UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K/A

(Amendment No. 1)

(Mark One)

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

For the fiscal year ended December 31, 2015

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, Ste 550 Rockville, MD	**20850**
(Address of principal executive offices, including zip code)	(Zip Code)

(301) 961-3400

(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A common stock, par value $0.01	The NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No þ

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

Indicate by checkmark 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 þ No ☐

Indicate by a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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

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

The aggregate market value of the 21,616,843 shares of class A common stock held by non-affiliates of the registrant (based on the closing price of the registrant's class A common stock on the last business day of the registrant's most recently completed second fiscal quarter) was $355.2 million.

As of March 1, 2016, there were 45,539,384 shares of the registrant's class A common stock outstanding, par value $0.01 per share.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's Proxy Statement for its 2016 Annual Meeting of Stockholders to be held on June 2, 2016, which Proxy Statement is to be filed within 120 days after the end of the registrant's fiscal year ended December 31, 2015, are incorporated by reference in Part III of this Annual Report on Form 10-K.

Sucampo Pharmaceuticals, Inc.

Form 10-K/A
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Explanatory Note

This Amendment No. 1 on Form 10-K/A to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, initially filed with the Securities Exchange Commission on March 11, 2016 (the "Original Filing"), amends and restates the dates on the following:

1) the PricewaterhouseCoopers LLP Report of Independent Registered Public Accounting Firm to March 9, 2015,

2) the Ernst & Young LLP Consent of Independent Registered Public Accounting Firm (Exhibit 23.1) report date to March 10, 2016 (replaced by attached Exhibit 23.1), and

3) the PricewaterhouseCoopers LLP Consent of Independent Registered Public Accounting Firm (Exhibit 23.2) report date to March 9, 2015 (replaced by attached Exhibit 23.2).

The Original Filing inadvertently used incorrect dates on these pages.

This Amendment No. 1 does not modify or update any other disclosures contained in our Original Filing; however, pursuant to Rule 12b-15 of the Securities Exchange Act of 1934, as amended, this Amendment No. 1 includes Item 8 (Financial Statements and Supplementary Data) in its entirety.

PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements and related financial statement schedules required by this item are included beginning on page F-1 of this report.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following financial statements, financial statement schedule and exhibits are filed as part of this report or incorporated herein by reference:

(1) Consolidated Financial Statements. See Index to Consolidated Financial Statements on page F-1.

(2) Financial Statement Schedule: Schedule II – Valuation and Qualifying Accounts on page F-41. All other schedules are omitted because they are not applicable, not required or the information required is shown in the financial statements or notes thereto.

(3) Exhibits. See subsection (b) below.

(b) Exhibits. The following exhibits are filed or incorporated by reference as part of this report.

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
2.1	Agreement and Plan of Reorganization, dated as of December 29, 2008, among the Company, Sucampo Pharma Holdings, Inc. and Sucampo MS, Inc.	8-K	001-33609	2.1	12/29/2008
2.2	Stock Purchase Agreement, dated December 23, 2010, among Dr. Ryuji Ueno, as trustee of the Ryuji Ueno Revocable Trust under Trust Agreement dated December 20, 2002, Dr. Sachiko Kuno as trustee of the Sachiko Kuno Revocable Trust under Trust Agreement dated December 20, 2002, Dr. Ryuji Ueno, Dr. Sachiko Kuno, Ambrent Investments S.à.r.l., and Sucampo Pharmaceuticals, Inc.	8-K	001-33609	2.1	12/29/2010
2.3#	Strategic Alliance Agreement, dated as of August 26, 2015, among Sucampo Pharmaceuticals, Inc., Sucampo Pharma, LLC and R-Tech Ueno, Ltd.	10-Q	001-33609	10.2	11/4/2015
2.4#	Share Purchase Agreement, dated August 26, 2015, among Dr. Ryuji Ueno, Dr. Sachiko Kuno, S&R Technology Holdings, LLC, and Sucampo Pharmaceuticals, Inc.	10-Q	001-33609	10.3	11/4/2015
3.1	Certificate of Incorporation	8-K	001-33609	3.1	12/29/2008
3.2	Certificate of Amendment	8-K	001-33609	3.2	12/29/2008
3.3	Amended and Restated Bylaws	8-K	001-33609	3.3	8/2/2013
4.1	Specimen Stock Certificate evidencing the shares of class A common stock	S-1/A	333-135133	4.1	2/1/2007
10.1^	Amended and Restated 2001 Stock Incentive Plan	S-1	333-135133	10.1	6/19/2006
10.2^	Amended and Restated 2006 Stock Incentive Plan	10-Q	001-33609	10.2	11/14/2007
10.3^	2006 Employee Stock Purchase Plan	S-1/A	333-135133	10.3	10/20/2006
10.4^	Form of Investor Rights Agreement	S-1	333-135133	10.16	6/19/2006
10.5*	Collaboration and License Agreement, dated October 29, 2004, between the Company and Takeda Pharmaceutical Company Limited	S-1	333-135133	10.21	6/19/2006
10.6*	Agreement, dated October 29, 2004, among the Company, Takeda Pharmaceutical Company Limited and Sucampo AG	S-1	333-135133	10.22	6/19/2006
10.7*	Supply Agreement, dated October 29, 2004, among the Company, Takeda Pharmaceutical Company Limited and R-Tech Ueno, Ltd.	S-1	333-135133	10.23	6/19/2006
10.8*	Supply and Purchase Agreement, dated January 25, 2006, among the Company, Takeda Pharmaceutical Company Limited and R-Tech Ueno, Ltd.	S-1	333-135133	10.24	6/19/2006
10.9*	Supplemental Agreement, dated February 1, 2006, between the Company and Takeda Pharmaceutical Company Limited	S-1	333-135133	10.25	6/19/2006
10.10	Letter agreement, dated January 29, 2007, between the Company and Takeda Pharmaceutical Company Limited	S-1/A	333-135133	10.36	5/14/2007
10.11*	Supply Agreement, dated February 19, 2009, between Sucampo Pharma Ltd. and Abbott Japan Co. Ltd.	10-K	001-33609	10.43	3/16/2009

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
10.12	Subordinated Unsecured Promissory Note, dated December 23, 2010, between Ambrent Investments S.à.r.l., as borrower, and Ryuji Ueno Revocable Trust Under Trust Agreement dated December 20, 2002, as lender	8-K	001-33609	10.1	12/29/2010
10.13	Subordinated Unsecured Promissory Note, dated December 23, 2010, between Ambrent Investments S.à.r.l., as borrower, and Sachiko Kuno Revocable Trust Under Trust Agreement dated December 20, 2002, as lender	8-K	001-33609	10.2	12/29/2010
10.14*	Loan Guarantee and Development Agreement, dated September 8, 2011, between Numab AG and Sucampo AG	10-K	001-33609	10.58	3/15/2012
10.15	Master Lease Agreement, effective as of January 31, 2012, between Sucampo AG and Numab AG	10-Q	001-33609	10.1	5/10/2012
10.16	Lease Agreement, dated December 18, 2006, between the Company and EW Bethesda Office Investors, LLC	10-K	001-33609	10.29	3/27/2008
10.17^	Form of Indemnification Agreement, dated December 31, 2012, between the Company and an indemnitee	8-K	001-33609	99.6	1/7/2013
10.18^	Employment Agreement, dated February 10, 2014, between the Company and Peter Greenleaf	10-K	001-33609	10.70	3/12/2014
10.19*	Settlement and License Agreement, dated September 30, 2014, among the Company, Sucampo AG, R-Tech Ueno, Ltd., Takeda Pharmaceutical Company Limited, Takeda Pharmaceuticals USA, Inc., Takeda Pharmaceuticals America, Inc., Anchen Pharmaceuticals, Inc., Par Pharmaceutical, Inc. and Par Pharmaceutical Companies, Inc.	10-Q	001-33609	10.2	11/7/2014
10.20*	Manufacturing and Supply Agreement, dated September 30, 2014, between Sucampo AG and Par Pharmaceutical, Inc.	10-Q	001-33609	10.3	11/7/2014
10.21*	Amendment No. 1, dated September 30, 2014, to Collaboration and License Agreement dated October 29, 2004 and Supplemental Agreement, dated February 1, 2006, between Sucampo Pharma Americas, LLC and Takeda Pharmaceutical Company Limited	10-Q	001-33609	10.4	11/7/2014
10.22	Amendment No. 1, dated September 30, 2014, to the Agreement dated October 29, 2004, between Sucampo Pharma Americas, LLC, Takeda Pharmaceutical Company Limited and Sucampo AG	10-Q	001-33609	10.5	11/7/2014
10.23*	Amendment No. 1, dated September 30, 2014, to Supply Agreement dated October 29, 2004, Supply and Purchase Agreement dated January 25, 2006 and the Addendum to the Supply and Purchase Agreement dated November 6, 2013, among Sucampo Pharma Americas, LLC, Takeda Pharmaceutical Company Limited and R-Tech Ueno, Ltd.	10-Q	001-33609	10.6	11/7/2014

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
10.24*	License, Development, Commercialization and Supply Agreement For Lubiprostone, dated October 27, 2014, between Sucampo AG and Takeda Pharmaceuticals International GmbH Limited	10-K	001-33609	10.79	3/9/2015
10.25^	Employment Agreement, dated as of October 27, 2014, between the Company and Dr. Peter Kiener	10-K	001-33609	10.80	3/9/2015
10.26^	Employment Agreement, dated as of October 27, 2014, between the Company and Matthias Alder	10-K	001-33609	10.81	3/9/2015
10.27^	Employment Agreement, dated as of October 27, 2014, between the Company and Dr. Steven Caffé	10-K	001-33609	10.82	3/9/2015
10.28^	Employment Agreement, dated as of October 27, 2014, between Sucampo AG and Peter Lichtlen	10-K	001-33609	10.84	3/9/2015
10.29^	Registration Rights Agreement, dated January 15, 2015, among the Company, S&R Technology Holdings, LLC, S&R Foundation, Dr. Ryuji Ueno and Dr. Sachiko Kuno	S-3	333-135133	10.1	1/16/2015
10.30*	Stipulation and License Agreement, dated February 5, 2015, among the Company, Sucampo AG, R-Tech Ueno, Ltd. and Par Pharmaceutical, Inc.	10-K	001-33609	10.88	3/9/2015
10.31*	Manufacturing and Supply Agreement, dated as of February 5, 2015, between Sucampo AG and Par Pharmaceutical, Inc.	10-K	001-33609	10.89	3/9/2015
10.32*	Office Lease Agreement, dated May 5, 2015, between Four Irvington Centre Associations, LLC and Sucampo Pharmaceuticals, Inc.	10-Q	001-33609	10.1	8/5/2015
10.33*	License, Development, Commercialization And Supply Agreement For Lubiprostone for People's Republic of China, dated May 5, 2015, between Harbin Gloria Pharmaceuticals Co., Ltd. and Sucampo AG	10-Q	001-33609	10.2	8/5/2015
10.34*	First Amendment to office Lease Agreement, dated September 14, 2015, between Four Irvington Centre Associations, LLC and Sucampo Pharmaceuticals, Inc.	10-Q	001-33609	10.1	11/4/2015
10.35^	Non-employee Director Compensation Summary	10-K	001-33609	10.35	3/11/2016
10.36^	Form Sucampo Pharmaceuticals, Inc. Duration-Based Stock Option Incentive Award Stock Option Agreement Terms and Conditions	10-K	001-33609	10.36	3/11/2016
10.37**	Amendment No. 1, dated November 18, 2015 to the License, Development, Commercialization and Supply Agreement for Lubiprostone dated October 17, 2014, between Sucampo AG and Takeda Pharmaceuticals International AG	10-K	001-33609	10.37	3/11/2016
10.38**	Credit Agreement, dated October 16, 2015, among the Company as borrower, the financial institutions listed therein as Lenders and Jefferies Finance LLC, as administrative agent and collateral agent for the Lenders	10-K	001-33609	10.38	3/11/2016
10.39**	Lease Agreement, dated April 1, 2001, between Ueno Fine Chemicals and R-Tech Ueno Ltd.	10-K	001-33609	10.39	3/11/2016

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
10.40&	New Technology Development Consignment Agreement, dated April 1, 2015, between the Japan Agency for Medical Research and Development and R-Tech Ueno, Ltd.	10-K	001-33609	10.40	3/11/2016
10.41**	Manufacturing Agreement, dated May 22, 2004, between R-Tech Ueno, Ltd. and Nissan Chemical Industries, Ltd.	10-K	001-33609	10.41	3/11/2016
101.[SCH]†	XBRL Taxonomy Extension Schema Document	Included herewith			
101.[CAL]†	XBRL Taxonomy Extension Calculation Linkbase Document	Included herewith			
101.[LAB]†	XBRL Taxonomy Extension Label Linkbase Document	Included herewith			
101.[PRE]†	XBRL Taxonomy Extension Presentation Linkbase Document	Included herewith			
21	Subsidiaries of the Company	10-K	001-33609	21	3/11/2016
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm	Included herewith			
23.2	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm	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			

^ Compensatory plan, contract or arrangement.
* Confidential treatment has been granted for portions of this exhibit.
** Confidential treatment has been requested for certain portions of this exhibit. The confidential portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission.
& English summary of a foreign language document.
# Pursuant to Item 601(b)(2) of Regulation S-K promulgated by the SEC, certain schedules to this agreement have been omitted. The registrant hereby agrees to furnish supplementally to the SEC, upon its request, any or all of such omitted schedules.
† Attached as Exhibit 101 to this report are documents formatted in XBRL (Extensible Business Reporting Language). Users of this data are advised that, pursuant to Rule 406T of Regulation S-T, the interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is otherwise not subject to liability under these sections.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Sucampo Pharmaceuticals, Inc.

March 10, 2016

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

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ PETER GREENLEAF Peter Greenleaf	Chief Executive Officer, Chairman of the Board (Principal Executive Officer)	March 10, 2016
/s/ ANDREW P. SMITH Andrew P. Smith	Chief Financial Officer (Principal Financial Officer)	March 10, 2016
/s/ DANIEL P. GETMAN Daniel P. Getman	Director	March 10, 2016
/s/ JOHN JOHNSON John Johnson	Lead Independent Director	March 10, 2016
/s/ BARBARA A. MUNDER Barbara A. Munder	Director	March 10, 2016
/s/ MAUREEN E. O'CONNELL Maureen E. O'Connell	Director	March 10, 2016
/s/ ROBERT SPIEGEL Robert Spiegel	Director	March 10, 2016
/s/ TIMOTHY WALBERT Timothy Walbert	Director	March 10, 2016

SUCAMPO PHARMACEUTICALS, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Ernst & Young LLP,
Independent Registered Public Accounting Firm,
on the Audited Consolidated Financial Statements

To the Board of Directors and Stockholders of Sucampo Pharmaceuticals, Inc.

We have audited the accompanying consolidated balance sheet of Sucampo Pharmaceuticals, Inc. as of December 31, 2015, and the related consolidated statements of operations and comprehensive income, changes in stockholders' equity and cash flows for the year then ended. Our audit also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sucampo Pharmaceuticals, Inc. at December 31, 2015, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Sucampo Pharmaceuticals, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 10, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia
March 10, 2016

Report of Ernst & Young LLP,
Report of Independent Registered Public Accounting Firm,
Regarding Internal Control Over Financial Reporting

The Board of Directors and Stockholders of Sucampo Pharmaceuticals, Inc.

We have audited Sucampo Pharmaceuticals, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). Sucampo Pharmaceuticals, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Managements Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of R-Tech Ueno, Ltd., which is included in the 2015 consolidated financial statements of Sucampo Pharmaceuticals, Inc. and constituted $301.4 million and $217.6 million of total and net assets, respectively, as of December 31, 2015 and $11.8 million and $4.7 million of revenues and net loss, respectively, for the year then ended. Our audit of internal control over financial reporting of Sucampo Pharmaceuticals, Inc. and subsidiaries also did not include an evaluation of the internal control over financial reporting of R-Tech Ueno, Ltd.

In our opinion, Sucampo Pharmaceuticals, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Sucampo Pharmaceuticals, Inc. as of December 31, 2015, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows for the period ended December 31, 2015 of Sucampo Pharmaceuticals, Inc. and our report dated March 10, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia
March 10, 2016

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Sucampo Pharmaceuticals, Inc.:

In our opinion, the consolidated balance sheet as of December 31, 2014 and the related consolidated statements of operations and comprehensive income, of changes in stockholders' equity and of cash flows for each of the two years in the period ended December 31, 2014 present fairly, in all material respects, the financial position of Sucampo Pharmaceuticals, Inc. and its subsidiaries at December 31, 2014, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule for each of the two years in the period ended December 31, 2014 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ *PricewaterhouseCoopers LLP*

Baltimore, Maryland

March 9, 2015, except for the change in the composition of reportable segments discussed in Note 4 to the consolidated financial statements, as to which the date is May 6, 2015.

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

	December 31, 2015	December 31, 2014
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 108,284	$ 71,622
Investments, current	-	22,393
Product royalties receivable	22,792	18,576
Accounts receivable, net	22,759	5,338
Deferred charge, current	295	295
Restricted cash, current	55,218	213
Inventories, net	33,121	-
Prepaid expenses and other current assets	8,891	3,411
Total current assets	251,360	121,848
Investments, non-current	-	13,540
Property and equipment, net	6,393	763
Intangible assets	130,315	151
Goodwill	60,937	-
In-process research & development	6,171	-
Deferred tax assets, non-current	-	1,047
Deferred charge, non-current	1,400	1,695
Restricted cash, non-current	-	2,224
Other assets	605	306
Total assets	$ 457,181	$ 141,574
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 11,213	$ 4,143
Accrued expenses	10,886	8,467
Deferred revenue, current	676	2,051
Collaboration obligation	5,623	6,000
Income tax payable	6,507	1,291
Notes payable, current	39,083	8,240
Other current liabilities	14,139	3,618
Total current liabilities	88,127	33,810
Notes payable, non-current	213,277	17,578
Deferred revenue, non-current	1,088	5,118
Deferred tax liability net, non-current	52,497	820
Other liabilities	15,743	1,936
Total liabilities	370,732	59,262
Commitments and contingencies (note 16)		
Stockholders' equity:		
Preferred stock, $0.01 par value; 5,000,000 shares authorized at December 31, 2015 and 2014; no shares issued and outstanding at December 31, 2015 and 2014, respectively	-	-
Class A common stock, $0.01 par value; 270,000,000 shares authorized at December 31, 2015 and 2014; 45,509,150 and 44,602,988 shares issued and outstanding at December 31, 2015 and 2014, respectively	455	446
Class B common stock, $0.01 par value; 75,000,000 shares authorized at December 31, 2015 and 2014; no shares issued and outstanding at December 31, 2015 and 2014, respectively	-	-
Additional paid-in capital	99,212	83,646
Accumulated other comprehensive income	13,412	14,265
Treasury stock, at cost; 3,009,942 and 524,792 shares at December 31, 2015 and 2014, respectively	(46,269)	(2,313)
Retained earnings (Accumulated deficit)	19,639	(13,732)
Total stockholders' equity	86,449	82,312
Total liabilities and stockholders' equity	$ 457,181	$ 141,574

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

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

	Year Ended December 31,		
	2015	**2014**	**2013**
Revenues:			
Product royalty revenue	$ 74,138	$ 62,775	$ 52,100
Product sales revenue	66,276	33,252	16,425
Research and development revenue	10,199	7,246	20,354
Contract and collaboration revenue	2,567	8,817	654
Co-promotion revenue	-	3,360	61
Total revenues	153,180	115,450	89,594
Costs and expenses:			
Costs of goods sold	36,731	16,269	12,402
Intangible assets impairment	-	5,631	-
Research and development	33,631	20,566	21,524
General and administrative	35,517	31,230	25,413
Selling and marketing	2,842	14,523	21,059
Total costs and expenses	108,721	88,219	80,398
Income from operations	44,459	27,231	9,196
Non-operating income (expense):			
Interest income	181	172	124
Interest expense	(6,854)	(1,520)	(1,894)
Other income, net	5,889	1,250	3,517
Total non-operating income (expense), net	(784)	(98)	1,747
Income before income taxes	43,675	27,133	10,943
Income tax provision	(10,304)	(14,005)	(3,928)
Net income	$ 33,371	$ 13,128	$ 7,015
Net income per share:			
Basic	$ 0.76	$ 0.30	$ 0.17
Diluted	$ 0.73	$ 0.29	$ 0.16
Weighted average common shares outstanding:			
Basic	44,150	43,691	41,716
Diluted	45,680	44,506	42,544
Comprehensive income:			
Net income	$ 33,371	$ 13,128	$ 7,015
Other comprehensive income (loss):			
Unrealized gain (loss) on pension benefit obligation	105	(978)	-
Unrealized gain (loss) on investments, net of tax effect	7	(7)	2
Foreign currency translation	(965)	(351)	(567)
Total comprehensive income	$ 32,518	$ 11,792	$ 6,450

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

SUCAMPO PHARMACEUTICALS, INC.
Consolidated Statements of Changes in Stockholders' Equity
(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 (Loss)	Shares	Amount	Deficit)	Equity
Balance at December 31, 2012	41,964,905	420	62,521	16,166	457,030	(1,977)	(33,875)	43,255
Employee stock option expense	-	-	1,744	-	-	-	-	1,744
Stock issued upon exercise of stock options	597,836	5	2,332	-	-	-	-	2,337
Stock issued under employee stock purchase plan	3,625	-	25	-	-	-	-	25
Stock issued under "at-the-market" offering	749,383	7	5,274	-	-	-	-	5,281
Foreign currency translation	-	-	-	(567)	-	-	-	(567)
Unrealized loss on investments, net of tax effect	-	-	-	2	-	-	-	2
Windfall tax benefit from stock-based compensation	-	-	213	-	-	-	-	213
Treasury stock, at cost	-	-	-	-	67,762	(336)	-	(336)
Net income	-	-	-	-	-	-	7,015	7,015
Balance at December 31, 2013	43,315,749	432	72,109	15,601	524,792	(2,313)	(26,860)	58,969
Employee stock option expense	-	-	2,287	-	-	-	-	2,287
Stock issued upon exercise of stock options	742,865	9	3,780	-	-	-	-	3,789
Stock issued under employee stock purchase plan	5,853	-	36	-	-	-	-	36
Stock issued under "at-the-market" offering	538,521	5	5,321	-	-	-	-	5,326
Windfall tax benefit from stock-based compensation	-	-	113	-	-	-	-	113
Unrealized loss on pension benefit obligation	-	-	-	(978)	-	-	-	(978)
Unrealized loss on investments, net of tax effect	-	-	-	(7)	-	-	-	(7)
Foreign currency translation	-	-	-	(351)	-	-	-	(351)
Net income	-	-	-	-	-	-	13,128	13,128
Balance at December 31, 2014	44,602,988	446	83,646	14,265	524,792	(2,313)	(13,732)	82,312
Employee stock option expense	-	-	7,349	-	-	-	-	7,349
Stock issued upon exercise of stock options	897,077	9	5,614	-	-	-	-	5,623
Stock issued under employee stock purchase plan	9,085	-	128	-	-	-	-	128
Windfall tax benefit from stock-based compensation	-	-	2,475	-	-	-	-	2,475
Unrealized gain on pension benefit obligation	-	-	-	105	-	-	-	105
Unrealized gain on investments, net of tax effect	-	-	-	7	-	-	-	7
Foreign currency translation	-	-	-	(965)	-	-	-	(965)
Treasury stock, at cost	-	-	-	-	2,485,150	(43,956)	-	(43,956)
Net income	-	-	-	-	-	-	33,371	33,371
Balance at December 31, 2015	45,509,150	$ 455	$ 99,212	$ 13,412	3,009,942	$(46,269)	$ 19,639	$ 86,449

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

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

	Year Ended December 31,		
	2015	**2014**	**2013**
Cash flows from operating activities:			
Net income	$ 33,371	$ 13,128	$ 7,015
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	10,580	1,090	1,488
Intangible assets impairment	-	5,631	-
Deferred tax provision (benefit)	(9,779)	770	(1,678)
Deferred charge	295	3,223	673
Stock-based compensation	7,349	2,287	1,744
Amortization of premiums on investments	121	82	110
Foreign currency remeasurement gain	(3,687)	(1,146)	(2,023)
Shortfall from stock-based compensation	(70)	(227)	-
Windfall benefit from stock-based compensation	(2,547)	-	-
Transfer and assignment of licensing rights	(2,000)	-	-
Changes in operating assets and liabilities:			
Accounts receivable	(8,481)	67	(4,047)
Unbilled accounts receivable	(668)	-	732
Product royalties receivable	(4,216)	(3,747)	(654)
Inventory	(1,436)	206	(163)
Income taxes receivable and payable, net	1,110	592	560
Accounts payable	(1,723)	(3,437)	2,242
Accrued expenses	395	2,868	(4,685)
Deferred revenue	(5,351)	(191)	(3,126)
Collaboration obligation	(377)	6,000	-
Accrued interest payable	(25)	(32)	(32)
Other assets and liabilities, net	5,724	3,714	(2,365)
Net cash provided by (used in) operating activities	18,585	30,878	(4,209)
Cash flows from investing activities:			
Purchases of investments	(39,775)	(29,153)	(10,127)
Proceeds from the sales of investments	45,062	1,700	755
Maturities of investments	30,554	14,650	6,485
Tenant improvement allowance	(1,880)	-	-
Purchases of property and equipment	(3,557)	(66)	(168)
Transfer and assignment of licensing rights	2,000	-	-
Changes in restricted cash	(2,368)	25,828	(9,561)
Acquisition, net of acquired cash	(161,187)	-	-
Net cash provided by (used in) investing activities	(131,151)	12,959	(12,616)
Cash flows from financing activities:			
Proceeds from notes payable, net of debt issuance costs	235,911	-	10,600
Repayment of notes payable	(8,236)	(24,904)	(7,539)
Changes in restricted cash	(42,676)		
Proceeds from exercise of stock options	5,623	3,789	2,337
Proceeds from employee stock purchase plan	128	36	25
Proceeds from "at-the market" stock issuance	-	5,326	5,281
Purchase of treasury stock	(43,956)	-	(336)
Windfall benefit from stock-based compensation	2,547	340	213
Net cash provided by (used in) financing activities	149,341	(15,413)	10,581
Effect of exchange rates on cash and cash equivalents	(113)	(904)	(1,676)
Net increase (decrease) in cash and cash equivalents	36,662	27,520	(7,920)
Cash and cash equivalents at beginning of period	71,622	44,102	52,022
Cash and cash equivalents at end of period	$ 108,284	$ 71,622	$ 44,102
Supplemental cash flow disclosures:			
Cash paid for interest	$ 5,983	$ 129	$ 156
Tax refunds received	$ 423	$ 76	$ 103
Tax payments made	$ 17,621	$ 9,166	$ 4,939

The accompanying notes are an integral part of these 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 innovative research and development of proprietary drugs to treat gastrointestinal, ophthalmic, autoimmune, and oncology-based inflammatory disorders.

The Company currently generates revenue mainly from product royalties, upfront 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 the Company continues its research and development activities, seeks additional regulatory approvals and additional indications for approved products and other compounds and seeks strategic opportunities for in-licensing new products.

AMITIZA is being marketed for three gastrointestinal indications under the collaboration and license agreement (as amended in October 2014, the North America Takeda Agreement) with Takeda Pharmaceutical Company Limited (Takeda). These indications are chronic idiopathic constipation (CIC) in adults, irritable bowel syndrome with constipation (IBS-C) in adult women and opioid-induced constipation (OIC) in adults suffering from chronic non-cancer related pain. Under the North America Takeda Agreement, the Company is primarily responsible for clinical development activities, while Takeda is responsible for commercialization of AMITIZA in the U.S. and Canada. The Company and Takeda initiated commercial sales of AMITIZA in the U.S. for the treatment of CIC in April 2006, for the treatment of IBS-C in May 2008 and for the treatment of OIC in May 2013. Takeda is required to provide a minimum annual commercial investment during the current term of the North America Takeda Agreement and may reduce the minimum annual commercial investment when a generic equivalent enters the market. In October 2015, Health Canada approved AMITIZA for CIC in adults. In October 2014, the Company and Takeda executed amendments (Takeda Amendment) to the North America Takeda Agreement which, among other things, extended the term of the North America Takeda Agreement beyond December 2020. During the extended term, Takeda and the Company will split the annual net sales revenue of the branded AMITIZA products. In addition, beginning April 2015, the North America Takeda Agreement was amended to terminate the Company's right to perform commercialization activities with respect to AMITIZA and Takeda's obligation to reimburse the Company for such commercialization activities.

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 the Ministry of Health, Labour and Welfare in June 2012 and pricing approval in November 2012. AMITIZA is Japan's only prescription medicine for CC. The Company did not experience any significant changes in the commercialization of AMITIZA in Japan as a result of the transfer of the Japan Mylan Agreement from Abbott to Mylan.

In the People's Republic of China, 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 May 2015. 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 and is expected to become the marketing authorization holder in the United Kingdom (U.K.), Austria, Belgium, Germany, Italy, Ireland, Luxembourg, the Netherlands and Spain in the first half of 2016.

Before the execution of the Global Takeda Agreement, the Company retained full rights to develop and commercialize AMITIZA for the rest of the world's markets outside of the U.S., Canada and Japan. In the U.K., the Company received approval in September 2012 from the Medicines and Healthcare Products Regulatory Agency (MHRA) for the use of AMITIZA to treat CIC. The Company made AMITIZA available in the U.K. in the fourth quarter of 2013. In 2014, the Company resubmitted an application to the MHRA for approval of the OIC indication following its initial decision to not approve in March 2014. In January 2016, the Company received notification from the MHRA that the appeal for the OIC indication was not approved. The Company will not pursue additional filings in the U.K. at this time. 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 a recommendation for marketing authorization.

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. Since February 2012, AMITIZA has also been available through a Named Patient Program throughout the European Union, Iceland and Norway. 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.

In October 2015, the Company and 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. The Company expects to initiate phase 3 registration trials in Russia, Mexico, and South Korea in the first half of 2016. An NDA for the treatment of CIC, IBS-C, and OIC was submitted in Kazakhstan in December 2015.

In the U.S., the Company ceased marketing RESCULA in the fourth quarter of 2014 and no product was made available after the March 2015 expiration date. In May 2015, the Company returned all licenses for unoprostone isopropyl to R-Tech. 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, Dong-A Pharmaceutical, Co., Ltd in South Korea and Zuelliq Pharma Co., Ltd in Taiwan.

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

Lubiprostone Alternate Formulation

The Company has been developing an alternate formulation of lubiprostone for both adult and pediatric patients who are unable to tolerate capsules and for naso-gastric tube fed patients. Takeda has agreed to fund 100% of the costs, up to a cap, of this alternate formulation work and the Company expects to initiate a phase 3 trial of the alternate formulation of lubiprostone in the second half of 2016.

Lubiprostone for Pediatric Functional Constipation

The phase 3 program required to support an application for marketing approval of lubiprostone for pediatric functional constipation comprises four clinical trials, two of which are currently ongoing and are both testing the soft gelatin capsule formulation of lubiprostone in patients 6 to 17 years of age. The first of the two trials is a pivotal 12-week, randomized, placebo-controlled trial which was initiated in December 2013. The second trial is a follow-on, long-term safety extension trial that was initiated in March 2014. Following the successful completion of the phase 3 trial for the alternative formulation of lubiprostone, as described above, the Company is also planning to initiate two additional trials in its phase 3 program for pediatric functional constipation, which will be in children aged 6 months to less than 6 years testing the alternative formulation. Takeda has agreed to fund 70% of the costs, up to a cap, of this pediatric functional constipation program.

Cobiprostone for Oral Mucositis

In May 2015, the U.S. FDA granted Fast Track Designation for cobiprostone for the prevention of OM. In September 2015, the Company initiated a phase 2a clinical trial in the U.S. of cobiprostone oral spray for the prevention of OM in patients suffering from HNC receiving concurrent RT and CT.

Cobiprostone for Proton Pump Inhibitor-Refractory Non-Erosive Reflux Disease (NERD)/symptomatic Gastroesophageal Reflux Disease (sGERD)

In December 2014, the Company initiated a phase 2a clinical trial in Japan for cobiprostone in NERD/sGERD patients who have had a non-satisfactory response to proton pump inhibitors. The Company expects to announce top-line data from this study in the first half of 2016.

VAP-1 Inhibitor for RTU-1096

RTU-1096 is an oral compound under development for the treatment of nonalcoholic steatohepatitis (NASH), chronic obstructive pulmonary disease (COPD), diabetic macular edema (DME) and diabetic retinopathy (DR) and immune-oncology. In the first quarter of 2016, the phase 1 trial has been completed in healthy individuals that evaluated the safety and pharmacokinetics and the results will be accessed in the first half of 2016. The Company will also look to generate additional preclinical data in the emerging area of immune-oncology, to support partnership opportunities of combination therapy in cancer patients of our molecules with check-point pathway inhibitors.

VAP-1 Inhibitor for RTU-009

RTU-009 is a pre-clinical stage, injectable VAP-1 inhibitor that is being studied in acute cerebral infarction as well as ophthalmic diseases. Our next step would be to complete IND-enabling studies, and thereafter initiate clinical-stage development.

Basis of Presentation

The accompanying Consolidated Financial Statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America, (GAAP) and the rules and regulations of the Securities and Exchange Commission, (SEC). The Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries: Sucampo AG, based in Zug, Switzerland, through which the Company conducts certain worldwide and European operations; Sucampo Pharma, LLC, based in Tokyo and Osaka, Japan and R-Tech Ueno, Ltd. (acquired October 20, 2015), based in Kobe, Japan through which the Company conducts its Asian operations; Sucampo Pharma Americas LLC, based in Rockville, Maryland, through which the Company conducts operations in North and South America and Sucampo Pharma Europe, Ltd., based in Oxford, U.K.. 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

Principles of Consolidation

The consolidated financial statements include the accounts of Sucampo Pharmaceuticals, Inc. and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingencies at the date of the financial statements as well as the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the Consolidated Balance Sheets and Consolidated Statements of Cash Flows, cash equivalents include all highly liquid investments with a maturity of 90 days or less at the time of purchase.

Current and Non-Current Investments

Current and non-current investments consist primarily of U.S. government agency securities, certificates of deposit, corporate bonds, municipal securities and variable rate demand notes, and are classified as current or non-current based on their maturity dates. The Company classifies all investments as available-for-sale securities and reports unrealized gains or losses, net of related tax effects, in other comprehensive income.

Accounts Receivable

Accounts receivable primarily represents amounts due under the North America Takeda Agreement and Japan Mylan Agreement. The Company recorded an immaterial allowance for doubtful accounts at December 31, 2015 and 2014. Accounts receivable of zero and $779,000 were charged off against the allowance for doubtful accounts during the years ended December 31, 2015 and 2014, respectively.

Inventories

Inventories are stated at the lower of cost or net realizable value, using the first-in, first-out convention. Inventories consist of raw material, work-in-process and finished goods. The Company's inventories include the direct purchase cost of materials and supplies and manufacturing overhead costs.

Restricted Cash

As of December 31, 2015, restricted cash consisted primarily of $25.0 million related to the Credit Facility that requires the Company to maintain $25.0 million in a restricted cash account until at least $35 million of the Term Loans have been repaid or prepaid (see note 17). Further, as part of the R-Tech acquisition, $17.7 million is held in a restricted cash account for payment of the Ueno and Kuno Trust Notes, which were settled on February 1, 2016 (see note 17), and $8.2 million is held in restricted cash related to the squeeze out of non-tendering R-Tech shareholders, which was settled in January, 2016.

Restricted cash at December 31, 2014 primarily represented collateral pledged to support a loan guarantee and development agreement (Numab Agreement) between Numab AG (Numab) and Zurcher Kantonalbank, which the Company serves as guarantor; and operating leases with certain financial institutions. Restricted cash totaled $2.4 million at December 31, 2014.

Property and Equipment

Property and equipment are recorded at cost and consist of computer and office machines, furniture and fixtures, IT infrastructure and leasehold improvements. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to earnings as incurred. When assets are sold or retired, the related cost and accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in earnings.

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, investments and receivables. The Company places its cash, cash equivalents and restricted cash with highly rated financial institutions and invests its excess cash in highly rated investments. As of December 31, 2015 and 2014, approximately $5.9 million, or 3.6%, and $37.0 million, or 33.6%, respectively, of the Company's cash, cash equivalents, restricted cash and investments 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 63.3%, 71.3% and 81.3% of the Company's total revenues for the years ended December 31, 2015, 2014 and 2013, respectively. Accounts receivable and product royalties receivable from Takeda accounted for 78.1% and 88.5% of the Company's total accounts receivable and product royalties receivable at December 31, 2015 and 2014. Revenues from another unrelated party, Mylan, accounted for 35.2%, 27.8% and 17.6% of the Company's total revenues for the years ended December 31, 2015, 2014 and 2013. The Company depends significantly upon collaborations with Takeda and Mylan, and its activities may be impacted if these relationships are disrupted (see note 19).

Fair Value of Financial Instruments

The carrying values of the Company's financial instruments approximate their fair values based on their short maturities, independent valuations or internal assessments. The Company's financial instruments include cash and cash equivalents, restricted cash, current and non-current investments, receivables, accounts payable, collaboration obligation and accrued expenses. The carrying amounts of the Notes (as defined below) at December 31, 2015 and 2014 did approximate fair value and are classified as a Level 2 instrument.

Revenue Recognition

The Company's revenues are derived primarily from product royalties, product sales, development milestone payments, clinical development activities, and contract and collaboration activities.

Multiple-Element Arrangements

The Company evaluated the multiple deliverables within the AMITIZA agreements in accordance with the guidance of multiple deliverables under ASC 605-25 "Revenue Recognition — Multiple-Element Arrangements" to determine whether the deliverables can be separated for revenue recognition purposes. The separation criteria include whether the deliverables have standalone value and whether objective reliable evidence of fair value exists. Deliverables that meet these criteria are considered a separate unit of accounting. Deliverables that do not meet these criteria are combined and accounted for as a single unit of accounting. The appropriate recognition of revenue is then applied to each separate unit of accounting. The Company's deliverables under AMITIZA agreements are more fully described in note 19 below.

Where agreements include contingent milestones the Company evaluates whether each milestone is substantive. Milestones are considered substantive if all of the following conditions are met: (1) it is commensurate with either our performance to meet the milestone or the enhancement of the value of the delivered item or items as a result of a specific outcome resulting from the our performance to achieve the milestone, (2) it relates solely to past performance, and (3) the value of the milestone is reasonable relative to all the deliverables and payment terms (including other potential milestone consideration) within the arrangement. Where milestones are not considered substantive their treatment is based on either a time-based or proportional performance model.

Research and Development Revenue

The Company applied a time-based model of revenue recognition for cash flows associated with research and development deliverables agreed upon prior to January 1, 2011 under the North America Takeda Agreement. Under this model, cash flow streams related to each unit of accounting are recognized as revenue over the estimated performance period. Upon receipt of cash payments, such as development milestones, revenue is recognized to the extent the accumulated service time has occurred. The remainder is deferred and recognized as revenue ratably over the remaining estimated performance period.

For research and development deliverables agreed upon subsequent to January 1, 2011 under the North America Takeda agreement, which are reimbursable by Takeda at contractually predetermined percentages, the Company recognizes revenue when the underlying research and development expenses are incurred, assuming all other revenue recognition criteria are met.

Product Royalty Revenue

Product royalty revenue represents royalty revenue earned on Takeda's net sales of AMITIZA under the North America Takeda Agreement, and is recorded when earned in accordance with the contractual terms, collectability is reasonably assured and all other revenue recognition criteria are met.

Product Sales Revenue

Product sales revenue consists of AMITIZA sales under the Japan Mylan Agreement, the North America Takeda Agreement, Global Takeda Agreement, and prior to the Global Takeda Agreement, by the Company in Europe, and RESCULA sales to Santen in Japan and by the Company in the U.S. Revenue from AMITIZA product sales is recognized when persuasive evidence of an arrangement exists, delivery has occurred, title to product and associated risk of loss have passed to the customer, the price is fixed or determinable, and collection from the customer is reasonably assured. The Company did not record sales deductions and returns for sales of AMITIZA due to the absence of discounts and rebates and the lack of right of return.

Co-promotion Revenue

Takeda reimbursements of co-promotion costs under the North America Takeda Agreement, including costs associated with the Company's specialty sales force and miscellaneous marketing activities, are recognized as co-promotion revenue as the related costs are incurred and Takeda becomes contractually obligated to pay the amounts. The Company has determined that it is acting as a principal under this agreement, and as such, records reimbursements of these amounts on a gross basis as co-promotion revenue. In December 2014, the Company ceased co-promoting AMITIZA as a result of the amendment to the North America Takeda Agreement.

Contract and Collaboration Revenue

Contract and Collaboration revenue relates to development and consulting activities and includes $8.0 million of the upfront payment received from Takeda in 2014 under the Global Takeda Agreement.

The Company considers its participation in joint committees under the Japan Mylan Agreement and North America Takeda Agreement as separate deliverables under the contracts and recognizes the best estimate of selling price of such participation as collaboration revenue over the period of the participation per the terms of the contracts.

Deferred Revenue

Deferred revenue represents payments received for licensing fees, option fees, consulting, research and development contracts and related cost sharing and supply agreements, mainly with Takeda and Mylan, which are deferred until revenue can be recognized under the Company's revenue recognition policy. At December 31, 2015 and 2014, total deferred revenue was approximately $1.8 million and $7.2 million, respectively.

Total deferred revenue consists of the following as of:

(In thousands)	December 31, 2015	December 31, 2014
Deferred revenue, current	$ 676	$ 2,051
Deferred revenue, non-current	1,088	5,118
	$ 1,764	$ 7,169
Deferred revenue to related parties, included in total deferred revenue:		
Deferred revenue to related parties, current	$ -	$ 453
Deferred revenue to related parties, non-current	-	4,141
Total	$ -	$ 4,594

During the fourth quarter of 2015, as part of the R-Tech acquisition, the Company recognized $3.9 million of deferred revenue as part of settlement of a pre-existing relationship with R-Tech.

Stock-Based Compensation

The Company estimates the fair value of share-based payment awards on the date of the grant using an option-pricing model and recognizes the expense over the required service periods.

For recording of the stock-based compensation expense for service based and market condition options, the Company has chosen to use:

- the straight-line method of allocating compensation cost for service based options and graded vesting for market condition options;
- the Black-Scholes-Merton option pricing formula for time based options and the Monte Carlo simulation model for the market condition options as the Company's chosen option-pricing models;
- the simplified method to calculate the expected term for options as discussed under the SEC's guidance for share-based payments for service based options;
- an estimate of expected volatility based on the historical volatility of the Company's share price; and
- an estimate for expected forfeitures.

The three factors which most affect stock-based compensation are the fair value of the common stock underlying the stock options, the vesting term of the options, and the volatility of such fair value of the underlying common stock. If the Company's estimates are too high or too low, the Company may overstate or understate its stock-based compensation expense.

Pension

The Company utilizes actuarial methods to measure the benefit obligations and net periodic pension cost/income for its Swiss pension plan. Inherent in the application of these actuarial methods are key assumptions, including, but not limited to, discount rates, mortality rates, and rates of compensation increases. Company management evaluates these assumptions annually and updates assumptions as necessary. Net actuarial gains or losses are amortized to expense in future periods over the average future service period for employees of plans. The fair values of assets are determined based on the sum of the saving capitals of the actives in the pension plan.

Mergers and Acquisitions

In a business combination, the acquisition method of accounting requires that the assets acquired and liabilities assumed be recorded as of the date of the merger or acquisition at their respective fair values. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Accordingly, the Company may be required to value assets at fair value measures that do not reflect our intended use of those assets. Any excess of the purchase price (consideration transferred) over the estimated fair values of net assets acquired is recorded as goodwill. Transaction costs and costs to restructure the acquired company are expensed as incurred. The operating results of the acquired business are reflected in our consolidated financial statements after the date of the merger or acquisition. If the Company determines the assets acquired do not meet the definition of a business under the acquisition method of accounting, the transaction will be accounted for as an acquisition of assets rather than a business combination and, therefore, no goodwill will be recorded. The fair values of intangible assets, including acquired in-process research and development (IPR&D) are determined utilizing information available near the merger or acquisition date based on expectations and assumptions of a market participant that are deemed reasonable by management. Given the considerable judgment involved in determining fair values, the Company typically obtains assistance from third-party valuation specialists for significant items. Amounts allocated to acquire IPR&D are capitalized and accounted for as indefinite-lived intangible assets. Upon successful completion of each project, the Company will make a separate determination as to the then useful life of the asset and begin amortization. The judgments made in determining estimated fair values assigned to assets acquired and liabilities assumed in a business combination, as well as asset lives, can materially affect the Company's results of operations.

The fair values of identifiable intangible assets related to currently marketed products and product rights are primarily determined by using an "income approach" through which fair value is estimated based on each asset's discounted projected net cash flows. Our estimates of market participant net cash flows consider historical and projected pricing, margins and expense levels; the performance of competing products where applicable; relevant industry growth drivers and factors; current and expected trends in technology and product life cycles; the time and investment that will be required to develop products and technologies; the ability to obtain marketing and regulatory approvals; the ability to manufacture and commercialize the products; the extent and timing of potential new product introductions by the Company's competitors; and the life of each asset's underlying patent, if any. The net cash flows are then probability-adjusted where appropriate to consider the uncertainties associated with the underlying assumptions, as well as the risk profile of the net cash flows utilized in the valuation. The probability-adjusted future net cash flows of each product are then discounted to present value utilizing an appropriate discount rate.

The fair values of identifiable intangible assets related to IPR&D are determined using an income or cost approach. Under the income approach fair value is estimated based on each asset’s probability-adjusted future net cash flows, which reflect the different stages of development of each product and the associated probability of successful completion. The net cash flows are then discounted to present value using appropriate discounts. Under the replacement cost approach, historical research and development spending is analyzed to derive the costs incurred to date related to the asset. An expected return of 20% was applied to the cumulative research and development costs incurred to date, as this estimates the required rate of a return a prudent investor would require on a similarly situated asset. No tax amortization benefit is applied given the asset is valued under the replacement cost approach, which is representative of buying the asset in the market at fair value.

Goodwill

The Company assesses the carrying value of goodwill on an annual basis, or whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable to determine whether any impairment in this asset may exist and, if so, the extent of such impairment. The provisions of the relevant accounting guidance require that the Company perform a two-step impairment test. In the first step, the Company compares the fair value of its reporting unit to the carrying value. If the carrying value of the reporting unit exceeds the fair value of the reporting unit, then the second step of the impairment test is performed in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of the reporting unit's goodwill exceeds its implied fair value, an impairment loss equal to the difference is recognized. The Company calculates the fair value of the reporting unit utilizing the income approach. The income approach utilizes a discounted cash flow model, using a discount rate based on the Company's estimated weighted average cost of capital. The Company also evaluates goodwill using the qualitative assessment method, which permits companies to qualitatively assess whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. The Company considers developments in its operations, the industry in which it operates and overall macroeconomic factors that could have affected the fair value of the reporting unit since the date of the most recent quantitative analysis of a reporting unit's fair value. As described in note 4 to these consolidated financial statements, the Company operates as one operating segment which is considered our only reporting unit.

The determination of the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. The estimates and assumptions used in calculating fair value include identifying future cash flows, which requires that the Company makes a number of critical legal, economic, market and business assumptions that reflect best estimates as of the testing date. The Company's assumptions and estimates may differ significantly from actual results, or circumstances could change that would cause the Company to conclude that an impairment now exists or that it previously understated the extent of impairment. The Company selected October 1 as its annual impairment test date.

Research and Development Expenses

Research and development costs are expensed in the period in which they are incurred and include the expenses from third parties who conduct research and development activities pursuant to development and consulting agreements on behalf of the Company. Costs related to the acquisition of intellectual property are expensed as incurred in research and development expenses since the underlying technology associated with such acquisitions is unproven, has not received regulatory approval at its early stage of development and does not have alternative future uses. Milestone payments due under agreements with third party contract research organizations (CROs) are accrued when it is considered probable that the milestone event will be achieved.

Accrued Research and Development Expenses

As part of the process of preparing Consolidated Financial Statements, the Company is required to estimate accruals for research and development expenses. This process involves reviewing and identifying services which have been performed by third parties on the Company's behalf and determining the value of these services. In addition, the Company makes estimates of costs incurred to date but not yet invoiced, in relation to external CROs and clinical site costs. The Company analyzes the progress of clinical trials, including levels of patient enrollment; invoices received and contracted costs, when evaluating the adequacy of the accrued liabilities for research and development. The Company makes significant judgments and estimates in determining the accrued balance in any accounting period. No material adjustments have been required for this accrual during the years ended December 31, 2015 and 2014.

Income Taxes

The Company accounts for income taxes under the asset and liability method in accordance with the relevant accounting guidance for income taxes. Under the asset and liability method, the current income tax provision or benefit is the amount of income taxes expected to be payable or refundable for the current year. A deferred income tax asset or liability is recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credits and loss carry-forwards. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Tax rate changes are reflected in the income tax provision during the period such changes are enacted. Changes in ownership may limit the amount of net operating loss (NOL) carry-forwards that can be utilized in the future to offset taxable income. The Company's discussion of income tax is described more fully under note 21 found below.

In September 2011, the Company internally transferred certain intellectual property and licenses from the Company's subsidiaries, including the U.S. based subsidiary, to SAG. Since the transfer of these assets was to a related party, the recognition of a deferred tax asset by SAG is prohibited and the net tax effect of the transaction is deferred in consolidation. The tax liability generated from this transaction is offset by a deferred charge that is being amortized over ten years. As of December 31, 2015, 2014 and 2013, the total deferred charge is $1.7 million, $2.0 million and $5.2 million, respectively, after a net current year amortization and impairment expense of $0.3 million, $3.2 million and $0.7 million, respectively. Impairment expense included in the $3.2 million for 2014 totaled $1.8 million and resulted from the cessation of direct commercialization activities for RESCULA in 2014.

For all significant intercompany transactions, the Company's management has evaluated the terms of the transactions using significant estimates and judgments to ensure that each significant transaction would be on similar terms if the Company completed the transaction with an unrelated party. Although the Company believes there will be no material tax liabilities to the Company as a result of multi-jurisdictional transactions, there can be no assurance that taxing authorities will not assert that transactions were entered into at monetary values other than fair values. If such assertions were made, the Company's intention would be to vigorously defend its positions; however, there can be no assurance that additional liabilities may not occur as a result of any such assertions.

The Company considers certain undistributed earnings of foreign subsidiaries to be indefinitely reinvested outside of the U.S. and, accordingly, no U.S. deferred taxes have been recorded under the applicable accounting standard with respect to such earnings. Should the earnings be remitted to the U.S., the Company may be subject to additional U.S. taxes, net of allowable foreign tax credits. It is not practicable to estimate the amount of any additional taxes which may be payable on the undistributed earnings.

Uncertain Tax Positions

The Company applies the accounting guidance for uncertain tax positions that requires the application of a more likely than not threshold to the recognition and de-recognition of uncertain tax positions. If the recognition threshold is met, the Company recognizes a tax benefit measured at the largest amount of the tax benefit that, in its judgment, is more than 50% likely to be realized upon settlement.

The Company has recorded an income tax liability of approximately $2.9 million and $0.8 million, including interest, for uncertain tax positions as of December 31, 2015 and 2014, respectively. As of December 31, 2015, the entire balance was reflected as other liabilities in the accompanying Consolidated Balance Sheets. As of December 31, 2014, $0.3 million and $0.6 million are reflected as other current liabilities and other liabilities, respectively, in the accompanying Consolidated Balance Sheets. These amounts represent the aggregate tax effect of differences between tax return positions and the amounts otherwise recognized in the Company's Consolidated Financial Statements.

The Company recognizes interest and penalties related to uncertain tax positions as a component of the income tax provision. It is reasonably possible that the $1.3 million of the liability for unrecognized tax benefits will decrease within the next 12 months. In addition, future changes in the unrecognized tax benefits would have an effect on the effective tax rate when recognized.

Currently, tax years 2011 to 2015 remain open and subject to examination in the major tax jurisdictions in which tax returns are filed.

Foreign Currency

The functional currency for most of the Company's foreign subsidiaries is its local currency. For the Company's non-U.S. subsidiaries that transact in a functional currency other than the U.S. dollar, assets and liabilities are translated at current rates of exchange at the balance sheet date. Income and expense items are translated at the average foreign exchange rates for the period. Adjustments resulting from the translation of the financial statements of the Company's foreign operations into U.S. dollars are excluded from the determination of net income and are recorded in accumulated other comprehensive income, a separate component of equity. For subsidiaries where the functional currency is the U.S. dollar, non-monetary assets and liabilities are translated at the rate of exchange in effect on the date assets were acquired while monetary assets and liabilities are translated at current rates of exchange as of the balance sheet date. Income and expense items are translated at the average foreign currency rates for the period. Translation adjustments of these subsidiaries are included in net income.

Realized and unrealized foreign currency gains or losses on assets and liabilities denominated in a currency other than the functional currency are included in net income.

Other Comprehensive Income

Comprehensive income consists of net income plus certain other items that are recorded directly to stockholders' equity. The Company has reported comprehensive income in the Consolidated Statements of Operations and Comprehensive Income.

The Company has outstanding intercompany loans and investments between its subsidiaries which are eliminated for purposes of the Consolidated Financial Statements. These intercompany loans are not expected to be repaid or settled in the foreseeable future. Accordingly, the currency transaction gains or losses on these intercompany loans are recorded as part of other comprehensive income in the Consolidated Financial Statements. In addition, the actuarial gains and losses of the Swiss Pension plan are recorded in comprehensive income.

Recent Accounting Pronouncements

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

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

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, (ASU 2015-17). This new guidance requires businesses to classify deferred tax liabilities and assets on their balance sheets as noncurrent. Under existing accounting, a business must separate deferred income tax liabilities and assets into current and noncurrent. ASU 2015-17 was issued as a way to simplify the way businesses classify deferred tax liabilities and assets on their balance sheets. Public companies must apply ASU 2015-17 to fiscal years beginning after December 15, 2016. Companies must follow the requirements for interim periods within those fiscal years, but early adoption at the beginning of an interim or annual period is allowed for all entities. The Company has elected to early adopt the guidance and applied the guidance on a prospective basis. The adoption has no impact on consolidated statements of operations and comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2015. The impact to the consolidated balance sheets as of December 31, 2014 was the reclassification of $0.5 million from current deferred income tax assets, net to non-current deferred income tax liabilities, net resulting in an ending balance of $1.0 million of noncurrent deferred tax asset and $0.8 million of noncurrent deferred tax liability as of December 31, 2014.

In September 2015, the FASB issued Accounting Standards Update 2015-16, *Business Combinations (Topic 805) - Simplifying the Accounting for Measurement-Period Adjustments* (ASU 2015-16), which requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in ASU 2015-16 require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. An entity is required to present separately on the face of the income statement or disclose in the notes thereto the portion of the amount recorded in current period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. This guidance is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015 and should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier adoption permitted for financial statements that have not been issued. The Company will prospectively adopt this guidance beginning in fiscal year 2016.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*, (ASU 2015-11). This new guidance requires an entity to measure inventory at the lower of cost and net realizable value. Currently, entities measure inventory at the lower of cost or market. ASU 2015-11 replaces market with 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. Subsequent measurement is unchanged for inventory measured under last-in, first-out or the retail inventory method. ASU 2015-11 requires prospective adoption for inventory measurements for fiscal years beginning after December 15, 2016, and interim periods within those years for public business entities. Early application is permitted. The Company is evaluating the effect that ASU 2015-11 will have on its Consolidated Financial Statements and related disclosures.

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

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

3. Net Income per Share

Basic net income per share is computed by dividing net income by the sum of the weighted average class A and class B common shares outstanding. Diluted net income per share is computed by dividing net income by the weighted average common shares and potential dilutive common shares outstanding. Diluted net loss per share, when applicable, 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 computation of net income per share for the years ended December 31, 2015, 2014 and 2013 is shown below:

	Year To Date December 31,		
(in thousands, except per share data)	**2015**	**2014**	**2013**
Basic net income per share:			
Net income	$ 33,371	$ 13,128	$ 7,015
Weighted average class A and B common shares outstanding	44,150	43,691	41,716
Basic net income per share	$ 0.76	$ 0.30	$ 0.17
Diluted net income per share:			
Net income	$ 33,371	$ 13,128	$ 7,015
Weighted average class A and B common shares outstanding for diluted net income per share	44,150	43,691	41,716
Assumed exercise of stock options under the treasury stock method	1,530	815	828
	45,680	44,506	42,544
Diluted net income per share	$ 0.73	$ 0.29	$ 0.16

The potentially dilutive securities used in the calculations of diluted net income per share at December 31, 2015, 2014 and 2013 are as follows:

	December 31,		
(In thousands)	**2015**	**2014**	**2013**
Employee stock options	3,290	1,124	2,129
Non-employee stock options	-	255	410

The following securities were excluded from the computation of diluted net income per share as their effect would be anti-dilutive as of December 31, 2015, 2014 and 2013:

	December 31,		
(In thousands)	**2015**	**2014**	**2013**
Employee stock options	1,188	3,012	530

4. Segment Information

In the first quarter of 2015, the Company made a number of strategic and operational changes to its business, including re-evaluating and accelerating its pipeline to focus on clinical programs that it believes hold the most promise for patients, the highest likelihood for regulatory approval, and the strongest potential for commercial return. As a result of such changes, the Company combined its reportable geographic segments of Asia, the Americas and Europe into one operating segment: the development and commercialization of pharmaceutical products. This change reflects the manner in which information is now being presented internally and used by the Company's chief operating decision maker, the Company's Chief Executive Officer, to allocate resources and assess performance.

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

Product Category Information

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

Product royalty revenue represents royalty revenue earned on the net sales of AMITIZA in North America. Product sales revenue represents drug product net sales of AMITIZA in North America, Japan and Europe and drug product net sales of RESCULA in Japan. Research and development revenue represents funded development work primarily related to AMITIZA. Contract and collaboration revenue represents the amortization of up-front payments under the North America Takeda Agreement and release of the collaboration obligation under the Global Takeda agreement. Co-promotion revenue represents reimbursements by Takeda of a portion of the Company's co-promotion costs for its specialty sales force.

Company revenues by product category for the years ended December 31, 2015, 2014 and 2013 were as follows:

	Years Ended December 31,		
(In thousands)	**2015**	**2014**	**2013**
Product royalty revenue	$ 74,138	$ 62,775	$ 52,100
Product sales revenue	66,276	33,252	16,425
Research and development revenue	10,199	7,246	654
Contract and collaboration revenue	2,567	8,817	20,354
Co-promotion revenue	-	3,360	61
Total	$ 153,180	$ 115,450	$ 89,594

Geographical Information

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

Company revenues by geographic location for the years ended December 31, 2015, 2014 and 2013 were as follows:

	Years Ended December 31,		
(In thousands)	**2015**	**2014**	**2013**
United States	$ 95,769	$ 74,688	$ 73,637
Japan	55,371	32,128	15,849
Rest of the world	2,040	8,634	108
Total	$ 153,180	$ 115,450	$ 89,594

The Company's long-lived assets by geographic location where located on December 31, 2015, 2014 and 2013 were as follows:

	December 31,		
(In thousands)	**2015**	**2014**	**2013**
United States	$ 3,105	$ 566	$ 869
Japan	3,232	114	175
Rest of the world	56	83	112
Total	$ 6,393	$ 763	$ 1,156

5. Acquisitions

Acquisitions have been accounted for as business combinations and the acquired companies results have been included in the accompanying consolidated statements of income from their respective date of acquisition. The Company's recent acquisition has been made at prices above the fair value of the acquired net assets, resulting in goodwill, due to expectations of synergies of combining the businesses. These synergies include the use of the Company's existing infrastructure, such as sales and distribution channels, customer relations, shared services, as well as the elimination of duplicative facilities, functions and staffing.

Acquisition of R-Tech

In August 2015, the Company entered into a share purchase agreement with Drs. Ryuji Ueno and Sachiko Kuno and S&R Technology Holdings, LLC, to acquire 44% of outstanding R-Tech shares. The total purchase price for these shares was 1,400 Japanese Yen (JPY) per share, or 12 billion JPY in the aggregate, or approximately $100.0 million.

In August 2015, the Company launched, through its wholly-owned Japanese subsidiary (the Offeror), an all-cash tender offer in Japan to acquire the remaining 56% of the outstanding shares and stock acquisition rights of R-Tech for 1,900 JPY per share, resulting in a total consideration of up to 21 billion JPY, or approximately $175.0 million. The price offered in the tender offer reflected that R-Tech held approximately $62.1 million in cash and 2.5 million shares of the Company's common stock as of the commencement of the tender offer.

On October 20, 2015, the transactions contemplated by the share purchase agreement were completed, and the tender offer was concluded. As a result of these transactions, the Company acquired approximately 98% of R-Tech's outstanding shares. The Company acquired the remaining 2% of outstanding shares of R-Tech through a squeeze-out process under Japanese law on December 8, 2015 for total consideration of 926 million JPY, or approximately $7.7 million. This acquisition diversified the product portfolio, expanded the Company's development pipeline and integrated the manufacturing of the Company's main product, AMITIZA.

This transaction was accounted for under the acquisition method of accounting, with the Company as the acquirer. Under the acquisition method of accounting, the assets and liabilities of R-Tech were recorded as of the acquisition date at their respective fair values, and combined with those of the Company.

The allocation of the purchase price is preliminary and is not yet finalized. The purchase price allocation is still considered preliminary due to finalization of valuation reports, evaluation of acquired tax attributes and review of IPR&D. The preliminary allocation of the purchase price is based upon preliminary estimates using information that was available to management at the time the financial statements were prepared and these estimates and assumptions are subject to change within the measurement period, up to one year form the acquisition date. Accordingly, the allocation may change. The Company continues to gather information about the fair value of all assets and liabilities, including intangible assets, acquired deferred tax and liabilities. Acquisition related costs are expensed when incurred and are included in general and administrative expenses in the consolidated statement of operations and comprehensive income.

The preliminary allocation of the purchase price based upon estimated fair value of assets acquired and liabilities assumed on October 20, 2015 is as follows:

(In thousands)	As of October 20, 2015
Cash	$ 62,097
Accounts receivable	8,299
Inventory (i)	37,563
Prepaid expenses	3,425
Property, plant and equipment	3,115
Other long term assets	449
Accounts payable and accrued liabilities	(11,598)
Income tax payable	(5,025)
Other liabilities, current	(3,282)
Deferred tax liability, net	(62,927)
Other liabilities, long term	(9,347)
R-Tech shares of Sucampo stock (treasury stock)	43,956
Total fair value of tangible assets acquired and liabilities assumed	66,725
Acquired in-process research and development	6,200
Acquired intangible assets	134,600
Goodwill	61,228
Total purchase price	$ 268,753
Total purchase price	$ 268,753
Settlement of net receivable from pre-existing relationship	6,364
Total consideration	$ 275,117
Acquisition, net of acquired cash	$ 161,187
Acquired cash	62,097
Purchase of treasury stock	43,956
Squeeze out liability for non-tendering R-Tech shareholders	7,668
Other	209
Total consideration	$ 275,117

(i) Acquired inventory includes a $20.1 million adjustment to record inventory at fair value, referred to as a step-up adjustment. The $20.1 million step-up adjustment will amortize evenly through costs of goods sold over a seven month period beginning in November 2015 and ending in May 2016, in alignment with expected inventory turnover. The amortization of the inventory step-up adjustment will increase costs of goods sold during these periods. For the year ended December 31, 2015, the Company recognized $5.8 million in additional costs of goods sold related to the amortization of the inventory step-up adjustment.

The estimated fair value of intangible assets acquired and related estimated amortization periods in years is as follows:

(In thousands)	As of October 20, 2015	Amortization period in years
Acquired in-process research and development	$ 6,200	Indefinite
Acquired intangible assets:		
AMITIZA - manufacturing know-how	120,200	14
RESCULA - manufacturing know-how	14,400	10
	$ 134,600	

In-process research and development (IPR&D) acquired from R-Tech is related to RTU-009 and RTU-1096. Management estimated the fair value of IPR&D at the acquisition date to be $6.2 million. The estimated fair value was determined using the replacement cost approach. Under the replacement cost approach, historical research and development spending is analyzed to derive the costs incurred to date related to the asset. An expected return of 20% was applied to the cumulative mid-year pre-tax research and development costs incurred to date, as this estimates the required rate of a return a prudent investor would require on a similarly situated asset. An adjustment was not made for economic obsolescence as the costs considered are historical and the method applied is considering the estimate of fair value to buy the asset in the market at its current stage of development. No tax amortization benefit has been applied given the asset is valued under the replacement cost approach, which is representative of buying the asset in the market at fair trade value.

The Company estimated the fair values of the AMITIZA manufacturing know-how intangible asset and RESCULA manufacturing know-how intangible asset using the income approach with a present value discount rate of 18%, which is based on the estimated weighted-average cost of capital for companies with profiles substantially similar to that of R-Tech and the Company. This is comparable to the estimated internal rate of return for the acquisition and presents the rate that market participants would use to value these intangible assets. The projected cash flows from the AMITIZA manufacturing know-how intangible asset and RESCULA manufacturing know-how intangible asset were based on key assumptions including estimates of revenues, operating profits, the life of the potential commercialized product, associated risks, and the risks related to the viability of and potential alternative use in any future markets.

The weighted average amortization period of the intangible assets from the R-Tech acquisition is 78 months which is reflective of expected cash flows. For the year ended December 31, 2015, the Company recorded amortization expense of $3.7 million, all of which has been recorded in costs of goods sold in the Consolidated Statements of Operations and Comprehensive Income.

The Company recorded approximately $61.2 million in goodwill related to the acquisition of R-Tech, representing the purchase price paid in the acquisition that was in excess of the fair value of the tangible and intangible assets acquired. None of the goodwill generated from R-Tech acquisition is expected to be deductible for tax purposes.

The Company has incurred transaction costs related to the R-Tech acquisition of approximately $5.2 million for the year ended December 31, 2015, all of which has been recorded in general and administrative expenses.

The following unaudited pro forma information is presented as if the acquisition had occurred on January 1, 2014, and combines the historical results of operations of the Company and R-Tech for the year ended December 31, 2015 and 2014.

	Year Ended December 31,	
(In thousands)	**2015 (unaudited)**	**2014 (unaudited)**
Pro forma revenue	$ 199,462	$ 151,527
Pro forma net income	25,617	(20,031)

For the year ended December 31, 2015, R-Tech contributed revenues and net loss to the Company’s consolidated results of $11.8 million and $4.7 million, respectively.

6. Restructuring

In December 2015, the Company adopted a plan to restructure certain operations and consolidate certain functions in the Company's corporate headquarters located in Rockville, Maryland. During the fourth quarter, the Company recorded pretax charges of approximately $953,000. The restructuring plan primarily included headcount reductions. These costs are reflected within operating expenses between research and development, general and administrative expenses, and selling and marketing expenses. At December 31, 2015, a restructuring accrual of $851,000 was included in accrued liabilities. The Company expects to record additional restructuring charges in 2016 related to this program and in connection with the integration of the R-Tech acquisition.

The following table summarizes the cash components of the restructuring costs at December 31, 2015.

(In thousands)	Termination Benefits	Facility Related	Contract & Other Costs	Total
Balance at December 31, 2014	$ -	$ -	$ -	$ -
Expenses incurred	953	-	-	953
Amounts paid	(102)	-	-	(102)
Balance at December 31, 2015	$ 851	$ -	$ -	$ 851

7. Current and Non-Current Investments

At December 31, 2015, the Company held no investments. At December 31, 2014, current and non-current investments consisted of the following securities:

	December 31, 2014			
(In thousands)	**Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Current:				
U.S. government agencies	$ 4,203	$ 1	$ -	$ 4,204
Certificates of deposit	2,500	-	-	2,500
Corporate bonds	4,575	-	(3)	4,572
U.S. commercial paper	11,109	8	-	11,117
Total	$ 22,387	$ 9	$ (3)	$ 22,393
Non-current:				
U.S. government agencies	$ 8,047	$ -	$ (15)	$ 8,032
Certificates of deposit	5,000			5,000
Corporate bonds	509	-	(1)	508
Total	$ 13,556	$ -	$ (16)	$ 13,540

8. 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 investments 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 financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable, collaboration obligation and other accrued liabilities, approximate their fair values due to their short maturities. The estimated fair value of long term debt as disclosed in note 17 and 18 was based on similar types of borrowings. 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. There were no fair value adjustments other than the assets and liabilities acquired under the R-Tech acquisition (see note 5) in the years ended December 31, 2015 and 2014 for nonfinancial assets or liabilities required to be measured at fair value on a non-recurring basis.

The Company's financial instruments measured at fair value on a recurring basis, which are subject to the fair value disclosure requirements, are as follows:

There were no transfers between levels during the years ended December 31, 2015 and 2014.

9. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories consist of raw materials, work-in-process and finished goods. The Company's inventories include the direct purchase cost of materials and supplies and manufacturing overhead costs. In connection with the acquisition of R-Tech, all inventory held by R-Tech was stepped-up in value to $37.6 million as of the acquisition date. As of December 31, 2015, the remaining balance of inventory step-up was $14.3 million. As of December 31, 2014, the company had no inventory.

Inventories consisted of the following as of December 31, 2015:

	December 31,
(In thousands)	**2015**
Raw materials	$ 5,554
Work in process	26,926
Finished goods	641
Total	$ 33,121

10. Property and Equipment

Property and equipment consist of the following at December 31, 2015 and 2014:

(In thousands)	December 31, 2015	December 31, 2014
Computer and office machines	$ 2,647	$ 2,622
Furniture and fixtures	1,023	473
Leasehold improvements	3,066	1,415
Buildings	1,022	-
Machinery and equipment	2,074	-
Construction in progress	140	-
Total cost	9,972	4,510
Less: accumulated depreciation	(3,579)	(3,747)
Total	$ 6,393	$ 763

Depreciation expense for the years ended December 31, 2015, 2014 and 2013 was approximately $637,000, $422,000 and $512,000, respectively.

Leasehold improvements as of December 31, 2015 are tenant improvements to the Company's offices in Rockville, Maryland and Kobe, Japan. Leasehold improvements as of December 31, 2014 are tenant improvements to the Company's former headquarters in Bethesda, Maryland.

11. Intangible Assets, In-Process Research and Development and Goodwill

Intangible assets by major class as of December 31, 2015 and 2014 are as follows:

(In thousands)	December 31, 2015		December 31, 2014	
	Weighted average life (in months)	Carrying amount	Weighted average life (in months)	Carrying amount
Amortized intangible assets				
Patent and license rights	72	$ 10,513	84	$ 10,513
Manufacturing know how	76	134,600		-
Accumulated amortization		(8,463)		(4,711)
Impairment losses		(5,651)		(5,631)
Foreign currency translation adjustments		(684)		-
Total amortized intangible assets		$ 130,315		$ 151
Unamortized intangible assets				
In-process research and development		$ 6,171		$ -
Goodwill		60,937		-
Total unamortized intangible assets		$ 67,108		$ -
Total intangible assets		$ 197,423		$ 151

The changes in intangible assets for the years ended December 31, 2015 and 2014 are as follows:

(In thousands)	Intangibles	Goodwill	In-process research & development
Balance at December 31, 2013	$ 6,438	$ -	$ -
Amortization	(636)	-	-
Impairment losses	(5,651)	-	-
Balance at December 31, 2014	$ 151	$ -	$ -
Additions	134,600	61,228	6,200
Amortization	(3,752)	-	-
Foreign currency translation adjustment	(684)	(291)	(29)
Balance at December 31, 2015	$ 130,315	$ 60,937	$ 6,171

Amortization expense on intangible assets totaled approximately $3.7 million, $636,000 and $1.0 million, respectively for the years ended December 31, 2015, 2014 and 2013.

There was no impairment charge recorded during the twelve months ended December 31, 2015. The changes in the carrying value of goodwill during the year ended December 31, 2015 resulted from the acquisition and foreign currency translation. In 2014, the Company ceased direct commercialization activities for RESCULA in the United States for its approved FDA indication. Accordingly, the Company recorded an impairment charge of $5.6 million in 2014, which was the full amount of the remaining balances of the unamortized intangibles related to its two RESCULA license agreements. Both license agreements were for the development and commercialization of RESCULA for its approved indication, and for any new indications for unoprostone isopropyl.

The estimated fair values of acquired in-process research and development projects which have not reached technological feasibility at the date of acquisition are capitalized and subsequently tested for impairment through completion of the development process, at which point the capitalized amounts are amortized over their estimated useful life. If a project is abandoned rather than completed, all capitalized amounts are written-off immediately. During 2015 and 2014, no development projects were completed and no in-process research and development costs were reclassified into developed technology. As the underlying in-process research and development are in the early stage of development, the Company does not expect to amortize any in-process research and development in 2016.

Amortization of intangibles for the next five years is expected to be as follows:

(In thousands)	Amortization
Years ended December 31,	
2016	$ 22,689
2017	22,689
2018	22,689
2019	22,689
2020	22,689

12. Accrued Expenses

Accrued expenses consist of the following at December 31, 2015 and 2014:

	December 31,	
(In thousands)	**2015**	**2014**
Research and development costs	$ 3,843	$ 3,537
Employee compensation	4,860	3,459
Restructuring	851	-
Selling and marketing costs	1	163
Legal service fees	428	612
Other accrued expenses	903	696
Total	$ 10,886	$ 8,467

13. Collaboration Obligation

Under the Global Takeda Agreement (see note 19), the Company received an upfront payment from Takeda of $14.0 million in 2014, of which the Company is obligated to reimburse Takeda for the first $6.0 million in developmental expenses incurred by Takeda. At December 31, 2015 and 2014, the collaboration obligation was $5.6 million and $6.0 million, respectively.

14. Other Current Liabilities

Other current liabilities consist of the following at December 31, 2015 and 2014:

	December 31,	
(In thousands)	**2015**	**2014**
Indirect taxes payable	5,963	3,075
Squeeze out liability for non-tendering R-Tech shareholders	7,668	-
Other current liabilities	508	543
Total	$ 14,139	$ 3,618

15. Other Liabilities

Other liabilities consist of the following at December 31, 2015 and 2014:

	December 31,	
(In thousands)	**2015**	**2014**
Deferred grants	$ 9,604	$ -
Unrecognized tax benefits	3,061	-
Deferred leasehold incentive	1,715	380
Defined benefit obligation	949	977
Other liabilities	414	579
Total	$ 15,743	$ 1,936

Deferred grants consist of a $9.3 million interest-free grant from the Japan Science and Technology Agency for use in developing unoprostone-related medicine for pigmentary degeneration of the retina, and a $300,000 government grant from Montgomery County, Maryland related to the move of the Company's headquarters. Both grants may have to be repaid if certain conditions are not met.

Defined benefit obligation relates to defined benefit pension plans for employees in the Company's subsidiary in Switzerland (Swiss Plan). The Swiss Plan is a government-mandated retirement fund that provides employees with a minimum investment return. The minimum investment return is determined annually by the Swiss government and was 1.75% in 2015 and 1.75% in 2014. Under the Swiss Plan, the Company and certain of its employees with annual earnings in excess of government determined amounts are required to make contributions into a fund managed by an independent investment fiduciary. Employer contributions must be in an amount at least equal to the employee's contribution. Minimum employee contributions are based on the respective employee's age, salary, and gender. As of December 31, 2015, the Swiss Plan had an unfunded net pension obligation of approximately $949,000, plan assets of approximately $1.6 million and projected benefit obligation of approximately $2.5 million. As of December 31, 2014, the Swiss Plan had an unfunded net pension obligation of approximately $977,000, plan assets of approximately $1.8 million and projected benefit obligation of approximately $2.8 million. The entire liability is listed as non-current because plan assets are more than enough to pay expected benefit payments over the next year. The Company recognized pension expense of $226,000 and $221,000 for the years ended December 31, 2015 and 2014, respectively, related to the Swiss Plan.

While the Swiss Plan originated in 2011, the Company only accounted for the Swiss Plan in accordance with ASC 715-30 *Defined Benefit Plans - Pensions* starting in 2014. The Company evaluated the impact of not recording the net pension obligation in the Consolidated Balance Sheet and corresponding charges in Net income and Total comprehensive income in the Statement of Operations and Comprehensive Income, and the omission of the required pension disclosures in prior years, and concluded that the effect was immaterial. The Company corrected the immaterial error in 2014 by recording an out of period adjustment to the net pension obligation liability of $366,000, with an offsetting amount in Net Income of $11,000 and total comprehensive income of $355,000.

The following tables provide reconciliations of the changes in the Swiss Plan's projected benefit obligations and assets, and the assumptions used at December 31, 2015 and 2014.

Reconciliation of Projected Benefit Obligation	**December 31, 2015**	**December 31, 2014**
(in thousands)		
Projected benefit obligation at beginning of year	$ 2,760	$ 1,708
Service cost	164	191
Interest cost	28	43
Plan participants' contributions	90	165
Plan amendments	(39)	-
Actuarial loss (gain)	-	653
Benefits paid	(436)	83
Expenses Paid	(5)	(8)
Premiums Paid	(49)	(66)
Projected benefit obligation at end of year	$ 2,513	$ 2,769

Reconciliation of Fair Value of Plan Assets	**December 31, 2015**	**December 31, 2014**
(in thousands)		
Fair value of plan assets at beginning of year	$ 1,787	$ 1,342
Actual return on plan assets	42	42
Employer contribution	136	234
Plan participants' contributions	90	165
Benefits paid	(436)	83
Expenses Paid	(5)	(8)
Premiums Paid	(49)	(66)
Fair value of plan assets at end of year	$ 1,565	$ 1,792
Funded status at end of year	$ (948)	$ (977)

Reconciliation of amounts recognized in Consolidated Statements of Operations and Comprehensive Income	**Year ended December 31, 2015**	**Year ended December 31, 2014**
(in thousands)		
Net loss	$ (862)	$ (978)
Total amount recognized in accumulated other comprehensive income	$ (862)	$ (978)
Accumulated contributions in excess of net periodic benefit cost	(87)	1
Funded status at end of year	$ (949)	$ (977)

Net periodic pension cost included the following components	**Year ended December 31, 2015**	**Year ended December 31, 2014**
(in thousands)		
Service cost	$ 164	$ 191
Interest cost	28	43
Expected return on assets	(39)	(30)
Amortization of unrecognized net loss	73	17
Net periodic pension cost	$ 226	$ 221

Changes in plan assets and benefit obligations recognized in other comprehensive income	**Year ended December 31, 2015**	**Year ended December 31, 2014**
(in thousands)		
New prior service cost	$ (39)	$ -
Net loss arising during year	(2)	641
Amortization or settlement of net loss	(73)	(17)
Total recognized in other comprehensive income	$ (114)	$ 624
Total loss recognized in net periodic cost and other comprehensive income	$ 111	$ 845

Estimated amounts to be amortized from accumulated other comprehensive income over the next year (in thousands)	December 31, 2015	December 31, 2014
Net loss	$ 76	$ 73

Additional year-end information for plans with projected benefit obligations in excess of plan assets (in thousands)	December 31, 2015	December 31, 2014
Projected benefit obligation	$ 2,514	$ 2,769
Accumulated benefit obligation	2,233	2,469
Fair value of plan assets	1,566	1,792

Weighted average allocation of plan assets	December 31, 2015	December 31, 2014
Debt Securities	78%	79%
Real Estate	12%	12%
Other Investments	8%	6%
Cash	2%	3%
Total	100%	100%

Weighted average assumptions used to determine net periodic pension cost	Year ended December 31, 2015	Year ended December 31, 2014
Discount or settlement rates	1.0%	2.5%
Expected long-term rates of return on assets	2.1%	2.1%
Rates of increase in compensation levels	1.5%	1.5%

Weighted average assumptions used to determine future benefit obligations	December 31, 2015	December 31, 2014
Discount rate	0.9%	1.0%
Rates of increase in compensation levels	1.5%	1.5%

Expected future cash flows (in thousands)		
Employee Contributions		
2016	$ 155	$ 151
Benefit Payments		
2016	7	145
2017	12	10
2018	17	14
2019	23	18
2020	28	23
2021-2025	634	494

16. Commitments and Contingencies

Operating Leases

The Company leases office space in the U.S., Switzerland and Japan. In Japan the Company also leases a research and development facility and a manufacturing facility. At December 31, 2015, total future minimum non-cancelable lease payments under operating leases are as follows:

(In thousands of U.S. dollars)	December 31, 2015
2016	$ 1,781
2017	941
2018	1,233
2019	1,020
2020	966
Total minimum lease payments	$ 5,941

Rent expense for all operating leases was $1.8 million, $1.4 million and $1.5 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Research and Development Costs

The Company routinely enters into agreements with third-party CROs to oversee clinical research and development studies provided on an outsourced basis and assist in other research and development activities. The Company generally is not contractually obligated to pay the third party if the service or reports are not provided.

The maximum contingent liability under the Numab Agreement (see note 17) in the event that Numab defaults under its loan with Zurcher Kantonalbank is $2.2 million. As of December 31, 2015, due to the pay down of the loan with Zurcher Kantonalbank, the potential amount of payments in the event of Numab's default is $1.5 million.

17. Related Party Transactions

R-Tech Ueno, Ltd.

Before the R-Tech acquisition, R-Tech had been considered a related party. Drs. Ryuji Ueno and Sachiko Kuno are married to each other and prior to 2015, directly or indirectly, owned the majority of the stock of R-Tech. Drs. Ueno and Kuno are also controlling stockholders of S&R Technology Holding, LLC (S&R), which in turn owned approximately 47% of the Company's common stock and 44% of R-Tech's common stock. Dr. Ueno was the Company's Chief Executive Officer and Chairman of the Company's Board of Directors through March 3, 2014 and was our Chief Scientific Officer through March 18, 2014.

Prior to the R-Tech acquisition on October 20, 2015 (see note 5), the Company did not own manufacturing facilities. Instead, the Company contracted with R-Tech as the sole manufacturer of the Company's products to produce AMITIZA and RESCULA. The Company had entered into multiple exclusive supply arrangements with R-Tech and had granted to R-Tech the exclusive right to manufacture and supply AMITIZA and other products and compounds to the Company to meet its commercial and clinical requirements. Since 2003, the Company has received upfront, development and milestone payments under these agreements totaling $9.0 million through October 20, 2015.

The Company recorded the following expenses under all of its agreements with R-Tech for the period January 1, 2015 through October 20, 2015, and for the years ended December 31, 2014 and 2013:

	January 1 through October 20,	Year Ended December 31,	
(In thousands)	**2015**	**2014**	**2013**
Clinical supplies	$ 155	$ 396	$ 827
Other research and development services	347	171	194
Commercial supplies	21,415	15,776	14,902
	$ 21,917	$ 16,343	$ 15,923

Deferred revenues under the Company's agreements with R-Tech consist of the following at December 31, 2015 and 2014.

	Year Ended December 31,	
(In thousands)	**2015**	**2014**
Deferred revenue, current	$ -	$ 453
Deferred revenue, non-current	-	4,141
	$ -	$ 4,594

The decrease in deferred revenue from $4.6 million as of December 31, 2014 to zero as of December 31, 2015 was primarily due to the settlement of a pre-existing relationship upon acquiring R-Tech on October 20, 2015.

Numab AG

In September 2011, the Company entered into the Numab Agreement with Numab. Under the terms of the Numab Agreement, which extends through September, 2016, the Company would provide Numab with up to CHF 5.0 million as collateral and would serve as guarantor for a loan to Numab from a third party, Zurcher Kantonalbank. Following the payment of the first success fee during the first quarter of 2013, this amount was reduced to CHF 2.2 million, or approximately $2.2 million as of December 31, 2015.

As of December 31, 2015, collateral of CHF 2.2 million had been deposited by the Company and Numab has utilized CHF 1.5 million of its loan facility, or approximately $1.5 million. At December 31, 2015 and 2014, the Company has a recorded guarantee liability of $202,000 and $1.0 million, respectively, in collateral callable to meet a potential loan default by Numab.

Subordinated Unsecured Promissory Notes

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

18. Notes Payable

On October 16, 2015, the Company entered into a Credit Agreement (Credit Facility) with Jefferies Financing LLC. The Credit Facility provides for term loans in the aggregate principal amount of $250.0 million (Term Loans) and allows for the incurrence of incremental loans in an amount up to $25.0 million on the terms and subject to the conditions set forth in the Credit Facility. The Term Loans bear interest, at the Company's option, at the Adjusted Eurodollar Rate plus 7.25% or the Adjustable Base Rate plus 6.25%. The Adjusted Eurodollar Rate is subject to a 1.00% floor and the Adjusted Base Rate is subject to a 2.00% floor. The Company must repay the Term Loans in installments of $6.25 million on the last business day of each quarter, starting in March 2016 and ending in September 2021, with the balance due in a final installment on October 16, 2021. The Company is prohibited from paying dividends under the terms of the agreement.

The Company's payment obligations under the Credit Facility are secured by a lien on substantially all of the Company's tangible and intangible assets, subject to certain limitation and restrictions. The Credit Facility contains certain affirmative, negative, financial and reporting covenants customary for financing of this type. The credit facility requires that the Company maintain at least $25.0 million in a restricted cash collateral account, until at least $35.0 million in aggregate principal amount of initial term loans has been prepaid or repaid. Affirmative covenants in the Credit Facility require that the Company prepay principal of the term loans in an amount equal to certain thresholds of excess cash as defined in the credit facility. The Company has the ability to repay the loans early in increments no less than $1 million, subject to a 2% early payment penalty if paid in year 1 and a 1% early payment penalty if paid in year 2. Thereafter, there is no early payment penalty. In addition, the Company must preserve the existence of the legal entity, maintain the property and insurance and comply with all laws and contractual obligations.

The credit facility also contains certain financial covenants, tested quarterly and in connection with any triggering event under the credit facility that include the maintenance of a total leverage ratio as of the last day of any fiscal quarter of 3.25 to 1.00 for the period ending December 31, 2015 through December 31, 2016. Thereafter, it decreases to 2.40 to 1.00 at December 31, 2017, 1.60 to 1.00 at December 31, 2018 and .80 to 1.00 at December 31, 2019.

Negative covenants in the credit facility limit the Company's ability to, among other things: incur additional indebtedness or swap obligations, without triggering a repayment event, incur or permit any lien on any property or asset, dispose of material assets in excess of $2 million, make investments including loans in excess of $15 million or merge or divest a line of business or subsidiary.

Upon the occurrence and continuance of an event of default under the credit facility, the commitments of the lenders to make loans under the credit facility may be terminated and the Company's payment obligation under the credit facility may be accelerated. The event of default under the credit facility include, among others, subject in some cases to specified cure periods: payment defaults; inaccuracy of representations and warranties in any material respect; defaults in the observance or performance of covenants; bankruptcy and insolvency related defaults; the entry of a final judgement in excess of a threshold amount; a material ERISA event; change of control; an impairment of collateral; and invalidity of loan documents relating to the credit facility. The Company was in compliance with all the covenants under the credit facility at December 31, 2015.

Company maturities of notes payable over the next five years are as follows:

(In thousands)	**Amount**
Years ended December 31,	
2016	$ 42,582
2017	25,000
2018	25,000
2019	25,000
2020	25,000

19. Collaboration and License Agreements

North America Takeda Agreement

In October 2004, the Company entered into an agreement with Takeda to supply, develop and commercialize AMITIZA for gastrointestinal indications in the U.S. and Canada. The original agreement was amended on February 1, 2006 through a supplemental agreement, and in October 2014 the Company and Takeda and certain Takeda affiliates executed amendments to the agreement. Collectively, these are referred to as the North America Takeda Agreement. Payments to the Company under these agreements include a non-refundable upfront payment, non-refundable development and commercial milestone payments, reimbursement of certain development and co-promotion costs, and product royalties.

The Company has received a total of $160.0 million in upfront and development milestone payments through December 31, 2015 under the North America Takeda Agreement, including a $10.0 million development milestone received in the second quarter of 2013 for the first commercial sale of AMITIZA for OIC. Subject to development and acceptance of future indications, the Company is potentially entitled to receive additional development milestone and commercial milestone payments under the North America Takeda Agreement, although there can be no assurance that the Company will receive any such payments.

The following table summarizes the cash streams and related revenue recognized or deferred under the North America Takeda Agreement for the year ended December 31, 2015:

(In thousands)	Cash Received Through December 31, 2015	Revenue Recognized for the Year Ended December 31,			Accounts Receivable for the Year Ended December 31, 2015 (1)	Amount Deferred at December 31, 2015
		Through 2013	2014	2015		
Product royalty revenue	$ 405,410	$ 291,427	$ 62,775	$ 74,000	$ 22,792	$ -
Product sales revenue	$ 996	$ -	$ -	$ 10,311	$ 9,315	$ -
Research and development revenue:						
Up-front payment - remainder	$ 17,624	$ 17,624	$ -	$ -	$ -	$ -
Development milestones	140,000	140,000	-	-	-	-
Reimbursement of research and development expenses	131,432	116,805	7,221	10,164	2,758	-
Total	$ 289,056	$ 274,429	$ 7,221	$ 10,164	$ 2,758	$ -
Collaboration revenue:						
Supply agreements - Manufacturing	$ 2,337	$ -	$ -	$ 2,337	$ -	$ -
Up-front payment associated with the Company's obligation to participate in joint committees	$ 2,376	$ 1,346	$ 147	$ 147	$ -	$ 736
Total	$ 4,713	$ 1,346	$ 147	$ 2,484	$ -	$ 736
Co-promotion revenue	$ 32,813	$ 29,453	$ 3,360	$ -	$ -	$ -

(1) Includes billed and unbilled accounts receivable.

Upon execution of the North America Takeda Agreement, the Company was required to complete several deliverables, which Takeda was responsible to fund. The following are the required deliverables of the Company, along with the related contractual cash flows from Takeda and the associated obligations and performance period of the Company relating to research and development revenue:

- Upon receipt of the $20.0 million upfront payment, the Company deferred approximately $2.4 million to be recognized using the time-based model over the performance period of the participation in various joint committee meetings. The Company expects its participation on all committees to continue throughout the term of the North America Takeda Agreement. During each of the years ended December 31, 2015, 2014 and 2013, the Company recognized approximately $147,000 of this deferred amount as collaboration revenue on the Consolidated Statements of Operations and Comprehensive Income.
- The Company granted Takeda an exclusive license of lubiprostone to co-develop, commercialize, and sell products for gastroenterology indications in the U.S. and Canada. The Company has recorded product royalty revenue of approximately $74.0 million, $62.8 million; and $52.1 million for the years ended December 31, 2015, 2014 and 2013, respectively. This revenue is recorded as product royalty revenue in the Consolidated Statements of Operations and Comprehensive Income.
- The Company has provided development work necessary for an NDA submission to the FDA for the treatment of CIC and IBS-C indications. Takeda funded the initial $30.0 million of development costs, the Company was obligated to fund the first $20.0 million in excess of the initial $30.0 million funded by Takeda and the two parties are to equally share any required development costs in excess of $50.0 million. Although there was no defined performance period for this development work, the period to perform the work would not exceed the term of the North America Takeda Agreement. In January 2006, the Company received approval for its NDA for AMITIZA to treat CIC and completed and submitted the supplemental NDA for IBS-C to the FDA in June 2007.
- In conjunction with the R-Tech acquisition in October 2015, the Company now recognizes product sales through the North America Takeda Agreement. The Company has recorded product sales revenue of approximately $10.3 million for the year ended December 31, 2015.

The Company initially deferred the residual amount of the $20.0 million upfront payment totaling approximately $17.6 million, development milestone payments received totaling $50.0 million, and reimbursement of the initial $30.0 million of research and development costs for the development of AMITIZA for CIC and IBS-C indications. These deferred amounts were applied towards the unit of accounting that combines the participation in the joint development committee and the development of CIC and IBS-C and was recognized over the performance period of developing the CIC and IBS-C NDA submissions. The Company completed the development of the CIC and IBS-C in June 2007 and filed a sNDA for IBS-C. This was the culmination of the performance period. In June 2007, the Company also recognized as revenue, in full, $30.0 million from Takeda upon the filing of the sNDA for AMITIZA to treat IBS-C. The Company received a $50.0 million development milestone from Takeda as a result of the FDA's approval on April 29, 2008 of the sNDA for IBS-C in women aged 18 years and older and recognized the payment as research and development revenue during the year ended December 31, 2008.

During 2006, the joint commercialization committee granted approval for the Company and Takeda to begin three new studies. The following are the three additional deliverables of the Company, along with the related contractual cash flows from Takeda and the associated obligations and performance period of the Company, when the three studies were agreed upon:

- The Company is obligated to perform studies in connection with changes to labeling for CIC. Takeda is obligated to fund 70% of the labeling studies and the Company is obligated to fund the remaining 30%. There is no defined performance period, but the performance period will not exceed the term of the North America Takeda Agreement.
- The Company is obligated to perform studies for the development of an additional indication for OIC. Takeda is obligated to fund all development work up to a maximum aggregate of $50.0 million for each additional indication and $20.0 million for each new formulation. If development costs exceed these amounts, Takeda and the Company shall equally share such excess costs. There is no defined performance period, but the performance period will not exceed the term of the North America Takeda Agreement. The Company decided to conduct one additional phase 3 efficacy studies in order to submit a sNDA for the OBD indication. In February 2012, the Company announced that lubiprostone met the primary endpoint in a phase 3 clinical trial for the treatment of OBD in patients with chronic, non-cancer pain, excluding those taking methadone.
- The Company is obligated to perform all development work necessary for phase 4 studies, for which Takeda is obligated to fund all development work. There is no defined performance period, but the performance period will not exceed the term of the North America Takeda Agreement.

The Company has assessed these required deliverables to determine which deliverables are considered separate units of accounting. As a result of the Company and Takeda agreeing to perform and fund these studies simultaneously, the Company determined that there is no objective and reliable evidence to determine the fair value for each of the studies. Accordingly, the Company has combined these three required deliverables as a single unit of accounting. All cash payments from Takeda related to these three deliverables are deferred upon receipt and recognized over the estimated performance period to complete the three studies using the time-based model.

In 2011, the Joint Commercialization Committee (JCC) granted approval to begin studies for a liquid formulation. In addition, in 2012, the JCC granted approval for studies for a pediatric dosage. These additional deliverables are considered separate units of accounting and the Company recognizes revenue from Takeda reimbursements for these deliverables when earned.

Co-promotion costs after May 31, 2011 were reimbursed under the Takeda Agreement. The Company has recognized approximately zero, $3.4 million and $61,000 of revenues for the years ended December 31, 2015, 2014 and 2013, respectively, which is recorded as co-promotion revenue in the Consolidated Statements of Operations and Comprehensive Income.

The Company has assessed these required deliverables to determine which deliverables are considered separate units of accounting. The Company determined that its sales force and miscellaneous marketing activities are treated as separate units of accounting. The Company is recognizing the cost reimbursements received for these deliverables as co-promotion revenues when services are performed and the reimbursement payments are due under the Supplemental Takeda Agreement.

Global Takeda Agreement

In October 2014, the Company and Takeda entered into the Global Takeda Agreement to develop and commercialize AMITIZA. The territories excluded from the Global Takeda Agreement are Canada, the U.S., Japan and the People’s Republic of China. Canada and the U.S. are covered by the North America Takeda Agreement, and Japan is covered by the Japan Mylan Agreement. Switzerland and the U.K. have already received regulatory approval for AMITIZA to be marketed and sold. All other territories covered under the Global Takeda Agreement will need to have regulatory approval before AMITIZA can be sold.

Under the terms of the Global Takeda Agreement, the Company supplies Takeda with AMITIZA at a negotiated supply price. The Company also received a nonrefundable upfront payment of $14.0 million from Takeda for exclusive rights to develop and commercialize AMITIZA in the global markets covered by the Global Takeda Agreement. In addition, the Company is also eligible for up to $35.0 million in additional commercial milestone payments contingent on the achievement of certain net sales revenue targets. Takeda is responsible for all development activities and costs, except that the Company will assume responsibility for the first $6.0 million of those development expenses incurred by Takeda.

The Global Takeda Agreement is considered a multiple-element arrangement for accounting purposes. The Company identified the rights to use the Company's license to develop and commercialize AMITIZA and the sale of AMITIZA product at a negotiated price as the deliverables. During the fourth quarter of 2014, the Company received a $14.0 million milestone payment and allocated $8.0 million to the right to use the license and $6.0 million to a collaboration obligation to reimburse Takeda for the first $6.0 million in developmental expenses incurred. There were no product sales to Takeda under the Global Takeda Agreement during 2014 and 2015.

Japan Mylan Agreement

In February 2015, Abbott and Mylan closed Mylan's purchase of Abbott's non-U.S. developed markets specialty and branded generics business, which included the Company's February 2009 Japan Mylan Agreement to develop and commercialize lubiprostone for the treatment of CIC 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.

The Japan Mylan Agreement grants Mylan the right of exclusive negotiation to any additional indications for which lubiprostone is developed in Japan under all relevant patents, know-how and trademarks. Under the terms of the Japan Mylan Agreement, payments to the Company include sales of product at a negotiated sales price, a non-refundable upfront payment and non-refundable development and commercial milestone payments based on achieving specified development, regulatory and sales goals.

The collaboration efforts under the agreement are governed by two committees consisting of an equal number of representatives from both parties. The joint commercialization and steering committee oversees commercialization-related activities and resolves any conflicts arising from a joint development committee, which oversees the development-related activities in Japan.

The Company is required to fund and complete all the development work including additional clinical studies required to obtain regulatory approval for the treatment of CIC in Japan. The Company completed all development activities in the fourth quarter of 2012. The Company owns all the rights covered under the regulatory filings.

Mylan is required to fund and undertake all commercialization efforts including pre-launch and post-launch marketing, promotion and distribution. Mylan is required to maintain the number of sales staff and the estimated level of annual net sales based on the commercialization plan to be developed and approved by the joint commercialization and steering committee described above.

The Company has recorded product sales revenue under the Japan Mylan Agreement of approximately $53.9 million and $32.1 million for the years ended December 31, 2015 and 2014, which includes a $5.0 million and a $2.5 million net sales milestone, respectively. As of December 31, 2015, the Company has received a total of $37.5 million in up-front and development milestone payments under the Japan Mylan Agreement. Under the Japan Mylan Agreement, the Company could receive additional milestone payments based on achieving other specified development and commercialization goals although there can be no assurance that the Company will receive any such payments.

The following table summarizes the cash streams and related revenue recognized or deferred under the Japan Mylan Agreement for the year ended December 31, 2015:

(In thousands)	Cash Received Through December 31, 2015	Revenue Recognized for the Year Ended December 31, Through 2013	2014	2015	Accounts Receivable for the Year Ended December 31, 2015	Foreign Currency Effects	Amount Deferred at December 31, 2015
Collaboration revenue:							
Up-front payment associated with the Company's obligation to participate in joint committees	$ 846	$ 241	$ 39	$ 34	$ -	$ 116	$ 416
Research and development revenue							
Up-front payment - remainder	$ 9,154	$ 9,302	$ -	$ -	$ -	$ (148)	$ -
Development milestone payment	27,500	27,755	-	5,000	5,000	(255)	-
Total	$ 36,654	$ 37,057	$ -	$ 5,000	$ 5,000	$ (403)	$ -
Product sales revenue	$ 96,937	$ 20,830	$ 32,088	$ 48,908	$ 4,958	$ 69	$ -

China Gloria Agreement

In May 2015, the Company entered into an exclusive license, development, commercialization and supply agreement (China Gloria Agreement), for AMITIZA in the People's Republic of China. The China Gloria Agreement is effective until the thirteenth anniversary of the effective date and will automatically renew for successive three year periods unless terminated upon one year's prior written notice by one of the parties. Under the terms of the China Gloria Agreement:

- The Company received an upfront payment of $1.0 million from Gloria during May 2015 and an upfront payment of $500,000 in June 2015 after the CFDA accepted the IND application for a pivotal trial of AMITIZA in patients with CIC.
- 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.
- 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.

RESCULA Agreement

Japan Santen Agreement

In March 2012, R-Tech entered into an exclusive transaction agreement (Japan Santen Agreement) with Santen Pharmaceutical Co. Ltd (Santen) to commercialize RESCULA in Japan. The initial term of the Japan Santen Agreement ends on March 31, 2016; thereafter, the agreement automatically extends for successive one-year renewal terms unless either party gives the other party an 11-month prior notice. Under the terms of the Japan Santen Agreement:

- The Company recognizes revenues from the product sales of RESCULA to Santen at a negotiated price.
- During 2015, the Company recognized $1.5 million of RESCULA revenue.

20. Stockholders' Equity

Capital Structure

The Company has two classes of common stock authorized: class A common stock and class B common stock. In 2012, the company's majority stockholder and only holder of the Company's class B common stock converted all of its outstanding shares of class B common stock into shares of the Company's class A common stock. The Company is not authorized to issue additional shares of class B common stock except in limited circumstances. As a result of the conversion, there is now only a single class of outstanding common stock, class A common stock, which is entitled to one vote per share.

Cantor Sales Agreement

In January 2013, the Company entered into a sales agreement with Cantor Fitzgerald & Co. (Cantor Sales Agreement), which enables the Company to offer and sell up to an aggregate of $20.0 million of shares of its class A common stock through Cantor Fitzgerald & Co. as the Company's sales agent. Sales of the Company's class A common stock under the Cantor Sales Agreement are sales deemed to be "at-the-market" equity offerings as defined in Rule 415 promulgated under the Securities Act of 1933, as amended (Securities Act). Cantor Fitzgerald & Co. is entitled to receive a commission of 3.0% of gross sales in connection with the sale of the Company's class A common stock. During the year ended December 31, 2014, the Company sold an aggregate of 538,521 shares of its class A common stock, and received gross proceeds of approximately $5.5 million, before deducting issuance expenses, pursuant to the Cantor sales Agreement. The Company terminated the Cantor Sales Agreement in November 2015.

Treasury Stock

In 2008, the Company announced a stock repurchase program under which the Company is authorized to purchase up to $10.0 million of its class A common stock from time to time in open-market transactions. In 2011, the Board authorized the repurchase of up to an aggregate of $2.0 million of the Company's class A common stock out of the $10.0 million authorized by the Board in 2008. In 2012, the Board authorized the increase of such amount of repurchase to up to an aggregate of $5.0 million. In 2013, the Company repurchased 67,762 shares of its class A common stock under this program at a cost of $336,000. All shares of class A common stock purchased in 2013 were purchased in January, February and March of 2013.

On October 20, 2015, as part of the R-Tech acquisition, the Company acquired 2,485,150 shares of the Company's class A common stock. As part of the R-Tech purchase price allocation, $44.0 million was allocated to these shares based on the October 20, 2015 closing price of $17.68 per share.

Employee Stock-Based Compensation

The Company accounts for stock-based compensation using the fair value method. The fair value of awards granted is estimated at the date of grant and recognized as expense on a straight-line basis over the requisite service period with the offsetting credit to additional paid-in capital. For awards with performance conditions, the Company recognizes the compensation expense if and when the Company concludes that it is probable that the performance condition will be achieved. The Company reassesses the probability of achieving the performance condition at each reporting date. The assumptions used to estimate the fair value of stock options granted for the years ended December 31, 2015, 2014 and 2013 were as follows:

	Year Ended December 31,								
	2015			2014			2013		
Expected volatility	54%	-	70%	70%	-	72%	65%	-	75%
Risk-free interest rate	1.34%	-	1.93%	1.63%	-	2.01%	1.23%	-	1.40%
Expected term (in years)	5.28	-	6.25	5.28	-	6.25	5.50	-	6.25
Expected dividend yield		0%			0%			0%	

Employee stock-based compensation expense for the years ended December 31, 2015, 2014 and 2013 has been reduced for estimated forfeitures as such expense is based upon awards expected to ultimately vest. Estimated forfeiture rates used during the years ended December 31, 2015, 2014 and 2013 ranged from 10.0% to 30.94%.

Employee stock-based compensation expense recorded in the Company's Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2015, 2014 and 2013 was as follows:

	Year Ended December 31,		
(In thousands)	**2015**	**2014**	**2013**
Research and development expense	$ 2,165	$ 349	$ 293
General and administrative expense	5,053	1,816	1,260
Selling and marketing expense	131	122	191
Total	7,349	2,287	1,744

Stock Option Plans

Amended and Restated 2001 Stock Incentive Plan

In 2001, the Company adopted the 2001 Stock Incentive Plan (2001 Plan) to provide common stock incentives to certain eligible employees, officers, directors, consultants and advisors of the Company. In 2003, the Board amended the 2001 Plan (Amended 2001 Plan) to allow for a maximum of 8,500,000 shares of class A common stock to be issued under all awards.

In August 2005, the Board granted 510,000 stock options to non-employees under the Amended 2001 Plan. These non-employee stock options vested immediately and had a weighted average exercise price per share of $5.85. In 2006, the Board determined no further options would be granted under the Amended 2001 Plan. Non-employee options outstanding and exercisable under the Amended 2001 Plan at December 31, 2015 and 2014 were zero and 255,000, respectively, with a remaining contractual life of zero and .25 years, respectively. During 2015 and 2014, 127,500 and 155,000 options were exercised, respectively, with an aggregate intrinsic value of $1.0 million and $0.3 million, respectively. The Company received $0.7 million and $0.9 million upon the exercise of these options in 2015 and 2014, respectively.

A summary of non-employee stock option activity for the year ended December 31, 2015 under the Amended 2001 Plan is presented below:

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding, December 31, 2014	255,000	$ 5.85		
Options exercised	(127,500)	5.85		
Options expired	(127,500)	5.85		
Options outstanding, December 31, 2015	-			$ -
Options exercisable, December 31, 2015	-			$ -
Options vested and expected to vest, December 31, 2015	-			$ -

Employee options outstanding and exercisable under the Amended 2001 Plan at December 31, 2015 and 2014 totaled 37,400 and 113,900 respectively, with a remaining contractual life of .34 years and .93 years, respectively. During 2015 and 2014, 76,500 and 6,800 options were exercised, respectively, with an aggregate intrinsic value of $0.6 million and $28,000, respectively. The Company received $0.8 million and $68,000 upon the exercise of these options in 2015 and 2014, respectively.

A summary of the employee stock option activity for the year ended December 31, 2015 under the Amended 2001 Plan is presented below:

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding, December 31, 2014	113,900	$ 10.00		
Options exercised	(76,500)	10.00		
Options outstanding, December 31, 2015	37,400	10.00	0.34	$ 272,646
Options exercisable, December 31, 2015	37,400	10.00	0.34	$ 272,646
Options vested and expected to vest, December 31, 2015	37,400	10.00	0.34	$ 272,646

2006 Stock Incentive Plan

In 2006, the Board approved the 2006 Stock Incentive Plan, which has been amended and restated (as amended and restated, 2006 Plan), and reserved 8,500,000 shares of class A common stock for issuance under the 2006 Plan. Option awards under the 2006 Plan are granted with an exercise price equal to the closing market price of the Company's stock on the date of grant. The options generally vest over four years and have a ten-year contractual term. At December 31, 2015, there were 2,083,077 shares available for future grants under this plan.

The 2006 Plan includes an "evergreen" provision by which the number of shares of the Company's class A common stock available for issuance increases automatically on the first day of each calendar year by 5.0% of the aggregate number of shares of the Company's class A and B common stock outstanding on such date, or such lesser number as the Board may determine. The 2006 Plan also provides that the number of shares of class A common stock included in each annual increase will be 500,000, or such lesser number as the Board may determine. The Board determined that the amount of the increase in the shares available for issuance under the 2006 Plan as of January 1, 2015 and 2014 pursuant to the "evergreen" provision was zero.

A summary of the employee stock option activity for the year ended December 31, 2015 under the 2006 Plan is presented below:

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding, December 31, 2014	4,021,491	$ 6.93		
Options granted	1,321,634	15.18		
Options exercised	(693,077)	5.93		
Options forfeited	(205,516)	10.45		
Options expired	(3,924)	4.09		
Options outstanding, December 31, 2015	4,440,608	9.37	8.23	$ 35,461,431
Options exercisable, December 31, 2015	1,763,116	7.07	6.89	$ 18,019,310
Options vested and expected to vest, December 31, 2015	3,581,991	8.99	8.02	$ 29,896,200

During 2015 the 200,000 market-based stock options held by the Company's Chief Executive Officer attained the award's performance goal and began vesting ratably through 2018. This event had an insignificant impact on the stock-based compensation expense in 2015.

Additionally in 2015 450,000 time-based stock options with accelerated vesting conditions held by certain eligible employees fully vested upon achieving the award's goals. Stock-based compensation expense for the year ended December 31, 2015 increased approximately $1.0 million as a result of this event.

Time-based stock options granted in 2015 totaled 1,321,634. These options vest in equal annual installments over four years from date of grant, and expire ten years from date of grant.

The weighted average grant date fair value of options granted during the years ended December 31, 2015, 2014 and 2013 were $15.18, $7.68 and $7.36, respectively. As of December 31, 2015, approximately $9.8 million of total unrecognized compensation costs, net of estimated forfeitures, related to non-vested awards are expected to be recognized over a weighted average period of 2.8 years. When an option is exercised, the Company issues a new share of class A common stock. During 2015 and 2014, 693,077 options and 618,377 options were exercised, respectively, with an aggregate intrinsic value of $8.6 million and $3.0 million, respectively. The Company received $4.1 million and $2.8 million upon the exercise of these options in 2015 and 2014, respectively.

Employee Stock Purchase Plan

In 2006, the Board approved a 2006 Employee Stock Purchase Plan (ESPP) and reserved 4,250,000 shares of class A common stock for issuance under the ESPP. The ESPP is non-compensatory and is intended to qualify as an Employee Stock Purchase Plan as defined in Section 423 of the Internal Revenue Code of 1986, as amended. Under the ESPP, eligible employees may purchase common stock through payroll deductions of up to 10.0% of compensation during the plan period. On January 19, 2015, the Compensation Committee of the Board approved the change in the purchase price to 85.0% of market price at the end of each plan period, which is generally three months. A total of 9,085 shares, 5,853 shares, and 3,625 shares of common stock were purchased by employees under the ESPP during the years ended December 31, 2015, 2014 and 2013, respectively. The Company received approximately $128,000, $35,000, and $24,000 from the purchase of shares under the ESPP for the years ended December 31, 2015, 2014 and 2013, respectively.

Tax Benefits

As of December 31, 2015, the balance of the Company's additional paid-in capital pool related to tax windfall benefits from the stock option exercises was $2.5 million.

The Company applies a with-and-without approach in determining its intra-period allocation of tax expense or benefit attributable to stock based compensation deductions. Since the Company does not have any net operating loss carry-forwards in the U.S., the tax benefit reduces income taxes payable in the current year and is therefore recorded to additional paid-in-capital.

Accumulated Other Comprehensive Income (Loss)

The following table details the accumulated other comprehensive income (loss) activity for the years ended December 31, 2015, 2014, and 2013:

(In thousands)	Foreign currency translation adjustments	Unrealized income (loss) on investments, net of tax effect	Unrealized income (loss) on pension benefit obligation, net of tax effect	Accumulated other comprehensive income (loss)
Balance at December 31, 2012	$ 16,126	$ 40	$ -	$ 16,166
Other comprehensive income before reclassifications	(567)	2	-	(565)
Amounts reclassified from accumulated other comprehensive loss	-	-	-	-
Balance at December 31, 2013	$ 15,559	$ 42	$ -	$ 15,601
Other comprehensive income before reclassifications	(351)	(7)	(978)	(1,336)
Amounts reclassified from accumulated other comprehensive loss	-	-	-	-
Balance at December 31, 2014	$ 15,208	$ 35	$ (978)	$ 14,265
Other comprehensive income before reclassifications	(965)	7	105	(853)
Amounts reclassified from accumulated other comprehensive loss	-	-	-	-
Balance at December 31, 2015	$ 14,243	$ 42	$ (873)	$ 13,412

21. Income Taxes

Income before income taxes for the years ended December 31, 2015, 2014 and 2013 is as follows:

	Year Ending December 31,		
	2015	2014	2013
U.S.	$ 14,685	$ 18,005	$ 9,175
Foreign	28,990	9,128	1,768
	$ 43,675	$ 27,133	$ 10,943

The provision for income taxes consists of the following for the years ended December 31, 2015, 2014 and 2013:

	Year Ended December 31,		
(In thousands)	2015	2014	2013
Current tax provision (benefit):			
U.S. Federal	$ 15,678	$ 11,319	$ 5,198
U.S. State	1,810	1,351	1,008
Foreign	2,709	793	(582)
Total current tax provision	20,197	13,463	5,624
Deferred provision (benefit):			
U.S. Federal	(6,375)	(172)	(1,783)
U.S. State	(899)	(16)	(279)
Foreign	(2,619)	730	366
Total deferred provision (benefit)	(9,893)	542	(1,696)
Total income tax provision	$ 10,304	$ 14,005	$ 3,928

Deferred tax assets (liabilities), net, consist of the following as of December 31, 2015 and 2014:

	December 31,	
(In thousands)	2015	2014
Deferred tax assets:		
Foreign net operating loss carry-forwards	$ 716	$ 1,409
State net operating loss carry-forwards	2	3
Tax credit carry-forwards	976	-
Deferred revenue	446	1,803
Accrued expenses	1,450	734
Tax benefits on stock options	3,288	2,063
Research and development credits	1,759	-
Inventory	-	615
Property and equipment	-	15
Other	3,775	207
Gross deferred tax assets	12,412	6,849
Deferred tax liabilities:		
Property and equipment	(654)	(122)
Inventory	(3,990)	-
Investments	(13,963)	-
Intangibles	(44,025)	(4,368)
Gross deferred tax liabilities	(62,632)	(4,490)
Less: valuation allowance	(2,277)	(2,132)
Net deferred tax assets (liabilities)	$ (52,497)	$ 227

The provision for income taxes vary from the income taxes provided based on the federal statutory rate as follows for the three years ended December 31, 2015, 2014 and 2013:

	Year Ended December 31,		
(In thousands)	**2015**	**2014**	**2013**
Federal tax provision (benefit)	35.0%	35.0%	35.0%
State taxes, net of federal tax benefit	0.9%	2.1%	4.9%
Foreign tax rate differential	-16.8%	0.0%	0.0%
Changes in valuation allowance	0.5%	1.4%	-21.6%
Nondeductible expenses	2.3%	1.7%	1.3%
Stock based compensation	0.6%	-0.1%	-2.8%
Impact of intangible transfer	0.7%	5.8%	7.3%
Impact of uncertain tax positions	1.8%	-0.2%	-0.1%
Adjustment to deferred tax asset	-1.6%	0.5%	11.1%
Impact of foreign operations	0.0%	-3.7%	0.3%
Subpart F income, net of FTC	2.3%	9.1%	0.0%
Change in tax rates	0.0%	0.0%	0.6%
Loan forgiveness	-2.3%	0.0%	0.0%
Japanese R&D credit	-1.6%	0.0%	0.0%
Changes in other tax matters	1.8%	0.0%	-0.1%
	23.6%	51.6%	35.9%

The significant increase in the net deferred tax liability shown above was a result of the R-Tech acquisition in October 2015. Specifically, purchase accounting adjustments to the financial reporting basis of R-Tech assets and liabilities resulted in significant deferred tax liabilities that were recorded during purchase accounting.

At December 31, 2015 and 2014, the Company had foreign net operating loss carry-forwards of $2.8 million and $5.9 million, respectively. Approximately $1.0 million of the foreign NOLs begin to expire in December 2019, and $1.8 million of the foreign NOLs do not expire. As of December 31, 2015 and 2014, the Company had no material NOLs in the U.S.

As of December 31, 2015 and 2014, the Company had a valuation allowance on its deferred tax assets of $2.3 million and $2.1 million, respectively. The change in the valuation allowance was due to two factors. First, the release of valuation allowance in two foreign jurisdictions and the reversal of existing US GAAP to local GAAP deferred tax assets during the year resulted in a net decrease. In addition, the Company established a valuation allowance for certain tax credit carryforwards that are expected to expire unutilized.

The valuation allowance at December 31, 2015 and 2014 relates to deferred tax assets in the foreign jurisdictions and certain tax credit carryforwards in the US. The Company will continue to evaluate its valuation allowance position in each jurisdiction on a regular basis. To the extent the Company determines that all or a portion of its valuation allowance is no longer necessary, the Company will recognize an income tax benefit in the period such determination is made for the reversal of the valuation allowance. Once the valuation allowance is eliminated in whole or in part, it will not be available to offset the Company's future tax provision.

The Company has recorded a total income tax liability for uncertain tax positions (including interest) of approximately $3.1 million and $0.8 million, as of December 31, 2015 and 2014, respectively. The Company presently does not expect to settle any of this amount within the next twelve months in cash and as such, has reflected the entire balance as other liabilities in the accompanying Consolidated Balance Sheets. The amount represents the aggregate tax effect of differences between tax return positions and the amounts otherwise recognized in the Company's Consolidated Financial Statements. The liability for uncertain tax positions as of December 31, 2015 and 2014 mainly pertains to the Company's interpretation of nexus in certain states related to revenue sourcing for state income tax purposes, as well as uncertain tax positions related to related party interest in foreign jurisdictions.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties, for the years ended December 31, 2015, 2014 and 2013 is as follows:

	Year Ended December 31,		
	2015	**2014**	**2013**
Balance at January 1	$ 712	$ 550	$ 979
Increases for tax positions taken during prior periods	452	(91)	4
Decreases in unrecognized tax benefits related to taxing authority correspondence	(280)	-	(467)
Increases for tax positions taken during current period	2,108	253	34
Balance at December 31	$ 2,992	$ 712	$ 550

The Company recognizes interest and penalties related to uncertain tax positions as a component of the income tax provision. During 2015, 2014 and 2013, the Company recorded an immaterial amount of interest related to uncertain tax positions. Of the unrecognized tax benefits noted above, approximately $1.7 million would impact the effective tax rate if a future change were to occur. It is reasonably possible that the $1.3 million of the liability for unrecognized tax benefits will decrease within the next 12 months.

Currently tax years 2011 to 2015 remain open and subject to examination in the major tax jurisdictions in which tax returns are filed. The tax years 2009-2011 were examined by the U.S. tax authorities and resulted in no tax adjustments.

22. Quarterly Financial Data (unaudited)

	2015 Quarters Ended			
(In thousands, except per share data)	**December 31**	**September 30**	**June 30**	**March 31**
Total revenues	$ 55,368	$ 33,448	$ 34,884	$ 29,480
Income from operations	11,568	11,657	11,580	9,654
Net income	10,151	7,236	9,576	6,408
Net income per share:				
Basic	$ 0.24	$ 0.16	$ 0.21	$ 0.14
Diluted	0.23	0.16	0.21	0.14

	2014 Quarters Ended			
(In thousands, except per share data)	**December 31**	**September 30**	**June 30**	**March 31**
Total revenues	$ 37,757	$ 31,463	$ 24,069	$ 22,161
Income from operations	17,048	3,643	3,811	2,729
Net income	9,283	1,480	1,610	755
Net income per share:				
Basic	$ 0.21	$ 0.03	$ 0.04	$ 0.02
Diluted	0.21	0.03	0.04	0.02

Net income per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly net income per share information may not equal annual net income per share.

23. Subsequent Events

On January 11, 2016, the Company entered into an option and collaboration agreement with Cancer Prevention Pharmaceuticals, Inc. (CPP). Under the terms of the agreement, CPP granted the Company the sole option to acquire an exclusive license to commercialize CPP-1X/sulindac combination product in North America. This product is currently in a Phase 3 clinical trial for the treatment of familial adenomatous polyposis (FAP). Enrollment in the study is expected to be complete in the first half of 2016 and the trial is expected to conclude in 2018.

Under the terms of the agreement, the Company has invested $5.0 million in CPP in the form of a convertible note, with a planned additional $5.0 million equity investment in CPP's next qualified financing, which will be either an IPO or a private financing, as defined by the agreement. In addition, the Company will pay CPP an option fee of up to $7.5 million, payable in two tranches; the first tranche of $3.0 million was paid at signing. CPP will complete the ongoing Phase 3 trial under the oversight of a joint steering committee. Upon exercise of its exclusive option, the Company would acquire an exclusive license to develop and commercialize the product in North America for all indications and would be obligated to pay CPP up to an aggregate of $190 million in license fees and milestone payments upon the achievement of specified clinical development and sales milestones. Under the terms of the license, the Company and CPP would share equally in profits from the sale of licensed products.

Schedule II – Valuation and Qualifying Accounts

(In thousands)	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions	Balance at End of Year
Allowance for doubtful accounts:				
2013	$ 280	$ 160(a)	$ -	$ 440
2014	$ 440	$ 364(a)	$ (779)(b)	$ 25
2015	$ 25	$ 29	$ -	$ 54
Valuation allowance for deferred tax assets:				
2013	$ 4,142	$ -	$ (2,391)(c)	$ 1,751
2014	$ 1,751	$ 381(d)	$ -	$ 2,132
2015	$ 2,132	$ 1,177(e)	$ (1,032)(c)	$ 2,277

(a) In 2013 and 2014, the increase in allowance for doubtful accounts is associated with certain disputed Takeda invoices.

(b) In 2014 the deduction from allowance for doubtful accounts resulted from a charge-off of certain disputed Takeda invoices.

(c) In 2013 and 2015, the net decrease in valuation allowance for deferred tax assets of $2.4 million and $1.0 million, respectively, was due primarily to the release of the valuation allowance in certain jurisdictions that management believes the deferred tax assets are more likely than not to be utilized, as well as the reversal of all deferred tax assets of Ambrent in 2013 for anticipated liquidation.

(d) The net increase of $381,000 was primarily due to the additional NOL's in foreign jurisdictions where management believes it is more likely than not a portion of the NOL balance will expire prior to utilization.

(e) In 2015, the net increase in the valuation allowance of $1.2 million was a result of the accrual of tax credit carryforwards that are expected to expire prior to utilization.

Exhibit Index

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
2.1	Agreement and Plan of Reorganization, dated as of December 29, 2008, among the Company, Sucampo Pharma Holdings, Inc. and Sucampo MS, Inc.	8-K	001-33609	2.1	12/29/2008
2.2	Stock Purchase Agreement, dated December 23, 2010, among Dr. Ryuji Ueno, as trustee of the Ryuji Ueno Revocable Trust under Trust Agreement dated December 20, 2002, Dr. Sachiko Kuno as trustee of the Sachiko Kuno Revocable Trust under Trust Agreement dated December 20, 2002, Dr. Ryuji Ueno, Dr. Sachiko Kuno, Ambrent Investments S.à.r.l., and Sucampo Pharmaceuticals, Inc.	8-K	001-33609	2.1	12/29/2010
2.3#	Strategic Alliance Agreement, dated as of August 26, 2015, among Sucampo Pharmaceuticals, Inc., Sucampo Pharma, LLC and R-Tech Ueno, Ltd.	10-Q	001-33609	10.2	11/4/2015
2.4#	Share Purchase Agreement, dated August 26, 2015, among Dr. Ryuji Ueno, Dr. Sachiko Kuno, S&R Technology Holdings, LLC, and Sucampo Pharmaceuticals, Inc.	10-Q	001-33609	10.3	11/4/2015
3.1	Certificate of Incorporation	8-K	001-33609	3.1	12/29/2008
3.2	Certificate of Amendment	8-K	001-33609	3.2	12/29/2008
3.3	Amended and Restated Bylaws	8-K	001-33609	3.3	8/2/2013
4.1	Specimen Stock Certificate evidencing the shares of class A common stock	S-1/A	333-135133	4.1	2/1/2007
10.1^	Amended and Restated 2001 Stock Incentive Plan	S-1	333-135133	10.1	6/19/2006
10.2^	Amended and Restated 2006 Stock Incentive Plan	10-Q	001-33609	10.2	11/14/2007
10.3^	2006 Employee Stock Purchase Plan	S-1/A	333-135133	10.3	10/20/2006
10.4^	Form of Investor Rights Agreement	S-1	333-135133	10.16	6/19/2006
10.5*	Collaboration and License Agreement, dated October 29, 2004, between the Company and Takeda Pharmaceutical Company Limited	S-1	333-135133	10.21	6/19/2006
10.6*	Agreement, dated October 29, 2004, among the Company, Takeda Pharmaceutical Company Limited and Sucampo AG	S-1	333-135133	10.22	6/19/2006
10.7*	Supply Agreement, dated October 29, 2004, among the Company, Takeda Pharmaceutical Company Limited and R-Tech Ueno, Ltd.	S-1	333-135133	10.23	6/19/2006
10.8*	Supply and Purchase Agreement, dated January 25, 2006, among the Company, Takeda Pharmaceutical Company Limited and R-Tech Ueno, Ltd.	S-1	333-135133	10.24	6/19/2006
10.9*	Supplemental Agreement, dated February 1, 2006, between the Company and Takeda Pharmaceutical Company Limited	S-1	333-135133	10.25	6/19/2006
10.10	Letter agreement, dated January 29, 2007, between the Company and Takeda Pharmaceutical Company Limited	S-1/A	333-135133	10.36	5/14/2007
10.11*	Supply Agreement, dated February 19, 2009, between Sucampo Pharma Ltd. and Abbott Japan Co. Ltd.	10-K	001-33609	10.43	3/16/2009

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
10.12	Subordinated Unsecured Promissory Note, dated December 23, 2010, between Ambrent Investments S.à.r.l., as borrower, and Ryuji Ueno Revocable Trust Under Trust Agreement dated December 20, 2002, as lender	8-K	001-33609	10.1	12/29/2010
10.13	Subordinated Unsecured Promissory Note, dated December 23, 2010, between Ambrent Investments S.à.r.l., as borrower, and Sachiko Kuno Revocable Trust Under Trust Agreement dated December 20, 2002, as lender	8-K	001-33609	10.2	12/29/2010
10.14*	Loan Guarantee and Development Agreement, dated September 8, 2011, between Numab AG and Sucampo AG	10-K	001-33609	10.58	3/15/2012
10.15	Master Lease Agreement, effective as of January 31, 2012, between Sucampo AG and Numab AG	10-Q	001-33609	10.1	5/10/2012
10.16	Lease Agreement, dated December 18, 2006, between the Company and EW Bethesda Office Investors, LLC	10-K	001-33609	10.29	3/27/2008
10.17^	Form of Indemnification Agreement, dated December 31, 2012, between the Company and an indemnitee	8-K	001-33609	99.6	1/7/2013
10.18^	Employment Agreement, dated February 10, 2014, between the Company and Peter Greenleaf	10-K	001-33609	10.70	3/12/2014
10.19*	Settlement and License Agreement, dated September 30, 2014, among the Company, Sucampo AG, R-Tech Ueno, Ltd., Takeda Pharmaceutical Company Limited, Takeda Pharmaceuticals USA, Inc., Takeda Pharmaceuticals America, Inc., Anchen Pharmaceuticals, Inc., Par Pharmaceutical, Inc. and Par Pharmaceutical Companies, Inc.	10-Q	001-33609	10.2	11/7/2014
10.20*	Manufacturing and Supply Agreement, dated September 30, 2014, between Sucampo AG and Par Pharmaceutical, Inc.	10-Q	001-33609	10.3	11/7/2014
10.21*	Amendment No. 1, dated September 30, 2014, to Collaboration and License Agreement dated October 29, 2004 and Supplemental Agreement, dated February 1, 2006, between Sucampo Pharma Americas, LLC and Takeda Pharmaceutical Company Limited	10-Q	001-33609	10.4	11/7/2014
10.22	Amendment No. 1, dated September 30, 2014, to the Agreement dated October 29, 2004, between Sucampo Pharma Americas, LLC, Takeda Pharmaceutical Company Limited and Sucampo AG	10-Q	001-33609	10.5	11/7/2014
10.23*	Amendment No. 1, dated September 30, 2014, to Supply Agreement dated October 29, 2004, Supply and Purchase Agreement dated January 25, 2006 and the Addendum to the Supply and Purchase Agreement dated November 6, 2013, among Sucampo Pharma Americas, LLC, Takeda Pharmaceutical Company Limited and R-Tech Ueno, Ltd.	10-Q	001-33609	10.6	11/7/2014

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
10.24*	License, Development, Commercialization and Supply Agreement For Lubiprostone, dated October 27, 2014, between Sucampo AG and Takeda Pharmaceuticals International GmbH Limited	10-K	001-33609	10.79	3/9/2015
10.25^	Employment Agreement, dated as of October 27, 2014, between the Company and Dr. Peter Kiener	10-K	001-33609	10.80	3/9/2015
10.26^	Employment Agreement, dated as of October 27, 2014, between the Company and Matthias Alder	10-K	001-33609	10.81	3/9/2015
10.27^	Employment Agreement, dated as of October 27, 2014, between the Company and Dr. Steven Caffé	10-K	001-33609	10.82	3/9/2015
10.28^	Employment Agreement, dated as of October 27, 2014, between Sucampo AG and Peter Lichtlen	10-K	001-33609	10.84	3/9/2015
10.29^	Registration Rights Agreement, dated January 15, 2015, among the Company, S&R Technology Holdings, LLC, S&R Foundation, Dr. Ryuji Ueno and Dr. Sachiko Kuno	S-3	333-135133	10.1	1/16/2015
10.30*	Stipulation and License Agreement, dated February 5, 2015, among the Company, Sucampo AG, R-Tech Ueno, Ltd. and Par Pharmaceutical, Inc.	10-K	001-33609	10.88	3/9/2015
10.31*	Manufacturing and Supply Agreement, dated as of February 5, 2015, between Sucampo AG and Par Pharmaceutical, Inc.	10-K	001-33609	10.89	3/9/2015
10.32*	Office Lease Agreement, dated May 5, 2015, between Four Irvington Centre Associations, LLC and Sucampo Pharmaceuticals, Inc.	10-Q	001-33609	10.1	8/5/2015
10.33*	License, Development, Commercialization And Supply Agreement For Lubiprostone for People's Republic of China, dated May 5, 2015, between Harbin Gloria Pharmaceuticals Co., Ltd. and Sucampo AG	10-Q	001-33609	10.2	8/5/2015
10.34*	First Amendment to office Lease Agreement, dated September 14, 2015, between Four Irvington Centre Associations, LLC and Sucampo Pharmaceuticals, Inc.	10-Q	001-33609	10.1	11/4/2015
10.35^	Non-employee Director Compensation Summary	10-K	001-33609	10.35	3/11/2016
10.36^	Form Sucampo Pharmaceuticals, Inc. Duration-Based Stock Option Incentive Award Stock Option Agreement Terms and Conditions	10-K	001-33609	10.36	3/11/2016
10.37**	Amendment No. 1, dated November 18, 2015 to the License, Development, Commercialization and Supply Agreement for Lubiprostone dated October 17, 2014, between Sucampo AG and Takeda Pharmaceuticals International AG	10-K	001-33609	10.37	3/11/2016
10.38**	Credit Agreement, dated October 16, 2015, among the Company as borrower, the financial institutions listed therein as Lenders and Jefferies Finance LLC, as administrative agent and collateral agent for the Lenders	10-K	001-33609	10.38	3/11/2016
10.39**	Lease Agreement, dated April 1, 2001, between Ueno Fine Chemicals and R-Tech Ueno Ltd.	10-K	001-33609	10.39	3/11/2016

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
10.40&	New Technology Development Consignment Agreement, dated April 1, 2015, between the Japan Agency for Medical Research and Development and R-Tech Ueno, Ltd.	10-K	001-33609	10.40	3/11/2016
10.41**	Manufacturing Agreement, dated May 22, 2004, between R-Tech Ueno, Ltd. and Nissan Chemical Industries, Ltd.	10-K	001-33609	10.41	3/11/2016
101.[SCH]†	XBRL Taxonomy Extension Schema Document	Included herewith			
101.[CAL]†	XBRL Taxonomy Extension Calculation Linkbase Document	Included herewith			
101.[LAB]†	XBRL Taxonomy Extension Label Linkbase Document	Included herewith			
101.[PRE]†	XBRL Taxonomy Extension Presentation Linkbase Document	Included herewith			
21	Subsidiaries of the Company	10-K	001-33609	21	3/11/2016
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm	Included herewith			
23.2	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm	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			

^ Compensatory plan, contract or arrangement.
* Confidential treatment has been granted for portions of this exhibit.
** Confidential treatment has been requested for certain portions of this exhibit. The confidential portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission.
& English summary of a foreign language document.
# Pursuant to Item 601(b)(2) of Regulation S-K promulgated by the SEC, certain schedules to this agreement have been omitted. The registrant hereby agrees to furnish supplementally to the SEC, upon its request, any or all of such omitted schedules.
† Attached as Exhibit 101 to this report are documents formatted in XBRL (Extensible Business Reporting Language). Users of this data are advised that, pursuant to Rule 406T of Regulation S-T, the interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is otherwise not subject to liability under these sections.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-147420) pertaining to the 2006 Employee Stock Purchase Plan, the 2006 Stock Incentive Plan, as amended and restated, and the Amended and Restated 2001 Stock Incentive Plan of Sucampo Pharmaceuticals, Inc., and

(2) Registration Statement (Form S-3 No. 333-201566) of Sucampo Pharmaceuticals, Inc.

of our reports dated March 10, 2016, with respect to the consolidated financial statements and schedule of Sucampo Pharmaceuticals, Inc. and the effectiveness of internal control over financial reporting of Sucampo Pharmaceuticals, Inc. included in Amendment No. 1 to this Annual Report (Form 10-K/A) of Sucampo Pharmaceuticals, Inc. for the year ended December 31, 2015.

/s/ Ernst & Young LLP

McLean, Virginia
March 16, 2016

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-147420) and Form S-3 (333- 201566) of Sucampo Pharmaceuticals, Inc. of our report dated March 9, 2015, except for the change in the composition of reportable segments discussed in Note 4 to the consolidated financial statements, as to which the date is May 6, 2015, relating to the financial statements and financial statement schedule, which appears in this Form 10-K/A.

/s/ PricewaterhouseCoopers LLP

Baltimore, Maryland
March 16, 2016

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 Annual Report on Form 10-K/A 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: March 16, 2016

/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, Andrew P. Smith, certify that:

1. I have reviewed this Annual Report on Form 10-K/A 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: March 16, 2016

/s/ Andrew P. Smith
Andrew P. Smith
(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 Annual Report on Form 10-K/A for the year ended December 31, 2015 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: March 16, 2016

/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 Annual Report on Form 10-K/A for the year ended December 31, 2015 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: March 16, 2016

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