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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2016

OR

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

For the transition period from to

Commission File Number: 001-33609

SUCAMPO PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware	30-0520478
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
805 King Farm Boulevard, Suite 550 Rockville, MD *(Address of principal executive offices)*	20850 *(Zip Code)*

(301) 961-3400
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 o	Accelerated filer ☑	Non accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of April 29, 2016, there were 45,788,853 shares of the registrant's class A common stock outstanding.

Sucampo Pharmaceuticals, Inc.

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PART I — FINANCIAL INFORMATION

Item 1. ***Financial Statements***

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

	March 31, 2016 (unaudited)	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 130,077	$ 108,284
Product royalties receivable	16,501	22,792
Accounts receivable, net	16,074	22,759
Restricted cash	26,944	55,218
Inventories	24,437	33,121
Prepaid expenses and other current assets	14,097	9,186
Total current assets	228,130	251,360
Property and equipment, net	6,944	6,393
Intangible assets	133,599	130,315
Goodwill	65,787	60,937
In-process research and development	6,614	6,171
Deferred charge, non-current	1,400	1,400
Convertible note receivable	5,000	-
Other assets	736	605
Total assets	$ 448,210	$ 457,181
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,135	$ 11,213
Accrued expenses	13,689	10,886
Collaboration obligation	5,197	5,623
Income tax payable	3,468	6,507
Notes payable, current	27,839	39,083
Other current liabilities	7,097	14,815
Total current liabilities	62,425	88,127
Notes payable, non-current	207,862	213,277
Deferred revenue, non-current	941	1,088
Deferred tax liability, net	59,188	52,497
Other liabilities	16,951	15,743
Total liabilities	347,367	370,732
Commitments and contingencies (note 9)		
Stockholders' equity:		
Preferred stock, $0.01 par value; 5,000,000 shares authorized at March 31, 2016 and December 31, 2015; no shares issued and outstanding at March 31, 2016 and December 31, 2015	-	-
Class A common stock, $0.01 par value; 270,000,000 shares authorized at March 31, 2016 and December 31, 2015; 45,640,318 and 45,509,150 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively	456	455
Class B common stock, $0.01 par value; 75,000,000 shares authorized at March 31, 2016 and December 31, 2015; no shares issued and outstanding at March 31, 2016 and December 31, 2015	-	-
Additional paid-in capital	102,115	99,212
Accumulated other comprehensive income	28,959	13,412
Treasury stock, at cost; 3,009,942 shares at March 31, 2016 and December 31, 2015	(46,269)	(46,269)
Retained earnings	15,582	19,639
Total stockholders' equity	100,843	86,449
Total liabilities and stockholders' equity	$ 448,210	$ 457,181

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

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

	Three Months Ended March 31,	
	2016	**2015**
Revenues:		
Product royalty revenue	$ 16,716	$ 15,745
Product sales revenue	26,595	11,145
Research and development revenue	3,430	2,345
Contract and collaboration revenue	467	245
Total revenues	47,208	29,480
Costs and expenses:		
Costs of goods sold	23,338	6,110
Research and development	14,671	6,793
General and administrative	8,927	6,283
Selling and marketing	775	640
Total costs and expenses	47,711	19,826
Income (loss) from operations	(503)	9,654
Non-operating income (expense):		
Interest income	25	40
Interest expense	(6,270)	(276)
Other expense, net	(347)	(203)
Total non-operating expense, net	(6,592)	(439)
Income (loss) before income taxes	(7,095)	9,215
Income tax benefit (provision)	3,038	(2,807)
Net income (loss)	$ (4,057)	$ 6,408
Net income (loss) per share:		
Basic	$ (0.10)	$ 0.14
Diluted	$ (0.10)	$ 0.14
Weighted average common shares outstanding:		
Basic	42,539	44,366
Diluted	42,539	45,912
Comprehensive income (loss):		
Net income (loss)	$ (4,057)	$ 6,408
Other comprehensive income (expense):		
Unrealized loss on pension benefit obligation	(8)	(7)
Unrealized gain (loss) on investments, net of tax effect	-	(6)
Foreign currency translation gain (loss)	15,555	175
Comprehensive income (loss)	$ 11,490	$ 6,570

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

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

	Class A Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Treasury Stock		Retained	Total Stockholders'
	Shares	Amount	Capital	Income (Loss)	Shares	Amount	Earnings	Equity
Balance at December 31, 2015	45,509,150	$ 455	$ 99,212	$ 13,412	3,009,942	$ (46,269)	$ 19,639	$ 86,449
Stock-based compensation expense	-	-	1,971	-	-	-	-	1,971
Stock issued under exercise of stock options	124,883	1	756	-	-	-	-	757
Stock issued under employee stock purchase plan	6,285	-	58	-	-	-	-	58
Windfall tax benefit from stock-based compensation	-	-	118	-	-	-	-	118
Unrealized loss on pension benefit obligation	-	-	-	(8)	-	-	-	(8)
Foreign currency translation	-	-	-	15,555	-	-	-	15,555
Net income (loss)	-	-	-	-	-	-	(4,057)	(4,057)
Balance at March 31, 2016	45,640,318	$ 456	$ 102,115	$ 28,959	3,009,942	$ (46,269)	$ 15,582	$ 100,843

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

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

	Three Months Ended March 31,	
	2016	**2015**
Cash flows from operating activities:		
Net income (loss)	$ (4,057)	$ 6,408
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,573	83
Deferred tax provision	2,347	(114)
Deferred charge	-	74
Stock-based compensation	1,971	1,069
Amortization of premiums on investments	-	26
Unrealized currency translations	4,226	18
Shortfall from stock-based compensation	(62)	(68)
Windfall benefit from stock-based compensation	(180)	-
Changes in operating assets and liabilities:		
Product royalties receivable	6,292	2,830
Accounts receivable	8,378	(2,707)
Unbilled accounts receivable	(1,087)	(112)
Inventory	1,774	(328)
Prepaid and income taxes receivable and payable, net	(3,295)	556
Accounts payable	(6,266)	(2,727)
Accrued expenses	(2,067)	1,200
Accrued interest payable	4,743	275
Deferred revenue	58	(446)
Collaboration obligation	(425)	(61)
Other assets and liabilities, net	(4,366)	(1,397)
Net cash provided by operating activities	23,557	4,579
Cash flows from investing activities:		
Purchases of investments	-	(25,987)
Maturities of investments	-	5,250
Convertible note receivable	(5,000)	-
Changes in restricted cash	10,598	-
Squeeze-out liability for non-tendering R-Tech shareholders	(8,213)	-
Purchases of property and equipment	(735)	(12)
Net cash used in investing activities	(3,350)	(20,749)
Cash flows from financing activities:		
Payments of notes payable	(17,574)	-
Changes in restricted cash	17,676	-
Proceeds from exercise of stock options	757	3,270
Proceeds from employee stock purchase plan	58	11
Windfall benefit from stock-based compensation	180	869
Net cash provided by financing activities	1,097	4,150
Effect of exchange rates on cash and cash equivalents	489	37
Net increase (decrease) in cash and cash equivalents	21,793	(11,983)
Cash and cash equivalents at beginning of period	108,284	71,622
Cash and cash equivalents at end of period	$ 130,077	$ 59,639

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

1. Business Organization and Basis of Presentation

Description of the Business

Sucampo Pharmaceuticals, Inc., (Company) is a global biopharmaceutical company focused on innovative research and development of proprietary drugs to treat gastrointestinal, ophthalmic, autoimmune, inflammatory, and oncology 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 and product candidates.

AMITIZA® (lubiprostone) is being marketed for three gastrointestinal indications under the collaboration and license agreement (as amended in October 2014, the North America Takeda Agreement) with Takeda Pharmaceutical Company Limited (Takeda). These indications are chronic idiopathic constipation (CIC) in adults, irritable bowel syndrome with constipation (IBS-C) in adult women and opioid-induced constipation (OIC) in adults suffering from chronic non-cancer related pain. Under the North America Takeda Agreement, the Company is primarily responsible for clinical development activities, while Takeda is responsible for commercialization of AMITIZA in the United States (U.S.) and Canada. The Company and Takeda initiated commercial sales of AMITIZA in the U.S. for the treatment of CIC in April 2006, for the treatment of IBS-C in May 2008 and for the treatment of OIC in May 2013. Takeda is required to provide a minimum annual commercial investment during the current term of the North America Takeda Agreement and may reduce the minimum annual commercial investment when a generic equivalent enters the market. In October 2015, Health Canada approved AMITIZA for CIC in adults. In October 2014, the Company and Takeda executed amendments to the North America Takeda Agreement which, among other things, extended the term of the North America Takeda Agreement beyond December 2020. During the extended term beginning in January 2021, Takeda and the Company will split the annual net sales revenue of the branded AMITIZA products. In addition, the North America Takeda Agreement was amended to, beginning in April 2015, 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 Japan's 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 May 2015, the Company entered into an exclusive license, development, commercialization and supply agreement (the China Gloria Agreement) with Harbin Gloria Pharmaceuticals Co., Ltd. (Gloria), for AMITIZA in the People's Republic of China. Under the China Gloria Agreement, Gloria is responsible for all development activities and costs, as well as commercialization and regulatory activities, for AMITIZA in the People's Republic of China. The Company will be the exclusive supplier of AMITIZA to Gloria at an agreed upon supply price. Upon entering into the China Gloria Agreement, the Company received an upfront payment of $1.0 million. In June 2015, the China Food and Drug Administration accepted an Investigational New Drug (IND) application for a pivotal trial of AMITIZA in patients with CIC; as a result the Company received an additional payment of $500,000 from Gloria. In addition to the $1.5 million in payments received and recognized as revenue through June 2015, the Company is eligible to receive an additional payment in the amount of $1.5 million upon the occurrence of a specified regulatory or commercial milestone event.

In October 2014, the Company entered into an exclusive license, development, commercialization and supply agreement (the Global Takeda Agreement) for lubiprostone with Takeda, through which Takeda has the exclusive rights to further develop and commercialize AMITIZA in all global markets, except the U.S., Canada, Japan and the People's Republic of China. Takeda became the marketing authorization holder in Switzerland in April 2015, in the United Kingdom (U.K.), Austria, Belgium, Germany, Ireland and Luxembourg in early 2016, and is expected to become the marketing authorization holder in Italy, 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. 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. 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 Takeda 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, which Takeda is funding 100% up to a cap, 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 head and neck cancer (HNC) receiving concurrent radiation therapy (RT) and chemotherapy (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.

In April 2016, the Company reported that its analysis of the top-line date from this study showed that the trial did not meet its primary endpoints and, as a result, the Company would discontinue development of cobiprostone for this indication.

VAP-1 Inhibitor for RTU-1096

RTU-1096 is an oral compound under development for the treatment of diseases such as 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 Company completed a phase 1 in healthy individuals that evaluated the safety and pharmacokinetics expects to receive results from this trial 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 planned to be studied in acute cerebral infarction. The Company's next step would be to complete IND-enabling studies, and thereafter initiate clinical-stage development.

CPP 1-X/Sulindac Combination Product

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

Basis of Presentation

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

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

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

2. Summary of Significant Accounting Policies

Restricted Cash

As of March 31, 2016, restricted cash consisted primarily of $25.0 million related to the Credit Facility (see note 14).

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

Certain Risks, Concentrations and Uncertainties

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist of cash and cash equivalents, restricted cash and receivables. The Company places its cash, cash equivalents and restricted cash with highly rated financial institutions. As of March 31, 2016 and December 31, 2015, approximately $2.4 million or 1.5%, and $5.9 million or 3.6%, respectively, of the Company's cash, cash equivalents, and restricted cash were issued or insured by the United States government or other government agencies. The Company has not experienced any losses on these accounts related to amounts in excess of insured limits.

Revenues from Takeda, an unrelated party, accounted for 61.5% and 61.8% of the Company's total revenues for the three months ended March 31, 2016 and 2015, respectively. Accounts receivable and product royalties receivable from Takeda accounted for 76.1% and 78.1% of the Company's total accounts receivable and product royalties receivable at March 31, 2016 and December 31, 2015, respectively. Revenues from another unrelated party, Mylan, accounted for 30.6% and 37.8% of the Company's total revenues for the three months ended March 31, 2016 and 2015, respectively. The Company depends significantly upon collaborations with Takeda and Mylan, and its activities may be impacted if these relationships are disrupted.

Fair Value of Financial Instruments

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

Variable Interest Entities

The Company performs an initial and on-going evaluation of the entities with which it has variable interests, such as equity ownership, in order to identify entities (i) that do not have sufficient equity investment at risk to permit the entity to finance its activities without additional subordinated financial support or (ii) in which the equity investors lack an essential characteristic of a controlling financial interest as variable interest entities ("VIE" or "VIEs"). If an entity is identified as a VIE, the Company performs an assessment to determine whether the Company has both (i) the power to direct activities that most significantly impact the VIE's economic performance and (ii) have the obligation to absorb losses from or the right to receive benefits of the VIE that could potentially be significant to the VIE. If both of these criteria are satisfied, the Company is identified as the primary beneficiary of the VIE. As of March 31, 2016, the Company's investment in CPP, in which we held a variable interest, was determined to be a VIE. See note 19 for additional information.

Recent Accounting Pronouncements

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

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, (ASU 2015-17). This new guidance requires businesses to classify deferred tax liabilities and assets on their balance sheets as noncurrent. Under existing accounting, a business must separate deferred income tax liabilities and assets into current and noncurrent. ASU 2015-17 was issued as a way to simplify the way businesses classify deferred tax liabilities and assets on their balance sheets. Public companies must apply ASU 2015-17 to fiscal years beginning after December 15, 2016. Companies must follow the requirements for interim periods within those fiscal years, but early adoption at the beginning of an interim or annual period is allowed for all entities. The Company has elected to early adopt the guidance and 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.

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

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)* in which it provided new guidance related to accounting for leases. The new standard requires the recognition of assets and liabilities arising from lease transactions on the balance sheet and the disclosure of key information about leasing arrangements. Accordingly, a lessee will recognize a lease asset for its right to use the underlying asset and a lease liability for the corresponding lease obligation. Both the asset and liability will initially be measured at the present value of the future minimum lease payments over the lease term. Subsequent measurement, including the presentation of expenses and cash flows, will depend on the classification of the lease as either 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. The Company is currently evaluating its expected adoption method and the impact of this new standard on its consolidated financial statements and disclosures.

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

3. Net Income (Loss) per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the sum of the weighted average class A common shares outstanding. Diluted net income per share is computed by dividing net income by the weighted average common shares and potential dilutive common shares outstanding. Diluted net loss per share is computed by dividing net loss by the weighted average common shares outstanding without the impact of potential dilutive common shares outstanding because they would have an anti-dilutive impact on diluted net loss per share.

The computation of net income (loss) per share for the three months ended March 31, 2016 and 2015 is shown below:

	Three Months Ended March 31,	
(In thousands, except per share data)	**2016**	**2015**
Basic net income (loss) per share:		
Net income (loss)	$ (4,057)	$ 6,408
Weighted average class A common shares outstanding	42,539	44,366
Basic net income (loss) per share	$ (0.10)	$ 0.14
Diluted net income (loss) per share:		
Net income (loss)	$ (4,057)	$ 6,408
Weighted average class A common shares outstanding	42,539	44,366
Assumed exercise of stock options under the treasury stock method	-	1,546
	42,539	45,912
Diluted net income (loss) per share	$ (0.10)	$ 0.14

The following securities were excluded from the computation of diluted net loss per share as their effect would have been anti-dilutive for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
(In thousands)	**2016**	**2015**
Employee stock options	5,537	957

4. Acquisition of R-Tech

On October 20, 2015, the Company acquired approximately 98% of the outstanding shares of R-Tech Ueno, Ltd., a Japanese company (R-Tech). The Company acquired the remaining 2% of outstanding shares of R-Tech through a squeeze-out process under Japanese law on December 8, 2015. The total consideration for the acquisition was 33 billion Japanese Yen, or approximately $275 million. This transaction was accounted for under the acquisition method of accounting, with the Company as the acquirer. Under the acquisition method of accounting, the assets and liabilities of R-Tech were recorded as of the acquisition date at their respective fair values, and combined with those of the Company.

The purchase price allocation was based upon preliminary estimates using information that was available to management at the time the financial statements were prepared. These estimates and assumptions are subject to change within the measurement period, up to one year from 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 and deferred tax assets and liabilities. The Company is in the process of finalizing a valuation appraisal for an acquired building. There have been no material changes to the preliminary purchase price during the first quarter of 2016. 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 following unaudited pro forma information is presented as if the acquisition had occurred on January 1, 2015, and combines the historical results of operations of the Company and R-Tech for the three months ended March 31, 2016 and 2015.

	Three months ended March 31,	
(In thousands)	**2016**	**2015**
Pro forma revenue	$ 47,208	$ 42,916
Pro forma net loss	(4,057)	(2,346)

5. Segment Information

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

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

Product Category Information

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

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

Company revenues by product category for the three months ended March 31, 2016 and 2015 were as follows:

	Three Months Ended March 31,	
(In thousands)	**2016**	**2015**
Product royalty revenue	$ 16,716	$ 15,745
Product sales revenue - AMITIZA	23,434	11,151
Product sales revenue - RESCULA	3,161	(6)
Research and development revenue	3,430	2,345
Contract and collaboration revenue	467	245
Total	$ 47,208	$ 29,480

Geographical Information

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

Company revenues by geographic location for the three months ended March 31, 2016 and 2015 were as follows:

(In thousands)	Three Months Ended March 31, 2016	2015
United States	$ 28,939	$ 18,225
Japan	17,848	11,157
Rest of the world	421	98
Total	$ 47,208	$ 29,480

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

(In thousands)	March 31, 2016	December 31, 2015
United States	$ 3,238	$ 3,105
Japan	3,657	3,232
Rest of the world	49	56
Total	$ 6,944	$ 6,393

6. Fair Value measurements

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

Level 1: quoted prices in active markets for identical assets or liabilities;
Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company has elected the fair value option on its investment in CPP; as such, it is measured at fair value on a recurring basis. As of March 31, 2016, the fair value of the convertible note is $5.0 million using level 3 inputs (see note 19) provided by a valuation specialist using market level inputs and assumptions. The Company re-evaluates the fair value on a quarterly basis. Changes in the fair value can result from adjustments to the market level inputs and assumptions. The election was made upon the acquisition of the financial asset and cannot be revoked. The changes in fair value are recorded in current earnings within Other Income. As of March 31, 2016, there were no changes in the fair value of the note recorded in earnings related to the convertible note received from CPP. There were no other financial instruments measured at fair value on a recurring basis as of March 31, 2016, and no financial instruments were measured at fair value on a recurring basis as of December 31, 2015.

7. 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 three months ended March 31, 2016, the Company recorded pretax charges of approximately $183,000. 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. As of March 31, 2016, a restructuring accrual of $94,000 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 R-Tech. The restructuring charges incurred under this plan total $1.0 million.

The following table summarizes the cash components of the restructuring costs at March 31, 2016.

(In thousands)	Termination Benefits	Facility Related	Contract & Other Costs	Total
Balance at December 31, 2015	$ 851	$ -	$ -	$ 851
Expenses incurred	183	-	-	183
Amounts paid	(940)	-	-	(940)
Balance at March 31, 2016	$ 94	$ -	$ -	$ 94

8. Inventory

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 fair value to $37.6 million as of the acquisition date. As of March 31, 2016 and December 31, 2015, the remaining balance of inventory step-up was $6.1 million and $14.3 million, respectively. The remaining balance of inventory step-up will amortize evenly through costs of goods through May 2016.

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

(In thousands)	March 31, 2016	December 31, 2015
Raw materials	$ 1,696	$ 5,554
Work in process	21,674	26,926
Finished goods	1,067	641
Total	$ 24,437	$ 33,121

9. Intangible Assets

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

	March 31, 2016		December 31, 2015	
(In thousands)	Weighted average life (in months)	Carrying amount	Weighted average life (in months)	Carrying amount
Amortized intangible assets				
Patent and license rights	69	$ 10,513	72	$ 10,513
Manufacturing know-how	74	134,600	76	134,600
Accumulated amortization		(14,375)		(8,463)
Impairment losses		(5,651)		(5,651)
Foreign currency translation adjustments		8,512		(684)
Total amortized intangible assets		$ 133,599		$ 130,315
Unamortized intangible assets				
In-process research and development		$ 6,614		$ 6,171
Goodwill		65,787		60,937
Total unamortized intangible assets		$ 72,401		$ 67,108
Total intangible assets		$ 206,000		$ 197,423

The changes in intangible assets for the three months ended March 31, 2016 are as follows:

(In thousands)	Intangibles	Goodwill	In-process research & development
Balance at December 31, 2015	$ 130,315	$ 60,937	$ 6,171
Additions	-	467	-
Amortization	(5,906)	-	-
Foreign currency translation adjustment	9,190	4,383	443
Balance at March 31, 2016	$ 133,599	$ 65,787	$ 6,614

10. Accrued Expenses and Other Current Liabilities

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

(In thousands)	March 31, 2016	December 31, 2015
Research and development costs	$ 5,266	$ 3,843
Accrued interest	4,812	70
Employee compensation	1,671	4,860
Restructuring	95	851
Legal service fees	421	428
Other accrued expenses	1,424	834
Total	$ 13,689	$ 10,886

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

(In thousands)	March 31, 2016	December 31, 2015
Indirect taxes payable	$ 4,582	$ 5,963
Squeeze out liability for non-tendering R-Tech shareholders	468	7,668
Deferred revenue	881	676
Other liabilities	1,166	508
Total	$ 7,097	$ 14,815

11. Other Liabilities

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

(In thousands)	March 31, 2016	December 31, 2015
Deferred grants	$ 10,275	$ 9,604
Unrecognized tax benefits	3,522	3,061
Deferred leasehold incentive	1,656	1,715
Other liabilities	1,498	1,363
Total	$ 16,951	$ 15,743

Deferred grants consisted of a $10.0 million 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.

12. Commitments and Contingencies

Operating Leases

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

(In thousands)	March 31, 2016
2016	$ 1,299
2017	976
2018	1,258
2019	1,029
2020	969
Total minimum lease payments	$ 5,531

Rent expense for all operating leases was approximately $645,000 and $333,000 for the three months ended March 31, 2016 and March 31, 2015, respectively.

Numab Commitment

The maximum contingent liability under the Numab Agreement (see note 13) in the event that Numab defaults under its loan with Zurcher Kantonalbank is $2.3 million. This guarantee is set to expire during September 2016. As of March 31, 2016 and 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 $1.6 million and $1.5 million, respectively. As of March 31 2016, the Company had a recorded liability of $208,000 in collateral callable to meet a potential loan default by Numab.

13. Related Party Transactions

R-Tech Ueno, Ltd.

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

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 three months ended March 31, 2015:

(In thousands)	Three Months Ended March 31, 2015
Clinical supplies	$ 31
Other research and development services	5
Commercial supplies	6,142
	$ 6,178

(In thousands)	March 31, 2015
Deferred revenue, current	$ 138
Deferred revenue, non-current	4,240
	$ 4,378

The Company recognized approximately $138,000 of revenue relating to its agreements with R-Tech for the three months ended March 31, 2015, which was recorded as contract and collaboration revenue in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income.

Numab AG

In September 2011, the Company entered into a loan guarantee and development agreement (the Numab Agreement) with Numab AG (Numab). Under the terms of the Numab Agreement, 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 $2.3 million as of March 31, 2016.

As of March 31, 2016, 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 $1.6 million. At March 31, 2016 and December 31, 2015, the Company has a recorded guarantee liability of $208,000 and $202,000, 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 subordinated unsecured promissory notes (Notes) to the Ueno Trust and Kuno Trust, former shareholders of SAG. The Ueno Trust and Kuno Trust are considered related parties. Each of the Notes was issued with an initial principal balance of approximately $25.9 million, or approximately $51.9 million in the aggregate. The interest rate for the Notes is the sum of the London Interbank Offered Rate, or LIBOR, plus 4.0%, and was reset on December 1, 2015 to 4.7%. On February 1, 2016, the Notes were paid in full.

14. Credit Facility and Notes Payable

On October 16, 2015, the Company entered into a Credit Agreement (Credit Facility) with Jefferies Financing LLC. Term Loans under the Credit Facility bear interest, at the Company's option, at the Adjusted Eurodollar Rate plus 7.25% or the Adjustable Base Rate plus 6.25%. The average interest rate on the notes payable for the three months ending March 31, 2016 was 8.39%. The Company was in compliance with all covenants under the credit facility as of March 31, 2016.

The Company's debt is subject to the fair value disclosure requirements as discussed in note 2, and is classified as a Level 2 security.

15. Collaboration Obligation

Due to signing of the Global Takeda Agreement, the Company received an upfront payment from Takeda of $14.0 million in 2014, of which the Company is obligated to reimburse Takeda for the first $6.0 million in developmental expenses incurred by Takeda. As of March 31, 2016 and December 31, 2015, the collaboration obligation was $5.2 million and $5.6 million, respectively.

16. Collaboration and License Agreements

North America Takeda Agreement

The following table summarizes the cash streams and related revenue recognized or deferred under the North America Takeda Agreement for the three months ended March 31, 2016:

(In thousands)	Amount Deferred at December 31, 2015	Cash Received for the Three Months Ended March 31, 2016	Revenue Recognized for the Three Months Ended March 31, 2016	Change in Accounts Receivable for the Three Months Ended March 31, 2016	Foreign Currency Effects for the Three Months Ended March 31, 2016	Amount Deferred at March 31, 2016
Product royalty revenue	$ -	$ 22,792	$ 16,500	$ (6,292)	$ -	$ -
Product sales revenue	$ -	$ 13,391	$ 8,974	$ (3,939)	$ (478)	$ -
Research and development revenue:						
Reimbursement of research and development expenses	$ -	$ 3,309	$ 3,429	$ 120	$ -	$ -
Collaboration revenue:						
Up-front payment associated with the Company's obligation to participate in joint committees	$ 736	$ -	$ 37	$ -	$ -	$ 699

Japan Mylan Agreement

The following table summarizes the cash streams and related revenue recognized or deferred under the Japan Mylan Agreement for the three months ended March 31, 2016:

(In thousands)	Amount Deferred at December 31, 2015	Cash Received for the Three Months Ended March 31, 2016	Revenue Recognized for the Three Months Ended March 31, 2016	Change in Accounts Receivable for the Three Months Ended March 31, 2016	Foreign Currency Effects for the Three Months Ended March 31, 2016	Amount Deferred at March 31, 2016
Product sales revenue	$ -	$ 14,881	$ 14,460	$ 1,277	$ (1,698)	$ -
Collaboration revenue:						
Up-front payment associated with the Company's obligation to participate in joint committees	$ 416	$ -	$ 9	$ -	$ 30	$ 437

The Company has recorded product sales revenue under the Japan Mylan Agreement for the three months ended March 31, 2016 and 2015 of approximately $14.5 million and $11.1 million, respectively.

China Gloria Agreement

The Company has no recorded product sales revenue under the China Gloria Agreement for the three months ended March 31, 2016.

Japan Santen Agreement

The Company has recorded Rescula product sales revenue under the Japan Santen Agreement for the three months ended March 31, 2016 of approximately $3.4 million. The Company has recorded no revenues under the Japan Santen Agreement for the three months ended March 31, 2015

17. Stock Option Plans

A summary of employee stock option activity for the three months ended March 31, 2016 under the Company’s Amended and Restated 2001 Stock Incentive Plan is presented below:

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding, December 31, 2015	37,400	$ 10.00		
Options exercised	(20,400)	10.00		
Options outstanding, March 31, 2016	17,000	10.00	0.09	$ 15,810
Options exercisable, March 31, 2016	17,000	10.00	0.09	$ 15,810
Options vested and expected to vest, March 31, 2016	17,000	10.00	0.09	$ 15,810

A summary of employee stock option activity for the three months ended March 31, 2016 under the Company's Amended and Restated 2006 Stock Incentive Plan is presented below:

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding, December 31, 2015	4,440,608	$ 9.37		
Options granted	1,224,450	13.69		
Options exercised	(104,483)	6.10		
Options forfeited	(28,209)	14.29		
Options expired	(12,025)	15.86		
Options outstanding, March 31, 2016	5,520,341	10.35	8.36	$ 11,809,367
Options exercisable, March 31, 2016	2,100,317	8.05	6.95	$ 7,503,522
Options vested and expected to vest, March 31, 2016	4,356,237	9.95	8.14	$ 10,352,390

The weighted average grant date fair value of options granted during the three months ended March 31, 2016 and the year ended December 31, 2015 was $13.69 and $15.18, respectively.

Employee Stock Purchase Plan

Under the Company's 2006 Employee Stock Purchase Plan, the Company received $58,391 and $11,483 upon employees' purchase of 6,285 and 950 shares of class A common stock during the three months ended March 31, 2016 and 2015, respectively.

Accumulated Other Comprehensive Income (Loss)

The following table details the accumulated other comprehensive income (loss) activity for the three months ended March 31, 2016 and 2015:

(In thousands)	Foreign currency translation adjustments	Unrealized income (loss) on investments, net of tax effect	Unrealized income (loss) on pension benefit obligation	Accumulated other comprehensive income (loss)
Balance January 1, 2016	$ 14,243	$ 42	$ (873)	$ 13,412
Other comprehensive income before reclassifications	15,555	-	(8)	15,547
Amounts reclassified from accumulated other comprehensive loss	-	-	-	-
Balance March 31, 2016	$ 29,798	$ 42	$ (881)	$ 28,959
Balance January 1, 2015	$ 15,208	$ 35	$ (978)	$ 14,265
Other comprehensive income before reclassifications	175	(6)	(7)	162
Amounts reclassified from accumulated other comprehensive loss	-	-	-	-
Balance March 31, 2015	$ 15,383	$ 29	$ (985)	$ 14,427

18. Income Taxes

The provision for income taxes is based upon the estimated annual effective tax rates for the year applied to the current period income before tax plus the tax effect of any significant unusual items, discrete events or changes in tax law. Our operating subsidiaries are exposed to effective tax rates ranging from zero to approximately 40%. Fluctuations in the distribution of pre-tax income among our operating subsidiaries can lead to fluctuations of the effective tax rate in the condensed consolidated financial statements. In the three-month periods ended March 31, 2016 and 2015, the actual effective tax rates were 42.8% and 30.5%, respectively.

We assess uncertain tax positions in accordance with ASC 740 (ASC 740-10 Accounting for Uncertainties in Tax). As of March 31, 2016, our net unrecognized tax benefits totaled approximately $3.5 million. Of this balance $2.2 million would favorably impact our effective tax rate in the periods if they are recognized. Management has not identified any uncertain tax positions that are reasonably likely to be released during the next 12 months due to lapse of statutes of limitations or settlements with tax authorities.

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

19. Investments

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

Under the terms of a Securities Purchase Agreement, the Company made a $5.0 million loan to CPP in exchange for a convertible note. The note will automatically convert into CPP securities at a discount upon a Qualified Financing as defined by the Securities Purchase Agreement. The Company has also agreed to purchase up to $5.0 million of CPP's securities in a Qualified Financing. CPP filed a Registration Statement on Form S-1 with the Securities and Exchange Commission in December 2015.

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

The Company has elected the fair value option on the convertible note received from CPP due to the nature of the financial characteristics of the investment. As of March 31, 2016, the fair value of the convertible note is $5.0 million using level 3 inputs (see note 6).

CPP is considered a variable interest entity in which the Company has a variable interest. It has been determined that the power to direct the activities that most significantly impact CPP's economic performance is held by the board of directors of CPP. The Company does not have a representative on CPP's board and does not have the right to appoint or elect such a representative. Therefore, the Company is not the primary beneficiary of CPP and the entity is not consolidated. The company's maximum exposure to loss as a result of its involvement with CPP is $5.0 million as of March 31, 2016, which is the investment in the convertible security of $5.0 million. As of December 31, 2015, CPP had total assets of $1.8 million and total liabilities of $12.5 million.

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

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

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

Overview

We are a global biopharmaceutical company focused on innovative research and development of proprietary drugs to treat gastrointestinal, ophthalmic, autoimmune, inflammatory, and oncology disorders.

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

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

AMITIZA (lubiprostone)

United States and Canada

AMITIZA is marketed in the U.S. for three gastrointestinal indications under a collaboration and license agreement (North America Takeda Agreement) with Takeda Pharmaceutical Company Limited (Takeda). These indications are chronic idiopathic constipation (CIC) in adults, irritable bowel syndrome with constipation (IBS-C) in adult women and opioid-induced constipation (OIC) in adults suffering from chronic non-cancer related pain. Under the North America Takeda Agreement, we are primarily responsible for clinical development activities, while Takeda is responsible for commercialization of AMITIZA in the U.S. and Canada. Takeda is required to provide a minimum annual commercial investment during the current term of the North America Takeda Agreement and may reduce the minimum annual commercial investment when a generic equivalent enters the market. In October 2014, we signed an amendment (Takeda Amendment) to the North America Takeda Agreement which, among other things, extended the term of the North American Takeda Agreement beyond December 2020; during the extended term, we will share with Takeda the net sales revenue on branded AMITIZA sales. We have also partnered with Par Pharmaceuticals, Inc. (Par) in connection with the settlement of our patent litigation with Par in the U.S. related to our AMITIZA (lubiprostone) 8 mcg and 24 mcg soft gelatin capsule products. Under our agreement with Par, we granted Par a non-exclusive license to market Par's generic version of lubiprostone 8 mcg soft gelatin capsule and 24 mcg soft gelatin capsule in the U.S. for the indications approved for AMITIZA beginning January 1, 2021, or earlier under certain circumstances. Beginning on January 1, 2021, Par will split with us the gross profits of the licensed products sold during the term of the agreement, which continues until each of our related patents has expired. In the event Par elects to launch an authorized generic form of lubiprostone, we agree to supply Par under the terms of a manufacturing and supply agreement at a negotiated price.

In October 2015, Health Canada approved AMITIZA for CIC in adults. AMITIZA will be marketed by Takeda Canada Inc. under the North America Takeda Agreement. Takeda Canada is currently assessing launch feasibility and timing.

Japan

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

People's Republic of China

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

Other Global Markets

In October 2014, we entered into an exclusive license, development, commercialization and supply agreement (Global Takeda Agreement) for lubiprostone with Takeda. Under the Global Takeda Agreement, Takeda develops and markets AMITIZA globally except in the U.S., Canada, Japan and the People's Republic of China. We supply Takeda with the clinical and commercial product at a negotiated price. Takeda currently markets AMITIZA for CIC and OIC in Switzerland, and for CIC in the U.K.

In January 2016, we received notification from the Medicines and Healthcare Products Regulatory Agency of the United Kingdom (U.K.) that our appeal for the OIC indication was not approved. In January 2015, we successfully completed the European mutual recognition procedure for AMITIZA for the treatment of CIC in Austria, Belgium, Germany, Italy, Ireland, Luxembourg, Netherlands and Spain, resulting in a recommendation for marketing authorization in these markets. Takeda became the marketing authorization holder in Switzerland in April 2015, in the United Kingdom (U.K.), Austria, Belgium, Germany, Ireland and Luxembourg in early 2016 and is expected to become the marketing authorization holder in Italy, the Netherlands and Spain in the first half of 2016.

In October 2015, we 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. We expect to initiate phase 3 registration trials in Russia, Mexico, and South Korea in the first half of 2016. A new drug application (NDA) for the treatment of CIC, IBS-C, and OIC was submitted in Kazakhstan in December 2015 .

RESCULA (unoprostone isopropyl)

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

In the fourth quarter of 2014 we ceased marketing RESCULA in the United States and no product was made available after the March 2015 expiration date. In May 2015, we returned all licenses for unoprostone isopropyl to R-Tech. In March 2016, we initiated the withdrawal of the marketing authorization for RESCULA in the U.S.

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

In South Korea, we signed a distribution agreement with Dong-A Pharm, Co., Ltd in April 2010 for the promotion and sale of RESCULA.

In Taiwan, we signed a manufacturing and supply agreement with Sinphar Pharmaceutical, Co., Ltd and also executed the distribution agreement with Zuelliq Pharma, Ltd in April 2013.

Product Pipeline

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

Country	Program Type	Target Indication	Development Phase	Next Milestone
Lubiprostone (AMITIZA ®)				
U.S.	Commercial	Chronic idiopathic constipation (CIC) adults of all ages	Marketed	____
Canada	Clinical	CIC-adults of all ages	Received approval from Health Canada	Market in Canada
U.S.	Commercial	Irritable bowel syndrome with constipation (adult women) (IBS-C)	Marketed	Initiate phase 4 study on higher dosage and with additional male subjects
U.S.	Commercial	Opioid-induced constipation (OIC) in patients with chronic non-cancer pain	Marketed	____
China	Clinical	CIC-adults of all ages	IND accepted	Initiate CIC study
Japan	Commercial	Chronic constipation	Marketed	____
Switzerland	Commercial	CIC-adults of all ages	Marketed	____
U.K.	Commercial	CIC-adults of all ages	Marketed	____
European Union	Clinical	CIC-adults of all ages	Received national marketing approvals in Ireland, Germany, Austria, Belgium, the Netherlands, Luxembourg, Italy and Spain (where product is not yet launched)	Develop pricing and reimbursement assessments and based on outcome determine launch feasibility and plans for Ireland, Germany, Austria, Belgium, the Netherlands, Luxembourg, Italy and Spain
Switzerland	Commercial	OIC in patients with chronic non-cancer pain	Marketed	_____
Russia	Clinical	CIC-adults of all ages	CTA Approved	Initiate phase 3 trial
Russia	Clinical	IBS-C - adult women	CTA Approved	Initiate phase 3 trial
Mexico	Clinical	CIC-adults of all ages	Submitted CTA	Initiate phase 3 trial
Mexico	Clinical	IBS-C - adult women	Submitted CTA	Initiate phase 3 trial
Mexico	Clinical	OIC in patients with chronic non-cancer pain	Submitted CTA	Initiate phase 3 trial
South Korea	Clinical	CIC-adults of all ages	Submitted CTA	Initiate phase 3 trial
South Korea	Clinical	IBS-C - adult women	Submitted CTA	Initiate phase 3 trial
South Korea	Clinical	OIC in patients with chronic non-cancer pain	Submitted CTA	Initiate phase 3 trial
	Clinical	Alternate formulation	In non-clinical development	Initiate phase 3 trial
	Clinical	Pediatric functional constipation (6 years - 17 years)	Pivotal and open label phase 3 trials ongoing	Complete pivotal and open label phase 3 trials
	Clinical	Pediatric functional constipation (6 months - 6 years)	Alternate formulation in development	Initiate phase 3 program
Unoprostone isopropyl (RESCULA®)				
Japan South Korea		Glaucoma and ocular hypertension	Marketed	_____
Taiwan				
Cobiprostone				
	Clinical	Oral mucositis	Phase 2a initiated	Complete phase 2a trial

Country	Program Type	Target Indication	Development Phase	Next Milestone
RTU-1096				
Japan	Clinical	Inflammation/immune-related disorder	Phase 1 completed	Initiate phase 2a trial
RTU-009				
Japan	Preclinical	Inflammation/immune-related disorder	Development on-going	Initiate IND-enabling studies

CPP-1X/sulindac combination product

U.S.	Option	Familial adenomatous polyposis (FAP)	Phase 3	Complete phase 3 trial

Our Clinical Development Programs

Lubiprostone

Alternate Formulation

We are developing an alternate formulation of lubiprostone for both adult and pediatric patients who are unable to 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 we expect to initiate a phase 3 trial of the alternate formulation of lubiprostone in the second half of 2016.

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 and completed enrollment in April 2016. 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, we are 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

Oral Mucositis (OM)

In September 2015, we initiated a phase 2a clinical trial of cobiprostone oral spray for the prevention of OM in patients suffering from head and neck cancer receiving concurrent radiation and chemotherapy. In May 2015, the FDA granted Fast Track Designation for cobiprostone for this indication.

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

In December 2014, we initiated a phase 2a program in Japan for cobiprostone in NERD/sGERD in patients who have had a non-satisfactory response to proton pump inhibitors. In April 2016, we reported that our analysis of the top-line date from this study showed that the trial did not meet its primary endpoints and, as a result, we would discontinue development of cobiprostone for this indication.

VAP-1 Inhibitors

RTU-1096

RTU-1096 is an oral compound under development potentially for the treatment of nonalcoholic steatohepatitis (NASH), chronic obstructive pulmonary disease (COPD), diabetic macular edema (DME) and diabetic retinopathy (DR) and immuno-oncology. In the first quarter of 2016, we completed a phase 1 trial in healthy individuals to evaluate the safety and pharmacokinetics of RTU-1096 and intend to assess the results in the first half of 2016. We will also look to generate additional preclinical data in the emerging area of immuno-oncology, to support the potential use of our molecules as a combination therapy with check-point pathway inhibitors.

RTU-009

RTU-009 is a pre-clinical stage, injectable VAP-1 inhibitor that is being studied in animal models of acute cerebral infarction. VAP-1 is found to cause increases in vascular cell damage, which lead to stroke. RTU-009 may inhibit VAP-1 and control the underlying cause of disease. We intend to complete IND-enabling studies, and thereafter initiate clinical development.

CPP 1-X/Sulindac Combination Product

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

Results of Operations

Revenues

The following table summarizes our revenues for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
(In thousands)	**2016**	**2015**
Product royalty revenue	$ 16,716	$ 15,745
Product sales revenue - AMITIZA	23,434	11,151
Product sales revenue - RESCULA	3,161	(6)
Research and development revenue	3,430	2,345
Contract and collaboration revenue	467	245
Total	$ 47,208	$ 29,480

Total revenues were $47.2 million for the three months ended March 31, 2016, compared to $29.5 million for the three months ended March 31, 2015, an increase of $17.7 million or 60.1%.

Product royalty revenue

Product royalty revenue primarily represents royalty revenue earned on Takeda net sales of AMITIZA in North America and was $16.7 million for the three months ended March 31, 2016 compared to $15.7 million for the three months ended March 31, 2015, an increase of $971,000 or 6.2%. The increase was primarily due to higher Takeda reported AMITIZA net sales which were driven by a mix of price and volume increases.

Product sales revenue

Product sales revenue represents drug product sales of AMITIZA in North America, Japan and Europe, and drug product sales of RESCULA in Japan. AMITIZA product sales revenue was $23.4 million for the three months ended March 31, 2016 compared to $11.2 million for the three months ended March 31, 2015, an increase of $12.3 million or 110.2%. The increase was primarily due to a $9.0 million increase in AMITIZA sales in Japan under the Japan Mylan Agreement. RESCULA product sales revenue was $3.2 million for the three months ended March 31, 2016 compared to ($6,000) for the three months ended March 31, 2015, an increase of $3.2 million. The increase was primarily due to the acquisition of R-Tech in October, 2015 and resulting sales of RESCULA under the Japan Santen Agreement.

Research and development revenue

Research and development revenue was $3.4 million for the three months ended March 31, 2016 compared to $2.3 million for the three months ended March 31, 2015, an increase of $1.1 million or 46.3%. The increase was due to increased activity on the advancement of pediatric and alternative formulation studies in the first quarter of 2016.

Contract and collaboration revenue

Contract and collaboration revenue was $467,000 for the three months ended March 31, 2016 compared to $245,000 for the three months ended March 31, 2015, an increase of $222,000 or 90.6%. The increase was primarily due to the higher release of the collaboration obligation under the Global Takeda Agreement (see note 15) in the first quarter 2016.

Costs of Goods Sold

Costs of goods sold were $23.3 million for the first quarter of 2016 compared to $6.1 million for the same period in 2015, an increase of $17.2 million or 282.0%. The increase was primarily due to the amortization of the R-Tech inventory step up of $8.9 million and acquired intangible asset amortization of $5.9 million.

Research and Development Expenses

The following table summarizes our research and development expenses for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
(In thousands)	**2016**	**2015**
Direct costs:		
Lubiprostone	$ 5,626	$ 3,513
Cobiprostone	2,109	1,261
CPP-1X	2,989	-
RTU-1096	920	-
VAP-1	29	-
Ion channel activators	-	275
Other	1,390	427
	13,063	5,476
Indirect costs	1,608	1,317
Total	$ 14,671	$ 6,793

Total research and development expenses for the three months ended March 31, 2016 were $14.7 million compared to $6.8 million for the three months ended March 31, 2015, an increase of $7.9 million or 116.0%. The increase was primarily due to costs associated with the CPP option, the initiation of phase 2 clinical trials for cobiprostone, an increase in expenses related to the ongoing AMITIZA pediatric trials, the acquisition of R-Tech in October 2015 and the inclusion of the respective share of R-Tech's research and development costs during the post-acquisition period.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
(In thousands)	**2016**	**2015**
Salaries, benefits and related costs	$ 2,847	$ 2,497
Legal, consulting and other professional expenses	2,070	1,666
Stock-based compensation	1,278	723
Pharmacovigilance	428	187
Other expenses	2,304	1,210
Total	$ 8,927	$ 6,283

General and administrative expenses were $8.9 million for the three months ended March 31, 2016, compared to $6.3 million for the three months ended March 31, 2015, an increase of $2.6 million or 42.1%. The increase is primarily due to the inclusion of R-Tech General and Administrative functions in the first quarter of 2016.

Selling and Marketing Expenses

Selling and marketing expenses were $775,000 for the three months ended March 31, 2016, compared to $640,000 for the three months ended March 31, 2015, an increase of $135,000 or 21.1%. The increase was the result of the inclusion of R-Tech RESCULA-related commercial activities in the first quarter of 2016.

Non-Operating Income and Expense

The following table summarizes our non-operating income and expense for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
(In thousands)	**2016**	**2015**
Interest income	$ 25	$ 40
Interest expense	(6,270)	(276)
Other income (expense), net	(347)	(203)
Total	$ (6,592)	$ (439)

Interest income was $25,000 for the three months ended March 31, 2016, compared to $40,000 for the three months ended March 31, 2015, a decrease of $15,000 or 37.5%.

Interest expense was $6.3 million for the three months ended March 31, 2016, compared to $276,000 for the three months ended March 31, 2015, an increase of $6.0 million, due to higher principal balances on our outstanding notes payable.

Other expense, net was $347,000 for the three months ended March 31, 2016, compared to $203,000 for the three months ended March 31, 2015, an increase of $144,000 or 70.9%.

Income Taxes

We recorded an income tax benefit of $3.0 million and expense of $2.8 million for the three months ended March 31, 2016 and 2015, respectively. The tax provision for the three months ended March 31, 2016 primarily pertained to pre-tax profits and losses generated by our Japanese and Swiss subsidiaries. The tax provision for the three months ended March 31, 2015 primarily pertained to pre-tax profits generated by our U.S., Japanese and Swiss subsidiaries.

The effective tax rate (ETR) for the first quarter of 2016 was 42.8%, compared to 30.5% in the same period of 2015. The ETR for the quarter was based on a projection of the full year rate. The increase in the ETR was due to the shifting of profits from lower tax jurisdictions to higher tax jurisdictions and the impact of Subpart F deemed dividend rules in the U.S.

Reportable Operating Segments

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

Financial Condition, Liquidity and Capital Resources

Financial Condition

Sources of Liquidity

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

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

(In thousands)	March 31, 2016	December 31, 2015
Cash and cash equivalents	$ 130,077	$ 108,284
Restricted cash, current	26,944	55,218
Total	$ 157,021	$ 163,502

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

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

Cash Flows

The following table summarizes our cash flows for the three months ended March 31, 2016 and 2015:

(In thousands)	Three Months Ended March 31, 2016	2015
Cash provided by (used in):		
Operating activities	$ 23,557	$ 4,579
Investing activities	(3,350)	(20,749)
Financing activities	1,097	4,150
Effect of exchange rates	489	37
Net increase (decrease) in cash and cash equivalents	$ 21,793	$ (11,983)

Three months ended March 31, 2016

Net cash provided by operating activities was $23.6 million for the three months ended March 31, 2016. This was primarily due to depreciation and amortization of $15.6 million, a decrease in receivables of $13.6 million, an increase in payables and accrued expenses of $3.6 million, offset by a net loss of $4.1 million and a net change in other assets and liabilities of $4.4 million.

Net cash used in investing activities was $3.4 million for the three months ended March 31, 2016. This was primarily due to the payment of the squeeze-out liability for non-tendering R-Tech shareholders of $8.2 million and investment in a convertible note receivable of $5.0 million, offset by a decrease in restricted cash of $10.6 million.

Net cash provided by financing activities was $1.1 million for the three months ended March 31, 2016. This was primarily realized through the issuance of Class A common stock upon the exercise of options and the associated windfall benefit.

The effect of exchange rates on the cash balances of currencies held in foreign denominations for three months ended March 31, 2016 was an increase of $489,000.

Three months ended March 31, 2015

Net cash provided by operating activities was $4.6 million for the three months ended March 31, 2015. This was primarily due to a net income of $6.4 million, non-cash stock-based compensation expense of $1.1 million and a change in other assets and liabilities, net of $.7 million, offset by a decrease in indirect taxes payable of $2.1 million and a decrease in accounts payable and accrued expenses of $1.5 million.

Net cash used in investing activities was $20.7 million for the three months ended March 31, 2015. This was primarily due to the purchases of $26.0 million of investments and the maturities of $5.3 million of investments.

Net cash provided by financing activities was $4.1 million for the three months ended March 31, 2015. This was primarily realized through the issuance of Class A common stock upon the exercise of stock options.

The effect of exchange rates on the cash balances of currencies held in foreign denominations for three months ended March 31, 2015 was an increase of $37,000.

Off-Balance Sheet Arrangements

As of March 31, 2016, we did not have any off-balance sheet arrangements, as such term is defined in Item 303(a)(4) of Regulation S-K under the Securities Act of 1933, as amended.

Funding Requirements and Capital Resources

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

- our share of the on-going development program of AMITIZA;
- research, development, manufacturing, regulatory and marketing efforts for our other products and product candidates, including the RTU-009 VAP-1 inhibitor compound;
- the costs involved in obtaining and maintaining proprietary protection for our products, technology and know-how, including litigation costs and the results of such litigation;
- activities to resolve our on-going legal matters;
- any option and milestone payments under general option and licensing ventures, including our exclusive option and collaboration agreement with CPP;
- other business development activities, including partnerships, alliances and investments in or acquisitions of other businesses, products and technologies;
- the expansion of our commercialization activities including the purchase of inventory; and
- the payment of principal and interest under our loan obligations.

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

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

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

At March 31, 2016, based upon our current business plan, we believe our future cash flows from operating activities and our existing capital resources will be sufficient to meet our cash requirements for the next 12 months.

Effects of Foreign Currency

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

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk.***

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

Foreign Currency Exchange Rate Risk

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

Interest Rate Risk

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

With respect to our investments, our goal is to ensure the safety and preservation of invested funds by limiting default risk, market risk and reinvestment risk. We attempt to mitigate default risk by investing in investment grade securities. A hypothetical one percentage point decline in interest rates would not have materially affected the fair value of our interest-sensitive financial instruments as of March 31, 2016.

Our notes payable bear interest at a variable rate calculated by reference to the Federal Funds rate or LIBOR, at our option. A hypothetical one percentage point increase in interest rates would have increased our interest payments for the three months ended March 31, 2016 by approximately $622,000.

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

Credit Risk

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

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

As of March 31, 2016 and December 31, 2015, approximately 1.5% and 3.6%, respectively, of our cash, cash equivalents, restricted cash and investments are issued or insured by the federal government or government agencies. We have not experienced any losses on these accounts related to amounts in excess of insured limits.

Item 4. ***Controls and Procedures.***

a) Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of March 31, 2016. In designing and evaluating such controls, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Based upon the evaluation we carried out, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2016, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act , is recorded, processed, summarized and reported within the time periods specified under the applicable rules and forms of the SEC, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

b) Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II — OTHER INFORMATION

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

On October 3, 2014, we received a Paragraph IV certification notice letter regarding an abbreviated new drug application (ANDA) submitted to the U.S. Food and Drug Administration (the FDA) by Dr. Reddy's Laboratories, Ltd. and Dr. Reddy's Laboratories, Inc (collectively, Dr. Reddy's), requesting approval to market, sell, and use a generic version of the 8 mcg and 24 mcg AMITIZA (lubiprostone) soft gelatin capsule products. In its notice letter, Dr. Reddy's alleges that U.S. Patent Nos. 6,414,016; 6,583,174; 7,064,148; 7,417,067; 8,026,393; 8,071,613; 8,088,934; 8,097,649; 8,114,890; 8,338,639; 8,748,481; 8,779,187; 7,795,312; 8,097,653; and 8,389,542, which cover compositions, formulations and methods of using AMITIZA, are invalid, unenforceable and/or will not be infringed by Dr. Reddy's manufacture, use or sale of the product described in its ANDA. The latest of such patents expires in 2027. On November 12, 2014, we, Takeda, and certain affiliates of Takeda filed a patent infringement lawsuit in the U.S. District Court for the District of New Jersey against Dr. Reddy's related to the ANDA previously filed by Dr. Reddy's and described above. The lawsuit claims infringement of 7 patents that are listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations (the Orange Book), with the latest expiring in 2027. Under the Drug Price Competition and Patent Term Restoration Act of 1984, known as the Hatch-Waxman Act, as a result of the patent infringement lawsuit, final FDA approval of Dr. Reddy's ANDA will be stayed up to 30 months from the date of receipt of the notice letter. As of the date of this filing, the lawsuit remains ongoing.

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

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

Item 1A. ***Risk Factors.***

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

Item 6. ***Exhibits***

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
3.1	Certificate of Incorporation	8-K	001-33609	3.1	12/29/2008
3.2	Certificate of Amendment	8-K	001-33609	3.2	12/29/2008
3.3	Amended and Restated Bylaws	8-K	001-33609	3.3	8/2/2013
4.1	Specimen Stock Certificate evidencing the shares of class A common stock	S-1/A	333-135133	4.1	2/1/2007
10.1	Convertible Promissory Note, dated as of January 9, 2016, between Sucampo AG and Cancer Prevention Pharmaceuticals, Inc.	Included herewith			
10.2*	Option and Collaboration Agreement, dated as of January 9, 2016, between Sucampo AG and Cancer Prevention Pharmaceuticals, Inc.	Included herewith			
10.3	Securities Purchase Agreement, dated as of January 9, 2016, between Sucampo AG and Cancer Prevention Pharmaceuticals, Inc.	Included herewith			
10.4^	Separation Agreement, dated as of February 29, 2016, between the Company and Stanley Miele	Included herewith			
10.5^	Employment Agreement, dated as of January 30, 2015, between the Company and Andrew Smith	Included herewith			
31.1**	Certification of the Principal Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002	Included herewith			
31.2**	Certification of the Principal Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002	Included herewith			
32.1**	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Included herewith			
32.2**	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Included herewith			
101.[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			

* 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 Security and Exchange Commission.

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

† 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.

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

SIGNATURES

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

Sucampo Pharmaceuticals, Inc.

May 4, 2016 By: /s/ PETER GREENLEAF
Peter Greenleaf
Chief Executive Officer
(Principal Executive Officer)

May 4, 2016 By: /s/ ANDREW P. SMITH
Andrew P. Smith
Chief Financial Officer
(Principal Financial Officer)

Sucampo Pharmaceuticals, Inc.
Exhibit Index

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† 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 10.1

CONVERTIBLE PROMISSORY NOTE

THIS NOTE AND THE SECURITIES ISSUABLE UPON THE CONVERSION HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY OTHER STATE OR JURISDICTION. THEY MAY NOT BE PURCHASED WITH A VIEW FOR DISTRIBUTION OR RESALE, AND MAY ONLY BE OFFERED, SOLD, MORTGAGED, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED IN COMPLIANCE WITH EITHER AN EFFECTIVE REGISTRATION STATEMENT FOR SUCH SECURITY UNDER THE ACT OR ANY APPLICABLE STATE SECURITIES ACT, OR AN OPINION OF COUNSEL FOR THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT OR THE LAWS OF ANY OTHER JURISDICTION.

CANCER PREVENTION PHARMACEUTICALS, INC.

Principal Amount: $5,000,000 Issuance Date: January 9, 2016

FOR VALUE RECEIVED, Cancer Prevention Pharmaceuticals, Inc., a Delaware corporation (the "Company"), promises to pay to Sucampo AG, a Swiss corporation, or its registered assigns ("Lender"), the principal sum of Five Million Dollars ($5,000,000), or such lesser amount as shall equal the outstanding principal amount hereof (the "Principal"), and to pay simple interest on any outstanding Principal from the date set forth above as the Issuance Date (the "Issuance Date") of this Convertible Promissory Note (the "Note") until the same becomes due and payable whether on the Maturity Date or upon acceleration, prepayment or otherwise at a rate equal to 5.0% per annum, computed on the basis of the actual number of days elapsed and a year of 365 days. All unpaid Principal, together with any then unpaid and accrued interest and other amounts payable hereunder, shall be due and payable on the earlier of (i) January 31, 2019 or January 31, 2020, if the proviso set forth under Section 2 is applicable (the "Maturity Date"), (ii) when, upon the occurrence and during the continuance of an Event of Default, such amounts are declared due and payable by Lender or made automatically due and payable, in each case, in accordance with the terms hereof, or (iii) upon a Sale in the event that the Lender has not elected to convert this Note in accordance with Section 2(b) below.

This Note is issued pursuant to that certain Securities Purchase Agreement dated of even date hereof (the "Purchase Agreement") by and between the Company and the Lender. Any capitalized term not otherwise defined herein shall have the meaning assigned to it in the Purchase Agreement.

The following is a statement of the rights of Lender and the conditions to which this Note is subject, and to which Lender, by the acceptance of this Note, agrees:

1. Form and Application of Payments; Equal Rank.

(a) Unless earlier converted into Common Stock as provided in this Note, all payments of Principal and interest under the Note shall be in lawful money of the United States of America. All payments hereunder shall be applied first to any unpaid and accrued interest on and second to the repayment of the unpaid Principal balance of the Note.

(b) This Note shall rank equally and ratably without priority over any other note issued by the Company.

(c) This Note may be prepaid without the written consent of the Lender as described in Section 8.

2. Conversion.

(a) Automatic Conversion – Qualified Financing. If, prior to the Maturity Date, the Company consummates a Qualified Financing (as such term is defined below), all Principal of and accrued and unpaid interest on this Note shall automatically convert without further action by the Lender into fully paid and nonassessable shares of Qualified Financing securities at a conversion price per share (the "Conversion Price") equal to a ten percent (10%) discount to the lowest per share purchase price for the Qualified Financing securities paid by the investors in the Qualified Financing if the Qualified Financing is consummated prior to completion of the Futility Analysis (as described in the Option and Collaboration Agreement) or a twenty percent (20%) discount to the lowest per share purchase price for the Qualified Financing securities paid by the investors in the Qualified Financing if the Qualified Financing is consummated after completion of the Futility Analysis (as described in the Option and Collaboration Agreement). A "Qualified Financing" means the first to occur of (i) a firm commitment underwritten public offering of Common Stock pursuant to an effective registration statement under the Securities Act covering the offer and sale of Common Stock for the account of the Company ("IPO"), or (ii) a private placement in one financing transaction or a series of related financing transactions of debt, equity, preferred or convertible securities, in each case with aggregate gross proceeds (before underwriters' and/or financial advisory fees and commissions and offering expenses) to the Company (excluding any investment by the Lender in such offering) of at least Ten Million Dollars ($10,000,000). Notwithstanding the foregoing, in no event shall Lender be required to acquire shares of the Company's capital stock such that Lender's ownership interest in the Company would exceed 19.9% of the Company's outstanding capital stock. Accordingly, the maximum amount of Principal and interest that Purchaser can be obligated to convert pursuant to this Section 2(a) is such amount as would result in Purchaser's ownership being 19.9% of the Company's outstanding capital stock (or, to the extent permissible under U.S. GAAP for determining whether the Company is an associate company or subsidiary of the Purchaser, the Company's issued capital stock on a fully diluted basis after taking into account the conversion of all convertible securities) (the "Threshold"). Any remaining Principal and interest will remain outstanding under this Note until repaid in accordance with the terms hereof or converted in accordance with the terms of the next proviso; provided, however that if at any time after the Qualified Financing the Lender shall be able to convert any additional remaining Principal or interest outstanding under this Note without its ownership exceeding the Threshold then it shall be obligated to convert such Principal and interest at such time; and, provided, further that with respect to any Principal or interest which exceeds the Threshold and shall remain outstanding under this Note: (i) the interest rate of this Note will be reduced to three percent (3.0%) and the default interest rate set forth in Section 5 shall be reduced to eight percent (8.0%); (ii) the Maturity Date shall be extended to January 31, 2010; (iii) the Events of Default under Section 4 shall be amended such that Sections 4(b)(e)(f) and (g) shall no longer be Events of Default and the only Events of Default shall be those under Sections 4(a)(c) and (d); and (iv) Section 9 shall be deleted in its entirety.

(b) Optional Conversion Upon Sale of the Company. In the event of the sale of all or substantially all of the assets of the Company or consolidation or merger of the Company other than a reincorporation merger (the "Sale") that occurs prior to the Maturity Date or a Qualified Financing, then the Principal and accrued interest of this Note outstanding at such time will convert immediately prior to the Sale, at the written election of the Lender (the "Lender Sale Notice") given within ten (10) days of the Lender's receipt from the Company of notice of the Sale (the "Company's Sale Notice") into fully paid and non-assessable shares of (i) Common Stock at a conversion rate equal to the lowest per share price of the Company's most recent Common Stock financing or (ii) if the most recent financing was a preferred stock financing, preferred stock at a conversion rate equal to the lowest per share price of the Company's most recent preferred stock financing (the "Optional Sale Conversion Price").

(c) Optional Conversion if no Qualified Financing or Sale. If a Qualified Financing or a Sale has not been consummated prior to the Maturity Date, at the written election of the Lender given not less than ten (10) business days prior to the Maturity Date ("Notice of Election to Convert"), the Principal together with all accrued and unpaid interest on the Notes outstanding shall convert into shares of Common Stock on the date set forth in the Notice of Election to Convert at a conversion rate equal to per share price of the Common Stock as set forth in its most recent 409A valuation conducted by a third party appraiser (the "409A Optional Conversion Price").

(d) Conversion Procedure.

(i) Conversion Pursuant to Automatic Conversion. If this Note is to be automatically converted, written notice shall be delivered to Lender at the address last shown on the records of the Company for Lender or given by Lender to the Company for the purpose of notice ("Notice Address"), notifying Lender of the conversion to be effected, specifying the Conversion Price, the Principal to be converted, together with all accrued and unpaid interest, the date on which such conversion is expected to occur and calling upon Lender to surrender to the Company, in the manner and at the place designated, the Note; ***provided, however***, that upon the consummation of a Qualified Financing, this Note shall be deemed converted and of no further force and effect, whether or not it is delivered for cancellation. The Company shall, as soon as practicable thereafter, at its costs issue and deliver to such Lender a certificate or certificates for the number of shares to which Lender shall be entitled upon such conversion, including a check payable to Lender for any cash amounts payable as described in Section 2(e). Any conversion of this Note pursuant to Section 2(a) shall be deemed to have been made immediately prior to the closing of the Qualified Financing and on and after such date the persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Common Stock. Any conversion of this Note pursuant to Section 2(b) shall be deemed to have been made immediately prior to the closing of the Sale and on and after such date the persons entitled to receive the shares of capital stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of capital stock. Any conversion of this Note pursuant to Section 2(c) shall be deemed to have been made on the date set forth in the Notice of Election to Convert and on and after such date the persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Common Stock.

(ii) Conversion Pursuant to Optional Conversion. Upon receipt of an executed Lender Sale Notice or an executed Notice of Election to Convert together with this original Note, the Company shall, as soon as practicable after the Sale or the conversion date set forth in the Notice of Election to Convert, issue and deliver to Lender a certificate or certificates for the number of shares to which such Lender shall be entitled upon such conversion, including a check payable to Lender for any cash amounts payable as described in Section 2(d). The Company shall send the Lender a notice via facsimile or electronic mail confirming receipt of the Lender Sale Notice or Notice of Election to Convert within two (2) days of receipt thereof. If for any reason the Sale does not occur on the date set forth in the Company's Sale Notice, the Company will return to the Lender this Note and the Lender Sale Notice shall be deemed rescinded.

Any certificates representing shares of Common Stock issued pursuant to this Section 2(d) shall bear the following legend:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER THE SECURITIES LAWS OF CERTAIN STATES. THESE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS IN ACCORDANCE WITH APPLICABLE REGISTRATION REQUIREMENTS OR AN EXEMPTION THEREFROM. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE ISSUER THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION OTHERWISE COMPLIES WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. THIS CERTIFICATE MUST BE SURRENDERED TO THE COMPANY OR ITS TRANSFER AGENT AS A CONDITION PRECEDENT TO THE SALE, TRANSFER, PLEDGE OR HYPOTHECATION OF ANY INTEREST IN ANY OF THE SECURITIES REPRESENTED HEREBY.
THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE, INCLUDING A LOCK-UP PERIOD IN THE EVENT OF A PUBLIC OFFERING, AS SET FORTH IN THE NOTE PURSUANT TO WHICH THESE SHARES WERE ISSUED, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE COMPANY.

(e) Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of this Note. Upon the conversion of the outstanding principal and unpaid accrued interest under this Note into Common Stock, in lieu of the Company issuing any fractional shares to the Lender, the Company shall pay to the Lender the amount of outstanding principal and accrued interest that is not so converted.

(f) Release. Upon full conversion of this Note and the payment of the amounts specified in this Section 2, the Company shall be forever released from all its obligations and liabilities under this Note.

3. Principal and Interest Repayment. Unless this Note has been converted in accordance with the terms of Section 2 above or has been satisfied in accordance with the terms of this Note, the entire outstanding Principal and all unpaid accrued interest shall become fully due and payable on the Maturity Date, upon the occurrence of an Event of Default or upon a Sale. If the payments to be made by the Company shall be stated to be due on a date which is not a business day, such payment may be made on the next succeeding business day, and the interest payment on each such date shall include the amount thereof which shall accrue during the period of such extension of time.

4. Events of Default. Subject to the proviso set forth in Section 2 of this Note, each of the following shall constitute an Event of Default hereunder:

(a) The Company's failure to pay to the Lender any amount of Principal, or interest when and as due under this Note after taking into account a thirty (30) day grace period;

(b) The Company shall fail to observe or perform any material covenant, obligation, condition or agreement contained in this Note or the Securities Purchase Agreement and such failure shall continue for thirty (30) days after the Company's receipt of written notice to the Company of such failure;

(c) The Company shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (ii) admit in writing its inability to pay its debts generally as they mature, (iii) make a general assignment for the benefit of its or any of its creditors, (iv) be dissolved or liquidated, (v) commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (vi) take any action for the purpose of effecting any of the foregoing;

(d) An involuntary petition is filed against the Company (unless such petition is dismissed or discharged within 120 days) under any bankruptcy statute now or hereafter in effect, or a custodian, receiver, trustee, assignee for the benefit of creditors (or other similar official) is appointed to take possession, custody or control of any property of the Company;

(e) Defaults shall exist under any material agreements of the Company with any third party or parties which consists of the failure to pay any indebtedness for borrowed money in excess of Two Hundred and Fifty Thousand Dollars ($250,000) at maturity or which results in a right by such third party or parties, whether or not exercised, to accelerate the maturity of such indebtedness for borrowed money in excess of Two Hundred and Fifty Thousand Dollars ($250,000) of the Company; unless the Company is actively controlling such default;

(f) A final judgment or order for the payment of money in excess of Two Hundred and Fifty Thousand Dollars ($250,000) (exclusive of amounts covered by insurance) shall be rendered against the Company and the same shall remain undischarged for a period of 120 days during which execution shall not be effectively stayed, or any judgment, writ, assessment, warrant of attachment, or execution or similar process shall be issued or levied against a substantial part of the property of the Company and such judgment, writ, or similar process shall not be released, stayed, vacated or otherwise dismissed within 90 days after issue or levy; or

(g) Any representation or warranty made by or on behalf of the Company in the Purchase Agreement, this Note or otherwise furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made.

5. Remedies Upon Event of Default. Upon the occurrence of any Event of Default (other than an Event of Default described in Sections 4(c) or 4(d)) and at any time thereafter during the continuance of such Event of Default, Lender may, by written notice to the Company, declare all outstanding amounts and obligations payable by the Company under this Note to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in any other documents to the contrary notwithstanding. Upon the occurrence of any Event of Default described in Sections 4(b) and 4(c), immediately and without notice, all outstanding amounts and obligations payable by the Company hereunder shall automatically become immediately due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in any other documents to the contrary notwithstanding. In addition to the foregoing remedies, upon the occurrence and during the continuance of any Event of Default, Lender may exercise any other right, power or remedy granted to it by the Purchase Agreement, this Note or any other documents, agreements or instruments delivered to Lender in connection with the execution of the Purchase Agreement or otherwise permitted to it by law, either by suit in equity or by action at law, or both. If the indebtedness represented by this Note or any part thereof is collected in bankruptcy, receivership or other judicial proceedings or if this Note is placed in the hands of a third party for collection after default or if Lender seeks to enforce its rights under this Note, then the Company shall pay, in addition to the Principal and interest payable hereunder, the reasonable attorneys' fees and reasonable attorneys' costs incurred by Lender in connection therewith. In addition to all other rights and remedies available to Lender under this Note, applicable law or otherwise, after an Event of Default the rate of interest under this Note shall increase, subject to the proviso set forth in Section 2 of this Note, to ten percent (10.0%) *per annum* from and after an Event of Default occurs until the date that this Note is paid in full or such Event of Default is cured.

6. Restrictions on Sale. The Lender hereby agrees not to sell or otherwise transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, of any Common Stock (or other securities) of the Company held by the Lender during the 180-day period following the effective date of the registration statement for the Company's IPO (or such other period as may be requested by the Company or an underwriter solely to accommodate regulatory restrictions on (i) the publication or other distribution of research reports and (ii) analyst recommendations and opinions, including, but not limited to, the restrictions contained in NASD Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto)(the "Lock-up Period"), *provided*, that all officers and directors of the Company and holders of at least 5% of the Company's voting securities are bound by and have entered into similar agreements. Any discretionary waiver or termination of the restrictions of any or all of such agreements by the Company or the underwriters shall apply pro rata to all holders subject to such agreements, *pro rata* based on the number of shares subject to such agreements. The obligations described in this Section 6 shall not apply to a registration relating solely to employee benefit plans on Form S-l or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions and may stamp each certificate with a legend as substantially set forth in Section 2(c) with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of such 180-day (or other) period. The Lender agrees to execute a market stand- off agreement with the underwriters in the offering in customary form consistent with the provisions of this Section 6.

7. Adjustments. The number of shares of Common Stock to be issued upon each conversion of this Note shall be subject to adjustments as follows:

(a) If the Company at any time subdivides (by any stock split, stock dividend, recapitalization, reorganization, reclassification or otherwise) the shares of capital stock acquirable hereunder into a greater number of shares, then, after the date of record for effecting such subdivision, the Optional Sale Conversion price and the 409A Optional Conversion Price Conversion Price in effect immediately prior to such subdivision will be proportionately reduced. If the Company at any time combines (by any reverse stock split, recapitalization, reorganization, reclassification or otherwise) the shares of capital stock acquirable hereunder into a smaller number of shares, then, after the date of record for effecting such combination, the Optional Sale Conversion price and the 409A Optional Conversion Price Conversion Price in effect immediately prior to such combination will be proportionately increased.

(b) If at any time or from time to time after the date upon which this Note was issued by the Company, the shares of capital stock issuable upon the conversion of this Note shall be changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification, reorganization, merger, exchange, consolidation, sale of assets or otherwise, then, in any such event, the Lender, unless this Note has been previously converted, shall have the right thereafter to convert such stock into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification, reorganization, merger, exchange, consolidation, sale of assets, or otherwise by a holder of the number of shares of capital stock into which such shares of this Note could have been converted immediately prior to such recapitalization, reclassification, reorganization, merger, exchange, consolidation, sale of assets, distribution of assets or other change, or with respect to such other securities or property by the terms thereof.

(c) Upon the occurrence of each adjustment or readjustment of the Optional Sale Conversion price and the 409A Optional Conversion Price Conversion Price as a result of the events described in this Section 7, the Company, at its expense, shall compute such adjustment or readjustment and prepare and furnish to the Lender a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. Failure to give such notice or any defect therein shall not affect the legality or validity of the subject adjustment.

8. Prepayment. At any time after the date hereof, the Company shall have the right to prepay all or part of the Principal and interest outstanding. The portion of this Note subject to prepayment (the "Optional Prepayment Amount")pursuant to this Section 8 shall be redeemed by the Company in cash at a price (the "Company Optional Prepayment Price") equal to the Principal Amount and interest being redeemed as of the Company Optional Prepayment Date. The Company may exercise its right to prepay this Note under this Section 8 by delivering a written notice thereof by facsimile or electronic mail or overnight courier to the Lender (the "Company Optional Prepayment Notice" and the date on which such notice is sent or delivered by the Company is referred to as the "Company Optional Prepayment Notice Date"). The Company Optional Prepayment Notice shall (a) state the date on which the Company Optional Prepayment shall occur (the "Company Optional Prepayment Date"), which date shall not be less than five (5) days nor more than twenty (20) days following the Company Optional Prepayment Notice Date, and (b) state the Optional Prepayment Amount and the Company Optional Prepayment Price. All amounts converted by the Lender after the Company Optional Prepayment Notice Date shall reduce the Company Optional Prepayment Amount of this Note to be redeemed on the Company Optional Prepayment Date. Prepayments made pursuant to this Section 8 shall be made in cash on the Company Optional Prepayment Date. Any partial prepayment under this Note shall be in an amount of at least $1,000,000 and increments of $1,000,000.

9. **Covenants**. Until this Note has been converted, or paid in full (subject to the proviso set forth in Section 2 of this Note), the following covenants shall apply:

(a) All payments under this Note shall rank pari passu with all other notes of the Company.

(b) The Company shall not, directly or indirectly, declare or pay any cash dividend or distribution on any of its capital stock.

(c) The Company shall maintain its corporate existence and good standing in the state of its incorporation, shall maintain qualification and good standing in each other jurisdiction in which the failure to so qualify would reasonably be expected to have a material adverse effect on its business.

(d) The Company shall deliver to Lender: (i) as soon as available, but in any event within 180 days after the end of the Company's fiscal year, audited consolidated and consolidating financial statements of the Company prepared in accordance with GAAP, consistently applied; (ii) if applicable, copies of all statements, reports and notices sent or made available generally by the Company to its security holders; and (iii) promptly upon receipt of notice thereof, a report of any legal actions pending or threatened against the Company that could reasonably be expected to result in damages or costs to the Company of Two Hundred Fifty Thousand Dollars ($250,000) or more. Notwithstanding the foregoing, the Company will be deemed to have furnished the information referred to above in clause (i) to the Lender if the Company has filed Forms 10-K with the Securities and Exchange Commission via the EDGAR filing system and such reports are publicly available.

(e) The Company shall make due and timely payment or deposit of all material federal, state, and local taxes, assessments, or contributions required of it by law, including, but not limited to, those laws concerning income taxes, F.I.C.A., F.U.T.A. and state disability, and will execute and deliver to Lender on demand, proof indicating that the Company has made such payments or deposits and any appropriate certificates attesting to the payment or deposit thereof; *provided* that the Company needs not make any payment if the amount or validity of such payment is contested in good faith by appropriate proceedings and is reserved against (to the extent required by GAAP) by the Company.

(h) The Company, at its expense, shall maintain liability and other insurance, in each case as ordinarily insured against by other owners in businesses similar to the Company's. Upon Lender's request, the Company shall deliver to the Lender certified copies of the policies of insurance and evidence of all premium payments.

10. **Expenses.** In the event of any default hereunder, the Company shall pay all reasonable attorneys' fees, expenses and court costs incurred by Lender in enforcing and collecting this Note.

11. **Notices**. All notices, requests, demands, consents, instructions or other communications required or permitted hereunder shall be in writing and faxed, mailed or delivered to each party at the respective addresses of the parties as set forth in the Purchase Agreement, or at such other address or facsimile number as the Company shall have furnished to Lender in writing. All such notices and communications will be deemed effectively given the earlier of (i) when received, (ii) when delivered personally, (iii) one business day after being delivered by facsimile (with receipt of appropriate confirmation), (iv) one business day after being deposited with an overnight courier service of recognized standing or (v) four days after being deposited in the U.S. mail, first class with postage prepaid.

12. **Waiver.** The Company hereby waives demand, notice, presentment, protest and notice of dishonor.

13. **Governing Law**. All questions concerning the construction, validity, enforcement and interpretation of this Note shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Note (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in New York, New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in New York, New York for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Note and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If either party shall commence an action, suit or proceeding to enforce any provisions of this Note, the prevailing party in such action, suit or proceeding shall be reimbursed by the other party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

14. **Successors and Assigns; Transfer of this Note or Securities Issuable on Conversion Hereof**.

(a) Subject to the restrictions on transfer described herein, the rights and obligations of the Company and Lender shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

(b) Neither this Note nor any of the rights, interests or obligations hereunder may be assigned, by operation of law or otherwise, in whole or in part, by the Company or the Lender without the prior written consent of the other party.

15. **Waiver and Amendment**. The provisions of this Note may only be amended, waived or modified upon the written consent of the Company and Lender.

[Signature page follows]

IN WITNESS WHEREOF, the Company has caused this Note to be issued as of the date first written above.

CANCER PREVENTION PHARMACEUTICALS, INC.

By: /s/ Jeffrey Jacob
Name: Jeffrey Jacob
Title: Chief Executive Officer

OPTION AND COLLABORATION AGREEMENT

This Option and Collaboration Agreement ("**Agreement**") dated 9th day of January, 2016 ("**Effective Date**") by and between Cancer Prevention Pharmaceuticals, Inc., a corporation organized and existing under the laws of the State of Delaware, having a place of business at 1760 East River Road, Suite 250, Tucson, Arizona 85718 ("**CPP**"), and Sucampo AG, a corporation organized and existing under the laws of Switzerland, having a place of business at Baarerstrasse 22, 6300 Zug, Switzerland ("**Sucampo**"). CPP and Sucampo are referred to in this Agreement individually as a "**Party**" and collectively as the "**Parties**."

RECITALS

WHEREAS, Sucampo is a specialty pharmaceutical company with expertise in the development and commercialization of pharmaceutical products;

WHEREAS, CPP is a pharmaceutical company that develops therapies for people with elevated risk for cancer;

WHEREAS, concurrent with this Agreement, CPP and Sucampo have entered into that particular Securities Purchase Agreement dated January 9, 2016 under which Sucampo makes certain commitments to invest in CPP (the "**SPA**");

WHEREAS, CPP owns, holds, licenses or controls certain regulatory filings, data and intellectual property rights related to the Product (as defined below);

WHEREAS, CPP has licensed certain rights to certain formulations of the Product in certain fields and certain territories outside of the United States to Tillotts Pharma AG under that particular agreement entered into by and between CPP and Tillotts Pharma AG ("**Tillotts**") dated December 27, 2013 (the "**Tillotts Agreement**");

WHEREAS, Sucampo wishes to receive, and CPP wishes to grant, Sucampo an exclusive Option (as defined below") to enter into an exclusive license agreement with CPP under the terms described in Exhibit A to develop and commercialize the Product (as defined below) in the Territory (as defined below);

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, the receipt and sufficiency of which are hereby acknowledged, CPP and Sucampo hereby agree as follows:

1. DEFINITIONS

1.1 "**Additional Indication**" is defined in Section 4.2.

1.2 "**Affiliate**" means, with respect to a Party, any Entity that controls, is controlled by, or is under common control with that Party. For the purpose of this definition, (a) "**control**" means direct or indirect ownership of more than 50% of the shares of stock entitled to vote for the election of directors, in the case of a corporation, or more than 50% of the

equity interest in the case of any other type of legal entity, status as a general partner in any partnership, or any other similar arrangement whereby such Entity controls or has the right to control the board of directors or equivalent governing body of such Entity, or the ability to cause the direction of the management or policies of such Entity, and (b) "**Entity**" means a partnership, limited partnership, limited liability partnership, corporation, limited liability company, business trust, joint stock company, trust, incorporated association, joint venture or similar entity or organization.

1.3 "**Chairperson**" is defined in Section 3.2.

1.4 "**Commercially Reasonable Efforts**" means with respect to a Party, the efforts and resources that similarly situated biotechnology or pharmaceutical company would use for its own internally discovered programs, drug candidates and pharmaceutical products of similar commercial potential and similar stage of product life, in light of a product's characteristic features, issues of safety and efficacy, Regulatory Authority-approved labeling, product profile, the competitiveness of alternative products in the marketplace, the likely timing of the product's entry into the market, any patent and other proprietary position, the likelihood of regulatory approval and other similar relevant scientific, technical and commercial factors. For purposes of this definition of "Commercially Reasonable Efforts" and with respect to its use in Section 4.4, the efforts and resources of a similarly situated company will be no less than those measured in comparison to a company similar to CPP as CPP exists immediately prior to the Effective Date.

1.5 "**Concurrence Notice**" is defined in Section 4.3.

1.6 "**CPP Additional Indication Development Plan and Budget**" is defined in Section 4.2.

1.7 "**CPP Additional Indication Expenses**" means, with respect to an indication for which Sucampo did not concur pursuant to Section 4.2, but later is the subject of a Concurrence Notice in accordance with Section 4.3, any reasonable and documented expenses incurred by CPP in the performance of the applicable CPP Additional Indication Development Plan and Budget prior to the delivery of the Concurrence Notice.

1.8 "**Data Package**" is defined in Section 2.2.

1.9 "**Disclosing Party**" is defined in Section 5.1.

1.10 "**DMC**" is defined in Section 2.4(B).

1.11 "**Dollar**" or "**$**" means the legal tender of the United States

1.12 "**Existing NDA**" is defined in Section 5.1.

1.13 "**FAP**" is defined in Section 4.2.

1.14 "**FAP Pivotal Trial**" is defined in Section 2.4(B).

1.15 "**FAP Pivotal Trial Protocol**" is defined in Section 2.4(B).

1.16 "**FDA**" means the United States Food and Drug Administration or any successor entity thereto performing substantially the same functions.

1.17 "**First Payment**" is defined in Section 2.4(A).

1.18 "**Indication Review Period**" is defined in Section 4.2.

1.19 "**Joint Steering Committee**" or "**JSC**" is defined in Section 3.1.

1.20 "**License**" is defined in Section 2.1.

1.21 "**License Agreement**" is defined in Section 2.2.

1.22 "**Licensed IP**" is defined in Exhibit A.

1.23 "**NDA**" means a new drug application for Regulatory Approval of the Product that is filed with the FDA.

1.24 "**NDA Filing**" is defined in Section 2.2.

1.25 "**Negotiation Period**" is defined in Section 2.2.

1.26 "**Neutral Expert**" is defined in Section 2.3.2.

1.27 "**Option**" is defined in Section 2.1.

1.28 "**Option Effective Date**" means the date upon which all of the following have occurred:
(a) Sucampo has paid CPP the First Payment in accordance with Section 2.4(A); and (b) Sucampo has purchased the Note (as defined in the SPA) in accordance with the SPA.

1.29 "**Option Exercise Notice**" is defined in Section 2.2.

1.30 "**Option Period**" is defined in Section 2.2.

1.31 "**Product**" is defined in Exhibit A.

1.32 "**Proposed Development Plan and Budget**" is defined in Section 4.2.

1.33 "**Proposed License Agreement**" is defined in Section 2.3.3.

1.34 "**Receiving Party**" is defined in Section 5.1.

1.35 "**Regulatory Approval**" means, with respect to a Product in any country or jurisdiction, the approvals by the applicable Regulatory Authority in such country or jurisdiction necessary for the marketing or sale of such Product in such country or jurisdiction.

1.36 "**Regulatory Authority**" means, in a particular country or regulatory jurisdiction, any applicable governmental authority involved in granting Regulatory Approval and/or, to

the extent required in such country or regulatory jurisdiction, pricing or reimbursement approval of a Product in such country or regulatory jurisdiction.

1.37 "**Regulatory Filing**" means, with respect to a Product, any submission to a Regulatory Authority of any applications, notifications, and registrations for Regulatory Approvals or other submissions made to or with a Regulatory Authority, together with all related correspondence to or from such Regulatory Authority, that are necessary or reasonably desirable in order to develop, market or sell such Product in the applicable country or regulatory jurisdiction.

1.38 "**Resolution Procedure**" is defined in Section 2.3.1.

1.39 "**Resolution Procedure Notice**" is defined in Section 2.3.1.

1.40 "**Second Payment**" is defined in Section 2.4(B).

1.41 "**SPA**" is defined in the Recitals.

1.42 "**Sucampo-Approved Indication**" is defined in Section 4.2.

1.43 "**Sucampo-Approved Indication Development Plan and Budget**" is defined in Section 4.2.

1.44 "**Term**" is defined in Section 8.1.

1.45 "**Territory**" means North America (the United States, Canada and Mexico, in each case including its territories and possessions).

1.46 "**Tillotts**" is defined in the Recitals.

1.47 "**Tillotts Agreement**" is defined in the Recitals.

2. OPTION

2.1 **Option Grant**. Subject to the terms and conditions of this Agreement (including Section 2), as of the Option Effective Date CPP shall grant and hereby grants Sucampo an exclusive option to obtain an exclusive license under the terms described in Exhibit A (such option, the "**Option**") to make, have made, use, import, offer for sale, sell, develop and commercialize the Product in the Field in the Territory (such license, the "**License**"). Notwithstanding anything in this Agreement to the contrary, including this Section 2.1, if
(a) the Option Effective Date does not occur within ten (10) business days after the Effective Date of this Agreement, then the Option described in this Section 2.1 shall be null and void and not exercisable by Sucampo, or (b) Sucampo does not make the Investment (as defined in the SPA) in accordance with the SPA, then the Option described in this Section 2.1 shall be null and void and not exercisable by Sucampo.

2.2 **Exercise; Negotiation**. Sucampo shall have the right to exercise the Option at any time during the Option Period by delivery of written notice to CPP ("**Option Exercise**

Notice"). Subject to Section 2.3, upon delivery of the Option Exercise Notice by Sucampo in accordance with this Section 2.2 and for a period of one hundred and twenty (120) days thereafter (or such longer period of time as mutually agreed to by the Parties in writing) (such time period, the "**Negotiation Period**", as may be extended as set forth in Section 2.3.1), the Parties shall negotiate in good faith a definitive written agreement for the License, which shall include the terms set forth in Exhibit A and such other terms as are customary and commercially reasonable, and enter into such agreement (such definitive agreement, the "**License Agreement**"). For purposes of this Agreement, "**Option Period**" means the period of time beginning on the Option Effective Date and ending thirty (30) days after CPP's delivery of (a) written notice from CPP to Sucampo that the FDA has accepted the first NDA filed for the Product in accordance with 21 CFR 314.101 (the "**NDA Filing**") and (b) the Data Package to Sucampo. "**Data Package**" means a true and accurate copy of (i) the NDA Filing (including all data and analyses included therewith), and (ii) all Regulatory Filings. The Parties shall agree upon reasonable means of providing the Data Package and the format therefor (e.g., through an electronic data room). During the Negotiation Period, CPP shall provide to Sucampo such additional information in CPP's possession or control relating to the Product as Sucampo may reasonably request to enable Sucampo to make a reasonably informed decision with respect to the execution of the License Agreement.

2.3 **Dispute Resolution Procedure**.

2.3.1 If the License Agreement is not executed by the Parties prior to the expiration of the Negotiation Period, then either Party may request in writing that a Neutral Expert determine the terms of the License Agreement in accordance with the procedure described in this Section 2.3 (such procedure, the "**Resolution Procedure**"). At any time after the expiration of the Negotiation Period, each Party shall have the right to initiate the Resolution Procedure by delivery of written notice to the other Party ("**Resolution Procedure Notice**"). If a Resolution Procedure is initiated, then the Negotiation Period shall continue until completion of the Resolution Procedure.

2.3.2 After delivery of the Resolution Procedure Notice the Parties shall negotiate in good faith to select a mutually acceptable neutral Third Party individual that is expert in the development and commercialization of products similar to the Product in the Field in the Territory who is not, and has not in the past five (5) years been, an employee, consultant, legal advisor, officer or director of, and does not have any conflict of interest with respect to (including, without limitation, a financial interest), either Party (such Third Party, the "**Neutral Expert**"). If the Parties cannot agree on a Neutral Expert within thirty (30) days after delivery of a Resolution Procedure Notice, then the selection of a Neutral Expert shall be submitted to arbitration in accordance with Section 9.7.

2.3.3 Following delivery of a Resolution Procedure Notice, each Party shall have forty five (45) days to prepare and deliver a copy of such Party’s proposed form of License Agreement (each, a “<B>Proposed License Agreement</B>”) and, at the discretion of the submitting Party, a memorandum of reasonable length (not to exceed 10 pages) describing the support for such Party’s Proposed License Agreement to the other Party and to the Neutral Expert. Within fifteen (15) days after delivery of the other Party’s

Proposed License Agreement and support memorandum, each Party may submit to the Neutral Expert (with a copy to the other Party) a response to the other Party's support memorandum, such response not to exceed five (5) pages in length. Neither Party may have any other communications (either written or oral) with the Neutral Expert other than for the sole purpose of initially engaging the Neutral Expert to perform the Resolution Procedure or as expressly permitted in this Section 2.3; provided that the Neutral Expert may convene a hearing if the Neutral Expert so chooses to ask questions of the Parties and hear oral argument and discussion regarding each Party's Proposed License Agreement.

2.3.4 The sole authority of the Neutral Expert shall be to choose the single Proposed License Agreement that, after reasonable consideration, most accurately and fairly reflects the transaction contemplated by the Parties in entering into this Agreement, including the fidelity of such Proposed License Agreement to the terms described in Exhibit A. The Neutral Expert must select as the only method to resolve the matter at issue one of the two Proposed License Agreements, and may not combine elements of both Proposed License Agreements or award any other relief or take any other action. The Neutral Expert shall render his/her decision in writing within thirty (30) days after receiving each Party's Proposed License Agreement and, if applicable, support memorandum. If a Party does not deliver a Proposed License Agreement in accordance with Section 2.3.3 and the other Party does deliver a Proposed License Agreement in accordance with Section 2.3.3, then such other Party's Proposed License Agreement shall automatically be selected by the Neutral Expert. The selection of the Proposed License Agreement by the Neutral Expert shall be final and binding upon the Parties. Each Party shall share equally the fees and expenses of the Neutral Expert.

2.3.5 If the Neutral Expert selects Sucampo's Proposed License Agreement, then each Party shall execute such Proposed License Agreement within five (5) business days following such selection by the Neutral Expert, after which such Proposed License Agreement shall be the License Agreement.

2.3.6 If the Neutral Expert selects CPP's Proposed License Agreement, then within ten (10) business days following such selection by the Neutral Expert, Sucampo shall notify CPP in writing as to whether Sucampo wishes to enter into such Proposed License Agreement. If Sucampo notifies CPP in writing that Sucampo wishes to enter into such Proposed License Agreement, then each Party shall execute such Proposed License Agreement within five (5) business days following CPP's receipt of such notice, after which such Proposed License Agreement shall be the License Agreement. If Sucampo (a) fails to notify CPP in writing within ten (10) business days following such selection by the Neutral Expert whether or not Sucampo wishes to enter into such Proposed License Agreement, or (b) notifies CPP in writing prior to the expiration of such ten (10) business days that Sucampo does not wish to enter into such Proposed License Agreement, then for each of (a) and (b) neither Party shall have any further obligation to the other Party with respect to the execution of the License Agreement or the Option and Sucampo shall pay CPP Two Million U.S. Dollars ($2,000,000) within five (5) business days of the

expiration of such ten (10) business days, or delivery of Sucampo's written notice described in (b) above, as applicable.

2.4 **Option Fees**. In partial consideration for the Option, Sucampo shall pay CPP Seven Million Five Hundred Thousand U.S. Dollars ($7,500,000) as follows:

(A) **First Payment**. Within three (3) business days after the Effective Date, Sucampo shall pay CPP Three Million U.S. Dollars ($3,000,000) ("**First Payment**").

(B) **Second Payment**. Sucampo shall pay CPP Four Million Five Hundred Thousand U.S. Dollars ($4,500,000) ("**Second Payment**") within thirty (30) days after the earlier of (i) delivery to CPP of the Option Exercise Notice in accordance with Section 2.2 and (ii) the date that CPP notifies Sucampo in writing that the DMC has completed the futility analysis as specified by the FAP Pivotal Trial Protocol and statistical analysis plan (the "**Futility Analysis**") and has not determined that continuing the FAP Pivotal Trial is futile ("**Successful Completion**"). If the DMC delivers to CPP a written report or notice on the Futility Analysis, then CPP shall deliver to Sucampo a copy of such report or notice within ten (10) days.

For purposes of Section 2.4(B):

i. "**DMC**" means the data monitoring committee described in the FAP Pivotal Trial Protocol.

ii. "**FAP Pivotal Trial**" means the clinical trial for the Product that is in the process of being performed by CPP as of the Effective Date that is titled "Phase III Trial of the Safety and Efficacy of Eflornithine Combined With Sulindac Compared to Eflornithine, Sulindac as Single Agents in Patients With Familial Adenomatous Polyposis".

iii. "**FAP Pivotal Trial Protocol**" means the protocol for the FAP Pivotal Trial as it may be amended.

CPP's sole remedy for any failure by Sucampo to pay the Second Payment as set forth above shall be to terminate this Agreement in accordance with Section 8.1.

3. JOINT STEERING COMMITTEE

3.1 **Establishment**. Within thirty (30) days after the Effective Date, the Parties will establish a joint steering committee (the "**Joint Steering Committee**" or "**JSC**") to plan, administer, evaluate and carry out all aspects of the development, regulatory, and commercialization activities by the Parties hereunder with respect to the Product in the Field in the Territory.

3.2 **Representatives**. The JSC will consist of an equal number of representatives of CPP and Sucampo. CPP shall have the right to appoint a CPP JSC representative to serve as chairperson of the JSC (the "**Chairperson**"). The Chairperson shall have the right to make the final decision described in Section 3.6(a).

3.3 **Meetings and Reports**. The JSC shall meet no less frequently than twice per year in person or as otherwise mutually agreed by the Parties, and such meeting shall be held in the U.S. or at such other place and at such time as shall be determined by the Parties. Either Party may call additional ad hoc meetings of the JSC as the needs arise with reasonable advance notice to the other Party, and such ad hoc meetings shall be conducted at times that are mutually agreed upon by the Parties. Unless otherwise mutually agreed by the Parties, the Chairperson shall prepare and circulate an agenda for such meetings and, as soon as practicable, all materials, documents and information for the meeting for distribution to both Parties; provided, that either Party may propose additional topics to be included on such agenda, either prior to or in the course of such meeting. Subject to the in-person meeting described above, the JSC may meet in person, by videoconference or by teleconference. Unless otherwise mutually agreed by the Parties, the Chairperson will be responsible for preparing reasonably detailed written minutes of all JSC meetings that reflect, without limitation, material decisions made at such meetings. Unless otherwise mutually agreed by the Parties, the Chairperson shall send draft meeting minutes to the Sucampo members and the CPP members of the JSC for review and approval within ten (10) days after each JSC meeting. Such minutes will be deemed approved unless one or more members of the JSC objects to the accuracy of such minutes within one (1) week of receipt. In addition to such JSC meetings, unless otherwise mutually agreed by the Parties CPP shall provide to all JSC members within thirty (30) days following the end of each calendar quarter a report summarizing CPP's development activities with respect to the Product during such calendar quarter (including, without limitation, interactions with any regulatory authority relating to the Product) and an update on the status of the development plans for the Product.

3.4 **Responsibilities**. Subject to Sections 3.5, 3.6 and 3.7, the JSC shall oversee CPP's management of the FAP Pivotal Trial and other studies in the Territory as may be undertaken by the Parties in support of the FAP Pivotal Trial and the Product NDA development program (i.e., clinical pharmacology studies etc.) in a manner that allows CPP to fulfill its contractual obligations under this Agreement and the Tillotts Agreement.

3.5 **Tillotts Agreement**. The Parties acknowledge that CPP has established a joint steering committee with Tillotts under the Tillotts Agreement for oversight of the Development and Commercialization of the Product outside of the Territory. The Parties shall perform the obligations described in this Agreement with respect to the JSC in a manner that allows CPP to fulfill its contractual obligations under the Tillotts Agreement.

3.6 **Dispute Resolution**. In all matters subject to the JSC's decision-making authority, the JSC will aim to make decisions by consensus. If the JSC cannot reach consensus within thirty (30) days of a matter being brought to the JSC's attention, then, as between the Parties, CPP shall have the right to make the final decision with respect to such matters.

3.7 **Amendment; Modification**. The JSC shall not have any power to amend, modify, or waive compliance with the provisions of this Agreement. The final decision making authority under Section 3.6 shall not authorize a Party to unilaterally modify, amend, or waive its own compliance with the provisions of this Agreement.

3.8 **Termination of the JSC**. The JSC shall be disbanded upon expiration or earlier termination of this Agreement.

3.9 **CPP Right to Withdraw from JSC**. At any time during the Term and for any reason, CPP may withdraw from participation in the JSC upon written notice to Sucampo, which notice will be effective immediately upon receipt ("**JSC Withdrawal Notice**"). Upon delivery of a JSC Withdrawal Notice and for so long as CPP is withdrawn from the JSC, CPP representatives to the JSC may not participate in any meetings of the JSC or vote on any recommendation to be made by the JSC. If at any time following the issuance of a JSC Withdrawal Notice, CPP wishes to resume participation in the JSC, CPP must notify Sucampo in writing and, thereafter, CPP representatives to the JSC may attend any subsequent meeting of the JSC and participate in the activities of, and vote on recommendations to be made by the JSC as provided in Section 3 as if CPP had not issued a JSC Withdrawal Notice. Following CPP's issuance of a JSC Withdrawal Notice, unless and until CPP resumes participation in the JSC as provided above: (a) all meetings of the JSC will be held at Sucampo's facilities; (ii) Sucampo's representatives may alone vote on any recommendations to be made by the JSC; and (iii) Sucampo shall provide CPP all notes and minutes of JSC meetings, provided that CPP shall have no right to approve the minutes for any JSC meeting held during the time CPP has withdrawn from the JSC.

4. DEVELOPMENT OF THE PRODUCT

4.1 **Development Expenses**. Prior to the execution of the License Agreement in accordance with Section 2, as between the Parties CPP shall have the obligation to pay for any expenses incurred by CPP in the execution of the development program for the Product.

4.2 **Additional Indications**. Prior to the execution of the License Agreement in accordance with Section 2, CPP shall have the right, in its sole discretion, to develop the Product in any indication; *provided, however* that if CPP wishes to develop the Product in the Field in the Territory in an indication other than familial adenomatous polyposis ("**FAP**") (such indication, an "**Additional Indication**"), then CPP shall provide Sucampo with a proposed development plan and corresponding budget for the Product in such Additional Indication ("**Proposed Development Plan and Budget**") at least seventy (70) days prior to CPP submitting any Regulatory Filing for the Product in such Additional Indication. Sucampo may, in its sole discretion, concur in the Development of the Product in such Additional Indication under such Proposed Development Plan and Budget in writing within sixty (60) days of receiving such Proposed Development Plan and Budget, or such later date as may be mutually agreed (such time period the "**Indication Review Period**", such concurred indication, a "**Sucampo-Approved Indication**", and such concurred Proposed Development Plan and Budget, a "**Sucampo-Approved Indication Development Plan and Budget**"). If, in response to a Proposed Development Plan and Budget, Sucampo does not concur in the development of such Additional Indication prior to the expiration of the Indication Review Period, then subject to Section 4.3, (a) CPP shall have the right to develop the Product in the corresponding Additional Indication at CPP's sole cost and expense in accordance with the Proposed Development Plan and

Budget, and (b) such Proposed Development Plan and Budget shall thereafter be a "**CPP Additional Indication Development Plan and Budget**".

4.3 **Sucampo Additional Indication Right**. Notwithstanding Section 4.2, Sucampo shall have the right to concur in the Development of the Product in an Additional Indication under the corresponding CPP Additional Indication Development Plan and Budget by delivery of written notice to CPP ("**Concurrence Notice**"). Upon CPP's receipt of the Concurrence Notice, (i) such Additional Indication shall automatically become a Sucampo-Approved Indication, and (ii) such CPP Additional Indication Development Plan and Budget shall automatically become a Sucampo-Approved Indication Development Plan and Budget.

4.4 **Diligence; Compliance.** CPP shall use Commercially Reasonable Efforts to conduct and complete the FAP Pivotal Trial and other development activities for the Products in the Territory in accordance with the applicable development plan. CPP shall comply with all applicable laws, rules, regulations and guidances in connection with its development of the Products.

5. CONFIDENTIALITY

5.1 **Confidential Information.** "**Confidential Information**" means any data, information or material disclosed by or on behalf of one Party (the "**Disclosing Party**"), whether in writing, visually, orally or in electronic medium to the other Party (the "**Receiving Party**") under this Agreement or in the course of contemplating a transaction under this Agreement prior to the execution of this Agreement, including without limitation any information disclosed pursuant to that certain Mutual Non-Disclosure Agreement between CPP and Sucampo Pharmaceuticals, Inc., dated as of June 24, 2015 (the "**Existing NDA**"). Except as expressly set forth herein, the terms of this Agreement shall be kept confidential by each Party as described in this Section 5 with respect thereto.

5.2 **Nondisclosure and Non-Use Obligations.** Subject to Sections 5.3 and 5.4, unless the Disclosing Party provides prior written consent, the Receiving Party shall maintain in confidence all Confidential Information of the Disclosing Party, shall not disclose such Confidential Information to any Third Party and shall not use such Confidential Information for any purpose except to exercise such Party's rights or fulfill its obligations under this Agreement.

5.3 **Exceptions.** Each Party's confidentiality and non-use obligations under this Agreement shall not apply to any portion of the Confidential Information of the Disclosing Party that the Receiving Party can demonstrate with competent written proof:

(A) Is known by the Receiving Party at the time of its receipt, without obligation of confidentiality or non-use, and not through a prior confidential disclosure by the Disclosing Party, as documented by the Receiving Party's written records;

(B) Is in the public domain before its receipt from the Disclosing Party, or thereafter enters the public domain through no breach of this Agreement by the Receiving Party or with the consent of the Disclosing Party;

(C) Is subsequently disclosed to the Receiving Party, without obligation of confidentiality or non-use, by a Third Party who may lawfully do so and who is not under an obligation of confidentiality to the Disclosing Party; or

(D) Is developed by the Receiving Party independently of Confidential Information received from the Disclosing Party and without the aid, application or use of the Disclosing Party's Confidential Information, and such independent development can be properly documented by the Receiving Party.

Any combination of features or disclosures shall not be deemed to fall within the foregoing exclusions merely because individual features are published or available to the general public or in the rightful possession of the Receiving Party unless the combination itself and principle of operation are published or available to the general public or in the rightful possession of the Receiving Party.

5.4 **Permitted Disclosure.** Nothing in Section 5 shall restrict the Receiving Party from disclosing Confidential Information of the Disclosing Party to the extent that such disclosure:

(A) Is made to the Receiving Party's or its Affiliates' employees, officers, directors, agents or contractors ("**Representatives**"), for purposes the Receiving Party reasonably deems necessary for the exploitation of its rights or fulfillment of its obligations under this Agreement, provided that all such recipients agree to be bound by, or are otherwise bound by, confidentiality and non-use obligations that are no less stringent than those confidentiality and non-use provisions contained in this Agreement (with potentially a shorter duration no less than five years from the date such Confidential Information is disclosed to such recipients), and the Receiving Party shall be responsible for and liable under this Agreement with respect to any breach of its confidentiality and non-use obligation caused by its Representatives;

(B) Is deemed necessary by the Receiving Party to be disclosed to attorneys, independent accountants, potential or actual acquirers, merger candidates or investors or venture capital firms, investment bankers or other financial institutions or investors, provided that, except with respect to the disclosure of pro forma financial projections, all such recipients are, or agree to be, bound by confidentiality and non-use obligations; or

(C) Is required to comply with applicable law, valid order of a court of competent jurisdiction, or other judicial or administrative process of governmental authority or agency, provided that the Receiving Party shall (i) promptly inform the Disclosing Party of the disclosure that is being sought in order to provide the Disclosing Party, where possible, an opportunity to challenge, limit or receive

confidential treatment for the required disclosure, (ii) upon request, reasonably cooperate with any efforts by the Disclosing Party to challenge, limit or receive confidential treatment for, the required disclosure, (iii) only disclose the minimum Confidential Information necessary to comply, as determined by the Receiving Party's legal counsel, and (iv) in the event of a limited disclosure of any Confidential Information as required by applicable law, continue to treat such information as Confidential Information of the Disclosing Party for all other purposes and subject to Section 5.

5.5 **Disclosures Required by Securities Laws or Exchanges**. Notwithstanding anything to the contrary in this Agreement, to the extent a Party reasonably determines that it is necessary to disclose the information relating to this Agreement under applicable (a) securities laws or rules, including those promulgated by the U.S. Securities and Exchange Commission (the "**SEC**"), or (b) any rules or requirements of stock exchanges on which equity securities of such Party may be listed, such Party may disclose this Agreement and its terms, and material developments or material information generated under this Agreement, in securities filings with the SEC (or equivalent foreign agency) (a "**Required Disclosure**") after complying with the procedures set forth in this Section 5.5. If pursuant to a Required Disclosure a Party is required to disclose this Agreement or any of its terms, such Party shall, prior to any such Required Disclosure, prepare and send to the other Party for review a draft confidential treatment request and proposed redacted version of this Agreement to be filed with the SEC (or equivalent foreign agency) to request confidential treatment of this Agreement. The reviewing Party shall promptly (and in any event, no more than three (3) business days after receipt of such confidential treatment request and proposed redactions) provide its reasonable comments, which the disclosing Party shall take into reasonable consideration. If no response or comments are received by the disclosing Party within such three (3) business days then it shall be conclusively presumed that the reviewing Party has no comments. The Party seeking such disclosure of this Agreement shall exercise commercially reasonable efforts to obtain confidential treatment of this Agreement from the SEC (or equivalent foreign agency) as represented by the redacted version reviewed by the other Party. If pursuant to a Required Disclosure a Party is required to disclose material developments or material information generated under this Agreement, which information has not previously been publicly disclosed, such disclosing Party shall, prior to any such disclosure, send to the other Party the proposed disclosure for review. The reviewing Party shall promptly (and in any event, no more than three (3) business days after receipt of such proposed disclosure) provide its reasonable comments on the proposed disclosure, which the disclosing Party shall take into reasonable consideration. If any information has been previously disclosed in a public filing it may be disclosed by a Party in other future filings without the consent of the other Party.

5.6 **Disclosure of Agreement Terms**. Each Party and any of its Affiliates may disclose the terms and conditions of this Agreement to a Third Party is connection with a prospective financing, license, corporate transaction or asset sale relating to the relevant Party or any of its Affiliates subject to such disclosure being made under a written confidentiality

agreement with confidentiality terms that are at least as stringent as those described in Section 5.

6. REPRESENTATIONS AND WARRANTIES

6.1 **Mutual Representations and Warranties**. Each Party hereby represents and warrants to the other Party as of the Effective Date that: (a) it has the full right, power and authority to enter into this Agreement and to perform its obligations hereunder; and (b) this Agreement has been duly executed by it and is legally binding upon it, enforceable in accordance with its terms, and does not conflict with any agreement, instrument or understanding, oral or written, to which it is a Party or by which it may be bound, nor violate any material law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

6.2 **CPP Representations and Warranties**. CPP hereby represents and warrants to Sucampo that as of the Effective Date:

(A) it has the full right, power and authority to grant the rights hereunder, including the license set forth in Exhibit A;

(B) it has not assigned, transferred, conveyed, licensed, or otherwise encumbered its right, title and interest in the Licensed IP in any manner that would prevent it from granting the rights hereunder, including the license set forth in Exhibit A;

(C) it has not received any written notice of any claim that any intellectual property right owned or controlled by a third party would be or is infringed or misappropriated by the manufacture, use, sale, offer for sale or importation of the Product in the Field and, to CPP's knowledge, the manufacture, use, sale, offer for sale or importation of the Product in the Field in the Territory would not and does not infringe or misappropriate any intellectual property right owned or controlled by a third party;

(D) neither CPP nor any of its Affiliates or their employees, officers, or directors have made, nor to CPP's knowledge has any other third party acting under CPP's authority made, an untrue statement of a material fact to any Regulatory Authority with respect to the Product, or knowingly failed to disclose a material fact required to be disclosed to any Regulatory Authority with respect to the Product. CPP, its Affiliates and their employees, officers, or directors and to CPP's knowledge all such third parties have complied with all regulatory requirements with respect to the Product and active pharmaceutical ingredients contained therein. To CPP's knowledge (1) all information within the Regulatory Filings have been generated in compliance with all applicable laws, including, as applicable, cGMP, cGCP and cGLP, and (2) all Regulatory Filings are true and correct in all material respects.

6.3 **CPP Covenant**. CPP covenants that it shall not during the Term assign, transfer, convey, exclusively license, or otherwise encumber its right, title and interest in the Licensed IP

in any manner that would prevent it from granting the rights hereunder, including the licenses set forth in Exhibit A.

6.4 **Disclaimer**. EXCEPT AS EXPRESSLY STATED IN THIS SECTION 6, (A) NO REPRESENTATION, CONDITION OR WARRANTY WHATSOEVER IS MADE OR GIVEN BY OR ON BEHALF OF CPP OR SUCAMPO; (B) ALL OTHER CONDITIONS AND WARRANTIES WHETHER ARISING BY OPERATION OF LAW OR OTHERWISE ARE HEREBY EXPRESSLY EXCLUDED, INCLUDING ANY CONDITIONS AND WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT; AND (C) ALL KNOW-HOW AND MATERIALS PROVIDED BY A PARTY TO THE OTHER PARTY UNDER THIS AGREEMENT ARE PROVIDED "AS-IS".

7. INDEMNIFICATION; LIMITATION OF LIABILITY

7.1 **Indemnification by CPP.** CPP shall indemnify, defend and hold Sucampo, its Affiliates and their respective agents, employees, officers and directors (each a "**Sucampo Indemnitee**") harmless from and against any and all Third Party claims, suits, actions, demands, judgments, liabilities, expenses or losses, including reasonable legal expenses and attorneys' fees (collectively, "**Sucampo Losses**"), to which any Sucampo Indemnitee may become subject to the extent such Sucampo Losses are directly or indirectly caused by or otherwise arise out of or in connection with the breach by any CPP Indemnitee of any covenant, representation or warranty or other agreement made by CPP in this Agreement or arising in connection with CPP's development of the Products, except to the extent such Sucampo Losses result from the breach by any Sucampo Indemnitee of any covenant, representation, warranty or other agreement made by Sucampo in this Agreement or any Sucampo Indemnitee's negligence, recklessness or willful misconduct.

7.2 **Indemnification by Sucampo.** Sucampo shall indemnify, defend, and hold CPP, its Affiliates and their respective agents, employees, officers and directors (each a "**CPP Indemnitee**") harmless from and against any and all Third Party claims, suits, actions, demands, judgments, liabilities, expenses, or losses, including reasonable legal expenses and attorneys' fees (collectively, "**CPP Losses**") to which any CPP Indemnitee may become subject to the extent such CPP Losses are directly or indirectly caused by or otherwise arise out of or in connection with a breach by any Sucampo Indemnitee of any covenant, representation, warranty or other agreement made by Sucampo in this Agreement, except to the extent such CPP Losses result from the breach by any CPP Indemnitee of any covenant, representation, warranty or other agreement made by CPP in this Agreement or any CPP Indemnitee's negligence, recklessness or willful misconduct.

7.3 **Indemnification Procedure.** In the event of any such claim against any Sucampo Indemnitee or CPP Indemnitee, the indemnified Party shall provide the indemnifying Party with prompt notice of the claim giving rise to the indemnification obligation pursuant to this Article 7 and the exclusive ability to defend (with the reasonable cooperation of the indemnified Party) or settle any such claim at its sole expense; *provided, however*, that the indemnifying Party shall not enter into any settlement for damages other than monetary damages without the indemnified Party's written consent,

such consent not to be unreasonably withheld. The indemnified Party shall have the right to participate, at its own expense and with counsel of its choice, in the defense of any claim or suit that has been assumed by the indemnifying Party. If the Parties cannot agree as to the application of Sections 7.1 and 7.2 to any particular claim, the Parties may conduct separate defenses of such claim. Each Party reserves the right to claim indemnity from the other in accordance with Sections 7.1 and 7.2 above upon resolution of the underlying claim, notwithstanding the provisions of this Section 7.3 requiring the indemnified Party to tender to the indemnifying Party the exclusive ability to defend such claim or suit.

7.4 **LIMITATION OF LIABILITY.** EXCEPT FOR LIABILITIES ARISING UNDER SECTION 7.1 AND 7.2, IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, PUNITIVE, INDIRECT, INCIDENTAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES (INCLUDING ANY CLAIMS FOR LOST PROFITS, SALES, REVENUES OR OPPORTUNITIES) ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT (OR THE EXERCISE OF ITS RIGHTS HEREUNDER) UNDER ANY THEORY OF LIABILITY, AND REGARDLESS OF ANY NOTICE OR KNOWLEDGE OF THE POSSIBILITY OF SUCH DAMAGES.

8. TERM AND TERMINATION

8.1 **Term**. This Agreement shall begin on the Effective Date and shall expire on the first to occur of the following: (a) the expiration of the Option Period if Sucampo has not exercised its Option in accordance with this Agreement prior to the expiration of the Option Period; (b) the date on which the License Agreement becomes effective; (c) the date on which the Option becomes null and void and not exercisable by Sucampo in accordance with Section 2.1; (d) Sucampo's failure to pay CPP the Second Payment, if due, within the 30-day period set forth in Section 2.4(B); and (e) termination by either Party pursuant to Section 8.2 ("**Term**").

8.2 **Termination for Material Breach.** If either Party believes that the other is in material breach of its obligations hereunder, then such Party may deliver notice of such breach to the other Party. The allegedly breaching Party shall have thirty (30) days from such notice to cure such breach. If the Party receiving notice of breach fails to cure such breach within the period set forth above, then the Party originally delivering the notice of breach may terminate this Agreement effective on written notice of termination to the other Party. Notwithstanding the foregoing, if a Party gives notice of termination under this Section 8.2 and the other Party disputes whether such termination is proper, then the issue of whether this Agreement may properly be terminated upon expiration of the notice period (unless such material breach is cured as provided above) shall be resolved in accordance with Section 9.7. If as a result of such dispute resolution process under Section 9.7 it is determined that the notice of termination was proper, then such termination shall be deemed to have been effective thirty (30) days following the date of the notice of termination. If as a result of such dispute resolution process it is determined that the notice of termination was improper, then no termination shall have occurred and this Agreement shall remain in effect.

8.3 **Validity Challenges.** If Sucampo challenges the validity or enforceability of any of the Licensed IP, or aids or assists any Affiliate or Third Party in such challenge other than as required by applicable law, then CPP shall have the right to terminate this Agreement immediately upon written notice to Sucampo.

8.4 **Survival**. The provisions of Sections 1, 5, 6 (excluding Section 6.3), 7, 8.4 and 9 shall survive the expiration or termination of this Agreement.

9. MISCELLANEOUS

9.1 **Entire Agreement**. This Agreement, together with Exhibit A, contains the entire understanding of the Parties with respect to the subject matter contained herein. Any other express or implied agreements and understandings, negotiations, writings and commitments, either oral or written, in respect to the subject matter contained herein are superseded by the terms of this Agreement, including without limitation the Existing NDA. Exhibit A to this Agreement is incorporated herein by reference and shall be deemed a part of this Agreement.

9.2 **Notices**. Any notice required or permitted by this Agreement shall be in writing and shall be delivered as follows, with notice deemed given as indicated: (a) by personal delivery, when actually delivered; (b) by overnight courier, upon written verification of receipt; (c) by facsimile transmission, upon personal acknowledgment of receipt of electronic transmission; (d) by certified or registered mail, return receipt requested, upon verification of receipt; or (e) by electronic mail, upon delivery to the recipient's electronic mail system and personal acknowledgment thereof by the recipient (i.e., not by an automated response), and provided that such electronic mail states in the subject line that it is a notice under this Section 9.2. All notices delivered by personal delivery or overnight courier shall be delivered to the addresses set forth on the first page of this Agreement. All notices delivered by facsimile transmission or electronic mail shall be sent to the following addresses:

If to Sucampo:

Sucampo AG
c/o Sucampo Pharmaceuticals, Inc.
805 King Farm Boulevard, Suite 550
Rockville, Maryland 20850
ATTN: General Counsel

Facsimile: +1 301 961 3440

If to CPP:
Cancer Prevention Pharmaceuticals, Inc.,
1760 East River Road, Suite 250
Tucson Arizona 85718
ATTN: Chief Executive Officer

Facsimile: (520) 232-2191

Notice shall be sent to the addresses set forth above or to such other address as either Party may provide in writing delivered in accordance with this Section 9.2.

9.3 **Payment.** All payments due CPP shall be paid in Dollars and shall be transmitted to CPP by bank wire transfer of immediately available funds. The remittance shall be made to the following bank account of CPP:

Wells Fargo Bank, N.A. 420 Montgomery St.
San Francisco, CA 94104

Account Name: Cancer Prevention Pharmaceuticals, Inc.
Routing No.: 121000248
Account No.: 9421629651

CPP may change the designated bank account by written notice to Sucampo signed by a duly authorized representative of CPP.

All payments owed under this Agreement shall be paid in full when due, without any deductions or offsets for withholding taxes, wire transfer fees, currency exchange fees or otherwise, except only as is otherwise expressly authorized elsewhere in this Agreement.

9.4 **Assignment.** Except as provided in this Section 9.4, neither Party may assign or otherwise transfer this Agreement or any right or obligation hereunder, without the prior written consent of the other Party. Notwithstanding the foregoing, either Party may, without consent of the other Party, assign this Agreement or any of its rights or obligations hereunder in whole or in part to: (a) an Affiliate of such Party; or (b) its successor in interest in connection with a Strategic Transaction; provided, however, that in the case of assignment to an Affiliate, the assigning Party shall, notwithstanding such assignment, remain liable for the performance of such Affiliate under this Agreement. The terms and conditions of this Agreement shall be binding upon, and shall inure to the benefit of, the Parties and their respected successors and permitted assigns. For purposes of this Section 9.4, "Strategic Transaction" means, with respect to a Party, the occurrence of any of the following events: (x) the direct or indirect acquisition by any Third Party of more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of such Party normally entitled to vote in elections of directors; (y) the sale, transfer, conveyance or other disposition of all or substantially all of such Party's assets to which this Agreement relates to a Third Party, or (z) the consummation of a merger, acquisition, consolidation or other similar transaction between or involving a Third Party and such Party (or the ultimate parent Entity which, immediately prior to the Strategic Transaction, directly or indirectly controls such Party.)

9.5 **Severability.** If any one or more of the provisions contained in this Agreement is held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, unless the absence of the invalidated provision(s) adversely affects the substantive rights of the Parties. The Parties shall in such an instance use their best efforts to replace the invalid, illegal or unenforceable provision(s) with valid, legal and enforceable provision(s) which, insofar as practical, implement the purposes of this Agreement.

9.6 **Choice of Law**. This Agreement and any dispute arising in connection with it will be governed by the laws of the State of New York, United States of America.

9.7 **Dispute Resolution**. Each such dispute, controversy or claim shall be finally resolved by binding arbitration (an "**Arbitration**") administered by JAMS pursuant to its Comprehensive Arbitration Rules and Procedures and in accordance with the Expedited Procedures in those Rules then in effect (the "**JAMS Rules**"), and judgment on the Arbitration award may be entered in any court having jurisdiction thereof. The proceedings and decisions of the arbitrators in any Arbitration under this Section 9.7 shall be confidential except as otherwise expressly permitted in this Agreement, agreed upon by the Parties, or required by applicable Law. Each Arbitration shall be conducted by a panel of three (3) arbitrators, each with at least ten (10) years' experience in the pharmaceutical or biotechnology business selected pursuant to the JAMS Rules. Within thirty (30) days after initiation of Arbitration, each Party shall select one person to act as an arbitrator and the two Party-selected arbitrators shall select a third arbitrator within thirty (30) days of their appointment. If the arbitrators selected by the Parties are unable or fail to agree upon the third arbitrator, the third arbitrator shall be appointed by JAMS. The place of arbitration shall be New York City, New York, and all proceedings and communications shall be in English.

9.8 **Headings.** The captions to the several Sections and subsections hereof are not a part of this Agreement, but are merely for convenience to assist in locating and reading the several Articles and Sections hereof.

9.9 **Independent Contractors.** It is expressly agreed that Parties shall be independent contractors and that the relationship between the two Parties shall not constitute a partnership, joint venture or agency. Neither Party shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other Party, without the prior written consent of the other Party.

9.10 **Waiver.** The waiver by either Party of any right hereunder, or of any failure of the other Party to perform, or of any breach by the other Party, shall not be deemed a waiver of any other right hereunder or of any other breach by or failure of such other Party whether of a similar nature or otherwise.

9.11 **Amendments**. This Agreement may be amended, or any term hereof modified, only by a written instrument duly executed by authorized representative(s) of both Parties.

9.12 **Counterparts**. This Agreement may be executed in counterparts by original signature, facsimile or PDF files, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF, the Parties intending to be bound have caused this Option Agreement to be executed by their duly authorized representatives.

CPP:

Cancer Prevention Pharmaceuticals, Inc.

Signature	/s/ Jeffrey Jacob
Name	Jeffrey Jacob
Title	Chief Executive Officer
Date	January 9, 2016

SUCAMPO:

Sucampo AG

Signature	/s/ Matthias Alder
Name	Matthias Alder
Title	Executive Vice President, Business Development and Licensing, General Counsel and Corporate Secretary
Date	January 9, 2016

Signature	/s/ Andrew Smith
Name	Andrew Smith
Title	Authorized Signatory

Exhibit A
License Agreement Terms

Product	CPP-1X/sul, a product including both eflornithine and sulindac as active ingredients (each, an "Active Ingredient"), together as the sole active ingredients or both together in combination with additional active ingredients. For clarity, "Product" includes any product configuration in which the Active Ingredients are packaged for concurrent administration, whether as a single capsule or multiple capsules.
Field	Treatment, prevention and diagnosis of human diseases and conditions
Territory	North America
Additional Definitions	The following definitions are intended for guidance in negotiations only and will be further refined in the License Agreement. "Commercialize" or "Commercialization" means any and all activities directed to the commercialization of a Product, including pre-launch and post-launch marketing, promoting, distribution, detailing or selling of a Product (as well as importing and exporting activities in connection therewith). When used as a verb, "Commercialize" means to engage in Commercialization. "Control" or "Controlled" means, ,the legal authority or right (whether by ownership, license or otherwise) to: (i) with respect to any molecule or material, grant ownership of or a license or sublicense to use such molecule or material; (ii) with respect to any know-how, patents, other intellectual property, grant ownership of or a license or a sublicense under such know-how, patents, or intellectual property; or (iii) with respect to any proprietary or trade secret information, disclose such information; in each case without breaching the terms of any agreement with, obligation to or other arrangement with a Third Party, or misappropriating the proprietary or trade secret information of a Third Party; in each case as provided in the License Agreement. "Develop" means any and all research and development activities for any Product conducted anywhere in the Territory on and after Effective Date relating to such Product, including all non-clinical, preclinical and clinical activities, testing and studies of any Product, manufacturing development, process development, toxicology studies, distribution of Products for use in clinical trials (including placebos and comparators), research and development of companion diagnostics for use in connection with clinical trials of Products as well as approved Products, statistical analyses, and the preparation, filing and prosecution of any Marketing Approval Application and obtaining or maintaining Regulatory Approvals for any Product, as well as all regulatory affairs related to any of the foregoing. When used as a verb, "Develop" means to engage in Development. "Licensed IP" means the Licensed Patents and Licensed Know-How. "Licensed Know-How" means any and all know-how Controlled by CPP or any of its Affiliates as of the Effective Date or thereafter during the Term that relates to, or is otherwise reasonably necessary or reasonably useful for, the use, Development,

	manufacture, or Commercialization of the Product. "Licensed Patents" means any and all patents and patent applications that are Controlled by CPP or any of its Affiliates as of the effective date or thereafter during the Term that: (a) are set forth in Schedule 1; and/or (b) claim the composition of matter of, or the method of manufacturing or using, any Product; or (c) that otherwise relate to, or are reasonably necessary or reasonably useful for, the use, Development, manufacture or Commercialization of any Product. "NDA" means a new drug application for Regulatory Approval of the Product that is filed with the FDA. "Option Agreement" means the Agreement to which this Exhibit A is attached. "Sucampo-Approved Indications" is defined in the Option Agreement.
Collaboration Governance	Sucampo and CPP would establish a Joint Steering Committee (JSC) to provide strategic leadership for the development of the Product and a Joint Commercialization Committee (JCC) to establish and update annually a commercial plan and budget for the Product in the Territory and to determine in good faith potential co-promotion by CPP if in the best interests of maximizing sales. As between the parties, Sucampo would have the final decision making vote on matters decided by the JSC relating to the development of the Product in the Field in the Territory and on matters decided by the JCC related to Commercialization. The Parties shall coordinate the activities overseen by the JSC under the License Agreement with those overseen by the joint steering committee described in the Tillotts Agreement in a manner that allows CPP to fulfill its contractual obligations under the Tillotts Agreement.
License	CPP would grant Sucampo an exclusive license, with the right to sublicense, under the Licensed IP to develop, make, have made, use, import, offer for sale and sell the Product in the Field and in the Territory ("License"). Sucampo's rights to manufacture the Product will be subject to the existing exclusive supply arrangement with a third party described below to the extent such arrangement exists at time of execution of the License Agreement.
Sublicense Rights	Sucampo would have the right to grant sublicenses under the License, through multiple tiers, to any Affiliate or Third Party. Each sublicense of Sucampo's rights shall be in writing, shall be consistent with the terms and conditions of this Exhibit A, and shall require the sublicensee, in granting any further sublicenses, to comply with Sucampo's sublicensing obligations hereunder as though such sublicensee were Sucampo. If Sucampo grants a sublicense to any Third Party, then Sucampo shall: (i) include in each such sublicense agreement terms that permit Sucampo to comply with its obligations under this Agreement, including related to reporting sales of Product to CPP; (ii) notify CPP of such sublicense or amendment thereto within thirty (30) days after it becomes effective, including the identity of the sublicensee and the territory in which such rights have been sublicensed; (iii) at

	CPP's request, provide CPP a copy of such sublicense agreement and amendment thereto (provided that Sucampo may redact those provisions of such agreement or amendment that are unrelated to Sucampo's obligations under the License Agreement); and (iv) use commercially reasonable efforts to enforce the terms of such sublicense agreement that relate to Sucampo's obligations under the License Agreement.	
Supply and Manufacturing	The parties acknowledge and agree that, as of the Effective Date of the Option Agreement, CPP is subject to legally binding obligations with a third party regarding the exclusivity of its current source of Product. Contemporaneously with execution of the License Agreement, the parties shall enter into a supply agreement whereby CPP shall supply Product to Sucampo on the same terms as CPP purchases Product from such third party until such time as such exclusivity obligation has ceased. On the request of Sucampo, the parties shall together negotiate in good faith with such third party to secure supply of Product for Sucampo directly with such third party manufacturer.	
Regulatory Matters; Right of Reference	Sucampo shall control regulatory interactions and decisions relating to the Product in the Territory and shall hold the NDA and other Regulatory Approvals for the Product in the Territory. Sucampo would have the exclusive right to reference and use all information, know-how, and data generated in the FAP Pivotal Trial (as defined in the Option Agreement) and other Product development activities conducted by CPP in support of Regulatory Filings and Regulatory Approvals for the Product in the Territory.	
Product Rights	Subject to the Excepted Matters, Sucampo would be responsible for and control the development, manufacture and commercialization of the Product in the Field and Territory at its own expense.	
Diligence	Sucampo would use commercially reasonable efforts to develop, manufacture and commercialize the Product in the Field in the Territory, including in FAP and in indications in the Field other that FAP that are (i) Sucampo-Approved Indications or (ii) granted Regulatory Approval in the Territory.	
Exclusivity	Except for the Product, CPP would not develop or commercialize in the Territory (i) any product with both of the Active Ingredients (or where both Active Ingredients are co-packaged or co-marketed) for use in the Field, or (ii) any product that uses any Active Ingredient (whether both or a single Active Ingredient) for the treatment of FAP.	
Financial Terms		
License Fee	Payable upon execution of the license agreement if the option was exercised prior to the completion (i.e., database lock and completion of analyses) of the FAP trial	$5 million
	Payable upon execution of the license agreement if the option was exercised after the completion of the FAP trial	$10 million
	Total License Fee	***$5-10 million***
Milestone Payments	NDA approval for FAP	[***]
	First dosing in pivotal trial in each of up to three additional indications (i.e., other than FAP)	[***] ([***])
	NDA approval for second indication	[***]
	NDA approval for third indication	[***]

	NDA approval for fourth indication	[***]
	Total Development Milestones	[***]
	First time annual net sales of the Product in the Territory > $100M	[***]
	First time annual net sales of the Product in the Territory > $250M	[***]
	First time annual net sales of the Product in the Territory > $500M	[***]
	First time annual net sales of the Product in the Territory > $750M	[***]
	Total Sales Milestones	[***]
Patent Prosecution and Enforcement	**Prosecution**: As between the Parties, CPP shall have the first right, but not the obligation, to prosecute any Licensed Patent in the Territory. Sucampo shall cooperate with CPP in the preparation, filing, prosecution and maintenance of such Licensed Patents. CPP shall copy Sucampo on all correspondence from and to any patent office relating to such Licensed Patents in a timely manner, and CPP shall provide Sucampo with drafts of all proposed filings and material correspondences to the patent authorities with respect to such Licensed Patents in reasonably adequate time before filing or submission of such materials, for Sucampo's review and comment. CPP will reasonably consider in good faith Sucampo's comments prior to submitting such filings and correspondences to the extent such comments are timely provided and it is reasonably practicable to do so. CPP shall notify Sucampo of any decision not to file for, prosecute or maintain, or not to continue to pay the expenses of prosecution or maintenance of, any such Licensed Patents, including divisional and continuation patents. CPP shall provide such notice at least thirty (30) days prior to any filing or payment due date, or any other due date that requires action, in connection with such Licensed Patent. In such event, Sucampo shall have the right, but not the obligation, to file for, or continue prosecution or maintenance of, such Licensed Patent. All costs incurred by a Party in prosecuting the Licensed Patents in the Territory shall be shared by the Parties as a deduction from Net Profit. Sucampo would have the right to direct the filing of an Orange Book listing or application for regulatory exclusivity in the Territory. **Enforcement**: Each Party shall give the other Party notice of any known or suspected infringement by a Third Party of any Licensed Patent in the Territory ("Patent Infringement") within fifteen (15) Business Days after such Patent Infringement comes to such Party's attention. Sucampo shall have the first right, but not the obligation, to bring and control any legal action, including by declaratory judgment action, patent litigation or similar proceeding, in connection with any Patent Infringement at its own expense and discretion as it reasonably determines appropriate. Sucampo shall keep CPP informed and reasonably consult with CPP in the course of such legal action. CPP shall have the right to be represented in any such action by counsel of its choice at its own expense. At the request of Sucampo, CPP shall reasonably cooperate and provide any information or assistance in connection with any legal action with respect to Patent Infringement, including executing reasonably appropriate documents, cooperating in discovery and, if required by applicable law, joining as a party to the action at Sucampo's cost. If Sucampo does not commence an action for Patent Infringement within one-hundred eighty (180) days after a notice from either Party, then CPP shall have the right to commence such action at its own cost. Any recoveries resulting from such any action relating to a claim of Patent Infringement, including	

	pursuant to a settlement, shall be applied as follows: (i) first to reimburse each Party, on a pro rata basis, for such Party's out-of-pocket costs and expenses in connection with such Patent Infringement proceeding; (ii) any damages, including exemplary damages for willful infringement, will be shared equally by the Parties under the terms for the sharing of Net Profits.
Profit-Split	· Sucampo would pay to CPP 50% of the Adjusted Net Profits generated by Sucampo from the sale of the Product. · Net Profit would be defined as revenues received by Sucampo from the sale of the Product, less costs incurred by Sucampo (excluding payments to CPP) in the development, manufacture, marketing, sale and distribution of the Product. · Adjusted Net Profits would be defined as 90% of Net Profits. · 10% of Net Profits would be distributed among CPP and Sucampo pro rata of the total development costs borne by such party in the development of the Product until such costs have been recuperated, as follows: (i) for FAP, all development costs incurred by either party following the execution of the Option Agreement; (ii) for Sucampo-Approved Indications, all development costs incurred by either party following the date that CPP first provided Sucampo the development plan for such indication (with CPP Additional Indication Expenses, if any, multiplied by 150% for purposes of such distribution); and (iii) for all other indications in the Field that receive Regulatory Approval in the Territory, all development costs incurred at any time by either party, provided that any costs incurred by CPP for developing such indications would be multiplied by 150% for purposes of such distribution. The License Agreement will provide for a Sucampo Additional Indication Right equivalent to that set forth in Section 4.3 of the Option Agreement. · The profit-sharing terms would commence on a country-by-country basis starting with first commercial sale of the Product in such country and expire on the later of patent expiration in such country or 10 years from such first sale.
Term and Termination	**Term**: The License Agreement would begin on the effective date and expire on a country-by-country basis on the date Sucampo no longer has an obligation to share profits with CPP in such country. Following such expiration, the License in such country will be fully paid up, irrevocable and perpetual. **Termination for Material Breach**: Each Party would have the right to terminate the License Agreement on thirty (30) days' written notice for uncured material breaches relating to payment obligations. The License Agreement will set forth termination provisions for other material breaches, and will provide for the tolling of termination in connection with a bona fide dispute. **Sucampo Termination Right**: Sucampo would have the right to terminate the License Agreement for any reason or no reason upon 180 days prior written notice prior to first commercial sale of the first Product in the Territory and 1 year thereafter. **CPP Termination Right for Patent Challenge**: The Agreement set forth reasonable provisions for termination in the event of a challenge by Sucampo to the validity or enforceability of a Licensed Patent, subject to the ability to cure or to assert a legal

	defense.
Effects of Termination	The following sets forth general principles that will apply in the event of termination. The License Agreement will provide for a mechanism for a reasonable remuneration to Sucampo in the event of a Product reversion reflecting Sucampo's payment, if any, of out-of-pocket costs for the development of the Products. **Termination by Sucampo for Convenience**: · The license granted by CPP to Sucampo would terminate · All of Sucampo's right, title and interest in, to and under any Regulatory Filings and Regulatory Approvals for the Product would be assigned to CPP. · Sucampo would assign all manufacturing, distribution and supply agreements that are assignable to CPP. **Termination by Sucampo for Material Breach:** · Sucampo would have the right to keep the license granted by CPP in effect, provided Sucampo continued to make the profit sharing payments to CPP. · The JSC would be terminated. · Sucampo would have the right to sue CPP for damages due to such material breach. **Termination by CPP for Material Breach:** · The license granted by CPP to Sucampo would terminate · All of Sucampo's right, title and interest in, to and under any Regulatory Filings and Regulatory Approvals for the Product would be assigned to CPP. · Sucampo would assign all manufacturing, distribution and supply agreements that are assignable to CPP

Schedule 1 Licensed Patents

I. DFMO and Sulindac Combination in Cancer Chemoprevention

ISSUED PATENTS

Country	Patent No.	Issue Date	Expiration Date
U.S.	6,258,845	07/10/2001	03/26/2019

II. Carcinoma Diagnosis and Treatment, Based on ODC1 Genotype – CAPP.P0006

WIPO	WO 2010/132817	05/14/2010
	(based on U.S. 61/217,679	06/03/2009)
	(based on U.S. 61/217,682	06/03/2009)

ISSUED PATENTS

Country	Patent No.	Issue Date	Expiration Date
U.S.	8,329,636	12/11/2012	01/15/2031
U.S.	9,121,852	09/01/2015	09/13/2030
Europe	EP2430452	06/25/2014	05/14/2030
Australia	AU2010248803	09/11/2014	05/14/2030
China	CN 2010 8 0031983.5	09/05/2015	05/14/2030

ALLOWED APPLICATIONS

Country	Patent Appln. No.	Filing Date
Hong Kong	12111787.0	05/14/2010
	(registration of CN 2010080031983.5)	

PENDING APPLICATIONS

Country	Patent Appln. No.	Filing Date
Canada	2,761,946	05/14/2010
Japan	JP2012-511052	05/14/2010
Israel	IL0216369	05/14/2010
U.S.	14/841,750	09/01/2015
	(continuation of U.S. 9,121,852)	

III. Cancer Prevention and Treatment Methods Based on Dietary Polyamine Content – CAPP.P0007

WIPO	WO 2011/143579	05/13/2011
	(based on U.S. 61/345,048	05/14/2010)

ISSUED PATENTS

Country	Patent No.	Issue Date	Expiration Date

PENDING APPLICATIONS

Country	Patent Appln. No.	Filing Date
U.S.	13/697,984	05/13/2011
Europe	EP 2568978	05/13/2011
Canada	2,799,431	05/13/2011
Japan	JP2013-510342	05/13/2011

IV. Predictive Markers for Polyamine Inhibitor Cancer Therapies – CAPP.P0011

WIPO	PCT/US2013/067305	10/29/2013
	(based on U.S. 61/719,748	10/29/2012)

ISSUED PATENTS

{00300273}

Country	Patent No.	Issue Date	Expiration Date

PENDING APPLICATIONS

Country	Patent Appln. No.	Filing Date
U.S.	14/438,999	10/29/2013
Europe	EP 13786402	10/29/2013
Canada	2,889,711	10/29/2013

V. Carcinoma Diagnosis and Treatment Based on ODC1 Genotype – CAPP.P0013

ISSUED PATENTS

Country	Patent No.	Issue Date	Expiration Date

PENDING APPLICATIONS

Country	Patent Appln. No.	Filing Date
WIPO	PCT/US2014/042979	06/18/2014

VI. Neuroblastoma Treatment Based on ODC1 Genotype – CAPP.P0014

ISSUED PATENTS

Country	Patent No.	Issue Date	Expiration Date

PENDING APPLICATIONS

Country	Patent Appln. No.	Filing Date
U.S. (provisional)	62/115,413	02/12/2015
U.S. (provisional)	62/154,804	04/30/2015

VII. Eflornithine and Sulindac, Fixed Dose Combination Formulation – CAPP.P0017

ISSUED PATENTS

Country	Patent No.	Issue Date	Expiration Date

PENDING APPLICATIONS

Country	Patent Appln. No.	Filing Date
U.S. (provisional)	62/248,810	10/30/2015

{00300273}

Exhibit 10.3

EXECUTION VERSION

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this "Agreement") is dated as of January 9, 2016 by and between Cancer Prevention Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and Sucampo AG, a Swiss corporation, and a wholly owned subsidiary of Sucampo Pharmaceuticals, Inc., a Delaware corporation (together, the "Purchaser").

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 506 promulgated thereunder, the Company desires to issue and sell to the Purchaser, and the Purchaser desires to purchase from the Company the Note (as defined below); and

WHEREAS, subject to the terms and conditions set forth in this Agreement, upon the Closing (as defined below) the Company and the Purchaser shall enter into the Option and Collaboration Agreement (as further defined below) providing the Purchaser with an option to obtain an exclusive license for the development and commercialization in North America of products including both eflornithine and sulindac as active ingredients under terms set forth in the Option and Collaboration Agreement; and

WHEREAS, the Purchaser desires to make, at the request of the Company, the Investment (as defined below, on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and the Purchaser agree as follows:

ARTICLE I.
DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement: (a) capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Note (as defined herein); and (b) the following terms have the meanings set forth in this Section 1.1:

"Action" shall have the meaning ascribed to such term in Section 3.1(j).

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

"Authorizations" shall have the meaning ascribed to such term in Section 3.1(y).

"Board of Directors" means the board of directors of the Company.

"Business Day" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in

the State of New York are authorized or required by law or other governmental action to close.

"Closing Date" means the business day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto in connection with the Closing, and all conditions precedent to: (i) the Purchaser's obligation to pay the Subscription and Option Amount as to the Closing; and (ii) the Company's obligation to deliver the Note and the Option and Collaboration Agreement as to the Closing, in each case, have been satisfied or waived.

"Closing" shall have the meaning ascribed to such term in Section 2.1.

"Closing Statement" means the Closing Statement in the form of Annex A attached hereto.

"Commission" means the United States Securities and Exchange Commission.

"Common Stock" means the shares of common stock of the Company.

"Common Stock Equivalents" means any securities of the Company that would entitle the holder thereof to acquire at any time shares of Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, shares of Common Stock.

"Confidential Information" shall have the meaning ascribed to such term in Section 5.1(g).

"Conversion Shares" means the shares of Common Stock of the Company issued and issuable upon conversion of the Note or Subsequent Note and in accordance with the terms of the Note or Subsequent Note, as applicable.

"Disclosure Schedules" shall have the meaning ascribed to such term in Section 3.1.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"FDA" shall have the meaning ascribed to such term in Section 3.1(y).

"Futility Analysis" shall have the meaning ascribed to such term in the Option and Collaboration Agreement.

"GAAP" shall have the meaning ascribed to such term in Section 3.1(h).

"Intellectual Property Rights" shall have the meaning ascribed to such term in Section 3.1(n).

"Investment" shall have the meaning ascribed to such term in Section 2.3.

"Knowledge" means, with respect to the Company, the actual knowledge of the Chief Executive Officer after reasonable investigation and due diligence.

"Liens" means a lien, mortgage, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

"Material Adverse Effect" shall have the meaning assigned to such term in Section 3.1(b).

"Material Permits" shall have the meaning ascribed to such term in Section 3.1(i).

"Maximum Rate" shall have the meaning ascribed to such term in Section 5.16.

"Note" means that certain Convertible Promissory Note in the principal amount of $5,000,000 due, subject to the terms therein, three (3) years from its date of issuance, in the form of Exhibit A attached hereto.

"Observer" shall have the meaning assigned to such term in Section 5.1(a).

"Observer Period" shall have the meaning assigned to such term in Section 5.1(a).

"Option" shall have the meaning assigned to such term in Section 2.2.

"Option and Collaboration Agreement" means that certain Option and Collaboration Agreement in the form of Exhibit B attached hereto.

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"Phase 3 Trial" shall have the meaning ascribed to such term in Section 4.4.

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Purchaser Party" shall have the meaning ascribed to such term in Section 4.5.

"Qualified Financing" means the first to occur of (i) a firm commitment underwritten public offering of Common Stock pursuant to an effective registration statement under the Securities Act covering the offer and sale of Common Stock for the account of the Company ("IPO"), or (ii) a private placement in one financing transaction or a series of related financing transactions of debt, equity, preferred or convertible securities, in each case with aggregate gross proceeds (before underwriters' and/or financial advisory fees and commissions and offering expenses) to the Company (excluding any investment by the Purchaser in such offering) of at least Ten Million

Dollars ($10,000,000).

"Required Approvals" shall have the meaning ascribed to such term in Section 3.1(e).

"Representatives" shall have the meaning ascribed to such term in Section 5.1(h).

"Securities" means the Note and the Conversion Shares.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Subscription and Option Amount" means, as to the Purchaser, the $8,000,000 aggregate amount to be paid at the Closing for (i) the Note purchased hereunder at the Closing; and (ii) the Option Fee, which Subscription and Option Amount shall be inserted on the signature page of this Agreement next to the heading "Subscription and Option Amount" and shall be paid in United States dollars and in immediately available funds.

"Subsequent Note" shall have the meaning ascribed to such term in Section 2.3(b).

"Subsequent Note Closing" shall have the meaning ascribed to such term in Section 2.3(b).

"Subsidiaries" means any Person in which the Company, directly or indirectly, (i) owns at least a majority of the outstanding capital stock or equity or similar interest of such Person; or (ii) controls or operates all or any part of the business, operations or administration of such Person, and each of the foregoing, is individually referred to herein as a "Subsidiary."

"Transaction Documents" means this Agreement, the Note, the Option and Collaboration Agreement, and all exhibits and schedules hereto and thereto and any other documents or agreements executed in connection with the transactions contemplated hereunder.

ARTICLE II.
PURCHASE AND SALE AND INVESTMENT

2.1 Note Purchase. The Purchaser will purchase the Note from the Company in the aggregate Principal Amount of Five Million Dollars ($5,000,000). The purchase of the Note will occur in one tranche, which shall be closed upon the satisfaction of the conditions set forth in Section 2.6 below (the "Closing").

2.2 Option. At the Closing, the Purchaser and the Company shall enter into the Option and Collaboration Agreement (the "Option") pursuant to which the Purchaser shall pay a fee in cash to the Company of $3,000,000 (the "Option Fee") upon the execution and delivery of such agreement.

2.3 Investment. (a) Subject to Section 2.3(d), in the sole discretion of the Company, the Purchaser shall purchase up to $5,000,000 of the Company's securities (the "Investment") on the same terms and conditions as the other investors in the Qualified Financing. At least ten (10) days prior to the closing of the Qualified Financing, the Company or the underwriter or placement agent shall provide the Purchaser with notice of the terms of the Qualified Financing.

(b) Subject to Section 2.3(d) below, if the Qualified Financing referred to in Section 2.3(a) has not occurred before the Successful Completion of the Futility Analysis (as described in Section 2.4(B) of the Option and Collaboration Agreement), the Investment would be made, in the sole discretion of the Company, and subject to the satisfaction of the conditions set forth in Section 2.7 below, in the form of an additional convertible promissory note in the principal amount of $5,000,000 (the "Subsequent Note") whereby the Purchaser would purchase the Subsequent Note upon the same terms and conditions as set forth in the Note, which terms shall, except as otherwise agreed in writing by the parties, be identical to the Note, except that the maturity date of the Subsequent Note shall be the third anniversary of the issuance date of the Subsequent Note. The parties shall engage in discussions regarding the mechanics and precise timing of the closing of the Subsequent Note (the "Subsequent Note Closing").

(c) Notwithstanding the foregoing, the Purchaser shall not be required to complete the Investment after the three year anniversary of the date of the initial Closing hereunder.

(d) In no event shall Purchaser be required to acquire shares of the Company's capital stock such that Purchaser's ownership interest in the Company would exceed 19.9% of the Company's outstanding capital stock (or, to the extent permissible under U.S. GAAP for determining whether the Company is an associate company or subsidiary of the Purchaser, the Company's issued capital stock on a fully diluted basis after taking into account the conversion of all convertible securities) (the "Threshold"). Accordingly, the maximum amount that Purchaser can be obligated to invest pursuant to Section 2.3(a) would be the lesser of (i) $5,000,000 and (ii) such amount as would result in Purchaser's ownership being at or below the Threshold; provided, that an Investment in a Qualified Financing that is an IPO is not subject to this Section 2.3(d). Any remaining amount of Purchaser's $5,000,000 Investment commitment would simultaneously be invested in a Subsequent Note pursuant to Section 2.3(b) above.

2.4 Closing. (a) On the Closing Date, upon the terms and subject to the conditions set forth herein, substantially concurrent with the execution and delivery of this Agreement by the parties hereto, the Company agrees to sell, and the Purchaser agrees to: (i) purchase the Note for $5,000,000; and (ii) pay the Option Fee of $3,000,000 (for an aggregate Subscription and Option Amount of $8,000,000). At the Closing, the Purchaser shall deliver to the Company, via wire transfer in immediately available funds an amount equal to the Purchaser's Subscription and Option Amount, the Company shall deliver to the Purchaser its Note, and the Company and the Purchaser shall deliver the other items set forth in Section 2.5 deliverable at such Closing. Upon satisfaction of the covenants and conditions set forth in Sections 2.5 and 2.6 for the Closing, the Closing shall occur at the offices of Gracin & Marlow, LLP, at The Chrysler Building, 405 Lexington Avenue, 26th Floor, New York, New York 10174, or such other location as the parties shall mutually agree.

(b) At the Subsequent Note Closing (if any) (the "Subsequent Closing"), the

Purchaser shall deliver to the Company, via wire transfer immediately available funds equal to $5,000,000, the Company shall deliver to the Purchaser the Subsequent Note, and the Company, and the Purchaser shall deliver the other items set forth in Section 2.5 deliverable at such Subsequent Note Closing, *mutatis mutandis*. Upon satisfaction of the covenants and conditions set forth in Sections 2.5 and 2.6 for the Subsequent Note Closing, *mutatis mutandis*, the Subsequent Note Closing shall occur at the offices of Gracin & Marlow, LLP, at The Chrysler Building, 405 Lexington Avenue, 26th Floor, New York, New York 10174, or such other location as the parties shall mutually agree.

2.5 Deliveries.

(a) On or prior to the Closing Date (except as noted), the Company shall deliver or cause to be delivered to the Purchaser the following:

(i) this Agreement duly executed by the Company;

(ii) the Note with a principal amount equal to Five Million Dollars ($5,000,000), registered in the name of the Purchaser;

(iii) the Option and Collaboration Agreement duly executed by the Company; and

(iv) A Secretary's certificate of the Company attaching and certifying the charter documents of the Company and the resolutions of the Board of Directors authorizing the execution and issuance of Transaction Documents.

(b) On or prior to the Closing Date, the Purchaser shall deliver or cause to be delivered to the Company, as applicable, the following:

(i) this Agreement duly executed by the Purchaser;

(ii) the Option and Collaboration Agreement duly executed by the Purchaser;

(iii) the Purchaser's Subscription and Option Amount by wire transfer to the account specified in writing by the Company; and

(iv) a Secretary's certificate of the Purchaser attaching and certifying the charter documents of the Purchaser and the resolutions of the Purchaser's board of directors authorizing the execution and issuance of Transaction Documents.

2.6 Closing Conditions for Purchase and Sale of Note.

(a) The obligations of the Company hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects on the Closing Date of the representations and warranties of the Purchaser contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of the Purchaser required to be performed at or prior to the Closing Date shall have been performed; and

(iii) the delivery by the Purchaser of the items set forth in Section 2.5(b) of this Agreement.

(b) The obligations of the Purchaser hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects when made and on the Closing Date of the representations and warranties of the Company contained herein (unless as of a specific date therein);

(ii) all obligations, covenants and agreements of the Company required to be performed at or prior to the Closing Date shall have been performed;

(iii) the delivery by the Company of the items set forth in Section 2.5(a) of this Agreement;

(iv) there is no existing Event of Default (as defined in the Note) and no existing event which, with the passage of time or the giving of notice, would constitute an Event of Default;

(v) there shall be no adverse proceeding initiated, ongoing, or threatened by any governmental or regulatory body; and

(vi) there shall have been no Material Adverse Effect with respect to the Company since the date hereof.

2.7 Closing Conditions for Investment Pursuant to Section 2.3(b).

(a) The obligations of the Company hereunder in connection with the Subsequent Closing of an Investment pursuant to Section 2.3(b) are subject to the following conditions being met:

(i) the accuracy in all material respects on the date of the Subsequent Closing of the representations and warranties of the Purchaser contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of the Purchaser required to be performed at or prior to the date of the Subsequent Closing shall

have been performed;

(iii) the delivery by the Purchaser of the item set forth in Section 2.5(b) (iv) of this Agreement; and

(iv) the Purchaser's payment for the Subsequent Note by wire transfer to the account specified in writing by the Company.

(b) The obligations of the Purchaser hereunder in connection with the Subsequent Closing of an Investment pursuant to Section 2.3(b) are subject to the following conditions being met:

(i) the delivery by the Company of the Subsequent Note and item set forth in Section 2.5(a)(iv)of this Agreement;

(ii) there is no existing Event of Default (as defined in the Note) and no existing event which, with the passage of time or the giving of notice, would constitute an Event of Default;

(iii) either (i) the Option and Collaboration Agreement or (ii) the License Agreement (as defined in the Option and Collaboration Agreement) shall remain in full force and effect (other than as a result of the Company's termination of such agreement in accordance with its terms as a result of Purchaser's material breach of such agreement); and

(iv) there shall have been no Material Adverse Effect with respect to the Company since the date hereof (it being understood that a Material Adverse Effect would include that the data monitoring committee has completed the futility analysis as specified by the FAP Pivotal Trial Protocol (as defined in the Option and Collaboration Agreement) and statistical analysis plan and has determined that continuing the FAP Pivotal Trial is futile).

ARTICLE III.
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company. Except as set forth in the Disclosure Schedules attached hereto, which Disclosure Schedules shall be deemed a part hereof and shall qualify any representation or warranty otherwise made herein to the extent of the disclosure contained in the corresponding section of the Disclosure Schedules (provided that to the extent more than one representation or warranty contained in this Agreement requires the same disclosure, the appearance of such disclosure in any single section of the Disclosure Schedules shall serve as disclosure for all other representations and warranties to the extent it is reasonably apparent on the face of the disclosure that such disclosure is applicable thereto), the Company hereby makes the following representations and warranties to the Purchaser that shall be true and correct on the date hereof:

(a) Subsidiaries. The Company has the subsidiaries set forth on Schedule 3.1(a). Schedule 3.1(a) hereto sets forth the jurisdiction of each Subsidiaries'

incorporation or organization and showing the percentage of ownership of each Subsidiary held by the Company. All of the outstanding shares of capital stock of each Subsidiary has been duly authorized and validly issued, and are fully paid and non- assessable.

(b) Organization and Qualification. The Company is duly incorporated and validly existing under the laws of the State of Delaware and has the requisite power and authority to own its properties and to carry on its business as now being conducted and as presently proposed to be conducted. The Company is in good standing under the laws of the State of Delaware. The Company is not in violation or in default of any of the provisions of its certificate of incorporation or bylaws. The Company is duly qualified to conduct business and is in good standing as a foreign entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not have or reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document; (ii) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company; or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "Material Adverse Effect") and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such qualification.

(c) Authorization; Enforcement. The Company has the requisite corporate power and authority to issue the Securities and enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company and the consummation by the Company of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company, and no further action is required by the Company, or its Board of Directors or shareholders, in connection herewith or therewith other than in connection with the Required Approvals. This Agreement and each other Transaction Document to which the Company is a party have been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with their terms; except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to or affecting generally the enforcement of rights of creditors or by other equitable principles of general application.

(d) No Conflicts. The execution, delivery and performance by the Company as contemplated herein of this Agreement and the other Transaction Documents to which it is a party, the issuance and sale of the Securities and the consummation by each of the transactions contemplated hereby and thereby do not and will not: (i) conflict with or violate any provision of the Company's certificate of incorporation, or bylaws; (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both

would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company debt or otherwise) or other understanding to which the Company is a party or by which any property or asset of the Company is bound or affected; or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not have or reasonably be expected to result in a Material Adverse Effect.

(e) Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than as set forth on Schedule 3.1(e), the filing of Form D with the Commission and such filings as are required to be made under applicable state securities laws (collectively, the "Required Approvals"), which have been made or will be made in a timely manner.

(f) Issuance of the Securities. The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and non-assessable, free and clear of all Liens other than restrictions on transfer provided for in the Transaction Documents. The Conversion Shares, when issued in accordance with the terms of the Note, will be validly issued, fully paid and non-assessable, free and clear of all Liens other than restrictions on transfer provided for in the Note and applicable securities laws. The Company has reserved for issuance a sufficient number of shares of Common Stock issuable as the Conversion Shares.

(g) Capitalization. The capitalization of the Company is as set forth on Schedule 3.1(g). No Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents or any registration rights, except as provided in Schedule 3.1(g). Except as set forth on Schedule 3.1(g) or except as a result of the purchase and sale of the Securities, there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire any shares of Common Stock, or contracts, commitments, understandings or arrangements by which the Company is or may become bound to issue additional shares of Common Stock or Common Stock Equivalents. All of the outstanding shares of capital stock of the Company are duly authorized, validly issued, fully paid and non-assessable, have been issued in compliance with all securities laws and U.S. federal and state securities laws, as applicable, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or

purchase securities. No further approval or authorization of the Board of Directors or any shareholder or others is required for the issuance and sale of the Securities.

(h) Financial Statements. The audited balance sheet of the Company as of December 31, 2014 and the related consolidated statements of operations, changes in convertible preferred stock and stockholders' deficit, and cash flows for the period then ended and the unaudited balance sheet of the Company as of September 30, 2015 and the related consolidated statements of operations and cash flows for the period of nine months ended September 30, 2015 (the "Interim Financials"), copies of which have been provided to the Purchaser, comply in all material respects with applicable accounting requirements as in effect as of the date of such financial statements. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved ("GAAP"), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, year-end audit adjustments.

(i) Material Changes; Undisclosed Events, Liabilities or Developments. Except as set forth on Schedule 3.1(i), since December 31, 2014, except as specifically disclosed in the Interim Financials: (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect; (ii) neither the Company nor any of its Subsidiaries have incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and accrued expenses in connection with proposed financings by the Company, (B) obligations under contracts and commitments incurred in the ordinary course of business, and (C) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP, which in all such cases individually and in the aggregate would not have a Material Adverse Effect; (iii) the Company has not altered its method of accounting; (iv) neither the Company nor any Subsidiary has declared or made any dividend or distribution of cash or other property to its shareholders or purchased, redeemed or made any agreements to purchase or redeem any of its capital stock; and (v) neither the Company nor any Subsidiary has issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company equity incentive plans.

(j) Litigation. There is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the Knowledge of the Company, threatened against or affecting the Company, or any of its properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "Action") which: (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Securities, or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Neither the Company nor, to the Company's Knowledge, any of its directors or officers, is or has been the subject of any Action

involving a claim of violation of or liability under federal or state securities laws (including the bad boy acts or the bad actor provisions of Rule 506(d) of the Securities Act) or a claim of breach of fiduciary duty.

(k) Compliance. The Company is not and since inception has not been: (i) in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company), nor has the Company received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived); (ii) in violation of any judgment, decree or order of any court, arbitrator or other governmental authority; or (iii) in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as would not reasonably be expected to result in a Material Adverse Effect. The execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby will not result in any such violation or be in conflict with or constitute, with or without the passage of time and giving of notice, either (x) a default under any such indenture, material loan, judgment, order, decree, contract or material agreement, or (y) an event which results in the creation of any material lien, charge or encumbrance upon any assets of the Company or the suspension, revocation, forfeiture, or nonrenewal of any material permit or license applicable to the Company or any of its assets or properties. The Company is not required under federal, state, local or foreign law, rule or regulation to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency in order for it to execute, deliver or perform any of its obligations under the Transaction Documents, or issue and sell the Note, or the Conversion Shares in accordance with the terms hereof or thereof (other than
(x) any consent, authorization or order that has been obtained as of the date hereof, (y) any filing or registration that has been made as of the date hereof or (z) any filings which may be required to be made by the Company with the Commission or state securities administrators subsequent to the Closing).

(l) Regulatory Permits. The Company possesses all certificates, authorizations, franchises, licenses and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct its businesses, except where the failure to possess such permits could not reasonably be expected to result in a Material Adverse Effect ("Material Permits"), and the Company has not received any notice of proceedings relating to the revocation or modification of any Material Permit.

(m) Title to Assets. The Company does not own any real property. The Company has good and marketable title in all personal property owned by it that is material to the business of the Company, free and clear of all Liens. Any real property and facilities held under lease by the Company is held by it under a valid and subsisting lease, enforceable against the Company with which the Company is in all material respects in compliance, except as enforceability may be limited by applicable bankruptcy,

insolvency, reorganization, moratorium, liquidation or similar laws relating to or affecting generally the enforcement of rights of creditors or by other equitable principles of general application.

(n) Intellectual Property. To the Knowledge of the Company, the Company has, or has the right to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights as necessary or required for use in connection with its business as currently conducted or currently proposed to be conducted (collectively, the "Intellectual Property Rights"). The Company has not received a notice (written or otherwise) that any of, the Intellectual Property Rights has expired, terminated or been abandoned, or is expected to expire or terminate or be abandoned, within two (2) years from the date of this Agreement. The Company has not received any written notice of a claim or otherwise has any Knowledge that the Intellectual Property Rights violate or infringe upon the rights of any Person, has not received any written notice of any claim that any Intellectual Property Right owned or controlled by a third party would be or is infringed or misappropriated by the manufacture, use, sale, offer for sale or importation of the Product (as defined in the Option and Collaboration Agreement) and, to the Company's Knowledge, the manufacture, use, sale, offer for sale or importation of the Product would not and does not infringe or misappropriate any Intellectual Property Right owned or controlled by a third party. The Company has taken reasonable security measures to protect the secrecy, confidentiality and value of all of its Intellectual Property Rights, except where failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(o) Insurance. The Company is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are customary in the businesses in which the Company is engaged, including, but not limited to, directors and officers insurance coverage. The Company has no reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

(p) Transactions with Affiliates and Employees. Other than as set forth in Schedule 3.1(p), none of the officers or directors of the Company, and, to the Knowledge of the Company, none of the employees of the Company is presently a party to any transaction with the Company (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from providing for the borrowing of money from or lending of money to, or otherwise requiring payments to or from any officer, director or such employee or, to the Knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, manager, trustee, stockholder, member or partner, in each case in excess of $120,000 other than for: (i) payment of salary or consulting fees for services rendered; (ii) reimbursement for expenses incurred on behalf of the Company; and (iii) other employee benefits, including option agreements under any option plan of the Company.

(q) Certain Fees. Other than as set forth on Schedule 3.1(q), no brokerage or finder's fees or commissions are or will be payable by the Company to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. The Purchaser shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by the Transaction Documents.

(r) Private Placement. Assuming the accuracy of the Purchaser's representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Securities by the Company to the Purchaser as contemplated hereby. Neither the Company nor any of its Affiliates, nor any person acting on their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with the offer or sale of the Securities.

(s) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become an "investment company" subject to registration under the Investment Company Act of 1940, as amended.

(t) No Integrated Offering. Assuming the accuracy of the Purchaser's representations and warranties set forth in Section 3.2, neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Securities to be integrated with prior or future offerings by the Company for purposes of the Securities Act which would require the registration of any such securities under the Securities Act.

(u) Tax Status. The Company: (i) has made or filed all United States federal, state and local income and all foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, except for the failure to make or file such tax returns, reports or declarations that would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect; (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations; and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim.

(v) Acknowledgment Regarding Purchaser's Purchase of Securities. The Company acknowledges and agrees that the Purchaser is acting solely in the capacity of

an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. The Company further acknowledges that the Purchaser is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by the Purchaser or any of its respective representatives or agents in connection with the Transaction Documents and the transactions contemplated thereby is merely incidental to the Purchaser's purchase of the Securities. The Company further represents to the Purchaser that the Company's decision to enter into this Agreement and the other Transaction Documents has been based solely on the independent evaluation of the transactions contemplated hereby by the Company and each of its representatives.

(w) Equity Incentive Plans. Each equity award granted by the Company under the Company's equity incentive plan was granted: (i) in accordance with the terms of such plan, and (ii) with an exercise price at least equal to the fair market value of the shares of Common Stock on the date such option would be considered granted under GAAP and applicable law. All federal and state filings with respect to such plans have been timely made, except where the failure to make any such filing timely would not have a Material Adverse Effect. No option granted under the Company's equity incentive plan has been backdated. The Company has not knowingly granted, and there is no and has been no Company policy or practice to knowingly grant equity awards prior to, or otherwise knowingly coordinate the grant of such awards with, the release or other public announcement of material information regarding the Company or their financial results or prospects.

(x) Material Agreements. Set forth on Exhibit 3.1(x) is a list of any and all material contracts, instruments, agreements, commitments, obligations, plans or arrangements, to which the Company and any Subsidiary is a party. Each of the Company and any Subsidiary has in all respects performed all the obligations required to be performed by them to date under the foregoing agreements, have received no notice of default and are not in default under any such agreement now in effect, except where the failure to so perform or the default would not cause a Material Adverse Effect.

(y) FDA Compliance. The Company: (i) is in material compliance with all statutes, rules or regulations applicable to the ownership, testing, development, manufacture, packaging, processing, use, distribution, marketing, labeling, promotion, sale, offer for sale, storage, import, export or disposal of any product that is under development, manufactured or distributed by the Company; (ii) has not received any FDA Form 483, notice of adverse finding, warning letter, untitled letter or other correspondence or notice from the U.S. Food and Drug Administration (the "FDA") or any other federal, state, local or foreign governmental or regulatory authority alleging or asserting noncompliance with any applicable laws or any licenses, certificates, approvals, clearances, authorizations, permits and supplements or amendments thereto required by any such applicable laws ("Authorizations"); and (iii) possesses all material Authorizations necessary for the operation of its business as currently conducted and such Authorizations are valid and in full force and effect and the Company is not in violation of any term of any such Authorizations. Neither the Company nor, to the Company's Knowledge any of its Representatives have made, nor to the Company's Knowledge has

any third party acting under the Company's authority made, an untrue statement of a material fact to any regulatory authority with respect to the Product, or knowingly failed to disclose a material fact required to be disclosed to any regulatory authority with respect to the Product. The Company, and to the Company's Knowledge, its Representatives and all such third parties have complied with all regulatory requirements with respect to the Product and active pharmaceutical ingredients contained therein. All information within the regulatory filings related to the Product have been generated in material compliance with all applicable laws, including, as applicable, cGMP, cGCP and cGLP, and all such regulatory filings are true and correct in all material respects.

(z) Disclosure. The Company has made available to the Purchaser all of the information reasonably available to the Company that the Purchaser has requested for deciding whether to acquire the Securities, and all such materials were prepared in good faith. No representation or warranty of the Company contained in this Agreement, as qualified by the Disclosure Schedule, and no certificate furnished or to be furnished to the Purchaser at the Closing contains any untrue statement of a material fact or, to the Company's Knowledge, omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made. It is understood that this representation is qualified by the fact that the Company has not delivered to the Purchaser, and has not been requested to deliver, a private placement or similar memorandum or any written disclosure of the types of information customarily furnished to purchasers of securities.

3.2 Representations and Warranties of the Purchaser. The Purchaser hereby represents and warrants as of the date hereof and as of the Closing Date to the Company as follows (unless as of a specific date therein):

(a) Organization; Authority. The Purchaser is an entity duly formed, validly existing and in good standing under the laws of the jurisdiction of its formation with full right, corporate or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Documents and performance by such Purchaser of the transactions contemplated by the Transaction Documents have been duly authorized by all necessary limited liability company or similar action, as applicable, on the part of the Purchaser. Each Transaction Document to which it is a party has been duly executed by the Purchaser, and when delivered by the Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of the Purchaser, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally; (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies; and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Own Account. The Purchaser understands that the Securities are "restricted securities" and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Securities as principal for its own

account and not with a view to or for distributing or reselling such Securities or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Securities in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities in violation of the Securities Act or any applicable state securities law (this representation and warranty not limiting the Purchaser's right to sell the Securities or any security into which they are converted or exchanged in compliance with applicable federal and state securities laws). The Purchaser is acquiring the Securities hereunder in the ordinary course of its business.

(c) Purchaser Status. At the time the Purchaser was offered the Securities, it was, and as of the date hereof it is, an "accredited investor" as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act.

(d) Experience of the Purchaser. The Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. The Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment.

(e) General Solicitation. The Purchaser is not purchasing the Securities as a result of any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or any other general solicitation or general advertisement.

(f) Confidentiality. Other than to other Persons party to this Agreement and to the Purchaser's employees, officers, directors, attorneys and advisors, the Purchaser has maintained and will maintain the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction).

(g) Full Access. The Purchaser has had a reasonable opportunity to ask questions of and receive information and answers from a person or persons acting on behalf of the Company concerning the Securities and has had an opportunity to conduct a due diligence investigation of the Company. The Purchaser has reviewed the Company's registration statement on Form S-1 filed with the Commission on December 23, 2015 and understands and acknowledges that there can be no assurance that such registration statement will be declared effective by the Commission or that the IPO for which the shares are being registered will be consummated.

The Company acknowledges and agrees that the representations contained in Section 3.2 shall not modify, amend or affect the Purchaser's right to rely on the Company's representations and warranties contained in this Agreement or any representations and warranties contained in any other Transaction Document or any other document or instrument executed and/or delivered in connection with this Agreement or the consummation of the transaction contemplated hereby.

ARTICLE IV.
OTHER AGREEMENTS OF THE PARTIES

4.1 Transfer Restrictions.

(a) The Securities may only be disposed of in compliance with state and federal securities laws.

(b) The Purchaser agrees to the imprinting, so long as is required by this Section 4.1, of a legend on any of the Securities in the following form:

THIS SECURITY AND THE SECURITIES ISSUABLE UPON THE CONVERSION HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY OTHER STATE OR JURISDICTION. THEY MAY NOT BE PURCHASED WITH A VIEW FOR DISTRIBUTION OR RESALE, AND MAY ONLY BE OFFERED, SOLD, MORTGAGED, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED IN COMPLIANCE WITH EITHER AN EFFECTIVE REGISTRATION STATEMENT FOR SUCH SECURITY UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES ACT, OR AN OPINION OF COUNSEL FOR THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER SECURITIES ACT OR THE LAWS OF ANY OTHER JURISDICTION.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE, INCLUDING A LOCK-UP PERIOD IN THE EVENT OF A PUBLIC OFFERING, AS SET FORTH IN THE SECURITIES PURCHASE AGREEMENT BETWEEN THE COMPANY AND THE PURCHASER, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE COMPANY.

4.2 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities.

4.3 Disclosure; Publicity. (a) The Company and the Purchaser shall consult with each other in issuing any other press releases with respect to the transactions contemplated hereby, and neither the Company nor the Purchaser shall issue any such press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release of the Purchaser, or without the prior consent of the Purchaser, with respect to any press release of the Company, and each such consent shall not unreasonably be withheld or delayed, except if such disclosure is required by securities laws or rules, including those promulgated by the Commission, or any rules or requirements of stock exchanges on which equity securities of each of the Company and the Purchaser may be listed, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement, disclosure or

communication. For the avoidance of doubt, the Purchaser understands that the U.S. federal securities laws generally require any company that is publicly held or that is registering its securities for public sale to disclose a broad range of financial and non-financial information in registration statements, annual reports and other filings made with the Commission. As a result, copies of this Agreement and the Note and descriptions thereof may be made public in the sole discretion of the Company or the Purchaser in order to comply with such securities laws and the rules and regulations of the Commission.

(b) Disclosure by the Company and the Purchaser of the Option and Collaboration Agreement and its terms, and material developments or material information generated under the Option and Collaboration Agreement shall be governed by Section 5 of the Option and Collaboration Agreement.

4.4 Use of Proceeds. The Company shall use the net proceeds hereunder primarily to fund the completion of the Company's Phase 3 clinical trial as currently contemplated with its product candidate CPP-1X/sul for the treatment of familial adenomatous polyposis (the "Phase 3 Trial"); provided that (a) this Section 4.4 shall not apply to any Investment in a Qualified Financing that is an IPO, and (b) the Company may use the net proceeds hereunder in its sole discretion in the event that either the Option and Collaboration Agreement or License Agreement is terminated or the Company's Phase 3 Trial is terminated.

4.5 Indemnification of Purchaser. Subject to the provisions of this Section 4.5 and in consideration of the Purchaser's execution of the Transaction Documents and acquiring the Securities, the Company will indemnify and hold the Purchaser and its directors, officers, shareholders, members, managers, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, managers, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a "Purchaser Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Purchaser Party may suffer or incur as a result of: (a) any misrepresentation or breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents; or (b) any action instituted against any Purchaser Party in any capacity, or its Affiliates, by any stockholder of the Company who is neither an Affiliate of such Purchaser Party nor another Purchaser Party, with respect to (x) any of the transactions contemplated by the Transaction Documents; or (y) any transaction directly or indirectly financed with the proceeds of the issuance of the Securities (unless such action is based upon a breach of such Purchaser Party's representations, warranties or covenants under the Transaction Documents or any agreements or understandings such Purchaser Party may have with any such stockholder or any violations by such Purchaser Party of state or federal securities laws or any conduct by such Purchaser Party which constitutes fraud, gross negligence, willful misconduct or malfeasance). If any action shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the

Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. Any Purchaser Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (i) the employment thereof has been specifically authorized by the Company in writing; (ii) the Company has failed after a reasonable period of time to assume such defense and to employ counsel; or (iii) in such action there is, in the reasonable opinion of counsel, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case the Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel. The Company will not be liable to any Purchaser Party under this Agreement (y) for any settlement by the Purchaser Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (z) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Purchaser Party's breach of any of the representations, warranties, covenants or agreements made by such Purchaser Party in this Agreement or in the other Transaction Documents. The indemnification required by this Section 4.5 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or are incurred. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Purchaser Party against the Company or others and any liabilities the Company may be subject to pursuant to law.

4.6 Form D; Blue Sky Filings. The Company agrees to timely file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof, promptly upon request of the Purchaser. The Company shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Securities for, sale to the Purchaser at the Closing under applicable securities or "Blue Sky" laws of the states of the United States, and shall provide evidence of such actions promptly upon request of the Purchaser.

Restrictions on Sale. The Purchaser hereby agrees not to sell or otherwise transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, of any Securities or other securities of the Company held by the Purchaser during the 180-day period following the effective date of the registration statement for the Company's IPO (or such other period as may be requested by the Company or an underwriter solely to accommodate regulatory restrictions on (i) the publication or other distribution of research reports; and (ii) analyst recommendations and opinions, including, but not limited to, the restrictions contained in NASD Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto)(the "Lock-Up Period"), *provided*, that all officers and directors of the Company and holders of at least 5% of the Company's voting securities are bound by and have entered into similar agreements. The obligations described in this Section 4.7 shall not apply to a registration relating solely to employee benefit plans on Form S-l or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions and may stamp each certificate with a legend as substantially set forth in Section 4.1 with respect to the shares of the Securities (or other securities of the Company) subject to the foregoing restriction until the end of such 180-day (or other) period. The Purchaser agrees to execute a market stand-off

agreement with the underwriters in the offering in customary form consistent with the provisions of this Section 4.7. Any discretionary waiver or termination of the restrictions of any or all of such agreements by the Company or the underwriters shall apply pro rata to all holders subject to such agreements, *pro rata* based on the number of shares subject to such agreements.

4.7 Option and Investment. Notwithstanding anything in this Agreement to the contrary, if the Purchaser does not consummate the Investment in accordance with the terms of this Agreement (including the satisfaction of the conditions set forth in Section 2.7(b) above), then (a) such failure to purchase shall be a material breach of this Agreement, and (b) the Option described in Section 2.2 and the Option and Collaboration Agreement shall be null and void and not exercisable by the Purchaser.

ARTICLE V. MISCELLANEOUS

5.1 Board Observer Rights. (a) Beginning on the date hereof until the date of exercise of the option in accordance with the terms of the Option and Collaboration Agreement or the expiration of the option period as set forth therein (the "Observer Period"), the Company agrees that it will invite one representative designated by the Purchaser (the "Observer") to attend, in a non-voting observer capacity, all formal meetings of the Board of Directors in which a quorum is present for the purposes of permitting Observer to have current information with respect to the affairs of the Company and the actions taken by the Board of Directors (the "Approved Purposes"); provided that such Observer designated by the Purchaser is subject to the Company's approval (which approval shall not be unreasonably withheld). In no event shall Observer: (i) be deemed to be a member of the Board of Directors; (ii) have the right to vote on any matter under consideration by the Board of Directors or otherwise have any power to cause the Company to take, or not to take, any action; or (iii) except as expressly set forth in this Section 5.1, have or be deemed to have, or otherwise be subject to, any duties (fiduciary or otherwise) to the Company or its stockholders or any duties (fiduciary or otherwise) otherwise applicable to the directors of the Company. As a non-voting observer, Observer will also be provided (concurrently with delivery to the directors of the Company and in the same manner delivery is made to them) copies of all notices, minutes, consents, and all other materials or information (financial or otherwise) that are provided to the directors with respect to a meeting or any written consent in lieu of meeting (except to the extent Observer has been excluded therefrom pursuant to clause (d) below).

(c) If a meeting of the Board of Directors is conducted via telephone or other electronic medium (e.g., videoconference), Observer may attend such meeting via the same medium; provided, however, that Observer shall not provide any other person access to such meeting without the Company's express prior written consent (which consent may be by e-mail).

(d) Notwithstanding the foregoing, the Company may exclude Observer from access to any material or meeting or portion thereof if: (i) the Board of Directors concludes in good faith, upon advice of the Company's counsel, that such exclusion is reasonably necessary to preserve the attorney-client privilege between the Company and such counselor or if the Company in good faith believes that the Observer has a potential conflict of interest; provided,

however, that any such exclusion shall apply only to such portion of the material or such portion of the meeting which would be required to preserve such privilege and not to any other portion thereof; or (ii) such portion of a meeting is an executive session limited solely to independent director members of the Board of Directors, independent auditors and/or legal counsel, as the Board of Directors may designate, and Observer (assuming Observer were a member of the Board of Directors) would not meet the then-applicable standards for independence adopted by the New York Stock Exchange, or such other exchange on which the Company's securities are then traded.

(e) The Observer shall not receive compensation from the Company for the performance of as an Observer; however, the Company shall reimburse Observer for all reasonable out-of-pocket expenses incurred by Observer in connection with attendance at Board of Directors meetings. All reimbursements payable by the Company pursuant to this Section 5.1(d) shall be paid to Observer in accordance with the Company's policies and practices with respect to director expense reimbursement then in effect

(f) The rights described in this Section 5.1 shall terminate upon: (i) the end of the Observer Period; (ii) any material violation of the terms of this Section 5.1 by Observer that
(A) remains uncured within ten (10) business days after receipt of notice thereof, or (B) if such violation is not subject to cure, directly causes material harm to the Company in the Board of Directors' sole and absolute discretion.

(g) In consideration of the Company's disclosure to Observer of information that is not publicly available concerning the Company for the Approved Purposes, Purchaser agrees that this Section 5.1 will apply to all information, in any form whatsoever, disclosed or made available to Observer concerning the Company, its affiliates and/or the Approved Purposes ("Confidential Information").

(h) Except as otherwise provided herein, Purchaser agrees: (i) to hold Confidential Information in strict confidence; (ii) not to disclose Confidential Information to any third parties; and (iii) not to use any Confidential Information for any purpose except for the Approved Purposes. Observer may disclose the Confidential Information to its responsible agents, advisors, affiliates and representatives with a bona fide need to know ("Representatives"), but only to the extent necessary for the Approved Purposes. Purchaser agrees that Observer shall instruct all such Representatives not to disclose such Confidential Information to third parties without the prior written permission of the Company. Purchaser will, at all times, remain liable under the terms of this Agreement for any unauthorized disclosure or use by Observer or any Representatives of Confidential Information provided to such Representatives by Observer.

(i) The foregoing restriction on the use and nondisclosure of Confidential Information will not include information which, as evidenced by written documentation: (i) is, or hereafter becomes, through no act or failure to act on the part of Observer, generally known or available to the public; (ii) was acquired by Observer before receiving such information from the Company, without restriction as to use or disclosure; (iii) is hereafter furnished to Observer by a third party, without, to Observer's knowledge, restriction as to use or disclosure; (iv) such information was independently developed by Observer; or (v) is required or requested to be

disclosed pursuant to judicial, regulatory or administrative process or court order, provided, that to the extent permitted by law, rule or regulation and reasonably practicable under the circumstances, Observer gives the Company prompt notice of such required disclosure so that the Company may challenge the same

(j) Following the termination of the rights of Observer described in this Section 5.1 and upon request of the Company, Observer will promptly: (i) return to the Company all physical materials containing or consisting of Confidential Information and all hard copies thereof; and (ii) destroy all electronically stored Confidential Information in Observer's possession or control. Observer may retain in his confidential files one copy of any item of Confidential Information in order to comply with any legal, compliance or regulatory requirements. Any Confidential Information that is not returned or destroyed, including, without limitation, any oral Confidential Information, and all notes, analyses, compilations, studies or other documents prepared by or for the benefit of Observer from such information, will remain subject to the confidentiality obligations set forth in this Agreement indefinitely.

(k) All Confidential Information is provided to Observer "as is" and the Company does not make any representation or warranty as to the accuracy or completeness of the Confidential Information or any component thereof. The Company will have no liability to Observer resulting from the reliance on the Confidential Information by Observer or any third party to whom such Confidential Information is disclosed.

(l) Purchaser acknowledges that all of the Confidential Information is owned solely by the Company (or its licensors) and that the unauthorized disclosure or use of such Confidential Information would cause irreparable harm and significant injury, the degree of which may be difficult to ascertain. Therefore, in the event of any breach of this Agreement, the Company is entitled to seek all forms of equitable relief (including an injunction and order for specific performance), in addition to all other remedies available at law or in equity.

(m) Purchaser agrees that the Confidential Information is given in confidence in accordance with the terms of this Agreement, and Purchaser and Observer will not take any action relating to the securities of the Company which would constitute insider trading, market manipulation, or any other violation of applicable securities law. Observer agrees to instruct all of its Representatives to whom it discloses Confidential Information that they may not take any action relating to the securities of the Company which would constitute insider trading, market manipulation, or any other violation of applicable securities law.

(n) Prior to the designation of any Observer, Purchaser agrees to cause Observer to execute and deliver to the Company a written acknowledgement of such Observer's obligations under this Section 5.1.

5.2 Fees and Expenses. Except as expressly set forth in the Transaction Documents to the contrary, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. The Company shall pay all Transfer Agent fees (including, without limitation any fees required for same day processing of any instruction letter delivered by the Company and any conversion or exercise

notice delivered by the Purchaser), stamp taxes and other taxes and duties levied in connection with the delivery of any Securities to the Purchaser.

5.3 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

5.4 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto at or prior to 5:30 p.m. (Arizona time) on a Business Day; (b) the next Business Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto on a day that is not a Business Day or later than 5:30 p.m. (Arizona time) on a Business Day; (c) the second (2nd) Business Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service; (d) the fourth (4th) Business Day following the date of mailing if sent by U.S. Mail, or (e) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto.

5.5 Amendments; Waivers. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and the Purchaser or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

5.6 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company and Purchaser may not assign this Agreement or any rights or obligations hereunder without the prior written consent of the Purchaser (other than by merger).

5.8 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

5.9 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the

interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in New York, New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in New York, New York for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If either party shall commence an action, suit or proceeding to enforce any provisions of the Transaction Documents, then, in addition to the obligations of the Company under Section 4.5, the prevailing party in such action, suit or proceeding shall be reimbursed by the other party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

5.10 Survival. The representations and warranties contained herein shall survive the Closings and the delivery of the Securities.

5.11 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

5.12 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.13 Replacement of Securities. If any certificate or instrument evidencing any Securities is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu

of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction. The applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs (including customary indemnity) associated with the issuance of such replacement Securities.

5.14 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, the Purchaser will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in the Transaction Documents and hereby agree to waive and not to assert in any action for specific performance of any such obligation the defense that a remedy at law would be adequate.

5.15 Payment Set Aside. To the extent that the Company makes a payment or payments to the Purchaser pursuant to any Transaction Document or the Purchaser enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently set aside, recovered from, disgorged by or refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other Person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

5.16 Usury. To the extent it may lawfully do so, the Company hereby agrees not to insist upon or plea or in any manner whatsoever claim, and will resist any and all effort to be compelled to take the benefit or advantage of, usury law wherever enacted, now or at any time hereafter in force, in connection with any claim, action or proceeding that may be brought by the Purchaser in order to enforce any right or remedy under any Transaction Document. Notwithstanding any provision to the contrary contained in any Transaction Document, it is expressly agreed and provided that the total liability of the Company under the Transaction Documents for payments in the nature of interest shall not exceed the maximum lawful rate authorized under applicable law (the "Maximum Rate"), and, without limiting the foregoing, in no event shall any rate of interest or default interest, or both of them, when aggregated with any other sums in the nature of interest that the Company may be obligated to pay under the Transaction Documents exceed such Maximum Rate. It is agreed that if the maximum contract rate of interest allowed by law and applicable to the Transaction Documents is increased or decreased by statute or any official governmental action subsequent to the date hereof, the new maximum contract rate of interest allowed by law will be the Maximum Rate applicable to the Transaction Documents from the effective date thereof forward, unless such application is precluded by applicable law. If under any circumstances whatsoever, interest in excess of the Maximum Rate is paid by the Company to the Purchaser with respect to indebtedness evidenced by the Transaction Documents, such excess shall be applied by the Purchaser to the unpaid principal balance of any such indebtedness or be refunded to the Company, the manner of handling such excess to be at the Purchaser's election.

5.17 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

5.18 Construction. The parties agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices and shares of Common Stock in any Transaction Document shall be subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement.

5.19 **WAIVER OF JURY TRIAL. IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVES FOREVER TRIAL BY JURY.**

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

CANCER PREVENTION PHARMACEUTICALS, INC.

By:/s/ Jeffrey Jacob
Name: Jeffrey Jacob
Title: Chief Executive Officer

Address for Notice:

1760 East River Road, Suite 250
Tucson, AZ 85718
Attention: Jeffrey Jacob
Chief Executive Officer
Fax: #########

With a copy to (which shall not constitute notice):

Leslie Marlow, Esq.
Gracin & Marlow, LLP
The Chrysler Building
405 Lexington Avenue, 26th Floor
New York, NY 10174
Fax: #########

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK SIGNATURE PAGE FOR PURCHASER FOLLOWS]

[PURCHASER SIGNATURE PAGES TO THE SECURITIES PURCHASE AGREEMENT BY AND BETWEEN CANCER PREVENTION PHARMACEUTICALS, INC. AND SUCAMPO AG]

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

Name of Purchaser: SUCAMPO AG

Signature of Authorized Signatory of Purchaser: /s/ Peter Greenleaf

Name of Authorized Signatory: Peter Greenleaf

Title of Authorized Signatory: Chairman of the Board

Email Address of Authorized Signatory:

Facsimile Number of Authorized Signatory:

Address for Notice to Purchaser:

Address for Delivery of Securities to Purchaser (if not same as address for notice):

Closing Subscription and Option Amount: $8,000,000

Principal Amount: $5,000,000

EIN Number:

PURCHASER SIGNATURE PAGES TO THE SECURITIES PURCHASE AGREEMENT BY AND BETWEEN CANCER PREVENTION PHARMACEUTICALS, INC. AND SUCAMPO AG]

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.
Name of Purchaser: SUCAMPO AG

Signature of Authorized Signatory of Purchaser: /s/ Matthias Alder

Name of Authorized Signatory: Matthias Alder

Title of Authorized Signatory: Director

Email Address of Authorized Signatory: #########

Facsimile Number of Authorized Signatory: #########

Address for Notice to Purchaser: Baarerstrasse 22, 6300 Zug, Switzerland

Address for Delivery of Securities to Purchaser (if not same as address for notice):

Closing Subscription and Option Amount: $8,000,000

Principal Amount: $5,000,000

EIN Number:

Annex A

CLOSING STATEMENT

Pursuant to the attached Securities Purchase Agreement, dated as of the date hereto, the Purchaser shall purchase the Convertible Promissory Note from Cancer Prevention Pharmaceuticals, Inc. (the "Company") and pay the Option Fee (as defined in the Securities Purchase Agreement). All funds will be wired into an account maintained by the Company. All funds will be disbursed in accordance with this Closing Statement.

Disbursement Date: January , 2016

I. Proceeds

Gross Proceeds to be Received	$8,000,000

Total Amount Disbursed: $8,000,000

WIRE INSTRUCTIONS:

Bank Name:

Routing Number:

Account Number:

Beneficiary:

Beneficiary Address:

Duly executed this day of January, 2016:

CANCER PREVENTION PHARMACEUTICALS, INC.

By: _____
Name:
Title:

Schedule 3.1(a)

Subsidiaries

Name	State/Country of Organization	Percentage Ownership by Company
Cancer Prevention Pharmaceuticals, LLC	Arizona	100%
Cancer Prevention Pharma Limited	United Kingdom	100%

Schedule 3.1(e)

Filings, Consents and Approvals

Pursuant to the terms of that certain Investors' Rights Agreement, dated September 17, 2012, as amended (the "Investors' Rights Agreement") by and among the Company and the holders of the Company's Series A Preferred Stock (the "Series A Holders"), the Series A Holders have a right of first refusal to purchase a *pro rata* share of any New Securities (as such term is defined in the Investors' Rights Agreement) on an as converted basis. The Company has obtained waivers from a majority of the Series A Holders, which makes these rights of first refusal inapplicable to the Securities offered by this Agreement.

Schedule 3.1(g)

Capitalization

The following table sets forth our capitalization as of September 30, 2015:

	As of September 30, 2015 Actual (unaudited) (in thousands, except shares and per share amounts)
Series A-1 Preferred Stock, $.001 par value: 7,300,000 shares authorized, 5,568,717 shares issued and outstanding	5,407
Series A-2 Preferred Stock, $.001 par value: 6,000,000 shares authorized, 5,252,500 shares issued and outstanding	5,152
Common stock and additional paid-in capital, $.001 par value: 35,000,000 shares authorized, 12,666,678 shares issued and 12,574,988 outstanding	13
Additional paid-in capital	1,245
Accumulated deficit	(20,246)
Total stockholders' equity (deficit)	(18,988)
Total capitalization	$ 18,988

The number of shares of common stock in the table is based on the number of shares of our common stock outstanding as of September 30, 2015, and excludes:

- 4,024,425 shares of common stock issuable upon the exercise of outstanding stock options as of September 30, 2015 at a weighted average exercise price of $0.29 per share;
- 623,936 shares of common stock issuable upon the exercise of outstanding warrants issued to the University of Arizona as of September 30, 2015, at a weighted-average exercise price of $0.048 per share; and
- 559,768 shares of common stock reserved for future issuance under our 2010 Equity Incentive Plan.

Schedule 3.1(i)

Material Changes

The Company is currently offering (the "Bridge Financing") to certain of its current investors Convertible Promissory Notes in the aggregate principal amount of up to $3,000,000. Investors will also receive a five-year warrant (30% warrant coverage) to purchase the Company's securities.

Schedule 3.1(p)

Transactions with Affiliates and Employees

The following includes a summary of transactions since January 1, 2013 to which the Company has been a party, in which the amount involved in the transaction exceeded $120,000, and in which any of the Company's directors, executive officers or, to the Company's knowledge, beneficial owners of more than 5% of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than equity and other compensation, termination, change in control and other compensation arrangements with officers and directors.

Master Services Agreement

Effective June 10, 2015, the Company entered into a master services agreement with Clear Pharma, Inc., a company owned by a director, Daniel Donovan, for the provision of data analysis services. The Company owns all of the work product and intellectual property rights associated therewith. The master services agreement may be terminated: (i) by us upon 30 days' notice; (ii) by either party after a 30-day notice and cure period upon a material breach of the terms of the agreement; and (iii) immediately by either party in the case of bankruptcy or insolvency of the other party. It is anticipated that total services will cost $121,500 plus $65,000 to $105,000 in pass-through fees. As of November 2, 2015, we have paid Clear Pharma, Inc. $7,975 for services rendered. On August 7, 2015, in connection with consulting services we granted Mr. Donovan an option exercisable for 100,000 shares of common stock at an exercise price of $0.80 vesting pro rata over a 36-month period.

Financings

From November 19, 2012 through October 3, 2013, we issued and sold to investors an aggregate of 5,252,500 shares of our Series A-2 Preferred Stock at a purchase price of $1.00 per share, for aggregate consideration of $5,252,500. The participants in the Series A-2 Preferred Stock financing included the following holders of more than 5% of our capital stock: Translational Accelerator, LLC, who acquired 1,000,000 shares of Series A-2 Preferred Stock. The participants in the Series A-2 Preferred Stock financing also included the following officers and/or directors: Jeffrey Jacob, Christopher Richied, and Westport Boys, LLC, an entity of which our director Daniel Donovan is a member and the manager, who acquired 100,000, 25,000, and 425,000 shares of Series A-2 Preferred Stock, respectively.

In connection with financings in 2009, 2010 and 2012, we entered into agreements, which were subsequently amended, with our investors, which contain registration rights, information rights, voting rights and rights of first refusal, among other things. The agreements will terminate upon the closing of an IPO, except for the registration rights granted under certain investor rights agreements.

It is anticipated that certain of the Company's officers and directors (directly and/or through affiliates) will participate in the Bridge Financing.

Employment Agreements; Stock Options Granted to Executive Officers

We currently have written employment agreements with our executive officers.

On July 30, 2012, we entered into an employment agreement with Eugene Gerner, Ph.D. to act as our Chief Scientific Officer, which was amended on January 13, 2014. The agreement, as amended, provides that Dr. Gerner receive an annual base salary of $120,000 for his half-time employment.

We have granted stock options to our executive officers.

Indemnification Agreements

We have entered into, and intend to continue to enter into, separate indemnification agreements with our directors and executive officers, in addition to the indemnification provided for in our amended and restated bylaws. These agreements, among other things, require us to indemnify our directors and executive officers for certain expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by a director or executive officer in any action or proceeding arising out of their services as one of our directors or executive officers or any other company or enterprise to which the person provides services at our request. We believe that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our stockholders. A stockholder's investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

Schedule 3.1(q)

Certain Fees

The Company has agreed to pay Geller Biopharm, a Healthcare Investment Banking Division of Financial West Group, a fee in connection with certain of the transactions contemplated by this Agreement.

Schedule 3.1(x)

Material Agreements

1. Amended and Restated Certificate of Incorporation of the Registrant, as currently in effect filed on September 14, 2012
2. Bylaws of the Registrant, as currently in effect
3. Certificate of Amendment to the Amended and Restated Certificate of Incorporation effective as of September 28, 2012
4. Certificate of Amendment to the Amended and Restated Certificate of Incorporation effective as of April 30, 2013
5. Form of Common Stock Certificate of the Registrant
6. Cancer Prevention Pharmaceuticals, Inc. 2010 Equity Incentive Plan
7. Form of Stock Option Agreement, Notice of Exercise and Stock Option Grant Notice under the 2010 Equity Incentive Plan
8. Form of Warrant ($2,000,000 Financing)
9. Form of Convertible Promissory Note ($2,000,000 Financing)
10. Form of Warrant ($2,500,000 Financing)
11. Form of Convertible Promissory Note ($2,500,000 Financing)
12. Warrant issued to the University of Arizona and Conversion Letter
13. Stockholders Agreement (2009 Financing)
14. First Amendment to 2010 Equity Incentive Plan
15. Second Amendment to 2010 Equity Incentive Plan
16. Third Amendment to 2010 Equity Incentive Plan
17. Form of Indemnification Agreement by and between the Registrant and its directors and officers.
18. Form of Note and Warrant Purchase Agreement ($2,000,000 financing)
19. Form of Convertible Promissory Note and Note Purchase Agreement Modification Agreement
20. Form of Modification to Convertible Promissory Note
21. Employment Agreement with Jeffrey Jacob, effective January 24, 2011
22. Amendment to Employment Agreement with Jeffrey Jacob, effective September 2, 2013
23. Employment Agreement with Christopher Richied, effective February 1, 2013
24. Amendment to Employment Agreement with Christopher Richied, effective September 2, 2013

25. Employment Agreement with Eugene Gerner, Ph.D., effective August 1, 2012
26. Amendment to Employment Agreement with Eugene Gerner, Ph.D., effective February 11, 2014
27. Form of Series A-2 Preferred Stock Purchase Agreement September 2012
28. Form of Investors' Rights Agreement September 2012
29. Amendment to Investors Right's Agreement dated September 27, 2012
30. Form of Voting Agreement September 2012
31. Amendment to Voting Agreement dated September 27, 2012
32. Form of Right of First Refusal and Co-Sale Agreement September 2012
33. Amendment to Right of First Refusal and Co-Sale Agreement dated September 27, 2012
34. Form of Series A-2 Preferred Stock Purchase Agreement November 2012
35. Form of Amended Series A-2 Preferred Stock Purchase Agreement July 2013
36. Pharmaceutical Product Co-Development and License Agreement between Cancer Prevention Pharmaceuticals, Inc. and Tillotts Pharma AG dated December 27, 2013
37. Amendment to the Pharmaceutical Product Co-Development and License Agreement between Cancer Prevention Pharmaceuticals, Inc. and Tillotts Pharma AG effective as of March 31, 2014
38. Agreement between Cancer Prevention Pharmaceuticals, Inc. and SWOG effective as of February 22, 2014
39. Product Manufacturing and Supply Agreement between Cancer Prevention Pharmaceuticals, LLC and Sanofi-Aventis Canada, Inc. dated June 30, 2009
40. First Amendment to Product Manufacturing and Supply Agreement between Cancer Prevention Pharmaceuticals, LLC and Sanofi-Aventis Canada, Inc. dated September 3, 2009
41. Assignment, Assumption and Second Amendment to Product Manufacturing and Supply Agreement by and among Cancer Prevention Pharmaceuticals, LLC, Sanofi-Aventis Canada, Inc. dated February 29, 2012
42. Master Development Agreement between Cancer Prevention Pharmaceuticals, Inc. and Sanofi-Aventis Canada, Inc. dated November 9, 2012
43. Amended and Restated License Agreement between Regents of The University of Arizona and Cancer Prevention Pharmaceuticals, Inc. effective December 19, 2013
44. First Amendment to the Amended and Restated Exclusive License Agreement between The Regents of The University of Arizona and Cancer Prevention Pharmaceuticals, Inc. dated as of August 12, 2015
45. Amendment to Warrant issued to the University of Arizona
46. Note and Warrant Purchase Agreement (Bridge Financing)

47. Form of Convertible Promissory Note (Bridge Financing)
48. Form of Warrant (Bridge Financing)

Exhibit A

Convertible Promissory Note

Exhibit B

Option and Collaboration Agreement

Exhibit 10.4

SEPARATION AGREEMENT AND RELEASES

This Separation Agreement and Releases ("Separation Agreement") is made and entered into as of the 29th day of February, 2016, by and between Stanley Miele (hereinafter "Executive") and Sucampo Pharmaceuticals, Inc. ("SPI"), a corporation organized under the laws of the State of Delaware, and its affiliates (hereinafter collectively referred to as the "Company").

WHEREAS, Executive and SPI are parties to an Employment Agreement dated as of October 21, 2014 (hereinafter, the "Employment Agreement");

WHEREAS, Executive and SPI intend to settle any and all claims that Executive may have against SPI as a result of any act, occurrence, decision, event or omission occurring at any time prior to the signing of this Separation Agreement, including, but not limited to, any matter or fact arising out of Executive's employment with SPI, compensation during the employment, the termination of Executive's employment, or the events giving rise to the Employment Agreement or this Separation Agreement;

WHEREAS, the parties agree that this Separation Agreement supersedes the all the terms and conditions set forth in the Executive's Employment Agreement dated October 21, 2014, except for the provisions of Article 5 containing the non-compete agreement as set forth in Section 9 below.

WHEREAS, the parties have had extensive negotiations concerning the terms and conditions of the Executive's separation arrangement from SPI, and they have agreed upon such terms and conditions as set forth in this Separation Agreement.

NOW, THEREFORE, in consideration of the payments and benefits, obligations and covenants all contained herein, the parties agree as follows:

1. Termination of Employment. On January 4, 2016, SPI notified the Executive that the Executive's last day of employment with SPI SPI will be February 29, 2016 (the "Separation Date"). As a condition for receiving the consideration set forth in this Separation Agreement, the Executive agreed to continue performing services for SPI until February 29, 2016. Between January 8, 2016 and February 29, 2016, Executive will be relieved of specific day-to-day duties, and will provide such consulting or other services and special assignments ("Special Services") as may be requested periodically by Peter Greenleaf, Chief Executive Officer, or an assigned, equivalent or successor officer (hereafter "Authorized Agent"). As part of the required Special Services, Executive agrees to cooperate fully with SPI to complete the transition of matters with which Executive is familiar or for which he was responsible and to make himself reasonably available to SPI or its representatives to answer questions, provide information, or otherwise assist in matters with which Executive has been involved or has relevant information or experience.

2. Consideration. Executive understands that any payments or benefits paid or granted to him pursuant to this Separation Agreement represent consideration for signing this Separation Agreement SPI and are not salary, wages or benefits to which Executive was already entitled. Provided the Executive fulfilled his promise to continue working through February 29, 2016, SPI agrees to provide the Executive with the following payments and benefits. Executive understands that he will not receive any payments or benefits from SPI unless (a) he executes this Separation Agreement during the period February 29, 2016 – March 4, 2016 and does not revoke it within the time period specified in Section 17, and (b) he complies with all obligations

in this Separation Agreement and does not breach it. Pursuant to the terms of this Separation Agreement, Executive will receive the following benefits:

a. Payment of Executive's base salary for the period from January 4, 2016 through the Separation Date (the "Notice Period"), which amounts to Forty-Three Thousand Four Hundred Thirty Five Dollars and Eleven cents ($43,435.11), less all applicable taxes and withholdings;

b. Payment for any accrued and unused PTO through February 29, 2016;

c. A lump sum payment of Two Hundred Seventy-Five Thousand Four Hundred and Forty Two Dollars and Eleven cents ($275,442.11), less all applicable taxes and withholdings, to be made by no later than ten (10) business days following the expiration of the revocation period in Section 17 without any revocation having occurred;

d. A lump sum payment of One Hundred Sixty Eight Thousand Nineteen Dollars and Sixty Nine cents ($168,019.69) less all taxes and withholdings, which is intended to replace the 2015 bonus Executive did not earn. to be made by no later than ten (10) business days following the execution of this Separation Agreement without any revocation having occurred;

e. In the event Executive elects COBRA, the COBRA continuation premium payments will be made by SPI during the twelve (12) month period

following the Separation Date, or until the first date on which Executive is enrolled in another health insurance plan, whichever is sooner;

f. Accelerated vesting of Executive's unvested SPI stock options listed below, which constitute all of Executives' unvested SPI stock options:

i. 8,334 options with $6.75 exercise price and grant date of September 11, 2014;

ii. 2,299 options with exercise price of $14.82 and grant date of March 4, 2015; and

iii. 18,701 options with exercise price of $14.82 and grant date of March 4, 2015;

g. A letter of reference from SPI's CEO containing language to be mutually agreed upon by Executive and the CEO; and

h. SPI will pay for the cost of twelve months of outplacement services for Executive with Challenger, Gray & Christmas Inc. ("Outplacement Services"). This twelve-month period will begin when Executive begins using the Outplacement Services, which must be no later than February 29, 2016. Employer will make payment directly to Challenger, Gray & Christmas Inc. for the Outplacement Services.

3. Release of Claims by Executive. In exchange for the consideration provided by SPI set forth above in Section 2, the Executive agrees to waive SPI any and all claims, known

and unknown, that Executive may have against SPI, its predecessors, successors, and assigns, and their respective boards of directors, board committees, officers, directors, shareholders, agents, employees, and insurers (the "Released Parties"), as of the effective date of this Separation Agreement.

a. Executive understands and agrees that Executive's release of claims in this Separation Agreement includes, but is not limited to, any claims Executive may have under Title VII of the Federal Civil Rights Act of 1964, as amended; the Americans with Disabilities Act, the Equal Pay Act, the Fair Labor Standards Act, the Employee Retirement and Income Security Act, the Age Discrimination in Employment Act, the Family and Medical Leave Act, the Maryland Fair Employment Practices Statute (formerly referred to as Article 49 B) - MD. Code Ann., State Gov't § 20-601 et seq.; Maryland Lily Ledbetter Civil Rights Restoration Act - MD. Code Ann., State Gov't § 20-607 (b); Maryland Equal Pay Law- MD. Code Ann., Lab. & Emp. § 3-301 et seq.; Maryland Wage Payment and Collection Law - MD. Code Ann., Lab. & Emp. § 3- 501 et seq.; Maryland Wage Hour Law - MD. Code Ann., Lab. & Emp. § 3-401 et seq.; Maryland Worker's Compensation Act - MD. Code Ann., Lab. & Emp. § 9-101 et seq.; Maryland Occupational Safety and Health Law - MD. Code Ann., Lab. & Emp. § 5-101 et seq.; or any other federal, state, or local statute, ordinance, or law.

b. Executive also understands that Executive is waiving all other claims, known and/or unknown, whether grounded in contract or tort theories, including, but not limited to, wrongful discharge, breach of contract, tortious interference with contractual relations, promissory estoppel, detrimental reliance, breach of the implied covenant of good faith and fair dealing, breach of express or implied promise, breach of manuals or other policies, breach of fiduciary duty, assault, battery, fraud, invasion of privacy, intentional or negligent

misrepresentation, defamation, including libel, slander, discharge defamation and self- publication defamation, discharge in violation of public policy, whistleblower, intentional or negligent infliction of emotional distress, or any other theory, whether legal or equitable.

c. Executive will not institute any lawsuit against the Released Parties based on any claims, known and/or unknown as of the effective date of this Separation Agreement.

d. To the extent required by law, nothing contained in this Separation Agreement will be interpreted to prevent Executive from filing a charge with a governmental agency or participating in or cooperating with an investigation conducted by a governmental agency. However, Executive agrees that Executive is waiving the right to any monetary damages or other individual legal or equitable relief from the Released Parties related to any claim, known or unknown, as of the effective date of this Separation Agreement. ..

e. Notwithstanding any of the foregoing, by signing this Separation Agreement, Executive does not waive Executive's right to: (i) any rights or benefits Executive may have related to vested accrued benefits under the terms of SPI's benefit plans; (b) seek benefits under applicable workers' compensation and/or unemployment compensation statutes;
(iii) be indemnified by SPI pursuant to the terms of its bylaws and the law of the State of Delaware; (iv) pursue claims which by law cannot be waived by signing this Separation Agreement; (v) enforce this Separation Agreement; and/or (f) challenge the validity of this Separation Agreement.

f. Executive agrees that, if he challenges the validity of this Separation Agreement, he will forfeit all amounts payable by SPI under this Separation Agreement. Executive also agrees that if he violates this Separation Agreement by suing any of the Released

Parties, in the event that the Released Party is the prevailing party, Executive will pay all costs and expenses of defending against the suit incurred by the Released Party, including reasonable attorneys' fees, and return all payments received by Executive on or after the Separation Date.

g. Executive hereby acknowledges and states that Executive has read this Separation Agreement; this Separation Agreement is written in language which is understandable to Executive; that Executive fully appreciates the meaning of the terms of this Separation Agreement, and that Executive enters into this Separation Agreement freely and voluntarily.

5. Confidentiality. Executive agrees that this Separation Agreement and the Employment Agreement are confidential and agrees not to disclose any information regarding the terms of this Separation Agreement or the Employment Agreement, except to his immediate family and any tax, legal or other counsel he has consulted regarding the meaning or effect hereof or as required by law, and he will instruct each of the foregoing not to disclose the same to anyone. SPI agrees to disclose any such information only to any tax, legal or other counsel of SPI as required by law. Further, Executive shall not affirmatively make any public or private statements about his employment or separation from SPI except to his immediate family and any tax, legal or other counsel he has retained, unless authorized in writing by SPI; except however, that in response to any inquires from any media or third party, Executive only can state that "Executive and SPI have agreed to part ways on an amicable basis upon the conclusion of the Employment Agreement." SPI shall provide dates of employment and positions held by Executive in response to any inquiry made by a third party for any purpose regarding Executive's employment by SPI, and shall not be required to provide any other reference for Executive, whether oral or written, other than the letter of reference described in Section 2(e) of this Separation Agreement.

6. <u>Executive Cooperation</u>. As long as there is no conflict between Executive's legal interests and those of the Released Party at issue, Executive agrees that he shall, to the extent reasonably requested in writing, cooperate with and serve in any capacity requested by the Released Party in any investigation and/or threatened or pending litigation (now or in the future) in which the Released Party is a party, and regarding which Executive, by virtue of his employment with SPI, has knowledge or information relevant to said investigation or litigation including, but not limited to (i) meeting with representatives of the Released Party to prepare for testimony and to provide truthful information regarding his knowledge, (ii) acting as the Released Party's representative, and (iii) providing, in any jurisdiction in which the Released Party requests, truthful information or testimony relevant to the investigation or litigation. Company agrees to reimburse Executive's reasonable expenses incurred for his cooperation under this Section 7.

Executive also agrees to cooperate with the Released Party and its counsel in connection with any matters relating to the Released Party in which Executive has been compelled, by subpoena or other compulsory, to testify or produce documents. Executive shall provide notice to SPI and the Released Party at issue (if not SPI) within 48 hours of receiving such notice and agrees to (i) meet with the Released Party's representatives and attorneys (ii) provide the attorneys with any documents requested, and (iii) prepare for any appearance with the Released Party's attorneys.

Executive, at his own expense, may retain his own counsel, in lieu of or in addition to, Released Party's counsel. Executive's appointment of his own counsel shall in no way interfere with his obligation to cooperate with Released Party as described herein.

7. Mutual Non-Disparagement. Executive and SPI agree that, at all times following the signing of this Separation Agreement, they shall not engage in any defamation or willful and malicious disparagement of the other. Executive acknowledges that the only persons whose statements may be attributed to SPI for purposes of this Separation Agreement not to make disparaging statements shall be each member of the Board of Directors of the SPI and each of SPI's senior executive officers. Nothing in this Separation Agreement prevents SPI from responding to subpoenas, government inquiries or other obligations they may have under the law or from reporting criminal activities to appropriate authorities.

8. Employment Agreement Provisions Incorporated Into Separation Agreement. Executive and SPI will be bound by and comply with all provisions of Article 5 of the Employment Agreement, for the durations expressly stated in Article 5, all of which are incorporated by reference into this Separation Agreement. Aside from Article 5 of the Employment Agreement, which is incorporated herein, this Separation Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all other agreements, oral or written, heretofore made with respect thereto including, without limitation, the Employment Agreement. In addition, no provision of this Separation Agreement may be amended, modified, changed, altered, or supplemented except by a writing that is signed by Executive and by SPI.

9. Indemnification Rights. In the event Executive is named as a defendant in a lawsuit because of his role as an officer, manager, or employee of SPI, Executive shall be entitled to the same indemnification rights and directors and officers liability coverage he had while employed by SPI. In any such lawsuit, SPI shall have the option of designating counsel

for Executive and Executive agrees that his counsel shall enter into a joint defense agreement with the attorneys for SPI and any of its officers, directors, shareholders, employees, or other agents or representatives with respect to their common defense.

10. Severability. Any provisions of this Separation Agreement that may be prohibited by, or unlawful or unenforceable under, any applicable law of any jurisdiction shall, as to such jurisdiction, be ineffective without affecting any other provision hereof. To the full extent, however, that the provisions of such applicable law may be waived, they are hereby waived, to the end that this Separation Agreement be deemed to be a valid and binding agreement enforceable in accordance with its terms.

11. Controlling Law. This Separation Agreement has been entered into by the parties in the State of Maryland and shall be continued and enforced in accordance with the laws of Maryland.

12. Arbitration. Any controversy, claim, or breach arising out of or relating to this Separation Agreement or the breach thereof shall be settled by arbitration in the State of Maryland in accordance with the rules of the American Arbitration Association for commercial disputes and the judgment upon the award rendered shall be entered by consent in any court having jurisdiction thereof; provided, however, that this provision shall not preclude SPI from seeking injunctive or similar relief from the courts to enforce its rights under the Employment Covenants set forth in Article 5 of the Employment Agreement as incorporated into this Separation Agreement.

13. Assignments. Subject to obtaining Executive's prior approval, which shall not be unreasonably withheld or delayed, SPI shall have the right to assign this Separation Agreement

and to delegate all rights, duties and obligations hereunder to any entity that controls SPI, that SPI controls or that may be the result of the merger, consolidation, acquisition or reorganization of SPI and another entity. Executive agrees that this Separation Agreement is personal to Executive and Executive's rights and interest hereunder may not be assigned, nor may Executive's obligations and duties hereunder be delegated (except as to delegation in the normal course of operation of SPI), and any attempted assignment or delegation in violation of this provision shall be void.

14. Eligibility Requirements/Applicable Data. To be eligible for the January 2016 Reduction In Force (the "January 2016 RIF"), the individual must have been employed by SPA as of January 1, 2016. SPA conducted the January 2016 RIF to reduce its operating expenses and streamline its business operations. In selecting eligible employees in your organizational unit, Sales & Marketing, for the January 2016 RIF, SPA considered (a) whether the employee occupied a function or position that was being or had been eliminated; and (b) the extent to which the employees' existing skills met the current and anticipated demands of the employee's current position and SPA's overall business strategy.

Attached as Exhibit A is a list of the job titles and ages of all individuals in Sales & Marketing eligible for/selected for the January 2016 RIF. Attached as Exhibit B is a list of the ages of all individuals in Sales & Marketing who are ineligible/were not selected for/the January 2016 RIF.

15. Return of Property. Executive affirms that he has delivered to SPI all Company Materials (as defined in Section 5.4 of the Employment Agreement) that were in Executive's possession or under Executive's control, as well as any other SPI property not included in the definition of Company Materials. Executive affirms that SPI is not in possession of any of Executive's property.

16. Revocation Period.

EXECUTIVE AFFIRMS THAT HE RECEIVED THIS AGREEMENT ON JANUARY 8, 2016. EXECUTIVE IS ADVISED THAT HE HAS UNTIL MARCH 4, 2016 WHICH IS OVER FORTY-FIVE (45) CALENDAR DAYS, TO CONSIDER THIS AGREEMENT. EXECUTIVE AFFIRMS THAT HE CONSULTED WITH HIS ATTORNEY BEFORE SIGNING THIS AGREEMENT.

EXECUTIVE MAY REVOKE THE PORTION OF THIS AGREEMENT THAT WAIVES ALL CLAIMS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT (ADEA) FOR A PERIOD OF SEVEN (7) CALENDAR DAYS FOLLOWING THE DAY EXECUTIVE SIGNS THIS AGREEMENT. ANY REVOCATION WITHIN THIS PERIOD MUST BE SUBMITTED, IN WRITING, TO MAX DONLEY, EVP, GLOBAL HR, IT AND STRATEGY, AT 805 KING FARM BLVD., SUITE 550, ROCKVILLE, MD 20850, AND STATE, "I HEREBY REVOKE MY ACCEPTANCE OF OUR AGREEMENT." THE REVOCATION MUST BE PERSONALLY DELIVERED TO MAX DONLEY OR HIS DESIGNEE, OR MAILED TO MAX DONLEY AND POSTMARKED WITHIN SEVEN (7) CALENDAR DAYS AFTER EXECUTIVE SIGNS THIS AGREEMENT. EXECUTIVE AND SPI AGREE THAT $275,442.11 OF THE CONSIDERATION SET FORTH IN SECTION 2 OF THIS AGREEMENT IS ALLOCATED TO EXECUTIVE'S RELEASE OF ADEA CLAIMS.

EXECUTIVE AGREES THAT ANY MODIFICATIONS, MATERIAL OR OTHERWISE, MADE TO THIS AGREEMENT, DO NOT RESTART OR AFFECT IN

ANY MANNER THE ORIGINAL CONSIDERATION PERIOD, WHICH WAS OVER FORTY-FIVE CALENDAR DAYS. IF THE EXECUTIVE EFFECTIVELY REVOKES THE WAIVER OF AGE CLAIMS NOTED ABOVE, ALL OTHER TERMS AND CONDITIONS OF THIS SEPARATION AGREEMENT WILL REMAIN IN FULL FORCE AND EFFECT.

BY SIGNING BELOW, EXECUTIVE FREELY AND KNOWINGLY, AND AFTER DUE CONSIDERATION, ENTERS INTO THIS SEPARATION AGREEMENT INTENDING TO WAIVE, SETTLE AND RELEASE ALL CLAIMS EXECUTIVE HAS OR MIGHT HAVE AGAINST THE RELEASED PARTIES.

Signature	/s/ Max Donley
Name	Max Donley
Title	Executive Vice President, Global Human Resources, Information Technology and Strategy
Date	March 4, 2016
Signature	/s/ Stanley Miele
Name	Stanley Miele
Title	Chief Commercial Officer
Date	February 29, 2016

EXHIBIT A

INDIVIDUALS IN SALES & MARKETING ELIGIBLE AND/OR SELECTED FOR THE JANUARY 2016 RIF

Job Title	Age
Chief Commercial Officer	51

EXHIBIT B

INDIVIDUALS IN SALES & MARKETING INELIGIBLE AND/OR NOT SELECTED FOR THE JANUARY 2016 RIF

Age
41

Exhibit 10.5

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement"), dated as of January 30,

2015, is hereby entered into in the State of Maryland by and between SUCAMPO PHARMACEUTICALS, INC., a Delaware limited liability company (the "Company"), and Andrew Smith ("Executive").

WHEREAS, Executive was hired as the Chief Financial Officer of the Company as of January 30, 2015;

WHEREAS, Executive possesses certain skills, experience or expertise which will be of use to the Company;

WHEREAS, the parties acknowledge that Executive's abilities and services are unique and will significantly enhance the business prospects of the Company; and

WHEREAS, in light of the foregoing, the Company desires to employ Executive as the Chief Financial Officer as of January 30, 2015 and Executive desires to obtain such employment.

NOW, THEREFORE, in consideration of the promises and the mutual covenants and agreements herein contained, the Company and Executive hereby agree as follows:

1. Employment and Duties

1.1 The Company offers and Executive hereby accepts employment with the Company for the Term (as hereinafter defined) as its Chief Financial Officer, and in connection therewith, to perform such duties as Executive shall reasonably be assigned by

Executive's supervisor and/or by the Company's Board of Directors and to enter into this Agreement.

1.2 Executive hereby warrants and represents that Executive has no contractual commitments or other obligations to third parties inconsistent with Executive's acceptance of this employment and performance of the obligations set forth in this Agreement.

1.3 Executive shall perform such duties and carry out Executive's responsibilities hereunder faithfully and to the best of Executive's ability, and shall devote Executive's full business time and best efforts to the business and affairs of the Company during normal business hours (exclusive of periods of vacation, sickness, disability, or other leaves to which Executive is entitled).

1.4 Executive will perform all of Executive's responsibilities in compliance with all applicable laws and will ensure that the operations that Executive manages are in compliance with all applicable laws.

2. Employment Term

2.1 Term

The term of Executive's employment hereunder (the "Term") shall commence on January 30, 2015 and shall end on January 30, 2016, unless sooner terminated as hereinafter provided; provided, however, that the Term shall be automatically renewed and extended for an additional period of one (1) year on each date on which it would otherwise expire unless either party gives a Notice of Termination (as defined below) to the other party at least sixty (60) days prior to such expiration date.

2.2 Survival on Merger or Acquisition

In the event the Company is acquired during the Term, or is the non-surviving party in a merger, or sells all or substantially all of its assets, this Agreement shall not automatically be terminated, and the Company agrees to use its best efforts to ensure that the transferee or surviving company shall assume and be bound by the provisions of this Agreement.

3. Compensation and Benefits

3.1 Compensation

(a) Base Salary. The Company shall pay Executive a salary at an annual rate that is not less than three hundred fifty thousand and 00/100 dollars ($350,000), to be paid in bi- weekly installments, in arrears (the "Base Salary"). The Base Salary will be reviewed by the Compensation Committee of the Board of Directors ("Compensation Committee") at least annually, and the Committee's recommendation shall be reviewed and approved by the Board of Directors. The Base Salary may, in the sole discretion of the Board of Directors, be increased, but not decreased (unless either mutually agreed by Executive and the Company, or established as part of across-the- board salary reductions that apply equally to all similarly situated officers as a percentage reduction in their salaries).

(b) Stock Compensation.

(i) Awards. On the Effective Date, the Company shall grant Executive, on

the terms and conditions set forth in the Incentive Stock Option Agreement attached hereto as Exhibit A and generally described herein, the right and option to purchase, in whole or in part, 50,000 shares of the Company's common stock at the option exercise price as defined in the Incentive Stock Option agreement in effect on the grant date, which will be the Effective Date of this Agreement and which will vest ratably over a four (4) year period. Additionally, at least annually for the Term of this Agreement, Executive shall be eligible for consideration to receive restricted stock grants, incentive stock options or other awards in accordance with the Amended and Restated 2006 Stock Incentive Plan. Recommendations concerning the decision to make an award pursuant to that Plan and the amount of any award are entirely discretionary and shall be made initially by the Compensation Committee, subject to review and approval by the Board of Directors.

(ii) Effect of Termination of Employment. As more fully set forth in the

Executive's Incentive Stock Option Agreement and generally described herein, in the event that, during the Term, (1) the Company terminates Executive's employment by not renewing this Agreement or without cause, any unvested stock options that have duration vesting condition as defined in the Incentive Stock Option Agreement (such terms shall govern in the event of any conflict with this Agreement) shall immediately vest to the extent such unvested stock options would have vested in the twelve (12) months from the Date of Termination; or (2) if the Company is acquired or is the non-surviving party in a merger, or the Company sells all of its assets, and in advance of the closing of such

transaction or within twelve (12) months thereafter the Executive is terminated without Cause, or terminates his or her employment for Good Reason or because this Agreement is not assumed by the successor corporation (or affiliate thereto), any unvested stock options that have a duration vesting condition as defined in the Incentive Stock Option Agreement (such terms shall govern in the event of any conflict with this Agreement), shall immediately vest and any unvested stock options under the Plan with a performance condition shall immediately vest and may be exercised only to the extent the performance targets have been achieved or would be achieved by such acquisition, merger or sale in accordance with the terms of the Plan and the Executive's Incentive Stock Option Agreement, which in the event of a conflict with this Agreement controls.

(c) Bonuses. Executive shall be eligible to receive an annual cash bonus award targeted at 40% of annual base earnings in recognition of Executive's contributions to the success of the Company pursuant to the Company's management incentive bonus program as it may be amended or modified from time to time. Recommendations concerning the decision to make an award and the amount of any award are entirely discretionary and shall be made initially by the Compensation Committee, subject to review and approval by the Board of Directors.

(d) Taxes. Executive acknowledges and agrees that Executive shall be solely responsible for the satisfaction of any applicable taxes that may arise pursuant to this Agreement (including taxes arising under Code Section 409A (regarding deferred compensation) or 4999 (regarding golden parachute excise taxes), and that neither the Company nor any of its employees, officers, directors, or agents shall have any obligation whatsoever to pay such taxes or to otherwise indemnify or hold Executive harmless

from any or all of such taxes. For purposes of Section 409A, the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments. All compensation due to Executive shall be paid subject to withholding by the Company to ensure compliance with all applicable laws and regulations.

3.2 Participation in Benefit Plans

Executive shall be entitled to participate in all employee benefit plans or programs of the Company offered to other employees to the extent that Executive's position, tenure, salary, and other qualifications make Executive eligible to participate in accordance with the terms of such plans. The Company does not guarantee the continuance of any particular employee benefit plan or program during the Term, and Executive's participation in any such plan or program shall be subject to all terms, provisions, rules and regulations applicable thereto.

3.3 Expenses

The Company will pay or reimburse Executive for all reasonable and necessary out-of- pocket expenses incurred by Executive in the performance of Executive's duties under this Agreement. Executive shall provide to the Company detailed and accurate records of such expenses for which payment or reimbursement is sought, and Company payments shall be in accordance with the regular policies and procedures maintained by the Company from time to time, and all reimbursements due under this Agreement shall be separately requested and paid not later than one year after Executive incurs the underlying expense.

3.4 Professional Organizations

During the Term, Executive shall be reimbursed by the Company for the annual dues payable for membership in professional societies associated with subject matter related to the Company's interests. New memberships for which reimbursement will be sought shall be approved by the Company in advance.

3.5 Parking

During the Term and where Executive uses an automobile to commute to work, the Company shall either provide parking for Executive's automobile at the Company's expense or reimburse Executive for such expense.

4. Termination of Employment

4.1 Definitions

As used in Article 4 of this Agreement, the following terms shall have the meaning set forth for each below:

(a) "Benefit Period" shall mean (i) the twelve (12) month period commencing on the Date of Termination which occurs in connection with a termination of employment described in the Section 4.4(a) or (ii) the eighteen (18) month period commencing on the Date of Termination which occurs in connection with a termination of employment described in the first sentence of Section 4.4.(b), or a period ending when Executive becomes eligible for group medical benefits coverage from another source, whichever is shorter.

(b) "Cause" shall mean any of the following:

i. the gross neglect or willful failure or refusal of Executive to perform Executive's duties hereunder (other than as a result of Executive's death or Disability);

ii. perpetration of an intentional and knowing fraud against or affecting the Company or any customer, supplier, client, agent or employee thereof;

iii. any willful or intentional act that could reasonably be expected to injure the reputation, financial condition, business or business relationships of the Company or Executive's reputation or business relationships;

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

v. the material breach by Executive of this Agreement (including, without limitation, the Employment Covenants set forth in Article 5 of this Agreement); or

vi. the failure or continued refusal to carry out the directives of Executive's supervisor or the Board of Directors that are consistent with Executive's duties and responsibilities under this Agreement which is not cured within thirty (30) days after receipt of written notice from the Company specifying the nature of such failure or refusal; provided, however, that Cause shall not exist if such refusal arises from Executive's

reasonable, good faith belief that such failure or refusal is required by law.

(c) "Date of Termination" shall mean the date specified in the Notice of Termination (as hereinafter defined) (except in the case of Executive's death, in which case the Date

of Termination shall be the date of death); provided, however, that if Executive's employment is terminated by the Company other than for Cause, the date specified in the Notice of Termination shall be at least thirty (30) days from the date the Notice of Termination is given to Executive.

(d) "Notice of Termination" shall mean a written notice from the Company to Executive that indicates Section 2 or the specific provision of Section 4 of this Agreement relied upon as the reason for such termination or nonrenewal, the Date of Termination, and, in the case of termination or non-renewal by the Company for Cause, in reasonable detail, the facts and circumstances claimed to provide a basis for termination or nonrenewal.

(e) "Good Reason" shall mean:

i. Company effects a material diminution of Executive's position, authority or duties;

ii. any requirement that Executive, without his/her consent, move his/her regular office to a location more than fifty (50) miles from Company's executive offices;

iii. the material failure by Company, or its successor, if any, to pay compensation or provide benefits or perquisites to Executive as and when required by the terms of this Agreement; or

iv. any material breach by Company of this Agreement.

The Executive shall have Good Reason to terminate Executive's employment if (i) within twenty-one (21) days following Executive's actual knowledge of the event which

Executive determines constitutes Good Reason, Executive notifies the Company in writing that Executive has determined a Good Reason exists and specifies the event creating Good Reason, and (ii) following receipt of such notice, the Company fails to remedy such event within thirty (30) days, and Executive resigns within sixty (60) days thereafter.

(f) "Change in Control" shall mean:

i. the acquisition by any person of beneficial ownership of fifty percent (50%) or more of the outstanding shares of the Company's voting securities; or

ii. the Company is the non-surviving party in a merger; or

iii. the Company sells all or substantially all of its assets; provided, however, that no "Change in Control" shall be deemed to have occurred merely as the result of a refinancing by the Company or as a result of the Company's insolvency or the appointment of a conservator; or

iv. the Board of the Company, in its sole and absolute discretion, determines that there has been a sufficient change in the share ownership or ownership of the voting power of the Company's voting securities to constitute a change of effective ownership or control of the Company.

4.2 Termination upon Death or Disability

This Agreement and Executive's employment hereunder, shall terminate automatically and without the necessity of any action on the part of the Company upon the death of

Executive. In addition, except as prohibited by applicable law, the Company may terminate Executive's employment on account of Disability, as defined in this subparagraph. "Disability" shall mean a physical or mental illness, injury, or condition that prevents Executive from performing some or all of the essential functions of Executive's job for a period of at least ninety (90) consecutive calendar days, or one hundred and twenty (120) calendar days whether consecutive or not, during any one (1) year period, as certified by an independent physician competent to assess the condition at issue, and which cannot be reasonably accommodated without undue hardship on the Company.

4.3 Company's and Executive's Right to Termination.

This Agreement and Executive's employment hereunder may be terminated at any time by the Company for Cause or, if without Cause, upon thirty (30) days prior written notice to Executive. In the event the Company should give Executive notice of termination without Cause, the Company may, at its option, elect to provide Executive with thirty (30) days' salary in lieu of Executive's continued active employment during the notice period. This Agreement and Executive's employment hereunder may be terminated by Executive at any time for Good Reason and, if without Good Reason, upon thirty (30) days prior written notice to the Company.

4.4 Compensation Upon Termination

Severance.

(a) In the event (1) the Company terminates Executive's employment without Cause; or

(2) this Agreement terminates pursuant to Section 4.2 due to the death or disability of

Executive, or (3) the Company elects not to renew this Agreement under circumstances where Executive is willing and able to execute a new agreement providing terms and conditions substantially similar to those in this Agreement, or (4) the Executive terminates this Agreement for Good Reason, Executive (or his estate) shall be entitled to receive: (i) Executive's Base Salary through the Date of Termination, (ii) reimbursement for the duration of the Benefit Period of (1) any COBRA continuation premium payments made by Executive and (iii) a lump sum severance payment equal to twelve (12) months of Executive's then current annual Base Salary to be made not later than sixty (60) days following Executive's Date of Termination; provided, however that each of the benefits under clauses (ii) and (iii) hereof are absolutely contingent on Executive's execution of the Release (as provided in Section 4.4(c) below) without any revocation having occurred. Notwithstanding the foregoing, the Company shall, to the extent necessary and only to the extent necessary, modify the timing of delivery of severance benefits to Executive if the Company reasonably determines that the timing would subject the severance benefits to any additional tax or interest assessed under Section 409A of the Internal Revenue Code. In such event, the payments will be made as soon as practicable without causing the severance benefits to trigger such additional tax or interest under Section 409A of the Internal Revenue Code. If any amounts that become due under Section 4.4 constitute "nonqualified deferred compensation" within the meaning of Section 409A, payment of such amounts shall not commence until Executive incurs a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h). If, at the time of Executive's separation from service, Executive is a

"specified employee" (under Internal Revenue Code Section 409A), any benefit as to which Section 409A penalties could be assessed that becomes payable to Executive on account of Executive's "separation from service" (including any amounts payable pursuant to the preceding sentence) shall be paid, without interest thereon, on the date six months and one day after such separation from service. In no event shall Executive be entitled to the continuation of any compensation, bonuses or benefits provided hereunder, or any other payments following the Date of Termination, other than Base Salary earned through such Date of Termination and any other benefits payable under Section 4.4(a).

(b) Change in Control. In the event that Executive in advance of the closing or within twelve (12) months following the occurrence of a "Change in Control" of the Company (1) is terminated other than for Cause, or (2) terminates for Good Reason, or (3) terminates because this Agreement is not assumed by the successor corporation (or affiliate thereto) as the result of a Change in Control, Executive (or his estate) shall be entitled to receive: (i) Executive's Base Salary through the Date of Termination, (ii) reimbursement for the duration of the Benefit Period of (1) any COBRA continuation premium payments made by Executive and (iii) a lump sum severance payment equal to eighteen (18) months of Executive's then current annual Base Salary to be made not later than sixty (60) days following Executive's Date of Termination; provided, however that each of the benefits under clauses (ii) and (iii) hereof are absolutely contingent on Executive's execution of the Release (as provided in Section 4.4(c) below) without any revocation having occurred. Notwithstanding the foregoing, the Company shall, to the extent necessary and only to the extent

necessary, modify the timing of delivery of severance benefits to Executive if the Company reasonably determines that the timing would subject the severance benefits to any additional tax or interest assessed under Section 409A of the Internal Revenue Code. In the event that Executive shall become entitled to a Change in Control Severance Payment as provided herein, the Company shall cause its independent auditors promptly to review, at the Company's sole expense, the applicability to those payments of Sections 280G and 4999 of the Internal Revenue Code of 1986, as amended (the "Code"). If the auditors determine that any payment of the Change in Control Severance Payment would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax, then such payment owed to Executive shall be reduced by an amount calculated to provide to Executive the maximum Change in Control Severance Payment which will not trigger application of Sections 280G and 4999 of the Code, with any such reduction being made last with respect to benefits that are not exempt from Code §409A.

(c) Release. Anything to the contrary contained herein notwithstanding, as a condition to Executive receiving severance benefits to be paid pursuant to this Section 4.4, Executive shall execute and deliver to the Company a general release in the form attached hereto as Exhibit A not later than forty-five (45) days after Executive’s Date of Termination. The Company shall have no obligation to provide any severance benefits to Executive until it has received the general release from Executive within the time specified in the preceding sentence, and any revocation or rescission period applicable to the Release shall have expired without revocation or rescission.

5. Employment Covenants

5.1 Definitions

As used in this Article 5 of the Agreement, the following terms shall have the meaning set forth for each below:

(a) "Affiliate" shall mean a person or entity that directly or indirectly through one or more intermediaries, controls or is controlled by, or under common control with another person or entity, including current and former directors and officers of such an entity.

(b) "Confidential Information" shall mean all confidential and proprietary information of the Company, its Predecessors and Affiliates, whether in written, oral, electronic or other form, including but not limited to trade secrets; technical, scientific or business information; processes; works of authorship; Inventions; discoveries; developments; systems; chemical compounds; computer programs; code; algorithms; formulae; methods; ideas; test data; know how; functional and technical specifications; designs; drawings; passwords; analyses; business plans; information regarding actual or demonstrably anticipated business, research or development; marketing, sales and pricing strategies; and information regarding the Company's current and prospective consultants, customers, licensors, licensees, investors and personnel, including their names, addresses, duties and other personal characteristics. Confidential Information does not include information that (i) is in the public domain, other than as a result of an act of misappropriation or breach of an obligation of confidentiality by any person;
(ii) Executive can verify by written records kept in the ordinary course of business

was in Executive's lawful possession prior to its disclosure to Executive; (iii) is received by Executive from a third party without a breach of an obligation of confidentiality owed by the third party to the Company and without the requirement that Executive keep such information confidential; or (iv) Executive is required to disclose by applicable law, regulation or order of a governmental agency or a court of competent jurisdiction. If Executive is required to make disclosure pursuant to clause (iv) of the preceding sentence as a result of the issuance of a court order or other government process, Executive shall (a) promptly, but in no event more than 72 hours after learning of such court order or other government process, notify, pursuant to Section 6.1 below, the Company; (b) at the Company's expense, take all reasonable necessary steps requested by the Company to defend against the enforcement of such court order or other government process, and permit the Company to intervene and participate with counsel of its choice in any proceeding relating to the enforcement thereof; and (c) if such compelled disclosure is required, Executive shall disclose only that portion of the Confidential Information that is necessary to meet the minimum legal requirement imposed on Executive.

(c) "Executive Work Product" shall mean all Confidential Information and Inventions conceived of, created, developed or prepared by Executive (whether individually or jointly with others) before or during Executive's employment with the Company, during or outside of working hours, which relate in any manner to the actual or demonstrably anticipated business, research or development of the Company, or result from or are suggested by any task assigned to Executive or any work performed by Executive for or on behalf of the Company or any of its Affiliates.

(d) "Invent ion" shall mean any apparatus, biological processes, cell line, chemical compound, creation, data, development, design, discovery, formula, idea, improvement, innovation, know-how, laboratory notebook, manuscript, process or technique, whether or not patentable or protectable by copyright, or other intellectual property in any form.

(e) "Predecessor" shall mean an entity, the major portion of the business and assets of which was acquired by another entity in a single transaction or in a series of related transactions.

(f) "Trade Secrets," as used in this Agreement, will be given its broadest possible interpretation under the law applicable to this Agreement.

5.2 Nondisclosure and Nonuse

Executive acknowledges that prior to and during Executive's employment with the Company, Executive had and will have occasion to create, produce, obtain, gain access to or otherwise acquire, whether individually or jointly with others, Confidential Information. Accordingly, during the term of Executive's employment with the Company and at all times thereafter, Executive shall keep secret and shall not, except for the Company's benefit, disclose or otherwise make available to any person or entity or use, reproduce or commercialize, any Confidential Information, unless specifically authorized in advance by the Company in writing.

5.3 Other Confidentiality Obligations

Executive acknowledges that the Company may, from time to time, have agreements with other persons or entities or with the U.S. Government or governments of other countries, or agencies thereof, which impose confidentiality obligations or other restrictions on the Company.

Executive hereby agrees to be bound by all such obligations and restrictions and shall take all actions necessary to discharge the obligations of the Company thereunder, including, without limitation, signing any confidentiality or other agreements required by such third parties.

5.4 Return of Confidential Information

At any time during Executive's employment with the Company, upon the Company's request, and in the event of Executive's termination of employment with the Company for any reason whatsoever, Executive shall immediately surrender and deliver to the Company all records, materials, notes, equipment, drawings, documents and data of any nature or medium, and all copies thereof, relating to any Confidential Information (collectively the "the Company Materials") which is in Executive's possession or under Executive's control. Executive shall not remove any of the Company Materials from the Company's business premises or deliver any of the Company Materials to any person or entity outside of the Company, except as required in connection with Executive's duties of employment. In the event of the termination of Executive's employment for any reason whatsoever, Executive shall promptly sign and deliver to the Company a Termination Certificate in the form of Exhibit B attached hereto.

5.5 Confidential Information of Others

Executive represents that Executive's performance of all the terms of this Agreement and Executive's employment with the Company do not and will not breach any agreement to keep in confidence proprietary information, knowledge or data with regard to which Executive has obligations of confidentiality or nonuse, and Executive shall not disclose to the Company or cause the Company to use any such confidential proprietary information, knowledge or data belonging to any previous employer of Executive or other person. Executive represents that

Executive has not brought and will not bring to the Company or use at the Company any confidential materials or documents of any former employer or other person that are not generally available to the public, unless express written authorization for their possession and use has been obtained from such former employer or other person. Executive agrees not to enter into any agreement, whether written or oral, that conflicts with these obligations.

5.6 Other Obligations

The terms of this Section 5 are in addition to, and not in lieu of, any statutory or other contractual or legal obligation to which Executive may be subject relating to the protection of Confidential Information.

5.7 Assignment of Confidential Information and Inventions; Works Made for Hire

Executive hereby assigns to the Company all right, title and interest in all intellectual property, including any patent applications, trade secrets, know how, copyrights, software, or trademarks associated with the Executive Work Product and Confidential Information. Executive hereby acknowledges and agrees that all Executive Work Product subject to copyright protection constitutes "work made for hire" under United States copyright laws (17 U.S.C. §101) and is owned exclusively by the Company. To the extent that title to any Executive Work Product subject to copyright protection does not constitute a "work for hire," and to the extent title to any other Executive Work Product does not, by operation of law or otherwise, vest in the Company, all right, title, and interest therein, including, without limitation, all copyrights, patents and trade secrets, and all copyrightable or patentable subject matter, are hereby irrevocably assigned to the Company. Executive shall promptly disclose to the Company in writing all Executive Work Product. Executive shall, without any additional compensation,

execute and deliver all documents or instruments and give the Company all assistance it requires to transfer all right, title, and interest in any Executive Work Product to the Company; to vest in the Company good, valid and marketable title to such Executive Work Product; to perfect, by registration or otherwise, trademark, copyright and patent protection of the Company with respect to such Executive Work Product; and otherwise to protect the Company's trade secret and proprietary interest in such Executive Work Product. Executive hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Executive's agents and attorneys-in-fact to act for and on Executive's behalf, and to execute and file any documents and to do all other lawfully permitted acts to further the purposes of this Section 5.7 with the same legal force and effect as if executed by Executive.

5.8 Representations

Executive represents that, to the best of his or her knowledge, none of the Inventions will violate or infringe upon any right, patent, copyright, trademark or right of privacy, or constitute libel or slander against or violate any other rights of any person, firm or corporation, and that Executive will not knowingly create any Invention which causes any such violation.

5.9 Invent ions, Intellectual Property and Equipment Not Transferred

Executive has set forth on Exhibit C attached hereto a complete list and brief description of all Inventions, intellectual property and equipment located at the Company which is owned directly or indirectly by Executive and which shall not be transferred to the Company pursuant to this Agreement. Except as so listed, Executive agrees that he or she will not assert any rights under any intellectual property as having been made or acquired by Executive prior to being

employed by the Company. The Company may, at its discretion, require detailed disclosures and materials demonstrating ownership of the intellectual property so listed.

5.10 Exclusivity of Employment

During the Term, and without prior approval of the Board of Directors, Executive shall not directly or indirectly engage in any activity competitive with or adverse to the Company's business or welfare or render a material level of services of a business, professional or commercial nature to any other person or firm, whether for compensation or otherwise.

5.11 Covenant Not to Compete

Executive acknowledges that his services to the Company involve a unique level of trust, of skills, and of access to Confidential Information and other business and strategic insights about the Company, and accordingly Executive agrees to be bound and abide by the following covenant not to compete:

(a) Term and Scope. During Executive's employment with the Company and for a period of twelve (12) months after the Term, Executive will not render to any Conflicting Organization (as hereinafter defined), services, directly or indirectly, anywhere in the world in connection with any Conflicting Product (as hereunder defined), except that Executive may accept employment with a Conflicting Organization whose business is diversified (and which has separate and distinct divisions) if Executive first certifies to the Company in writing that such prospective employer is a separate and distinct division of the Conflicting Organization and that Executive will not render services directly or indirectly in respect of any Conflicting Product. Such twelve (12) month

time period shall be tolled during any period that Executive is engaged in activity in violation of this covenant.

(b) Judicial Construction. Executive and the Company agree that, if the period of time or the scope of this Covenant Not to Compete shall be adjudged unreasonably overbroad in any court proceeding, then the period of time and/or scope shall be modified accordingly, so that this covenant may be enforced with respect to such services or geographic areas and during such period of time as is judged by the court to be reasonable.

(c) Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

"Conflicting Product" means any product, method or process, system or service of any person or organization other than the Company that is the same as, similar to or interchangeable with any product, method or process, system or service material to the Company's business that was provided or under development by the Company or any of its Affiliates at the time Executive's employment with the Company terminates, or about which Executive acquired any Confidential Information or developed any Executive Work Product.

"Conflicting Organization" means any person or organization which is engaged in research on or development, production, marketing, licensing, selling or servicing of any Conflicting Product.

5.12 Non-Solicitation

For a period of twelve (12) months after termination of employment with the Company for any reason, Executive shall not directly or indirectly solicit or hire, or assist any other person in soliciting or hiring, any person employed by the Company (as of the date of Executive's termination) or any person who, as of the date of Executive's termination, was in the process of being recruited by the Company, or induce any such employee to terminate his or her employment with the Company.

5.13 Judicial Enforcement

In the event of a breach or violation of any provision of this Article 5 by Executive, the parties agree that, in addition to any other remedies it may have, the Company shall be entitled to equitable relief for specific performance, and Executive hereby agrees and acknowledges that the Company has no adequate remedy at law for the breach of the employment covenants contained herein.

6. Miscellaneous

6.1 Notices

All notices or other communications which are required or permitted hereunder shall be deemed to be sufficient if contained in a written instrument given by personal delivery, air courier or registered or certified mail, postage prepaid, return receipt requested, addressed to such party at the address set forth below or such other address as may thereafter be designated in a written notice from such party to the other party:

To Company:	Sucampo Pharmaceuticals, Inc. 4520 East West Highway, Third Floor Bethesda, Maryland 20814 Attention: Executive Vice President, Human Resources
	Copy to: Corporate Secretary
To Executive:	Andrew Smith 4520 East West Highway, 3rd Floor Bethesda, MD 20814

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

6.2 Headings

The headings of the articles and sections of this Agreement are inserted for convenience only and shall not be deemed a part of or affect the construction or interpretation of any provision hereof.

6.3 Modifications; Waiver

No modification of any provision of this Agreement or waiver of any right or remedy herein provided shall be effective for any purpose unless specifically set forth in a writing signed by the party to be bound thereby. No waiver of any right or remedy in respect of any occurrence or event on one occasion shall be deemed a waiver of such right or remedy in respect of such occurrence or event on any other occasion.

6.4 Entire Agreement

This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all other agreements, oral or written, heretofore made with respect thereto including, without limitation, the offer letter between Executive and the Company dated January 30, 2015.

6.5 Severability

Any provision of this Agreement that may be prohibited by, or unlawful or unenforceable under, any applicable law of any jurisdiction shall, as to such jurisdiction, be ineffective without affecting any other provision hereof. To the full extent, however, that the provisions of such applicable law may be waived, they are hereby waived, to the end that this Agreement be deemed to be a valid and binding agreement enforceable in accordance with its terms.

6.6 Controlling Law

This Agreement has been entered into by the parties in the State of Maryland and shall be continued and enforced in accordance with the laws of Maryland.

6.7 Arbitration

Any controversy, claim, or breach arising out of or relating to executive's employment or termination of employment, this Agreement or the breach thereof shall be settled by arbitration in the State of Maryland in accordance with the rules of the American Arbitration Association for commercial disputes and the judgment upon the award rendered shall be entered by consent in any court having jurisdiction thereof; provided, however, that this provision shall not preclude

the Company from seeking injunctive or similar relief from the courts to enforce its rights under the Employment Covenants set forth in Article 5 of this Agreement. All other disputes or any nature related to executive’s employment or this agreement will be resolved by arbitration. It is understood and agreed that, in the event the Company gives notice to Executive of termination for Cause and it should be finally determined in a subsequent arbitration that Executive's termination was not for Cause as defined in this Agreement, then the remedy awarded to Executive shall be limited to such compensation and benefits as Executive would have received in the event of Executive's termination other than for Cause at the same time as the original termination.

6.8 Assignments

Subject to obtaining Executive's prior approval, which shall not be unreasonably withheld or delayed, the Company shall have the right to assign this Agreement and to delegate all rights, duties and obligations hereunder to any entity that controls the Company, that the Company controls or that may be the result of the merger, consolidation, acquisition or reorganization of the Company and another entity. Executive agrees that this Agreement is personal to Executive and Executive's rights and interest hereunder may not be assigned, nor may Executive's obligations and duties hereunder be delegated (except as to delegation in the normal course of operation of the Company), and any attempted assignment or delegation in violation of this provision shall be void.

6.9 Read and Understood

Executive has read this Agreement carefully and understands each of its terms and conditions. Executive has sought independent legal counsel of Executive's choice to the extent

Executive deemed such advice necessary in connection with the review and execution of this Agreement.

6.10. Counterparts

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original and both of which, taken together shall constitute one and the same instrument. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first indicated above.

SUCAMPO PHARMACEUTICALS, INC.

By: /s/ Peter Greenleaf
Peter Greenleaf
Chief Executive Officer

/s/ Andrew Smith

EXECUTIVE

Exhibit A

Sucampo Pharmaceuticals, Inc. Stock Option Incentive Award

Stock Option Agreement Terms and Conditions

This Incentive Stock Option Agreement, along with the Sucampo Pharmaceuticals, Inc. Stock Option Incentive Award Summary delivered herewith (the "Award Summary"), once signed by the individual named on the Award Summary (the "Participant"), shall constitute an Agreement made as of the Grant Date (as indicated on the Award Summary), by and between Sucampo Pharmaceuticals, Inc., a Delaware corporation having its principal office at 4520 East-West Highway, Third Floor, Bethesda, MD 20814 (“Sucampo” and with its direct and indirect subsidiaries, the "Company"), and Matthias Alder (“Participant”).

WITNESSETH:

WHEREAS, the Board of Directors and shareholders of Sucampo have approved the Sucampo Pharmaceuticals, Inc. 2006 Stock Incentive Plan, as amended and restated (the “Plan”); and

WHEREAS, pursuant to the authority granted to it in the Plan, the Compensation Committee of the Board of Directors of Sucampo (the "Committee"), directly authorized the award evidenced by this Agreement; and

WHEREAS, awards granted under the Plan are subject to the terms and conditions in the Plan;

NOW, THEREFORE, it is mutually agreed as follows:

A. Terms and Conditions Applicable to Stock Options. All the terms and conditions set forth in this Agreement, in the Plan that apply to stock option awards and in the Award Summary shall govern the stock options granted to the Participant under this Agreement.

1. Grant of Options. In consideration of the Participant remaining in the continuous service of the Company and agreeing to be bound by the covenants of Section B, Sucampo hereby grants to Participant, on the terms and conditions set forth herein, the right and option to purchase, in whole or in part, the number of shares (the “Shares”) of Class A common stock, $0.01 par value per share, of the Company (“Common Stock”) indicated on the Award Summary under the heading “Total Award”, at the Grant/Exercise Price per share indicated on the Award Summary (the “Option Exercise Price”), which was the Fair Market Value (as defined below) of the Common Stock on the Grant Date, rounded up to the nearest one-fourth. The right to purchase each such share is referred to herein as an “Option.” If designated in the Award Summary as an Incentive Stock Option, those Options are intended to qualify as Incentive Stock Options under Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”);

however, if any Options that are intended to be Incentive Stock Options fail to qualify as Incentive Stock Options, such Options shall be treated as Nonstatutory Stock Options.

2. Vesting Schedule. Those Options as set forth in the Award Summary shall vest on the applicable vesting dates (such date, a "Vesting Date") and will become exercisable from the applicable Vesting Date through the expiration date set forth in the Award Summary (the "Expiration Date"). Options may vest only while the Participant is in continuous service with the Company. Once vested and exercisable, and until terminated, all or any portion of the Options may be exercised from time to time and at any time under procedures that the Committee or its delegate shall establish from time to time, including, without limitation, procedures regarding the frequency of exercise and the minimum number of Options which may be exercised at any time.

The right of exercise shall be cumulative so that to the extent any Options are not exercised in any period to the maximum extent permissible such Options shall continue to be exercisable, in whole or in part, with respect to all Shares for which such Options are vested until the earlier of the Expiration Date or the termination of such Options under Paragraph 4 hereof or the Plan.

3. Exercise of Options.

(a) Form of Exercise. Subject to terms and conditions set forth herein, each election to exercise Options shall be in writing, signed by the Participant, and received by the Company at its principal office, accompanied by this Agreement, and payment in full in the manner provided in the Plan. The Participant may purchase less than the number of Shares covered by vested Options that have not previously been exercised, provided that no partial exercise of Options may be for any fractional Share. The aggregate Option Exercise Price for the Shares being purchased, together with any amount which the Company may be required to withhold upon such exercise in respect of applicable foreign, federal (including FICA), state and local taxes, must be paid in full at the time of issuance of the Shares being purchased as a result of the exercise of any Options.

(b) Continuous Relationship with the Company Required. Except as otherwise provided in Paragraph 4, Options may not be exercised unless the Participant, at the time he or she exercises Options, is, and has been at all times since the Grant Date, an employee, officer or director of, or consultant or advisor to, the Company as defined in Section 424(e) or (f) of the Code.

4. Effect of Termination of Employment, Death, Retirement and Total Disability.

(a) Termination of Relationship with the Company. If the Participant ceases to have a continuous relationship with the Company for any reason, then, except as provided in paragraphs (b),(c) and (d) below, the right to exercise Options shall terminate three months after such cessation (but in no event after the Expiration Date); provided, that Options shall be exercisable only to the extent that the Participant was entitled to exercise Options on the date of such cessation. Notwithstanding the foregoing, if the Participant, prior to the Expiration Date, violates the non-competition or confidentiality

provisions of any employment contract, confidentiality and nondisclosure agreement or other agreement between the Participant and the Company, the right to exercise Options shall terminate immediately upon written notice to the Participant from the Company describing such violation.

(b) Effect of Termination of Employment Agreement Without Cause. If the Participant's employment with the Company (or if applicable, a successor corporation) is terminated by the Company or such successor for any reasons other than Cause then, as of the date of the Participant's termination, (i) those outstanding Options granted hereunder which would vest during the twelve (12) months after the date of the Participant's termination shall vest and become exercisable and shall remain outstanding until the Expiration Date and shall be paid immediately in accordance with their terms or, if later, as of the earliest permissible date under Code Section 409A. For purposes of this Section C.3, "Cause" and "Good Reason" are defined in the Participant's employment agreement, if applicable, or Cause is defined hereinafter, and a termination for Cause or Good Reason is subject to the terms and conditions set forth in the Plan.

(c) Exercise Period Upon Death or Disability. If the Participant dies or becomes disabled (within the meaning of Section 22(e)(3) of the Code) prior to the Expiration Date while he or she is in a continuous relationship with the Company and the Participant had not been terminated from such relationship for "Cause" as defined below, Options shall be exercisable, within the period of one year following the date of death or disability of the Participant, by the Participant (or in the case of death by an authorized transferee), provided, that Options shall be exercisable only to the extent that Options were exercisable by the Participant on the date of his or her death or disability, and further provided that Options shall not be exercisable after the Expiration Date.

(d) Removal. If, prior to the Expiration Date, the Participant is removed pursuant to Section 2.6 of the Restated Bylaws of the Company, the right to exercise Options shall terminate immediately upon the effective date of such removal.

(d) Transfers to a Related Entity. In the event the Participant transfers to a Related Entity (as defined below) as a result of actions by Sucampo, any reference to "Company" in this Agreement shall be deemed to refer to such Related Entity in addition to the Company.

5. Buy-Out of Option Gains. Except as provided hereinafter, at any time after any Option becomes exercisable, the Committee shall have the right, in its sole discretion and without the consent of the Participant, to cancel such Option and to cause Sucampo to pay to the Participant the excess of the Fair Market Value of the shares of Common Stock covered by such Option over the Option Exercise Price of such Option as of the date the Committee provides written notice (the "Buy Out Notice") of its intention to exercise such right. Payments of such buy out amounts pursuant to this provision shall be effected by Sucampo as promptly as possible after the date of the Buy Out Notice and shall be made in shares of Common Stock. The number of shares shall be the greatest number of whole shares determined by dividing the amount of the payment to be made by the Fair Market Value of a share of Common Stock at the date of the Buy Out Notice. Payments

of any such buy out amounts shall be made net of all applicable foreign, federal (including FICA), state and local withholding taxes, if any, calculated at the assumed maximum tax withholding rate.

6. No Rights as Stockholder. The Participant shall have no rights as a holder of the Common Stock with respect to the Options granted hereunder unless and until such Options are exercised and the Shares have been registered in the Participant's name as owner.

7. Nontransferability of Options. Options may not be sold, assigned, transferred, pledged or otherwise encumbered by the Participant, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and, during the lifetime of the Participant, Options shall be exercisable only by the Participant.

B. Prohibited Conduct. In consideration of the Company the grant by the Company of the Options, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Participant and the Company, intending to be legally bound, and recognizing that the Company has made and will continue to make available to Participant Confidential Information, as more fully described in Section B.2. below, that Participant acknowledges constitutes proprietary information of the Company, hereby agree as follows.

1. Non-Competition and Non-Solicitation. At all times during his or her continuous relationship with the Company and for a period of twelve months after the termination of the Participant's continuous relationship with the Company for any reason whatsoever (including a termination due to the Participant's Retirement or Total Disability), Participant shall and will not, without the prior written consent of Sucampo's chief human resources officer or chief legal officer, either directly or indirectly, for himself/herself or on behalf of or in conjunction with any other person, partnership, corporation or other entity, engage in any activities prohibited in the following Section B.1 (a) and (b):

(a) The Participant shall not, in any country in which the Company operates, accept any employment, assignment, position or responsibility, or provide services in any capacity or acquire any ownership interest which involves the Participant's Participation in a Conflicting Organization that engages in research on, or development, production, marketing, licensing, selling or servicing of, a Conflicting Product; or

(b) The Participant shall not in any way, directly or indirectly (including through someone else acting on the Participant's recommendation, suggestion, identification or advice), solicit or hire, or assist any other person in soliciting or hiring, any Company employee to leave the Company's employment or to accept any position with any other entity or any person who had been an employee of the Company at any time in the past twelve (12) months from the date of determination.

2. Non-Disclosure. In order to assist the Participant with his or her duties, during the time Participant has a continuous relationship with the Company, the Company shall continue to provide the Participant with access to confidential and proprietary and operational information and other confidential information which is either information not known by actual or potential competitors, customers and third parties of the Company or is

proprietary information of the Company ("Confidential Information"). Such Confidential Information shall mean all confidential and proprietary information of the Company, its predecessors and Affiliates, whether in written, oral, electronic or other form, including but not limited to trade secrets; technical, applications filed with any governmental agency such as NDAs and ANDAs filed with the Food and Drug Administration, scientific or business information; processes; works of authorship; Inventions; discoveries; developments; systems; chemical compounds; computer programs; code; algorithms; formulae; methods; ideas; test data; know how; functional and technical specifications; designs; drawings; passwords; analyses; business plans; information regarding actual or demonstrably anticipated business, research or development; marketing, sales and pricing strategies; and information regarding the Company's current and prospective consultants, customers, licensors, licensees, investors and personnel, including their names, addresses, duties and other personal characteristics. Confidential Information does not include information that (i) is in the public domain, other than as a result of an act of misappropriation or breach of an obligation of confidentiality by any person; (ii) Participant can verify by written records kept in the ordinary course of business was in Participant 's lawful possession prior to its disclosure to Participant; (iii) is received by Participant from a third party without a breach of an obligation of confidentiality owed by the third party to the Company and without the requirement that Participant keep such information confidential; or (iv) Participant is required to disclose by applicable law, regulation or order of a governmental agency or a court of competent jurisdiction. If Participant is required to make disclosure pursuant to clause (iv) of the preceding sentence as a result of the issuance of a court order or other government process, Participant shall (a) promptly, but in no event more than 72 hours after learning of such court order or other government process, notify the Company; (b) at the Company's expense, take all reasonable necessary steps requested by the Company to defend against the enforcement of such court order or other government process, and permit the Company to intervene and participate with counsel of its choice in any proceeding relating to the enforcement thereof; and (c) if such compelled disclosure is required, Participant shall disclose only that portion of the Confidential Information that is necessary to meet the minimum legal requirement imposed on Participant. The Participant agrees that such Confidential Information remains confidential even if committed to the Participant's memory. The Participant agrees, during the term of his or her employment and at all times thereafter, not to use, divulge, or furnish or make accessible to any third party, company, corporation or other organization (including but not limited to, customers, competitors, or governmental agencies), without the Company's prior written consent, any Confidential Information of the Company, except as necessary in his or her position with the Company.

3. Return of Confidential Information and Company Property. The Participant agrees that whenever the Participant's continuous relationship with the Company ends for any reason, (a) all records, materials, notes, equipment, drawings, documents and data of any nature or medium, and all copies thereof, relating to any Confidential Information (collectively the "the Company Materials") which is in Participant 's possession or under Participant 's control, and (b) all Company computer and computer-related equipment and software, and all Company property, files, records, documents, drawings, specifications, lists, equipment, keys, passes, and similar items relating to the business of the Company,

whether prepared by or provided to the Participant or otherwise, coming into the Participant's possession or control during the course of his employment shall remain the exclusive property of the Company, shall in each case under clauses (a) and (b) be delivered by the Participant to the Company immediately, with no request being required. Participant shall not remove any of the Company Materials from the Company's business premises or deliver any of the Company Materials to any person or entity outside of the Company, except as required in connection with Participant’s duties.

4. Misconduct. The Participant shall not engage in any of the following acts that are considered to be contrary to the Company's best interests during the term of his or her employment with the Company: (a) violating the Company's Code of Conduct, Insider Trading Policy or any other written policies of the Company, (b) unlawfully trading in the securities of Sucampo or of any other company based on information gained as a result of his or her employment with the Company, or (c) engaging in any activity which constitutes gross misconduct.

5. Reasonableness of Provisions. The Participant agrees that: (a) the terms and provisions of this Agreement are reasonable and constitute an otherwise enforceable agreement to which the terms and provisions of this Paragraph B are ancillary or a part of; (b) the consideration provided by the Company under this Agreement is not illusory but are in fact material and considerable; (c) the restrictions contained in this Section B are necessary and reasonable for the protection of the legitimate business interests and goodwill of the Company; and (d) the consideration given by the Company under this Agreement, including, without limitation, the provision by the Company of Confidential Information to the Participant, all give rise to the Company's reasonable interest in requiring the Participant to comply with the covenants set forth in this Section B.

6. Repayment and Forfeiture. The Participant specifically recognizes and affirms that each of the covenants contained in Sections B.1 through B.4 of this Agreement is a material and important term of this Agreement which has induced the Company to provide for the award of the Options granted hereunder, the disclosure of Confidential Information referenced herein, and the other promises made by the Company herein. The Participant further agrees that in the event that (i) the Company determines that the Participant has breached any term of Sections B.1 through B.4 or (ii) all or any part of Section B is held or found invalid or unenforceable for any reason whatsoever by a court of competent jurisdiction in an action between the Participant and the Company, in addition to any other remedies at law or in equity the Company may have available to it, the Company may in its sole discretion:

(a) Cancel any unexercised Options granted hereunder; and/or

(b) Require the Participant to pay to the Company all gains realized from the exercise of any Options granted hereunder.

7. Equitable Relief. In the event the Company determines that the Participant has breached or attempted or threatened to breach any term of Section B, in addition to any other remedies at law or in equity the Company may have available to it, it is agreed that the Company shall be entitled, upon application to any court of proper jurisdiction, to a temporary restraining order or preliminary injunction (without the necessity of (a) proving irreparable harm, (b) establishing that monetary damages are inadequate or (c) posting any

bond with respect thereto) against the Participant prohibiting such breach or attempted or threatened breach by proving only the existence of such breach or attempted or threatened breach.

8. Extension of Restrictive Period. The Participant agrees that the period during which the covenants contained in this Section B shall be effective shall be computed by excluding from such computation any time during which the Participant is in violation of any provision of Section B.

9. Acknowledgments. The Company and the Participant agree that it was their intent to enter into a valid and enforceable agreement. The Participant and the Company thereby acknowledge the reasonableness of the restrictions set forth in Section B, including the reasonableness of the geographic area, duration as to time and scope of activity restrained. The Participant further acknowledges that his or her skills are such that he or she can be gainfully employed in noncompetitive employment and that the agreement not to compete will not prevent him or her from earning a living. The Participant agrees that if any covenant contained in Section B is found by a court of competent jurisdiction to contain limitations as to time, geographical area, or scope of activity that are not reasonable and impose a greater restraint than is necessary to protect the goodwill or other business interest of the Company, then the court shall reform the covenant to the extent necessary to cause the limitations contained in the covenant as to time, geographical area, and scope of activity to be restrained to be reasonable and to impose a restraint that is not greater than necessary to protect the goodwill and other business interests of the Company and to enforce the covenants as reformed.

10. Provisions Independent. The covenants on the part of the Participant in this Section B shall be construed as an agreement independent of any other agreement, including any employee benefit agreement, and independent of any other provision of this Agreement, and the existence of any claim or cause of action of the Participant against the Company, whether predicated upon this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants.

11. Notification of Subsequent Employer. The Participant agrees that the Company may notify any person or entity employing the Participant or evidencing an intention of employing the Participant of the existence and provisions of this Agreement.

C. Additional Terms and Conditions.

1. Adjustment for Change in Common Stock. In the event of any change in the outstanding shares of Sucampo Common Stock by reason of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination or exchange of shares, spin-off or other similar corporate change, the number and type of shares which the Participant may purchase pursuant to the Options and the Option Exercise Price at which the Participant may purchase such shares shall be adjusted, to such extent (if any), determined to be appropriate and equitable by the Committee.

2. Effect of Reorganization Event. In the event of a Reorganization Event (as defined in the Plan), the following provisions shall apply:

(a) If the successor corporation (or affiliate thereto) (1) assumes the outstanding Options granted hereunder or (2) replaces the outstanding Options with equity

awards that preserve the existing value of such Options at the time of the Reorganization Event and provide for subsequent payout in accordance with a vesting schedule and performance targets, as applicable, that are the same or more favorable to the Participant than the vesting schedule and performance targets applicable to such Options, then the outstanding Options or such substitute thereof shall remain outstanding and be governed by their respective terms and the provisions of the Plan, subject to Section C.2 (c) below.

(b) If the outstanding Options granted hereunder are not assumed or replaced in accordance with Section C.2 (a) above, then upon the Reorganization Event, (1) the outstanding Options granted hereunder shall immediately vest and become exercisable only to the extent the performance targets have been achieved or would be achieved by the Reorganization Event and shall remain outstanding in accordance with their terms, and shall be paid, , immediately in accordance with their terms or, if later, as of the earliest permissible date under Code Section 409A and (2), notwithstanding Section C.2 (b)(1) but after taking into account the accelerated vesting set forth therein, the Board or Committee may, in its sole discretion, provide for cancellation of the outstanding Options at the time of the Reorganization Event in which case a payment of cash, property or a combination thereof shall be made to the Participant that is determined by the Board in its sole discretion, but is at least equal to the excess, if any, of the value of such consideration over the Option Exercise Price for such Options less applicable taxes.

(c) If the outstanding Options granted hereunder are assumed or replaced in accordance with Section C.2 (a) and the Participant's employment with the Company (or if applicable, a successor corporation) is terminated by the Company or such successor for any reasons other than Cause or by the Participant for Good Reason, if applicable, in each case, within the two-year period commencing on the Reorganization Event, then, as of the date of the Participant's termination, (1) the outstanding Options granted hereunder shall immediately vest and become exercisable only to the extent the performance targets have been achieved or would be achieved by the Reorganization Event and shall remain outstanding until the Expiration Date and shall be paid, , immediately in accordance with their terms or, if later, as of the earliest permissible date under Code Section 409A. For purposes of this Section C.2, "Cause" and "Good Reason" are defined in the Participant’s employment agreement, if applicable, or Cause is defined hereinafter, and a termination for Cause or Good Reason is subject to the terms and conditions set forth in the Plan.

3. Nontransferability. Unless the Committee specifically determines otherwise:
(a) the Options are personal to the Participant and, with respect to Options, during the Participant's lifetime, such Options may be exercised only by the Participant, and (b) the Options shall not be transferable or assignable, other than in the case of the Participant's death by will, the laws of descent and distribution.

4. Definitions. As used in this Agreement, the following terms shall have the meanings set forth below:

(a) “Affiliate” shall mean a person or entity that directly or indirectly through one or more intermediaries, controls or is controlled by, or under common control with another person or entity, including current and former directors and officers of such an entity.

(b) “Conflicting Product” means any product, method or process, system or service of any person or organization other than the Company that is the same as, similar to or interchangeable with any product, method or process, system or service that was provided or under development by the Company or any of its Affiliates at the time Participant’s employment with the Company terminates, or about which Participant acquired any Confidential Information or developed any Participant Work Product.

(c) “Conflicting Organization” means any person or organization which is engaged in research on or development, production, marketing, licensing, selling or servicing of any Conflicting Product.

(d) “Fair Market Value” of a share of Common Stock on any date shall mean the Closing Price of a share of Common Stock. For purposes of this definition, Closing Price shall mean for any particular date the closing price of a share of Common Stock as reported for the last trade on the Nasdaq Global Market or if the stock is not then traded on the Nasdaq Global Market then as reported on such national securities exchange on which the stock is then listed and if not then listed on a national securities exchange as reported in the OTC Bulletin Board provided that for a day to be considered a trading day at least 50,000 shares of Common Stock must trade on such day or if there is no listing on OTC Bulletin Board then no such determination can be made until the Common Stock is so listed and traded. If the particular date falls on a date in which the Common Stock is not traded, the Closing Price shall be determined on the prior date in which the Common Stock was traded.

(e) “Participant Work Product” shall mean all Confidential Information and inventions conceived of, created, developed or prepared by Participant (whether individually or jointly with others) before or during Participant 's employment with the Company, during or outside of working hours, which relate in any manner to the actual or demonstrably anticipated business, research or development of the Company or its products, methods, processes, systems or services, or result from or are suggested by any task assigned to Participant or any work performed by Participant for or on behalf of the Company or any of its Affiliates.

(f) “Participation” shall be construed broadly to include, without limitation:

(i) serving as a director, officer, employee, consultant or advisor with respect to such a business entity; (ii) providing input, advice, guidance or suggestions to such a business entity; or (iii) providing a recommendation or testimonial on behalf of such a business entity or one or more products it produces.

(g) “Related Entity” shall mean any entity as to which the Company directly or indirectly owns 20% or more of the entity's voting securities, general partnership interests, or other voting or management rights at the relevant time.

(h) “Retirement” shall mean (i) early, normal or late retirement under the U.S. pension plan of the Company in which the Participant participates (if any), (ii) retirement as explicitly set out in an individual agreement between the Company and the Participant for this purpose in effect on the Grant Date, (iii) termination of employment after attaining at least age 55 with at least 10 years of service with the Company (or, if earlier, after attaining at least age 65 and completing at least five years of service with the Company), or (iv) retirement as otherwise determined by the Committee.

(i) “Total Disability” shall mean being considered disabled under the Company's Long Term Disability Plan (as amended and restated from time to time), with such status having resulted in benefit payments from such plan or another Sucampo disability plan and 12 months having elapsed since the Participant was so considered to be disabled from the cause of the current disability. The effective date of a Participant's Total Disability shall be the first day that all of the foregoing requirements are met.

5. Notices. Any notice to be given to Sucampo in connection with the terms of this Agreement shall be addressed to Sucampo at 4520 East-West Highway, Third Floor, Bethesda, MD 20814, Attention: Corporate Secretary or such other address as Sucampo may hereafter designate to the Participant. Any notice to be given to Participant in connection with the terms of this Agreement shall be addressed to the Participant at the address set forth below the Participant’s signature, or such other address as the Participant may hereafter designate to Sucampo. Any such notice shall be deemed to have been duly given when personally delivered, addressed as aforesaid, or when enclosed in a properly sealed envelope or wrapper, addressed as aforesaid, and deposited, certified mail postage prepaid, with the United States postal service.

6. Binding Effect.

(a) This Agreement shall be binding upon and inure to the benefit of any assignee or successor in interest to Sucampo, whether by merger, consolidation or the sale of all or substantially all of Sucampo's assets. Unless the Options are cancelled, terminated or paid out as provided under Section B.2., Sucampo will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Sucampo expressly to assume and agree to perform this Agreement in the same manner and to the same extent that Sucampo would be required to perform it if no such succession had taken place.

(b) This Agreement shall be binding upon and inure to the benefit of the Participant or his or her legal representative and any person to whom the Options may be transferred by will or the applicable laws of descent and distribution as permitted under the terms of this Agreement.

7. No Contract of Employment; Agreement's Survival. This Agreement is not a contract of employment. This Agreement does not impose on the Company any obligation to retain the Participant in its employ and shall not interfere with the ability of the Company to terminate the Participant's employment relationship at any time and for any reason. This Agreement shall survive the termination of the Participant's employment for

any reason.

8. Registration, Listing and Qualification of Shares. The Committee may require that the Participant make such representations and agreements and furnish such information as the Committee deems appropriate to assure compliance with or exemption from the requirements of any securities exchange, any foreign, federal, state or local law, any governmental regulatory body, or any other applicable legal requirement, and shares of Common Stock shall not be issued unless and until the Participant makes such representations and agreements and furnished such information as the Committee deems appropriate and the Committee otherwise believes Sucampo has complied with all legal requirements applicable to such issuance.

9. Amendment; Waiver. As directed by the Board or the Committee, the terms and conditions of this Agreement may be amended in writing by the chief human resources officer or chief legal officer of Sucampo (or either of their delegates), provided, however, that (i) no such amendment shall be adverse to the Participant without the Participant's written consent (except to the extent the Committee reasonably determines that such amendment is necessary or appropriate to comply with applicable law, including the provisions of Code Section 409A and the regulations thereunder pertaining to the deferral of compensation, or the rules and regulations of any stock exchange on which Sucampo Common Stock is listed or quoted); and (ii) the amendment must be permitted under the Plan. The Company's failure to insist upon strict compliance with any provision of this Agreement or failure to exercise, or any delay in exercising, any right, power or remedy under this Agreement shall not be deemed to be a waiver of such provision or any such right, power or remedy which the Board, the Committee or the Company has under this Agreement.

10. Severability or Reform by Court. In the event that any provision of this Agreement is deemed by a court to be broader than permitted by applicable law, then such provision shall be reformed (or otherwise revised or narrowed) so that it is enforceable to the fullest extent permitted by applicable law. If any provision of this Agreement shall be declared by a court to be invalid or unenforceable to any extent, the validity or enforceability of the remaining provisions of this Agreement shall not be affected.

11. Plan Controls. The Options and the terms and conditions set forth herein are subject in all respects to the terms and conditions of the Plan and any guidelines, policies or regulations which govern administration of the Plan, which shall be controlling. The Committee reserves its rights to amend or terminate the Plan at any time without the consent of the Participant; provided, however, that Options outstanding under the Plan at the time of such action shall not, without the Participant's written consent, be adversely affected thereby (except to the extent the Committee reasonably determines that such amendment is necessary or appropriate to comply with applicable law, including the provisions of Code Section 409A and the regulations thereunder pertaining to the deferral of compensation, or the rules and regulations of any stock exchange on which the Common Stock is listed or quoted). All interpretations or determinations of the Board or the Committee or its delegate shall be final, binding and conclusive upon the Participant (and his or her legal representatives and any recipient of a transfer of the Options permitted by this Agreement) on any question arising hereunder or under the Plan or other guidelines, policies or regulations which govern administration of the Plan.

12. Participant Acknowledgements. By entering into this Agreement, the Participant acknowledges and agrees that:

(a) the Option grant will be exclusively governed by the terms of the Plan, including the right reserved by the Company to amend or cancel the Plan at any time without the Company incurring liability to the Participant (except in circumstances set forth above for Options already granted under the Plan);

(b) stock options and restricted stock units are not a constituent part of the Participant's salary and that the Participant is not entitled, under the terms and conditions of his/her employment, or by accepting or being awarded the Options pursuant to this Agreement, to require options, restricted stock units or other awards to be granted to him/her in the future under the Plan or any other plan;

(c) upon exercise of the Options the Participant will arrange for payment to the Company an estimated amount to cover employee payroll taxes resulting from the exercise and/or, to the extent necessary, any balance may be withheld from the Participant's wages;
(d) benefits received under the Plan will be excluded from the calculation of termination indemnities or other severance payments;

(e) in the event of termination of the Participant's employment, a severance or notice period to which the Participant may be entitled under local law and which follows the date of termination specified in a notice of termination or other document evidencing the termination of the Participant's employment will not be treated as active employment for purposes of this Agreement and, as a result, vesting of unvested Options will not be extended by any such period;

(f) the Participant will seek all necessary approval under, make all required notifications under and comply with all laws, rules and regulations applicable to the ownership of stock options and stock and the exercise of stock options, including, without limitation, currency and exchange laws, rules and regulations; and

(g) this Agreement will be interpreted and applied so that the Options, in all cases, to the extent possible, will not be subject to Code Section 409A. Notwithstanding any other provisions of this Agreement, this Agreement will be modified to the extent the Committee reasonably determines that is necessary or appropriate for such Options to comply with Code Section 409A.

13. Right of Set-Off. The Participant agrees, in the event that the Company in its reasonable judgment determines that the Participant owes the Company or any Related Entity any amount due to any loan, note, obligation or indebtedness, including but not limited to amounts owed to the Company pursuant to the Company's tax equalization program or the Company's policies with respect to travel and business expenses, and if the Participant has not satisfied such obligation(s), then the Company may instruct the plan administrator to withhold and/or sell shares of the Common Stock acquired by the Participant upon exercise of his or her Options (to the extent such Options are not subject to Code Section 409A), or the Company may deduct funds equal to the amount of such obligation from other funds due to the Participant from the Company to the maximum

extent permitted by Code Section 409A.

14. Electronic Delivery and Acceptance. The Participant hereby consents and agrees to electronic delivery of any Plan documents, proxy materials, annual reports and other related documents. The Participant hereby consents to any and all procedures that the Company has established or may establish for an electronic signature system for delivery and acceptance of Plan documents (including documents relating to any programs adopted under the Plan), and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature. Participant consents and agrees that any such procedures and delivery may be effected by a third party engaged by the Company to provide administrative services related to the Plan, including any program adopted under the Plan.

15. Data Privacy. Participant hereby acknowledges and consents to the collection, use, processing and transfer of personal data as described in this paragraph. Participant is not obliged to consent to such collection, use, processing and transfer of personal data. However, failure to provide the consent may affect Participant's ability to participate in the Plan. The Company and Participant's employer hold certain personal information about Participant, that may include his/her name, home address and telephone number, date of birth, social security number or other employee identification number, salary grade, hire data, salary, nationality, job title, any shares of stock held in Sucampo, or details of all options, restricted stock units or any other entitlement to shares of stock awarded, canceled, purchased, vested, or unvested, for the purpose of managing and administering the Plan ("Data"). The Company and/or its subsidiaries will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of Participant's participation in the Plan, and the Company and/or any of its subsidiaries may each further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. These recipients may be located throughout the world, including the United States. Participant's authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Participant's participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of stock on Participant's behalf to a broker or other third party with whom Participant may elect to deposit any shares of stock acquired pursuant to the Plan. Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consents herein in writing by contacting the Company; however, withdrawing consent may affect Participant's ability to participate in the Plan.

16. Stock Ownership Guidelines. The Participant agrees as a condition of this grant that, in the event that the Participant is subject to the Company's Stock Ownership Guidelines, the Participant shall not sell any shares obtained upon exercise of the Options unless such sale complies with the Stock Ownership Guidelines as in effect from time to time.

17. Governing Law. This Agreement and the relationship of the parties hereto shall be governed, construed and enforced in accordance with the laws of the State of Delaware, without giving effect to conflict of law rules or principles.

18. Choice of Venue. Any action or proceeding seeking to enforce any provision of or based on any right arising out of this Agreement may be brought against the Participant or the Company only in the courts of the State of Delaware or, if it has or can acquire jurisdiction, in the United States District Court for the District of Delaware, and the Participant and the Company consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein.

19. Entire Agreement. This Agreement contains all the understanding and agreements between the Participant and the Company regarding the subject matter hereof.

(This space intentionally left blank.)

Sucampo Durational Stock Option Incentive Award Summary

Participant Name: Andrew Smith
Grant Date: 1/30/2015
Exercise Price: $_.
TOTAL AWARD:
Stock Options: 50,000
TOTAL AWARD DETAILS

DURATIONAL STOCK OPTIONS GRANT

Number of Stock Options Granted: 50,000
Option Exercise (Grant) Price: $_.
Expiration Date: 1/30/25

Vesting Schedule*:
12,500 options vest on 1/30/16
12,500 options vest on 1/30/17
12,500 options vest on 1/30/18
12,500 options vest on 1/30/19

* Vesting and exercisability are subject to the terms and conditions set forth above.

AWARD ACCEPTANCE

This Sucampo Durational Stock Option Incentive Award ("Award") is not considered valid unless you accept it on or before February 6, 2015. At the bottom of this Award Summary, you can indicate that you either "Accept" or "Reject" the Award by marking an "x" in the box next to "Accept" below and accepting your Award or by marking an "x" in the box next to "Reject" below or by failing to make any such indication by the indicated date, in either of such cases you will be deemed to have rejected this award. By marking this award with an "x" you acknowledge having received and read this Award Summary, the Terms and Conditions document and the Plan under which this Award was granted and you agree to comply with, and be bound by, the terms and conditions of the Plan, this Award Summary and the Terms and Conditions document. If you "Reject" this Award, the Award will be null and void and will NOT become yours. Likewise, if you do not either "Accept" or "Reject" this Award on or before February 6, 2015, the Award will be null and void and will NOT become yours.

ACCEPT ☒ **REJECT** ☐

IN WITNESS WHEREOF, the Company has caused Options to be executed by its duly authorized officer.

Sucampo Pharmaceuticals, Inc.

Dated: January 30, 2015

By: _____
Name:

Title:

PARTICIPANT'S ACCEPTANCE

The undersigned hereby accepts the foregoing Options and agrees to the terms and conditions thereof. The undersigned hereby acknowledges receipt of a copy of the Company's Amended and Restated 2006 Stock Incentive Plan, as amended and restated.

PARTICIPANT:

_____

Address: _____

EXHIBIT B

SEPARATION AGREEMENT AND RELEASES

This Separation Agreement and Releases ("Separation Agreement") is made and entered into as of the day of_, 201_, by and between [NAME] (hereinafter "Executive") and Sucampo Pharmaceuticals, Inc. ("SPI"), a corporation organized under the laws of the State of Delaware, and its affiliates (hereinafter collectively referred to as the "Company").

WHEREAS, Executive and SPI are parties to an Employment Agreement dated as of

, 201_ (hereinafter, the "Employment Agreement");

WHEREAS, Executive and Company intend to settle any and all claims that Executive may have against Company as a result of any act, occurrence, decision, event or omission occurring at any time prior to the signing of this Separation Agreement, including, but not limited to, any matter or fact arising out of Executive's employment with SPI, compensation during the employment, the termination of Executive's employment, or the events giving rise to the Employment Agreement or this Separation Agreement;

WHEREAS, the parties have had extensive negotiations concerning the terms and conditions of the Executive's separation arrangement from the Company, and they have agreed upon such terms and conditions as set forth in this Separation Agreement;

NOW, THEREFORE, in consideration of the severance payments and benefits, obligations and covenants all contained herein, the parties agree as follows:

1. **Termination of Employment.** Executive's last day of active employment with

the Company is____, 201_ and after that date, Executive will have no role or relationship with or obligation to the Company except as set forth in this Separation Agreement.

2.. **Separation Agreement** Executive understands that any payments or benefits paid or granted to him pursuant to this Separation Agreement represent consideration for signing this Separation Agreement and are not salary, wages or benefits to which Executive was already entitled. Executive understands that, in light of the circumstances surrounding his employment with the Company, the Company chose to terminate the Employment Agreement, but in consideration for Executive's execution of this Separation Agreement, the Company has agreed to provide the Executive with payment and benefits in excess of the payments and benefits described in the Employment Agreement for such termination. Executive understands that he will not receive any payments or benefits from the Company unless (a) he executes this Separation Agreement and does not revoke it within the time period permitted herein, and (b) he complies with all obligations in this Separation Agreement and does not breach it. Pursuant to the terms of this Separation Agreement, Executive will receive the following benefits:

a. payment of Executive's base salary through _____, 201_;

b. a lump sum severance payment of $_____, less all taxes and withholdings, to be made by no later than ten (10) business days following the execution of Exhibits A and B in accordance with Section 9 of this Separation Agreement without any revocation having occurred;

c. in the event Executive elects COBRA, the COBRA continuation premium payments will be made by the Company during the _____ ( ) month period following the termination date; and

d. payment for any accrued and unused PTO through _____, 201_.

3. Release of Claims by Executive. Executive and the Company intend to settle

any and all claims that Executive may have against the Company as a result of the hiring of Executive, Executive's employment, Executive's compensation while employed, and the termination of Executive's employment. Executive agrees that in exchange for SPI's promises in the Agreement and in exchange for the separation pay and benefits to be paid to Executive as described in the Agreement, Executive, on behalf of Executive and Executive's heirs, successors and assigns, hereby releases and forever discharges the Company, its predecessors, successors, and assigns, and their respective boards of directors, board committees, officers, directors, shareholders, agents, employees, and insurers (the "Released Parties"), from all liability for damages and from all claims that Executive may have against the Released Parties arising from or relating to the hiring of Executive, Executive's compensation while employed, Executive's employment, the termination of Executive's employment, and any other actions, decisions, alleged omissions, or events occurring on or prior to the signing of this Separation Agreement.

A. Executive understands and agrees that Executive's release of claims in this Separation Agreement includes, but is not limited to, any claims Executive may have under Title VII of the Federal Civil Rights Act of 1964, as amended; the Americans with Disabilities Act, the Equal Pay Act, the Fair Labor Standards Act, the Employee Retirement and Income Security Act, the Age Discrimination in Employment Act, the Family and Medical Leave Act, the

Maryland Fair Employment Practices Statute (formerly referred to as Article 49 B) - MD. Code Ann., State Gov't § 20-601 et seq.; Maryland Lily Ledbetter Civil Rights Restoration Act - MD. Code Ann., State Gov't § 20-607 (b); Maryland Equal Pay Law- MD. Code Ann., Lab. & Emp. § 3-301 et seq.; Maryland Wage Payment and Collection Law - MD. Code Ann., Lab. & Emp. § 3- 501 et seq.; Maryland Wage Hour Law - MD. Code Ann., Lab. & Emp. § 3-401 et seq.; Maryland Worker's Compensation Act - MD. Code Ann., Lab. & Emp. § 9-101 et seq.; Maryland Occupational Safety and Health Law - MD. Code Ann., Lab. & Emp. § 5-101 et seq. or any other federal, state, or local statute, ordinance, or law.

B. Executive also understands that Executive is giving up all other claims, whether grounded in contract or tort theories, including, but not limited to, wrongful discharge, breach of contract, tortious interference with contractual relations, promissory estoppel, detrimental reliance, breach of the implied covenant of good faith and fair dealing, breach of express or implied promise, breach of manuals or other policies, breach of fiduciary duty, assault, battery, fraud, invasion of privacy, intentional or negligent misrepresentation, defamation, including libel, slander, discharge defamation and self-publication defamation, discharge in violation of public policy, whistleblower, intentional or negligent infliction of emotional distress, or any other theory, whether legal or equitable.

C. Executive will not institute any lawsuit against the Released Parties arising from or relating to the hiring of Executive, Executive’s employment, Executive’s compensation while employed, the termination of Executive’s employment, or any other actions, decisions, alleged omissions, or events occurring prior to the signing of this Separation Agreement.

D. To the extent required by law, nothing contained in this Separation Agreement will be interpreted to prevent Executive from filing a charge with a governmental agency or participating in or cooperating with an investigation conducted by a governmental agency. However, Executive agrees that Executive is waiving the right to any monetary damages or other individual legal or equitable relief awarded as a result of any such proceeding related to any claim against the Released Parties arising from or relating to the hiring of Executive, Executive's employment, Executive's compensation while employed, the termination of Executive's employment, or any other actions, decisions, alleged omissions, or events occurring on or prior to the signing of this Separation Agreement.

E. Notwithstanding any of the foregoing, this Separation Agreement shall not apply with respect to any rights or claims which Executive may have under this Separation Agreement itself or to any rights or benefits Executive may have related to vested accrued benefits under the terms of the Company's benefit plans or to the Executive's right to be indemnified by the Company pursuant to the terms of its bylaws and the law of the State of Delaware.

F. Executive expressly acknowledges that he has been given the opportunity to take twenty-one (21) days to review this Separation Agreement before signing it, and that he has been advised to consult with an attorney before signing it. Executive acknowledges that he understands that he may revoke this Separation Agreement, insofar as it extends to potential claims under the Age Discrimination in Employment Act, by informing the Company of Executive's intent to revoke this release within seven (7) days following the execution of this Separation Agreement, and that this Separation Agreement is not effective or enforceable until that seven-day revocation period has expired. Executive understands that any such revocation

must be stated in writing and delivered by hand or by certified mail-return receipt requested to _____, Human Resources Department, Sucampo Pharmaceuticals, Inc., 4520 East West Highway, Third Floor, Bethesda, Maryland 20814. If Executive exercises this right to revoke or rescind, the Company shall have no obligation to provide severance pay or benefits to Executive as provided by the Agreement.

G. Executive acknowledges that the Company's obligation to provide any severance pay or benefits pursuant to the Agreement shall not become effective or enforceable until this Separation Agreement has been executed and the revocation period identified above has expired without notice of revocation having been made.

H. Executive agrees that he will forfeit all amounts payable by the Company under this Separation Agreement if he challenges the validity of this Separation Agreement. Executive also agrees that if he violates this Separation Agreement by suing the Company or the other Released Parties, in the event that the Company is the prevailing party, Executive will pay all costs and expenses of defending against the suit incurred by the Released Parties, including reasonable attorneys' fees, and return all payments received by Executive on or after the termination of his employment.

I. Executive hereby acknowledges and states that Executive has read this Separation Agreement, this Separation Agreement is written in language which is understandable to Executive, that Executive fully appreciates the meaning of the terms of this Separation Agreement, and that Executive enters into this Separation Agreement freely and voluntarily.

4. **Release of Claims by Company**. The Company, its boards of directors, board committees, officers, directors, shareholders, agents, and employees agree and forever discharge

and release Executive, his heirs, assign, executors and administrators from any and all claims, actions, causes of action, grievances, arbitrations, suits, proceedings, debts, controversies, agreements, attorney fees, judgments, demands, and damages whatsoever, in law or equity, arising from or relating to any actions, decisions, alleged omissions, or events occurring on or prior to the signing of this Separation Agreement, except any action or proceeding which the Company may be required or requested to take against Executive as a result of any regulatory agency action. This includes, but is not limited to, any claims arising from or relating to Executive's employment with, and recruitment to, the Company, and Executive's termination of employment. Nothing in this Separation Agreement releases or waives Company's right to enforce any breach or violation of this Separation Agreement.

5. **Confidentiality**. Executive agrees that this Separation Agreement and the

Employment Agreement are confidential and agrees not to disclose any information regarding the terms of this Separation Agreement or the Employment Agreement, except to his immediate family and any tax, legal or other counsel he has consulted regarding the meaning or effect hereof or as required by law, and he will instruct each of the foregoing not to disclose the same to anyone. The Company agrees to disclose any such information only to any tax, legal or other counsel of the Company as required by law. Further, Executive shall not affirmatively make any public or private statements about his employment or separation from the Company except to his immediate family and any tax, legal or other counsel he has retained, unless authorized in writing by the Company; except however, that in response to any inquires from any media or third party, Executive only can state that "Executive and the Company have agreed to part ways on an amicable basis upon the conclusion of the Employment Agreement." Company shall provide dates of employment and positions held by Executive in response to any inquiry made by a third

party for any purpose regarding Executive's employment by the Company, and shall not be required to provide any other reference for Executive, whether oral or written.

6. **Executive Cooperation**. As long as there is no conflict between Executive's legal interests and those of the Company, Executive agrees that he shall, to the extent reasonably requested in writing, cooperate with and serve in any capacity requested by the Company in any investigation and/or threatened or pending litigation (now or in the future) in which the Company is a party, and regarding which Executive, by virtue of his employment with the Company, has knowledge or information relevant to said investigation or litigation including, but not limited to (i) meeting with representatives of the Company to prepare for testimony and to provide truthful information regarding his knowledge, (ii) acting as the Company's representative, and (iii) providing, in any jurisdiction in which the Company requests, truthful information or testimony relevant to the investigation or litigation. Company agrees to reimburse Executive's reasonable expenses incurred for his cooperation under this Paragraph 6.

Executive also agrees to cooperate with the Company and its counsel in connection with any matters relating to the Company in which Executive has been compelled, by subpoena or other compulsory, to testify or produce documents. Executive shall provide notice to the Company within 48 hours of receiving such notice and agrees to (i) meet with the Company's representatives and attorneys (ii) provide the attorneys with any documents requested, and (iii) prepare for any appearance with the Company's attorneys.

Executive, at his own expense, may retain his own counsel, in lieu of or in addition to, the Company's counsel. Executive's appointment of his own counsel shall in no way interfere with his obligation to cooperate with the Company as described herein.

7. **Mutual Non-Disparagement.** Executive and the Company agree that, at all times following the signing of this Separation Agreement, they shall not engage in any disparagement or vilification of the other, and shall refrain from making any false, negative, critical or otherwise disparaging statements, implied or expressed, concerning the other, including, but not limited to, the management style, methods of doing business, the quality of products and services, role in the community, treatment of employees or the circumstances and events regarding Executive's employment separation. Executive acknowledges that the only persons whose statements may be attributed to the Company for purposes of this Separation Agreement not to make disparaging statements shall be each member of the Board of Directors of the SPI and each of SPI's senior executive officers. The parties further agree to do nothing that would damage the other's business reputation or good will. Nothing in this Separation Agreement prevents the Company responding to subpoenas, government inquiries or other obligations they may have under the law or from reporting criminal activities to appropriate authorities.

8. **Employment Agreement Provisions Incorporated Into Separation Agreement** Executive and the Company will be bound by and comply with all provisions of Article 5 of the Employment Agreement, for the durations expressly stated in Article 5, all of which are incorporated by reference into this Separation Agreement. Aside from Article 5 of the Employment Agreement, which is incorporated herein, this Separation Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all other agreements, oral or written, heretofore made with respect thereto including, without limitation, the Employment Agreement. In addition, no provision of this Separation Agreement may be

amended, modified, changed, altered, or supplemented except by a writing that is signed by Executive and by the Company.

9. **Post-Employment General Release and Termination Certificate**. As consideration for the payments and benefits Executive receives under this Separation Agreement, Executive agrees to execute the Termination Certificate attached as Exhibit A between _____and _____, 201_ and the General Release as Exhibit B to this Separation Agreement on _____, 201_. If Executive fails to execute and return such documents to the Company by _____, 201_, or revokes the General Release after executing it, Executive forfeits his right to all payments and benefits in the Separation Agreement.

10. **Indemnification Rights**. In the event Executive is named as a defendant in a lawsuit because of his role as an officer, manager, or employee of the Company, Executive shall be entitled to the same indemnification rights and directors and officers liability coverage he had while employed by the Company. In any such lawsuit, the Company shall have the option of designating counsel for Executive and Executive agrees that his counsel shall enter into a joint defense agreement with the attorneys for the Company and any of its officers, directors, shareholders, employees, or other agents or representatives with respect to their common defense.

11.. **Severability .**Any provisions of this Separation Agreement that may be

prohibited by, or unlawful or unenforceable under, any applicable law of any jurisdiction shall, as to such jurisdiction, be ineffective without affecting any other provision hereof. To the full extent, however, that the provisions of such applicable law may be waived, they are hereby

waived, to the end that this Separation Agreement be deemed to be a valid and binding agreement enforceable in accordance with its terms.

12. **Controlling Law** This Separation Agreement has been entered into by the

parties in the State of Maryland and shall be continued and enforced in accordance with the laws of Maryland.

13. **Arbitration**. Any controversy, claim, or breach arising out of or relating to this Separation Agreement or the breach thereof shall be settled by arbitration in the State of Maryland in accordance with the rules of the American Arbitration Association for commercial disputes and the judgment upon the award rendered shall be entered by consent in any court having jurisdiction thereof; provided, however, that this provision shall not preclude the Company from seeking injunctive or similar relief from the courts to enforce its rights under the Employment Covenants set forth in Article 5 of the Employment Agreement as incorporated into this Separation Agreement.

14. **Assignments**. Subject to obtaining Executive's prior approval, which shall not be unreasonably withheld or delayed, the Company shall have the right to assign this Separation Agreement and to delegate all rights, duties and obligations hereunder to any entity that controls the Company, that the Company controls or that may be the result of the merger, consolidation, acquisition or reorganization of the Company and another entity. Executive agrees that this Separation Agreement is personal to Executive and Executive's rights and interest hereunder may not be assigned, nor may Executive's obligations and duties hereunder be delegated (except as to delegation in the normal course of operation of the Company), and any attempted assignment or delegation in violation of this provision shall be void.

EXECUTIVE ACKNOWLEDGES THAT HE HAS READ THIS ENTIRE SEPARATION AGREEMENT CAREFULLY, AS THIS SEPARATION AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS (AS ALLOWED BY LAW) WHICH HE MAY HAVE AGAINST THE COMPANY INCLUDING CLAIMS PURSUANT TO THE AGE DISCRIMINATION IN EMPLOYMENT ACT.

(Signature page appears on the following page.)

IN WITNESS WHEREOF, Executive after due consideration and consultation, has authorized, executed, and delivered this Separation Agreement all as of the date first above written.

NAME

Sucampo Pharmaceuticals, Inc.

By: _____
NAME

TITLE

EXHIBIT A

TERMINATION CERTIFICATE

I hereby certify that I do not have in my possession or under my control, nor have I failed to return, any "Company Materials" as defined in that certain Employment Agreement entered into before Sucampo Pharmaceuticals, Inc., a Delaware corporation, and me, dated as of _____, 201_.

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

_____

_____
Date

EXHIBIT B

GENERAL RELEASE

This General Release is made and entered into as of the day of_, 201_ (the "Separation Date"), by and between [NAME] (hereinafter "Executive") and Sucampo Pharmaceuticals, Inc. ("SPI"), a corporation organized under the laws of the State of Delaware, and its affiliates (hereinafter collectively referred to as the "Company").

WHEREAS, Executive and SPI are parties to Separation and Release Agreement dated as of_, 201_ (hereinafter, the "Separation Agreement");

WHEREAS, Executive and Company intend to settle any and all claims that Executive may have against Company as a result of any act, occurrence, decision, event or omission occurring at any time after the signing of the Separation Agreement, including, but not limited to, any matter or fact arising out of Executive's employment with SPI, the termination of Executive's employment, or the events giving rise to the Separation Agreement or this General Release;

WHEREAS, under the terms of the Separation Agreement, Executive promised to enter into this General Release as a condition precedent to the separation payments and benefits to be provided under the Separation Agreement;

NOW, THEREFORE, in consideration of the payments and benefits, obligations and covenants contained in the Separation Agreement herein, the parties agree as follows:

1. **Release of Claims**. Executive and the Company intend to settle any and all

claims that Executive may have against the Company as a result of the hiring of Executive, Executive's employment, Executive's compensation while employed, and the termination of Executive's employment. Executive agrees that in exchange for SPI's promises in the Separation Agreement and in exchange for the separation pay and benefits to be paid to Executive as described in the Separation Agreement, Executive, on behalf of Executive and Executive's heirs, successors and assigns, hereby releases and forever discharges the Company, its predecessors, successors, and assigns, and their respective boards of directors, board committees, officers, directors, shareholders, agents, employees, and insurers (the "Released Parties"), from all liability for damages and from all claims that Executive may have against the Released Parties arising from or relating to the hiring of Executive, Executive's compensation while employed, Executive's employment, the termination of Executive's employment pursuant to any other actions, decisions, alleged omissions, or events occurring on or prior to the signing of this General Release.

A. Executive understands and agrees that Executive's release of claims in this General Release includes, but is not limited to, any claims Executive may have under Title VII of the Federal Civil Rights Act of 1964, as amended; the Americans with Disabilities Act, the Equal Pay Act, the Fair Labor Standards Act, the Employee Retirement and Income Security Act, the Age Discrimination in Employment Act, the Family and Medical Leave Act, the Maryland Fair Employment Practices Statute (formerly referred to as Article 49 B) - MD. Code Ann., State Gov't § 20-601 et seq.; Maryland Lily Ledbetter Civil Rights Restoration Act - MD. Code Ann., State Gov't § 20-607 (b); Maryland Equal Pay Law- MD. Code Ann., Lab. & Emp. § 3-301 et seq.; Maryland Wage Payment and Collection Law - MD. Code Ann., Lab. & Emp. § 3-501 et

seq.; Maryland Wage Hour Law - MD. Code Ann., Lab. & Emp. § 3-401 et seq.; Maryland Worker's Compensation Act - MD. Code Ann., Lab. & Emp. § 9-101 et seq.; Maryland Occupational Safety and Health Law - MD. Code Ann., Lab. & Emp. § 5-101 et seq., or any other federal, state, or local statute, ordinance, or law.

B. Executive also understands that Executive is giving up all other claims, whether grounded in contract or tort theories, including, but not limited to, wrongful discharge, breach of contract, tortious interference with contractual relations, promissory estoppel, detrimental reliance, breach of the implied covenant of good faith and fair dealing, breach of express or implied promise, breach of manuals or other policies, breach of fiduciary duty, assault, battery, fraud, invasion of privacy, intentional or negligent misrepresentation, defamation, including libel, slander, discharge defamation and self-publication defamation, discharge in violation of public policy, whistleblower, intentional or negligent infliction of emotional distress, or any other theory, whether legal or equitable.

C. Executive will not institute any lawsuit against the Released Parties arising from or relating to the hiring of Executive, Executive’s employment, Executive’s compensation while employed, the termination of Executive’s employment, or any other actions, decisions, alleged omissions, or events occurring prior to the signing of this General Release.

D. To the extent required by law, nothing contained in this General Release will be interpreted to prevent Executive from filing a charge with a governmental agency or participating in or cooperating with an investigation conducted by a governmental agency. However, Executive agrees that Executive is waiving the right to any monetary damages or other individual legal or equitable relief awarded as a result of any such proceeding related to any

claim against the Released Parties arising from or relating to the hiring of Executive, Executive's employment, Executive's compensation while employed, the termination of Executive's employment, or any other actions, decisions, alleged omissions, or events occurring on or prior to the signing of this General Release.

E. Notwithstanding any of the foregoing, this General Release shall not apply with respect to any rights or claims which Executive may have under the terms of the Separation Agreement itself or to any rights or benefits Executive may have related to vested accrued benefits under the terms of the Company's benefit plans or to the Executive's right to be indemnified by the Company pursuant to the terms of its bylaws and the law of the State of Delaware.

F. Executive expressly acknowledges that he has been given the opportunity to take twenty-one (21) days to review this General Release before signing it, and that he has been advised to consult with an attorney before signing it. Executive acknowledges that he understands that he may revoke this General Release, insofar as it extends to potential claims under the Age Discrimination in Employment Act, by informing the Company of Executive's intent to revoke this release within seven (7) days following the execution of this General Release, and that this General Release is not effective or enforceable until that seven-day revocation period has expired. Executive understands that any such revocation must be stated in writing and delivered by hand or by certified mail-return receipt requested to_, Human Resources Department, Sucampo Pharmaceuticals, Inc., 4520 East West Highway, Third Floor, Bethesda, Maryland 20814. If Executive exercises this right to revoke or rescind, the Company shall have no obligation to provide severance pay or benefits to Executive as provided by the Agreement.

G. Executive acknowledges that the Company's obligation to provide any severance pay or benefits pursuant to the Agreement shall not become effective or enforceable until the revocation period identified above has expired without notice of revocation having been made.

H. Executive agrees that he will forfeit all amounts payable by the Company under the Separation Agreement if he challenges the validity of this General Release. Executive also agrees that if he violates this General Release by suing the Company or the other Released Parties, in the event that the Company is the prevailing party, Executive will pay all costs and expenses of defending against the suit incurred by the Released Parties, including reasonable attorneys' fees, and return all payments received by Executive on or after the termination of his employment.

2. This General Release shall be binding upon, and inure to the benefit of, Executive and the Company and their respective successors and permitted assigns.

3. Executive hereby acknowledges and states that Executive has read this General Release, this General Release is written in language which is understandable to Executive, that Executive fully appreciates the meaning of the terms of this General Release, and that Executive enters into this General Release freely and voluntarily.

EXECUTIVE ACKNOWLEDGES THAT HE HAS READ THIS ENTIRE GENERAL RELEASE CAREFULLY, AS THIS GENERAL RELEASE INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS (AS ALLOWED BY LAW) WHICH HE MAY HAVE AGAINST THE COMPANY INCLUDING CLAIMS PURSUANT TO THE AGE DISCRIMINATION IN EMPLOYMENT ACT.

(Signature page appears on the following page.)

IN WITNESS WHEREOF, Executive after due consideration and consultation, has authorized, executed, and delivered this General Release all as of the date first above written.

NAME

EXHIBIT C

INVENTIONS, INTELLECTUAL PROPERTY AND EQUIPMENT CERTIFICATE

I hereby certify that I have set forth below a complete list and brief description of all Inventions, intellectual property and equipment located at the Company which is owned directly or indirectly by me and which shall not be transferred to the Company pursuant to the terms of that certain Employment Agreement (the Agreement") entered into between Sucampo Pharmaceuticals, Inc., a Delaware corporation, and me, dated January 30, 2015.

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

List of Items:

/s/ Andrew Smith
SIGNATURE

Andrew Smith
Print Name

April 20, 2015
Date

EXHIBIT 31.1

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

I, Peter Greenleaf, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sucampo Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(F)) for the registrant and have:

   (a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrants fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 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 Quarterly Report on Form 10-Q of Sucampo Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(F)) for the registrant and have:

   (a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrants fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 of the Company (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 of the Company (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2016

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