND THE TERMS OF THIS AGREEMENT AND HAS BEEN ADVISED OF EXECUTIVE'S RIGHT TO SEEK LEGAL COUNSEL REGARDING THE MEANING AND EFFECT OF THIS AGREEMENT PRIOR TO SIGNING.

EXECUTIVE:

DocuSigned by:
Max Donley
5A9584F213F741A...

Executive (signature)

8/1/2016

Date

Max Donley
Executive (printed name)

SUCAMPO PHARMACEUTICALS, INC.

DocuSigned by:
Peter Greenleaf
01CF8373EE574B3...

Peter Greenleaf (signature)
Chief Executive Officer

8/3/2016

Date

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MD

Executive's Initials

EXHIBIT 1
INVENTIONS, INTELLECTUAL PROPERTY AND EQUIPMENT CERTIFICATE

I hereby certify that I have set forth below a complete list and brief description of all Inventions, intellectual property and equipment located at the Company which is owned directly or indirectly by me and which shall not be transferred to the Company pursuant to the terms of that certain Amended and Restated Employment Agreement (the "Agreement") entered into between Sucampo Pharmaceuticals, Inc., a Delaware corporation, and me, and me, of even date herewith.

I further certify that I have complied with and will continue to comply with all the terms of the Agreement.

List of Items: [none]

DocuSigned by:
Max Donley
5A9584F213F741A...

SIGNATURE

Matthew Maxwell Donley

Print Name

8/1/2016
Date

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MD

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AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

This Amended and Restated Executive Employment Agreement (the "Agreement") is made by and between Sucampo AG, Baarerstrasse 22, 6300 Zug, ("Sucampo"), and Peter Lichtlen ("Executive"), and amends, restates and supersedes the Employment Agreement between Sucampo and Executive dated October 21, 2014.

A. Employment and Duties.

1. Sucampo shall employ Executive as its Chief Medical Officer. While employed by Sucampo, Executive shall devote Executive's full-time work efforts exclusively on behalf of Sucampo and shall not perform work of any nature for compensation of any kind for any person or entity other than for Sucampo, unless approved in writing and signed by Sucampo's CEO.

2. This Agreement shall be in effect for an indefinite period of time, following the first date on which both Executive and Sucampo have signed the Agreement (the "Anniversary Date"). The Agreement can be terminated by either party pursuant to Section H.

3. Sucampo hereby consents to Executive acting as a non-operative member of the board of directors of Numab AG, as organized under the laws of Switzerland, and be entitled to advise Numab AG; provided, however, that Numab AG's activity remains limited to development of therapeutic biologicals, in particular antibody-based drugs. Executive has represented that he does not and will not receive any financial compensation for his directorship with Numab AG and will only act in a strategic role. This strategic role will not affect Executive's full commitment to Sucampo in any way and the time requirement for the Numab AG role will be, on average, no more than one hour per week. In addition, Sucampo hereby consents to Executive acting as the VP Clinical Development for Numab AG, on the terms and conditions described in the letter, dated December 17, 2015, from Sucampo to Executive attached hereto as Exhibit 2. Prior to giving any advice to Numab AG on any new project (molecular target, indication if known), Executive shall obtain the prior written consent of Sucampo. Executive shall obtain Numab AG's prior authorization to disclose the new projects and Sucampo shall keep all information on such projects strictly confidential. During the time Executive works for Sucampo, he shall not have any duties or responsibilities regarding any interest or work that Sucampo may express or actually perform in or with Numab AG. Executive shall not provide Numab AG any information whatsoever that Executive comes in contact with in any form while employed by Sucampo that has anything to do with Sucampo's interest in or work with Numab AG.

B. Compensation and Benefits.

1. **Base Salary.** Sucampo shall pay Executive an annual base salary of Three Hundred Fifty-Seven Thousand Three Hundred Twenty-Eight Swiss Francs (CHF 357,328) less the payments for social security and insurances provided by this Agreement or by mandatory law in accordance with Sucampo's regular payroll cycle (the "Base Salary"). The Base Salary shall be reviewed on an annual basis and may, in the sole discretion of the CEO of Sucampo, be increased, but not decreased (unless either mutually agreed by Executive and Sucampo).



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2. **Bonus.** Executive shall be entitled to participate in Sucampo's annual incentive plan, as defined and modified from time to time by Sucampo. The target bonus for Executive shall be 40% of Executive's Base Salary, in the sole discretion of the Board of Directors. The annual bonus payable to Executive for any fiscal year shall be paid to Executive in a lump sum on the date set forth in Sucampo's incentive plan in effect at the time of payment. Sucampo reserves the unilateral right to modify the incentive plan and reserves the unilateral discretion to determine the amount of Executive's bonus, if any. Executive agrees that such bonus is not "earned" until approved by the Board of Directors.

3. **Stock.** At least annually for the Term of this Agreement, Executive shall be eligible for consideration to receive restricted stock grants, stock options or other awards (collectively, "Equity Incentive Awards") in accordance with the 2016 Equity Incentive Plan or such other equity incentive plan as may be designated in the Stock Agreement (collectively referred to as the "Plan"). Any such Equity Incentive Awards shall be made in the sole discretion of the Board of Directors. Options granted under said Equity Incentive Awards do not constitute part of the salary, but are a voluntary bonus ("Gratifikation").

4. **Taxes.** The salary and bonus payments are gross payments. Thus, social security and insurance premiums provided by this Agreement or by mandatory law will be deducted. Executive acknowledges and agrees that Executive shall be solely responsible for the satisfaction of any applicable taxes that may arise pursuant to this Agreement, and that neither Sucampo nor any of its employees, officers, directors, or agents shall have any obligation whatsoever to pay such taxes or to otherwise indemnify or hold Executive harmless from any or all of such taxes. All compensation due to Executive shall be paid subject to a possible withholding by Sucampo to ensure compliance with all applicable laws and regulations.

5. **Further Payments.** Unless otherwise expressly agreed upon in writing, the payment of any other gratuities, profit shares, premiums or other extra payments shall be on a voluntary basis. Even repeated payments without the reservation of their voluntary nature shall not create any legal claim for Executive, either in respect to their cause or their amount, either for the past or for the future.

6. **Repayment Obligation.** Should Executive have received any payment in excess of his actual entitlement Executive shall, upon Sucampo's first request, pay back such excessive amount to Sucampo. Payments that Sucampo, without being in any error, declares as voluntary, shall not be covered by this repayment obligation.

7. **Participation in Benefits; Pension Fund.** Executive shall be entitled to participate in all Sucampo employee benefit plans or programs offered to other Sucampo employees to the extent that Executive's position, tenure, salary, and other qualifications make Executive eligible to participate in such plans. Sucampo reserves the unilateral right to adopt, continue, discontinue, amend, modify, reduce or expand each and every employee benefit plan, program or other fringe benefit during any term of the Agreement. Participation by Executive in any such plan, program or benefit shall be subject to all applicable rules and regulations. Without limiting the foregoing, Employee shall be covered by Sucampo's Pension fund in accordance with the pension fund regulations as in force from time to time. The Executive's contribution to the

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Pension fund will be fixed by the Pension Plan, the Company's contribution will be equally high. Admission to the Pension Plan may be subject to filling out a medical questionnaire and participating in an examination.

8. **Expenses.** Sucampo shall pay or reimburse Executive for all reasonable and necessary out-of-pocket expenses incurred by Executive the performance of his or her obligations under this Agreement. Sucampo shall reimburse such expenses in accordance with Sucampo's expense reimbursement policies and procedures. Sucampo reserves the right to modify such policies and procedures in its sole discretion. All reimbursements due under this Agreement shall be separately requested and paid not later than one year after Executive incurs the underlying expense.

9. **Professional Organizations.** During the Term, Sucampo shall reimburse Executive for the annual dues payable for membership in professional societies associated with the Executive's job responsibilities or subject matters related to Sucampo's interests. Sucampo shall only reimburse for a new membership if and after Sucampo has approved such membership.

10. **Inability to Perform Work.** If Executive is prevented from work he shall inform Sucampo without delay and, at Sucampo's request, submit a medical certificate. Sucampo shall, at any time, be entitled to demand a physical exam by a medical referee and Executive shall release such doctor from his or her secrecy obligation to the extent required to assess Executive's ability to work and claims. If Executive is, by no fault of his own and due to reasons inherent in the Executive's person, such as for example sickness, accident or military service, prevented from performing work, Sucampo will, after the first three months of employment and for as long as this Agreement is in force, continue to pay Executive's salary according to the "Zürcher Skala" according to Executive's years of service:

- during the first year of service: 3 weeks
- during the second year of service: 8 weeks
- during the third year of service: 9 weeks
- during the fourth year of service: 10 weeks
- during the fifth year of service: 11 weeks

(to be further increased in subsequent years of service according to the following formula: years of service plus six weeks)

The Executive is insured against the consequences of occupational and non-occupational accidents under the terms of the Federal Accident Insurance Act (UVG). The contributions for occupational and non- occupational accidents shall be borne by Sucampo.

OR (BUT ONLY IF LOSS OF EARNINGS INSURANCE DOES EXIST):

After the expiry of the probation period Executive will be insured against the risk of sickness (loss of earnings insurance; Krankentaggeldversicherung). The insurance coverage shall replace the statutory sick pay rules.



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In cases that are covered by the loss of earnings insurance basically 80% of the base salary will be paid for a maximum period of up to 720 days (minus a 30 day waiting period). The insurance conditions that apply from time to time are explicitly reserved and will be disclosed to Executive upon request. During the 30 day waiting period Sucampo will pay 80% of the salary.

The premium for the loss of earning insurance will be borne by Sucampo.

In case the insurance benefits will be reduced or refused due to pre-existing diseases or other reasons Executive's claim to sick pay shall be reduced to the statutory payments.

During the periods in which Sucampo pays the Executive's salary pursuant this Section, payments made by insurance institutions shall belong to Sucampo. Once entitlement to insurance payments under this Section lapses, the Executive shall have no entitlement to any remuneration from Sucampo.

In cases that are neither covered by the loss of earning insurance nor by any other insurance (such as, e.g. the accident insurance) the following shall apply:

If the employee is by no fault of his own and due to reasons inherent in Executive's person, prevented from performing work, Sucampo will, after the first three months of employment and for as long as this Agreement is in force, continue to pay Executive's salary according to the "Zürcher Skala" according to Executive's years of service:

- during the first year of service: 3 weeks
- during the second year of service: 8 weeks
- during the third year of service: 9 weeks
- during the fourth year of service: 10 weeks
- during the fifth year of service: 11 weeks

(to be further increased in subsequent years of service according to the following formula: years of service plus six weeks).

11. **Working Hours / Vacations.** Executive agrees to exercise his best efforts to successfully and carefully accomplish the duties assigned to him and further agrees that he shall devote at least 40 hours per week to service on behalf of Sucampo. Executive acknowledges that the proper discharge of his duties will require a considerable amount of overtime and agrees to perform such overtime work to the extent necessary to properly fulfill his employment duties. Any overtime is reimbursed by the Base Salary. Executive shall be entitled to 5 weeks of paid vacations per calendar year.

C. Confidential Information.

1. Executive acknowledges that Sucampo operates in a competitive environment and has a legitimate business interest in protecting Sucampo's Confidential Information and Protected Property. "Confidential Information" includes any of the following information pertaining to Sucampo or its affiliated entities:



Executive's Initials

a. Any and all information, whether or not meeting the legal definition of a trade secret, and whether in written, oral, electronic or other form, containing and/or concerning: (i) business plans, strategic plans, forecasts, budgets, sales, financial projections and costs; (ii) personnel and payroll records and employee lists, including any information related to an employee's health; (iii) candidates, consultants, and contractors, including lists, resumes, preferences, transaction histories and rates; (iv) customers and prospective customers, including their identity, the identities of their employees, contractors and consultants, special needs, job orders, preferences, transaction histories, contacts, characteristics, agreements and current or proposed pricing; (v) marketing activities, plans, promotions, operations and research and development; (vi) business operations, internal organizational structure and financial affairs; (vii) pricing structure and/or current or proposed manufacturing costs; (viii) proposed services, technologies and products; (ix) contracts with customers, suppliers, joint ventures, licensors, licensees, or distributors; (x) customer history; (xi) compensation structure and strategy compared to the market; (xii) current or proposed product tests; (xiii) technical or scientific information or processes, including chemical compounds, computer programs, code, algorithms, Inventions (as defined below), formulae, test data, know how, functional and technical specifications, designs, drawings; (xiv) passwords; and

b. Any information (including any compilation, device, method, technique or process) that (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy (hereafter "Trade Secret"). Such information constitutes a Trade Secret even if a person has acquired the information without express notice that it is a Trade Secret if, under all the circumstances, such person knows or has reason to know that the party who owns the information or has disclosed it intends or expects the secrecy of the type of information comprising the Trade Secret to be maintained.

c. The term "Confidential Information" excludes any information that (i) is, was, or enters in the public domain without violation of this Agreement and through no fault of the Executive, (ii) was in Executive's possession free of any obligation of confidence at the time it was disclosed to the Executive, or (iii) was rightfully communicated to the Executive by a third party free of any obligation of confidentiality subsequent to the time it was disclosed by Sucampo to the Executive.

2. During and after the Term of this Agreement, Executive shall not, directly or indirectly, reproduce, commercialize, use, disclose, or authorize use or disclosure of, any Confidential Information, unless such use or disclosure is (a) consistent with Sucampo's obligations or business purposes and for the sole purpose of carrying out Executive's duties to Sucampo, or (b) specifically authorized by Sucampo in writing prior to such use or disclosure. Executive understands and agrees that this restriction shall continue to apply after this Agreement terminates, regardless of the reason for such termination. Executive agrees to comply with all policies and procedures of Sucampo for protecting Confidential Information.

3. Executive agrees that Sucampo has the right to refuse publication of any papers prepared by Executive as a result of Executive's employment, consultation, work or services,

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with, for, on behalf of or in conjunction with Sucampo. Executive agrees to submit any proposed publications referring to Executive's employment, consultation, work, services and activities with, for, on behalf of or in conjunction with Sucampo, or referring to any information developed therefrom, to Sucampo for review, prior to publication, to ensure that Sucampo's position with respect to Confidential Information is not adversely affected by publication disclosures.

4. If Executive is required to disclose Confidential Information due to the issuance of a court order or other government process, Executive shall (a) promptly, but in no event more than 72 hours after learning of such court order or other government process, notify the Executive Vice President, Global Human Resources, Information Technology and Strategy; (b) at Sucampo's expense, take all reasonable necessary steps requested by Sucampo to defend against the enforcement of such court order or other government process, and permit Sucampo to intervene and participate with counsel of its choice in any proceeding relating to the enforcement thereof; and (c) if such compelled disclosure is required, Executive shall disclose only that portion of the Confidential Information that is necessary to meet the minimum legal requirement imposed on Executive

5. Executive agrees that, upon termination of this Agreement or if requested by Sucampo, Executive shall immediately return to Sucampo any and all Sucampo Property (as defined below) and documents and other media containing Confidential Information (and all hard/electric copies thereof) in Executive's possession, custody or control.

a. "Sucampo Property" shall mean any and all documents, instruments, records and databases, recorded or stored on any medium whatsoever, relating or pertaining, directly or indirectly, to the business of Sucampo, including without limitation any and all documents (and copies) containing or relating to Confidential Information. Executive acknowledges that Sucampo Property is solely the property of Sucampo regardless of whether it was created, stored or used on property of the Executive or any other person or entity.

b. Executive agrees that, while employed by Sucampo, Executive shall not directly or indirectly, use, or allow the use of, Sucampo property of any kind (including property leased to Sucampo), for any purpose other than Sucampo activities, except with the authorization of a duly authorized representative of Sucampo.

c. Executive agrees not to remove any Sucampo Property from Sucampo's business premises or deliver any Sucampo Property to any person or entity outside of Sucampo, except as required in connection with Executive's duties of employment.

d. If Sucampo Property in electronic form that contains or relates to Confidential Information is stored on a computer or device that is not Sucampo Property, then at the termination of this Agreement, Executive agrees to promptly deliver a copy of the stored Sucampo Property to Sucampo, permanently delete the Sucampo Property from the computer or device, and confirm these actions to Sucampo in writing.

6. Executive understands that Executive is signing this Agreement as a condition of Executive's employment, or continued employment, with Sucampo. Executive further acknowledges and agrees that Executive's employment or continued employment by Sucampo,



Executive's Initials

Executive's access to Sucampo's Confidential Information, and other goods and valuable consideration associated with employment by Sucampo, provide good and sufficient consideration for Executive's obligations under this Agreement.

D. Protected Property.

1. "Protected Property" includes any Invention (as defined below), discovery, improvement, idea or expression of idea, process, development, design, know-how, data, and formula, whether patentable or un-patentable, or protectable by copyright or other intellectual property law, that Executive makes or conceives, alone or with others, during or outside of working matters, during Executive's employment with Sucampo, that relates in any manner to the actual or demonstrably anticipated business, research or development of Sucampo, or results from or is suggested by any task assigned to Executive or any work performed by Executive on behalf of Sucampo. "Invention" means any apparatus, biological processes, cell line, chemical compound, creation, data, development, design, discovery, formula, idea, improvement, innovation, know-how, laboratory notebook, manuscript, process or technique, whether or not patentable or protectable by copyright, or other intellectual property in any form.

2. Executive agrees to communicate to Sucampo in writing as promptly and fully as practicable all Protected Property conceived or reduced to practice by Executive at any time during the Executive's employment by Sucampo in the field defined herein. The Field shall be the business of the Company and any business which the Company is developing or intends to develop. Executive agrees to keep and maintain adequate written records of Protected Property at all times and stages, in the form of notes, sketches, drawings, memoranda and reports. Those records shall be the property of and be available to Sucampo at all times.

3. The Executive acknowledges that, without limitation, all copyrights, patents and trade secrets, and all copyrightable or patentable subject matter prepared by the Executive within the scope of and during the period of his Employment with Sucampo belong to Sucampo and that Sucampo will be considered the author thereof. The Executive agrees that all Protected Property shall be the sole and exclusive property of Sucampo; the Executive hereby assigns all his right, title and interest in and to any and all of the Protected Property to Sucampo or its successor in interest without further consideration, as far as such Protected Property do not become automatically the property of Sucampo. Sucampo shall be entitled to use, exploit, modify or destroy such Protected Property for any purpose it deems fit. Any Protected Property which the Executive produced in the course of his work and which do not become automatically the property of Sucampo shall be subject to article 332 Swiss Code of Obligations ("CO"). The Executive undertakes to notify Sucampo of any such Protected Property and Sucampo undertakes to inform the Executive within six months if Sucampo wishes to acquire the Protected Property or release them to him; any remuneration for such acquisition shall be fixed according to article 332 para. 4 CO.

4. Executive shall, at the expense of and on behalf of Sucampo, do everything reasonably necessary for Sucampo to obtain, preserve, and protect Sucampo's right, title and interest in and to such Protected Property, including preparing and signing all documents Sucampo may deem necessary to obtain and maintain patents, copyrights, trade secrets, trademarks, service marks and other rights within the United States or anywhere in the world. This obligation binds Executive or Executive's legal representative and continues despite the end of Executive's employment with Sucampo, subject to reasonable compensation by Sucampo for Executive's time and expenses. Should Sucampo be unable, after reasonable effort, to obtain



Executive's Initials

Executive's signature on any document necessary to apply for or prosecute any of the above rights for any reason, Executive hereby irrevocably designates and appoints Sucampo or its officers and agents as Executive's agent coupled with a power of attorney to act on Executive's behalf to do everything necessary to accomplish the above.

5. The provisions of this Section D do not apply to any invention if (a) Executive developed it entirely on Executive's own time; (b) Executive did not use or rely on any of Sucampo's Confidential Information, equipment, supplies, or facilities; (c) the invention is unrelated to Sucampo's business; and (d) the invention did not result from any work Executive performed for Sucampo. If, when hired or during Executive's employment, Executive is working on any invention that is excluded under this Section D.5. Executive agrees to put Sucampo on written notice at the time of hire or as soon as the Executive starts working on the invention during Executive's employment. To further comply with this notice requirement, Executive has provided Exhibit 1 to this Agreement, which includes a complete list and description of all Inventions, intellectual property and equipment located at Sucampo that is owned directly or indirectly by Executive and which shall not be transferred to Sucampo pursuant to this Agreement. Except for those items listed on Exhibit 1, Executive agrees that he or she shall not assert any rights under any intellectual property as having been made or acquired by Executive prior to being employed by Sucampo. If Sucampo and Executive disagree about whether an invention is appropriately listed on Exhibit 1, Executive and Sucampo agree to submit the matter to arbitration per the terms of Section I below.

E. Non-Competition And Non-Solicitation.

1. Executive agrees that, as a result of Executive's position with Sucampo and/or the unique skills Executive brings to Sucampo, Sucampo has entrusted Executive with information and customer relationships that are valuable to Sucampo, and that Sucampo has a legitimate interest in protecting, since the use of such knowledge could cause substantial harm to Sucampo. Accordingly, Executive agrees that, during the term of this Agreement and for a period of twelve consecutive months following the end of that employment, absent the prior written, signed consent of the President of Sucampo, Executive undertakes to refrain for twelve months after the termination of his employment with Sucampo from engaging (directly or indirectly) in any activity competitive with the Sucampo. Without limiting the generality of the foregoing, the Executive shall not operate a Business for his own account which competes with Sucampo, nor work for, render service advice or assistance similar the services the Executive provides while employed at Sucampo, regardless of the nature of any position, nor participate directly in such Business. "Business" means any Conflicting Organization, in connection with any Conflicting Product. "Conflicting Organization" means any person, entity or organization engaged in research on, or development, production, or marketing of, a Conflicting Product. "Conflicting Product" means any product, method, process, system or service provided for commercial use or sale of any person or organization other than Sucampo, that is the same, similar to, or interchangeable with a product, method, process, system, or service provided for commercial use or sale or under development for commercial use or sale by Sucampo when this Agreement terminates, or about which Executive developed Protected Property while employed by Sucampo. The foregoing restrictions shall not prevent Executive from working for or performing services on behalf of any business or other entity that offers Conflicting Products if such business or entity is also engaged in other lines of business and if Executive certifies to Sucampo before accepting such



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employment that Executive's employment or services shall be restricted to such other lines of business, and Executive shall not directly or indirectly be providing support, advice, instruction, direction or other guidance to lines of business providing a Conflicting Product.

2. Executive agrees that, solely as a result of Executive's position and employment with Sucampo, Executive shall or has come to know Confidential Information regarding some of Sucampo's employees, independent contractors and/or consultants. Accordingly, both during the Term of this Agreement and for a period of twelve consecutive months following the end of that employment, Executive agrees to not directly or indirectly—either on Executive's own account or on behalf of any person, company, corporation, or other entity— induce, solicit, endeavor to entice or attempt to induce any Sucampo Employees (as defined below) to: (a) leave employment with Sucampo; (b) supply any Sucampo Confidential Information to any third party or entity; or (c) alter, sever, discontinue, or in any other way interfere with their relationship with Sucampo. "Sucampo Employees" are Sucampo employees, independent contractors and consultants who Executive has come to know as a result of Executive's employment with Sucampo, and with whom Executive had business communications at any time during the last twenty-four months of the Term of this Agreement.

3. Executive agrees that, solely as a result of Executive's position and employment with Sucampo, Executive shall or has come to know some of Sucampo's clients and has access to Confidential Information related to them. Accordingly, both during the Term of this Agreement and for a period of twelve consecutive months following the end of such employment, Executive agrees to not, directly or indirectly, induce, solicit, endeavor to entice or attempt to induce any Sucampo Client (as defined below) to cease or reduce doing business with Sucampo, or in any way interfere with the relationship between any such Sucampo Client and Sucampo. "Sucampo Clients" are individuals or entities of any nature, with whom/which Executive had business-related involvement on behalf of Sucampo at any time during the last twenty-four months of the Term of this Agreement. "Business-related involvement" includes Executive's direct communication with the Sucampo client, and any direct or indirect involvement in any aspect of developing the initial relationship and any direct or indirect involvement on behalf of Sucampo in any aspect of Sucampo's relationship with the Sucampo Client.

4. Executive acknowledges and agrees that Sucampo operates globally, and the products and services of Sucampo are or are intended to be marketed to customers on a global basis. Thus, the restrictions under this section shall apply in all countries in which Sucampo is engaged with business or plans to engage in business during the twelve months following the termination of Executive's employment. Executive further acknowledges and agrees to the reasonableness of the provisions in this Section E and the adequacy of the consideration supporting these provisions. Executive also acknowledges and agrees that the provisions of this Section E will not preclude Executive from becoming gainfully employed following termination of employment with Sucampo.

F. Breach of Obligations of Confidentiality, Non-Competition and Non-Solicitation.

1. Executive acknowledges that any threatened or actual breach of Section C or E of



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this Agreement may cause irreparable harm to Sucampo, for which money damages would be inadequate to compensate Sucampo. Consequently, in the event of a breach or threatened breach of Section C or E of this Agreement, and in addition to any remedy that may be contained in any other agreement, the Executive shall pay to Sucampo liquidated damages in an amount of CHF 25'000 per case and event. Payment of liquidated damages does not exempt the Executive from adhering to his obligations under sections C and E. Sucampo's right to claim compensation for damages and financial loss arising out of or relating to such breach, and exceeding the amount of liquidated damages, is expressly reserved. Independently of the foregoing rights, Sucampo (i) may request that the Executive cease any violation of the obligations set out in sections C and E, and (ii) may seek court orders, including interim orders (Realvollstreckung), prohibiting such breaching activity. Each disclosure or transmission of Protected Property shall constitute a separate violation liquidated damages will apply to each violation. Further, if Executive breaches or fails to honor any provision in Section C or E of this Agreement, and Sucampo is successful in whole or in part in any legal or equitable action to defend its right under or to enforce any terms of Section C or E, Executive agrees to reimburse Sucampo for Sucampo's costs, expenses, and reasonable attorneys' fees associated with such action. Executive waives any defense as to the validity of any liquidated damages stated in this Agreement on the grounds that such liquidated damages are void as penalties, are not reasonably related to actual damages or excessive.

G. Sucampo Access; Data Protection.

1. Executive agrees and consents that, during the Term of this Agreement and thereafter, Sucampo may review, audit, intercept, review and disclose all messages created, received or sent over the voice mail, electronic mail and Internet access systems provided by Sucampo, with or without notice to Executive. Executive further consents and agrees that Sucampo may, at any time, access and review the contents of all telephones and related systems, computers, computer disks, other data storage equipment and devices, files, desks, drawers, closets, cabinets and work stations which are either on Sucampo's premises or which are owned or provided by Sucampo. Executive acknowledges that Executive should have no expectation of privacy in any of the electronic communications systems or work areas described in this paragraph.

2. By signing this Agreement, Executive agrees that Sucampo may process personal data concerning Executive to the extent such data relates to the Executive's suitability for the employment or is necessary to perform the employment relationship. Executive agrees that personal data may be transferred to companies outside Switzerland affiliated with Sucampo, in particular to Sucampo Pharmaceuticals, Inc. in the United States of America and to other countries which may not provide for a data protection level equivalent to Switzerland.

H. Termination.

1. Termination

a. **Termination** Either party may terminate this Agreement and Executive's employment hereunder at any time upon one (1) month prior written notice to the other party.



Executive's Initials

Executive's employment and this Agreement shall terminate at the end of month following the one (1) month notice period.

b. **Death or Disability.** If Executive dies, this Agreement and Executive's employment shall terminate automatically. If Executive has or develops a disability that affects Executive's ability to work, Sucampo shall explore options with Executive to determine whether Executive is able to perform the essential functions of the job with or without reasonable accommodation. In the event of any dispute as to whether Employee is disabled for purposes of this Section H.2.c., such dispute shall be resolved by an independent physician competent to assess the condition at issue selected by Sucampo and performing such assessment at Sucampo's expense. Upon termination of this Agreement due to Executive's death or disability, Sucampo shall provide Executive (or Executive's estate, as applicable) with all of Executive's compensation and benefits that had fully accrued or fully vested as of the date this Agreement terminated.

c. **Separation Benefits.** If Sucampo terminates Executive's employment without meeting the conditions for "Termination for Cause" according to Art. 337 CO; if Executive terminates his employment for Cause according to Art. 337 CO, or due to the Executive's "Death or Disability" under Section H.2.c; and Executive (or the executor of Executive's estate upon death or incapacity) signs and returns to Sucampo without revocation a release prepared by Sucampo of all legally waivable claims related to or arising from Executive's employment with Sucampo and all other terms determined exclusively by Sucampo, then (i) Sucampo shall pay Executive (or the estate) a lump sum payment equal to 12 months of Executive's then-current annual Base Salary (including the Base Salary from date when notice of termination was given up to the date of termination of Executive's employment), to be made not later than 60 days following Executive's date of termination; and (ii) Executive's Equity Incentive Awards shall vest as set forth in Section H.5 (collectively, the "Separation Benefits").

2. Termination in Connection with Change In Control.

a. This Agreement terminates if it is not assumed by the successor corporation (or affiliate thereto) upon a Change in Control (as defined below).

"Change in Control" means: (i) the acquisition by any person of beneficial ownership of 50% or more of the outstanding shares of the voting securities of Sucampo ; (ii) Sucampo is the non-surviving party in a merger; (iii) Sucampo sells all or substantially all of its assets, provided, that no "Change in Control" shall be deemed to have occurred merely as the result of a refinancing by Sucampo or as a result of Sucampo's insolvency or the appointment of a conservator; or (iv) the Board of Directors of Sucampo, in its sole and absolute discretion, determines that there has been a sufficient change in the share ownership or ownership of the voting power of Sucampo's voting securities to constitute a change of effective ownership or control of Sucampo.

b. If, in advance of the closing or within 12 months following the occurrence of a Change in Control of Sucampo, this Agreement is terminated other than for Cause, and Executive signs and returns to Sucampo without revocation a release prepared by Sucampo of all



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legally waivable claims related to or arising from Executive's employment with Sucampo and all other terms determined exclusively by Sucampo, then (i) Sucampo shall pay Executive: (A) a lump sum payment equal to the sum of (1) 18 months of Executive's then-current annual Base Salary (including the Base Salary from date when notice of termination was given up to the date of termination of Executive's employment) and (2) 150% of the current target bonus percentage of the Executive's current annual Base Salary, to be made not later than 60 days following Executive's date of termination; and (ii) Executive's Equity Incentive Awards shall vest as set forth in Section H.5 (collectively, the "Change in Control Benefits").

c. If within 12 months following a Change in Control, there is a material diminution of Executive's role in the company, material diminution of status, or diminution of reporting structure, Executive shall have the right to resign and receive the Change in Control Benefits enumerated in Section H.3.b. without being required to satisfy the standard for Good Reason defined in Section H.2.b.ii.

3. **Withholding; Timing Of Payments.** Sucampo shall deduct from the Separation Benefits or Change in Control Benefits the applicable Executive's portion of social security charges and other charges due under applicable law. Sucampo shall, only to the extent necessary, modify the timing of delivery of the Separation Benefits or the Change in Control Benefits to Executive if Sucampo reasonably determines that the timing would subject such Benefit to any additional tax or interest assessed under applicable laws.

4. **Effect Of Termination On Equity Incentive Awards.**

a. If this Agreement is terminated other than by Sucampo for Cause, any unvested Equity Incentive Awards that have a duration vesting condition as defined in the Stock Agreement shall immediately vest to the extent such unvested Equity Incentive Awards would have vested in the 12 months from the date of termination; or

b. If Sucampo is acquired or is the non-surviving party in a merger, or Sucampo sells all of its assets, and in advance of the closing of such transaction or within 12 months thereafter, this Agreement is terminated other than for Cause, any unvested Equity Incentive Awards that have a duration vesting condition as defined in the Stock Agreement shall immediately vest and any unvested Equity Incentive Awards with a performance condition shall immediately vest and may be exercised only to the extent the performance targets have been achieved or would be achieved by such acquisition, merger or sale in accordance with the terms of the Plan and the Stock Agreement.

c. If any provision of this Agreement conflicts with a provision of the Stock Agreement and/or the Plan, the provision more favorable to the Executive shall govern.

5. **No Further Compensation.** Executive shall receive all compensation and benefits provided to Executive by Sucampo that fully accrued and fully vested before the date of termination of this Agreement. No other compensation or benefits of any nature provided by Sucampo shall continue, accrue or vest after the date of termination, except as provided under the terms of any Sucampo benefits plan in which Executive is enrolled as of the date of termination.



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6. **Retirement Age.** This Agreement terminates without notice and without any severance being due at the end of the month on which the Executive reached the ordinary retirement age.

7. **Release Period.** The Company has at any time the right to relieve Executive from his obligation to work at full pay provided, however, that any income that Executive receives from any activity during such release period shall be deducted. Executive shall compensate any vacation during such release period and shall not engage in any competing activity.

I. [Section intentionally left blank.]

J. Executive's Representations. Executive represents to Sucampo that Executive has no obligations to any other person or entity that conflict with the Executive's obligations under this Agreement. Executive further represents that, to the extent Executive has disclosed information to Sucampo, created any original materials or used any proprietary information in consulting, working or rendering services with, for or to Sucampo, Executive has the right to do so, and such actions shall not violate any privacy, proprietary or other rights of others.

K. Choice of Law.

This Agreement is governed by Swiss law.

L. Severability.

If any term of this Agreement is declared unenforceable, the decision-maker of competent jurisdiction shall interpret or modify this Agreement, to the extent necessary, for it to be enforceable. If any term of this Agreement is declared unenforceable and cannot be modified to be enforceable, such term or provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.

M. No Oral Agreements.

By signing below, Executive confirms that Executive understands Sucampo does not enter into any oral agreements with any personnel.

N. Entire Agreement; Amendment.

1. This Agreement sets forth the entire agreement between the Parties concerning the topics addressed in this Agreement. This Agreement fully supersedes the Employment Agreement between the parties dated October 21, 2014 and any other prior oral or written inducements, agreements or understandings between the Parties regarding such topics. This Agreement shall be binding upon and inure to the benefit of Sucampo, its successors and assigns, without the need for further agreement or consent by Executive. If Sucampo is acquired during the Term, or is the non-surviving party in a merger, or sells all or substantially all of its assets,

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this Agreement shall not automatically be terminated, and Sucampo agrees to use its best efforts to ensure that the transferee or surviving company shall assume and be bound by the provisions of this Agreement. The failure of either party to enforce any of the provisions in this Agreement shall not be construed to be a waiver of the right of that party to enforce any such provision.

2. During the term of this Agreement, the Agreement may not be modified, altered or changed, except through a writing signed by both Parties.

O. Notices.

Executive and Sucampo agree that all notices or other communications required or permitted under this Agreement shall be deemed to be sufficient only if contained in a written instrument given by personal delivery, air courier or registered or certified mail, postage prepaid, return receipt requested, addressed to such party at the address set forth below or such other address as may thereafter be designated in a written notice from such party to the other party:

To Sucampo: Sucampo Pharmaceuticals, Inc.
 Attn: Executive Vice President, Global Human Resources,
 Information Technology and Strategy
 Copy to: General Counsel
 805 King Farm Boulevard, Suite 550
 Rockville, Maryland 20850

To Executive: Peter Lichtlen
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All such notices, advances and communications shall be deemed to have been delivered and received (1) in the case of personal delivery, on the date of such delivery, (2) in the case of air courier, on the business day after the date when sent and (3) in the case of mailing, on the third business day following such mailing.

P. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and both of which, taken together shall constitute one and the same instrument. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in "portable document format" (.pdf) form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, shall have the same effect as physical delivery of the paper document bearing the original signature.



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EXECUTIVE KNOWINGLY AND FREELY AGREES TO ALL THE TERMS OF THIS AGREEMENT, INCLUDING THE MUTUAL AGREEMENT TO ARBITRATE CLAIMS THAT OTHERWISE COULD HAVE BEEN BROUGHT IN COURT. EXECUTIVE AFFIRMS THAT EXECUTIVE HAS HAD SUFFICIENT TIME TO READ AND UNDERSTAND THE TERMS OF THIS AGREEMENT AND HAS BEEN ADVISED OF EXECUTIVE'S RIGHT TO SEEK LEGAL COUNSEL REGARDING THE MEANING AND EFFECT OF THIS AGREEMENT PRIOR TO SIGNING.

EXECUTIVE:

DocuSigned by:
Peter Lichtlen
BC39291E2E0A4C2...

Executive (signature)

8/23/2016

Date

Peter Lichtlen

Executive (printed name)

SUCAMPO AG

DocuSigned by:
Matthias Alder
05AB1F9DFF1C48D...

Matthias Alder (signature)
Director

8/22/2016

Date

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**EXHIBIT 1
INVENTIONS, INTELLECTUAL PROPERTY AND EQUIPMENT CERTIFICATE**

I hereby certify that I have set forth below a complete list and brief description of all Inventions, intellectual property and equipment located at Sucampo which is owned directly or indirectly by me and which shall not be transferred to Sucampo pursuant to the terms of that certain Amended and Restated Employment Agreement (the "Agreement") entered into between Sucampo Pharmaceuticals, Inc., a Delaware corporation, and me, of even date herewith.

I further certify that I have complied with and will continue to comply with all the terms of the Agreement.

List of Items: [none]

DocuSigned by:
Peter Lichtlen
BC39291E2E0A4C2

SIGNATURE

Peter Lichtlen

Print Name

8/23/2016

Date

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EXHIBIT 2
CONSENT LETTER RE: NUMAB AG

[Exhibit begins on following page.]

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December 17, 2015

Peter Lichtlen

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Re: Modification of Work Arrangement

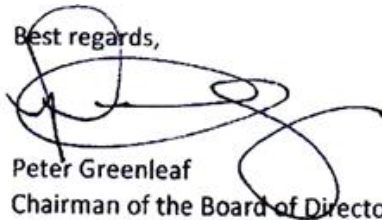
Dear Peter,

You have informed me of your desire to assume responsibilities, beginning April 1, 2016, as VP Clinical Development at Numab AG, a company engaged in the development of antibody-based products in the field of Immunology, Oncology, Inflammatory Diseases, and Metabolic Diseases.

We understand that your engagement on behalf of Numab is expected to be intermittent in nature, and that you expect to be able to fully discharge your responsibilities as Sucampo's Chief Medical Officer consistent with your current level of engagement on behalf of Sucampo. Based on Numab's current business and these expectations, we agree that your proposed engagement at Numab is compatible with your employment agreement, including Section 7.1 (Duties of Loyalty) and Section 10 (Non-Competition), and we hereby consent to your engagement at Numab without change to your compensation received under your employment agreement with Sucampo.

It is our shared understanding and agreement that this arrangement will be formally reviewed by you and your direct supervisor on a quarterly basis. Sucampo reserves the right to withdraw its consent to your engagement at Numab at any time with 30 days' prior notice for any or no reason.

Best regards,



Peter Greenleaf
Chairman of the Board of Directors

Acknowledged and agreed:



Peter Lichtlen

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter Greenleaf, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sucampo Pharmaceuticals, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-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(s) 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 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 controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2016

/s/ Peter Greenleaf
Peter Greenleaf
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Andrew P. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sucampo Pharmaceuticals, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-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(s) 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 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 controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2016

/s/ Andrew P. Smith
Andrew P. Smith
(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Sucampo Pharmaceuticals, Inc. (the "Company") certifies to the best of his knowledge that:

- (1) The Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 of the Company (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2016

/s/ Peter Greenleaf
Peter Greenleaf
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Sucampo Pharmaceuticals, Inc. (the "Company") certifies to the best of his knowledge that:

- (1) The Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 of the Company (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2016

/s/ Andrew P. Smith
Andrew P. Smith
(Principal Financial Officer)