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, 2017

OR

o **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	30-0520478
(State or other jurisdiction of incorporation or organization)	*(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. o 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 o No

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

Large accelerated filer o Accelerated filer ☑ Non accelerated filer o Smaller reporting company o Emerging growth company o

(Do not check if a smaller reporting company)

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

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

As of October 26, 2017, there were 46,636,924 shares of the registrant's class A common stock outstanding.

Sucampo Pharmaceuticals, Inc.

Form 10-Q Index

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, 2017 (unaudited)	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 75,041	$ 198,308
Product royalties receivable	23,015	26,261
Accounts receivable, net	33,098	42,998
Restricted cash	-	213
Inventories, net	24,176	23,468
Prepaid expenses and other current assets	34,731	15,984
Total current assets	190,061	307,232
Investments, non-current	10,698	5,495
Property and equipment, net	5,690	6,216
Intangible assets, net	107,875	128,134
Goodwill	73,022	73,022
Other assets	798	752
Total assets	$ 388,144	$ 520,851
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,245	$ 9,190
Accrued expenses	12,239	12,389
Accrued interest	2,888	129
Deferred revenue, current	319	1,315
Income tax payable	9,666	7,153
Other current liabilities	5,821	2,175
Total current liabilities	37,178	32,351
Notes payable, non-current	291,945	290,516
Deferred revenue, non-current	2,625	805
Deferred tax liability, net	7,345	21,289
Other liabilities	9,417	8,791
Total liabilities	348,510	353,752
Commitments and contingencies (note 13)		
Stockholders' equity:		
Preferred stock, $0.01 par value; 5,000,000 shares authorized at September 30, 2017 and December 31, 2016; no shares issued and outstanding at September 30, 2017 and December 31, 2016	-	-
Class A common stock, $0.01 par value; 270,000,000 shares authorized at September 30, 2017 and December 31, 2016; 46,636,924 and 46,415,749 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	466	464
Class B common stock, $0.01 par value; 75,000,000 shares authorized at September 30, 2017 and December 31, 2016; no shares issued and outstanding at September 30, 2017 and December 31, 2016	-	-
Additional paid-in capital	130,101	120,251
Accumulated other comprehensive income	54,457	54,527
Treasury stock, at cost; 227,266 and 3,009,942 shares at September 30, 2017 and December 31, 2016, respectively	(4,018)	(46,269)
(Accumulated deficit) retained earnings	(141,372)	38,126
Total stockholders' equity	39,634	167,099
Total liabilities and stockholders' equity	$ 388,144	$ 520,851

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues:				
Product royalty revenue	$ 23,024	$ 20,771	$ 62,021	$ 56,222
Product sales revenue	35,815	31,554	104,206	86,538
Research and development revenue	2,381	3,172	10,880	9,971
Contract and collaboration revenue	46	2,376	338	4,301
Total revenues	61,266	57,873	177,445	157,032
Costs and expenses:				
Costs of goods sold	17,436	15,586	51,354	59,278
Research and development	10,133	9,976	39,564	35,580
Acquired in-process research and development	-	-	186,603	-
Impairment of in-process research and development	-	7,286	-	7,286
General and administrative	9,972	11,061	39,246	32,411
Selling and marketing	2,525	696	4,452	2,094
Total costs and expenses	40,066	44,605	321,219	136,649
Income (loss) from operations	21,200	13,268	(143,774)	20,383
Non-operating income (expense):				
Interest income	10	31	38	67
Interest expense	(2,956)	(5,899)	(8,762)	(18,141)
Other income (expense), net	(683)	8,102	(948)	5,216
Total non-operating income (expense), net	(3,629)	2,234	(9,672)	(12,858)
Income (loss) before income taxes	17,571	15,502	(153,446)	7,525
Income tax provision	(7,204)	(7,410)	(12,729)	(4,321)
Net income (loss)	$ 10,367	$ 8,092	$ (166,175)	$ 3,204
Net income (loss) per share:				
Basic	$ 0.22	$ 0.19	$ (3.67)	$ 0.08
Diluted	$ 0.19	$ 0.19	$ (3.67)	$ 0.07
Weighted average common shares outstanding:				
Basic	46,344	42,813	45,338	42,704
Diluted	65,083	43,443	45,338	43,334
Comprehensive income (loss) :				
Net income (loss)	$ 10,367	$ 8,092	$ (166,175)	$ 3,204
Other comprehensive income (expense):				
Unrealized gain on pension benefit obligation, net of tax	23	12	7	37
Foreign currency translation gain (loss), net of tax	-	4,635	(77)	40,890
Comprehensive income (loss)	$ 10,390	$ 12,739	$ (166,245)	$ 44,131

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 Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Treasury Stock		Retained Earnings (Accumulated	Total Stockholders'
	Shares	Amount	Capital	Income	Shares	Amount	Deficit)	Equity
Balance at December 31, 2016	46,415,749	$ 464	$ 120,251	$ 54,527	3,009,942	$ (46,269)	$ 38,126	$ 167,099
Share-based compensation expense	-	-	8,067	-	-	-	-	8,067
Stock issued in connection with equity incentive plan	195,972	2	596	-	-	-	-	598
Stock issued under employee stock purchase plan	25,203	-	229	-	-	-	-	229
Stock withheld to cover employee taxes	-	-	(114)	-	-	-		(114)
Treasury stock issued for Vtesse acquisition	-	-	-		(2,782,676)	42,251	(12,251)	30,000
Unrealized loss on pension benefit obligation, net of tax	-	-	-	7	-	-	-	7
Foreign currency translation, net of tax	-	-	-	(77)	-	-	-	(77)
Cumulative-effect adjustment from adoption of ASU 2016-09	-	-	1,072	-			(1,072)	-
Net loss	-	-	-	-	-	-	(166,175)	(166,175)
Balance at September 30, 2017	46,636,924	$ 466	$ 130,101	$ 54,457	227,266	$ (4,018)	$ (141,372)	$ 39,634

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,	
	2017	**2016**
Cash flows from operating activities:		
Net (loss) income	$ (166,175)	$ 3,204
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	22,354	37,873
Loss on disposal of property and equipment	-	535
Deferred tax (benefit) provision	(331)	(16,571)
Stock-based compensation	8,067	5,444
Acquired in-process research and development	186,603	-
Impairment of in-process research and development	-	7,286
Unrealized currency translations	206	9,811
Forgiveness of AMED deferred grant	-	(9,258)
Shortfall from stock-based compensation	-	(25)
Windfall benefit from stock-based compensation	(384)	(460)
Changes in operating assets and liabilities:		
Product royalties receivable	3,247	2,021
Accounts receivable	10,154	3,526
Inventory	(708)	(2,000)
Prepaid and income taxes receivable and payable, net	(14,512)	(607)
Accounts payable	(4,468)	(4,094)
Accrued expenses	12	(2,414)
Accrued interest payable	2,760	(55)
Deferred revenue	824	(38)
Collaboration obligation	-	(4,185)
Other assets and liabilities, net	3,292	755
Net cash provided by operating activities	50,941	30,748
Cash flows from investing activities:		
Convertible note receivable	(5,000)	(5,000)
Changes in restricted cash	-	12,302
Payment of squeeze-out liability for non-tendering R-Tech shareholders	-	(7,668)
Purchase of in-process research and development, net of cash acquired	(169,665)	-
Purchases of property and equipment	(403)	(1,219)
Purchase of investment	-	(250)
Net cash used in investing activities	(175,068)	(1,835)
Cash flows from financing activities:		
Payments of notes payable	-	(36,332)
Changes in restricted cash	213	17,676
Proceeds from exercise of stock options	598	1,662
Proceeds from employee stock purchase plan	229	174
Tax payment upon settlement of stock awards	(114)	-
Net cash provided by (used in) financing activities	926	(16,820)
Effect of exchange rates on cash and cash equivalents	(66)	8,088
Net (decrease) increase in cash and cash equivalents	(123,267)	20,181
Cash and cash equivalents at beginning of period	198,308	108,284
Cash and cash equivalents at end of period	$ 75,041	$ 128,465

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. The Company's primary focus areas are medicines that treat gastrointestinal, ophthalmic, autoimmune, inflammatory, neurological and oncology disorders.

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

AMITIZA® (lubiprostone) is being marketed in the United States 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 currently required to provide a minimum annual commercial investment under the North America Takeda Agreement and may reduce the minimum annual commercial investment on a specified date, or earlier if 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 has 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 the Company's AMITIZA 8 mcg and 24 mcg soft gelatin capsule products. Under the Company's 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, Par will split with the Company the gross profits of the licensed products sold during the term of the agreement, which continues until each of the Company's related patents has expired. Under the Company's agreement with Dr. Reddy's, 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 November 9, 2016, 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 Company's 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 in June 2012 and pricing approval in November 2012. AMITIZA is the only prescription medicine for CC approved in Japan. 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 in the amount of $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, as well as in the United Kingdom (U.K.), Austria, Belgium, Germany, Netherlands, Ireland, Italy, Luxembourg and Spain during 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 fur 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 treatment of CIC, IBS-C and OIC was approved in Kazakhstan in December 2015. Additional NDA submissions have been made by Takeda in Singapore in May 2016, and in South Africa and Indonesia in June 2016, and are planned in various other markets in 2017 and future years.

In the U.S., the Company ceased marketing RESCULA (unoprostone isopropyl), an ophthalmology product, 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 Ueno, Ltd. (R-Tech). As part of the acquisition of R-Tech in October 2015, the Company acquired all rights to RESCULA. RESCULA is being commercialized by Santen Pharmaceutical Co., Ltd. in Japan, and Zuellig Pharma Inc. in Taiwan.

The Company's clinical development programs include the following:

Lubiprostone Alternate Formulation

The Company is developing an alternate formulation of lubiprostone for both adult and pediatric patients. Takeda has agreed to fund 100% of the costs, up to a cap, of this alternate formulation work. The Company recently completed a Phase 3 study to evaluate the bioequivalence of the alternate "sprinkle" and capsule formulations of lubiprostone as compared to placebo in adult subjects with CIC. The results of the study did not show bioequivalence between the formulations, although clinical activity was observed and treatment was well tolerated. The Company's focus continues to be on the potential approval of the pediatric indication; however, the Company has announced that it will not be moving forward with an NDA submission for the sprinkle formulation in adults.

Lubiprostone for Pediatric Functional Constipation

A 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 completed in late 2016, test the soft gelatin capsule formulation of lubiprostone in patients 6 to 17 years of age. The first of these trials was 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 November 2016, 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 has entered into a process with the U.S. Food and Drug Administration (FDA) and other constituencies and, as a result of initial discussion with the FDA, submitted a supplemental NDA on July 28, 2017, which has been accepted with priority review. Additionally, after further consultations with the FDA to better determine the doses and endpoints that should be studied, we expect the Phase 3 program for the alternate formulation of lubiprostone described above will be followed in mid-2018 with a Phase 3 program in patients 6 months to likely 6 years of age using the alternate formulation. Takeda agreed to fund 70% of the costs, up to a cap, and then 50% of the costs thereafter, of this pediatric functional constipation program. In June 2017, the Company reached the spending cap; accordingly, Takeda is now responsible for reimbursing 50% of the pediatric research and development costs.

CPP 1-X/Sulindac Combination Product

In January 2016, the Company entered into an option and collaboration agreement under which Cancer Prevention Pharmaceuticals, Inc. (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, which is 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, known as CPP FAP-310, is a 150-patient, three-arm, double-blind, randomized trial of the combination agent and the single agent comparators. On June 7, 2017, CPP informed the Company that an Independent Data Monitoring Committee (IDMC), following a planned interim futility analysis, found no reason to discontinue the Phase 3 study, CPP FAP-310, evaluating CPP-1X/sulindac for adults with FAP. Results from the clinical trial are expected in 2018. Pursuant to the Company's agreement with CPP, the Company made the $4.5 million payment for the second option fee tranche in July 2017, which was recorded in research and development expense for the nine months ended September 30, 2017. In September 2017, the Company made a further $5.0 million investment in CPP, in the form of a convertible note, pursuant to its license arrangement with CPP.

VTS-270 for Niemann-Pick Disease Type C1 (NPC-1)

On March 31, 2017, the Company entered into an Agreement and Plan of Merger with Vtesse Inc. (Vtesse), a privately-held rare disease company. The Company acquired Vtesse's lead product candidate, known as VTS-270, upon closing the acquisition on April 3, 2017. VTS-270 is a well-characterized mixture of 2-hydroxypropyl-ß-cyclodextrins (HPßCD) with a specific compositional fingerprint that distinguishes it from other HPßCD mixtures. It is administered by an intrathecal infusion to directly address the neurological manifestations of disease. Preclinical and early clinical studies suggest that the administration of VTS-270 may slow or stop certain indicators of NPC-1, an ultra-orphan, progressive and fatal disease caused by a defect in lipid transport within the cell. VTS-270, which is currently in a fully-enrolled pivotal Phase 2b/3 trial, has been granted breakthrough therapy designation in the U.S. and orphan designation in both the U.S. and EU. Effective treatment of NPC-1 remains a high unmet need, with no approved products for patients in the U.S. Results from the pivotal trial are expected in mid-2018.

The Company accounted for the transaction as an asset acquisition and incurred an acquired in-process research and development charge of $186.6 million (and no related current tax benefit) in the second quarter of 2017. Additionally, the Company recorded a deferred tax asset of $13.6 million related to the acquired net operating loss.

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, 2016 included in the Company's Annual Report on Form 10-K, which was filed with the SEC on March 8, 2017. The financial information as of September 30, 2017 and for the three and nine months ended September 30, 2017 and 2016 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) and Sucampo Acquisitions GmbH (SAQ) based in Zug, Switzerland and Vtesse Europe Ltd., based in the United Kingdom, through which the Company conducts certain of its worldwide and European operations; Sucampo Pharma, LLC (SPL) based in Tokyo, Japan, through which the Company conducts its Asian operations, manufacturing and certain development operations; and Sucampo Pharma Americas LLC (SPA) and Vtesse Inc., based in Rockville, Maryland, through which the Company conducts its North American operations. 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

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, 2017 and December 31, 2016, approximately $1.1 million, or 1.5%, and $1.2 million, or less than 1%, respectively, of the Company's cash, cash equivalents, and restricted cash were issued or insured by the U.S. 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 63.0% and 65.7% of the Company's total revenues for the three months ended September 30, 2017 and 2016, respectively, and 62.6% and 65.6% of the Company's total revenues for the nine months ended September 30, 2017 and 2016, respectively. Accounts receivable and product royalties receivable from Takeda accounted for 69.0% and 69.6% of the Company's total accounts receivable and product royalties receivable at September 30, 2017 and December 31, 2016, respectively.

Revenues from another unrelated party, Mylan, accounted for 33.5% and 30.1% of the Company's total revenues for the three months ended September 30, 2017 and 2016, respectively, and 33.3% and 29.6% of the Company's total revenues for the nine months ended September 30, 2017 and 2016, respectively. Accounts receivable from Mylan accounted for 27.1% and 30.1% of the Company's total accounts receivable and product royalties receivable at September 30, 2017 and December 31, 2016, 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 due to their short maturities, independent valuations or internal assessments. The Company's financial instruments include cash and cash equivalents, restricted cash, receivables, accounts payable and other accrued liabilities. The Company's investment in CPP is measured at fair value on a recurring basis, and the Company estimated the fair value of its long-term debt as of September 30, 2017 based on the available market data as of September 30, 2017.

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, 2017 and December 31, 2016, CPP, in which the Company held a variable interest, was determined to be a VIE. However, as described in Note 8, the Company does not have the power to direct CPP's economic performance and, as a result, the Company is not the primary beneficiary of CPP and the entity is not consolidated with the financial statements of the Company.

Recently Adopted Accounting Pronouncements

In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory." ASU No. 2015-11 applies only to inventory for which cost is determined by methods other than last in, first-out and the retail inventory method, which includes inventory that is measured using first-in, first-out or average cost. Inventory within the scope of this standard is required to be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The Company adopted this standard on January 1, 2017. The adoption of this standard had no impact on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting," which changes the accounting for certain aspects of share-based payments to employees. The new guidance requires excess tax benefits and tax deficiencies to be recorded in the statement of operations when the awards vest or are settled. In addition, cash flows related to excess tax benefits will no longer be separately classified as a financing activity apart from other income tax cash flows. The standard also clarifies that all cash payments made on an employee's behalf for withheld shares should be presented as a financing activity on the statement of cash flows, and provides an accounting policy election to account for forfeitures as they occur. The new standard is effective for the Company's calendar year beginning January 1, 2017. On January 1, 2017, as a result of adopting ASU No. 2016-09, the Company recorded a cumulative-effect adjustment of $1.1 million between retained earnings and additional paid in capital as the Company elected to recognize forfeitures as they occur. Additionally, a retrospective adjustment to the Company's statement of cash flows for the nine months ended September 30, 2016 resulted in an increase of $460,000 to net cash provided by operating activities and a decrease of $460,000 to net cash provided by financing activities.

In January 2017, the FASB issued ASU No. 2017-01, "Clarifying the Definition of a Business." This definition, as defined in ASC 805, is used in determining whether acquisitions are accounted for as business combinations or as the acquisition of assets. This standard modifies the definition of a business, including providing a screen to determine when an acquired set of assets and activities is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. The standard also makes other modifications to clarify what must be included in an acquired set for it to be a business and how to evaluate the set to determine whether it is a business. The Company's acquisitions subsequent to December 31, 2016, such as the acquisition of Vtesse, are subject to the application of the modified definition.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the test for goodwill impairment." ASU No. 2017-04 simplifies the subsequent measurement of goodwill by eliminating Step 2 in the quantitative test and requires an entity to record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. ASU 2017-04 will be applied prospectively and is effective for annual and interim goodwill impairment tests conducted in fiscal years beginning after December 15, 2019. The new standard is effective for the Company for its fiscal 2021 fourth quarter goodwill impairment test. Early adoption is permitted for annual and interim goodwill impairment testing dates after January 1, 2017. The Company elected to early adopt ASU No. 2017-04 on January 1, 2017. The adoption had no impact on the Company's consolidated financial statements as of and for the three and nine months ended September 30, 2017.

In May 2017, the FASB issued ASU No. 2017-09, "Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting". ASU 2017-09 provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. An entity should account for the effects of a modification unless all the following are met: 1) the fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified, 2) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified, and 3) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The amendment in ASU No. 2017-09 is effective for public business entities for annual periods beginning after December 15, 2017 and is to be applied prospectively. Early adoption is permitted, including adoption in any interim period. The Company adopted ASU No. 2017-09 on July 1, 2017.

Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers", which will replace numerous requirements in GAAP, including industry-specific requirements. This guidance provides a five-step model to be applied to all contracts with customers, with an underlying principle that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The FASB has issued several amendments to the standard including clarification on accounting for licenses of intellectual property, identifying performance obligations, and most recently, technical corrections on the interpretation of the new guidance. ASU No. 2014-09 requires extensive quantitative and qualitative disclosures covering the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including disclosures on significant judgments made when applying the guidance. This guidance is effective for annual reporting periods beginning after December 15, 2017 and interim periods therein. An entity can elect to apply the guidance under one of the following two methods: (i) retrospectively to each prior reporting period presented – referred to as the full retrospective method or (ii) retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application in retained earning – referred to as the modified retrospective method.

The Company has established a project team in order to analyze the effect of the standard on its revenue streams by reviewing its current accounting policies and practices to identify potential differences which would result from applying the requirements of the new standard to its revenue contracts. The Company has identified each revenue stream and is nearing the completion of its assessment of all potential effects of the standard. The Company continues to evaluate the impact of adoption. The Company plans to adopt the new standard effective January 1, 2018, applying the modified retrospective method. The adoption of ASU No. 2014-09 will at least impact the timing of certain product sales revenues that are currently being recognized using the sell-through method. We anticipate that the adoption of ASU 2014-09 will result in earlier recognition of these product sales revenues and will create an adjustment to the Company's accumulated deficit balance.

In February 2016, the FASB issued ASU No. 2016-02, "Leases," that requires lessees to recognize assets and liabilities on the balance sheet for most leases including operating leases. Lessees now classify leases as either finance or operating leases and lessors classify all leases as sales-type, direct financing or operating leases. The statement of operations presentation and expense recognition for lessees for finance leases is similar to that of capital leases under Accounting Standards Codification (ASC) 840 with separate interest and amortization expense with higher periodic expense in the earlier periods of a lease. For operating leases, the statement of operations presentation and expense recognition is similar to that of operating leases under ASC 840 with single lease cost recognized on a straight-line basis. This guidance is to be applied using a modified retrospective approach at the beginning of the earliest comparative period presented in the financial statements and is effective for annual periods beginning after December 15, 2018 and interim periods therein. Early adoption is permitted. The Company is currently evaluating the effect ASU No. 2016-02 may have on its condensed consolidated financial statements and related disclosures, but expects recognizing the lease liability and related right-of-use asset will impact its consolidated balance sheet.

In March 2017, the FASB issued ASU No. 2017-07, "Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." ASU No. 2017-07 requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. The amendments in this ASU No. 2017-07 also allow only the service cost component to be eligible for capitalization when applicable. The amendments in ASU No. 2017-07 are effective for public business entities for annual periods beginning after December 15, 2017 and are to be applied retrospectively, including interim periods within those annual periods. Early adoption is permitted as of the beginning of an annual period for which financial statements (interim or annual) have not been issued or made available for issuance. The Company is currently analyzing the impact of ASU No. 2017-07, and is currently unable to determine the impact of the new standard, if any, on the Company's consolidated financial statements.

3. Net Income (Loss) per Share

Basic net loss per share is computed by dividing net loss by the weighted average common shares outstanding. Diluted net loss per share is computed by dividing net loss by the weighted average common shares outstanding without the impact of potential dilutive common shares outstanding because they would have an anti-dilutive impact on diluted net loss per share. The treasury-stock method is used to determine the dilutive effect of the Company's stock option grants, and the if-converted method is used to determine the dilutive effect of the Company's convertible notes.

The computation of net loss per share for the three and nine months ended September 30, 2017 and 2016 is shown below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except per share data)	2017	2016	2017	2016
Basic net income (loss) per share:				
Net income (loss)	$ 10,367	$ 8,092	$ (166,175)	$ 3,204
Weighted-average number of common shares-basic	46,344	42,813	45,338	42,704
Basic net income (loss) per share	$ 0.22	$ 0.19	$ (3.67)	$ 0.08
Diluted net income (loss) per share:				
Net income (loss)	$ 10,367	$ 8,092	$ (166,175)	$ 3,204
Interest expense applicable to convertible debt, net of tax	1,450	-	-	-
Amortization of debt issuance costs, net of tax	289	-	-	-
Net income (loss) for calculation of diluted net income (loss) per share	$ 12,106	$ 8,092	$ (166,175)	$ 3,204
Weighted-average number of common shares-basic	46,344	42,813	45,338	42,704
Assumed exercise of stock options under the treasury stock method	660	630	-	630
Assumed shares from Convertible Notes under if-converted method	18,079	-	-	-
Weighted-average number of common shares-diluted	65,083	43,443	45,338	43,334
Diluted net income (loss) per share	$ 0.19	$ 0.19	$ (3.67)	$ 0.07

The outstanding options to purchase common stock and the shares issuable under the Convertible Note utilizing the if-converted method were excluded from the computation of diluted net income per share as their effect would have been anti-dilutive for the periods presented below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2017	2016	2017	2016
Employee stock options	3,885	2,410	6,435	2,410
Convertible Notes, assumed shares if-converted	-	-	18,079	-

4. 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 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. Product royalty revenue represents royalty revenue earned on the net sales of AMITIZA in North America. 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.

Company revenues by product category were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2017	2016	2017	2016
Product sales revenue - AMITIZA	$ 33,652	$ 29,132	$ 97,124	$ 79,253
Product sales revenue - RESCULA	2,163	2,422	7,082	7,285
Product royalty revenue	23,024	20,771	62,021	56,222
Research and development revenue	2,381	3,172	10,880	9,971
Contract and collaboration revenue	46	2,376	338	4,301
Total	$ 61,266	$ 57,873	$ 177,445	$ 157,032

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. All intercompany sales are excluded to derive consolidated revenues. The Company's country of domicile is the United States.

Company revenues by geographic location were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2017	2016	2017	2016
United States	$ 38,572	$ 34,911	$ 110,903	$ 98,073
Japan	22,694	19,839	66,309	54,004
Rest of the world	-	3,123	233	4,955
Total	$ 61,266	$ 57,873	$ 177,445	$ 157,032

The Company's property and equipment, net by geographic location where located on September 30, 2017 and December 31, 2016 were as follows:

(In thousands)	September 30, 2017	December 31, 2016
United States	$ 2,646	$ 3,065
Japan	3,020	3,119
Rest of the world	24	32
Total	$ 5,690	$ 6,216

5. Asset Acquisition

The following table and narrative summarizes the Company's asset acquisition during the nine months ended September 30, 2017.

Counterparty	Compound(s) or Therapy	Acquisition Month	Phase of Development [1]		Acquired IPR&D Expense (In thousands)
Vtesse Inc	VTS-270 - 2-hydroxypropyl-ß-cyclodextrins (HPßCD)	April 2017	Phase 2b / 3	$	186,603

(1) The phase of development presented is as of the date of the arrangement.

In April 2017, the Company acquired Vtesse, including its Phase 2b/3 product candidate, VTS-270 (the IPR&D asset), a well-characterized mixture of HPßCD with a specific compositional fingerprint that distinguishes it from other HPßCD mixtures, for the treatment of NPC-1, an ultra-orphan, progressive and fatal disease. Under the terms of the agreement, the Company acquired Vtesse for upfront consideration of $212.0 million and agreed to pay contingent consideration based on mid-single digit to double-digit royalties on global net sales of the product based on increasing net sales levels, and a share of net proceeds that may be generated from the monetization of a pediatric review voucher, which the Company expects to be granted in connection with U.S regulatory approval of VTS-270. Of the $212.0 million consideration, the Company made a cash payment of $182.0 million and issued $30.0 million of Treasury Stock, in the form of 2,782,678 Class A common shares, based upon the closing price of $10.78 on April 3, 2017, to former Vtesse stockholders.

The following summarizes the preliminary purchase price allocation:

(In thousands)		
Total purchase price	$	211,996
Total fair value of tangible assets acquired and liabilities assumed:		
Deferred Tax Assets		(13,613)
Net Assets		(11,780)
Total IPR&D asset	$	186,603

Vtesse did not meet the definition of a business under ASC 805, as substantially all of the fair value of Vtesse was attributable to the VTS-270 IPR&D asset. Based on the asset acquisition method of accounting, the consideration paid was allocated primarily to the IPR&D asset acquired of $186.6 million, which was immediately expensed as the IPR&D asset has no other alternate use. The balance was allocated to the remaining assets and liabilities based on their estimated fair values. The acquired IPR&D expense is not tax deductible.

6. Fair Value Measurements

The Company performs fair value measurements in accordance with the FASB's 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 assets and liabilities into the following categories based on the three levels of inputs used to measure fair value:

Level 1: Observable inputs, such as quoted prices in active markets for identical assets or liabilities;
Level 2: Inputs, other than the quoted price in active markets, 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 in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, product royalties receivable, accounts payable and other accrued liabilities, approximate their fair values due to their short maturities.

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 and was classified as Level 2. At September 30, 2017, the estimated fair value of the investment in CPP was $10.4 million. For the three months ended September 30, 2017, the Company recorded $0.1 million in other income due to the increase in fair value of the investment in CPP.

The estimated fair value of the Company's long-term debt at September 30, 2017 was $309.0 million, was classified as Level 2, and was based on available market data as of September 30, 2017.

The estimated fair values may not represent actual values of the financial instruments that could be realized as of the balance sheet date or that will be realized in the future. As of September 30, 2017 and December 31, 2016, there were no financial instruments measured at fair value on a non-recurring basis.

7. Inventory

Inventories are stated at the lower of cost and net realizable value with cost being determined using a standard cost method, which approximates average cost. 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.

Inventory consisted of the following at September 30, 2017 and December 31, 2016:

(In thousands)	September 30, 2017	December 31, 2016
Raw materials	$ 787	$ 1,414
Work in process	21,722	18,045
Finished goods	1,667	4,009
Total	$ 24,176	$ 23,468

8. Investments, Non-Current

Investment in CPP

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

Under the terms of the CPP Securities Agreement, the Company provided $5.0 million in January 2016 and $5.0 million in September 2017 to CPP in exchange for convertible notes. Both convertible notes bear interest at the rate of 5% per annum. The January 2016 and the September 2017 convertible notes mature on January 31, 2019 and September 6, 2020, respectively, unless earlier converted or prepaid.

Under the terms of the CPP Option Agreement, CPP granted the Company the sole option to acquire an exclusive license to commercialize CPP-1X/Sulindac combination product in North America. CPP-1X/Sulindac is currently in a Phase 3 clinical trial for the treatment of FAP. Target enrollment in the study was achieved in April 2016 and the trial is expected to conclude in 2018. The Company agreed to 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 upon signing. On June 7, 2017, CPP informed the Company that an IDMC, following a planned interim futility analysis, found no reason to discontinue the Phase 3 study. Pursuant to the Company's agreement with CPP, the Company made a $4.5 million payment for the second option fee tranche, which was recorded as research and development expense for the nine months ended September 30, 2017.

CPP is considered to be a VIE with respect to the Company. Following the $4.5 million license option tranche payment and $5.0 million investment, the Company reassessed whether it is the primary beneficiary of CPP. The Company concluded that the power to direct the activities that most significantly impact CPP's economic performance continues to be held by the board of directors and management of CPP. The Company does not have a voting representative on CPP's board and does not have the right to appoint or elect such a voting 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 was $10.4 million and $5.2 million as of September 30, 2017, and December 31, 2016, respectively.

The Company has elected the fair value option on the convertible notes received from CPP due to the financial characteristics of the investment. As of September 30, 2017 and December 31, 2016, the fair value of the convertible notes were $10.4 million and $5.2 million, respectively.

9. Intangible Assets

Intangible assets, net consisted of the following as of September 30, 2017 and December 31, 2016:

	September 30, 2017		December 31, 2016	
Carrying amount (in thousands)	Weighted average life (in months)	Carrying amount	Weighted average life (in months)	Carrying amount
Patent and license rights	51	$ 10,513	60	$ 10,513
Manufacturing know-how	59	134,600	65	134,600
Accumulated amortization		(54,401)		(34,142)
Impairment losses		(5,651)		(5,651)
Foreign currency translation adjustments		22,814		22,814
Total intangible assets, net		$ 107,875		$ 128,134

For each of the three months ended September 30, 2017 and 2016, the Company recorded amortization expense of $6.7 million. For the nine months ended September 30, 2017 and 2016, the Company recorded amortization expense of $20.3 million and $18.9 million, respectively.

10. Accrued Expenses and Other Current Liabilities

Accrued expenses consisted of the following at September 30, 2017 and December 31, 2016:

(In thousands)	September 30, 2017	December 31, 2016
Research and development costs	$ 3,645	$ 3,030
Employee compensation	5,473	7,513
Legal and accounting fees	1,005	622
Selling and marketing	958	-
Information technology	444	-
Restructuring	-	163
Other accrued expenses	714	1,061
Total	$ 12,239	$ 12,389

Other current liabilities consisted of the following at September 30, 2017 and December 31, 2016:

(In thousands)	September 30, 2017	December 31, 2016
Indirect taxes payable	$ 5,203	$ 1,756
Squeeze out liability for non-tendering R-Tech shareholders	150	155
Other current liabilities	468	264
Total	$ 5,821	$ 2,175

11. Other Liabilities

Other liabilities consisted of the following at September 30, 2017 and December 31, 2016:

(In thousands)	September 30, 2017	December 31, 2016
Deferred grants	$ 750	$ 750
Unrecognized tax benefits	4,342	4,060
Deferred leasehold incentive	1,458	1,582
Defined benefit obligation	855	818
Lease liability	1,594	1,183
Other	418	398
Total	$ 9,417	$ 8,791

12. Debt

On December 27, 2016, the Company issued $300.0 million aggregate principal amount of its 3.25% Convertible Senior Notes due in 2021 (the Convertible Notes). Interest is payable semi-annually in cash in arrears on June 15 and December 15 of each year, beginning on June 15, 2017, at a rate of 3.25% per year. The Convertible Notes mature on December 15, 2021 unless earlier converted or repurchased, are not redeemable prior to the maturity date and no sinking fund is provided for the Convertible Notes.

As of September 30, 2017, the Company was in compliance with all covenants and conditions under the Convertible Notes.

The Convertible Notes are subject to the fair value disclosure requirements as discussed in Note 6 and are classified as a Level 2 instrument. The estimated fair value of the Convertible Notes at September 30, 2017 and December 31, 2016 was $309.0 million and $319.5 million, respectively.

Total future interest and debt principal repayment obligations related to the Convertible Notes were as follows as of September 30, 2017:

(In thousands)	Year Ending December 31,
2017	$ 2,458
2018	9,750
2019	9,750
2020	9,752
2021	309,323
Total minimum interest and debt principal payments	$ 341,033

On October 31, 2017, the Company, as borrower, entered into a credit agreement, (Credit Agreement) with JPMorgan Chase Bank, N.A., as administrative agent, and the lenders, providing for (i) a three-year, $100 million revolving loan facility and (ii) an uncommitted accordion facility subject to the satisfaction of certain conditions (collectively, the Facility). The Facility includes a $50 million multicurrency subfacility, a $5 million letter of credit subfacility and a $5 million swing line loan subfacility. Loans under the Facility bear interest, at the Company's option, at a rate equal to either (a) the LIBOR rate, plus an applicable margin ranging from 2.50% to 3.50% per annum, based upon the total net leverage ratio, or (b) the prime lending rate, plus an applicable margin ranging from 1.50% to 2.50% per annum, based upon the total net leverage ratio. Any borrowings of the Facility through the end of 2018 will be fixed to an interest rate of LIBOR plus 300 basis points.

The Company can borrow under the Facility through October 31, 2020, at which time the Facility expires and all outstanding principal amounts will be due and payable. The Facility is secured by all tangible and intangible assets of the Company and certain of its subsidiaries, except for certain customary excluded assets, and 65% of the capital stock of certain of the Company's foreign subsidiaries. Any undrawn amount of the Facility will accrue a commitment fee of 0.50% through the end of 2018. The commitment fee for any undrawn amount of the Facility after 2018 may fluctuate based on the Company's total net leverage ratio for the remainder of the term. The Facility requires the Company to comply with financial covenants, including a maximum senior secured net leverage ratio, minimum liquidity and minimum EBITDA covenants. There was no outstanding balance under the Facility as of the date of issuance of these financial statements.

13. 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 as of September 30, 2017 were as follows:

(In thousands)	Year Ending December 31,
2017	$ 579
2018	2,173
2019	1,672
2020	1,426
2021	1,328
Total minimum lease payments	$ 7,178

Rent expense for all operating leases was $0.4 million and $0.7 million for the three months ended September 30, 2017 and September 30, 2016, respectively and $1.2 million and $2.0 million for the nine months ended September 30, 2017 and 2016, respectively.

CPP

As described in Note 8, under the terms of the CPP Option Agreement, CPP granted the Company the sole option to acquire an exclusive license to commercialize CPP-1X/Sulindac combination product in North America.

Upon exercise of its exclusive option, the Company would acquire the rights to negotiate an exclusive license to develop and commercialize the product in North America for all indications. In connection with the execution of the definitive license agreement, the Company could be obligated to pay CPP up to an aggregate of $190.0 million of specified license fees and clinical development and sales milestones. The first such payment to CPP would be due upon the execution of the license agreement; the amount of the license fee will be $5.0 million if the Company's option is exercised prior to the completion of the CPP FAP-310 trial or $10.0 million if the license agreement is exercised after such completion. Under the terms of the license, the Company and CPP would share equally in net profits from the sale of licensed products.

14. Stock Option Plans

A summary of employee stock option activity for the nine months ended September 30, 2017 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, 2016	4,642,399	$ 10.86		
Options granted	-	-		
Options exercised	(119,995)	4.98		
Options forfeited	(468,770)	10.91		
Options expired	(12,599)	9.60		
Options outstanding, September 30, 2017	4,041,035	11.03	6.9	$ 8,765,785
Options exercisable, September 30, 2017	2,425,729	10.05	6.2	$ 6,984,532
Options vested and expected to vest, September 30, 2017	4,041,035	11.03	6.9	$ 8,765,785

A summary of employee stock option activity for the nine months ended September 30, 2017 under the Company's 2016 Equity Incentive Plan (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, 2016	74,750	$ 12.66		
Options granted	1,993,694	11.36		
Options exercised	-	-		
Options forfeited	(91,557)	11.85		
Options expired	(36,700)	13.97		
Options outstanding, September 30, 2017	1,940,187	11.33	7.8	$ 1,315,226
Options exercisable, September 30, 2017	377,153	11.36	0.6	$ 539,950
Options vested and expected to vest, September 30, 2017	1,940,187	11.33	7.8	$ 1,315,226

The weighted average grant date fair value of options granted during the nine months ended September 30, 2017 was $5.33.

A summary of employee restricted stock units activity for the nine months ended September 30, 2017 under the Company's 2016 Plan is presented below:

2016 Equity Incentive Plan	Shares	Weighted Average Grant Date Fair Value
Outstanding Restricted Stock Units, December 31, 2016	63,700	$ 12.29
Restricted Stock Units granted	487,454	11.77
Restricted Stock Units vested	(86,900)	12.17
Restricted Stock Units forfeited	(15,729)	11.85
Outstanding Restricted Stock Units, September 30, 2017	448,525	11.76

Employee Stock Purchase Plan

The following table summarizes the activity under the Company's Amended and Restated 2006 Employee Stock Purchase Plan for the nine months ended September 30, 2017 and 2016:

	Nine Months Ended September 30,	
(In thousands, except share amounts)	2017	2016
Shares issued under the ESPP	25,203	18,719
Cash received by the Company under the ESPP	$ 229,537	$ 174,572

Accumulated Other Comprehensive Income

The following table details the accumulated other comprehensive income (loss) activity for the nine months ended September 30, 2017 and 2016:

(In thousands)	Foreign Currency Translation Adjustments	Unrealized Income on Investments, Net of Tax Effect	Unrealized Gain (Loss) on Pension Benefit Obligation	Accumulated Other Comprehensive Income
Balance January 1, 2016	$ 14,243	$ 42	$ (873)	$ 13,412
Other comprehensive income (loss) before reclassifications	40,890	-	37	40,927
Amounts reclassified from accumulated other comprehensive loss	-	-	-	-
Balance September 30, 2016	$ 55,133	$ 42	$ (836)	$ 54,339
Balance January 1, 2017	$ 55,119	$ 42	$ (634)	$ 54,527
Other comprehensive loss before reclassifications	(77)	-	7	(70)
Amounts reclassified from accumulated other comprehensive loss	-	-	-	-
Balance September 30, 2017	$ 55,042	$ 42	$ (627)	$ 54,457

15. 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 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 months ended September 30, 2017 and 2016, the actual effective tax rates were 41% and 47.8%, respectively, and for the nine months ended September 30, 2017 and 2016, the actual effective tax rates were (8.3%) and 57.4%, respectively. The decrease in the effective tax rate for the three months ended September 30, 2017 and September 30, 2016 was due to a decrease in current U.S. income inclusions for activities captured in the Company's controlled foreign corporations. The decrease in the effective tax rate for the nine months ended September 30, 2017 and September 30, 2016 was primarily due to the non-deductibility of the acquired in-process research and development expense during 2017. Tax expense for the three months ended September 30, 2017 decreased compared to the three months ended September 30, 2016 due to the lower effective tax rate described above. Tax expense for the nine months ended September 30, 2017 increased compared to the nine months ended September 30, 2016 primarily due an increase in earnings with no tax benefit available for the acquired in-process research and development in 2017 from Vtesse.

The Company assesses uncertain tax positions in accordance with ASC 740 (ASC 740-10 Accounting for Uncertainties in Tax). As of September 30, 2017, the Company's net unrecognized tax benefits totaled $3.2 million, excluding interest and penalties. Of this balance, $1.7 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 2012 to 2016 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. On October 18, 2017, the Company was informed its Japanese subsidiaries' 2013 through 2017 Japanese income tax returns are under audit by the Japan Tax Authority (Regional Taxation Bureau).

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, 2016, which we filed with the SEC on March 8, 2017. 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, 2016 which are included in our Annual Report on Form 10-K.

Overview

We are a global biopharmaceutical company focused on innovative research and development of proprietary drugs to treat gastrointestinal, ophthalmic, autoimmune, inflammatory, neurological and oncology 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 acquiring new products and product candidates.

Our operations are conducted through subsidiaries based in the United States (U.S.), Japan, Switzerland, and the United Kingdom (U.K.). 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 currently required to provide a minimum annual commercial investment under the North America Takeda Agreement and may reduce the minimum annual commercial investment on a specified date, or earlier if a generic equivalent enters the market. In October 2015, Health Canada approved AMITIZA for CIC in adults. In October 2014, we signed amendments (Takeda Amendments) to the North America Takeda Agreement which, among other things, extended the term of the North American Takeda Agreement beyond December 2020. During the extended term beginning in January 2021, we will share with Takeda the 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 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 November 9, 2016, 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, Inc. (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 for CIC in the U.K.

In January 2016, we received notification from the Medicines and Healthcare Products Regulatory Agency of the U.K. that our appeal for the OIC indication was not approved. In January 2015, we successfully completed the European mutual recognition procedure for AMITIZA for the treatment of CIC in Austria, Belgium, Germany, Italy, Ireland, Luxembourg, Netherlands and Spain, resulting marketing authorizations in these markets. Takeda became the marketing authorization holder in Switzerland in April 2015, as well as in the U.K., Austria, Belgium, Germany, Netherlands, Ireland, Italy, Luxembourg and Spain during 2016.

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. An NDA for the treatment of CIC, IBS-C and OIC was approved in Kazakhstan in December 2015. Additional NDA submissions have been made by Takeda in Singapore in May 2016, and in South Africa and Indonesia in June 2016, and are planned in various other markets in 2017 and future years.

RESCULA (unoprostone isopropyl)

As part of the acquisition of R-Tech Ueno, Ltd. (R-Tech) in October 2015, we acquired global rights to RESCULA, an ophthalmology product used to lower intraocular pressure (IOP).

In the fourth quarter of 2014 we ceased marketing RESCULA in the United States 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.

In Japan, RESCULA was approved by the Ministry of Health, Labour and Welfare in 1994 for the treatment of glaucoma and ocular hypertension. In Japan, RESCULA is no longer protected by regulatory or intellectual property exclusivity. In March 2012, R-Tech signed a distribution agreement (Japan Santen Agreement) with Santen Pharmaceutical Co., Ltd. (Santen) to commercialize RESCULA in Japan. As part of the acquisition of R-Tech in 2015, we acquired R-Tech's rights and obligations under the Japan Santen Agreement.

In Taiwan, R-Tech signed a manufacturing and supply agreement with Sinphar Pharmaceutical, Co., Ltd. and also executed the distribution agreement with Zuellig Pharma, Inc. in April 2013.

In February 2017, the import license for RESCULA in South Korea was withdrawn by Dong-A ST Co., Ltd., our local distributor.

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	Phase 4 post-marketing study on higher dosage (and with additional male subjects) pending
U.S.	Commercial	Opioid-induced constipation (OIC) in patients with chronic non-cancer pain	Marketed	____
U.S. & European Union (EU)	Clinical	Pediatric functional constipation (6 months - 6 years)	Phase 3	Phase 3
U.S.	Clinical	Pediatric IBS-C (6 years - 17 years)	Phase 3	Phase 3
U.S. & EU	Clinical	Pediatric functional constipation (6 years - 17 years)	sNDA submitted	Regulatory review for market approval
Japan	Commercial	Chronic constipation	Marketed	____
Japan	Clinical	CIC adults, 2x12mcg capsule	sNDA submitted	Regulatory review for market approval
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	Determine launch feasibility and plans
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	Approved and marketed	____
Israel	Commercial	IBS-C - adult women	Approved and marketed	____
Israel	Commercial	OIC in patients with chronic non-cancer pain	Approved and marketed	____
Mexico	Clinical	CIC-adults of all ages	Phase 3 completed	Regulatory review for market approval
Mexico	Clinical	IBS-C - adult women	Phase 3 completed	Regulatory review for market approval
Mexico	Clinical	OIC in patients with chronic non-cancer pain	Phase 3 completed	Regulatory review for market approval
Russia	Clinical	CIC-adults of all ages	Phase 3 completed	Regulatory review for market approval
Russia	Clinical	IBS-C - adult women	NDA filed	Regulatory review for market approval
South Korea	Clinical	CIC-adults of all ages	Phase 3 completed	Regulatory review for market approval
South Korea	Clinical	IBS-C - adult women	Phase 3 completed	Regulatory review for market approval
South Korea	Clinical	OIC in patients with chronic non-cancer pain	Phase 3 completed	Regulatory filing for market approval
Kazhakstan	Commercial	CIC-adults of all ages	Registered	Determine launch feasibility and plans
Kazhakstan	Commercial	IBS-C - adult women	Registered	Determine launch feasibility and plans
Kazhakstan	Commercial	OIC in patients with chronic non-cancer pain	Registered	Determine launch feasibility and plans
Singapore	Commercial	CIC	Approved	____
Singapore	Commercial	OIC	Approved	____
Singapore	Commercial	IBS-C - expanded to women and men	Approved	____
Unoprostone isopropyl (RESCULA®)				
Japan	Commercial	Glaucoma and ocular hypertension	Marketed	____
CPP-1X/sulindac combination product				
U.S.	Clinical and Option	Familial adenomatous polyposis (FAP) - adults of all ages	Phase 3	Complete Phase 3 trial
VTS-270 for Niemann-Pick disease type C1 product				
U.S. & EU (and rest of world)	Clinical	Niemann-Pick disease type C1	Phase 2b/3	Complete Phase 2b/3 trial

Our Clinical Development Programs

Lubiprostone

Alternate Formulation

We are developing an alternate formulation of lubiprostone for both adult and pediatric patients. Takeda has agreed to fund 100% of the costs, up to a cap, of this alternate formulation work. We recently completed a Phase 3 study to evaluate the bioequivalence of the alternate "sprinkle" and capsule formulations of lubiprostone as compared to placebo in adult subjects with CIC. The results of the study did not show bioequivalence between the formulations, although clinical activity was observed and treatment was well tolerated. Our focus continues to be on the potential approval of the pediatric indication; however, we have announced that we will not be moving forward with an NDA submission for the sprinkle formulation in adults.

Pediatric Functional Constipation

A 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 was 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 November 2016, 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 have entered into a process with the U.S. Food and Drug Administration (FDA) and other constituencies and, as a result of initial discussion with the FDA, we submitted an sNDA on July 28, 2017, which has been accepted with priority review. Additionally, after further consultations with the FDA to better determine the doses and endpoints that should be studied, following the Phase 3 program for the alternate formulation of lubiprostone described above, we plan to initiate in mid-2018 a Phase 3 program in patients 6 months to likely 6 years of age using the alternate formulation. Takeda agreed to fund 70% of the costs, up to a cap, and then 50% of the costs thereafter, of this pediatric functional constipation program. In June 2017, we reached the spending cap; accordingly, Takeda is now responsible for reimbursing 50% of the pediatric research and development costs.

CPP 1-X/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, 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, known as CPP FAP-310, 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. On June 7, 2017 CPP informed us that an independent Data Monitoring Committee, following a planned interim futility analysis, found no reason to discontinue the Phase 3 study. Results from the clinical trial are expected in 2018. Pursuant to our agreement with CPP, we made the $4.5 million payment for the second option fee tranche in July 2017.

VTS-270 for Niemann-Pick Disease Type C1 (NPC-1)

On March 31, 2017, we entered into an Agreement and Plan of Merger with Vtesse Inc. (Vtesse) a privately-held rare disease company. Following the closing of this acquisition on April 3, 2017, we acquired Vtesse's lead product candidate, known as VTS-270. VTS-270 is a well-characterized mixture of 2-hydroxypropyl-ß-cyclodextrins (HPßCD) with a specific compositional fingerprint that distinguishes it from other HPßCD mixtures. It is administered by an intrathecal infusion to directly address the neurological manifestations of disease. Preclinical and early clinical studies suggest that the administration of VTS-270 may slow or stop certain indicators of NPC-1, an ultra-orphan, progressive and fatal disease caused by a defect in lipid transport within the cell. VTS-270, which is currently in a fully-enrolled pivotal Phase 2b/3 trial, has been granted breakthrough therapy designation in the U.S. and orphan designation in both the U.S. and EU. Effective treatment of NPC-1 remains a high unmet need, with no approved products for patients in the U.S. Results from the pivotal trial are expected in mid-2018.

Non-GAAP Financial Metrics

In addition to disclosing financial results that are determined in accordance with GAAP, we also use the following non-GAAP financial metrics to understand and evaluate our operating performance:

- Adjusted net income, which is GAAP net income (loss) adjusted to exclude the tax-effected impact of (i) amortization of acquired intangibles, (ii) intangible impairment, (iii) legal settlement, (iv) inventory step-up adjustment, (v) research and development license option expense, (vi) restructuring costs, (vii) one-time severance payments (viii) acquisition and integration-related expenses, (ix) acquired in-process research and development, (x) amortization of debt financing costs, (xi) foreign currency effect, and (xii) tax effect of aforementioned adjustments based on statutory tax rates;
- Adjusted EPS-diluted, which is adjusted net income as defined above expressed on a diluted per share basis;
- EBITDA, which is GAAP net income adjusted to exclude (i) taxes, (ii) interest expense, (iii) interest income, (iv) depreciation, (v) amortization of acquired intangibles, and (vi) inventory step-up adjustment;
- Adjusted EBITDA, which is EBITDA as defined above further adjusted to exclude (i) share-based compensation expense, (ii) restructuring costs, (iii) one-time severance payments, (iv) acquired in-process research and development, (v) acquisition and integration-related expenses, (vi) research and development license option expense, (vii) legal settlement, and (viii) foreign currency effect.

We believe that providing this additional information is useful to the reader to better assess and understand our operating performance, primarily because management typically monitors the business adjusted for these items in addition to GAAP results. These non-GAAP financial metrics should be considered supplemental to and not a substitute for financial information prepared in accordance with GAAP. Our definition of these non-GAAP metrics may differ from similarly titled metrics used by others. We view these non-GAAP financial metrics as a means to facilitate our financial and operational decision-making, including evaluation of our historical operating results and comparison to competitors' operating results. These non-GAAP financial metrics reflect an additional way of viewing aspects of our operations that, when viewed with GAAP results may provide a more complete understanding of factors and trends affecting our business. The determination of the amounts that are excluded from these non-GAAP financial metrics is a matter of management judgment and depends upon, among other factors, the nature of the underlying expense or income amounts. Because non-GAAP financial metrics exclude the effect of items that will increase or decrease our reported results of operations, we strongly encourage investors to review our consolidated financial statements and periodic reports in their entirety.

The following tables present reconciliations of these non-GAAP financial metrics to the most directly comparable GAAP financial measure for the three and nine months ended September 30, 2017 and 2016.

Non-GAAP Financial Metrics

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except per share amounts)	2017	2016	2017	2016
Non-GAAP adjusted net income				
GAAP net income (loss)	$ 10,367	$ 8,092	$ (166,175)	$ 3,204
Amortization of acquired intangibles	6,753	6,677	20,258	18,922
Intangible impairment	-	7,286	-	7,286
Legal settlement	-	(9,260)	-	(9,260)
Inventory step-up adjustment	-	-	-	15,235
R&D license option expense	-	-	4,500	3,000
Restructuring costs	-	208	554	1,895
One-time severance payments	-	-	1,460	-
Acquisition and integration-related expenses	54	605	8,175	2,237
Acquired in-process research and development	-	-	186,603	-
Amortization of debt financing costs	489	875	1,438	2,686
Foreign currency effect	797	1,199	1,114	4,208
Tax effect of adjustments	(2,627)	(2,794)	(12,655)	(16,454)
Non-GAAP adjusted net income	$ 15,833	$ 12,888	$ 45,272	$ 32,959
Non-GAAP adjusted EPS - diluted	$ 0.27	$ 0.30	$ 0.78	$ 0.76

(In thousands) Non-GAAP EBITDA				
GAAP net income (loss)	$ 10,367	$ 8,092	$ (166,175)	$ 3,204
Income taxes	7,204	7,410	12,729	4,321
Interest expense	2,956	5,899	8,762	18,141
Interest income	(10)	(31)	(38)	(67)
Depreciation	204	223	624	687
Amortization of acquired intangibles	6,753	6,677	20,258	18,922
Intangible impairment		7,286	-	7,286
Inventory step-up adjustment	-	-	-	15,235
EBITDA	$ 27,474	$ 35,556	$ (123,840)	$ 67,729

(In thousands) Non-GAAP adjusted EBITDA				
EBITDA	$ 27,474	$ 35,556	$ (123,840)	$ 67,729
Share-based compensation expense	2,502	1,722	7,626	5,420
Restructuring costs	-	208	554	1,895
One-time severance payments	-	-	1,460	-
Acquired in-process research and development	-	-	186,603	-
Acquisition and integration-related expenses	54	605	8,175	2,237
R&D license option expense	-	-	4,500	3,000
Legal settlement		(9,260)	-	(9,260)
Foreign currency effect	797	1,199	1,114	4,208
Adjusted EBITDA	$ 30,827	$ 30,030	$ 86,192	$ 75,229

Results of Operations

Comparison of Three Months Ended September 30, 2017 and 2016

Revenues

The following table summarizes our revenues for the three months ended September 30, 2017 and 2016:

	Three Months Ended September 30,	
(In thousands)	**2017**	**2016**
Product sales revenue - AMITIZA	$ 33,652	$ 29,132
Product sales revenue - RESCULA	2,163	2,422
Product royalty revenue	23,024	20,771
Research and development revenue	2,381	3,172
Contract and collaboration revenue	46	2,376
Total	$ 61,266	$ 57,873

Total revenues were $61.3 million for the three months ended September 30, 2017, compared to $57.9 million for the three months ended September 30, 2016, an increase of $3.4 million or 6%.

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 $33.7 million for the three months ended September 30, 2017 compared to $29.1 million for the three months ended September 30, 2016, an increase of $4.6 million or 16%. The increase was primarily attributable to increased AMITIZA sales in Japan under the Japan Mylan Agreement and North America under the North America Takeda Agreement driven by an increase in both volume and price. RESCULA product sales revenue was $2.2 million for the three months ended September 30, 2017 compared to $2.4 million for the three months ended September 30, 2016, a decrease of $0.2 million.

Product royalty revenue

Product royalty revenue primarily represents royalty revenue earned on Takeda net sales of AMITIZA in North America and was $23.0 million for the three months ended September 30, 2017 compared to $20.8 million for the three months ended September 30, 2016, an increase of $2.2 million or 11%. The increase was primarily due to higher Takeda reported AMITIZA net sales which were driven by a mix of price and volume increases and placed us into a higher royalty tier earlier in the third quarter 2017 compared to the third quarter of 2016.

Research and development revenue

Research and development revenue was $2.4 million for the three months ended September 30, 2017 compared to $3.2 million for the three months ended September 30, 2016. The decrease was primarily due to reduced work on pediatric and alternative formulation studies for lubiprostone, which are reimbursed under the Takeda North American Agreement.

Contract and collaboration revenue

Under the Global Takeda Agreement, we received an upfront payment from Takeda of $14.0 million in 2014, of which we were obligated to reimburse Takeda for the first $6.0 million in developmental expenses incurred by Takeda. Contract and collaboration revenue was $46,000 for the three months ended September 30, 2017 compared to $2.4 million for the three months ended September 30, 2016, a decrease of $2.3 million or 98%. The decrease was primarily due to the 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 $17.4 million for the three months ended September 30, 2017 compared to $15.6 million for the three months ended September 30, 2016, an increase of $1.8 million or 12%. The increase was primarily due to the higher volume of AMITIZA product sales and changes in foreign currency exchange rates.

Research and Development Expenses

The following table summarizes our research and development expenses for the three months ended September 30, 2017 and 2016:

	Three Months Ended September 30,	
(In thousands)	**2017**	**2016**
Direct costs:		
Lubiprostone	$ 3,302	$ 6,787
Cobiprostone	-	697
CPP-1X	20	14
RTU-1096	-	383
VTS-270	4,933	-
Other	726	1,023
	8,981	8,904
Indirect costs	1,152	1,072
Total	$ 10,133	$ 9,976

Total research and development expenses for the three months ended September 30, 2017 were $10.1 million compared to $10.0 million for the three months ended September 30, 2016, an increase of $0.1 million. Although the total research and development expense was flat between the periods, the mix of research and development projects has shifted away from lubiprostone and to a new focus on the recently acquired VTS-270 product candidate.

Impairment of In-Process Research and Development

During the quarter ended September 30, 2016, we discontinued our VAP-1 Inhibitor RTU-1096 development program and changed the indication for our VAP-1 Inhibitor RTU-009 program. We 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, we 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 our 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, 2017 and 2016:

	Three Months Ended September 30,	
(In thousands)	**2017**	**2016**
Salaries, benefits and related costs	$ 3,376	$ 2,588
Legal, consulting and other professional expenses	2,596	4,262
Share-based compensation expenses	1,818	1,172
Rent and facilities	312	502
Pharmacovigilance	157	440
Restructuring costs	-	208
R-Tech integration and acquisition costs	-	605
Other expenses	1,713	1,284
Total	$ 9,972	$ 11,061

General and administrative expenses were $10.0 million for the three months ended September 30, 2017, compared to $11.1 million for the three months ended September 30, 2016, a decrease of $1.1 million or 10%. The decrease was primarily due to $1.7 million in legal and professional costs that occurred in the third quarter of 2016 but did not occur in the third quarter of 2017, partially offset by an increase in personnel costs, including share-based compensation, as a result of the Vtesse acquisition in April 2017.

Selling and Marketing Expenses

The following table summarizes our selling and marketing expenses for the three months ended September 30, 2017 and 2016:

	Three Months Ended September 30,	
(In thousands)	**2017**	**2016**
Salaries, benefits and related costs	$ 961	$ 100
Consulting and other professional expenses	474	11
Data purchases	36	43
Promotional materials & programs	181	498
Other expenses	873	44
Total	$ 2,525	$ 696

Selling and marketing expenses were $2.5 million for the three months ended September 30, 2017, compared to $0.7 million for the three months ended September 30, 2016, an increase of $1.8 million or 263%. The increase was primarily due to the creation of a commercial function to support VTS-270 during the three months ended September 30, 2017.

Non-Operating Income and Expense

The following table summarizes our non-operating income and expense for the three months ended September 30, 2017 and 2016:

(In thousands)	Three Months Ended September 30, 2017	2016
Interest income	$ 10	$ 31
Interest expense	(2,956)	(5,899)
Other (expense) income, net	(683)	8,102
Total	$ (3,629)	$ 2,234

Interest expense was $3.0 million for the three months ended September 30, 2017, compared to $5.9 million for the three months ended September 30, 2016, a decrease of $2.9 million or 50%. This decrease resulted from interest rates on notes payable decreasing from 8.4% to 3.25% as a result of refinancing our debt in December 2016. The benefit from the lower interest rates was partially offset by a higher average principal balance.

Other income (expense), net was $(0.7) million for the three months ended September 30, 2017, compared to $8.1 million for the three months ended September 30, 2016, a change of $8.8 million, all of which was primarily attributable to the recognition of $9.3 million in other income from the forgiveness of the Japan Agency for Medical Research & Development (AMED) deferred grant that was a non-recurring event in the three months ended September 30, 2016.

Income Taxes

We recorded an income tax expense of $7.2 million and $7.4 million for the three months ended September 30, 2017 and 2016, respectively. The decrease in the tax provision for the three months ended September 30, 2017 primarily pertained to a decrease in the effective tax rate noted below, partially offset by increased pretax earnings in 2017 as compared to 2016.

The effective tax rate (ETR) for the three months ended September 30, 2017 was 41.0% compared to 47.8% in the same period of 2016. The ETR for the quarter was based on a projection of the full year rate. The decrease in the ETR for the three months ended September 30, 2017 and September 30, 2016 was due to a decrease in current U.S. income inclusions for activities captured in our controlled foreign corporations.

Comparison of Nine Months Ended September 30, 2017 and 2016

Revenues

The following table summarizes our revenues for the nine months ended September 30, 2017 and 2016:

(In thousands)	Nine Months Ended September 30, 2017	2016
Product sales revenue - AMITIZA	$ 97,124	$ 79,253
Product sales revenue - RESCULA	7,082	7,285
Product royalty revenue	62,021	56,222
Research and development revenue	10,880	9,971
Contract and collaboration revenue	338	4,301
Total	$ 177,445	$ 157,032

Total revenues were $177.4 million for the nine months ended September 30, 2017, compared to $157.0 million for the nine months ended September 30, 2016, an increase of $20.4 million or 13%.

Product sales revenue

AMITIZA product sales revenue was $97.1 million for the nine months ended September 30, 2017 compared to $79.3 million for the nine months ended September 30, 2016, an increase of $17.8 million or 22%. The increase was primarily due to increased volumes of AMITIZA sold to Mylan in Japan and Takeda in North America. RESCULA product sales revenue was $7.1 million and $7.3 million for the nine months ended September 30, 2017 and 2016, respectively.

Product royalty revenue

Product royalty revenue primarily represents royalty revenue earned on Takeda net sales of AMITIZA in North America and was $62.0 million for the nine months ended September 30, 2017 compared to $56.2 million for the nine months ended September 30, 2016, an increase of $5.8 million or 10%. The increase was primarily due to higher Takeda reported AMITIZA net sales which were driven by a mix of price and volume increases and placed us into a higher royalty tier earlier in 2017 compared to 2016.

Research and development revenue

Research and development revenue was $10.9 million for the nine months ended September 30, 2017 compared to $10.0 million for the nine months ended September 30, 2016, an increase of $0.9 million or 9%. The increase was due to increased activity on the pediatric and alternative formulation studies for lubiprostone during the nine months ended September 30, 2017, which are reimbursed under the Takeda North American Agreement.

Contract and collaboration revenue

Under the Global Takeda Agreement, we received an upfront payment from Takeda of $14.0 million in 2014, of which we were obligated to reimburse Takeda for the first $6.0 million in developmental expenses incurred by Takeda. Contract and collaboration revenue was $0.3 million for the nine months ended September 30, 2017 compared to $4.3 million for the nine months ended September 30, 2016, a decrease of $4.0 million or 93%. The decrease was primarily attributable to the 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 $51.4 million for the nine months ended September 30, 2017 compared to $59.3 million for the same period in 2016, an decrease of $7.9 million or 13%. The decrease was primarily due to the release of inventory step up of $15.2 million in 2016 that did not recur in 2017, partially offset by an increased cost of goods related to higher volume of AMITIZA product sales and foreign currency fluctuations.

Research and Development Expenses

The following table summarizes our research and development expenses for the nine months ended September 30, 2017 and 2016:

	Nine Months Ended September 30,	
(In thousands)	**2017**	**2016**
Direct costs:		
Lubiprostone	$ 18,649	$ 18,139
Cobiprostone	-	5,736
CPP-1X	4,538	2,942
RTU-1096	-	2,530
VTS-270	9,681	-
Other	2,969	2,884
	35,837	32,231
Indirect costs	3,727	3,349
Total	$ 39,564	$ 35,580

Total research and development expenses for the nine months ended September 30, 2017 were $39.6 million compared to $35.6 million for the nine months ended September 30, 2016, an increase of $4.0 million or 11%. The increase was primarily due to research and development activity related to our VTS-270 product candidate and the option fee related to the positive result from CPP's futility analysis, partially offset by the discontinuation of certain research and development programs.

Acquisition

In April 2017, we acquired Vtesse, including its Phase 2b/3 product candidate known as VTS-270 (the IPR&D asset), a well-characterized mixture of 2-hydroxypropyl-ß-cyclodextrins (HPßCD) with a specific compositional fingerprint that distinguishes it from other HPßCD mixtures, for the treatment of Niemann-Pick Disease Type C1 (NPC-1), an ultra-orphan, progressive and fatal disease. Among the significant strategic benefits of the acquisition were that the purchased IPR&D further diversified our pipeline through the acquisition of a late-stage program, increased our focus on a specialized area of high unmet need, and is expected to be accretive beginning in 2019. Under the terms of the agreement, we paid upfront consideration of $212.0 million and agreed to pay contingent consideration based on mid-single digit to double-digit royalties on global net sales of the product based on increasing net sales levels, and a share of net proceeds that may be generated from the monetization of a pediatric review voucher, which we expect to be granted in connection with the U.S. regulatory approval of VTS-270. Of the $212.0 million consideration, we made a cash payment of $182.0 million and re-issued $30.0 million of Treasury Stock, in the form of 2,782,678 Class A common shares, based upon the closing price of $10.78 on April 3, 2017, to former Vtesse stockholders.

The following summarizes the preliminary purchase price allocation:

(In thousands)		
Total purchase price	$	211,996
Total fair value of tangible assets acquired and liabilities assumed:		
Deferred Tax Assets		(13,613)
Net Assets		(11,780)
Total IPR&D asset	$	186,603

Vtesse did not meet the definition of a business under ASC 805, as substantially all of the fair value of Vtesse was attributable to the VTS-270 IPR&D asset. Based on the asset acquisition method of accounting, the consideration paid was allocated primarily to the IPR&D asset acquired of $186.6 million, which was immediately expensed as the IPR&D asset has no other alternate use. The balance was allocated to the remaining assets and liabilities based on their estimated fair values. The acquired IPR&D expense is not tax deductible.

The acquisition of the IPR&D asset and related expense had a significant impact on our results of operations for the nine months ended September 30, 2017. The following summary shows the impact of IPR&D expense on our net loss per share:

(In thousands, except per share data)		**Nine Months Ended September 30, 2017**
Net loss	$	(166,175)
Weighted average Class A Common shares outstanding - basic and diluted		45,338
Net loss per share - Basic and diluted	$	(3.67)
Net loss adjustments:		
Add: Acquired in-process research and development	$	186,603
Add: Remaining adjusted net income (loss) items		24,844
Non-GAAP adjusted net income	$	45,272
Add back: Accrued interest expense on convertible debt, net of tax	$	4,362
Adjustment to weighted average shares outstanding:		
Assumed exercise of options under treasury stock method		553
Assumed shares if-converted		18,079
Weighted average Class A Common shares outstanding- diluted		63,970
Impact of IPR&D per share - diluted	$	2.92
Impact of other adjusted net income (loss) items - diluted	$	0.39
Non-GAAP adjusted EPS - diluted	$	0.78

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the nine months ended September 30, 2017 and 2016:

	Nine Months Ended September 30,	
(In thousands)	**2017**	**2016**
Salaries, benefits and related costs	$ 11,236	$ 8,407
Legal, consulting and other professional expenses	16,025	9,555
Stock-based compensation expenses	5,211	3,843
Rent and facilities	947	1,657
Insurance	759	688
Pharmacovigilance	705	1,311
Restructuring costs	365	1,895
R-Tech integration and acquisition costs	-	2,206
Other expenses	3,998	2,849
Total	$ 39,246	$ 32,411

General and administrative expenses were $39.2 million for the nine months ended September 30, 2017, compared to $32.4 million for the nine months ended September 30, 2016, an increase of $6.8 million or 21%. The increase was primarily due to a $6.4 million increase in legal, consulting and other professional expenses related to the initiation of our patent litigations against Amneal and Teva (as discussed under “Legal Proceedings” below), as well as the acquisition of Vtesse and subsequent inclusion of Vtesse administrative costs, partially offset by lower restructuring costs and R-Tech integration and acquisition costs for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016.

Selling and Marketing Expenses

The following table summarizes our selling and marketing expenses for the nine months ended September 30, 2017 and 2016:

	Nine Months Ended September 30,	
(In thousands)	**2017**	**2016**
Salaries, benefits and related costs	$ 1,822	434
Consulting and other professional expenses	592	67
Data purchases	112	133
Promotional materials & programs	398	1,295
Other expenses	1,528	165
Total	$ 4,452	$ 2,094

Selling and marketing expenses were $4.5 million for the nine months ended September 30, 2017, compared to $2.1 million for the nine months ended September 30, 2016, an increase of $2.4 million or 114%. The increase was primarily due to creation of a commercial function to support VTS-270, partially offset by the reduction in our RESCULA sales and marketing efforts in Japan.

Non-Operating Income and Expense

The following table summarizes our non-operating income and expense for the nine months ended September 30, 2017 and 2016:

	Nine Months Ended September 30,	
(In thousands)	**2017**	**2016**
Interest income	$ 38	$ 67
Interest expense	(8,762)	(18,141)
Other (expense) income, net	(948)	5,216
Total	$ (9,672)	$ (12,858)

Interest expense was $8.8 million for the nine months ended September 30, 2017, compared to $18.1 million for the nine months ended September 30, 2016, an decrease of $9.3 million or 52%. This decrease resulted from interest rates on notes payable decreasing from 8.4% to 3.25% as a result of refinancing our debt in December 2016. The benefit from the lower interest rates was partially offset by a higher average principal balance.

Other (expense) income, net was $(0.9) million for the nine months ended September 30, 2017, compared to $5.2 million for the nine months ended September 30, 2016, a change of $6.1 million. The change was primarily attributable to the recognition of $9.3 million in other income from the forgiveness of the AMED deferred grant that was a non-recurring event in the three months ended September 30, 2016, partially offset by foreign currency exchange rate fluctuations.

Income Taxes

We recorded an income tax expense of $12.7 million and $4.3 million for the nine months ended September 30, 2017 and 2016, respectively. In 2017, the year to date earnings (prior to considering the expense recognized for acquired in-process research and development) exceeded the pre-tax earnings for the nine months ended September 30, 2016. This increase in earnings (before in-process research and development charge from Vtesse), along with no tax benefit available for the acquired in-process research and development from Vtesse, were the primary drivers of increase in tax expense.

The effective tax rate (ETR) for the nine months ended September 30, 2017 was (8.3%) compared to 57.4% in the same period of 2016. The ETR for the nine-month period was based on a projection of the full year rate. The decrease in the ETR was primarily due to the non-deductibility of the acquired in-process research and development expense.

Reportable Operating Segments

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

Financial Condition, Liquidity and Capital Resources

Financial Condition

Sources of Liquidity

We finance our operations principally from cash generated from revenues, cash and cash equivalents on hand, debt and, to a lesser extent, from cash generated from the issuance and sale of our class A common stock and through the exercise of employee stock options. Revenues generated from operations principally consist of a combination of royalty payments, product sales, development milestone payments and research and development expense reimbursements received from Takeda, Mylan and other parties.

Our cash, cash equivalents and restricted cash consisted of the following as of September 30, 2017 and December 31, 2016:

(In thousands)	September 30, 2017	December 31, 2016
Cash and cash equivalents	$ 75,041	$ 198,308
Restricted cash, current	-	213
Total	$ 75,041	$ 198,521

Our cash and cash equivalents are deposited in operating accounts and highly liquid investments with an original maturity at time of purchase of 90 days or less. Our restricted cash, which was released in July 2017, consisted of a certificate of deposit pledged to support an operating lease for our former office facility in Bethesda, Maryland.

On April 3, 2017, we acquired Vtesse for upfront consideration of $212.0 million. The acquisition was funded through the issuance of 2,782,676 shares of our Class A common stock and $182.0 million of cash on hand. Substantially all of the fair value of Vtesse is related to VTS-270, its only significant asset. VTS-270 is an investigational drug in a pivotal Phase 2b/3 study for the treatment of NPC-1, an ultra-orphan, progressive and fatal disease.

On October 31, 2017, we, as borrower, entered into a credit agreement, (Credit Agreement) with JPMorgan Chase Bank, N.A., as administrative agent, and the lenders, providing for (i) a three-year, $100 million revolving loan facility and (ii) an uncommitted accordion facility subject to the satisfaction of certain conditions (collectively, the Facility). The Facility includes a $50 million multicurrency subfacility, a $5 million letter of credit subfacility and a $5 million swing line loan subfacility. Loans under the Facility bear interest, at our option, at a rate equal to either (a) the LIBOR rate, plus an applicable margin ranging from 2.50% to 3.50% per annum, based upon the total net leverage ratio (as defined in the Credit Agreement), or (b) the prime lending rate, plus an applicable margin ranging from 1.50% to 2.50% per annum, based upon the total net leverage ratio. Any borrowings of the Facility through the end of 2018 will be fixed to an interest rate of LIBOR plus 300 basis points.

We can borrow under the Facility through October 31, 2020, at which time the Facility expires and all outstanding principal amounts will be due and payable. The Facility is secured by all tangible and intangible assets of the Company and certain of its subsidiaries, except for certain customary excluded assets, and 65% of the capital stock of certain foreign subsidiaries of ours. Any undrawn amount of the Facility will accrue a commitment fee of 0.50% through the end of 2018. The commitment fee for any undrawn amount of the Facility after 2018 may fluctuate based on the Company's total net leverage ratio for the remainder of the term. The Facility requires us to comply with financial covenants, including a maximum senior secured net leverage ratio, minimum liquidity and minimum EBITDA covenants. There was no outstanding balance under the Facility as of the date of this report..

Cash Flows

The following table summarizes our cash flows for the nine months ended September 30, 2017 and 2016:

(In thousands)	Nine Months Ended Sept 30, 2017	2016
Cash provided by (used in):		
Operating activities	$ 50,941	$ 30,748
Investing activities	(175,068)	(1,835)
Financing activities	926	(16,820)
Effect of exchange rates	(66)	8,088
Net (decrease) increase in cash and cash equivalents	$ (123,267)	$ 20,181

Nine months ended September 30, 2017

Net cash provided by operating activities was $50.9 million for the nine months ended September 30, 2017. This was primarily due to net loss of $166.2 million plus adjustments to reconcile net income to net cash provided by operating activities consisting of acquired in-process research and development of $186.6 million, depreciation and amortization of $22.4 million and stock-based compensation expense of $8.1 million, as well as $0.6 million from changes in operating assets and liabilities, consisting primarily of a $13.4 million decrease in accounts receivable and product royalties receivable, a $2.8 million increase in accrued interest payable and a $3.3 million decrease in other assets and liabilities, net, offset by a $14.5 million increase in prepaid and income taxes receivable and payable, net, and a $4.5 million decrease in accounts payable.

Net cash used in investing activities was $175.1 million for the nine months ended September 30, 2017, consisting of $182.0 million of cash used to purchase in-process research and development from Vtesse, net of $12.3 million cash acquired, an investment in a convertible note receivable from CPP of $5.0 million and $0.4 million of purchases of property and equipment.

Net cash provided by financing activities was $0.9 million for the nine months ended September 30, 2017, consisting primarily of $0.6 million from the exercise of options and $0.2 million from purchases through the employee stock purchase plan.

The effect of exchange rates on the cash balances of currencies held in foreign denominations for nine months ended September 30, 2017 was a decrease of $66,000.

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, non-cash impairment 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 the Japan Agency for Medical Research & Development deferred grant forgiveness of $9.3 million. 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 $16.8 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 $1.7 million received upon the exercise of options and $0.2 million from purchases through the employee stock purchase plan.

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.

Off-Balance Sheet Arrangements

As of September 30, 2017, 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 VTS-270 and other potential 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 on-going and potential 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 Convertible Notes and amounts due under the Facility.

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 and 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 public offerings or private placements of our equity securities, further debt financings or corporate collaboration and licensing arrangements.

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 at least 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 denominated 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 either 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, 2017 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, 2016, which was filed with the SEC on March 8, 2017.

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 payable by us on the Convertible Notes. As our investment portfolio is immaterial at this time and the interest rate on our Convertible Notes is fixed at 3.25% through 2021, we believe that our exposure to market risks associated with changes in interest rates is nominal.

Credit Risk

Our exposure to cr edit 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 our $10.0 million investment in CPP.

As of September 30, 2017 and December 31, 2016, 1.5% and less than 1.0%, 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, 2017. 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, 2017, 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

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II — OTHER INFORMATION

Item 1. ***Legal Proceedings.***

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. On November 11, 2016, the Court (i) dismissed the petitions with respect to all shares purchased by the complainants after the public notice of the acquisition and (ii) with respect to shares purchase prior to such public notice, determined that the tender offer price was fair. One of the petitioners appealed this ruling; however, the appellate proceeding was dismissed on February 15, 2017. The petitioner appealed to the Supreme Court of Japan; this final appeal was dismissed on September 13, 2017.

On March 2, 2017, we received a Paragraph IV certification notice letter ("Notice Letter") regarding an Abbreviated New Drug Application ("ANDA") submitted to the FDA by Amneal Pharmaceuticals, LLC ("Amneal") 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, Amneal alleges that certain patents covering compositions, formulations and methods of using AMITIZA, are invalid, unenforceable and/or will not be infringed by Amneal's manufacture, use or sale of the product described in its ANDA. On April 13, 2017, 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 Amneal related to the ANDA filed by Amneal. The lawsuit claims infringement of five 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 Amneal's ANDA will be stayed up to 30 months from the date of receipt of the notice letter. This litigation remains ongoing as of the date of this report.

On August 14, 2017, we received a Notice Letter regarding an ANDA submitted to the FDA by Teva Pharmaceuticals USA, Inc. ("Teva") 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, Teva alleges that certain patents covering compositions, formulations and methods of using AMITIZA, are invalid, unenforceable and/or will not be infringed by Teva's manufacture, use or sale of the product described in its ANDA. On September 25, 2017, 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 Teva and Teva Pharmaceutical Industries Ltd. related to the ANDA filed by Teva. The lawsuit claims infringement of nine 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 Teva's ANDA will be stayed up to 30 months from the date of receipt of the notice letter. This litigation remains ongoing as of the date of this report.

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, 2016, filed by us with the SEC on March 8, 2017. 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, 2016.

Item 5. ***Other Information.***

On October 31, 2017, the Company, as borrower, entered into a credit agreement, (the "***Credit Agreement***") with JPMorgan Chase Bank, N.A., as administrative agent, and the lenders from time to time party thereto (the "***Lenders***"), providing for (i) a three-year, $100 million revolving loan facility (the "***Revolving Credit Facility***") and (ii) an uncommitted accordion facility subject to the satisfaction of certain conditions (collectively, the "***Senior Secured Credit Facility***"). The Revolving Credit Facility includes a $50 million multicurrency subfacility, a $5 million letter of credit subfacility and a $5 million swing line loan subfacility.

Loans under the Revolving Credit Facility bear interest, at the Company's option, at a rate equal to either (a) the LIBOR rate, plus an applicable margin ranging from 2.50% to 3.50% per annum, based upon the total net leverage ratio (as defined in the Credit Agreement), or (b) the prime lending rate, plus an applicable margin ranging from 1.50% to 2.50% per annum, based upon the total net leverage ratio (as defined in the Credit Agreement).

The obligations under the Credit Agreement and any swap obligations and banking services obligations owing to a Lender (or an affiliate of a Lender) thereunder are and will be guaranteed by the Company and each of the Company's existing and subsequently acquired or organized direct and indirect domestic subsidiaries (other than certain immaterial domestic subsidiaries, certain domestic subsidiaries that hold no assets other than equity interests of foreign subsidiaries ("***Domestic Foreign Holding Companies***") and certain domestic subsidiaries whose equity interests are owned directly or indirectly by certain foreign subsidiaries) (collectively, the "***Loan Parties***"). The obligations under the Credit Agreement and any such swap and banking services obligations are secured, subject to customary permitted liens and other agreed upon exceptions, by a perfected security interest in (i) all tangible and intangible assets of the Loan Parties, except for certain customary excluded assets, and (ii) all of the capital stock owned by the Loan Parties thereunder (limited, in the case of the stock of certain non-U.S. subsidiaries of the Company and Domestic Foreign Holding Companies, to 65% of the capital stock of such subsidiaries). The Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants, including, among other things, restrictions on indebtedness, liens, investments, mergers, dispositions, prepayment of other indebtedness and dividends and other distributions. Under the terms of the Credit Agreement, the Company is required to comply with a maximum senior secured net leverage ratio, minimum liquidity and minimum EBITDA covenants.

Events of default under the Credit Agreement include: (i) the failure by the Company to timely make payments due under the Credit Agreement; (ii) material misrepresentations or misstatements in any representation or warranty by any Loan Party when made; (iii) failure by any Loan Party to comply with the covenants under the Credit Agreement and other related agreements; (iv) certain defaults under a specified amount of other indebtedness of the Company or its subsidiaries; (v) insolvency or bankruptcy-related events with respect to the Company or any of its material subsidiaries; (vi) certain undischarged judgments against the Company or any of its subsidiaries; (vii) certain ERISA-related events reasonably expected to have a material adverse effect on the Company and its subsidiaries taken as a whole; (viii) any collateral document failing to create a valid and perfected first priority security interest except as permitted by the terms of the Credit Agreement and the other loan documents; (ix) any material provision of any loan document ceasing to be, or being asserted by any Loan Party not to be, in full force and effect; and (x) the occurrence of a change of control. If one or more events of default (other than an insolvency or bankruptcy default with respect to the Company) occurs and continues beyond any applicable cure period, the administrative agent may, with the consent of the Lenders holding a majority of the loans and commitments under the facilities, or will, at the request of such Lenders, terminate the commitments of the Lenders to make further loans and declare all of the obligations of the Loan Parties under the Credit Agreement to be immediately due and payable. If an insolvency or bankruptcy default occurs with respect to the Company and continues beyond any applicable cure period, the commitments will be terminated and the obligations of the Loan Parties under the Credit Agreement will be immediately due and payable, without presentment, demand, protest or other notice.

The representations, warranties and covenants contained in the Credit Agreement were made only for purposes of the Credit Agreement, are solely for the benefit of the parties (except as specifically set forth therein), may be made for the purpose of allocating contractual risk between the parties instead of establishing matters as facts, and may be subject to standards of materiality and knowledge applicable to the contracting parties that differ from those applicable to the investors generally. Investors should not rely on the representations, warranties and covenants or any description thereof as characterizations of the actual state of facts or condition of the Company.

The foregoing summary of the Credit Agreement and the transactions contemplated thereby does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Credit Agreement, a copy of which will be filed with the Registrant's Annual Report on Form 10-K for the year ending December 31, 2017.

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	3.1	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	Second Amendment to Office Lease Agreement, dated as of September 5, 2017, by and between the Registrant and Four Irvington Centre Associates, LLC.	Included herewith			
12.1	Ratio of earnings to fixed charges	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			
101.[INS]	XBRL Instance Document	Included herewith			
101.[SCH]	XBRL Taxonomy Extension Schema Document	Included herewith			
101.[CAL]	XBRL Taxonomy Extension Calculation Linkbase Document	Included herewith			
101.[DEF]	XBRL Taxonomy Extension Definition Linkbase Document	Included herewith			
101.[LAB]	XBRL Taxonomy Extension Label Linkbase Document	Included herewith			
101.[PRE]	XBRL Taxonomy Extension Presentation Linkbase Document	Included herewith			

* 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.

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 1, 2017 By: /s/ PETER GREENLEAF
Peter Greenleaf
Chief Executive Officer
(Principal Executive Officer)

November 1, 2017 By: /s/ PETER PFREUNDSCHUH
Peter Pfreundschuh
Chief Financial Officer
(Principal Financial Officer)

Sucampo Pharmaceuticals, Inc.
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SECOND AMENDMENT TO OFFICE LEASE AGREEMENT

THIS SECOND AMENDMENT TO OFFICE LEASE AGREEMENT (this "Second Amendment") is made this ___ day of _____, 2017 (the "Effective Date"), by and between **FOUR IRVINGTON CENTRE ASSOCIATES, LLC**, a Maryland limited liability company ("Landlord"), and **SUCAMPO PHARMACEUTICALS, INC.**, a Delaware corporation ("Tenant").

W I T N E S S E T H :

WHEREAS, pursuant to that certain Office Lease Agreement dated May 5, 2015 (the "Original Lease"), as amended by that certain First Amendment to Office Lease Agreement dated September 14, 2015 (the "First Amendment"), Landlord leased to Tenant, and Tenant leased from Landlord, approximately 27,502 rentable square feet of office space (the "Existing Premises") on the fifth (5^{th}) floor of the building located at 805 King Farm Boulevard, Rockville, Maryland (the "Building"); and

WHEREAS, Landlord and Tenant desire to amend the Original Lease, as amended, to provide for the demise to Tenant of the Expansion Space (hereinafter defined), upon the terms and conditions set forth in this Second Amendment.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration and of the mutual agreements hereinafter set forth, it is hereby mutually agreed as follows:

1. Incorporation of Recitals. The foregoing recitals are hereby incorporated in this Second Amendment and are made a part hereof by this reference.

2. Definitions. All capitalized terms used in this Second Amendment shall have the meanings ascribed thereto in the Original Lease, as amended, unless otherwise defined herein. As used herein and in the Original Lease, as amended: (i) the term "Lease" shall mean the Original Lease, as amended by the First Amendment and this Second Amendment; and (ii) from and after the Expansion Space Possession Date (hereinafter defined), the term "Premises" shall mean the Existing Premises together with the Expansion Space.

3. Expansion Space; Expansion Space Possession Date; Expansion Space Commencement Date.

A. Subject to the terms and conditions set forth herein, from and after the Expansion Space Possession Date, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, approximately 9,603 rentable square feet of additional office space on the first (1^{st}) floor of the Building (the "Expansion Space"), as such space is more particularly shown as the shaded space on the attached Exhibit A. As of the Expansion Space Possession Date, the aggregate number of rentable square feet demised to Tenant under the Lease (consisting of the Existing Premises together with the Expansion Space) shall be 37,105. As used herein, the term "Expansion Space Possession Date" means December 1, 2017. Landlord shall deliver possession of the Expansion Space to Tenant on the Expansion Space Possession Date with the Landlord Work (hereinafter defined) substantially complete.

B. The Term with respect to the Expansion Space shall commence on the Expansion Space Possession Date and shall expire on June 30, 2027 (i.e., the "Lease Expiration Date" as set forth in the Original Lease). Between the Expansion Space Possession Date and the day immediately preceding the Expansion Space Commencement Date (hereinafter defined), all of the terms and provisions of the Lease with respect to the Expansion Space shall be in full force and effect, and shall apply to Tenant's use and occupancy of the Expansion Space, except that Tenant shall not be obligated to pay ES Annual Base Rent (hereinafter defined) with respect to the Expansion Space until the Expansion Space Commencement Date. As used herein, the term "Expansion Space Commencement Date" means March 1, 2018.

4. "As-Is" Condition; Landlord Work; Improvements to the Expansion Space.

A. Tenant shall remain in possession of the Existing Premises from and after the Effective Date of this Second Amendment in its then "as-is" condition and Landlord shall have no obligation to perform, or pay for, any work, improvements or alterations in or to the Existing Premises in connection with this Second Amendment or otherwise. Landlord shall deliver the Expansion Space to Tenant in its "as-is" condition and, except for the Landlord Work and as otherwise expressly set forth in this Second Amendment, Landlord shall have no obligation to perform, or, pay for, any work, improvements or alterations in or to the Expansion Space in connection with this Second Amendment or otherwise. Notwithstanding the foregoing, Landlord shall, at Landlord's sole cost and expense, undertake in or to the Expansion Space the work more particularly described in the plan and work narrative set forth on Exhibit D attached hereto (collectively, the "Landlord Work") using materials and finished selected by Landlord, unless specific materials and finishes are expressly set forth on Exhibit D.

B. Tenant shall, at Tenant's sole cost and expense, subject to the application of the Improvement Allowance (as such term is defined in the Work Agreement [hereinafter defined]), construct in the Expansion Space the ES Tenant Improvements (as such term is defined in the Work Agreement) described in the Work Agreement attached hereto as Exhibit B (the "Work Agreement"), in accordance with the terms and conditions of the Work Agreement. The cost of all design, architectural and engineering work, demolition costs, construction costs, construction supervision, contractors' overhead and profit, licenses and permits, and all other costs and expenses incurred in connection with the ES Tenant Improvements shall be at Tenant's sole cost and expense, subject to the application of the Improvement Allowance. Landlord shall disburse the Improvement Allowance as provided in the Work Agreement. All costs incurred with respect to the ES Tenant Improvements in excess of the Improvement Allowance shall be paid by Tenant as provided in the Work Agreement. Any delay by Tenant in the completion of the ES Tenant Improvements shall not delay, or otherwise affect, the Expansion Space Possession Date or the Expansion Space Commencement Date.

C. Provided Tenant has delivered to Landlord evidence reasonably satisfactory to Landlord that all insurance required to be carried by Tenant and its contractors under the Lease is effective (and applies to the Expansion Space), Tenant shall have access to the Expansion Space immediately upon the occurrence of the Expansion Space Possession Date; provided, however, Tenant shall not be entitled to make any alterations or improvements to the Expansion Space until the ES Tenant's Plans (as such term is defined in the Work Agreement) have been finally approved by Landlord in accordance with the terms of the Work Agreement. Except for purposes of designing and constructing the ES Tenant Improvements in accordance with the terms of the Work Agreement and moving Tenant's furniture, fixtures and equipment into the Expansion Space, Tenant shall not be permitted to occupy the Expansion Space for purposes of conducting its business therein or for any other purpose, unless and until Tenant delivers to Landlord a certificate of occupancy and any other approvals required for Tenant's occupancy of the Expansion Space from any governmental authorities having jurisdiction over the Expansion Space, all of which shall be obtained by Tenant at Tenant's sole cost and expense. If Landlord notifies Tenant that the Expansion Space are otherwise available for Tenant to take possession thereof, but Tenant is not permitted to take possession of the Expansion Space because Tenant has failed to deliver to Landlord evidence reasonably satisfactory to Landlord that all insurance required under the Lease to be carried by Tenant and its contractor is effective (and applies to the Expansion Space), then (i) Landlord shall be deemed to have tendered possession of the Expansion Space to Tenant, (ii) neither the Expansion Space Possession Date nor the Expansion Space Commencement Date shall be delayed as a result thereof, and (iii) Tenant shall be entitled to access the Expansion Space when such evidence of insurance has been delivered to Landlord.

5. ES Annual Base Rent.

A. Commencing on the Expansion Space Commencement Date, and thereafter on the first day of each and every calendar month during the Term (but subject to the terms of Paragraph 5[B], below), Tenant shall pay Landlord Annual Base Rent for the Expansion Space ("ES Annual Base Rent") in the following amounts, in equal monthly installments ("ES Monthly Base Rent"), in advance, as follows:

Period	ES Annual Base Rent Per RSF	ES Annual Base Rent	ES Monthly Base Rent
Expansion Space Commencement Date – 11/30/18	$32.04	$307,680.12*	$25,640.01
12/1/18 – 11/30/19	$32.85	$315,458.52	$26,288.21
12/1/19 – 11/30/20	$33.67	$323,333.04	$26,944.42
12/1/20 – 11/30/21	$34.51	$331,399.56	$27,616.63
12/1/21 – 11/30/22	$35.37	$339,658.08	$28,304.84
12/1/22 – 11/30/23	$36.25	$348,108.72	$29,009.06
12/1/23 – 11/30/24	$37.16	$356,847.48	$29,737.29
12/1/24 – 11/30/25	$38.09	$365,778.24	$30,481.52
12/1/25 – 11/30/26	$39.04	$374,901.12	$31,241.76
12/1/26 – 6/30/27	$40.02	$384,312.12*	$32,026.01
[*on an annualized basis]			

Tenant shall pay Landlord the ES Annual Base Rent payable pursuant to this Paragraph 5(A) in accordance with the terms and conditions of the Lease.

B. Provided that no Event of Default by Tenant then exists under the Lease, Landlord hereby agrees to abate the ES Annual Base Rent otherwise due from Tenant for the first sixteen (16) full calendar months following the Expansion Space Commencement Date.

C. From and after the Effective Date of this Second Amendment, Tenant shall continue to pay Landlord Annual Base Rent for the Existing Premises in accordance with the terms and conditions of the Original Lease, as amended by the First Amendment.

6. Tenant's Pass-Through Costs.

A. Commencing on the first (1^{st}) anniversary of the Expansion Space Commencement Date and continuing thereafter throughout the Term, Tenant shall pay Landlord Tenant's Pass-Through Costs with respect to the Expansion Space in accordance with the terms of the Original Lease, as amended by the First Amendment and as further amended by the terms of this Paragraph 6; provided, however, that for purposes of determining the amount of Tenant's Pass-Through Costs payable by Tenant with respect to the Expansion Space (i) "Tenant's Pro Rata Share (Operating Expenses)" means 4.28%, (ii) "Tenant's Pro Rata Share (Real Estate Taxes) means 4.28% and (iii) "Base Year" means calendar year 2018. Landlord's reporting obligations set forth in Section 4.b(iv) of the Original Lease shall apply with respect to Tenant's Pass-Through Costs for the Expansion Space.

B. Notwithstanding anything to the contrary set forth in this Second Amendment, for purposes of determining the amount of Tenant's Pass-Through Costs payable by Tenant with respect to the Expansion Space, Landlord shall not include in Operating Expenses during any calendar year of the Term that portion of Controllable ES Expenses (hereinafter defined) during such calendar year which exceeds the Controllable ES Expenses Cap (hereinafter defined) for such calendar year. As used herein, the term "Controllable ES Expenses Cap" for (i) calendar year 2018 shall be the aggregate amount of Controllable ES Expenses incurred in calendar year 2018, and (ii) for each calendar year thereafter shall be an amount equal to one hundred five percent (105%) of the actual amount of Controllable ES Expenses incurred in the immediately preceding calendar year. As used herein, the term "Controllable ES Expenses" shall mean the all categories of Operating Expenses, except: (1) utility costs; (2) the cost of Landlord's insurance and insurance deductibles; and (3) the cost of snow and ice removal and prevention. Notwithstanding the foregoing, the terms of this paragraph shall not preclude Landlord from passing through Controllable ES Expenses in calendar years following the calendar year in which such Controllable ES Expenses were incurred if such Controllable ES Expenses, when added to Controllable ES Expenses incurred in a subsequent calendar year, do not exceed the Controllable ES Expenses Cap for any such subsequent calendar year.

C. From and after the Effective Date of this Second Amendment, Tenant shall continue to pay Landlord Tenant's Pass-Through Costs for the Existing Premises in accordance with the terms and conditions of the Original Lease, as amended by the First Amendment.

7. Parking Spaces. From and after the Expansion Space Commencement Date, Tenant shall be entitled to use, without charge during the Term (and any renewals thereof), but in accordance with the terms of the Lease, an additional thirty-four (34) parking spaces (or 3.5 parking spaces per 1,000 r.s.f. of the Expansion Space) in the aggregate (collectively, the "ES Parking Spaces"), which ES Parking Spaces shall be located on the Surface Lot and/or the Parking Structure. Notwithstanding the foregoing, two (2) of the ES Parking Spaces shall be reserved for Tenant's use only (the "ES Reserved Parking Spaces"). The remaining thirty-two (32) ES Parking Spaces shall be unreserved parking spaces. The ES Reserved Parking Spaces shall in the locations marked "Available" on the attached Exhibit A-1. Landlord shall have no obligation to "police" the ES Reserved Parking Spaces to ensure that such spaces are being used by Tenant only.

8. Brokers. Landlord and Tenant recognize American Real Estate Partners Management LLC, as Landlord's broker, and G&E Real Estate, Inc., d/b/a Newmark Grubb Knight Frank, as Tenant's broker (collectively, the "Brokers"), as the sole brokers with respect to this Second Amendment and Landlord agrees to be responsible for the payment of any leasing commissions owed to the aforesaid Brokers in accordance with the terms of separate commission agreements entered into between Landlord and each of said Brokers. Landlord and Tenant each represents and warrants to the other that, except for the Brokers, no other broker has been employed in carrying on any negotiations relating to this Second Amendment and shall each indemnify and hold harmless the other from any claim for brokerage or other commission arising from or out of any breach of the foregoing representation and warranty.

9. Access; Security System. Prior to the Expansion Space Commencement Date, Landlord shall provide Tenant with forty-three (43) additional access cards, at no cost to Tenant. Tenant shall be responsible for the cost of any additional or replacement access cards requested by Tenant, which cost shall be equal to Landlord's actual cost of obtaining such access cards for Tenant. Subject to Landlord's review and approval of the plans and specifications for such system, Tenant shall be entitled to install, at Tenant's sole cost and expense, a security and card reader access system for the Expansion Space, which Tenant shall coordinate with the Building's main security access system; provided Tenant's card reader access system for the Expansion Space does not adversely affect the main Building access system or any other Building system, and provided further that Tenant shall provide Landlord with a reasonable number of access cards by which Landlord may gain access to the Expansion Space using Tenant's card reader access system.

10. Suite Entry Sign. Landlord, at Landlord's sole cost, shall initially install one (1) Building-standard suite entry sign bearing Tenant's name in the Building-standard location adjacent to the main entrance to the Expansion Space.

11. Restoration. If Landlord will require Tenant to remove any ES Tenant Improvements at the end of the Term, Landlord shall, by written notice to Tenant given at the time of Landlord's approval of the ES Tenant's Plans (as such term is defined in the Work Agreement), inform Tenant of such requirement to remove such component of the ES Tenant Improvements as of the end of the Term, and to repair any damage to the Expansion Space and/or the Building caused by such removal, all at Tenant's sole expense; provided, however, that Tenant shall have no obligation to remove at the end of the Term cabling and wiring (other than Telecom Equipment Cabling which Tenant shall remove at the end of the Term) installed in connection with Tenant's initial occupancy of the Expansion Space.

12. Tenant's Termination Option. Landlord and Tenant hereby expressly acknowledge and agree that (i) Tenant shall retain the right to terminate the Lease with respect to the entire Premises (including the Expansion Space) pursuant to the terms of Section 33 of the Original Lease (captioned, "Tenant's Termination Option"), as amended by this Paragraph 12, (ii) accordingly, to account for the Expansion Space, the Termination Payment shall be increased to include an amount equal to the sum of (a) the then-unamortized costs (as of the Termination Date) incurred by Landlord in connection with this Second Amendment, which costs shall include all leasing commissions paid by Landlord, the amount of the Improvement Allowance set forth in the Work Agreement attached to this Second Amendment, the amount of ES Annual Base Rent abated pursuant to the terms of Paragraph 5(B), above, and Landlord's reasonable legal fees (collectively, the "ES Leasing Costs"), plus (b) two (2) installments of ES Monthly Base Rent payable by Tenant as of the Termination Date, (iii) the amortization of the ES Leasing Costs shall be effected as though the total of such costs was the principal amount of a promissory note, bearing interest at the rate of six percent (6%) per annum, where the principal (and all interest thereon) shall be repaid in equal monthly installments of principal and interest, commencing on the Expansion Space Commencement Date, in such amount as to cause the principal balance to be reduced to zero as of the Lease Expiration Date, (iv) the ES Leasing Cost shall be deemed to be "Leasing Costs" under the Original Lease, as amended and (v) accordingly, the Exhibit G attached to this Second Amendment shall hereby be deemed to have been attached to the First Amendment and to the Original Lease as Exhibit G thereto, which exhibit sets forth a summary of all of the Leasing Costs (inclusive of the ES Leasing Costs) and the calculation of the Termination Payment.

13. Option to Extend Term. Landlord and Tenant hereby expressly acknowledge and agree that Tenant's right to extend the Term pursuant to the terms of Section 22 of the Original Lease (captioned, "Option to Extend Term") shall apply to the entire Premises, including the Expansion Space.

14. Balcony. Subject to all applicable laws, rules, regulations and orders, governmental or quasi-governmental prohibitions, approvals and/or restrictions (including without limitation any approval or restriction required or imposed by any owners' association with jurisdiction over the Building) and Landlord's reasonable rules with respect thereto that may be established from time to time, Tenant shall have, for so long as Tenant is leasing and occupying the entire Expansion Space (i) exclusive use of the existing balcony that is located adjacent to the Expansion Space and that exclusively serves the Expansion Space (the "Balcony"). Tenant agrees to accept the Balcony in its "as-is" condition on the Expansion Space Possession Date. It is hereby expressly acknowledged and agreed that any furnishings or other objects placed by Tenant upon the Balcony shall be subject to Landlord's prior approval, which approval shall not be unreasonably withheld, conditioned or delayed, and the approval of any owners' association with jurisdiction over the Building. Except for Landlord's repair and maintenance obligations set forth in the Lease, Tenant shall be responsible, at Tenant's sole cost and expense, for all maintenance, repair, cleaning and access control required to keep the Balcony in good condition and repair. Notwithstanding anything to the contrary contained in the Lease, as used in the Lease, the term "Premises" shall include the Balcony, provided, however, that the area of the Balcony shall not be used to calculate the Annual Base Rent payable by Tenant under the Lease, Tenant's Pro Rata Share (Operating Expenses), Tenant's Pro Rata Share (Real Estate Taxes) or any other term of the Lease which depends on the rentable square footage of the Premises.

15. Counterpart Copies. This Second Amendment may be executed in two (2) or more counterpart copies, all of which counterparts shall have the same force and effect as if all parties hereto had executed a single copy of this Second Amendment.

16. Miscellaneous. This Second Amendment (a) shall be binding upon and inure to the benefit of the parties hereto and their respective representatives, transferees, successors and assigns and (b) shall be governed by and construed in accordance with the laws of the State of Maryland.

17. Ratification. Except as expressly amended by this Second Amendment, all other terms, conditions and provisions of the Original Lease, as amended, are hereby ratified and confirmed and shall continue in full force and effect.

[signatures appear on the following page]

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment to Office Lease Agreement under seal as of the day and year first hereinabove written.

LANDLORD:

FOUR IRVINGTON CENTRE ASSOCIATES, LLC,
a Maryland limited liability company

By: ACP/Utah Four Irvington, LLC, a Delaware limited liability company, its Sole Member and Manager

By: ACP Four Irvington Investors LLC, a Delaware limited liability company, its Manager

By: ACP Four Irvington Manager LLC, a Delaware limited liability company, its Manager

By: _____
Name:
Title:

TENANT:

SUCAMPO PHARMACEUTICALS, INC., a Delaware corporation

By: _____
Name:
Title:

EXHIBIT A

FLOOR PLAN OF EXPANSION SPACE

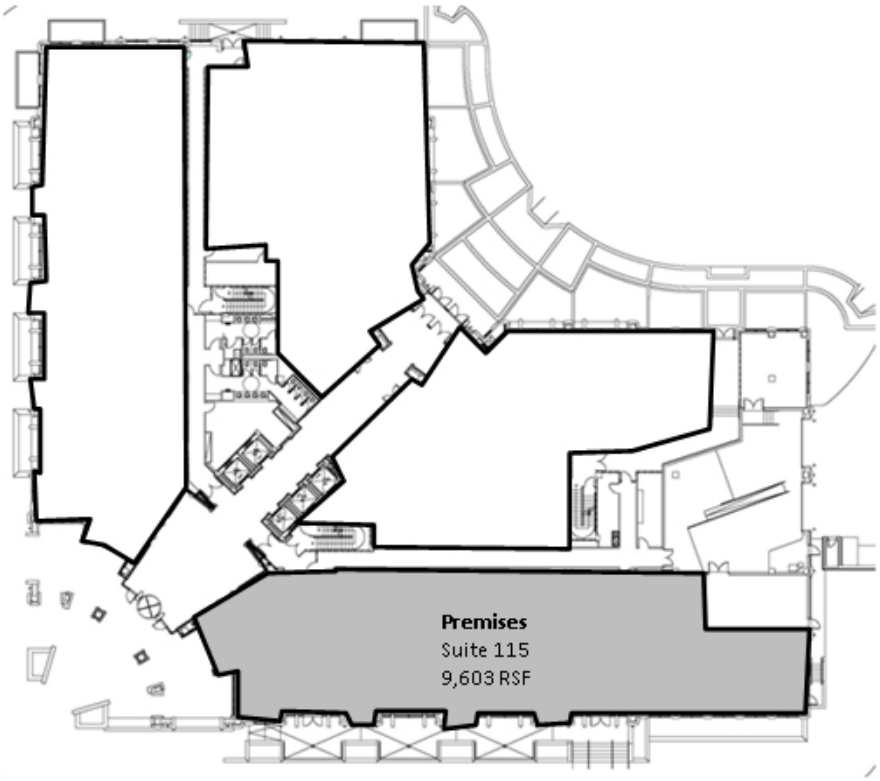


EXHIBIT A-1

LOCATIONS OF ES RESERVED PARKING SPACES

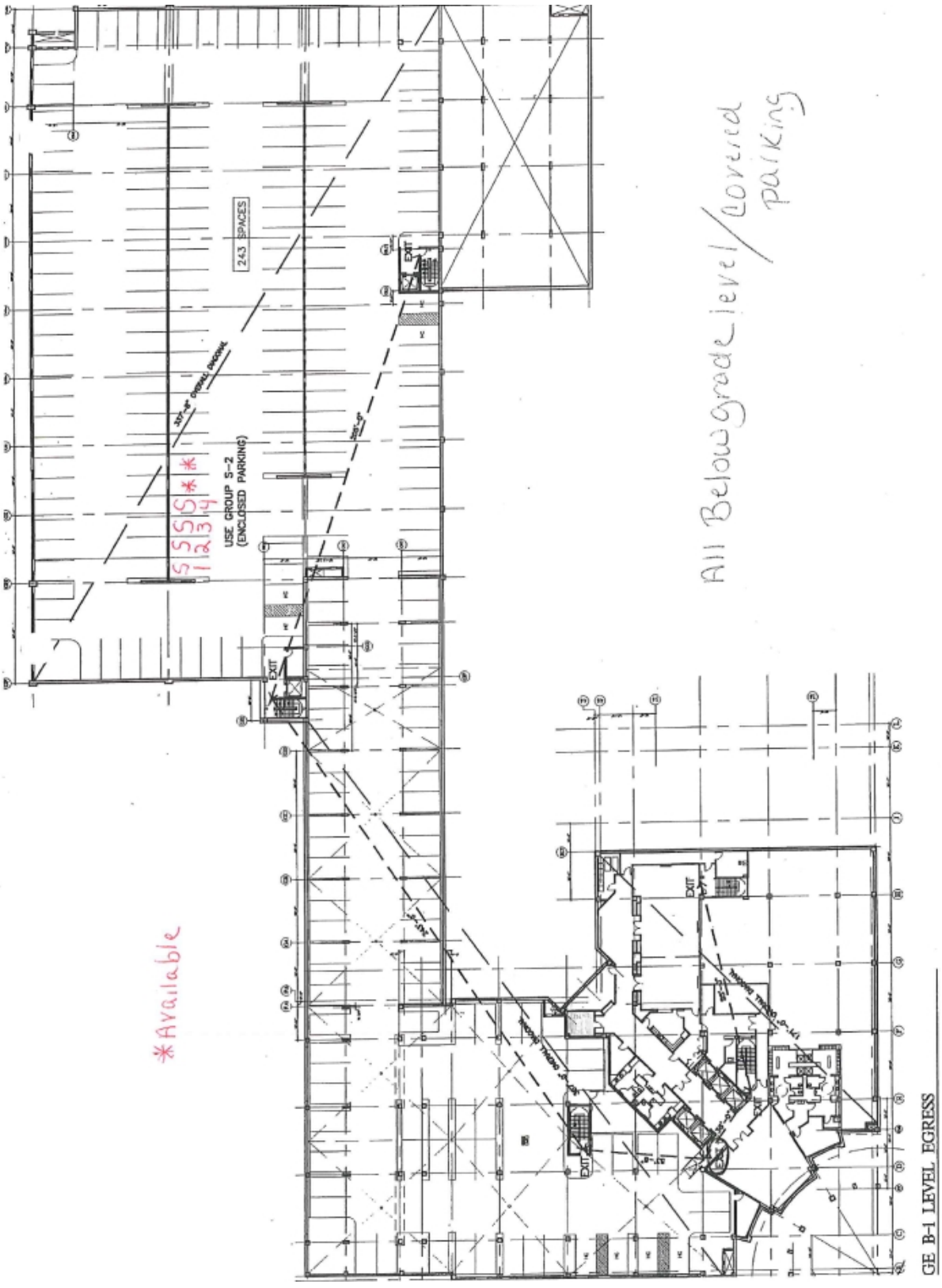


EXHIBIT B

WORK AGREEMENT

This Work Agreement (the "Work Agreement") is attached to and made a part of that certain Second Amendment to Office Lease Agreement (the "Second Amendment") dated _____, 2017 by and between **FOUR IRVINGTON CENTRE ASSOCIATES, LLC**, as landlord ("Landlord"), and **SUCAMPO PHARMACEUTICALS, INC.**, as tenant ("Tenant"), for the premises (the "Expansion Space") described therein in the building having a street address of 805 King Farm Boulevard, Rockville, Maryland (the "Building"). It is the intent of this Work Agreement that Tenant shall be permitted freedom in the design and layout of the Expansion Space, consistent with applicable building codes and requirements of law, including without limitation the Americans with Disabilities Act, and with sound architectural and construction practice in first-class office buildings, provided that neither the design nor the implementation of the ES Tenant Improvements (hereinafter defined) shall cause any interference to the operation of the Building's HVAC, mechanical, plumbing, life safety, electrical or other systems or to other Building operations or functions, nor increase maintenance or utility charges for operating the Building. Capitalized terms not otherwise defined in this Work Agreement shall have the meanings set forth in the Second Amendment. In the event of any conflict between the terms hereof and the terms of the Second Amendment, the terms hereof shall prevail for the purposes of design and construction of the ES Tenant Improvements.

A. **ES TENANT IMPROVEMENTS.**

1.1. **As-Is Condition.** Except for the Landlord Work, Landlord shall have no obligation to perform or cause the performance or construction of any improvements in or to the Expansion Space and Landlord shall deliver the Expansion Space to Tenant in its "as-is" condition.

2.2. **ES Tenant Improvements.** Tenant, at its sole cost and expense, shall furnish and install in the Expansion Space in accordance with the terms of this Work Agreement, the improvements set forth in the ES Tenant's Plans (hereinafter defined) which are subject to Landlord's approval in accordance with Paragraph B.3, below (the "ES Tenant Improvements"). All costs of all design, space planning, and architectural and engineering work for or in connection with the ES Tenant Improvements, including without limitation all drawings, plans, specifications, licenses, permits or other approvals relating thereto, and all insurance and other requirements and conditions hereunder, and all costs of construction, including supervision thereof, shall be at Tenant's sole cost and expense, subject to the application of the Improvement Allowance in accordance with the terms of this Work Agreement.

B. **PLANS AND SPECIFICATIONS**

1. **Space Planner.** Tenant shall retain the services of an architectural firm approved by Landlord (the "Space Planner"), which approval shall not be unreasonably withheld, conditioned or delayed, to design the ES Tenant Improvements in the Expansion Space and prepare the Final Space Plan (hereinafter defined) and the Contract Documents (hereinafter defined). Notwithstanding the forgoing, Landlord hereby acknowledges that Form Architects is hereby pre-approved by Landlord to serve as the Space Planner. The Space Planner shall meet with the Landlord and/or Landlord's building manager from time to time to obtain information about the Building and to insure that the improvements envisioned in the Contract Documents do not interfere with and/or affect the Building or any systems therein. The Space Planner shall prepare all space plans, working drawings, and plans and specifications described in Paragraph B.3, below, in conformity with the base Building plans and systems, and the Space Planner shall coordinate its plans and specifications with the Engineers (hereinafter defined) and Landlord. All fees of the Space Planner shall be borne solely by Tenant, subject to application of the Improvement Allowance as hereinafter provided.

2. **Engineers.** Tenant shall retain the services of mechanical, electrical, plumbing and structural engineers approved by Landlord (the "Engineers"), which approval shall not be unreasonably withheld, conditioned or delayed, to (i) design the type, number and location of all mechanical systems in the Expansion Space, including without limitation the heating, ventilating and air conditioning system therein, the Telecom Equipment Cabling, fire alarm system and to prepare all of the mechanical plans, (ii) assist Tenant and the Space Planner in connection with the electrical design of the Expansion Space, including the location and capacity of light fixtures, electrical receptacles and other electrical elements, and to prepare all of the electrical plans, (iii) assist Tenant and the Space Planner in connection with plumbing-related issues involved in designing the Expansion Space and to prepare all of the plumbing plans and (iv) assist Tenant and the Space Planner in connection with the structural elements of the Space Planner's design of the Expansion Space and to prepare all of the structural plans. All fees of the Engineers shall be borne solely by Tenant, subject to application of the Improvement Allowance as hereinafter provided.

3. **Time Schedule.**

a. Tenant shall furnish to Landlord for its review and approval a proposed detailed space plan for the ES Tenant Improvements (the "Final Space Plan") prepared by the Space Planner, in consultation with Landlord and the Engineers. The Final Space Plan shall contain the information and otherwise comply with the requirements therefor described in Schedule B-1 attached hereto. Landlord shall advise Tenant of Landlord's approval or disapproval of the Final Space Plan within five (5) business days after Tenant submits the Final Space Plan to Landlord. Tenant shall promptly revise the proposed Final Space Plan to meet Landlord's objections, if any, and resubmit the Final Space Plan to Landlord for its review and approval.

b. After Landlord approves the Final Space Plan, Tenant shall furnish to Landlord for its review and approval, all architectural plans, working drawings and specifications (the "Contract Documents") necessary and sufficient (i) for the construction of the ES Tenant Improvements; and (ii) to enable Tenant to obtain a building permit for the construction of the ES Tenant Improvements by the Contractor (hereinafter defined). The Contract Documents shall contain the information and otherwise comply with the requirements therefore described in Schedule B-2 attached hereto and shall set forth the location of any core drilling by Tenant (the approval of same shall be subject to Landlord's approval in its sole discretion). Landlord shall advise Tenant of Landlord's approval or disapproval of the Contract Documents, or any of them, within five (5) business days after Tenant submits the Contract Documents to Landlord. Tenant shall promptly revise the Contract Documents to meet Landlord's objections, if any, and resubmit the Contract Documents to Landlord for its review and approval. Landlord shall advise Tenant of Landlord's approval or disapproval of the revised Contract Documents within five (5) business days after Tenant submits same. Notwithstanding anything herein to the contrary, approval by Landlord of the Contract Documents shall not constitute an assurance by Landlord that the Contract Documents: (a) satisfy Legal Requirements (hereinafter defined), (b) are sufficient to enable Tenant to obtain a building permit for the undertaking of the ES Tenant Improvements in the Expansion Space, or (c) will not interfere with, and/or otherwise affect, base Building or base Building systems.

c. The Final Space Plan and the Contract Documents are referred to collectively herein as the "ES Tenant's Plans."

d. The ES Tenant Improvements shall be of first-class quality, commensurate with the level of improvements for a first-class tenant in a Class A office building in the I-270 Corridor submarket. The ES Tenant's Plans shall be prepared in accordance with a Data Cadd or convertible DXF format for working drawings (using 1/8" reproducible drawings) in conformity with the base Building plans and Building systems and with information furnished by and in coordination with Landlord and Engineers. The ES Tenant's Plans shall comply with all applicable building codes, laws and regulations (including without limitation the Americans with Disabilities Act), shall not contain any improvements which interfere with or require any changes to or modifications of the Building's HVAC, mechanical, electrical, plumbing, life safety or other systems or to other Building operations or functions, and, unless Tenant agrees in writing to pay all such excess costs or charges, shall not increase maintenance or utility charges for operating the Building in excess of the standard requirements for normal Class A office buildings in the I-270 Corridor submarket. Notwithstanding anything to the contrary contained in this Work Agreement, Landlord shall have the right to disapprove, in its sole discretion, any portion of the ES Tenant's Plans that Landlord believes will or may affect the exterior (understanding that the Expansion Space is located on the first [1st] floor of the Building and as such the Tenant Improvements within the Expansion Space will be visible from the exterior of the Building) or structure of the Building or will or may affect the mechanical, electrical, plumbing, life safety, HVAC or other base Building systems.

e. Notwithstanding anything to the contrary contained herein, Tenant shall reimburse Landlord, within thirty (30) days after Tenant's receipt of an invoice therefor, for all reasonable third-party costs and expenses incurred by Landlord in connection with Landlord's, or its agents, review of the ES Tenant's Plans to the extent that that Landlord reasonably determines that it is necessary for Landlord to engage a third party to review the ES Tenant's Plans with respect to any structural or MEP issue. Landlord shall notify Tenant prior to engaging any such third-party so as to provide Tenant the right to modify any issue that necessitates such engagement.

4. **Base Building Changes**. If Tenant requests work to be done in the Expansion Space or for the benefit of the Expansion Space that affects the base Building structure or adversely affects any base Building system, any such work shall be subject to the prior written approval of Landlord, in its sole discretion.

5. **Changes.**

a. In the event that Tenant requests any changes to the Contract Documents or the Final Space Plan after Landlord has approved same, or if it is determined that the Contract Documents prepared in accordance with the Final Space Plan do not conform to the plans for the base Building, deviate from applicable Legal Requirements or contain improvements which will or may interfere with and/or affect the base Building or any of the base Building systems, or in the event of any change orders, Tenant shall be responsible for all costs and expenses and all delay resulting therefrom, including without limitation costs or expenses relating to (i) any additional architectural or engineering services and related design expenses, (ii) any changes to materials in process of fabrication, (iii) cancellation or modification of supply or fabricating contracts, (iv) removal or alteration of work or plans completed or in process, or (v) delay claims made by any subcontractor.

b. No changes shall be made to the Contract Documents without the prior written approval of Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, provided, however, that Landlord shall have the right to disapprove, in its sole discretion, any such change that Landlord believes will affect the exterior or structure of the Building or will affect the mechanical, electrical, plumbing, life safety, HVAC or other base Building systems. Landlord shall not be responsible for delay in occupancy by Tenant because of any changes to the Final Space Plan or the Contract Documents after approval by Landlord, or because of delay caused by or attributable to any deviation by the Contract Documents from applicable Legal Requirements. As used herein, the term "Legal Requirements" shall mean any laws, ordinances, regulations and orders of the United States of America, the State of Maryland and any other governmental authority with jurisdiction over the Building or the construction of the ES Tenant Improvements.

C. **COST OF ES TENANT IMPROVEMENTS/ALLOWANCES**

1. **Construction Costs.** All costs of design and construction of the ES Tenant Improvements, including without limitation the costs of all space planning, architectural and engineering work related thereto, all governmental and quasi-governmental approvals and permits required therefor, any reasonable costs incurred by Landlord because of changes to the base Building or the base Building systems, all construction costs, contractors' overhead and profit, insurance and other requirements, the cost of purchasing and installing Tenant's Telecom Equipment Cabling in the Expansion Space and all other costs and expenses incurred in connection with the ES Tenant Improvements (collectively, "Construction Costs"), shall be paid by Tenant, subject, however, to the application of the Improvement Allowance in accordance with Paragraph C.2, below, not previously disbursed pursuant to this Work Agreement (the "Available Allowance").

2 **Improvement Allowance.**

(i) Provided Tenant is not in default of the Lease, Landlord agrees to provide to Tenant an allowance (the "Improvement Allowance") in an amount up to Five Hundred Fifty-Three Thousand Four Hundred Twenty and 89/100 Dollars ($553,420.89) (or Fifty-Seven and 63/100 Dollars ($57.63) per rentable square foot of the Expansion Space) to be applied solely to the Construction Costs and, to the limited extent provided herein, to Soft Costs (hereinafter defined).

(ii) Provided no Event of Default by Tenant then exists under the Lease, Construction Costs shall be disbursed by Landlord from the Available Allowance, as and when such costs are actually incurred by Tenant. Tenant shall submit to Landlord, from time to time, but not more often than once per calendar month, requests for direct payments to third parties, of or for reimbursement to Tenant for Construction Costs incurred by Tenant out of the Available Allowance, which requests shall be accompanied by (a) paid receipts or invoices substantiating the costs for which payment is requested; (b) a signed statement from Tenant certifying that the costs were actually incurred for the stated amount; (c) lien waivers from the party supplying the services or materials for which payment is sought; and (d) such other information as Landlord reasonably requires. Provided Tenant delivers to Landlord an approved draw request, prepared as set forth above, Landlord shall pay the costs covered by such payment request within thirty (30) days following receipt thereof (but Landlord shall not be obligated to make more than one (1) such payment in any calendar month).

(iii) Following the substantial completion of the ES Tenant Improvements and the payment in full of all Construction Costs, Tenant shall also be entitled to draw upon the Available Allowance (but in no event shall Tenant be entitled to draw upon an amount of the Available Allowance in excess of One Hundred Ten Thousand Six Hundred Eighty-Four and 18/100 Dollars ($110,684.18) [or twenty percent (20%) of the total Improvement Allowance]) to reimburse Tenant for the actual, documented, third-party costs of (a) purchasing and installing Tenant's furniture, and Telecom Equipment Cabling in the Expansion Space, (b) physical moving expenses relating to Tenant's move to the Expansion Space, excluding legal fees, and (c) architectural, engineering, permitting and construction management fees (collectively, "Soft Costs"). Tenant shall submit to Landlord a single request for reimbursement of Soft Costs incurred by Tenant out of the Available Allowance, together with (a) documentation reasonably satisfactory to Landlord evidencing that the ES Tenant Improvements are substantially complete and that all Construction Costs have been paid, (b) appropriate paid receipts for the total amount of the Soft Costs requested by Tenant, and (c) final unconditional lien waivers, in a form satisfactory to Landlord, from each applicable supplier and/or vendor.

(iv) Notwithstanding anything to the contrary contained in the Second Amendment or in this Work Agreement, in no event shall Landlord be obligated to pay, in the aggregate, an amount in excess of ninety percent (90%) of the Improvement Allowance until satisfaction of the following conditions: (1) Intentionally Omitted; (2) receipt by Landlord of appropriate paid receipts or invoices and a final lien waiver from each subcontractor and supplier covering all work performed by the subcontractors and all materials used in connection with the construction of the ES Tenant Improvements; (3) Tenant's delivery to Landlord of all receipts, invoices or other documentation necessary to substantiate all costs payable by Landlord hereunder; (4) Tenant has obtained a certificate of occupancy for the Expansion Space and had delivered a copy thereof to Landlord; and (5) Tenant has delivered to Landlord final as-built plans (in the CAD format reasonably designated by Landlord), warranties and an HVAC testing and balancing report reviewed and approved by Landlord's engineer.

(v) If Tenant does not expend and request the disbursement of all of the Improvement Allowance for Construction Costs and Soft Costs, in accordance with and as permitted hereunder, on or before December 31, 2018, any unused portion of the Improvement Allowance shall be forfeited by Tenant and retained by Landlord; provided, however, that if as of December 31, 2018 (i) the ES Tenant Improvements have been completed in accordance with the terms of this Work Agreement, (ii) Tenant is not then in default of this Lease and (iii) Tenant has utilized no less than ninety percent (90%) of the Improvement Allowance on Construction Costs in accordance with the terms of this Work Agreement, then, Landlord shall apply such unrequested Improvement Allowance to ES Annual Base Rent next due and payable by Tenant under the Lease until such amount has been exhausted.

3.3. **Costs Exceeding Available Allowance.** All Construction Costs in excess of the Available Allowance shall be paid solely by Tenant on or before the date such costs are due and payable (or if previously paid by Landlord, and Tenant is required pursuant to the terms of this Second Amendment to reimburse such costs to Landlord, shall be reimbursed to Landlord by Tenant within thirty (30) days after receipt by Tenant of invoices therefor from Landlord), and Tenant agrees to indemnify Landlord from and against any such costs. All amounts payable by Tenant to Landlord pursuant to this Work Agreement shall be deemed to be Additional Rent for purposes of the Lease.

D. **CONSTRUCTION**

1. **General Contractor**. Tenant shall retain a general contractor licensed in the State of Maryland and approved by Landlord to undertake construction of the ES Tenant Improvements (the "Contractor"). The Contractor shall be responsible for obtaining, at Tenant's cost, all permits and approvals required for the construction of the ES Tenant Improvements.

2. **Construction By The Contractor.** In undertaking the ES Tenant Improvements, Tenant and the Contractor shall strictly comply with the following conditions:

a. No work involving or affecting the Building's structure or the plumbing, mechanical, electrical or life/safety systems of the Building shall be undertaken without (i) the prior written approval of Landlord in its sole discretion, whether pursuant to its approval of ES Tenant’s Plans or otherwise, (ii) the supervision of Landlord's building engineer, the actual cost of which shall be borne by Tenant if more than one (1) hour of such engineer's time is spent in connection with the ES Tenant Improvements during any single day; (iii) compliance by Tenant with the insurance requirements set forth in Paragraph D.2(c), below; and (iv) compliance by Tenant with all of the terms and provisions of this Work Agreement;

b. All Tenant Improvement work shall be performed in strict conformity with (i) the final approved ES Tenant’s Plans; (ii) all applicable codes and regulations of governmental authorities having jurisdiction over the Building and the Expansion Space; (iii) valid building permits and other authorizations from appropriate governmental agencies, when required, which shall be obtained by Tenant, at Tenant's expense; and (iv) Landlord's construction policies, rules and regulations attached hereto as Schedule B-3, as the same may be reasonably modified by Landlord from time to time in writing ("Construction Rules"). Any work not acceptable to the appropriate governmental agencies or not reasonably satisfactory to Landlord shall be promptly replaced at Tenant's sole expense. Notwithstanding any failure by Landlord to object to any such work, Landlord shall have no responsibility therefor; and

c. Before any work is commenced or any of Tenant's, Contractor's or any subcontractor's equipment is moved onto any part of the Building, Tenant shall deliver to Landlord policies or certificates evidencing the following types of insurance coverage in the following minimum amounts, which policies shall be issued by companies approved by Landlord, shall be maintained by Tenant at all times during the performance of the ES Tenant Improvements, and which shall name Landlord as additional insured:

(1)(1) Worker's compensation coverage in the maximum amount required by law and employer's liability insurance in an amount not less than $500,000.00 and $500,000.00 per disease;

(2)(2) Comprehensive general liability policy to include products/completed operations, premises/operations, blanket contractual broad form property damage and contractual liability with limits in an amount per occurrence of not less than $1,000,000.00 Combined Single Limit for bodily injury and property damage and $1,000,000.00 for personal injury; and

(3)(3) Automobile liability coverage, with bodily injury limits of at least $1,000,000.00 per accident.

d. Tenant shall not be required to use union labor in connection with the construction of the ES Tenant Improvements and Tenant shall not be required to construct the ES Tenant Improvements in compliance with LEED standards.

E. **INTENTIONALLY OMITTED**.

F. **PERMITS AND LICENSES**. Tenant shall be solely responsible for procuring, at its sole cost and expense, all permits and licenses necessary to undertake the ES Tenant Improvements and, upon completion of the ES Tenant Improvements, to occupy the Expansion Space. Tenant's inability to obtain, or delay in obtaining, any such license or permit shall not delay or otherwise affect the Expansion Space Possession Date, the Expansion Space Commencement Date or any of Tenant's obligations under this Second Amendment.

G. **INSPECTION**. Landlord is authorized, at its sole cost and expense, to make such inspections of the Expansion Space during construction as it deems reasonably necessary or advisable.

H. **INDEMNIFICATION**. Tenant shall indemnify Landlord and hold it harmless from and against all claims, injury, damage or loss (including reasonable attorneys' fees) sustained by Landlord as a result of the construction of the ES Tenant Improvements in the Expansion Space.

Schedule B-1 Requirements for Final Space Plan
Schedule B-2 Requirements for Contract Documents
Schedule B-3 Construction Rules and Regulations

.

SCHEDULE B-1

REQUIREMENTS FOR FINAL SPACE PLAN

Floor plans, together with related information for mechanical, electrical and plumbing design work, showing partition arrangement and reflected ceiling plans (three (3) sets), including without limitation the following information:

a. identify the location of conference rooms;

b. Intentionally Omitted;

c. identify the location of any food service areas or vending equipment rooms;

d. identify areas, if any, requiring twenty-four (24) hour air conditioning;

e. indicate those partitions that are to extend from floor to underside of structural slab above or require special acoustical treatment;

f. identify the location of rooms for, and layout of, telephone equipment other than building core telephone closet;

g. identify the locations and types of plumbing required for toilets (other than core facilities), sinks, drinking fountains, etc.;

h. indicate light switches in offices, conference rooms and all other rooms in the Expansion Space;

i. indicate the layouts for specially installed equipment, including computer and duplicating equipment, the size and capacity of mechanical and electrical services required and heat rejection of the equipment;

j. indicate the dimensioned location of: (A) electrical receptacles (one hundred twenty (120) volts), including receptacles for wall clocks, and telephone outlets and their respective locations (wall or floor), (B) electrical receptacles for use in the operation of Tenant's business equipment which requires two hundred eight (208) volts or separate electrical circuits, (C) electronic calculating and CRT systems, etc., and (D) special audio-visual requirements;

k. indicate proposed layout of sprinkler and other life safety and fire protection equipment, including any special equipment and raised flooring;

l. indicate the swing of each door;

m. indicate a schedule for doors and frames, complete with hardware, if applicable; and

n. indicate any special file systems to be installed.

SCHEDULE B-2

REQUIREMENTS FOR CONTRACT DOCUMENTS

Final architectural detail and working drawings, finish schedules and related plans (three (3) reproducible sets) including without limitation the following information and/or meeting the following conditions:

a. materials, colors and designs of wallcoverings, floor coverings and window coverings and finishes;

b. paintings and decorative treatment required to complete all construction;

c. complete, finished, detailed mechanical, electrical, plumbing and structural plans and specifications for the ES Tenant Improvements, including but not limited to the fire and life safety systems and all work necessary to connect any special or non-standard facilities to the Building's base mechanical systems; and

d. all final drawings and blueprints must be drawn to a scale of one-eighth (l/8) inch to one (l) foot. Any architect or designer acting for or on behalf of Tenant shall be deemed to be Tenant's agent and authorized to bind Tenant in all respects with respect to the design and construction of the Expansion Space.

SCHEDULE B-3

CONSTRUCTION RULES AND REGULATIONS

1. Tenant and/or the general contractor will supply Landlord with a copy of all permits (if applicable) prior to the start of any work.

2. Tenant and/or the general contractor will post the building permit (if applicable) on a wall of the construction site while work is being performed.

3. Public area corridor, and carpet, is to be protected by plastic runners or a series of walk-off mats from the elevator to the suite under reconstruction.

4. Walk-off mats are to be provided at entrance doors.

5. Contractors will remove their trash and debris daily, or as often as necessary to maintain cleanliness in the Building. Building trash containers are not to be used for construction debris. Landlord reserves the right to bill Tenant for any cost incurred to clean up debris left by the general contractor or any subcontractor. Further, the Building staff is instructed to hold the driver's license of any employee of the contractor while using the freight elevator to ensure that all debris is removed from the elevator.

6. No utilities (electricity, water, gas, plumbing) or services to the tenants are to be cut off or interrupted without first having requested, in writing, and secured, in writing, the permission of Landlord.

7. No electrical services are to be put on the emergency circuit, without specific written approval from Landlord.

8. When utility meters are installed, the general contractor must provide the property manager with a copy of the operating instructions for that particular meter.

9. Landlord will be notified of all work schedules of all workmen on the job and will be notified, in writing, of names of those who may be working in the building after "normal" business hours.

10. Passenger elevators shall not be used for moving building materials and shall not be used for construction personnel except in the event of an emergency. The designated freight elevator is the only elevator to be used for moving materials and construction personnel. This elevator may be used only when it is completely protected as determined by Landlord's Building engineer.

11. Contractors or personnel will use loading dock area for all deliveries and will not use loading dock for vehicle parking.

12. Contractors will be responsible for daily removal of waste foods, milk and soft drink containers, etc. to trash room and will not use any building trash receptacles but trash receptacles supplied by them.

13. No building materials are to enter the Building by way of main lobby, and no materials are to be stored in any lobbies at any time.

14. Construction personnel are not to eat in the lobby or in front of Building nor are they to congregate in the lobby or in front of Building.

15. Landlord is to be contacted by Tenant when work is completed for inspection. All damage to the Building will be determined at that time.

16. All key access, fire alarm work, or interruption of security hours must be arranged with Landlord's Building engineer.

17. There will be no radios allowed on job site.

18. All workers are required to wear a shirt, shoes, and full length trousers.

19. Protection of hallway carpets, wall coverings, and elevators from damage with masonite board, carpet, cardboard, or pads is required.

20. Public spaces -- corridors, elevators, bathrooms, lobby, etc. -- must be cleaned immediately after use. Construction debris or materials found in public areas will be removed at Tenant's cost.

21. There will be no smoking, eating, or open food containers in the elevators, carpeted areas or public lobbies.

22. There will be no yelling or boisterous activities.

23. All construction materials or debris must be stored within the project confines or in an approved lock-up.

24. There will be no alcohol or controlled substances allowed or tolerated.

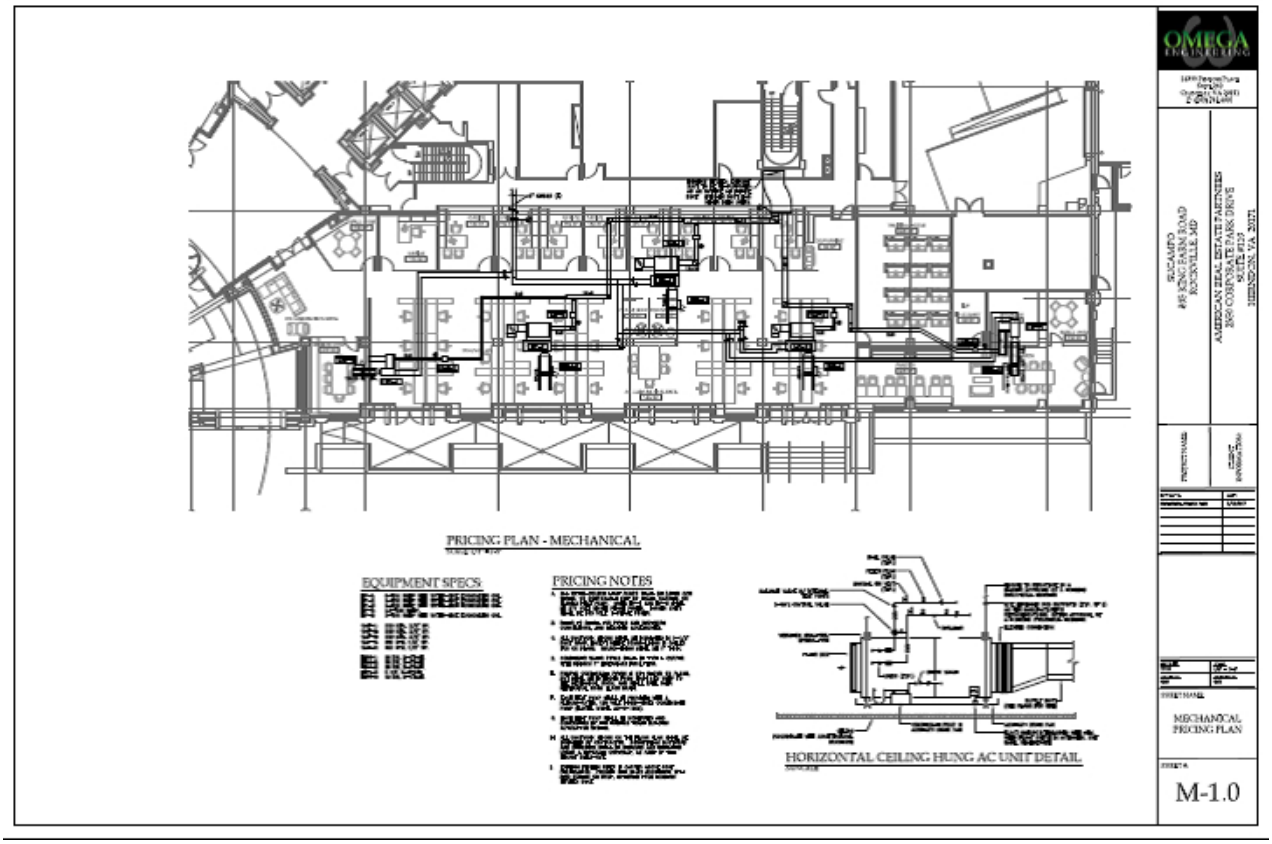
25. The general contractor and Tenant shall be responsible for all loss of their materials and tools and shall hold Landlord harmless for such loss and from any damages or claims resulting from the work.

EXHIBIT C

INTENTIONALLY OMITTED

EXHIBIT D

LANDLORD WORK



Narrative of Landlord Work:

HVAC:

Landlord to furnish and install five (5) water source heat pumps with duct heaters and all associated outside air ductwork, outside air fans, condenser water piping and controls per M-1.0.

Electrical Service:

Landlord shall furnish and install one (1) code-compliant 200 amp, 277/480 volt, 3-phase, 4-wire metered service brought to a 200 amp fused disconnect switch or 200 amp circuit breaker tapped from the existing 1200 amp Retail Service Trough. Landlord shall provide one (1) set of 200A copper THHN conductors, to be 4-#4/0, #4 G in 2-1/2" C., from the metered service mentioned above to a 200 amp, 277/480 volt, 3-phase, 4-wire panel board located in the electrical room. Landlord shall provide one (1) set of 150A copper THHN conductors, to be 4-#1/0, #6 G in 2" C., from 277/480 volt panel board to a double section 150 amp, 120/208 volt, 3-phase, 4-wire panel board via a 45 kVA transformer to be located in same area as 277/480 volt panel board.

EXHIBIT G

SUMMARY OF LEASING COSTS / CALCULATION OF TERMINATION PAYMENT

ORIGINAL PREMISES AND FIRST EXPANSION SPACE TERMINATION PAYMENT CALCULATION

Loan Type	30/360			
TI Amount	$1,925,140	LCD:	12/01/15	
LC Amount	$586,370	LXD:	06/30/27	
Abatement	$1,340,310	Cancellation Date:	01/01/24	
Legal Fees	$24,500	**Unamort Leasing Costs:**	$1,465,006	
Total Leasing Costs	3,876,320	2 months rent:	$170,329	
		[redacted]		
	Int Only= "1"			
	Amort = blank	AMORT	PYMT/	PYMT/
	Enter	PERIOD	MONTH	YEAR
INT. RATE	**6.00%**	**11.58**	38,759	465,102

		ANALYSIS MO	PAYMENT	INT	PRIN	BALANCE	FEE DUE
						3,876,320	
12/1/2015	1/1/2016	1	38,759	19,382	19,377	3,856,943	
1/1/2016	2/1/2016	2	38,759	19,285	19,474	3,837,469	
2/1/2016	3/1/2016	3	38,759	19,187	19,571	3,817,898	
3/1/2016	4/1/2016	4	38,759	19,089	19,669	3,798,229	
4/1/2016	5/1/2016	5	38,759	18,991	19,767	3,778,462	
5/1/2016	6/1/2016	6	38,759	18,892	19,866	3,758,596	
6/1/2016	7/1/2016	7	38,759	18,793	19,966	3,738,630	
7/1/2016	8/1/2016	8	38,759	18,693	20,065	3,718,565	
8/1/2016	9/1/2016	9	38,759	18,593	20,166	3,698,399	
9/1/2016	10/1/2016	10	38,759	18,492	20,267	3,678,133	
10/1/2016	11/1/2016	11	38,759	18,391	20,368	3,657,765	
11/1/2016	12/1/2016	12	38,759	18,289	20,470	3,637,295	END OF YEAR 1
12/1/2016	1/1/2017	13	38,759	18,186	20,572	3,616,723	
1/1/2017	2/1/2017	14	38,759	18,084	20,675	3,596,048	
2/1/2017	3/1/2017	15	38,759	17,980	20,778	3,575,270	
3/1/2017	4/1/2017	16	38,759	17,876	20,882	3,554,388	
4/1/2017	5/1/2017	17	38,759	17,772	20,987	3,533,401	
5/1/2017	6/1/2017	18	38,759	17,667	21,092	3,512,310	
6/1/2017	7/1/2017	19	38,759	17,562	21,197	3,491,113	
7/1/2017	8/1/2017	20	38,759	17,456	21,303	3,469,810	
8/1/2017	9/1/2017	21	38,759	17,349	21,409	3,448,400	
9/1/2017	10/1/2017	22	38,759	17,242	21,517	3,426,884	
10/1/2017	11/1/2017	23	38,759	17,134	21,624	3,405,260	
11/1/2017	12/1/2017	24	38,759	17,026	21,732	3,383,528	END OF YEAR 2
12/1/2017	1/1/2018	25	38,759	16,918	21,841	3,361,687	
1/1/2018	2/1/2018	26	38,759	16,808	21,950	3,339,737	
2/1/2018	3/1/2018	27	38,759	16,699	22,060	3,317,677	
3/1/2018	4/1/2018	28	38,759	16,588	22,170	3,295,507	
4/1/2018	5/1/2018	29	38,759	16,478	22,281	3,273,226	
5/1/2018	6/1/2018	30	38,759	16,366	22,392	3,250,833	
6/1/2018	7/1/2018	31	38,759	16,254	22,504	3,228,329	
7/1/2018	8/1/2018	32	38,759	16,142	22,617	3,205,712	
8/1/2018	9/1/2018	33	38,759	16,029	22,730	3,182,982	
9/1/2018	10/1/2018	34	38,759	15,915	22,844	3,160,139	
10/1/2018	11/1/2018	35	38,759	15,801	22,958	3,137,181	
11/1/2018	12/1/2018	36	38,759	15,686	23,073	3,114,108	END OF YEAR 3
12/1/2018	1/1/2019	37	38,759	15,571	23,188	3,090,920	
1/1/2019	2/1/2019	38	38,759	15,455	23,304	3,067,616	
2/1/2019	3/1/2019	39	38,759	15,338	23,420	3,044,196	
3/1/2019	4/1/2019	40	38,759	15,221	23,538	3,020,658	
4/1/2019	5/1/2019	41	38,759	15,103	23,655	2,997,003	
5/1/2019	6/1/2019	42	38,759	14,985	23,773	2,973,230	
6/1/2019	7/1/2019	43	38,759	14,866	23,892	2,949,337	
7/1/2019	8/1/2019	44	38,759	14,747	24,012	2,925,325	
8/1/2019	9/1/2019	45	38,759	14,627	24,132	2,901,193	
9/1/2019	10/1/2019	46	38,759	14,506	24,253	2,876,941	
10/1/2019	11/1/2019	47	38,759	14,385	24,374	2,852,567	
11/1/2019	12/1/2019	48	38,759	14,263	24,496	2,828,071	END OF YEAR 4
12/1/2019	1/1/2020	49	38,759	14,140	24,618	2,803,453	
1/1/2020	2/1/2020	50	38,759	14,017	24,741	2,778,712	
2/1/2020	3/1/2020	51	38,759	13,894	24,865	2,753,847	
3/1/2020	4/1/2020	52	38,759	13,769	24,989	2,728,858	
4/1/2020	5/1/2020	53	38,759	13,644	25,114	2,703,744	
5/1/2020	6/1/2020	54	38,759	13,519	25,240	2,678,504	
6/1/2020	7/1/2020	55	38,759	13,393	25,366	2,653,138	
7/1/2020	8/1/2020	56	38,759	13,266	25,493	2,627,645	
8/1/2020	9/1/2020	57	38,759	13,138	25,620	2,602,025	
9/1/2020	10/1/2020	58	38,759	13,010	25,748	2,576,276	
10/1/2020	11/1/2020	59	38,759	12,881	25,877	2,550,399	
11/1/2020	12/1/2020	60	38,759	12,752	26,007	2,524,393	END OF YEAR 5
12/1/2020	1/1/2021	61	38,759	12,622	26,137	2,498,256	
1/1/2021	2/1/2021	62	38,759	12,491	26,267	2,471,989	
2/1/2021	3/1/2021	63	38,759	12,360	26,399	2,445,590	
3/1/2021	4/1/2021	64	38,759	12,228	26,531	2,419,060	
4/1/2021	5/1/2021	65	38,759	12,095	26,663	2,392,397	
5/1/2021	6/1/2021	66	38,759	11,962	26,797	2,365,600	
6/1/2021	7/1/2021	67	38,759	11,828	26,931	2,338,670	
7/1/2021	8/1/2021	68	38,759	11,693	27,065	2,311,604	
8/1/2021	9/1/2021	69	38,759	11,558	27,200	2,284,404	
9/1/2021	10/1/2021	70	38,759	11,422	27,336	2,257,067	
10/1/2021	11/1/2021	71	38,759	11,285	27,473	2,229,594	
11/1/2021	12/1/2021	72	38,759	11,148	27,611	2,201,984	END OF YEAR 6

12/1/2021	1/1/2022	73	38,759	11,010	27,749	2,174,235	
1/1/2022	2/1/2022	74	38,759	10,871	27,887	2,146,348	
2/1/2022	3/1/2022	75	38,759	10,732	28,027	2,118,321	
3/1/2022	4/1/2022	76	38,759	10,592	28,167	2,090,154	
4/1/2022	5/1/2022	77	38,759	10,451	28,308	2,061,846	
5/1/2022	6/1/2022	78	38,759	10,309	28,449	2,033,397	
6/1/2022	7/1/2022	79	38,759	10,167	28,592	2,004,806	
7/1/2022	8/1/2022	80	38,759	10,024	28,734	1,976,071	
8/1/2022	9/1/2022	81	38,759	9,880	28,878	1,947,193	
9/1/2022	10/1/2022	82	38,759	9,736	29,023	1,918,170	
10/1/2022	11/1/2022	83	38,759	9,591	29,168	1,889,003	
11/1/2022	12/1/2022	84	38,759	9,445	29,313	1,859,689	END OF YEAR 7
12/1/2022	1/1/2023	85	38,759	9,298	29,460	1,830,229	
1/1/2023	2/1/2023	86	38,759	9,151	29,607	1,800,622	
2/1/2023	3/1/2023	87	38,759	9,003	29,755	1,770,866	
3/1/2023	4/1/2023	88	38,759	8,854	29,904	1,740,962	
4/1/2023	5/1/2023	89	38,759	8,705	30,054	1,710,909	
5/1/2023	6/1/2023	90	38,759	8,555	30,204	1,680,705	
6/1/2023	7/1/2023	91	38,759	8,404	30,355	1,650,350	
7/1/2023	8/1/2023	92	38,759	8,252	30,507	1,619,843	
8/1/2023	9/1/2023	93	38,759	8,099	30,659	1,589,184	
9/1/2023	10/1/2023	94	38,759	7,946	30,813	1,558,371	
10/1/2023	11/1/2023	95	38,759	7,792	30,967	1,527,404	
11/1/2023	12/1/2023	96	38,759	7,637	31,121	1,496,283	END OF YEAR 8
12/1/2023	1/1/2024	97	38,759	7,481	31,277	1,465,006	1,465,006
1/1/2024	2/1/2024	98	38,759	7,325	31,433	1,433,572	
2/1/2024	3/1/2024	99	38,759	7,168	31,591	1,401,982	
3/1/2024	4/1/2024	100	38,759	7,010	31,749	1,370,233	
4/1/2024	5/1/2024	101	38,759	6,851	31,907	1,338,326	
5/1/2024	6/1/2024	102	38,759	6,692	32,067	1,306,259	
6/1/2024	7/1/2024	103	38,759	6,531	32,227	1,274,032	
7/1/2024	8/1/2024	104	38,759	6,370	32,388	1,241,643	
8/1/2024	9/1/2024	105	38,759	6,208	32,550	1,209,093	
9/1/2024	10/1/2024	106	38,759	6,045	32,713	1,176,380	
10/1/2024	11/1/2024	107	38,759	5,882	32,877	1,143,503	
11/1/2024	12/1/2024	108	38,759	5,718	33,041	1,110,462	END OF YEAR 9
12/1/2024	1/1/2025	109	38,759	5,552	33,206	1,077,256	
1/1/2025	2/1/2025	110	38,759	5,386	33,372	1,043,884	
2/1/2025	3/1/2025	111	38,759	5,219	33,539	1,010,345	
3/1/2025	4/1/2025	112	38,759	5,052	33,707	976,638	
4/1/2025	5/1/2025	113	38,759	4,883	33,875	942,763	
5/1/2025	6/1/2025	114	38,759	4,714	34,045	908,718	
6/1/2025	7/1/2025	115	38,759	4,544	34,215	874,503	
7/1/2025	8/1/2025	116	38,759	4,373	34,386	840,117	
8/1/2025	9/1/2025	117	38,759	4,201	34,558	805,559	
9/1/2025	10/1/2025	118	38,759	4,028	34,731	770,828	
10/1/2025	11/1/2025	119	38,759	3,854	34,904	735,924	
11/1/2025	12/1/2025	120	38,759	3,680	35,079	700,845	END OF YEAR 10
12/1/2025	1/1/2026	121	38,759	3,504	35,254	665,591	
1/1/2026	2/1/2026	122	38,759	3,328	35,431	630,160	
2/1/2026	3/1/2026	123	38,759	3,151	35,608	594,553	
3/1/2026	4/1/2026	124	38,759	2,973	35,786	558,767	
4/1/2026	5/1/2026	125	38,759	2,794	35,965	522,802	
5/1/2026	6/1/2026	126	38,759	2,614	36,144	486,658	
6/1/2026	7/1/2026	127	38,759	2,433	36,325	450,332	
7/1/2026	8/1/2026	128	38,759	2,252	36,507	413,826	
8/1/2026	9/1/2026	129	38,759	2,069	36,689	377,136	
9/1/2026	10/1/2026	130	38,759	1,886	36,873	340,263	
10/1/2026	11/1/2026	131	38,759	1,701	37,057	303,206	
11/1/2026	12/1/2026	132	38,759	1,516	37,242	265,964	END OF YEAR 11
12/1/2026	1/1/2027	133	38,759	1,330	37,429	228,535	
1/1/2027	2/1/2027	134	38,759	1,143	37,616	190,919	
2/1/2027	3/1/2027	135	38,759	955	37,804	153,115	
3/1/2027	4/1/2027	136	38,759	766	37,993	115,122	
4/1/2027	5/1/2027	137	38,759	576	38,183	76,939	
5/1/2027	6/1/2027	138	38,759	385	38,374	38,566	
6/1/2027	7/1/2027	139	38,759	193	38,566	0	

SECOND EXPANSION SPACE TERMINATION PAYMENT CALCULATION

Loan Type	30/360		
TI Amount	$553,421	LCD:	03/01/18
LC Amount	$167,739	LXD:	06/30/27
Abatement	$414,778	Cancellation Date:	01/01/24
Legal Fees	$12,500	**Unamort Leasing Costs:**	$507,122
Total Leasing Costs	1,148,437	2 months rent:	$59,475
		[redacted]	

		Int Only= "1"			
		Amort = blank	AMORT	PYMT/	PYMT/
		Enter	PERIOD	MONTH	YEAR
INT. RATE	**6.00%**		**9.33**	13,417	160,998

		ANALYSIS MO	PAYMENT	INT	PRIN	BALANCE	FEE DUE	
						1,148,437		
3/1/2018	4/1/2018	1	13,417	5,742	7,674	1,140,763		
4/1/2018	5/1/2018	2	13,417	5,704	7,713	1,133,050		
5/1/2018	6/1/2018	3	13,417	5,665	7,751	1,125,299		
6/1/2018	7/1/2018	4	13,417	5,626	7,790	1,117,509		
7/1/2018	8/1/2018	5	13,417	5,588	7,829	1,109,680		
8/1/2018	9/1/2018	6	13,417	5,548	7,868	1,101,812		
9/1/2018	10/1/2018	7	13,417	5,509	7,907	1,093,904		
10/1/2018	11/1/2018	8	13,417	5,470	7,947	1,085,957		
11/1/2018	12/1/2018	9	13,417	5,430	7,987	1,077,971		
12/1/2018	1/1/2019	10	13,417	5,390	8,027	1,069,944		
1/1/2019	2/1/2019	11	13,417	5,350	8,067	1,061,877		
2/1/2019	3/1/2019	12	13,417	5,309	8,107	1,053,770		END OF YEAR 1
3/1/2019	4/1/2019	13	13,417	5,269	8,148	1,045,622		
4/1/2019	5/1/2019	14	13,417	5,228	8,188	1,037,434		
5/1/2019	6/1/2019	15	13,417	5,187	8,229	1,029,205		
6/1/2019	7/1/2019	16	13,417	5,146	8,271	1,020,934		
7/1/2019	8/1/2019	17	13,417	5,105	8,312	1,012,622		
8/1/2019	9/1/2019	18	13,417	5,063	8,353	1,004,269		
9/1/2019	10/1/2019	19	13,417	5,021	8,395	995,874		
10/1/2019	11/1/2019	20	13,417	4,979	8,437	987,436		
11/1/2019	12/1/2019	21	13,417	4,937	8,479	978,957		
12/1/2019	1/1/2020	22	13,417	4,895	8,522	970,435		
1/1/2020	2/1/2020	23	13,417	4,852	8,564	961,871		
2/1/2020	3/1/2020	24	13,417	4,809	8,607	953,264		END OF YEAR 2
3/1/2020	4/1/2020	25	13,417	4,766	8,650	944,614		
4/1/2020	5/1/2020	26	13,417	4,723	8,693	935,920		
5/1/2020	6/1/2020	27	13,417	4,680	8,737	927,183		
6/1/2020	7/1/2020	28	13,417	4,636	8,781	918,403		
7/1/2020	8/1/2020	29	13,417	4,592	8,825	909,578		
8/1/2020	9/1/2020	30	13,417	4,548	8,869	900,709		
9/1/2020	10/1/2020	31	13,417	4,504	8,913	891,796		
10/1/2020	11/1/2020	32	13,417	4,459	8,958	882,839		
11/1/2020	12/1/2020	33	13,417	4,414	9,002	873,837		
12/1/2020	1/1/2021	34	13,417	4,369	9,047	864,789		
1/1/2021	2/1/2021	35	13,417	4,324	9,093	855,697		
2/1/2021	3/1/2021	36	13,417	4,278	9,138	846,559		END OF YEAR 3
3/1/2021	4/1/2021	37	13,417	4,233	9,184	837,375		
4/1/2021	5/1/2021	38	13,417	4,187	9,230	828,145		
5/1/2021	6/1/2021	39	13,417	4,141	9,276	818,869		
6/1/2021	7/1/2021	40	13,417	4,094	9,322	809,547		
7/1/2021	8/1/2021	41	13,417	4,048	9,369	800,178		
8/1/2021	9/1/2021	42	13,417	4,001	9,416	790,763		
9/1/2021	10/1/2021	43	13,417	3,954	9,463	781,300		
10/1/2021	11/1/2021	44	13,417	3,906	9,510	771,790		
11/1/2021	12/1/2021	45	13,417	3,859	9,558	762,232		
12/1/2021	1/1/2022	46	13,417	3,811	9,605	752,627		
1/1/2022	2/1/2022	47	13,417	3,763	9,653	742,974		
2/1/2022	3/1/2022	48	13,417	3,715	9,702	733,272		END OF YEAR 4
3/1/2022	4/1/2022	49	13,417	3,666	9,750	723,522		
4/1/2022	5/1/2022	50	13,417	3,618	9,799	713,723		
5/1/2022	6/1/2022	51	13,417	3,569	9,848	703,875		
6/1/2022	7/1/2022	52	13,417	3,519	9,897	693,978		
7/1/2022	8/1/2022	53	13,417	3,470	9,947	684,031		
8/1/2022	9/1/2022	54	13,417	3,420	9,996	674,035		
9/1/2022	10/1/2022	55	13,417	3,370	10,046	663,988		
10/1/2022	11/1/2022	56	13,417	3,320	10,097	653,892		
11/1/2022	12/1/2022	57	13,417	3,269	10,147	643,745		
12/1/2022	1/1/2023	58	13,417	3,219	10,198	633,547		
1/1/2023	2/1/2023	59	13,417	3,168	10,249	623,298		
2/1/2023	3/1/2023	60	13,417	3,116	10,300	612,998		END OF YEAR 5
3/1/2023	4/1/2023	61	13,417	3,065	10,352	602,646		
4/1/2023	5/1/2023	62	13,417	3,013	10,403	592,243		
5/1/2023	6/1/2023	63	13,417	2,961	10,455	581,788		
6/1/2023	7/1/2023	64	13,417	2,909	10,508	571,280		
7/1/2023	8/1/2023	65	13,417	2,856	10,560	560,720		
8/1/2023	9/1/2023	66	13,417	2,804	10,613	550,107		
9/1/2023	10/1/2023	67	13,417	2,751	10,666	539,441		
10/1/2023	11/1/2023	68	13,417	2,697	10,719	528,722		
11/1/2023	12/1/2023	69	13,417	2,644	10,773	517,949		
12/1/2023	1/1/2024	70	13,417	2,590	10,827	507,122	507,122	
1/1/2024	2/1/2024	71	13,417	2,536	10,881	496,241		
2/1/2024	3/1/2024	72	13,417	2,481	10,935	485,306		END OF YEAR 6

3/1/2024	4/1/2024	73	13,417	2,427	10,990	474,316	
4/1/2024	5/1/2024	74	13,417	2,372	11,045	463,271	
5/1/2024	6/1/2024	75	13,417	2,316	11,100	452,171	
6/1/2024	7/1/2024	76	13,417	2,261	11,156	441,015	
7/1/2024	8/1/2024	77	13,417	2,205	11,211	429,804	
8/1/2024	9/1/2024	78	13,417	2,149	11,268	418,536	
9/1/2024	10/1/2024	79	13,417	2,093	11,324	407,212	
10/1/2024	11/1/2024	80	13,417	2,036	11,380	395,832	
11/1/2024	12/1/2024	81	13,417	1,979	11,437	384,394	
12/1/2024	1/1/2025	82	13,417	1,922	11,495	372,900	
1/1/2025	2/1/2025	83	13,417	1,864	11,552	361,348	
2/1/2025	3/1/2025	84	13,417	1,807	11,610	349,738	END OF YEAR 7
3/1/2025	4/1/2025	85	13,417	1,749	11,668	338,070	
4/1/2025	5/1/2025	86	13,417	1,690	11,726	326,344	
5/1/2025	6/1/2025	87	13,417	1,632	11,785	314,559	
6/1/2025	7/1/2025	88	13,417	1,573	11,844	302,715	
7/1/2025	8/1/2025	89	13,417	1,514	11,903	290,812	
8/1/2025	9/1/2025	90	13,417	1,454	11,962	278,850	
9/1/2025	10/1/2025	91	13,417	1,394	12,022	266,828	
10/1/2025	11/1/2025	92	13,417	1,334	12,082	254,745	
11/1/2025	12/1/2025	93	13,417	1,274	12,143	242,603	
12/1/2025	1/1/2026	94	13,417	1,213	12,204	230,399	
1/1/2026	2/1/2026	95	13,417	1,152	12,265	218,134	
2/1/2026	3/1/2026	96	13,417	1,091	12,326	205,809	END OF YEAR 8
3/1/2026	4/1/2026	97	13,417	1,029	12,387	193,421	
4/1/2026	5/1/2026	98	13,417	967	12,449	180,972	
5/1/2026	6/1/2026	99	13,417	905	12,512	168,460	
6/1/2026	7/1/2026	100	13,417	842	12,574	155,886	
7/1/2026	8/1/2026	101	13,417	779	12,637	143,249	
8/1/2026	9/1/2026	102	13,417	716	12,700	130,548	
9/1/2026	10/1/2026	103	13,417	653	12,764	117,785	
10/1/2026	11/1/2026	104	13,417	589	12,828	104,957	
11/1/2026	12/1/2026	105	13,417	525	12,892	92,065	
12/1/2026	1/1/2027	106	13,417	460	12,956	79,109	
1/1/2027	2/1/2027	107	13,417	396	13,021	66,088	
2/1/2027	3/1/2027	108	13,417	330	13,086	53,002	END OF YEAR 9
3/1/2027	4/1/2027	109	13,417	265	13,152	39,850	
4/1/2027	5/1/2027	110	13,417	199	13,217	26,633	
5/1/2027	6/1/2027	111	13,417	133	13,283	13,350	
6/1/2027	7/1/2027	112	13,417	67	13,350	(0)	

SUCAMPO PHARMACEUTICALS, INC.

Four Irvington Center
805 King Farm Blvd

Termination Payment Calculation	
Original Premises & First Expansion Space Termination Payment	$1,635,334.79
Second Expansion Space Termination Payment	$566,596.74
Total Termination Payment	**$2,201,931.53**

Exhibit 12.1

Ratio of Earnings to Fixed Charges

(in thousands, except for ratio)	Nine Months Ended September 30, 2017	Year ended December 31, 2016	2015	2014	2013	2012
Pretax income from continuing operations	$ (166,175)	$ 14,375	$ 43,675	$ 27,133	$ 10,943	$ 7,977
Fixed charges:						
Interest expense	8,762	23,761	6,854	1,520	1,894	2,346
Earnings (a)	(157,413)	38,136	50,529	28,653	12,837	10,323
Fixed charges (b)	8,762	23,761	6,854	1,520	1,894	2,346
Ratio of earnings to fixed charges (a/b)	0	1.6	7.4	18.9	6.8	4.4

EXHIBIT 31.1

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 registrants 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 1, 2017

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

EXHIBIT 31.2

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

I, Peter Pfreundschuh, 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 registrants 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 1, 2017

/s/ Peter Pfreundschuh
Peter Pfreundschuh
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

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

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, 2017 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 1, 2017

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

EXHIBIT 32.2

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

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, 2017 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 1, 2017

/s/ Peter Pfreundschuh
Peter Pfreundschuh
Chief Financial Officer
(Principal Financial Officer)